19 September 2018
AIM: UNG.L

Universe Group plc
("Universe", the "Company" or the "Group")

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

Universe Group plc (AIM: UNG.L), a leading developer and supplier of point of sale, payment and on-line loyalty systems, announces its unaudited interim results for the six months to 30 June 2018.

Highlights

- Revenues up 6.3% to £9.25 million (H1 2017: £8.70 million)
- Adjusted EBITDA £0.98 million (H1 2017: £0.96 million)
- Operating profit £0.17 million (H1 2017: £0.22 million)
- Earnings per share 0.06p (H1 2017: 0.11p)
- Net cash inflow from operations up at £1.98 million (H1 2017: £1.32 million)
- The delivery of plans in payments and loyalty has been pleasing, although the completion of next generation EPOS products for the convenience sector was delayed until the current quarter
- Recent developments include the investment in hiring a new Sales and Marketing Director in June and a Chief Technology Officer this month

Andrew Blazye, Non-Executive Chairman of Universe, commented:

"We are pleased to report that revenues across the Group's activities for the first half show growth on the same period last year, that we have secured important existing contracts and won new customers and remain cash generative with a strong backbone of recurring revenue. We have continued to invest in the business with key hires and product development which has impacted short-term profit growth but with clear benefits for the longer term.

The Group is therefore overall in robust health and well positioned in the market. We are, as previously stated, also a second half weighted business, dependent on a small number of high value projects with lengthy sales cycles. The above considerations, and that our convenience sector EPOS product has become available to the market later than expected, leads us at this stage to expect sales for the year to be consistent with those of the previous financial year.

We are confident that the early actions we've taken in the marketplace mean we are well positioned for growth in 2019 and beyond."

For further information:

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CHAIRMAN'S STATEMENT

Financial Results

We report below the Company's results for the six months ended 30 June 2018.

Revenues for the first half were up 6.3% to £9.25 million (H1 2017: £8.70 million) with the increase coming across all revenue streams in the business.

Whilst revenues are up on the comparative figures for 2017 and profits broadly in line, as in the prior year, results for the full year are again expected to be heavily weighted towards the second half.

The increase in revenue has come from all areas of the business but in particular, software licences and hardware revenues were up 21.1% to £1.29 million (H1 2017: £1.06 million) following the completion of the rollout of our next generation Gempay 3 payment terminal across our existing customer base, which started in the second half of 2017. We have now installed over 1,500 Gempay 3 terminals and have opportunities to significantly increase this number across new customers. Consultancy and licence maintenance revenues were up 11.2% to £1.96 million (H1 2017: £1.77 million), data services revenues were up 2.8% to £2.04 million (H1 2017: £1.98 million) and services and installation revenues up 1.7% to £3.95 million (H1 2017: £3.89 million).

This improved revenue performance resulted in increased gross profits of £4.34 million (H1 2017: £4.16 million) but was accompanied by a small drop in gross margin to 46.9% (H1 2017: 47.8%) due to the change in sales mix towards lower margin hardware sales.

Administrative expenses rose 5.8% to £4.17 million (H1 2017: £3.94 million) reflecting a £0.30 million increase in expensed research and development spend on our next generation retail systems offset by a £0.07 million reduction in other administrative expenses. Expensed research and development for the period was £1.69 million (H1 2017: £1.39 million) which is in line with the expense in the second half of 2017 of £1.55 million.

Earnings before interest, taxes, share-based payments, depreciation and amortisation ('adjusted EBITDA') was £0.98 million (H1 2017: £0.96 million).

Operating profit was £0.17 million (H1 2017: £0.22 million).

Net finance expense was £0.04 million (H1 2017: £0.05 million).

The underlying tax charge for the period was £0.00 million (H1 2017: credit £0.01 million).

Earnings per share for the period were 0.06p (H1 2017: 0.11p).

Balance sheet and cash flow

The balance sheet at 30 June 2018 remains strong. Net current assets were £4.10 million (31 December 2017: £4.64 million) and non-current liabilities were £0.85 million (31 December 2017: £0.91 million).

Investment in the core business continued with capitalised development costs of £0.82 million (H1 2017: £0.69 million, H2 2017: £0.73 million) focused on our next generation of retail systems.

Capital expenditure in the period was £0.23 million (H1 2017: £0.26 million).

Cash flow from operating activities in the half year was £1.98 million (H1 2017: £1.32 million) with the cash generated largely reinvested into the business as product development, capital expenditure or debt repayment. Cash balances at 30 June 2018 were £3.37 million compared to £2.89 million at 31 December 2017.

Outlook

We are pleased to report that revenues across the Group's activities for the first half show growth on the same period last year, that we have secured important existing contracts and won new customers and remain cash generative with a strong backbone of recurring revenue. We have continued to invest in the business with key hires and product development which has impacted short-term profit growth but with clear benefits for the longer term.

