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: 1 December 2022
On behalf of: Jaywing plc ("Jaywing", "the Company" or "the Group")
Embargoed: 0700 hrs on 1 December 2022

Jaywing plc
Interim Results September 2022

Jaywing plc (AIM: JWNG), the integrated agency powered by data science, today announces its interim results for the six months ended 30 September 2022 ("H1").

Financial highlights

	6 months to 30 September 2022 £'000	6 months to 30 September 2021 £'000	Change %
Revenue	11,161	11,606	(3.8%)
Loss after tax for the period	(208)	(289)	
Adjusted EBITDA[1]	1,360	1,026	32.6%
Cash Generated from Operations	(134)	681	
Net Debt (excluding IFRS 16) [2]	(10,068)	(8,138)	

<u>**Reconciliation of Operating Profit with Adjusted EBITDA**</u>

	6 months to 30 September 2022 £'000	6 months to 30 September 2021 £'000
Operating Profit	**580**	**205**
Add Back:		
Depreciation	117	140
Depreciation of right of use assets	310	333
Amortisation of intangibles	30	348
EBITDA	**1,037**	**1,026**
Restructuring charges	131	-
Acquisition & related costs	192	-
Adjusted EBITDA[1]	**1,360**	**1,026**
Adjusted EBITDA margin	**12.2%**	**8.8%**

	6 months to 30 September 2022 £'000	6 months to 30 September 2021 £'000	Change %
Revenue			
United Kingdom	8,426	8,956	(5.9%)
Australia	2,735	2,650	3.2%
Group total	**11,161**	**11,606**	**(3.8%)**
Adjusted EBITDA[1]			
United Kingdom	1,219	486	150.8%
Australia	141	540	(73.9%)
Group total	**1,360**	**1,026**	**32.6%**

[1] Adjusted EBITDA represents EBITDA before restructuring charges arising from actions taken in Q4 of the year ended 31 March 2022, and acquisition & related costs
[2] Including accrued interest

Operational Highlights

- Adjusted EBITDA up by 32.6% at £1,360k against prior period, on 3.8% lower revenues
- UK profitability improved with adjusted EBITDA up 150.8% at £1,219k, due to cost and efficiency improvements
- Australian adjusted EBITDA down 73.9% at £141k as a result of Australian wage inflation and impact of integration activity at the start of FY23
- New business pipeline remains strong
- Decision IP acquisition successfully completed & encouraging new business growth opportunities for Decision software being developed.

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

I am pleased to report that we delivered an improvement in underlying profitability in the first half year with adjusted EBITDA up £334k to £1,360k against prior period. Adjusted EBITDA margin improved by 3.4ppt to 12.2%, driven by our strong proposition in the market together with a firm control on costs. This has been delivered against a challenging backdrop. The economic uncertainty in both the UK and Australia impacted first half revenues, with some existing clients delaying spend and onboarding of new clients taking longer to navigate clients' internal approvals. UK revenues were 5.9% lower, but our actions to reduce the cost base at the end of the prior year resulted in UK adjusted EBITDA being 150.8% higher, at £1,219k. In Australia, revenues were up 3.2%, although the momentum from the previous financial year, which achieved a revenue growth of 24.5%, was interrupted by the integration of the two Australian businesses. Coupled with local wage inflation as a result of the previous border closure, Australia's EBITDA fell back in the period, to £141k.The group returned to pre-tax profit, recording a profit before tax of £208k.

UK

In the UK, we added a number of new clients in the first half, including Verdant Leisure, Fair4All Finance, OpenMoney, University of East Anglia and Truworths. The opportunity pipeline remains strong, and we continue to win at least half the opportunities we pitch for.

However, the impact of economic uncertainty and the war in Ukraine can be seen in existing spend levels, with some clients deferring expenditures into the second half or until they have more certainty of their own revenues. We are managing the UK cost base accordingly to help us to continue to increase profitability year-on-year despite softer revenues, and UK revenue per head was up 2.9% in the first half.

