

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Date: 7 December 2021
 On behalf of: Jaywing plc (“Jaywing”, “the Company” or “the Group”)
 Embargoed: 0700 hrs on 7 December 2021

Jaywing plc Interim Results September 2021

Jaywing plc (AIM: JWNG), the integrated agency powered by data science, today announces its interim results for the six months ended 30 September 2021 (“H1”).

Financial highlights

	6 months to 30 September 2021 £'000	6 months to 30 September 2020 £'000
Net Revenue*	11,606	9,342
Loss after tax for the period	(289)	(387)
Adjusted EBITDA**	1,026	1,389
Adjusted EBITDA excluding salary sacrifice and Covid-19 government support	986	41
Cash Generated from Operations	681	1,914
Cash Generated from Operations excluding salary sacrifice and Covid-19 government support income	641	566
Net Debt (excluding IFRS 16) ***	(8,138)	(5,131)

Reconciliation of Operating Profit with Adjusted EBITDA

	6 months to 30 September 2021 £'000	6 months to 30 September 2020 £'000
Operating Profit	205	72
Add Back:		
Depreciation	140	125
Depreciation of right of use assets	333	333
Amortisation of intangibles	348	660
EBITDA	1,026	1,190
Impairment of intangibles****	-	690
Restructuring charges	-	205
Share based payment credits	-	(696)
Adjusted EBITDA	1,026	1,389
Salary sacrifice*****	-	(749)
Covid-19 Government support income	(40)	(599)
Adjusted EBITDA excluding salary sacrifice and Covid-19 government support	986	41

* Revenue less third-party direct costs of sale

** Adjusted EBITDA represents EBITDA before restructuring charges, impairment charges and share based payment credits

*** Including accrued interest

**** Impairment of historic trademark assets following brand integration under Jaywing during the period

*****In response to the Covid-19 pandemic there was a voluntary salary sacrifice scheme in the UK companies between April 2020 and August 2020 which reduced payroll costs by £749k

Operational Highlights

- 24% growth in Net Revenue vs prior period, with significant new business wins
- £0.9m underlying improvement in Adjusted EBITDA excluding salary sacrifice and Covid-19 government support income
- £641k Cash Generated from Operations excluding salary sacrifice and Covid-19 government support income against a comparative of £566k

Commenting on the results, Andrew Fryatt, CEO of Jaywing plc, said:

We are pleased to report Net Revenue growth of 24% in H1, returning to pre-pandemic levels, despite what continues to be a challenging market. Net Revenue per head increased by 22% year on year to £40k. The business also achieved a significant improvement in underlying profitability, which has been somewhat masked by the impact of Covid-related support and salary sacrifice during 2020. Excluding these, EBITDA improved from £0.041m to £0.986m.

A highlight of the first half was taking on the marketing for Skipton Building Society, in addition to our existing relationship in Risk Consulting. We have also won new business in the UK from Cox Automotive, Rush Hair & Beauty, CityFibre, HSBC, Vive, and Avant Homes, along with contract extensions with major clients, including Secure Trust. In Australia, new business wins included AMP Capital, Perpetual and Narellan Pools.

The total number of clients generating revenue in the half increased from 200 to 211, led by growth in Retail and in Financial Services.

All three of our market facing sectors saw revenue growth (note 4), with Financial and Professional Services delivering our strongest year-on-year growth, at 41%, driven by additional client spend in the UK on Risk and Regulatory Consulting.

Within the UK, we have significantly increased the cross selling of services to clients across our two established business streams – Risk Consulting and Integrated Marketing, which overlap in the underlying role of Data Science. The application of Data Science techniques and technologies to marketing challenges is resonating strongly with both new and existing clients, supporting Jaywing's distinctive positioning in our markets. With global marketing spend expected to exceed 2019 this year, and digital spend now greater than all other channels combined, we are enabling our clients to move up the digital marketing maturity curve towards market leading positions.

