itim Group plc

("itim" or the "Company and with its subsidiaries the Group")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

ITIM Group plc (AIM:ITIM), the provider of an Omni channel platform for retailers, is pleased to report its unaudited results for the 6 months ended 30 June 2021.

FINANCIAL HIGHLIGHTS

- Successful IPO in June 2021 raising £6.9m net to support the Group's long-term growth
- Revenue increased 16% to £6.4m (30 June 2020 (HY2020): £5.5m)
- Gross profit increased by 29% to £2.7m (HY2020: £2.1m)
- Adjusted EBITDA[1] increased by 200% to £1.2m (HY2020: £0.4m)
- Operating profit £0.6m up from a loss of £0.1m at HY2020
- Normalised Basic EPS[2] 2.24p per share
- Cash at the period end was £9.6m (HY 2020: £1.3m)

OPERATIONAL HIGHLIGHTS

- Appointment of Justin King, Lee Williams and Frank Lewis to our board as Non-Executive Directors
- Annual recurring revenue contract value in the 6 month period increased 9% to £10.5m from £9.6m at 31 December 2020

Ali Athar, CEO of itim Group plc, said:

"2021 has been a transformational year for itim during which we have delivered strong growth and strategic process and completed a successful IPO and admission to AIM.

We have maintained positive trading momentum through the early part of H2 2021 and the board anticipates full year results in line with market expectations.

We continue to make good progress against our strategic objectives and we are seeing an increasing number of opportunities as the retail sector continues to experience considerable structural change.

I would like to express my thanks to our colleagues, customers and our shareholders for their support of itim. I am confident we are very well placed to continue to build on our momentum and achieve our significant growth ambitions."

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ABOUT ITIM

itim was established in 1993 by its founder, and current Chief Executive Officer, Ali Athar. itim was initially formed as a consulting business, helping retailers effect operational improvement. From 1999 the Company began to expand into the provision of proprietary software solutions and by 2004 the Company was focused exclusively on digital technology. itim has grown both organically and through a series of acquisitions of small, legacy retail software systems and associated applications which itim has redeveloped to create a fully integrated end to end Omni-channel platform.

1. Adjusted EBITDA refers to earnings before interest, tax, depreciation, amortisation, share based payments and exceptional items
2. Normalised EPS – after stripping out exceptional IPO costs

CEO's Statement

The period ended 30 June 2021 saw an outstanding performance from itim with 16% revenue growth to £6.4m (HY2020: £5.5m) with adjusted EBITDA increasing by 200% to £1.2m (HY2020 £0.4m).

For itim, as with so many businesses, the pandemic over the last 15 months has presented significant challenges especially as itim serves bricks and mortar retailers who have been closed due to COVID restrictions.

However, we understand that what has come to the forefront in many retailers' minds is the need for an Omni-channel offering to join up both online and the store estate where there is a single view of stock which can be fulfilled from the warehouse or the local store using dynamic order routing, with click and collect and despatch from store becoming more prevalent using local stores as mini warehouses.

Whilst many outsiders may see store closures as headlines, surprisingly we are seeing our retail customers still opening more stores with evidence suggesting that significant proportion of customers live within close proximity to their local stores. This can present a real challenge of whether home delivery economics and the desire for convenience is better served through local distribution than through trying to distribute product from central/regional warehouses.

Despite the pandemic we have seen the Group's KPI's improving in a challenging environment, culminating in a successful IPO in June 2021 which gives me reason to be optimistic going forward. I am also delighted to welcome Justin King, the former long-standing chief executive of Sainsbury's; Lee Williams, the current CFO at French Connection and Frank Lewis, a Corporate Governance expert to our board to guide us in public life.

At an operational level we continue to build our platform capability, and as already reported, in July 2020 we acquired EDI Plus, a business that enables retailers to electronically integrate backwards into their supply chain, enabling stock to be held with and fulfilled by the supplier, effectively increasing the retailer's product offering without compromising warehouse space.

The Group's focus is on multi year subscription contracts generally between 3 and 5 years which has provided resilience in an uncertain world. Our objectives are to continue to increase our annual recurring revenues ("ARR") based on subscription contracts.

Those projects in early 2020 that we believed were cancelled are now slowly being put back on the table as retailers become more confident but also understand the need and importance of an Omni-channel offering which gives us increasing confidence as we continue to build up a strong future revenue pipeline.

People at itim never cease to amaze me and I would like to thank every member of the team for their hard work and commitment in a challenging environment, continually meeting our customers' needs and going the extra mile.

