

Mind Gym PLC

(“Mind Gym”, the “Group” or the “Company”)

Half year results for the six months ended 30 September 2019

Mind Gym (AIM: MIND), the global provider of human capital and business improvement solutions, is pleased to announce its half year results for the six months ended 30 September 2019.

Financial highlights

	6 months to 30 Sept 2019 (H1 FY20)	6 months to 30 Sept 2018 (H1 FY19)	12 months to 31 Mar 2019 (FY19)	Change (H1 FY20 v H1 FY19)
Revenue	£23.9m	£19.4m	£42.1m	+24%
Gross profit margin	78.8%	81.6%	80.6%	-2.8pps
Adjusted ¹ PBT	£4.0m	£4.1m	£8.5m	-3.6%
Adjusted ¹ PBT margin	16.7%	21.4%	20.3%	-4.7pps
Statutory PBT	£3.9m	£1.1m	£5.1m	+247%
Basic EPS	3.07p	0.65p	4.08p	+372%
Adjusted ¹ Diluted EPS	3.17p	3.18p	6.85p	-0.3%
Total Dividend per share	0.90p	0.80p	2.40p	+12.5%
Net Cash	£10.7m	£2.5m	£8.3m	+328%
Adjusted ¹ EBITDA cash conversion ²	98%	71%	113%	+27pps

¹Adjustments include IPO transaction costs and aborted transaction advisory fees, employee share option surrender bonuses in 1H FY19 and FY19 only and share-based payment charges in all periods. A reconciliation of these adjustments is shown in Note 5.

²EBITDA cash conversion defined as cash generated from operations/EBITDA

Group Highlights

- Revenue up 24% to £23.9 million (1H FY19: £19.4 million); ahead of expectations as announced previously, driven by both higher repeat revenue and new client wins. On a constant currency basis revenue grew 20%.
- Gross margin of 78.8% decreased 2.8 percentage points as higher than expected revenue lead to increased coach costs.
- Adjusted¹ PBT 3.6% below the same period past year as the Group invested surplus profits in talent, innovation and infrastructure.
- Continued improvements in cash conversion at 98% during the period driven by debtor and accrued income reduction (1H FY19: 71%), and period end cash balance of £10.7m (1H FY19: £2.5m)
- Adjusted¹ diluted EPS decreased by 0.3% to 3.17p (1H FY19: 3.18p)
- Interim dividend of 0.9 pence per share will be paid in January 2020 (H1 FY19: 0.8 pence)

Operating Highlights

- Revenue grew in both regions during the period compared to the same period last year. EMEA revenue increased by 18% to £10.2m (1H FY19: £8.7m) and represented 43% of total revenue. The US region increased revenue by 28% (21% in constant currency) to £13.7m (1H FY19: £10.7m)
- Repeat revenue³ increased to 92% of Group revenue (1H FY19: 87%).
- Digital revenue grew by 25% to £1.9 million, representing 8.3% of total revenue (1H FY19: 8.0%). Digitally-enabled⁴ revenue increased by 36% on the prior year period and represented 30% of revenue (1H FY19 26%)
- Product innovation creating new revenue opportunities:
 - Customer Experience (“CX”) ‘Point of View’ launched
 - Diversity & Inclusion 3.0 tested with several key clients
 - Judgement Quotient (“JQ”) diagnostic launched
- Operational investments in client support, coach recruitment, legal and IT.
- Average headcount increased by 19% on the comparative period last year to meet business growth.
- Continued consolidation of the senior leadership including the appointment of Wei-Li Chong as President Mind Gym US to commence January 2020 and Desi Kimmins as Chief Commercial Officer EMEA to commence February 2020.

³Repeat revenue is defined as revenue from clients that have purchased products during a comparative period in one or more of the previous three years.

⁴Digitally-enabled revenue includes revenue from sessions delivered virtually.

Outlook

The Board is very pleased with the progress Mind Gym has made in the first half of FY20 particularly as the increased growth in revenue allows for further investment in talent, innovation and operational infrastructure which in turn will provide the platform to sustain significant growth. We remain confident that the Company will deliver on its short and medium-term expectations whilst building solid foundations for the future as a global leader in its space.

Octavius Black, Chief Executive Officer of Mind Gym, said:

“Company bosses are increasingly turning to corporate culture as a strategic tool to drive performance. Our strong revenue growth in the first half shows that leading businesses are choosing our proven behavioural science-based solutions over traditional alternatives. We continue to make significant investments in infrastructure, our digital proposition, talent and senior leadership in our pursuit of long term, sustainable growth.”

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Mind Gym plc

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About Mind Gym

Mind Gym is a company that delivers business improvement solutions using scalable, proprietary products which are based on behavioural science. The Group operates in three global markets: business transformation, human capital management and learning & development.

