



[Zytronic PLC](#) - ZYT

Interim Results for six months ended 31 March 2018

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Zytronic PLC

15 May 2018

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Zytronic plc

("Zytronic" or the "Group")

Interim Results for the six months ended 31 March 2018

Zytronic plc, a leading specialist manufacturer of touch sensors, announces its consolidated interim results for the six months ended 31 March 2018.

Overview

- Group revenue of £10.6m (H1 2017: £11.3m)
- Gaming revenues increased by 17%, offset by a decline in Financial revenues of 29%
- Profit before tax of £2.2m (H1 2017: £2.5m)
- Interim dividend increased by 100% to 7.60p per share (H1 2017: 3.80p)
- Basic earnings per share ("EPS") of 11.7p (H1 2017: 13.8p)
- Net cash of £13.7m (30 September 2017: £14.1m) following an increase to dividend payments

Commenting on the results, Chairman, Tudor Davies said:

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"The second half of the year has started with some improvement in demand from the ATM market and an increased number of projects in the growing Gaming sector. This is consistent with the improvement in trading normally experienced in the second half, and whilst growth may be suppressed compared with recent years, we expect to make good progress in developing our unique, award-winning products, particularly in the USA and Asia."

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Notes to Editors

Zytronic is the developer and manufacturer of a unique range of internationally award-winning and patented touch sensor products, operating from three modern factories totaling 80,000ft² near Newcastle-upon-Tyne in the United Kingdom.

Zytronic touch products employ an embedded sensing solution and are readily configurable to enable multi-user and multi-touch touch sensing sizes from five inches to ultra-large 85", making them an ideal solution for system designers' specific requirements, offering significant durability, environmental stability and optical enhancement benefits to touch interactivity for industrial, self-service and public access equipment.

Chairman's statement

Introduction

The Board is pleased to report a doubling of the interim dividend to 7.6p (H1 2017: 3.8p) in line with our progressive dividend policy, and the continued development of our business into new markets, which in the first half has counteracted some deferral in business from the Financial sector.

Results

Revenues for the first half to 31 March 2018 were £10.6m (H1 2017: £11.3m), with profit before taxation of £2.2m (H1 2017: £2.5m).



There has been a considerable variation in demand across the various sectors, resulting in a reduction in revenues. The most positive has been Gaming which has increased by 17%, whereas in the Financial sector, where we supply product for ATM manufacture, demand has been unpredictable with projects being deferred and sales lower than at this time last year. However, in recent weeks we have seen some improvement in demand from the ATM market, and the good progress in Gaming is continuing with an increasing number of projects in the pipeline, and we expect further opportunities to result from the change to direct sales representation in USA and Asia.

Cash generation

Cash generation from operating activities improved to £2.4m (H1 2017: £2.1m), of which £0.3m was invested into capital expenditure, and with the 2017 final dividend payment of £2.4m, some £0.7m higher than the 2016 final dividend payment, resulted in cash balances of £13.7m (30 September 2017: £14.1m).

Dividend

The Directors have declared a 100% increase to the interim dividend to 7.60p per share (H1 2017: 3.80p) payable on 20 July 2018 to shareholders on the Register on 6 July 2018, to facilitate a move towards an improved balance between the interim and final dividends for a fiscal year, whilst maintaining the Company's progressive dividend policy.

Outlook

The second half of the year has started with some improvement in demand from the ATM market and an increased number of projects in the growing Gaming sector. This is consistent with the improvement in trading normally experienced in the second half, and whilst growth may be suppressed compared with recent years, we expect to make good progress in developing our unique, award-winning products, particularly in the USA and Asia.

Tudor Davies

Chairman

15 May 2018

Unaudited results for the six months to 31 March 2018

Six months to	Six months to	Year to
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		31 March 2018 Unaudited £'000	31 March 2017 Unaudited £'000	30 September 2017 Audited £'000
	Notes			
Group revenue		10,605	11,281	22,892
Cost of sales		(6,408)	(6,414)	(13,481)
Gross profit		4,197	4,867	9,411
Distribution costs		(213)	(229)	(393)
Administration expenses		(1,806)	(2,117)	(3,591)
Group trading profit		2,178	2,521	5,427
Finance costs		(3)	(9)	(24)
Finance revenue		27	5	10
Profit before tax		2,202	2,517	5,413
Tax expenses	3	(330)	(366)	(825)
Profit for the period		1,872	2,151	4,588
Earnings per share				
Basic	4	11.7p	13.8p	29.0p
Diluted	4	11.7p	13.6p	28.8p

All profits are from continuing operations.