Since our IPO in June we have been focussing on 3 things across the business:

1) We needed to increase headcount, and we have already recruited 25 people across the Group. This was critical to being able to service new contracts, and one of the reasons we were raising funds. This process is on-going, and of course everyone is aware there is a growing skills shortage exacerbated by Brexit, as access to European engineers is blocked which we continue to keep under review.
2) We are continuing to invest in innovation. We are launching a significant number of new applications that will make our product portfolio more attractive.
3) We have increased our investment in sales and marketing, to allow us to reach out to the market more broadly. We will be increasing our advisory board, to bring more senior retailers into the fold to act as brand ambassadors for the business.

Overall I am very pleased with these results. Our key metrics are improving and our adjusted EBITDA increasing 200% continues to demonstrate the strengthening of our product offering and business as a whole. The new investment from our successful float strengthens our Balance Sheet, enabling the Group to execute its strategy.

Ali Athar
Chief Executive Officer

Financial Review

I am pleased to announce our first set of results since becoming a public company in June 2021. The Group benefits from having long term contracted recurring revenues which has provided some insulation from the pandemic since the country first went into lockdown in March 2020. In addition, as customers came to terms with the impacts of COVID 19 on their businesses, new focus emerged on Omni-channel retailing which has seen customers once again opening conversations on projects that had been postponed which is encouraging for the Group as a sense of normality returns.

Total revenue increased by 16% to £6.4m (HY20:£5.5m) which includes a full six month contribution from the EDI Plus acquisition which was completed on 1 July 2020. The underlying revenue of the business increased by 4%.

Booked SaaS revenues increased 26% to 4.9m with the acquisition subscription revenues representing 13% of the increase. Annual recurring revenue ("ARR") at 30 June 2021 was £10.5m. It is worth noting that significant revenues are generated in Brazil for our Portuguese subsidiary. With the weakness of the Brazilian Real against the Euro and the strengthening of Sterling against the Euro the Group is exposed to foreign exchange risk both at an invoicing and reporting currency level. Despite the degradation of foreign exchange on our Brazilian contracts, ARR increased 9% over the 6 month period from the full year at the 31st December 2020.

Gross profit increased 29% to £2.7m with a gross margin of 41% (HY 2020: 37%). There are two main factors affecting our margins. Firstly implementation costs of new subscription deals in our LATAM business are fully expensed in the period in which they occur. Secondly the EDI Plus acquisition has lower subscription margins to the underlying Group which has led to the subscription gross margin decreasing by 8% to 65%. But the Directors consider the acquisition to be essential as we extend the platform capabilities and view the reduction in subscription margin as a short term issue.

Operating expenses (defined as administrative expenses excluding exceptional items, depreciation, amortisation and interest) decreased 22% to £1.4m from £1.8m despite the inclusion of the EDI Plus operating expenses predominantly due to lower headcount, with staff not travelling on customer projects and office costs being substantially reduced.

Adjusted EBITDA[1] increased 200% showing a profit for HY21 of £1.2m (HY2020: £0.4m) which was in line with management's expectations.

Exceptional costs are the IPO costs when the Group was admitted to AIM in June 2021. In accordance with IAS32, an assessment of the IPO costs was undertaken with £0.5m being written off against share premium as direct costs of the new share issuance.

The loss before tax was £0.1m which was after expensing £0.6m of exceptional IPO costs. Adjusting for exceptional costs the Group made a profit of £0.5m for HY21 compared to a loss in HY20 of £0.2m.

Basic EPS for HY21 was a loss of 0.2p per share (HY20: 0.27p per share). However, normalised[2] EPS for HY21 which strips out the exceptional one-off float costs, is 2.24p per share.

During the period the Group successfully raised £6.9m (net after expenses) and was admitted to AIM on 28th June 2021. As a result the cash balance at HY21 was £9.6m (HY20: £1.3m)