Mind Gym is listed on the London Stock Exchange Alternative Investment Market (ticker: MIND) and headquartered in London. The business has offices in London, New York and Singapore.

Further information is available at www.themindgym.com

Half Yearly report

Business overview

The revenue growth of 24% to £23.9m was ahead of expectations and reflects growth in the business's two key regions, EMEA and US. The growth came from both existing clients in each territory and new client wins. In local currency, US revenue grew 21% and EMEA revenue grew 18% on the comparative period in the previous year. The US share of total revenue grew by 2.1 percentage points to 57.4%.

Whilst our prime client relationships tend to be with businesses headquartered in US or EMEA, our live programmes continue to be delivered across the world. In H1 we delivered in 73 (1H FY19: 71) countries, with a noticeable increase in deliveries in Asia.

True to its culture, Mind Gym continues to innovate and explore new revenue streams. In the US we launched a new initiative to target Mid-Market companies with employees of 2,000 or fewer, deploying a senior client team member to head up an inside sales team of five based in Houston. The initiative is primarily based on selling our proven digital products to ensure scalability.

The development of new products and training modules is founded on evidence-based research, in a process managed by our Academic Board. We typically publish this in what we call a 'Point of View', which will focus on a particular theme in behavioural science.

During the period we launched a new Customer Experience ("CX") 'Point of View', tested the next generation Diversity & Inclusion 'Point of View' with several key clients, and launched a digital Judgement Quotient ("JQ") diagnostic tool. Additionally, a third of our suite of 78 digital e-workouts were improved in 1H FY20 as part of an on-going programme.

Our new customer service offer based on the CX research has already been adopted by a US financial services business and a well-regarded UK retailer. Customer service represents 6.5% of the corporate learning content on average in the US (Source: ATD State of the Industry 2018) and a similar proportion in EMEA. The global Learning and Development market is over \$240bn (Source: Deloitte, 2018).

Diversity & Inclusion has become an increasing priority for leadership teams across all industries, and Mind Gym continues to lead with new research and interventions in this area. Our updated Point of View 'Diversity & Inclusion 3.0' will be published in 2H FY20 with a view to further growth in this area in FY21.

Digital revenue grew 25% on the equivalent prior period, partly as a result of revenue from our new "JQ" behavioural diagnostic. An increasing proportion of our live workouts are delivered digitally via webex, and revenue from live workouts increased 42% in 1H FY20 to £5.1m (1H 19: £3.6m). Digitally-enabled revenue (including e-workouts and virtual deliveries) increased 36% in 1H FY20 to £7.1m (1H FY19: £5.2m).

Year on year headcount across the whole business has increased by 19% to 243 (1H FY19: 204) in line with revenue growth (in constant currency) of 20%. Our people remain key to our success and, marking a significant increase in seniority and experience of leadership, we are delighted to announce the appointments of Wei-Li Chong as President Mind Gym US and Desi Kimmins as Chief Commercial Officer EMEA.

As a mark of our commitment to employee engagement the Company launched a Save as You Earn Scheme on 30th September 2019, for all eligible employees in the UK, Singapore and Canada, and an Employee Share Purchase Plan for employees in the US. Both arrangements allow employees to invest in Mind Gym shares over a period of time at a discount to the market price. 47% of eligible employees opted to join the plans.

During a period of fast growth, we have maintained the quality of delivery, as measured by participant feedback. In 1H FY20 the percentage of participants rating their course as either 4/5 (Very good) or 5/5 reached a record 89.4% (1H FY19: 88.9%).

Financial Performance

In the six months ended 30 September 2019, revenue grew faster than expected, increasing by 24% to £23.9 million (H1 FY19: £19.4 million) on the same period last year. On a constant currency basis, revenue grew 20% on the year. Revenue from our top 25 accounts grew 50% on the year to £10.7m (1H FY19: £7.1m) in constant currency and the percentage of total revenue this contributed increased to 46% (1H FY19: 36%). Revenue from clients that have purchased in one or more of the previous three years increased to 92% of total revenue (1H FY19: 87%).

In EMEA revenue increased by 18% to £10.2m (1H FY19: £8.7m) representing 43% of total revenue. Revenue from the top 25 clients increased to 70% of regional revenue (1H FY19: 53%).

In the US revenue increased by 28% (21% on a constant currency basis) to £13.7m (1H FY19: £10.7m) representing 57% of total revenue. Revenue from the top 25 clients increased to 55% of regional revenue (1H FY19: 49%).