The UK's top ten clients accounted for 35.0% of UK revenue, or £3.0m, and their aggregate spend was up 17.3% on the previous year. Key clients included Castrol, HSBC and ADT, who have all increased their spend this year. Our Retail client revenues were up 19.0% in the first half, but this was offset by more cautious expenditure by our Financial and FMCG clients.

Australia

In Australia, the integration of the two original businesses (Massive Group Pty and Frank Digital Pty) into "Jaywing Australia", during last year's Q4, resulted in a reduced pipeline of new business at the start of the current financial year. However, the restructuring of our Australian business will now support increased scale, and we are now able to present a strong integrated proposition. This is already resulting in an increased opportunity pipeline which includes a number of potential blue-chip clients.

The key issue over the last year or so has been wage inflation in Australia, following the two-year closure of the borders during the pandemic. On a comparable basis, average cost per employee is up 26.2% on the prior year. With the opening of the borders, this wage inflation has abated, and the second half of the year is expected to produce a stronger revenue and profit performance.

Strategy

During the first half we were also able to resolve a number of legacy issues, including the long-running litigation in relation to the Bloom acquisition in 2016 with the claimants' case being dismissed in April 2022 and completion of the final payments for the Frank Digital Put Option in Australia.

Towards the end of the first half we completed the acquisition of Midisi Ltd, who own the IP for the Decision automation software Jaywing has used since 2016. This has immediately increased profitability through removal of the licence fee and allowed us to increase our commercial focus on Decision and its benefits in increasing the effectiveness of marketing spend. This is resonating well with clients, and we have already added four new Decision clients with several additional opportunities in the pipeline.

Net Debt and Cash Flow

Partly in anticipation of the purchase of Midisi Ltd, and to provide further working capital, the Group has increased the headroom in its existing short-term finance facility by £1.0m, through a variation of the existing debt agreement with its lenders, DSC Investment Holdings Ltd and 1798 Volantis Fund Ltd. This was the largest driver for the increase in net debt to £10.1m.

There have been a number of one off cash items that have resulted in cash generated from operations dropping by £0.8m to £(0.1m). This is primarily legal costs for the Bloom litigation, payment of acquisition related costs, timing of media spend and costs relating to the new Leeds office (with a reduced cost going forward).

Working capital continues to be closely managed with debtors days for the group dropping from 64 days for the prior interim period, to 49 days.

People

Just after the end of the period we moved our Leeds employees into our new office at Globe Point – whilst our employees are working in a hybrid model resulting in a reduced footprint and lower costs, we are beginning to see a move towards a greater in-office component.

Outlook

Given the continuing uncertainty in both our domestic markets and the global economy, we remain cautious about the outlook. Nonetheless, the actions taken to optimise our cost base, coupled with a strong new business pipeline in the UK and Australia and an expected strong recovery in Australia, are expected to underpin stronger profitability in the second half.

Enquiries:

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Consolidated statement of comprehensive income

	Note	**Unaudited Six months ended 30 Sept 2022 £'000**	Unaudited Six months ended 30 Sept 2021 £'000	Audited year ended 31 March 2022 £'000
Gross revenue		**14,710**	15,065	30,168
Direct costs		**(3,549)**	(3,459)	(6,844)
Revenue	*4*	**11,161**	11,606	23,324
Other operating income	*5*	**423**	40	40
Operating expenses		**(11,004)**	(11,441)	(29,450)
Operating Profit / (loss)		**580**	205	(6,086)
Finance costs		**(372)**	(249)	(474)
Profit / (loss) before tax		**208**	(44)	(6,560)
Tax (charge) / credit		**(416)**	(245)	123
Loss after tax for the period		**(208)**	(289)	(6,437)
Loss for the period is attributable to:				
Non-controlling interests		**-**	14	12
Owners of the parent		**(208)**	(303)	(6,449)
		(208)	(289)	(6,437)
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss				
Exchange differences on retranslation of foreign operations		**(68)**	60	279
Total comprehensive loss for the period		**(276)**	(229)	(6,158)
Total comprehensive loss is attributable to:				
Non-controlling interests		**-**	14	12
Owners of the parent		**(276)**	(243)	(6,170)
		(276)	(229)	(6,158)
Loss per share	*6*			
Basic loss per share		**(0.22p)**	(0.26p)	(6.90p)
Diluted loss per share		**(0.22p)**	(0.26p)	(6.90p)