Ian Hayes
Chief Financial Officer

Consolidated Statement of Comprehensive Income

	Notes	Six month period ended 30 June 2021 Unaudited £000	Six month period ended 30 June 2020 Unaudited £000	Year ended 31 December 2020 Audited £000
Continuing operations				
Revenue		**6,366**	**5,467**	**11,820**
Cost of sales		(3,704)	(3,414)	(7,114)
Gross profit		**2,662**	**2,053**	**4,706**
Other income		-	170	202
Administrative expenses		(1,433)	(1,845)	(3,374)
Profit before interest, tax, depreciation and amortisation		**1,229**	**378**	**1,534**
Amortisation of intangible assets		(378)	(226)	(515)
Share option charge		(91)	(91)	(91)
Depreciation		(17)	(24)	(45)
Depreciation of right of use asset		(122)	(102)	(231)
Loss on disposal of right of use assets		-	-	(9)
Operating profit/(loss)		**621**	**(65)**	**643**
Exceptional IPO costs		(630)	-	-
Finance costs		(48)	(57)	(114)
Other interest – right of use assets		(51)	(32)	(67)
Finance income		-	-	-
(Loss)/Profit before taxation		**(108)**	**(154)**	**462**
Income tax		56	222	494
(Loss)/Profit for the period/year		**(52)**	**68**	**956**
Other comprehensive income				
Exchange differences on retranslation of foreign operations		(74)	73	63
Total comprehensive income for the year attributable to the equity shareholders of the parent company		**(126)**	**141**	**1,019**
Earnings (loss) per share				
Basic – pence	2	(0.20)	0.27	3.74
Diluted – pence	2	(0.20)	0.24	3.31

Consolidated Statement of Financial Position

	Notes	As at 30 June 2021 Unaudited £000	As at 30 June 2020 Unaudited £000	As at 31 December 2020 Audited £000
Assets				
Non-current assets				
Intangible assets		8,391	5,852	8,206
Property, plant and equipment		54	73	53
Right of use asset		795	1,675	897
Deferred tax		205	229	298
		9,445	7,829	9,454
Current assets				
Trade and other receivables		3,361	2,783	3,492
Cash and cash equivalents		9,567	1,335	2,127
Total current assets		12,928	4,118	5,619
Total assets		22,373	11,947	15,073
Liabilities				
Current liabilities				
Trade and other payables		(1,976)	(2,546)	(2,057)
Right of Use liability		(297)	(370)	(248)
Total current liabilities		(2,273)	(2,916)	(2,305)
Non-current liabilities				
Loans and borrowings		(3,727)	(1,319)	(4,011)
Right of Use liability		(578)	(1,172)	(729)
Deferred tax		(496)	(180)	(501)
Total non-current liabilities		(4,801)	(2,671)	(5,241)
Total liabilities excluding accruals and deferred income		(7,074)	(5,587)	(7,546)
Total net assets before accruals and deferred income		15,299	6,360	7,527
Accruals and deferred income		2,637	2,224	2,513
Capital and reserves attributable to shareholders of the parent company				
Share capital		1,561	2.379	2,379
Capital redemption reserve		1,103	-	-
Share premium account		7,398	10,469	10,469
Share options reserve		395	304	304
Foreign exchange reserve		71	155	145
Retained profit/(losses)		2,134	(9,171)	(8,283)
Shareholders' funds		12,662	4,136	5,014
Shareholders' funds plus accruals and deferred income		15,299	6,360	7,527

Consolidated Cash Flow

	Notes	Six month period ended 30 June 2021 Unaudited £000	Six month period ended 30 June 2020 Unaudited £000	Year ended 31 December 2020 Audited £000
Cash flows from operating activities				
Profit after taxation		(52)	68	956
Adjustments for:				
Taxation credit		(56)	(222)	(494)
Finance costs		48	57	114
Share option charge		91	91	91
Other interest on leases		51	32	67
Finance income		-		-
Exchange gain/ (loss)		(73)	73	49
Amortisation and depreciation		517	352	791
Exceptional – IPO costs		630	-	
Loss on disposal of right of use asset		-	-	9
Cash flows from operations before working capital changes		1,156	451	1,583
Changes in trade and other receivables		275	320	275
Changes in trade and other payables		43	759	60
Cash generated from operations		1,474	1,530	1,918
Finance costs		(48)	(57)	(69)
Finance income		-	-	-
Taxation received		-	-	285
Net cash flow from operating activities		1,426	1,473	2,134
Cash flow from investing activities				
Additions of intangible assets		(619)	(862)	(1,227)
Purchase of property, plant and equipment		(7)	(16)	(17)
Cash acquired with subsidiary		-	-	277
Payment to acquire subsidiary		-	-	(223)
Net cash flow from investing activities		(626)	(878)	(1,190)
Net cash flow before financing activities		800	595	944
Cash flow from financing activities				
Proceeds from ordinary share issue- net of costs		6,872		
Proceeds from exercise of share options		180		
Loan repayments		(284)	(308)	-
Payment of lease liabilities		(128)	(342)	(457)
Bank loans received		-	-	250
Net cash flow from/(to) financing activities		6,640	(650)	(207)
Net increase/(decrease) in cash and cash equivalents		7,440	(55)	737
Opening cash and cash equivalents		2,127	1,390	1,390
Closing cash and cash equivalents		9,567	1,335	2,127