Revenue from digital products in H1 FY20 was £1.9 million (H1 FY19: £1.6m; FY19: £4.1m) representing 8.3% of total revenue (H1 FY19: 8.0%; FY19: 9.7%) and includes revenue from the new "JQ" diagnostic. Digitally-enabled revenue (including workouts delivered virtually) increased by 36% to £5.1m (1H FY19: £3.6m) representing 30% of total revenue (1H FY19: 26%).

Gross profit in the period increased by 19% to £18.9m (1H FY19: £15.8m). Gross profit as a percentage of revenue in the period decreased by 2.8 percentage points on the prior period to 78.8%. The greater than expected revenue growth meant some higher costs for coaches and course materials were incurred to ensure clients' expectations were met. At a Group level there was minimal change in revenue type and therefore no material impact on Gross profit.

In response to the revenue growth and to support increased future revenue streams, overheads excluding adjustments increased by £3.2m or 27% to £14.8m (1H FY19: £11.6m). Staff costs increased by £2.6m or 29%, of which £1.9m or 73% related to the client, client support and solutions teams. This includes an initiative to establish a client team based in Houston targeting US Mid-Market clients with employees of 2,000 or under. The remaining £0.7m increase in staff costs and £0.6m increase in non-staff overheads relate to initiatives to support further growth and deliver efficiencies. This includes boosting our legal team with the appointment of a General Counsel, increasing the capacity of our coach recruitment team, and investments in operations and IT.

As a result of these investments, Adjusted PBT at £4.0 million was marginally below last year (H1 FY19: £4.1 million), while adjusted PBT margin decreased by 4.7 percentage points from 21.4% in H1 FY19 to 16.7% in H1 FY20.

The Group reported a profit before tax of £3.9 million for the six months ended 30 September 2019 (H1 FY19: £1.1 million). The tax charge of £0.8 million represents an effective tax rate of profit before tax of 21.1% (H1 FY19: 44.4%).

Basic earnings per share in H1 2019 were 3.07 pence (H1 FY19: 0.65 pence). Adjusted diluted earnings per share as set out in Note 7 remained virtually flat on the prior period at 3.17 pence (H1 FY19: 3.18 pence).

The Group continues to improve cash generation on the equivalent period last year. Mind Gym remains strongly cash generative with adjusted EBITDA cash conversion of 98% in the period (H1 FY19: 71%). Net cash generated from operations in H1 FY20 was £4.3 million, compared to £2.5 million in H1 FY 19 before IPO costs of £2.3m and £3.2 million of pre-IPO dividends. Despite a 24% increase in revenue on the equivalent period last year, trade receivable and accrued income days reduced by 25% to 85 days, from 114 days at September 2018. Overdue debt has fallen from 38% of trade debtors at 30 September 2018 to 24% of trade debtors at 30 September 2019. Debtors over 60 days overdue improved to 5% of total debtors in the period (H1 FY19: 11%). Cash at the end of the period was £10.7 million (H1 FY2019: £2.5 million).

Overall net assets increased by £1.7m million to £15.3 million in the period to 30 September 2019 (FY19: £13.6 million).

Impact of adoption of new accounting policies

The Group adopted IFRS 16 – Leases on 1st April 2019 and has applied the modified retrospective approach by measuring the right-of-use asset at an amount equal to the lease liability at the date of transaction and therefore comparative information has not been restated. The impact of the adoption on Adjusted and Statutory Profit before Tax is immaterial, although Adjusted EBITDA increased by £0.3 million in the period. The impact of the adoption on the balance sheet is set out in Note 9.

Dividend

The Board is pleased to announce that it has approved an interim dividend of 0.9 pence per share (H1 FY19: 0.8 pence per share). This will be paid on 15 January 2020 to shareholders on the register at 20 December 2019, with the associated ex-dividend date being 19 December 2019.

Corporate Governance

Mind Gym adopted the QCA Corporate Governance Code at the date of IPO. Further details can be found on the Company's website at www.themindgym.com.

Outlook

The Board is very pleased with the progress Mind Gym has made in the first half of FY20 particularly as the increased growth in revenue allows for further investment in talent, innovation and infrastructure which in turn will provide the platform to sustain significant growth. We remain confident that the Company will deliver on its short and medium-term expectations whilst building solid foundations for the future as a global leader in its space.

