



At the forefront of touch technology

ZYTRONIC PLC
INTERIM REPORT FOR THE SIX MONTHS TO 31 MARCH 2022



Pioneering the touchscreen revolution for 22 years

Zytronic's vision is to make its unique touch sensor technology pre-eminent in markets that require medium to large sized touch interactive systems.

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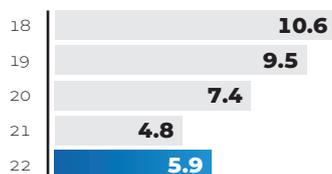


Learn more
<https://www.zytronic.co.uk/>

FINANCIAL OVERVIEW

Group revenue (£m)

£5.9m



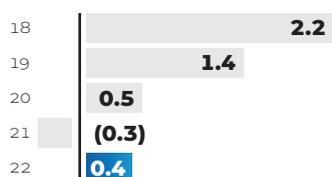
Gross profit margin (%)

31.7%



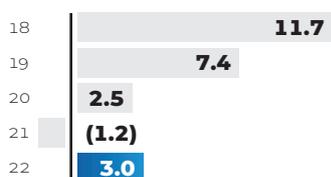
Profit/(loss) before tax (£m)

£0.4m



Basic earnings/(loss) per share (p)

3.0p



Interim dividend (p)

0p



HIGHLIGHTS

- ▶ Group revenue of £5.9m (2021: £4.8m)
- ▶ EBITDA of £0.8m (2021: £0.2m)
- ▶ Profit before tax of £0.4m (2021: loss of £0.3m)
- ▶ Basic earnings per share of 3.0p (2021: loss per share 1.2p)
- ▶ Positive cash generated from operations £0.1m (2021: £0.4m)
- ▶ Net cash of £7.5m (30 September 2021: £9.2m)

Why invest in Zytronic?

Strong net assets and cash provide sound basis for growth

£7.5m

cash in the Group

Diversified technologies, products, markets and applications

5

key markets

Investment in our already proven and trusted technology

£0.1m

investment in R&D

Strength of opportunities pipeline

428

opportunities in pipeline

Excellence in manufacturing

16

skilled employees degree level or higher

Continuing to innovate and adapt

The Group remains well positioned to progress in its recovery from the impacts of the Covid-19 pandemic.

Introduction

The Group continued to make encouraging progress over the first half of the current year in its recovery from the impacts of the Covid-19 pandemic, evidenced by the 24% year-on-year increase in sales to £5.9m (2021: £4.8m). However, the ongoing travel restrictions in many of its key geographic markets had the effect of further impeding its sales and marketing activities over the period, with the unfortunate postponement of several key tradeshows. Also, as previously reported, the considerable disruption to global supply chains continues, particularly in the electronics components sector from which the Group buys and also supplies, adding upward pressure particularly on materials and logistics costs. Customer confidence is shown to have improved in certain markets, such as Gaming and Vending, which has benefited both sales and gross margin through the volume increase in large and shaped format sensors.

Results

Group revenue for the half year ended 31 March 2022 was £5.9m (2021: £4.8m), remaining in line with the AGM trading update published on 3 March 2022. The gross margin was 31.7% (2021: 27.0%), with EBITDA of £0.8m (2021: £0.2m) and profit before tax of £0.4m (2021: loss of £0.3m). Basic earnings per share was 3.0p (2021: loss per share 1.2p).

Sales have shown improvement, particularly in Gaming and Vending, which has consequently resulted in improvements in both the APAC and Americas territories. Innovation in the technical capabilities of, and the products offered, remains a key driver, with a further patent granted and a new application lodged. Tradeshow participation has yet again been very

restricted over the period; albeit the Group continues to observe improvements in its level of opportunities being addressed, particularly in Vending, with significant global potential from future deployments of commercial electric vehicle charging stations.

The Group is mindful of the situation with the conflict in Ukraine and although the Group's revenue from the directly affected countries is not material, it has withdrawn from any trading opportunities into Russia. It will continue to monitor and take advice from the government on these matters.

Cash

The Board announced on 17 February 2022, following further consideration of the level of the Group's cash balances, that it was in the interests of shareholders to again distribute surplus cash. It was agreed that this was best achieved by way of share buybacks in the market, utilising the headroom remaining under the authority used for the Tender Offer implemented last year until its expiry, and subsequently utilising the new authority granted by shareholders at the 2022 AGM held on 3 March. By 31 March 2022, 750,500 shares had been purchased under the buyback at an average price of 153.5p per share, returning £1.2m of cash. These purchases have continued since the end of the half year.