Consolidated statement of changes in equity

Unaudited results for the six months to 31 March 2018

	Called up share capital	Share premium	Retained earnings	Total
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	£'000	£'000	£'000	£'000
At 1 October 2017	160	8,994	17,622	26,776
Profit for the period	-	-	1,872	1,872
Dividends	-	-	(2,439)	(2,439)
At 31 March 2018 (unaudited)	160	8,994	17,055	26,209

Consolidated balance sheet

Unaudited results at 31 March 2018

	At 31 March 2018 Unaudited £'000	At 31 March 2017 Unaudited £'000	At 30 September 2017 Audited £'000
Assets			
Non-current assets			
Intangible assets	1,660	1,585	1,633
Property, plant and equipment	6,790	7,228	7,030
	8,450	8,813	8,663
Current assets			
Inventories	2,969	3,479	2,996
Trade and other receivables	3,562	3,563	3,506
Derivative financial assets	28	-	54
Cash and short term deposits	13,730	13,520	14,099
	20,289	20,562	20,655
Total assets	28,739	29,375	29,318

Liabilities

Current liabilities

Trade and other payables	1,030	1,494	1,042
Financial liabilities	-	1,049	-
Derivative financial liabilities	-	442	-
Accruals	700	1,021	862
Tax liabilities	175	405	3
	1,905	4,411	1,907

Non-current liabilities

Government grants	17	17	25
Deferred tax liabilities (net)	608	260	610
	625	277	635

Total liabilities	2,530	4,688	2,542
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Net assets	26,209	24,687	26,776
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Equity

Equity share capital	160	159	160
Share premium	8,994	8,805	8,994
Revenue reserve	17,055	15,723	17,622
Total equity	26,209	24,687	26,776

Consolidated cashflow statement

Unaudited results for the six months to 31 March 2018

	Notes	Six months to 31 March 2018 Unaudited £'000	Six months to 31 March 2017 Unaudited £'000	Year to 30 September 2017 Audited £'000
Operating activities				
Profit before tax		2,202	2,517	5,413
Net finance (revenue)/costs		(24)	4	14
Depreciation and impairment of property, plant and equipment		369	387	749
Amortisation and impairment of intangible assets		175	178	424
Loss on disposal of intangible assets		-	28	-
Amortisation of government grant		(8)	(31)	(42)
Fair value movement on foreign exchange forward contracts		26	(517)	(1,013)
Working capital adjustments				
Decrease/(increase) in inventories		27	(719)	(236)
(Increase)/decrease in trade and other receivables		(56)	316	239
(Decrease)/increase in trade and other payables and provisions		(165)	27	(356)
Cash generated from operations		2,546	2,190	5,192
Tax paid		(195)	(83)	(521)
Net cashflow from operating activities		2,351	2,107	4,671
Investing activities				
Interest received		27	5	10
Receipt of government grant		-	-	19
Payments to acquire property, plant and equipment		(103)	(214)	(472)
Payments to acquire intangible assets		(202)	(333)	(600)
Net cashflow from investing activities		(278)	(542)	(1,043)

Financing activities

Interest paid		(3)	(8)	(24)
Dividends paid to equity shareholders of the Parent		(2,439)	(1,744)	(2,354)
Proceeds from share issues relating to options		-	1,044	1,234
Repayment of borrowings		-	(100)	(1,148)
Net cashflow from financing activities		(2,442)	(808)	(2,292)
(Decrease)/increase in cash and cash equivalents		(369)	757	1,336
Cash and cash equivalents at the beginning of the period		14,099	12,763	12,763
Cash and cash equivalents at the end of the period	6	13,730	13,520	14,099

Notes to the interim report

Unaudited results for the six months to 31 March 2018

1. Basis of preparation

The financial information in these interim statements is prepared under the historical cost convention and in accordance with international accounting standards. It does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006 and does not reflect all the information contained in the Group's annual report and financial statements.

The tax charge is calculated by applying the Directors' best estimate of the annual tax rate to the profit for the period. Other expenses are accrued in accordance with the same principles used in the preparation of the annual report and financial statements.

The interim results for the six months to 31 March 2018 are not reviewed by Ernst & Young LLP and accordingly no opinion has been given.

The interim financial statements have been prepared using the same accounting policies and methods of computation used to prepare the 2017 annual report and financial statements.

The financial information for the six months to 31 March 2018 and the comparative financial information for the six months to 31 March 2017 have not been audited. The comparative financial information for the year ended 30 September 2017 has been extracted from the 2017 annual report and financial statements.

The annual report and financial statements for the year ended 30 September 2017, which were approved by the Board of Directors on 11 December 2017, received an unqualified audit report, did



not contain a statement under Section 498(2) or (3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

The Group has one reportable business segment comprising the development and manufacture of customised optical products to enhance electronic display performance. Products in this reportable business segment include touch sensors, filters and other laminated products. All revenue, profits or losses before tax and net assets are attributable to this reportable business segment.