Joanne Black
Chair

Octavius Black
Chief Executive Officer

MIND GYM PLC CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		6 months to 30 Sept 2019 (Unaudited)	6 months to 30 Sept 2018 (Unaudited)	Year to 31 March 2019 (Audited)
	Note	£'000	£'000	£'000
Continuing operations				
Revenue	3	23,936	19,350	42,133
Cost of sales		(5,076)	(3,558)	(8,192)
Gross profit		18,860	15,792	33,941
Administrative expenses		(14,977)	(14,680)	(28,811)
Operating profit		3,883	1,112	5,130
Finance income	4	15	-	-
Finance costs	4	(35)	-	-
Profit before taxation		3,863	1,112	5,130
Adjusted EBITDA		4,368	4,261	8,716
Depreciation of property, plant and equipment		(321)	(42)	(76)
Amortisation of intangible assets		(29)	(70)	(93)
Adjusted EBIT		4,018	4,149	8,547
Finance income		15	-	-
Finance costs		(35)	-	-
Adjusted profit before tax		3,998	4,149	8,547
Transaction related costs	5	-	(1,449)	(1,500)
Employee options surrender costs	5	-	(1,424)	(1,577)
Share based payments	5, 14	(135)	(164)	(340)
Total adjustments	5	(135)	(3,037)	(3,417)
Profit before tax		3,863	1,112	5,130
Tax on profit	6	(813)	(494)	(1,179)
Profit for the financial period from continuing operations attributable to owners of the parent		3,050	618	3,951
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange translation differences on consolidation		117	77	38
Other comprehensive income for the period attributable to the owners of the parent		117	77	38
Total comprehensive income for the period attributable to the owners of the parent		3,167	695	3,989
Earnings per share (pence)				
Basic	7	3.07p	0.65p	4.08p
Diluted	7	3.06p	0.61p	3.94p
Adjusted earnings per share (pence)				
Basic	7	3.18p	3.36p	7.10p
Diluted	7	3.17p	3.18p	6.85p

MIND GYM PLC CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2019 (Unaudited) £'000	30 September 2018 (Unaudited) £'000	31 March 2019 (Audited) £'000
	Note			
Non-current assets				
Intangible assets		427	287	445
Property, plant and equipment	9	1,743	90	139
Deferred tax assets		375	1,063	637
		<u>2,545</u>	<u>1,440</u>	<u>1,221</u>
Current assets				
Inventories		63	251	53
Trade and other receivables	10	12,301	12,898	12,661
Current tax receivable		1,196	1,339	1,196
Cash and cash equivalents		10,743	2,489	8,294
		<u>24,303</u>	<u>16,977</u>	<u>22,204</u>
Total assets		<u>26,848</u>	<u>18,417</u>	<u>23,425</u>
Current liabilities				
Trade and other payables	11	8,395	6,809	8,832
Lease liability	9	570	-	-
Provisions	12	814	614	767
Redeemable preference shares		50	50	50
Current tax payable		683	-	146
		<u>10,512</u>	<u>7,473</u>	<u>9,795</u>
Non-current liabilities				
Lease liability	9	996	-	-
Total liabilities		<u>11,508</u>	<u>7,473</u>	<u>9,765</u>
Net assets		<u>15,340</u>	<u>10,944</u>	<u>13,630</u>
Equity				
Share capital	13	1	1	1
Share premium		112	112	112
Share option reserve		475	164	340
Retained earnings		14,752	10,667	13,177
Equity attributable to owners of the parent Company		<u>15,340</u>	<u>10,944</u>	<u>13,630</u>

The Board of Directors approved these condensed interim financial statements on 9 December 2019.

MIND GYM PLC CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total equity £'000
At 1 April 2018		1	-	408	11,780	12,189
Profit for the period		-	-	-	618	618
Other comprehensive income:						
Exchange translation differences on consolidation		-	-	-	77	77
Total comprehensive income for the period			-	-	695	695
Issue of shares net of share issue costs		-	112	(408)	408	112
Credit to equity for share based payments	14	-	-	164	-	164
Tax relating to share based payments		-	-	-	784	784
Dividends	8				(3,000)	(3,000)
At 30 September 2018		1	112	164	10,667	10,944
Profit for the period		-	-	-	3,333	3,333
Other comprehensive income:						
Exchange translation differences on consolidation		-	-	-	(39)	(39)
Total comprehensive income for the period			-	-	3,294	3,294
Credit to equity for share based payments	14	-	-	176	-	176
Tax relating to share based payments		-	-	-	9	9
Dividends	8				(793)	(793)
At 31 March 2019		1	112	340	13,177	13,630
Profit for the period		-	-	-	3,050	3,050
Other comprehensive income:						
Exchange translation differences on consolidation		-	-	-	117	117
Total comprehensive income for the period			-	-	3,167	3,167
Credit to equity for share based payments	14	-	-	135	-	135
Tax relating to share based payments		-	-	-	-	-
Dividends	8				(1,592)	(1,592)
At 30 September 2019		1	112	475	14,752	15,340