Payments of a final dividend of £0.2m and capital expenditure totalling £0.2m, alongside the cash returned under the buyback programme, served to offset the small amount of cash generated from operations (which itself was impacted by an increase in working capital of £0.7m). These factors contributed to the net reduction in cash over the half year period of £1.6m (2021: £6.3m). Excluding the effects of the returns of cash via the Tender and buybacks in the relevant

periods, the net movement in cash was a decrease of £0.5m (2021: increase of £0.4m), the principal shift being the absorption of working capital during the recovery in activity levels.

The Board considers the cash balances as of 31 March 2022 of £7.5m (30 September 2021: £9.2m) to be more than adequate for operational purposes and the funding of further share buybacks using the remaining headroom under the existing authority.

Dividends

The Board, having returned to paying dividends, with a final dividend for 2021 paid in March 2022, has decided that, as per last year, it will again not pay an interim dividend and will consider recommending a final dividend dependent on the full-year performance of the Group.

Outlook

While the previously noted post-pandemic issues look likely to present a headwind for the remainder of the financial year, the Group remains well positioned to progress in its recovery, particularly now as the global sales and marketing activities resume and provide the basis for the generation of new future opportunities.

David Buffham

Chair
17 May 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2022

	Notes	Six months to 31 March 2022 Unaudited £'000	Six months to 31 March 2021 Unaudited £'000	Year to 30 September 2021 Audited £'000
Group revenue		5,910	4,784	11,683
Cost of sales		(4,034)	(3,490)	(8,146)
Gross profit		1,876	1,294	3,537
Distribution costs		(132)	(66)	(183)
Administration expenses		(1,345)	(1,542)	(2,901)
Group trading profit/(loss)		399	(314)	453
Group operating profit/(loss)		399	(314)	453
Profit/(loss) before tax		399	(314)	453
Tax (expense)/credit	3	(56)	130	(47)
Profit/(loss) for the period		343	(184)	406
Other comprehensive income		—	—	—
Total comprehensive income/loss		343	(184)	406
Earnings/(loss) per share				
Basic	4	3.0	(1.2)p	3.0p

All activities are from continuing operations.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2022

	Equity share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2021	114	8,994	46	7,611	16,765
Profit for the period	—	—	—	343	343
Dividends	—	—	—	(170)	(170)
Repurchase and cancellation of shares	(8)	—	8	(1,152)	(1,152)
At 31 March 2022 (unaudited)	106	8,994	54	6,632	15,786

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
UNAUDITED RESULTS AT 31 MARCH 2022

	Notes	At 31 March 2022 Unaudited £'000	At 31 March 2021 Unaudited £'000	At 30 September 2021 Audited £'000
Assets				
Non-current assets				
Intangible assets		635	875	733
Property, plant and equipment		5,310	5,490	5,370
		5,945	6,365	6,103
Current assets				
Inventories		2,093	1,621	1,435
Trade and other receivables		2,078	1,912	2,200
Derivative financial assets		—	8	—
Cash and short term deposits	6	7,538	7,752	9,157
		11,709	11,293	12,792
Total assets		17,654	17,658	18,895
Equity and liabilities				
Current liabilities				
Trade and other payables		881	489	1,080
Derivative financial liabilities		18	—	16
Accruals		580	489	551
Government grants		—	25	26
Tax liabilities		53	—	121
		1,532	1,003	1,794
Non-current liabilities				
Deferred tax liabilities (net)		336	480	336
		336	480	336
Total liabilities		1,868	1,483	2,130
Net assets		15,786	16,175	16,765
Capital and reserves				
	7			
Equity share capital		106	114	114
Share premium		8,994	8,994	8,994
Capital redemption reserve		54	46	46
Retained earnings		6,632	7,021	7,611
Total equity		15,786	16,175	16,765

CONSOLIDATED CASHFLOW STATEMENT
UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2022

	Notes	Six months to 31 March 2022 Unaudited £'000	Six months to 31 March 2021 Unaudited £'000	Year to 30 September 2021 Audited £'000
Operating activities				
Profit/(loss) before tax		399	(314)	453
Depreciation and impairment of property, plant and equipment		279	333	629
Amortisation, impairment and write-off of intangible assets		121	188	379
Amortisation of government grant		(26)	(2)	(1)
Fair value movement on foreign exchange forward contracts		2	8	16
Loss on disposal of asset		—	—	23
Working capital adjustments				
(Increase)/decrease in inventories		(658)	711	897
Decrease/(increase) in trade and other receivables		122	47	(433)
(Decrease)/increase in trade and other payables and provisions		(169)	(589)	85
Cash generated from operations		70	382	2,048
Tax (paid)/received		(125)	61	48
Net cashflow (used in)/from operating activities		(55)	443	2,096
Investing activities				
Payments to acquire property, plant and equipment		(219)	(3)	(179)
Payments to acquire intangible assets		(23)	(20)	(92)
Net cashflow used in investing activities		(242)	(23)	(271)
Financing activities				
Dividends paid to equity shareholders of the Parent		(170)	—	—
Repurchase and cancellation of shares		(1,152)	(6,706)	(6,706)
Net cashflow used in financing activities		(1,322)	(6,706)	(6,706)
Decrease in cash and cash equivalents		(1,619)	(6,286)	(4,881)
Cash and cash equivalents at the beginning of the period		9,157	14,038	14,038
Cash and cash equivalents at the end of the period	6	7,538	7,752	9,157