Consolidated balance sheet

	Note	**Unaudited 30 Sept 2022 £'000**	Unaudited 30 Sept 2021 £'000	Audited 31 March 2022 £'000
Assets				
Non-current assets				
Property, plant and equipment	*7*	4,010	1,701	2,173
Goodwill		21,705	29,789	21,705
Deferred tax asset		557	-	644
Other intangible assets	*8*	3,331	456	69
		29,603	**31,946**	**24,591**
Current assets				
Trade and other receivables		5,246	6,550	6,415
Contract assets		887	1,180	453
Current tax asset		-	329	32
Cash and cash equivalents		490	402	714
		6,623	**8,461**	**7,614**
Total assets		**36,226**	**40,407**	**32,205**
Liabilities				
Current liabilities				
Borrowings	*9*	10,558	8,540	8,754
Trade and other payables		6,297	7,664	7,305
Deferred and contingent consideration		542	794	626
Contract liabilities		788	1,046	1,408
Lease liabilities		486	353	395
Tax liabilities		25	161	-
Provisions		-	42	42
		18,696	**18,600**	**18,530**
Non-current liabilities				
Lease liabilities		3,206	731	1,448
Deferred tax liabilities		-	56	-
Deferred and contingent consideration		2,373	-	-
		5,579	**787**	**1,448**
Total liabilities		**24,275**	**19,387**	**19,978**
Net assets		**11,951**	**21,020**	**12,227**
Equity				
Capital and reserves attributable to equity holders of the company				
Share capital	*10*	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		50	(101)	118
Retained earnings		(33,279)	(24,427)	(33,071)
Equity attributable to owners of the parent		**11,951**	**20,652**	**12,227**
Non-controlling interest		-	368	-
Total equity		**11,951**	**21,020**	**12,227**

Consolidated cash flow statement

	Unaudited Six months ended 30 Sept 2022 £'000	Unaudited Six months ended 30 Sept 2021 £'000	Audited year ended 31 March 2022 £'000
Cash flow from operating activities			
Loss after tax for the period	**(208)**	(289)	(6,437)
Adjustment for:			
Impairment of goodwill	**-**	-	6,131
Depreciation of property, plant, and equipment	**117**	140	327
Depreciation and impairment of right of use assets	**310**	333	752
Amortisation of intangibles	**30**	348	730
Financial costs	**372**	249	474
Taxation expense/(credit)	**416**	245	(123)
Operating cash flow before changes in working capital	**1,037**	1,026	1,854
Operating cash flow before changes in working capital			
Decrease/(Increase) in trade and other receivables	**735**	(990)	(168)
(Decrease)/Increase in trade and other payables	**(1,906)**	645	(99)
Cash generated from operations	**(134)**	681	1,587
Interest paid	**(15)**	(27)	(58)
Tax paid	**(44)**	(98)	(240)
Net cash flow from operating activities	**(193)**	556	1,289
Cash flows from investing activities			
Payment of deferred consideration	**(668)**	(442)	(442)
Increase in borrowings	**1,500**	-	-
Acquisition of subsidiary (note 12)	**(400)**	-	-
Acquisition of intangible assets	**-**	(4)	-
Acquisition of property, plant, and equipment	**(150)**	(115)	(163)
Net cash outflow from investing activities	**282**	(561)	(605)
Cash flows from financing activities			
Repayment of Lease Liabilities (IFRS 16)	**(313)**	(345)	(722)
Net cash outflow from financing activities	**(313)**	(345)	(722)
Net decrease in cash, cash equivalents and bank overdrafts	**(224)**	(350)	(38)
Cash and cash equivalents at beginning of period	**714**	752	752
Cash and cash equivalents at end of period	**490**	402	714
Cash and cash equivalents comprise:			
Cash at bank and in hand	**490**	402	714