The Group is therefore overall in robust health and well positioned in the market. We are, as previously stated, also a second half weighted business, dependent on a small number of high value projects with lengthy sales cycles. The above considerations, and that our convenience sector EPOS product has become available to the market later than expected, leads us at this stage to expect sales for the year to be consistent with those of the previous financial year.

We are confident that the early actions we've taken in the marketplace mean we are well positioned for growth in 2019 and beyond.

Andrew Blazye
Non-Executive Chairman
19 September 2018

Universe Group plc

Condensed Statement of Total Comprehensive Income (unaudited)
for the 6 months ended 30 June 2018

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	£'000	£'000	£'000
Continuing operations			
Revenue	**9,246**	8,700	19,622
Cost of sales	**(4,907)**	(4,539)	(10,291)
Gross profit	**4,339**	4,161	9,331
Administrative expenses	**(4,168)**	(3,941)	(8,455)
Operating profit	**171**	220	876
Net finance expense (see note 10)	**(43)**	(48)	(97)
Profit before taxation	**128**	172	779
Taxation	**-**	80	(145)
Profit and total comprehensive income for the period	**128**	252	634

Earnings per share (see note 8)	**Pence**	**Pence**	**Pence**
Basic EPS	**0.06**	0.11	0.27
Diluted EPS	**0.05**	0.10	0.26

Condensed Consolidated Statement of Changes in Equity (unaudited)

At start of period	**23,161**	22,494	22,494
Profit and total comprehensive income for the period	**128**	252	634
Share issue net of expenses	**2**	-	6
Share-based payments	**9**	18	27
At end of period	**23,300**	22,764	23,161

Universe Group plc

Condensed Consolidated Balance Sheet (unaudited)
as at 30 June 2018

	30 June 2018	30 June 2017	31 December 2017
	£'000	£'000	£'000
Non-current assets			
Goodwill and other intangibles	**13,894**	13,924	13,912
Development costs	**3,914**	3,089	3,447
Property, plant and equipment	**2,234**	2,289	2,074
	20,042	19,302	19,433
Current assets			
Inventories	**1,441**	1,340	1,409
Trade and other receivables	**4,536**	3,800	5,554
Cash and cash equivalents	**3,374**	3,406	2,885
	9,351	8,546	9,848
Total assets	**29,393**	27,848	29,281
Current liabilities			
Trade and other payables	**(4,615)**	(3,819)	(4,560)
Current tax liabilities	**-**	-	-
Borrowings	**(631)**	(562)	(652)
	(5,246)	(4,381)	(5,212)
Non-current liabilities			
Borrowings	**(316)**	(411)	(377)
Deferred tax	**(531)**	(292)	(531)
	(847)	(703)	(908)
Total liabilities	**(6,093)**	(5,084)	(6,120)
Net assets	**23,300**	22,764	23,161
Equity			
Share capital	**2,323**	2,334	2,322
Capital redemption reserve	**4,588**	4,588	4,588
Share premium	**13,063**	13,062	13,062
Merger reserve	**2,269**	2,269	2,269
Translation reserve	**(225)**	(225)	(225)
Retained earnings	**1,282**	736	1,145
Total equity attributable to equity shareholders	**23,300**	22,764	23,161

Universe Group plc

Condensed Consolidated Cash Flow Statement (unaudited)
for the six months ended 30 June 2018

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	£'000	£'000	£'000
Net cash flows from operating activities			
Profit before taxation	**128**	172	779
Depreciation and amortisation	**802**	722	1,463
Share-based payments	**9**	18	27
Net finance expense	**43**	48	97
	982	960	2,366
(Increase)/decrease in inventories	**(32)**	(256)	(325)
Decrease/(increase) in receivables	**1,018**	1,396	(403)
(Decrease)/increase in payables	**55**	(629)	112
Interest paid	**(43)**	(48)	(97)
Tax (paid)/received	**-**	(101)	(42)
Net cash inflow from operating activities	**1,980**	1,322	1,611
Cash flows from investing activities			
Deferred and contingent consideration arising on the acquisition of subsidiary undertakings	-	(55)	(55)
Purchase of property, plant & equipment	**(226)**	(257)	(352)
Expenditure on capitalised product development	**(820)**	(691)	(1,417)
Net cash outflow from investing activities	**(1,046)**	(1,003)	(1,824)
Cash flow from financing activities			
Proceeds from issue of shares	**2**	-	6
Repayments of obligations under finance leases	**(367)**	(321)	(316)
Repayments of loans	**(80)**	-	-
Net cash outflow from financing activities	**(445)**	(321)	(310)
Increase/(decrease) in cash and cash equivalents	**489**	(2)	(523)
Cash and cash equivalents at beginning of period	**2,885**	3,408	3,408
Cash and cash equivalents at end of period	**3,374**	3,406	2,885

Universe Group plc

Notes to Condensed Consolidated financial statements for six months ended 30 June 2018

1. The interim financial statements, which are unaudited, have been prepared on the basis of the accounting policies expected to apply for the financial year to 31 December 2018 and in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRSs) as endorsed by the European Union. The accounting policies applied in the preparation of these interim financial statements are consistent with those used in the financial statements for the year ended 31 December 2017.

