MediaZest Plc - MDZ
Final Results
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MediaZest Plc
("MediaZest"or the "Company"; AIM: MDZ)

Final Results for the Year Ended 31 March 2018

MediaZest, the creative audio-visual company, is pleased to provide shareholders with final results for the year ended 31 March 2018.

CHAIRMAN'S STATEMENT

Introduction

The results for MediaZest plc (the "Group") for the year ended 31 March 2018 incorporate the results of its subsidiary, MediaZest International Limited, which is wholly owned.

Results for the year and Key Performance Indicators

- Revenue for the period was £2,819,000 down 6% (2017: £3,013,000).
- Gross profit was £1,361,000 – a 4% increase (2017: £1,313,000).
- Gross margins improved to 48% (2017: 44%).
- EBITDA was a loss of £113,000 (2017: loss of £2,000).
- Loss after tax of £256,000 increased 80% (2017: loss of £142,000).
- The basic and fully diluted loss per share was 0.02 pence (2017: 0.01 pence).
- Cash in hand at period end £38,000 (2017: £160,000).

Business overview

The Group comprises two entities: MediaZest plc, a holding company quoted on the AIM section of the London Stock Exchange, and an operational company, MediaZest International Limited.

Despite much progress in building the business during the year, the Board is disappointed with the financial results for year ended 31 March 2018 ("FY18"), which have been significantly affected by delays to three substantial projects that have all fallen into the new financial year ended 31 March 2019 ("FY19"). This timing risk was highlighted in the interim results announcement of 15 December 2017.

The net impact on the FY18 accounts has been that revenues are lower than expected by approximately £450,000 and net profit lower by approximately £200,000. There was also a further impact on cash in hand at year end as the Group held stock for two of these projects prior to the FY18 year-end cut-off.

In spite of these delays, the operational business, MediaZest International Limited, has again showed a net profit, with revenues of £2,819,000 (2017: £3,013,000) and profit of £95,000 after tax (2017: £118,000).

The most significant improvement in the business was evidenced by the increase in recurring contractual revenue. The Group continues to focus its efforts on permanent audio-visual installation work, with accompanying growth in recurring revenues. Over time this is expected to mitigate the impact of project delays such as those previously mentioned.

This strategy continues to work well for the Group and, as announced in the trading update on 23 May 2018, the current run rate of recurring revenues has grown significantly in the last 12 months. At the current time it is in excess of £700,000, more than double the level at the beginning of FY18. This increase in recurring revenue contracts will have substantial impact in FY19 as many of these contracts began relatively recently and the associated revenues are apportioned across the life of the contract.

The Group now supports approximately 2,000 displays in over 20 countries under these contracts.

Margins continue to improve in the business as recurring revenues grow, also reflecting the strategic emphasis on providing managed services in conjunction with any hardware supplied. This managed service wraps around the audio-visual proposition and includes the analysis of return on investment and associated data services for clients which the Board believes will be an area of profitable growth in the coming years.

The Group's advanced expertise in these areas provides a competitive advantage and in building on initial development of a product based on facial recognition technology ("MediaZest Retail Analytics") it has invested in acquiring access to new tools for data measurement and a refined reporting database to provide clients with further reporting and analytical services in respect of this data.

Costs have risen in some areas as the Group becomes better structured to meet client needs and there have also been increases in expenses associated with the listing of MediaZest plc and interest expense on shareholder loans. The Board continues to monitor these closely and will adjust as necessary to meet the demands of the business in FY19.

PROJECT HIGHLIGHTS AND MARKETS SERVED

The Group continues to enjoy a strong reputation in the broader retail sector, particularly in the Automotive, Fashion, Electronic goods and Financial Services sectors.

Project highlights for the year include the completion of our first store for Volkswagen, at Birmingham Bullring; completion of our first and delivery of our second major store projects for Clydesdale and Yorkshire Banking Group plus substantial project work with HP. All are new clients won within the last 18 months.

Other new clients include the European Bank for Reconstruction and Development (EBRD) and in the automotive sector Mitsubishi and Ford through our relationship with Rockar along with projects in Germany with Opel and a corporate project with BMW in the UK.

The Company's work with Ted Baker, Diesel, Kuoni, HMV, Halfords, Hyundai and several others all continues.

As well as serving clients all over the UK, in the past year there has been notable growth in overseas opportunities. Ted Baker is a client the Company works with on a global basis, now including Asia, Europe, the Middle East and Africa (EMEA), North America and Australasia. Recent projects for HP have been across the EMEA region and the Group recently completed several projects in China. There is an ongoing project for Opel is in Germany and the Group is pitching on several other multi-national substantial opportunities. The Board believes this offers meaningful growth opportunities in FY19 and future years.

STRATEGY

The Board maintains the following policies to maximise revenue and long- term value in the company:

- Emphasis on maximising opportunities by concentrating the Group's marketing and sales efforts on acquiring and developing business relationships with large scale customers which have both the desire and potential of rolling out digital signage in multiple locations;
- Improve the Group's recurring revenue streams through different managed service offerings;
- Maintain the emphasis on proprietary products such as MediaZest Retail Analytics which can generate intellectual property in the statement of financial position and provide ongoing sustainable revenue streams; and
- Market the Group's 'one stop shop' positioning to a wide range of global retailers in conjunction with existing partners and to continue to grow the number of overseas deployments.

