

20 September 2017

eg solutions plc
("eg" or the "Company" or the "Group")

Interim results for the six months ended 31 July 2017

eg solutions plc (AIM: EGS), the back office optimisation software company, announces its interim results for the six months ended 31 July 2017 ('H1 2018').

Financial highlights

- Revenues for H1 2018 up 105% to £5.13m (H1 2017: £2.50m)
- Adjusted EBITDA* for H1 2018 of £0.92m (H1 2017: loss of £0.89m)
- Adjusted Profit* Before Tax for H1 2018 of £0.4m (H1 2017: loss of £1.33m)
- Cash generated from operations in H1 2018 of £0.86m (H1 2017: deficit of £0.78m)
- Cash as at 31 July 2017 of £2.35m (H1 2017: £1.66m)
- Earnings per share of 2 pence (H1 2017: loss of 5.2p)

Figures in £m	Unaudited Six months ended 31 July	
	H1 2018	H1 2017
Revenues	£5.13m	£2.50m
Gross Profit	£3.52m	£1.34m
Gross margin %	68.7%	53.6%
Adjusted EBITDA*	£0.92m	(£0.89m)
Adjusted Profit / (loss) before tax *	£0.40m	(£1.33m)
Profit / (loss) before tax	£0.30m	(£1.51m)
Net Cash	£2.35m	£1.66m
Earnings / (loss) per share – diluted	2.0p	(5.2p)
4 Year order Book	£21.4m	£16.2m

*adjusted for Share Option Charges and non-recurring legal fees in current year and Share Option charges non-recurring legal fees and redundancy costs in prior year.

Operational highlights:

- Strong trading in line with target sales growth strategy
- Significant contracts secured during the period include:
 - Contract win through partnership with GCI to distribute **eg operational intelligence**® software within the public sector
 - \$2.7m contract with a leading global bank demonstrating ability to scale and service multi-national companies
- Five year Master Service Agreement signed post period end with existing customer adding a minimum of £1.4m incremental revenue
- Contract wins with new and existing customers supporting order book growth to £21.4m (H1 2017: £16.20m)

Post-period end

- Recommended cash offer (the “Offer”) made for the Company by Verint WS Holdings Limited (“Verint”), a indirectly owned subsidiary of Verint Systems Inc, a c.\$2.3Bn US analytics company listed on NASDAQ
- Under the terms of the Offer, each **eg** shareholder will be entitled to receive 112.5 pence in cash for each **eg** share held
- The Offer values the entire issued and to be issued share capital of **eg** at approximately £26.30m

Chairman statement

I am pleased to report **eg** solutions’ results for the first half of FY 2018.

During the period under review, we have delivered robust trading in line with our targeted growth strategy implementing direct sales and distribution via our in-house resources and global partners and thereby better positioning the Company for profitable growth. Revenues for the period increased 105% to £5.13m, which underpins the strong period we have had. We maintained the strong momentum gathered in the second half of the previous year, securing multiple major contracts with global firms for our best in class back office optimisation software. New contract wins and existing customer orders have seen our order book of recurring revenue grow to £21.4m.

Post-the period end in September 2017, Verint, a indirectly owned subsidiary of Verint Systems Inc, a c.\$2.3Bn US analytics company listed on NASDAQ, announced a recommended a cash offer to acquire all of the issued and to be issued share capital of the Company.

In the period since 11 August 2017, the Company’s mid-market closing share price has been in excess of the price per share offered by Verint under the Offer. The Board believe however, that the increase in the share price prior to the announcement of the Offer of 5 September 2017 was entirely driven by small volumes of retail purchases, causing the share price to rise as a result of the limited liquidity of the Company’s shares. In particular, we believe that the mid-market price prior to 5 September 2017 was not reflective of a price at which any significant volume of the Company shares could be bought or sold in the market. The Board consider that the Company has long suffered from an illiquid shareholder register which can give rise to volatility in its share price. Moreover, we understand that, so far as we are aware, prior to 5 September 2017 the last institutional price at which the Company’s shares traded, was on 23 May 2017 at a price of 71.7 pence, some 40.8 pence (35%) below the Offer price. Between 23 May 2017 and 5 September 2017, the Board do not believe that there were any institutional trades and the median trade size was only 2,000 shares, with all purchases and sales since that date being driven by small volume trades. Other than in the period since late July 2017 and before 5 September 2017, so far as we are aware, there were no trades in the Company shares at a level at or above the Offer price in the last decade.