MIND GYM PLC CONSOLIDATED STATEMENT OF CASH FLOWS

	6 months to 30 Sept 2019 (Unaudited)	6 months to 30 Sept 2018 (Unaudited)	Year to 31 March 2019 (Audited)
Note	£'000	£'000	£'000
Cash flows from operating activities			
Profit for the financial period	3,050	618	3,951
Adjustments for:			
Amortisation of intangible assets	29	70	93
Depreciation of tangible assets	321	42	76
Net finance costs	20	-	-
Taxation charge	813	494	1,179
(Increase)/decrease in inventories	(10)	9	208
Decrease/(increase) in trade and other receivables	267	(1,010)	(862)
(Decrease)/increase in payables and provisions	(330)	395	2,521
Share based payment charge	14 135	164	340
Cash generated from operations	4,295	782	7,506
Net tax received/(paid)	2	(637)	(615)
Net cash generated from operating activities	4,297	145	6,891
Cash flows from investing activities			
Purchase of intangible fixed assets	(11)	(30)	(213)
Purchase of property, plant and equipment	(105)	(44)	(137)
Interest received	15	-	-
Net cash used in investing activities	(101)	(74)	(350)
Cash flows from financing activities			
Cash repayment of lease liabilities	(304)	-	-
Issuance of ordinary shares	-	-	112
Issuance of preference shares	-	-	50
Dividends paid	8 (1,592)	(3,200)	(3,993)
Net cash used in financing activities	(1,896)	(3,200)	(3,831)
Net increase/(decrease) in cash and cash equivalents			
	2,300	(3,129)	2,710
Cash and cash equivalents at beginning of period	8,294	5,542	5,542
Effect of foreign exchange rate changes	149	76	42
Cash and cash equivalents at the end of period	10,743	2,489	8,294
Cash and cash equivalents at the end of period comprise:			
Cash at bank and in hand	10,743	2,489	8,294

MIND GYM PLC NOTES TO THE GROUP FINANCIAL STATEMENTS

1. General information

Mind Gym plc (“the Company”) is a public limited company incorporated in England & Wales and its ordinary shares are traded on the Alternative Investment Market of the London Stock Exchange (“AIM”). The address of the registered office is 160 Kensington High Street, London W8 7RG. The group consists of Mind Gym plc and its subsidiaries, Mind Gym (USA) Inc., Mind Gym Performance (Asia) Pte. Ltd and Mind Gym (Canada) Inc. (together “the Group”).

The principal activity of the Group is to apply behavioural science to transform the performance of companies and the lives of the people who work in them. The Group does this primarily through research, strategic advice, management and employee development, employee communication, and related services.

2. Basis of preparation

The condensed interim financial statements have been prepared in accordance with the requirements of the AIM Rules for Companies. As permitted, the Company has chosen not to adopt IAS 34 “Interim Financial Statements” in preparing this interim financial information. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, including interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”), and with the Companies Act 2006 applicable to companies reporting under IFRS. The unaudited interim financial information does not constitute statutory accounts within the meaning of the Companies Act 2006. This interim report, which has neither been audited nor reviewed by independent auditors, was approved by the board of directors on 10 December 2019.

Statutory accounts for the year ended 31 March 2019 were approved by the Board of Directors on 24 June 2019 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The interim financial statements have been prepared on a going concern basis under the historical cost convention.

The interim financial statements are presented in Sterling. All values are rounded to £1,000 except where otherwise indicated.

The accounting policies used in preparing the interim results are the same as those applied to the latest audited annual financial statements except for the adoption of new and amended standards as set out in Note 9.

3. Segmental analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker, who is responsible for allocating resources and assessing performance of the business. The chief operating decision maker has been identified as the Board. The Group has two operating segments: EMEA (comprising the United Kingdom and Singapore) and America (comprising the United States and Canada).

Both segments derive their revenue from a single business activity, the provision of human capital and business improvement solutions.

The Group's business is not highly seasonal and the Group's customer base is diversified with no individually significant customer.

Segment results for the 6 months ended 30 September 2019 (Unaudited)

Segment result

	EMEA	America	Total
	£'000	£'000	£'000
Revenue	10,203	13,733	23,936
Cost of sales	(2,309)	(2,767)	(5,076)
Administrative expenses	(7,560)	(7,417)	(14,977)
Profit before inter-segment charges	334	3,549	3,883
Inter-segment charges	2,688	(2,688)	-
Operating profit – segment result	3,022	861	3,883
Net finance costs			(20)
Profit before taxation			<u>3,863</u>

Adjusted EBITDA

	EMEA	America	Total
	£'000	£'000	£'000
Operating profit – segment result	3,022	861	3,883
Depreciation	194	127	321
Amortisation	29	-	29
EBITDA	3,245	988	4,233
Share based payments	135	-	135
Adjusted EBITDA	<u>3,380</u>	<u>988</u>	<u>4,368</u>

The mix of revenue for the six months ended 30 September 2019 is set out below.