In Australia, where the pandemic impact has mainly affected the labour market, Net Revenue grew by 55% year on year, with multiple new business wins. With the borders having been closed, wage inflation has been well above normal in the last 12 months, but this is expected to stabilise as the borders reopen.

Through the half year we completed the final payments for the acquisition of the remaining 25% of Massive Group in Australia. On 2 November 2021 we announced that we have now taken full ownership of Frank Digital Pty Ltd for a final payment of AUS \$1.2m (£0.7m), which will be paid in a series of monthly payments between now and 30 April 2022 from the surplus cash flows of the combined Australian businesses. We are moving ahead with integrating our two Australian companies as Jaywing Australia, focusing on continued revenue growth in a more efficient structure.

The integration of the two Australian businesses will also enable us to present an integrated marketing proposition there, supported with Data Science from the UK.

Within the UK, we have consolidated all trading activities into Jaywing UK Limited to enable us to continue to focus on improving operating efficiencies.

Our steady stream of new business wins gives us confidence that we can continue to drive further growth in both the UK and Australia, and we believe our integrated operating structures can now support much of that growth with existing resources. We continue to look for appropriate opportunities to improve our operating efficiency including reviewing our premises footprint in 2022 and consolidation of teams where possible.

Enquiries:

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Consolidated statement of comprehensive income

		Unaudited Six months ended 30 Sept 2021 £'000	Unaudited Six months ended 30 Sept 2020 £'000	Audited year ended 31 March 2021 £'000
	<i>Note</i>			
Revenue		15,065	11,319	25,957
Direct costs		(3,459)	(1,977)	(5,792)
Net Revenue	4	11,606	9,342	20,165
Other operating income	5	40	599	793
Operating expenses		(11,441)	(9,869)	(20,867)
Operating Profit		205	72	91
Finance costs		(249)	(323)	(451)
Loss before tax		(44)	(251)	(360)
Tax (charge) / credit		(245)	(136)	119
Loss after tax for the period		(289)	(387)	(241)
Loss for the period is attributable to:				
Non-controlling interests		14	114	71
Owners of the parent		(303)	(501)	(312)
		(289)	(387)	(241)
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss				
Exchange differences on retranslation of foreign operations		60	181	(6)
Total comprehensive loss for the period		(229)	(206)	(247)
Total comprehensive loss is attributable to:				
Non-controlling interests		14	114	71
Owners of the parent		(243)	(320)	(318)
		(229)	(206)	(247)
Loss per share				
	6			
Basic loss per share		(0.26p)	(0.54p)	(0.34p)
Diluted loss per share		(0.26p)	(0.54p)	(0.34p)

Consolidated balance sheet

	Unaudited 30 Sept 2021 £'000	Unaudited 30 Sept 2020 £'000	Audited 31 March 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	1,701	2,460	2,060
Goodwill	29,789	27,865	29,789
Other intangible assets	456	1,302	799
	31,946	31,627	32,648
Current assets			
Trade and other receivables	6,550	5,154	6,214
Contract assets	1,180	702	619
Tax receivable	329	421	474
Cash and cash equivalents	402	3,044	752
	8,461	9,321	8,059
Total assets	40,407	40,948	40,707
Liabilities			
Current liabilities			
Borrowings	7 8,540	8,175	8,338
Trade and other payables	8,458	8,465	8,065
Contract liabilities	1,046	676	1,163
Current lease liabilities	353	678	666
Current tax liabilities	161	-	194
Provisions	42	42	42
	18,600	18,036	18,468
Non-current liabilities			
Non-current lease liabilities	731	1,200	877
Deferred tax liabilities	56	422	113
	787	1,622	990
Total liabilities	19,387	19,658	19,458
Net assets	21,020	21,290	21,249
Equity			
Capital and reserves attributable to equity holders of the company			
Share capital	8 34,992	34,992	34,992
Share premium	10,088	10,088	10,088
Capital redemption reserve	125	125	125
Shares purchased for treasury	(25)	(25)	(25)
Foreign currency translation reserve	(101)	26	(161)
Retained earnings	(24,427)	(25,369)	(24,124)
Equity attributable to owners of the parent	20,652	19,837	20,895
Non-controlling interest	368	1,453	354
Total equity	21,020	21,290	21,249