Consolidated statement of changes in equity

	Share capital	Share premium account	Capital redemption reserve	Treasury Shares	Foreign currency translation reserve	Retained earnings	**Equity attributable to parent**	Non-controlling interest	**Total equity**
	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Balance at 31 March 2021 (audited)	**34,992**	**10,088**	**125**	**(25)**	**(161)**	**(24,124)**	**20,895**	**354**	**21,249**
Prior year adjustment (audited)	**-**	**-**	**-**	**-**	**-**	**(2,208)**	**(2,208)**	**-**	**(2,208)**
Restated balance at 31 March 2021 (audited)	**34,992**	**10,088**	**125**	**(25)**	**(161)**	**(26,332)**	**18,687**	**354**	**19,041**
Acquisition of subsidiaries NCI	-	-	-	-	-	(290)	(290)	(366)	(656)
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**(290)**	**(290)**	**(366)**	**(656)**
Loss for the period	-	-	-	-	-	(6,449)	(6,449)	12	(6,437)
Retranslation of foreign currency	-	-	-	-	279	-	279	-	279
Total comprehensive income for the period	-	-	-	-	279	(6,739)	(6,460)	(354)	(6,814)
Balance at 31 March 2022 (audited)	**34,992**	**10,088**	**125**	**(25)**	**118**	**(33,071)**	**12,227**	**-**	**12,227**
Loss for the period	-	-	-	-	-	(208)	(208)	-	(208)
Retranslation of foreign currency	-	-	-	-	(68)	-	(68)	-	(68)
Total comprehensive income for the period	-	-	-	-	(68)	(208)	(276)	-	(276)
Balance at 30 September 2022 (unaudited)	**34,992**	**10,088**	**125**	**(25)**	**50**	**(33,279)**	**11,951**	**-**	**11,951**

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 30 November 2022.

2. Basis of preparation

The consolidated interim financial statements for the six months ended 30 September 2022, 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 2022 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 2022 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 2022, 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 2022.

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. 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 2022 annual report and financial statements other than the new policies included below.

There were no new relevant Standards or Interpretations to be adopted for the six months ended 30 September 2022.

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

3.1 Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

Assets acquired and liabilities assumed are measured at their acquisition-date fair values.

The fair value amounts included in the interim results are provisional and will be reassessed in line with the measurement period applicable under IFRS 3

3.2 Other Intangible assets

Initial recognition of other intangible assets

Intellectual property
Intellectual property acquired in a business combination that qualifies for separate recognition are recognised as intangible assets at their fair values.

Subsequent measurement

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use.

The estimated useful life for intellectual property is 5 years.

3.3 Accounting estimates

Management uses valuation techniques when determining the fair values of certain assets and liabilities acquired in a business combination (see Note 3.1). In particular, the fair value of contingent consideration is dependent on the outcome of the acquirees' future revenues (see Note 12).

4. Segment information

The Group reported its operations based on location of business (United Kingdom & Australia).

Group revenue and Adjusted EBITDA by operating segments

	Unaudited six months ended 30 Sept 2022 £'000	Unaudited six months ended 30 Sept 2021 £'000
Revenue		
United Kingdom	**8,426**	8,956
Australia	**2,735**	2,650
	11,161	11,606
Adjusted EBITDA		
United Kingdom	**1,219**	486
Australia	**141**	540
	1,360	1,026

Revenue is defined as revenue less third-party direct costs of sale. Gross revenue before third- party direct costs in the UK was £11,949k (2021: £12,366k), and in Australia £2,761k (2021: £2,699k).

Group revenue by client facing segments

Analysis is presented on client facing sector to aid in understanding performance.

	Unaudited six months ended 30 Sept 2022 £'000	Unaudited six months ended 30 Sept 2021 £'000
Retail	**4,837**	4,012
FMCG	**2,984**	3,057
Financial & Professional Services	**3,340**	4,537
	11,161	11,606

"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

5. Other operating income (unaudited)

Within other operating income this period is a settlement of £419k in relation to previously incurred legal costs following the dismissal of the claimants case in April 2022, associated with the 2016 acquisition of Bloom Media (UK) Limited. The remaining £4k relates to sundry income.