	EMEA	America	Group
Delivery	59.9%	59.1%	59.4%
Design	13.7%	18.4%	16.4%
Digital	7.2%	9.1%	8.3%
Licensing and certification	13.9%	8.0%	10.5%
Other	4.3%	3.7%	4.0%
Advisory	1.0%	1.7%	1.4%

Segment results for the 6 months ended 30 September 2018 (Unaudited)

Segment result

	EMEA	America	Total
	£'000	£'000	£'000
Revenue	8,657	10,693	19,350
Cost of sales	(1,615)	(1,943)	(3,558)
Administrative expenses	(7,668)	(7,012)	(14,680)
Profit before inter-segment charges	(626)	1,738	1,112
Inter-segment charges	2,118	(2,118)	-
Operating profit – segment result	1,492	(380)	1,112
Finance costs			-
Profit before taxation			<u>1,112</u>

Adjusted EBITDA

	EMEA	America	Total
	£'000	£'000	£'000
Operating profit – segment result	1,492	(380)	1,112
Depreciation and amortisation	98	14	112
EBITDA	1,590	(366)	1,224
Share based payment expense	164	-	164
Employee option surrender cost	26	1,398	1,424
Transaction related costs	1,517	(68)	1,449
Adjusted EBITDA	<u>3,297</u>	<u>964</u>	<u>4,261</u>

The mix of revenue for the six months ended 30 September 2018 is set out below.

	EMEA	America	Group
Delivery	56.6%	59.2%	57.9%
Design	21.7%	14.5%	17.7%
Digital	7.9%	8.0%	8.0%
Licensing and certification	8.2%	13.0%	10.9%
Other	3.4%	3.3%	3.4%
Advisory	2.2%	2.0%	2.1%

Segment results for the year ended 31 March 2019 (Audited)

Segment result

	EMEA	America	Total
	£'000	£'000	£'000
Revenue	20,390	21,743	42,133
Cost of sales	(4,128)	(4,064)	(8,192)
Administrative expenses	(15,231)	(13,580)	(28,811)
Profit before inter-segment charges	1,031	4,099	5,130
Inter-segment charges	3,899	(3,899)	-
Operating profit – segment result	4,930	200	5,130
Finance costs			-
Profit before taxation			<u>5,130</u>

Adjusted EBITDA

	EMEA	America	Total
	£'000	£'000	£'000
Operating profit – segment result	4,930	200	5,130
Depreciation	47	29	76
Amortisation	93	-	93
EBITDA	5,070	229	5,299
Transaction related costs	1,426	74	1,500
Employee options surrender costs	26	1,551	1,577
Share based payments	340	-	340
Adjusted EBITDA	<u>6,862</u>	<u>1,854</u>	<u>8,716</u>

The mix of revenue for the year ended 31 March 2019 is set out below.

	EMEA	America	Group
Delivery	59.2%	58.1%	58.7%
Design	17.0%	13.8%	15.4%
Digital	9.7%	9.7%	9.7%
Licensing and certification	8.1%	13.2%	10.6%
Other	3.9%	3.3%	3.6%
Advisory	2.1%	1.9%	2.0%

4. Net finance costs

	6 months to 30 Sept 2019 (Unaudited) £'000	6 months to 30 Sept 2018 (Unaudited) £'000	Year to 31 March 2019 (Audited) £'000
Finance income			
Bank interest receivable	15	-	-
Finance costs			
Lease interest (IFRS 16)	(35)	-	-
	<u>(20)</u>	<u>-</u>	<u>-</u>

5. Adjustments

	6 months to 30 Sept 2019 (Unaudited) £'000	6 months to 30 Sept 2018 (Unaudited) £'000	Year to 31 March 2019 (Audited) £'000
Transaction related costs	-	1,449	1,500
Employee options surrender costs	-	1,424	1,577
Share based payment	135	164	340
	<u>135</u>	<u>3,037</u>	<u>3,417</u>

Transaction related costs in 2019 consist of advisory fees related to the Company's successful Initial Public Offering ("IPO") and admission to the AIM market in June 2018, and in 2018, fees related to the aborted sale of the business in January 2018.

Employee options surrender costs relate to compensation paid to non-UK resident employees in consideration for surrendering Enterprise Management Initiative ("EMI") options which vested on the IPO.

Share based payment relates to the Group's Long-Term Incentive Share Option Plan and Share Incentive Plan (see Note 14). It is a non-cash cost and treated as an adjusting item.

The cash cost of Adjustments was £nil (six months ended 30th Sept 2018: £2,258,000; year ended 31 March 2019: £2,310,000).