Importantly, the Board believe that the level of the Offer represents an attractive exit price when viewed against the fundamentals of the business, against the way comparable small technology companies are currently valued by the market and against the most recent higher-volume share trades. It also represents an attractive premium of 53% and 4.1% against the volume weighted average price of the Company’s shares over the six and three month periods respectively prior to 5 September 2017.

If the acquisition is approved this will see the Company's market-leading back office optimisation solution marketed to a much wider global audience. With larger distribution and economies of scale that Verint can offer, this should see the Company's software global footprint extended to become a much larger dominant force within the back office optimisation industry across multiple new markets and sectors.

For full details of the proposed acquisition please see <https://www.investegate.co.uk/verint-ws-holdings/rns/recommended-cash-offer-for-eg-solutions-plc/201709050700047948P/>.

I would like to take this opportunity to thank my fellow Board members, employees and our shareholders for their continued support over the period and look forward to updating the market on the progress of our proposed acquisition by Verint at the appropriate time.

Nigel Payne

Chairman

Financial review

The Board is pleased with the strong performance in H1 2018. The Company continues to underpin revenue with a strong order book which has increased by 32.1% over the last 12 months. Gross margin has returned to previous levels with the six months ended 31 July 2017 delivering 68.7%, an increase of 15.1% on the same period last year.

The Company has generated £0.86m cash from operations which has supported the continued investment in product development with R&D capitalisation of (£0.84m) (H1 2017: (£0.73m)). Cash remains at a strong level at £2.35m, an increase of £0.69m from H1 2017. This is supported by a positive working capital movement as a direct result of higher revenues. Trade and other receivables were £2.83m (H1 2017: £1.26m) predominantly driven by higher accrued revenue. Trade and other payables were £2.85m (H1 2017: £2.01m) driven by higher deferred income.

The Company has continued to benefit from the Research and Development tax relief with a recognised tax credit of (£0.13m) (H1 2017: (£0.13m)) and an effective tax rate of (43%) (H1 2017: (520%)) in the reporting period.

The non-recurring expenditure in the current year relates to legal costs relating to the proposed acquisition.

The Company continues to expect minimal impact on revenues as a result of Brexit and has the relevant policies in place to control any foreign exchange risk as it arises. However, the Company continues to believe that increased economic uncertainty will put pressure on businesses to reduce costs and the Company remains well positioned to optimise the opportunity this affords.

**Consolidated Statement of
Comprehensive Income
For the Six Months Ended 31 July
2017**

	Note	Unaudited six months ended 31 July 2017 £'000	Unaudited six months ended 31 July 2016 £'000	Audited Year ended 31 January 2017 £'000
Revenue		5,130	2,498	8,209
Cost of sales		(1,608)	(1,158)	(2,424)
Gross Profit		3,522	1,340	5,785
Administrative expenses		(2,598)	(2,227)	(4,559)
Adjusted EBITDA		924	(887)	1,226
Amortisation		(501)	(436)	(891)
Depreciation		(21)	(13)	(30)
Non-recurring expenditure		(62)	(150)	(263)
Share Option Charge		(39)	(27)	(22)
Profit/(Loss) from operations		301	(1,513)	20
Finance Income		-	4	5
Finance Charges		-	-	-
Profit/(Loss) before tax		301	(1,509)	25
Tax credit	3	130	350	130
Profit/(Loss) for the period		431	(1,159)	155
Other comprehensive income:				
Exchange differences on translation of foreign operation		1	(4)	(4)
Total comprehensive income/(expense) for the period		432	(1,163)	151
Profit/(Loss) and total comprehensive income/(expense) attributable to equity shareholders of the Parent Company		432	(1,163)	151
Earnings per share				
From continuing operations				
Basic	5	2.03p	(5.5p)	0.7p
Diluted	5	1.95p	(5.2p)	0.7p