Consolidated cash flow statement

	Unaudited Six months ended 30 Sept 2021 £'000	Unaudited Six months ended 30 Sept 2020 £'000	Audited year ended 31 March 2021 £'000
Cash flow from operating activities			
Loss after tax for the period	(289)	(387)	(241)
Adjustment for:			
Depreciation of property, plant, and equipment	140	125	259
Depreciation of right of use assets	333	333	666
Amortisation of intangibles	348	660	1,118
Impairment of intangibles	-	690	690
Financial expenses	249	323	451
Fair value movement of put / call option	-	-	(435)
Share based payment credit	-	(696)	(696)
Taxation charge	245	136	(119)
Operating cash flow before changes in working capital	1,026	1,184	1,693
Operating cash flow before changes in working capital			
Increase in trade and other receivables	(990)	(20)	(901)
Increase in trade and other payables	645	750	1,466
Cash generated from operations	681	1,914	2,258
Interest paid	(27)	(41)	(74)
Tax paid	(98)	(152)	(376)
Net cash flow from operating activities	556	1,721	1,808
Cash flows from investing activities			
Payment of deferred consideration	(442)	(279)	(377)
Acquisition of intangible assets	(4)	(48)	(3)
Acquisition of non-controlling interest	-	-	(1,925)
Acquisition of property, plant, and equipment	(115)	(31)	(98)
Net cash outflow from investing activities	(561)	(358)	(2,403)
Cash flows from financing activities			
Repayment of Lease Liabilities (IFRS 16)	(345)	(315)	(649)
Net cash outflow from financing activities	(345)	(315)	(649)
Net increase / (decrease) in cash, cash equivalents and bank overdrafts	(350)	1,048	(1,244)
Cash and cash equivalents at beginning of period	752	1,996	1,996
Cash and cash equivalents at end of period	402	3,044	752
Cash and cash equivalents comprise:			
Cash at bank and in hand	402	3,044	752

Consolidated statement of changes in equity

	Share capital	Share premium account	Capital redemption reserve	Treasury Shares	Share option reserve	Foreign currency translation reserve	Retained earnings	Equity attributable to parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 March 2020 (audited)	34,992	10,088	125	(25)	696	(155)	(24,868)	20,853	1,339	22,192
Charge in respect of share-based payments	-	-	-	-	(696)	-	-	(696)	-	(696)
Transactions with owners	-	-	-	-	(696)	-	-	(696)	-	(696)
Loss for the period	-	-	-	-	-	-	(501)	(501)	114	(387)
Retranslation of foreign currency	-	-	-	-	-	181	-	181	-	181
Total comprehensive income for the period	-	-	-	-	-	181	(501)	(320)	114	(206)
Balance at 30 September 2020 (unaudited)	34,992	10,088	125	(25)	-	26	(25,369)	19,837	1,453	21,290
Acquisition of subsidiaries	-	-	-	-	-	-	1,056	1,056	(1,056)	-
Loss for the period	-	-	-	-	-	-	189	189	(43)	146
Retranslation of foreign currency	-	-	-	-	-	(187)	-	(187)	-	(187)
Total comprehensive income for the period	-	-	-	-	-	(187)	1,245	1,058	(1,099)	(41)
Balance at 31 March 2021 (audited)	34,992	10,088	125	(25)	-	(161)	(24,124)	20,895	354	21,249
Loss for the period	-	-	-	-	-	-	(303)	(303)	14	(289)
Retranslation of foreign currency	-	-	-	-	-	60	-	60	-	60
Total comprehensive income for the period	-	-	-	-	-	60	(303)	(243)	14	(229)
Balance at 30 September 2021 (unaudited)	34,992	10,088	125	(25)	-	(101)	(24,427)	20,652	368	21,020

1. General Information

Jaywing plc (the "Company") is incorporated and domiciled in the United Kingdom. The Company is listed on the AIM market of the London Stock Exchange. The registered address is Albert Works, Sidney Street, Sheffield, S1 4RG.