6. Tax

The adjusted tax charge of £831,000 (six months ended 30th Sept 2018: £919,000; year ended 31 March 2019: £1,671,000) represents an effective tax rate on adjusted profit before tax of 20.9% (six months ended 30th Sept 2018: 22.2%; year ended 31 March 2019: 19.5%).

The statutory tax charge of £813,000 (six months ended 30th Sept 2018: £494,000; year ended 31 March 2019: £1,179,000) represents an effective tax rate on profit before tax of 21.1% (six months ended 30th Sept 2018: 44.4%; year ended 31 March 2019: 23.0%).

7. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The Company has potentially dilutive shares in respect of the share-based payment plans (see Note 14). Adjusted earnings per share removes the effect of transaction related costs, employee option surrender cost and the non-cash share-based payment charge (see Note 5).

	30 Sept 2019 (Unaudited)	30 Sept 2018 (Unaudited)	31 March 2019 (Audited)
Weighted average number of shares in issue	99,493,210	94,363,458	96,915,040
Potentially dilutive shares (weighted average)	296,431	7,235,790	3,405,218
Fully diluted number of shares (weighted average)	<u>99,789,641</u>	<u>101,599,248</u>	<u>100,320,258</u>

	6 months to 30 Sept 2019 (Unaudited) pence	6 months to 30 Sept 2018 (Unaudited) pence	Year to 31 March 2019 (Audited) pence
Basic earnings per share	3.07	0.65	4.08
Diluted earnings per share	3.06	0.61	3.94
Adjusted basic earnings per share	3.18	3.36	7.10
Adjusted diluted earnings per share	3.17	3.18	6.85

The reconciliation of statutory profit to adjusted profit for the financial period is as follows:

	6 months to 30 Sept 2019 (Unaudited) £'000	6 months to 30 Sept 2018 (Unaudited) £'000	Year to 31 March 2019 (Audited) £'000
Profit attributable to owners of the parent	3,050	618	3,951
Adjusted items	135	3,037	3,417
Tax on adjusted items	(18)	(426)	(492)
Adjusted profit attributable to owners of the parent	<u>3,167</u>	<u>3,229</u>	<u>6,876</u>

8. Dividends

	Per share	6 months to 30 Sept 2019 (Unaudited)	6 months to 30 Sept 2018 (Unaudited)	Year to 31 March 2019 (Audited)
	Pence	£'000	£'000	£'000
Pre-IPO dividend on G ordinary shares (paid May 2018)	11.864	-	700	700
Pre-IPO dividend on F ordinary shares (paid Sept 2018)	38.983	-	2,300	2,300
FY19 Interim dividend (paid Jan 2019)	0.80	-	-	793
FY19 Final dividend (paid Aug 2019)	1.60	1,592	-	-
		<u>1,592</u>	<u>3,000</u>	<u>3,793</u>

For dividends paid before 21 June 2018, per share amounts have been restated for the 10:1 share split and so are expressed in amounts per new share.

The proposed interim dividend for the six months ended 30 September 2019 of 0.9 pence per share has been approved by the Board and will be paid on 15 January 2020 to ordinary shareholders registered as at the close of business on 20 December 2019.

9. Change in accounting policy

The Group has adopted IFRS 16 Leases from 1 April 2019.

IFRS 16, *Leases* introduces changes to lessee accounting by removing the distinction between operating and finance leases. It requires the recognition of a right-of-use asset and a lease liability at the lease commencement for virtually all leases.

The Group's operating leases impacted by IFRS 16 include real estate and office equipment leases.

The Group has elected to account for lease payments as an expense on a straight-line basis over the life of the lease for:

- Leases with a term of 12 months or less and containing no purchase options; and
- Leases where the underlying asset has a value of less than £5,000.

For other existing operating leases, the Group has applied the modified retrospective approach by measuring the right-of-use asset at an amount equal to the lease liability at the date of transition and therefore comparative information has not been restated. The Group has also applied the following practical expedients:

- Exclude initial direct costs from the right-of-use assets;
- Use hindsight when assessing the lease term; and
- Not to reassess whether a contract is or contains a lease.

The accounting policy adopted by the Group under IFRS 16 is as follows:

Lease identification

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identifiable asset for a period of time in exchange for consideration.