Furthermore, the Group has agreed to work more closely with one of its significant supplier partners, Samsung UK. As one of a handful of "Growth Engine Partners" selected by Samsung UK, the two companies are working on certain joint marketing activities that the Board hopes will lead to further mutual substantial opportunities in the next 12 months.

The growth in activity in audio visual retail markets currently being experienced by many companies in the sector is also leading to further corporate opportunities. The Board's view is that the acceleration of growth by way of merger and/or acquisition is a strategy that should be considered at this time and is evaluating several such opportunities whilst remaining open to other options.

FUNDRAISING DURING THE PERIOD

On 13 February 2018, the Company made a successful placing of 46,668,000 shares at 0.15p per share to raise £70,000 before expenses. The shares were admitted to trading on AIM in February 2018.

The reasons for this placing were twofold:

The Company is becoming more focused on dealing with large, complex, global organisations. This has led to a need to keep a proportion of operating cashflow earmarked for deposit purposes with suppliers. In order to take full advantage of two specific opportunities, the Board set aside some of these funds raised for this purpose.

In addition, as noted above, the Board believes that there are strategic growth opportunities that should be explored and an element of the Placing funds has been set aside for this accordingly.

Due to the dilutive nature of fund raising at the current share price, the Board limited the amount raised to cover these two requirements only.

OUTLOOK

Although there has been much recent progress in business structure terms, the Board recognises that financial results need to improve and is looking to achieve this in FY19, particularly with the strong start to the first quarter.

Although the project delays have been particularly frustrating in FY18, all three will fall within the first half of FY19 and as a result, in tandem with growing contractual revenues, the Group expects to make substantial progress in financial performance at both Group and operational levels for the period ending 30 September 2019 versus the corresponding prior year period. Unaudited management accounts to 31 May 2018 (the first two months of the new financial year FY19) already show turnover of £662,000 and profit at Group level of £37,000 (profit in the operational company £105,000) which is a significant improvement on the previous year.

New projects for HP, Mitsubishi (at Lakeside shopping centre) and Ford (opened 16th July at Next in Manchester Arndale Centre) have been well received. The increased level of recurring revenue contracts is also expected to assist in achieving improved financial performance and to provide both greater predictability, visibility and quality of revenue.

New business activity continues to be brisk and the Board expect to announce further significant contract wins in due course.

Lance O'Neill

Chairman

Date: 16 August 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018	2017
		£'000	£'000
Continuing operations			
Revenue	1	2,819	3,013
Cost of sales		(1,458)	(1,700)
Gross profit		1,361	1,313
Administrative expenses		(1,474)	(1,315)
EBITDA		(113)	(2)
Administrative expenses – depreciation & amortisation		(41)	(77)
Operating loss		(154)	(79)
Finance costs		(102)	(67)
Loss on ordinary activities before taxation		(256)	(146)
Tax on loss on ordinary activities		-	4
Loss for the year and total comprehensive loss for the year attributable to the owners of the parent		(256)	(142)
Loss per ordinary 0.1p share	2		
Basic		(0.02p)	(0.01p)
Diluted		(0.02p)	(0.01p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

	2018	**2017**
	£'000	**£'000**
Non-current assets		
Goodwill	2,772	2,772
Tangible fixed assets	51	51
Intangible fixed assets	3	14
Total non-current assets	2,826	2,837
Current assets		
Inventories	217	69
Trade and other receivables	897	243
Cash and cash equivalents	38	160
Total current assets	1,152	472
Current liabilities		
Trade and other payables	(1,664)	(860)
Financial liabilities	(471)	(424)
Total current liabilities	(2,135)	(1,284)
Net current liabilities	(983)	(812)
Non-current liabilities		
Financial liabilities	(22)	(18)
Total non-current liabilities	(22)	(18)
Net assets	1,821	2,007
Equity		
Share capital	3,546	3,499
Share premium account	5,244	5,221
Share options reserve	146	146
Retained earnings	(7,115)	(6,859)

Total equity	1,821	2,007

The financial statements were approved and authorised for issue by the Board of Directors on 16 August 2018 and were signed on its behalf by:

Geoffrey Robertson

CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

	Share	Share	Share Options	Retained	**Total**
	Capital	Premium	Reserve	Earnings	**Equity**
	£'000	£'000	£'000	£'000	**£'000**
Balance at 1 April 2016	3,299	5,138	146	(6,717)	**1,866**
Loss for the year	-	-	-	(142)	**(142)**
Total comprehensive loss for the year	-	-	-	(142)	**(142)**
Issue of share capital	200	100	-	-	**300**
Share issue costs	-	(17)	-	-	**(17)**
Balance at 31 March 2017	3,499	5,221	146	(6,859)	**2,007**
Loss for the year	-	-	-	(256)	**(256)**
Total comprehensive loss for the year	-	-	-	(256)	**(256)**
Issue of share capital	47	24	-	-	**71**
Share issue costs	-	(1)	-	-	**(1)**
Balance at 31 March 2018	3,546	5,244	146	(7,115)	**1,821**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018	2017
		£'000	£'000
Net cash used in operating activities before tax		(434)	222
Taxation		-	9
Net cash used in operating activities		(434)	231
Cash flows used in investing activities			
Purchase of plant and machinery		(5)	(23)
Disposal of plant and machinery		-	11
Purchase of intellectual property		(2)	-
Purchase of leasehold improvements		-	(4)
Net cash used in investing activities		(7)	(16)
Cash flow from financing activities			
Other loans		(40)	(42)
Shareholder loan receipts		233	-
Shareholder loan repayments		(213)	(66)
Interest paid		(54)	(25)
Proceeds of share issue		70	250
Share issue costs		-	(17)
Net cash (used in) / generated from financing activities		(4)	100
Net decrease in cash and cash equivalents		(445)	315
Cash and cash equivalents at beginning of year		92	(223)
Cash and cash equivalents at end of the year	3	(353)	92

NOTES TO THE FINAL RESULTS ANNOUNCEMENT OF MEDIAZEST PLC FOR THE YEAR ENDED 31 MARCH 2018

The financial information set out in this announcement does not constitute the Group's financial statements for the years ended 31 March 2018 or 2017, but is derived from those financial statements. Statutory financial statements for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Group's annual general meeting. The auditors have reported on the 2017 and 2018 financial statements which carried an unqualified audit report, did not include a reference to any matters to which the auditor drew attention by way of emphasis and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

Whilst the financial information included in this announcement has been computed in accordance with International Financial Reporting Standards (IFRS), this announcement does not in itself contain sufficient information to comply with IFRS. The accounting policies used in preparation of this announcement are consistent with those in the full financial statements that have yet to be published.

The Report and Consolidated Financial Statements for the year ended 31 March 2018 will be posted to shareholders shortly and will also be available to download from the Company's website: www.mediazest.com

1. SEGMENTAL INFORMATION

Revenue for the year can be analysed by customer location as follows:

	2018	**2017**
	£'000	**£'000**
UK and Channel Islands	2,381	2,885
Netherlands	281	23
Germany	70	-
North America	54	74
Other	33	31
	2,819	3,013

The Directors have decided that revenue recognition should be analysed between hardware and installation, support and maintenance - recurring revenue, and other services. The 2017 numbers have been re-stated in accordance with this decision and the revenue for this year, and comparatives, are as follows:

	2018	**2017**
	£'000	**£'000**

Hardware and installation	2,016	2,418
Support and maintenance – recurring revenue	524	339
Other services	279	256
	2,819	3,013

Segmental information and results

The Chief Operating Decision Maker ('CODM'), who is responsible for the allocation of resources and assessing performance of the operating segments, has been identified as the Board. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Board. The Board have reviewed segmental information and concluded that there is only one operating segment. Further analysis, previously undertaken between the Project division, Service/Maintenance division and MediaZest Ventures division, has therefore now been excluded.

The Group does not rely on any individual client – the following revenues arose from sales to the Group's largest client.

	2018	2017
	£'000	£'000
Goods and services	94	329
Service and maintenance	169	-
	263	329

2. LOSS PER ORDINARY SHARE

	2018	2017
	£'000	£'000
Losses		
Losses for the purposes of basic and diluted earnings per share being net loss attributable to equity shareholders	256	142

	2018	2017
Number of shares	**Number**	**Number**
Weighted average number of ordinary shares for the purposes of basic earnings per share	1,245,639,221	1,217,292,006

Number of dilutive shares under option or warrant	-	-

	2018	**2017**
	£'000	**£'000**
Weighted average number of ordinary shares for the purposes of dilutive loss per share	1,245,639,221	1,217,292,006

Basic loss per share is calculated by dividing the loss after tax attributed to ordinary shareholders of £256,000 (2017: £142,000) by the weighted average number of shares during the year of 1,245,639,221 (2017: 1,217,292,006).

The diluted loss per share is identical to that used for basic loss per share as the exercise of warrants and options would have the effect of reducing the loss per share and therefore is anti-dilutive.

3. CASH AND CASH EQUIVALENTS

	2018	**2017**
	£'000	**£'000**
Cash held at bank	38	160
Invoice discounting facility	(391)	(68)
	(353)	92

This announcement contains inside information.

Enquiries:

Geoff Robertson Chief Executive Officer **MediaZest Plc**	0845 207 9378
Tom Price/Edward Hutton *Nominated Adviser* **Northland Capital Partners Limited**	020 3861 6625
Claire Noyce *Broker* **Hybridan LLP**	020 3764 2341

Notes to Editors:

About MediaZest

MediaZest is a creative audio-visual systems integrator that specialises in providing innovative marketing solutions to leading retailers, brand owners and corporations, but also works in the public sector in both the NHS and Education markets. The Group supplies an integrated service from content creation and system design to installation, technical support, and maintenance. MediaZest was admitted to the London Stock Exchange's AIM market in February 2005. For more information, please visit www.mediazest.com