**Consolidated Statement of
Financial Position
as at 31 July 2017**

	Note	Unaudited six months ended 31 July 2017 £'000	Unaudited six months ended 31 July 2016 £'000	Audited Year ended 31 January 2017 £'000
Assets				
Non-current assets				
Intangible assets	6	4,410	3,798	4,069
Property, plant and equipment		146	90	91
		4,556	3,888	4,160
Current assets				
Trade and other receivables	7	2,825	1,259	2,760
Current tax receivable		381	416	285
Cash and cash equivalents		2,348	1,663	2,410
		5,554	3,338	5,455
Total assets		10,110	7,226	9,615
Liabilities				
Current liabilities				
Trade and other payables	8	2,851	2,011	2,793
		2,851	2,011	2,793
Non-current liabilities				
Deferred tax liabilities		381	117	415
		381	117	415
Total Liabilities		3,232	2,128	3,208
Net Assets		6,878	5,098	6,407
Equity				
Share capital		227	227	227
Share premium		7,924	7,924	7,924
Share-based payment reserve		847	813	808
Own shares held		(1,149)	(1,149)	(1,149)
Retained earnings		(867)	(2,612)	(1,298)
Foreign exchange		(104)	(105)	(105)
Total equity		6,878	5,098	6,407

**Consolidated Interim Statement
of Cash Flows
For the Six Months Ended 31 July
2017**

	Unaudited six months ended 31 July 2017 £'000	Unaudited six months ended 31 July 2016 £'000	Audited Year ended 31 January 2017 £'000
Operating activities			
Profit/(Loss) before tax	301	(1,509)	25
Adjustments for:			
Depreciation of property, plant & equipment	21	16	30
Amortisation of intangible assets	501	436	891
Finance income	-	(4)	(5)
Share option charge	39	27	22
Decrease/(Increase) in receivables	(65)	433	(1,068)
(Decrease)/Increase in payables	58	(248)	534
Cash generated/(used in) by operations	855	(849)	429
Income taxes received	-	70	278
Net cash generated/(used in) by operating activities	855	(779)	707
Investing activities			
Purchases of intangible assets	(842)	(727)	(1,453)
Purchases of property, plant and equipment	(76)	(26)	(42)
Net cash used in investing activities	(918)	(753)	(1,495)
Financing activities			
Proceeds from exercise of warrants	-	-	-
Interest received	-	4	5
Net cash generated by financing activities	-	4	5
Net (decrease) in cash and cash equivalents	(63)	(1,528)	(783)
Cash and cash equivalents at beginning of period	2,410	3,195	3,195
Effect of foreign exchange rates	1	(4)	(2)
Cash and cash equivalents at end of period	2,348	1,663	2,410

**Consolidated Statement of
Changes in Equity
For the Six Months Ended 31
July 2017**

	Share capital £'000	Share premium £'000	Share - based payment reserve £'000	Own shares held £'000	Retained earnings £'000	Foreign exchange £'000	Other reserves £'000	Total amounts attributable to equity holders of the parent company £'000
Balance at 31 January 2016	227	7,924	786	(1,149)	(1,453)	(101)	-	6,234
Loss for the period	-	-	-	-	(1,159)	-	-	(1,159)
Other comprehensive expense	-	-	-	-	-	(4)	-	(4)
Total comprehensive expense	-	-	-	-	(1,159)	(4)	-	(1,163)
Share-based payments	-	-	27	-	-	-	-	27
Balance at 31 July 2016	227	7,924	813	(1,149)	(2,612)	(105)	-	5,098
Profit for the period	-	-	-	-	1,314	-	-	1,314
Other comprehensive expense	-	-	-	-	-	-	-	-
Total comprehensive expense	-	-	-	-	1,314	-	-	1,314
Share-based payments	-	-	(5)	-	-	-	-	(5)
Balance at 31 January 2017	227	7,924	808	(1,149)	(1,298)	(105)	-	6,407
Profit for the year	-	-	-	-	431	-	-	431
Other comprehensive expense	-	-	-	-	-	1	-	1
Total comprehensive expense	-	-	-	-	431	1	-	432
Share-based payments	-	-	39	-	-	-	-	39
Balance at 31 July 2017	227	7,924	847	(1,149)	(867)	(104)	-	6,878

