

**26 September 2017**  
**AIM: UNG.L**

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

**INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2017**

Universe Group plc (AIM: UNG.L), a leading developer and supplier of point of sale, payment and on-line loyalty systems, is pleased to announce its unaudited interim results for the six months to 30 June 2017.

**Highlights**

- Revenues £8.70 million (H1 2016: £9.05 million)
- Gross profit margin improved from 30.8% to 31.8%
- Adjusted EBITDA £0.96 million (H1 2016: £1.35 million)
- Operating profit £0.22 million (H1 2016: £0.49 million)
- Earnings per share 0.11p (H1 2016: 0.20p)
- Net cash inflow from operations increased by 52% to £1.32 million (H1 2016: £0.87 million)
- Period of continued heavy research and development in our next generation EPOS product suite
- Administrative expenses increased by 11% as a result of further investment in our EPOS product management team and the enlarging of our sales teams ahead of major next generation product launches
- Solution implementations continuing although some still in extended pilot to perfect functionalities working in close partnership with clients

**Robert Goddard, Chairman of Universe, commented:**

*"We have made good progress in further developing our next generation of EPOS products, with live solution implementations underway and others moving through extended pilot phases to fully meet customer expectations. This is set to continue in the second half of the year.*

*The financial results for the full year are, as in past years, second half weighted and this year's result is more than usually dependent on a small number of high value projects. Delays to these would mean that the company performs materially below current market expectations in the current financial year.*

*Our product developments and the positive response these are receiving from existing and new customers give us confidence in the long-term prospects for the Group."*

For further information:

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## **CHAIRMAN'S STATEMENT**

### **Introduction**

We report below the Company's unaudited results for the six months ended 30 June 2017.

The interim numbers are marginally down as compared to the comparative figures for 2016. However, as in the prior year, results for the full year will be heavily weighted towards the second half. In particular, continuing delays in certain planned customer deployments are now expected to continue into the second half. Further, the precise timing of securing a small number of high-value new projects remains uncertain, albeit the Company remains confident of ultimately securing these contracts. If these projects are not deployed or secured, respectively, on a timely basis then the Directors anticipate that the Company will report results materially below current market expectations.

During the period, we have continued to invest in our next generation point-of-sale, back office and head office software products (EPOS), which we fully expect will provide a solid platform from which to drive future growth in both the fuel and convenience store market places.

### **Financial Results**

Revenues for the first half were £8.70 million (H1 2016: £9.05 million), producing a gross profit of £2.77 million (H1 2016: £2.79 million).

The dip in revenues due to delayed customer deployments is reflected in the decline in revenues from hardware and software licences to £1.06 million (H1 2016: £1.81 million). This drop has been mitigated in part by a strong performance from our services and installation team where revenues are up 14% to £3.89 million (H1 2016 £3.40 million).

Whilst revenues dipped, we maintained gross profit with a small improvement in gross margin to 31.8% (H1 2016: 30.8%) due to a change in sales mix from hardware and software licences to higher margin service and installations.

Administrative expenses were up in the period to £2.54 million (H1 2016: £2.30 million), but in line with the second half of 2016. This was largely due to increased spending on sales and marketing and product management resource in the second half of 2016 as we seek to capitalise on the investment in our new EPOS product suite.

Earnings before interest, taxes, share-based payments, depreciation and amortisation ('adjusted EBITDA') was £0.96 million (H1 2016: £1.35 million). Operating profit reduced to £0.22 million (H1 2016: £0.49 million).

Net finance expense was £0.05 million (H1 2016: £0.01 million). This is up on the prior period which benefited from a £0.05 million credit arising from the release of an over-provision of contingent consideration payable as a result of the acquisition of Indigo Retail Holdings Limited in 2013.

The underlying tax charge for the period was £0.01 million (H1 2016: £0.03 million). However, an adjustment relating to the prior year of £0.09 million resulted in a net credit for the period of £0.08 million. Earnings per share for the period were 0.11 pence (H1 2016: 0.20 pence).