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. In the period to September 2021 the Group received funds from the UK Government under the Covid-19 Job Retention Scheme of £37k, and £3k under the corresponding scheme in Australia, Cashflow boost and Job Keepers. There were no receipts of support after September 2021.

6. Loss per share

	Unaudited Six months ended 30 Sept 2022 Pence per share	Unaudited Six months ended 30 Sept 2021 Pence per share	Audited year ended 31 March 2022 Pence per Share
Basic loss per share	**(0.22p)**	(0.26p)	(6.90p)
Diluted loss per share	**(0.22p)**	(0.26p)	(6.90p)

7. Property, plant and equipment

	Unaudited 30 Sept 2022	Unaudited 30 Sept 2021	Audited 31 March 2022
	£'000	£'000	£'000
Buildings	**3,462**	1,136	1,660
Leasehold improvements	**216**	224	211
Office equipment	**332**	341	302
	4,010	1,701	2,173

8. Other intangible assets

	Unaudited 30 Sept 2022	Unaudited 30 Sept 2021	Audited 31 March 2022
	£'000	£'000	£'000
Customer relationships	**-**	296	-
Development costs	**39**	160	69
Intellectual property (note 12)	**3,292**	-	-
	3,331	456	69

9. Borrowings

	Unaudited 30 Sept 2022	Unaudited 30 Sept 2021	Audited 31 March 2022
Summary	**£'000**	£'000	£'000
Borrowings	**10,558**	8,540	8,754
	10,558	8,540	8,754
Borrowings are repayable as follows:			
Within 1 year			
Borrowings	**10,558**	8,540	8,754
Total due within 1 year	**10,558**	8,540	8,754
In more than one year but less than two years	**-**	-	-
Total amount due	**10,558**	8,540	8,754
Average interest rates at the balance sheet date were:	**%**	%	%
Term loan	**5.60**	4.81	4.75

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 the assets of the various subsidiaries (Jaywing UK Limited, Alphanumeric Limited, Gasbox Limited, Jaywing Central Limited, Jaywing Innovation limited, Bloom Media (UK) Limited and Epiphany Solutions Limited).

Reconciliation of net debt	**Cash and cash equivalents**	**Borrowings**	**Net debt**
	£'000	£'000	£'000
30 September 2022 (Unaudited)	**490**	**(10,558)**	**(10,068)**
31 March 2022 (Audited)	714	(8,754)	(8,040)
30 September 2021 (Unaudited)	402	(8,540)	(8,138)

10. Share capital (unaudited)

Allotted, issued and fully paid

	45p deferred shares	5p ordinary shares	
	Number	Number	£'000
Issued share capital at 31 March 2022 and 30 September 2022 and 30 September 2021	67,378,520	93,432,217	34,992

11. Related party transactions (unaudited)

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 2022.

12. Provisional business combination (unaudited)

On 26 August 2022 the group purchased 100% of the ordinary share capital of Midisi Limited for consideration of £3.3m.

The provisional amounts below recognised in respect of the identifiable assets and liabilities acquired are as set out in the table below:

	Provisional fair value on acquisition £'000
Assets	
Intangible assets (note 8)	3,292
	3,292
Liabilities	
Accruals	(3)
Social security and other taxes	(23)
	(26)
Total identifiable net assets at fair value	**3,266**
Purchase consideration	
Satisfied by:	
Cash	400
Deferred consideration	1,307
Contingent consideration	1,559
Total consideration	**3,266**

The initial consideration for the acquisition was £0.4m which was paid from Jaywing's existing cash resources. Further fixed payments totalling £1.4m will be paid at 6-monthly intervals over 42 months, plus an additional performance-related earn-out payable at 6-monthly intervals between months 13 and 49. The earn-out relates to revenues generated from Midisi, and the maximum earn-out payment is capped at £3.2m. Following the acquisition, the incremental revenue contributions delivered by Midisi are estimated to be at least £5.7m over 42 months, based on planned growth in the client base and enhancements to other existing Jaywing services. This would generate earn-out payments totalling £1.7m. The figures included in the table above are recorded at present value.

13. Post balance sheet event (unaudited)

There are no post balance sheet events that require disclosure.