1. Notes to the Group Condensed Consolidated Interim Financial Statements for the six months ended 31 July 2017

ACCOUNTING POLICIES

The interim financial information consolidates the results of the Company and its subsidiary undertakings made up to 31 July 2017 are unaudited.

The Company is a limited liability company incorporated and domiciled in England and whose shares are listed on the Alternative Investment Market.

The financial information contained in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

It does not therefore include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 January 2017.

The financial information for the six months ended 31 July 2017 is unaudited. The Group has not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK Groups listed on the Alternative Investment Market (AIM), in the preparation of these financial statements.

Full accounts of **eg solutions plc** for the year ended 31 January 2017 have been delivered to the Registrar of Companies. The report of the auditors on these accounts was unqualified and did not contain a statement under Section 498 (2-3) of the Companies Act 2006.

Significant Accounting Policies

The Accounting policies used in the preparation of the financial information for the six months ended 31 July 2017 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as adopted by the European Union and are consistent with those that are expected to be adopted in the annual statutory financial statements for the year ending 31 January 2018. These are not expected to differ significantly from those adopted in the financial statements for the year ended 31 January 2017.

The interim report for the six months ended 31 July 2017 was approved by the Board of Directors on 20 September 2017.

2. OPERATING SEGMENTS

In prior periods, **eg** solutions plc has disclosed Financial information on two operating segments.

Following a review, **eg** now report Financial information to the Chief Executive Officer in one segment.

3. TAXATION

	Unaudited six months ended 31 July 2017 £'000	Unaudited six months ended 31 July 2016 £'000	Audited Year ended 31 January 2017 £'000
Current tax:			
United Kingdom	(96)	(162)	(285)
Tax in respect of prior years		(1)	44
	(96)	(163)	(241)
Deferred tax:			
Origination and reversal of temporary differences	(34)	(187)	129
Rate change on deferred tax brought forward (18% - 17%)	0	0	(18)
Tax receivable by the Group and its subsidiaries	(130)	(350)	(130)

Domestic income tax is calculated at 19.17% (2017: 20.00%) of the estimated assessable loss for the year.

The change in applicable tax rate is due to the reduction in UK Corporation tax rates.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

	Unaudited six months ended 31 July 2017 £'000	Unaudited six months ended 31 July 2016 £'000	Audited Year ended 31 January 2017 £'000
The credit for the period can be reconciled to the loss per the Statement of Comprehensive Income as follows:			
Profit/Loss before tax	301	(1,509)	25
Tax at the applicable domestic income tax rate 19.17% (2017: 20.00%)	58	(302)	5
Tax effects of expenses that are not deductible in determining taxable profit	13	31	39
Share-based payments	(58)	5	34
Research and development enhanced relief	(165)	(165)	(316)
Losses surrendered for R&D tax credit	19	61	108
Prior year items	-	(1)	44
Other movements	3	21	(44)
Tax credit	(130)	(350)	(130)
Effective tax rate for the period	-43%	-57%	-520%

4. DIVIDENDS

The Board is not proposing the payment of an interim dividend.