#### *Balance sheet and cash flow*

The balance sheet at the end of June remained strong. Net current assets decreased to £4.17 million from £4.33 million at 31 December 2016 and non-current liabilities reduced to £0.70 million from £0.90 million at the year end.

Investment in the core business continued with capitalised development costs of £0.69 million (2016: H1 £0.30 million, 2016 H2 £0.66 million) which was focused on development of our next-generation EPOS system.

Capital expenditure in the period was £0.26 million (H1 2016: £0.27 million).

Cash flow from operating activities for the half year was £1.32 million (H1 2016: £0.87 million) and the cash generated was largely reinvested into the business as product development, capital expenditure or debt repayment. Cash balances at 30 June 2017 were £3.41 million compared with £3.41 million at 31 December 2016.

#### **Products**

Our new EPOS product suite is being well received. We continue to work closely with our clients to add functionality to the core undertakings and are confident that these will soon gain wider market acceptance.

#### **Outlook**

The first six months saw steady revenues with improving gross margins. The balance of the year, and our ability to hit expectations rests upon the successful completion of a small number of key, high value, solution implementations and we are fully focussed on these. However, there can be no certainty that they will be delivered before the year end. Despite the difficulty in forecasting these in the short term, we are confident that the long-term prospects for the Group look encouraging.

**Robert Goddard**  
**Chairman**  
26 September 2017

**Universe Group plc**

**Condensed Statement of Total Comprehensive Income (unaudited)**  
**for the 6 months ended 30 June 2017**

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016	Year ended 31 December 2016
	£'000	£'000	£'000
<b>Continuing operations</b>			
<b>Revenue</b>	<b>8,700</b>	9,051	19,712
Cost of sales	<b>(5,935)</b>	(6,261)	(12,843)
Gross profit	<b>2,765</b>	2,790	6,869
Administrative expenses	<b>(2,545)</b>	(2,296)	(4,827)
<b>Operating profit</b>	<b>220</b>	494	2,042
Net finance expense (see note 10)	<b>(48)</b>	(13)	(32)
<b>Profit before taxation</b>	<b>172</b>	481	2,010
Taxation	<b>80</b>	(26)	(175)
<b>Profit for the period from continuing operations</b>	<b>252</b>	455	1,835
<b>Earnings per share (see note 8)</b>	<b>Pence</b>	<b>Pence</b>	<b>Pence</b>
Basic EPS	<b>0.11</b>	0.20	0.79
Diluted EPS	<b>0.10</b>	0.19	0.76

**Condensed Consolidated Statement of Changes in Equity (unaudited)**

	<b>Six months ended 30 June 2017</b>	Six months ended 30 June 2016	Year ended 31 December 2016
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	£'000	£'000	£'000
At start of period	22,494	20,540	20,540
Total comprehensive income for the period	252	455	1,835
Share issue net of expenses	-	-	3
Share based payments	18	42	116
At end of period	<u>22,764</u>	<u>21,037</u>	<u>22,494</u>

## Universe Group plc

### Condensed Consolidated Balance Sheet (unaudited)

as at 30 June 2017

	30 June 2017 £'000	30 June 2016 £'000	31 December 2016 £'000
<b>Non-current assets</b>			
Goodwill and other intangibles	13,924	14,011	13,947
Development costs	3,089	2,360	2,745
Property, plant and equipment	2,289	2,039	2,384
	<u>19,302</u>	<u>18,410</u>	<u>19,076</u>
<b>Current assets</b>			
Inventories	1,340	1,009	1,084
Trade and other receivables	3,800	3,941	5,151
Cash and cash equivalents	3,406	3,408	3,408
	<u>8,546</u>	<u>8,358</u>	<u>9,643</u>
<b>Total assets</b>	<u>27,848</u>	<u>26,768</u>	<u>28,719</u>
<b>Current liabilities</b>			
Trade and other payables	(3,819)	(3,826)	(4,448)
Current tax liabilities	-	(270)	(136)
Borrowings	(562)	(448)	(686)
Contingent consideration	-	(377)	(55)
	<u>(4,381)</u>	<u>(4,921)</u>	<u>(5,325)</u>