Consolidated Statement of Changes in Equity

	Share capital	Capital Redemption Reserve	Share Premium	Share option reserve	Foreign exchange reserve	Retained Earnings	Total Equity
	£000	£000	£000	£000	£000	£000	£000
At 1 January 2021	2,379	-	10,469	304	145	(8,283)	5,014
Profit for the period	-		-	-	-	(52)	(52)
Exchange differences on retranslation of foreign operations	-		-	-	(74)	-	(74)
Total comprehensive income	-		-	-	(74)	(52)	(126)
Issue of ordinary shares							
Expenses relating to ordinary share issue			-		-	-	-
Share buyback of deferred shares	(1,103)	1,103		-			
Cancellation of share premium			(10,469)			10,469	-
Share issuance – IPO	260		7,740				8,000
Option conversion	13		8				21
Option conversion	12		148				160
IPO expenses			-498				-498
Share based payment charge		-	-	91	-	-	91
At 30 June 2021 (unaudited)	1,561	1,103	7,398	395	71	2,134	12,662
At 1 January 2020	2,379	-	10,469	213	82	(9,239)	3,904
Profit for the year	-	-	-	-	-	68	68
Exchange differences on retranslation of foreign operations	-	-	-	-	73	-	73
Total comprehensive income						68	141
Share based payment charge	-	-	-	91	-	-	91
-							
At 30 June 2020 (unaudited)	2,379	-	10,469	304	155	(9,171)	4,136
At 1 January 2020	2,379		10,469	213	82	(9,239)	3,904
Profit for the year	-		-	-	-	956	956
Exchange differences on retranslation of foreign operations	-		-	-	63	-	63
Total comprehensive income			-	-	63	956	1,019
Share based payments charge	-	-	-	91	-	-	91
At 31 December 2020 (audited)	2.379	-	10,469	304	145	(8,283)	5,014

Notes to the Financial Information

1. General information
itim Group plc is a public limited Company ("Company") incorporated in the United Kingdom under the Companies Act 2006 (registration number 03486926). The Company is domiciled in the United Kingdom and its registered address is 2nd Floor, Atlas House, 173 Victoria Street, London SW1E 5NH. The Company's ordinary shares are admitted to trading on the AIM market of the London Stock Exchange ("AIM").

The Group's principal activities have been the provision of technology solutions to help clients drive improvements in efficiency and effectiveness.

The Group's interim report and accounts for the six months ended 30 June 2021 have been prepared using the recognition and measurement principles of International Financial Reporting Standards and Interpretations as endorsed by the European Union (collectively "Adopted IFRS").

These interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with the AIM Rules for Companies and should be read in conjunction with the financial statements for the year ended 31 December 2020, which have been prepared in accordance with IFRS as adopted by the European Union. The interim report and accounts do not include all the information and disclosures required in the annual financial statements.

The interim report and accounts have been prepared on the basis of the accounting policies, presentation and methods of computation as set out in the Group's December 2020 Annual Report and Accounts, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2021, and will be adopted in the 2021 annual financial statements.

The interim report and accounts do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. These interim financial statements were approved by the Board of Directors on 9th September 2021. The results for the six months to 30 June 2021 and the comparative results for the six months to 30 June 2020 are unaudited. The figures for the period ended 31 December 2020 are extracted from the audited statutory accounts of the Group for that period.

The Directors believe that a combination of the Group's current cash, projected revenues from existing and future contracts will enable the Group to meet its obligations and to implement its business plan in full. Inherently, there can be no certainty in these matters, but the Directors believe that the Group's internal trading forecasts are realistic and that the going concern basis of preparation continues to be appropriate

2. Earnings per share

Basic and diluted loss per share is calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period. For the avoidance of doubt the deferred shares have been excluded as they have no rights to profits or capital. Additionally the Company's ordinary shares were subject to a share consolidation where 5 ordinary shares were converted into 1 ordinary share. The comparative period weighted average number of shares has been adjusted for this to aid comparison. The Company's share options have a dilutive effect over the three year period.

	6 months ended30 June2021 Unaudited £000	**6 months ended 30 June 2020 Unaudited £000**	**Year ended 31 December 2020 Audited £000**
Profit (loss) for the year/ period attributable to owners of the parent on continuing operations - £000	**(52)**	**68**	**956**
Weighted average number of shares – 000	25,817	25,534	25,534
Potentially dilutive share options – 000	3,679	3,215	3,318
Basic earnings (loss) per share – pence on continuing operations	**(0.20)**	**0.27**	**3.74**
Diluted earnings (loss) per share – pence on continuing operations	**(0.20)**	**0.24**	**3.31**