5. EARNINGS PER ORDINARY SHARE From Continuing Operations

	Unaudited six months to 31 July 2017	Unaudited six months to 31 July 2016	Audited Year ended 31 January 2017
Weighted average number of shares in issue	22,682,937	22,682,937	22,682,937
Weighted average number of shares held by the Employee Benefit Trust	(1,514,285)	(1,514,285)	(1,514,285)
Weighted average number of shares for the purposes of basic earnings per share	21,168,652	21,168,652	21,168,652
Effect of dilutive potential ordinary shares			
- Share options	900,458	950,464	617,033
Weighted average number of shares for the purposes of diluted earnings per share	22,069,110	22,119,117	21,785,686
	Unaudited six months to 31 July 2017 £'000	Unaudited six months to 31 July 2016 £'000	Audited Year ended 31 January 2017 £'000
Basic earnings attributable to equity shareholders	431	(1,159)	155
Earnings for the purposes of diluted earnings per share	431	(1,159)	155
	Unaudited six months to 31 July 2017	Unaudited six months to 31 July 2016	Audited Year ended 31 January 2017
Basic earnings per share	2.03p	(5.5p)	0.8p
Diluted earnings per share	1.95p	(5.2p)	0.7p

EPS has been calculated using the following methodology:

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders by the number of weighted average ordinary shares during the period. The number of shares excludes shares held by an Employee Benefit Trust.

For Diluted earnings per share, the number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These represent share options granted to employees.

At 31 July 2017 there were 1,307,827 (2017: 1,397,821) share options outstanding that could potentially dilute basic EPS in the future, but are not included in the calculation of diluted EPS because they are anti-dilutive for the periods presented.

6. INTANGIBLE ASSETS

	Development costs £'000	Intellectual property £'000	Total intangibles £'000
Cost			
At 1 February 2016	7,496	498	7,994
Acquisitions - internally developed	727	-	727
At 1 August 2016	8,223	498	8,721
Acquisitions - internally developed	726	-	726
At 1 February 2017	8,949	498	9,447
Acquisitions - internally developed	842	-	842
At 31 July 2017	9,791	498	10,289
Amortisation and Impairment			
At 1 February 2016	3,989	498	4,487
Amortisation for the period	436		436
At 1 August 2016	4,425	498	4,923
Amortisation for the period	455		455
At 1 February 2017	4,880	498	5,378
Amortisation for the period	501	-	501
At 31 July 2017	5,381	498	5,879
Carrying amount			
At 31 July 2017	4,410	-	4,410
At 1 February 2017	4,069	-	4,069
At 1 August 2016	3,798	-	3,798
At 1 February 2016	3,507	-	3,507

7. TRADE AND OTHER RECEIVABLES

	Unaudited six months to 31 July 2017 £'000	Unaudited six months to 31 July 2016 £'000	Audited Year ended 31 January 2017 £'000
Trade receivables	808	794	812
Less provision for impairment	-	-	-
Net trade receivables	808	794	812
Prepayments and accrued income	2,017	465	1,948
	2,825	1,259	2,760

Ageing analysis of trade receivables past due but not impaired:

	Unaudited six months to 31 July 2017	Unaudited six months to 31 July 2016	Audited Year ended 31 January 2017
Up to 30 days overdue	540	55	71
31 - 90 days overdue	99	591	52
Over 91 days overdue	169	-	1
	808	646	124

No provision has been made for impairment losses.

8. TRADE AND OTHER PAYABLES

Trade and other payables are as follows:

	Unaudited six months to 31 July 2017 £'000	Unaudited six months to 31 July 2016 £'000	Audited Year ended 31 January 2017 £'000
Trade payables	717	469	619
Other tax and social security	137	71	534
Grants received	199	196	199
Accruals and deferred income	1,798	1,275	1,441
	2,851	2,011	2,793

ENDS

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About eg solutions plc

eg solutions is a back office workforce optimisation software Group. **eg** pioneered this new market space and developed the most complete, purpose built workforce optimisation software for back offices - the only solution that manages work, people and end-to-end processes wherever they are undertaken, anywhere in the world.

eg solutions' software is now used by leading UK, international and global companies in multiple industry sectors including financial services, healthcare and utilities. Using its forecasting, scheduling, real-time work management and operational analytics capabilities, **eg** delivers measureable improvements in service, quality, productivity and regulatory compliance. When supported by **eg's** implementation and training services **eg** guarantee a return on investment in short timescales.

The Group is listed on AIM, the London Stock Exchange's international market for smaller growing companies (EGS).