### Non-current liabilities

Borrowings	(411)	(528)	(608)
Deferred tax	(292)	(230)	(292)
Contingent consideration	-	(52)	-
	<u>(703)</u>	<u>(810)</u>	<u>(900)</u>
<b>Total liabilities</b>	<u>(5,084)</u>	<u>(5,731)</u>	<u>(6,225)</u>
<b>Net assets</b>	<u>22,764</u>	<u>21,037</u>	<u>22,494</u>
<b>Equity</b>			
Share capital	2,334	2,313	2,316
Capital redemption reserve	4,588	4,588	4,588
Share premium account	13,062	13,062	13,062
Merger reserve	2,269	2,269	2,269
Translation reserve	(225)	(225)	(225)
Profit and loss account	736	(970)	484
<b>Total equity</b>	<u>22,764</u>	<u>21,037</u>	<u>22,494</u>

#### Universe Group plc

#### Condensed Consolidated Cash Flow Statement (unaudited) for the six months ended 30 June 2017

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
<b>Net cash flows from operating activities (see note 11)</b>			
Continuing activities	1,471	957	2,716
Interest paid	(48)	(49)	(102)
Tax (paid)/received	(101)	(38)	(259)
<b>Net cash inflow from operating activities</b>	<u>1,322</u>	<u>870</u>	<u>2,355</u>
<b>Cash flows from investing activities</b>			
Purchase of subsidiary undertaking	(55)	(6)	(345)
Purchase of property, plant & equipment	(257)	(265)	(400)
Expenditure on product development	(691)	(303)	(993)
<b>Net cash outflow from investing activities</b>	<u>(1,003)</u>	<u>(574)</u>	<u>(1,738)</u>

**Cash flow from financing activities**

Proceeds from issue of shares	-	-	3
Repayment of obligations under finance leases	(321)	(268)	(592)
<b>Net cash outflow from financing</b>	<b>(321)</b>	<b>(268)</b>	<b>(589)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>(2)</b>	<b>28</b>	<b>28</b>
Cash and cash equivalents at beginning of period	3,408	3,380	3,380
<b>Cash and cash equivalents at end of period</b>	<b>3,406</b>	<b>3,408</b>	<b>3,408</b>

**Universe Group plc****Notes to Condensed Consolidated financial statements for six months ended 30 June 2017**

**1** The interim financial statements, which are unaudited, have been prepared based on the accounting policies expected to apply for the financial year to 31 December 2017 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 2016.

The interim financial statements do not include all 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 2016 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 based on accounting policies set out in the Group's statutory accounts for the year ended 31 December 2016.

## 5 Turnover analysis

All turnover arises within the HTEC Solutions business segment.

	<b>Six months ended 30 June 2017 £'000</b>	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
Hardware and software licenses	<b>1,064</b>	1,814	4,657
Service and installations	<b>3,886</b>	3,399	7,218
Data services	<b>1,984</b>	1,947	3,998
Consultancy and license maintenance	<b>1,766</b>	1,891	3,839
	<b>8,700</b>	9,051	19,712

## 6 Operating profit and adjusted EBITDA

	<b>Six months ended 30 June 2017 £'000</b>	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
<b>Revenue</b>	<b>8,700</b>	9,051	19,712
Cost of sales	<b>(5,935)</b>	(6,261)	(12,843)
Gross profit	<b>2,765</b>	2,790	6,869
Administrative expenses	<b>(2,545)</b>	(2,296)	(4,827)
<b>Operating profit</b>	<b>220</b>	494	2,042
Depreciation	<b>352</b>	422	870
Amortisation	<b>370</b>	396	743
Share option charge	<b>18</b>	42	116
<b>Adjusted EBITDA</b>	<b>960</b>	1,354	3,771