The interim financial statements do not include all of the information required for full annual financial statements and do not comply with all the disclosures in IAS 34 'Interim Financial Reporting'. Accordingly, whilst the interim statements have been prepared in accordance with IFRSs, they cannot be construed as being in full compliance with IFRSs.

2. The financial information for the year ended 31 December 2017 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

3. The Directors believe the Group is well placed to manage its business risks successfully. The Group's forecasts and projections, taking account of reasonably possible changes in trading conditions show that the Group should be able to operate within the level of its facilities. After making enquiries the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future (being a period of at least 12 months from the date of this report). Accordingly, they continue to adopt the going concern basis in preparing the interim condensed financial statements.

4. The half year results were neither audited nor reviewed by the auditors. The interim financial information has been prepared on the basis of accounting policies set out in the Group's statutory accounts for the year ended 31 December 2017.

5. Turnover analysis

All turnover arises within the HTEC Solutions business segment.

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	£'000	£'000	£'000
Software licences and hardware	**1,289**	1,064	3,696
Service and installations	**3,954**	3,886	7,896
Data services	**2,039**	1,984	4,039
Consultancy and license maintenance	**1,964**	1,766	3,991
	9,246	8,700	19,622

6. Operating profit and adjusted EBITDA

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	£'000	£'000	£'000
Revenue	**9,246**	8,700	19,622
Cost of sales	**(4,907)**	(4,539)	(10,291)
Gross profit	**4,339**	4,161	9,331
Administrative expenses	**(4,168)**	(3,941)	(8,455)
Operating profit	**171**	220	876
Add back:			
Depreciation	**431**	352	713
Amortisation	**371**	370	750
Share-based payments	**9**	18	27
Exceptional costs relating to management changes	**-**	-	402
Adjusted EBITDA	**982**	960	2,768

7. Taxation

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	£'000	£'000	£'000
Current tax:			
Current year charge/(credit)	**-**	14	-
Adjustments to tax charge in respect of previous periods	**-**	(94)	(94)
	-	(80)	(94)
Deferred tax:			
Current year	**-**	-	227
Adjustments to tax charge in respect of previous periods	**-**	-	12
	-	-	239
Total tax (credit)/charge	**-**	(80)	145

8. Earnings per share

Earnings per share is calculated by reference to the results and the weighted average of 232,277,000 shares in issue during the period (H1 2017: 231,598,935, FY 2017: 231,859,551). Diluted earnings per share is calculated by reference to the results and the weighted average of 237,105,213 shares in issue during the period (H1 2017: 241,384,108, FY 2017: 239,718,807). The number of shares in issue at 30 June 2018 was 232,348,935.

9. Operating segments

The Group has one business segment. All material operations and assets are in the UK. The trading segment is HTEC Solutions ('Solutions'). Solutions provides hardware, software, payment and service solutions into the UK petrol and convenience store markets and loyalty solutions across Europe.

6 months ended 30 June 2018

	Solutions £'000	**Corporate £'000**	**Total £'000**
Revenue - all external	**9,246**	**-**	**9,246**
Gross profit	**4,339**	**-**	**4,339**
Segment expenses	**(3,960)**	**(208)**	**(4,168)**
Segmental operating profit	**379**	**(208)**	**171**
Net finance expense			**(43)**
Taxation			**-**
Profit for the period			**128**

6 months ended 30 June 2017

	Solutions £'000	Corporate £'000	Total £'000
Revenue - all external	8,700	-	8,700
Gross profit	4,161	-	4,161
Segment expenses	(3,770)	(171)	(3,941)
Segmental operating profit	391	(171)	220
Net finance expense			(48)
Taxation			80
Profit for the period			252

Year ended 31 December 2017

	Solutions £'000	Corporate £'000	Total £'000
Revenue - all external	19,622	-	19,622
Gross profit	9,331	-	9,331
Segment expenses	(8,120)	(335)	(8,455)
Segmental operating profit	1,211	(335)	876
Net finance expense			(97)
Taxation			(145)
Profit for the period			634

10. Net finance expense

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	£'000	£'000	£'000
Release of provision for contingent consideration	**-**	-	3
Interest receivable on bank deposits	**6**	4	8
Finance income	**6**	4	11
Interest payable on bank loans and overdrafts	**(5)**	(1)	(10)
Interest payable on finance leases	**(31)**	(51)	(80)
Other interest	**(13)**	-	(18)
Finance expense	**(49)**	(52)	(108)
Net finance expense	**(43)**	(48)	(97)

11. Copies of the interim report will be available from the Company's head and registered office: Southampton International Park, George Curl Way, Southampton, SO18 2RX, and on the Company's website, www.universeplc.com.