The interim financial information was approved for issue on 7 December 2021.

2. Basis of preparation

The consolidated interim financial statements for the six months ended 30 September 2021, which are unaudited, have been prepared in accordance with applicable accounting standards and under the historical cost convention except for certain financial instruments that are carried at fair value.

The financial information for the year ended 31 March 2021 set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 March 2021 have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Section 498 (2) or Section 498 (3) of the Companies Act 2006.

The consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2021, which have been prepared and approved by the Directors in accordance with International accounting standards in conformity with the Companies Act 2006. The Consolidated Financial Statements have been prepared under the historical cost convention.

The Board continually assesses and monitors the key risks of the business. The Board continues to consider the Group's profit and cash flow plans for at least the next 12 months and runs forecasts and downside stress test scenarios. These risks have not significantly changed from those set out in the Company's Annual Report for the period ended 31 March 2021.

Based on the Group's cash flow forecasts and projections, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. While the Group has seen some disruption from COVID-19, the impact has been manageable and the business model has demonstrated resilience. The Directors are confident that operating cost reductions and cash preservation measures could be utilised to reduce costs and preserve cash. In considering their position the Directors have also had regard to letters of support in respect of the secured debt received from each of the holders of that debt. The Group has continued to adopt the going concern basis of accounting in preparing these interim financial statements.

3. Accounting policies

The principal accounting policies of Jaywing plc and its subsidiaries ("the Group") are consistent with those set out in the Group's 2021 annual report and financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

4. Segment information

The Group reported its operations by client-facing market segments (Retail, FMCG, Financial & Professional Services), reflecting the operating divisions of the Group.

Group Net Revenue by client facing operating segments

	Unaudited six months ended 30 Sept 2021 £'000	Unaudited six months ended 30 Sept 2020 £'000
Retail	4,012	3,454
FMCG	3,057	2,666
Financial & Professional Services	4,537	3,222
	11,606	9,342

"Retail" includes:

Retail, Travel & Leisure, Hospitality, Property & Utilities

"FMCG" includes:

Consumer Goods, Industrial, Telecoms, Support Services,
Healthcare, Education, Public Sector & Non-Profit

"Financial & Professional Services" includes: Financial & Professional Services

4. Segment information (continued)

Net Revenue by Geographic Markets

	Unaudited six months ended 30 Sept 2021	Unaudited six months ended 30 Sept 2020
	£'000	£'000
United Kingdom	8,956	7,629
Australia	2,650	1,713
	11,606	9,342

Net Revenue is defined as revenue less third-party direct costs of sale. Revenue before third-party direct costs in the UK was £12,366k (2020: £9,524k), and in Australia £2,699k (2020: £1,795k).

5. Other operating income (unaudited)

The Group has taken the option to present income received from Government sources in relation to Covid-19 as other operating income, rather than netted against costs. The Group received funds from the UK Government under the Covid-19 Job Retention Scheme of £37k (2020: £492k). Under the corresponding scheme in Australia, Cashflow boost and Job Keepers, the Group received £3k (2020: £107k). Of the £781k received in the year ended March 2021, £599k was received in the six-month period to September 2020.

6. Loss per share

	Unaudited Six months ended 30 Sept 2021	Unaudited Six months ended 30 Sept 2020	Audited year ended 31 March 2021
	Pence per share	Pence per share	Pence per Share
Basic loss per share	(0.26p)	(0.54p)	(0.34p)
Diluted loss per share	(0.26p)	(0.54p)	(0.34p)

7. Borrowings

Summary	Unaudited 30 Sept 2021	Unaudited 30 Sept 2020	Audited 31 March 2021
	£'000	£'000	£'000
Borrowings	8,540	8,175	8,338
	8,540	8,175	8,338

Borrowings are repayable as follows:

Within 1 year			
Borrowings	8,540	8,175	8,338
Total due within 1 year	8,540	8,175	8,338
In more than one year but less than two years	-	-	-
Total amount due	8,540	8,175	8,338

Average interest rates at the balance sheet date were:

Term loan	4.81	5.10	4.82
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As the loans are at variable market rates their carrying amount is equivalent to their fair value.