2. Basis of consolidation

The Group results consolidate the accounts of Zytronic plc and all its subsidiary undertakings drawn up to 31 March 2018.

3. Tax charge on profit on ordinary activities

The estimated tax rate for the year of 15% has been applied to the half year's profit before tax, in accordance with the Auditing Standard Board's statement on interim reports.

4. Earnings per share

Basic EPS is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. All activities are continuing operations and therefore there is no difference between EPS arising from total operations and EPS arising from continuing operations.

For the six months to 31 March 2018 and 2017

	Weighted average number			Weighted average number		
	Earnings 31 March 2018 £'000	of shares 31 March 2018 Thousands	EPS 31 March 2018 Pence	Earnings 31 March 2017 £'000	of shares 31 March 2017 Thousands	EPS 31 March 2017 Pence
Profit on ordinary activities after tax	1,872	16,044	11.7	2,151	15,626	13.8
Basic EPS	1,872	16,044	11.7	2,151	15,626	13.8

The weighted average number of shares for diluted EPS is calculated by including the weighted average number of shares under option.

	Weighted average number			Weighted average number		
	Earnings	of shares	EPS	Earnings	of shares	EPS
	31 March	31 March	31 March	31 March	31 March	31 March
	2018	2018	2018	2017	2017	2017
	£'000	Thousands	Pence	£'000	Thousands	Pence
Profit on ordinary activities after tax	1,872	16,044	11.7	2,151	15,626	13.8
Weighted average number of shares under option	-	-	-	-	168	(0.2)
Diluted EPS	1,872	16,044	11.7	2,151	15,794	13.6

For the year to 30 September 2017

	Weighted average number		
	Earnings	of shares	EPS
	30 September	30 September	30 September
	2017	2017	2017
	£'000	Thousands	Pence
Profit on ordinary activities after tax	4,588	15,819	29.0
Basic EPS	4,588	15,819	29.0

The weighted average number of shares for diluted EPS is calculated by including the weighted average number of shares under option.

	Earnings	Weighted average number of shares	EPS
	30 September 2017	30 September 2017	30 September 2017
	£'000	Thousands	Pence
Profit on ordinary activities after tax	4,588	15,819	29.0
Weighted average number of shares under option	-	131	(0.2)
Diluted EPS	4,588	15,950	28.8

5. Dividends

The Directors propose the payment of an interim dividend of 7.60p per share (H1 2017: 3.80p), payable on 20 July 2018 to shareholders on the Register on 6 July 2018. This dividend has not been accrued in these interim accounts. The dividend payment will be approximately £1.2m.

	Six months to 31 March 2018 Unaudited £'000	Six months to 31 March 2017 Unaudited £'000	Year to 30 September 2017 Audited £'000
Ordinary dividends on equity shares			
Final dividend of 10.96p per ordinary share paid on 3 March 2017	-	1,744	1,744
Interim dividend of 3.80p per ordinary share paid on 21 July 2017	-	-	610
Final dividend of 15.20p per ordinary share paid on 9 March 2018	2,439	-	-
	2,439	1,744	2,354

6. Cash and cash equivalents

	Six months to 31 March 2018 Unaudited £'000	Six months to 31 March 2017 Unaudited £'000	Year to 30 September 2017 Audited £'000
Cash at bank and in hand	13,730	13,520	14,099

For the purpose of the consolidated cashflow statement, cash and cash equivalents comprise the following:

	Six months to 31 March 2018 Unaudited £'000	Six months to 31 March 2017 Unaudited £'000	Year to 30 September 2017 Audited £'000
Cash at bank and in hand	11,382	10,709	11,679
Short term deposits	3,030	3,671	3,089
Bank overdraft	(682)	(860)	(669)
	13,730	13,520	14,099

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for variable lengths, being overnight, three months or one year (with break conditions), depending on the immediate cash requirements of the Group, and earn interest at variable rates.

At 31 March 2018 the Group had available a net £1.0m (cash less overdrawn accounts) overdraft facility from Barclays Bank plc which will fall for review in November 2018.

The fair value of cash and cash equivalents is £13.7m (H1 2017: £13.5m).

7. Availability of the interim report

A copy of the interim report is available on the Company's website, www.zytronicplc.com, and can be obtained from the Company's registered office: Whiteley Road, Blaydon-on-Tyne, Tyne and Wear NE21 5NJ. Copies will be sent to shareholders shortly. A copy of the presentation made to institutional investors is also available on the Company's website.



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