## 7 Taxation

	<b>Six months ended 30 June 2017 £'000</b>	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
<b>Current tax:</b>			
Current year charge/(credit)	14	(8)	206
Adjustments to tax charge in respect of previous periods	(94)	-	(59)
	<u>(80)</u>	<u>(8)</u>	<u>147</u>
<b>Deferred tax:</b>			
Current year	-	34	66
Adjustments to tax charge in respect of previous periods			(38)
	<u>-</u>	<u>34</u>	<u>28</u>
<b>Total tax (credit)/charge</b>	<u><b>(80)</b></u>	<u><b>26</b></u>	<u><b>175</b></u>

## 8 Earnings per share

Earnings per share is calculated by reference to the results and the weighted average of 231,598,935 shares in issue during the period (H1 2016: 231,286,435, FY 2016: 231,347,910). Diluted earnings per share is calculated by reference to the results and the weighted average of 241,384,108 shares in issue during the period (H1 2016: 239,890,379, FY 2016: 241,553,125). The number of shares in issue at 30 June 2017 was 231,598,935.

## 9 Segment information

6 months ended 30 June 2017

	<b>Solutions £'000</b>	<b>Corporate £'000</b>	<b>Total £'000</b>
Revenue	<u>8,700</u>	<u>-</u>	<u>8,700</u>
Gross profit	<u>2,765</u>	<u>-</u>	<u>2,765</u>
Administrative expenses	<u>(2,374)</u>	<u>(171)</u>	<u>(2,545)</u>
Operating profit	<u>391</u>	<u>(171)</u>	<u>220</u>
Finance costs			(48)
Taxation			80

Profit for the period from continuing activities	<b>252</b>
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6 months ended 30 June 2016

	Solutions £'000	Corporate £'000	Total £'000
Revenue	9,051	-	9,051
Gross profit	2,790	-	2,790
Administrative expenses	(2,113)	(183)	(2,296)
Operating profit	677	(183)	494
Finance costs			(13)
Taxation			(26)
Profit for the period from continuing activities			455

Year ended 31 December 2016

	Solutions £'000	Corporate £'000	Total £'000
Revenue	19,712	-	19,712
Gross profit	6,869	-	6,869
Administrative expenses	(4,203)	(624)	(4,827)
Operating profit	2,666	(624)	2,042
Net finance expense			(32)
Taxation			(175)
Profit for the period from continuing activities			1,835

## 10 Net finance expense

	Six months ended 30 June 2017 £'000	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
Release of provision for contingent consideration	-	50	85
Interest receivable on bank deposit	4	9	14
	4	59	99

Interest payable on bank loans and overdrafts	<b>(1)</b>	(14)	(25)
Interest payable on finance leases	<b>(51)</b>	(51)	(92)
Other interest	-	(7)	(14)
	<b>(52)</b>	(72)	(131)
Net finance expense	<b>(48)</b>	(13)	(32)

## 11 Cash flows from operations

	<b>Six months ended 30 June 2017 £'000</b>	Six months ended 30 June 2016 £'000	Year ended 31 December 2016 £'000
<b>Continuing operations</b>			
Profit before taxation	<b>172</b>	481	2,010
Depreciation and amortisation	<b>722</b>	818	1,613
Share based payments	<b>18</b>	42	116
Interest payable	<b>48</b>	13	32
	<b>960</b>	1,354	3,771
Movement in working capital:			
(Increase)/decrease in inventories	<b>(256)</b>	(128)	(203)
Decrease/(increase) in receivables	<b>1,396</b>	355	(855)
(Decrease)/increase in payables	<b>(629)</b>	(624)	3
Net cash flow from operating activities	<b>1,471</b>	957	2,716

**12** 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](http://www.universeplc.com).

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