The borrowings are repayable on demand and interest is calculated at 3-month LIBOR plus a margin. Borrowings includes accrued interest.

The borrowings are secured by charges over all the assets of Jaywing and guarantees and charges over all of the assets of the various subsidiaries (Jaywing UK Limited (formerly known as Scope Creative Marketing Limited), Alphanumeric Limited, Gasbox Limited, Jaywing Central Limited, Jaywing Innovation limited, Bloom Media (UK) Limited, Epiphany Solutions limited and Massive Group Pty Limited).

7. Borrowings (continued)

Reconciliation of net debt	Cash and cash equivalents	Borrowings	Net debt
	£'000	£'000	£'000
30 September 2021 (Unaudited)	402	(8,540)	(8,138)
31 March 2021 (Audited)	752	(8,338)	(7,586)
30 September 2020 (Unaudited)	3,044	(8,175)	(5,131)

8. Share capital (unaudited)

Allotted, issued and fully paid	45p deferred shares	5p ordinary shares	£'000
	Number	Number	
Issued share capital at 31 March 2021 and 30 September 2021 and 30 September 2020	67,378,520	93,432,217	34,992

9. Related party transactions (unaudited)

The new related party transactions were:

- The exercise of the Put and Call Option in relation to Frank Digital Pty Ltd described in note 10
- Ian Robinson (Non-Executive Chairman) is a Director of Gusbourne Estate Limited, with which Jaywing commenced trading on an arm's length basis in H1. Net Revenue from Gusbourne Estate Limited amounted to £54k in the 6 months to 30 September 2021 with a debtor's balance of £13k as at 30 September 2021

There were no other significant changes in the nature and size of related party transactions for the period from those disclosed in the Annual Report for the year ended 31 March 2021.

10. Post balance sheet event (unaudited)

On 2 November 2021 Jaywing Plc agreed with Matt Barbelli as the sole director of Frank Digital Pty Ltd ("Frank Digital") in Australia to accelerate the exercise of the Put and Call Option in relation to the 25% of the shares in Frank Digital held by Barbelli Enterprises Pty Ltd ATF Barbelli Holdings Trust ("BEP") an entity controlled by Matt Barbelli, and which were not already owned by Jaywing. Jaywing now owns 100% of the shares in Frank Digital. The acceleration of this payment has been agreed to facilitate Jaywing's strategy, specifically the timely integration of its two Australian businesses.

Jaywing and Frank Digital entered into an agreement on 27 February 2018, whereby Jaywing acquired 75% of the shares of Frank Digital, with the remaining 25% subject to a Put and Call Option, exercisable from February 2022. A variation agreement has now been agreed between Jaywing, BEP, Matt Barbelli and Massive Group Pty Ltd to acquire this 25% stake immediately for a consideration of AUS \$1.2m (c.£0.7m), which will be paid in a series of monthly payments between now and 30 April 2022 from the surplus cash flows of the combined Australian businesses (the "Deferred Consideration"). This will bring the total consideration for the purchase of the 100% interest in Frank Digital to AUS \$3.0m (£1.7m).

This variation Agreement will enable Jaywing's two Australian businesses (Frank Digital and Massive Group) to achieve the benefits of a fully integrated operation. Whilst the calculation methodology has not been changed by the variation agreement, the Deferred Consideration of \$1.2m remains subject to a final independent audit confirmation in November 2021 of the results of Frank Digital to 30 June 2021, and any resulting adjustments will be made against the Deferred Consideration.

The variation agreement, which has enabled early repayment of the Deferred Consideration to the vendor of Frank Digital, is considered a related party transaction in accordance with Rule 13 of the AIM Rules for Companies. The Company's directors consider, having consulted with the Company's nominated adviser, that the terms of the transaction are fair and reasonable insofar as shareholders are concerned.