NOTES TO THE INTERIM REPORT

UNAUDITED RESULTS FOR THE SIX MONTHS TO 31 MARCH 2022

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 2022 are not reviewed by Crowe U.K. 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 2021 annual report and financial statements.

The financial information for the six months to 31 March 2022 and the comparative financial information for the six months to 31 March 2021 have not been audited. The comparative financial information for the year ended 30 September 2021 has been extracted from the 2021 annual report and financial statements.

The annual report and financial statements for the year ended 30 September 2021, which were approved by the Board of Directors on 6 December 2021, received an unqualified audit report, did not contain a statement under Sections 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 2022.

3. Tax charge on profit/(loss) on ordinary activities

The estimated tax rate for the year of 14% has been applied to the half year's profit before tax, in accordance with the Auditing Standards Board's statement on interim reports.

4. Earnings/(loss) per share ("EPS"/"LPS")

Basic EPS/LPS is calculated by dividing the profit/(loss) 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/LPS arising from total operations and EPS/LPS arising from continuing operations.

For the six months to 31 March 2022 and 2021

	Profit 31 March 2022 £'000	Weighted average number of shares 31 March 2022 Thousands	EPS 31 March 2022 Pence	Loss 31 March 2021 £'000	Weighted average number of shares 31 March 2021 Thousands	LPS 31 March 2021 Pence
Profit/(loss) on ordinary activities after tax	343	11,357	3.0	(184)	15,273	(1.2)
Basic EPS/LPS	343	11,357	3.0	(184)	15,273	(1.2)

For the year to 30 September 2021

	Profit 30 September 2021 £'000	Weighted average number of shares 30 September 2021 Thousands	EPS 30 September 2021 Pence
Profit on ordinary activities after tax	406	13,346	3.0
Basic EPS	406	13,346	3.0

5. Dividends

As the Group recovers from the effects of the Covid-19 pandemic, the Directors considered it prudent not to pay an interim dividend. Accordingly, no interim dividend is proposed for the period (2021: Nil). The table below reflects historic dividend payments.

	Six months to 31 March 2022 Unaudited £'000	Six months to 31 March 2021 Unaudited £'000	Year to 30 September 2021 Audited £'000
Ordinary dividends on equity shares			
Final dividend of 1.5p per ordinary share paid on 18 March 2022	170	—	—
	170	—	—

6. Cash and cash equivalents

	Six months to 31 March 2022 Unaudited £'000	Six months to 31 March 2021 Unaudited £'000	Year to 30 September 2021 Audited £'000
Cash at bank and in hand	7,538	7,752	9,157

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

	Six months to 31 March 2022 Unaudited £'000	Six months to 31 March 2021 Unaudited £'000	Year to 30 September 2021 Audited £'000
Cash at bank and in hand	7,267	7,752	8,886
Short term deposits	271	—	271
	7,538	7,752	9,157

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 2022 the Group had available a net £1.0m (cash less overdrawn accounts) overdraft facility from Barclays Bank plc, which will fall for review in October 2022.

The fair value of cash and cash equivalents is £7.5m (2021: £7.8m).

7. Capital and reserves

On 1 February 2021 the Company announced a proposed return of up to £10.0m of capital by way of a Tender Offer which was accepted by shareholders on 25 February 2021. As a result, 4,624,889 shares were purchased and subsequently cancelled by the Company at a price of 145p per share, returning £6.7m of the Company's cash.

On 17 February 2022 the Company announced a further proposed return of capital, via a share buyback programme, under the authorities obtained at the Company's last AGM held on 25 February 2021. The Company subsequently purchased 115,500 shares at an average price of 151.0p. The Company then held its 2022 AGM on 3 March 2022 and the authorities to continue the buyback were again granted, enabling the Company to further purchase up to 1,141,915 shares. Since the 2022 AGM, the Company has purchased 635,000 shares, at an average price of 153.9p, up until 31 March 2022. The total amount of cash returned to shareholders in the first half of this financial year is £1.2m.

8. Availability of the interim report

The interim report and interim results presentation are available on the Company's corporate website, www.zytronicplc.com. Copies can be requested from the Company's registered office: Whiteley Road, Blaydon-on-Tyne, Tyne and Wear NE21 5NJ.

CORPORATE INFORMATION

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