Right of use asset

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset and the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

Lease liability

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

The lease liability is measured at amortised cost using the effective interest method.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the low-value assets recognition exemption to leases of assets below £5,000. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The change in accounting policy impacted the opening balance sheet as follows:

	At 31 March 2019 £'000	IFRS 16 adjustment £'000	At 1 April 2019 £'000
Non-current assets			
Intangible assets	445	-	445
Property, plant and equipment	139	1,782	1,921
Deferred tax assets	637	-	637
	1,221	1,782	3,003
Current assets			
Inventories	53	-	53
Trade and other receivables	12,661	(92)	12,569
Current tax receivable	1,196	-	1,196
Cash and cash equivalents	8,294	-	8,294
	22,204	(92)	22,112
Total assets	23,425	1,690	25,115
Current liabilities			
Trade and other payables	8,832	(107)	8,725
Lease liability	-	563	563
Provisions	767	-	767
Redeemable preference shares	50	-	50
Current tax payable	146	-	146
	9,795	456	10,251
Non-current liabilities			
Lease liability	-	1,234	1,234
Total liabilities	9,795	1,690	11,485
Net assets	13,630	-	13,630

The impact of the adoption on Adjusted and Statutory Profit before Tax is immaterial, although Adjusted EBITDA is increased by £0.3 million in the period.

10. Trade and other receivables

	30 Sept 2019 (Unaudited) £'000	30 Sept 2018 (Unaudited) £'000	31 March 2019 (Audited) £'000
Trade receivables	9,292	8,050	10,405
Less provision for impairment	(104)	(98)	(114)
Net trade receivables	9,188	7,952	10,291
Other receivables	629	405	497
Prepayments	586	461	601
Accrued income	1,898	4,080	1,272
	<u>12,301</u>	<u>12,898</u>	<u>12,661</u>

Trade receivables have been aged with respect to the payment terms as follows:

	30 Sept 2019 (Unaudited) £'000	30 Sept 2018 (Unaudited) £'000	31 March 2019 (Audited) £'000
Not past due	7,057	4,986	8,023
Past due 0-30 days	1,097	1,621	1,177
Past due 31-60 days	641	568	461
Past due 61-90 days	203	306	275
Past due more than 90 days	294	569	469
	<u>9,292</u>	<u>8,050</u>	<u>10,405</u>

11. Trade and other payables

	30 Sept 2019 (Unaudited) £'000	30 Sept 2018 (Unaudited) £'000	31 March 2019 (Audited) £'000
Trade payables	2,041	1,834	2,203
Other taxation and social security	581	560	982
Other payables	558	529	467
Accruals	2,892	2,252	3,214
Deferred income	2,323	1,634	1,966
	<u>8,395</u>	<u>6,809</u>	<u>8,832</u>

12. Provisions

	30 Sept 2019 (Unaudited) £'000	30 Sept 2018 (Unaudited) £'000	31 March 2019 (Audited) £'000
At the beginning of the period	767	-	-
Charge for the period	-	614	767
Foreign exchange	47	-	-
At the end of the period	814	614	767

The provision is in respect of compensation paid to non-UK resident employees in consideration for surrendering EMI options which vested on the IPO. The amount payable depends on the interpretation and application of local country tax laws to internationally mobile employees. The provision is classified as a current liability.

13. Share capital

	30 Sept 2019 Number	30 Sept 2019 Cost £'000	30 Sept 2018 Number	30 Sept 2018 Cost £'000	31 March 2019 Number	31 March 2019 Cost £'000
Ordinary shares of £0.0001 At 1 April	99,493,210	1	8,860,000	1	8,860,000	1
Effect of 10:1 share split	-	-	79,740,000	-	79,740,000	-
Exercise of options	-	-	10,762,375	-	10,762,375	-
Issue of new shares to EBT	-	-	-	-	130,835	-
Ordinary shares of £0.00001 at period end	99,493,210	1	99,362,375	1	99,493,210	1

On 21 June 2018, a share sub-division was entered into, whereby 8,860,000 shares with a nominal value of £0.0001 were exchanged for 88,600,000 E-ordinary shares with a nominal value of £0.00001. On this date, the total share capital remained unchanged at £886.

On 22 June 2018, an additional 10,762,375 ordinary shares were allotted and issued to option holders with a nominal value of £0.00001, bringing the total share capital to £994 and giving rise to share premium of £112,000.

14. Share based payments

The Group awards options to selected employees under a Long-Term Incentive Share Option Plan (“LTIP”). The options granted to date vest subject only to remaining employed up to the vesting date. Unexercised options do not entitle the holder to dividends or to voting rights.

The Group operates the Mind Gym plc Share Incentive Plan (SIP). An initial award of £1,000 of free shares was granted in October 2018 to all employees at the IPO price of 146 pence. The shares are held in an employee benefit trust and vest after three years subject only to remaining employed up to the vesting date. The holder is entitled to dividends over the vesting period.

On the 30th September the Group launched a Save As You Earn Scheme and an Employee Share Purchase Plan for all eligible employees in the UK and USA respectively.

Before the IPO, the Group also granted options to certain employees under Enterprise Management Incentive plans (“EMI plans”). All such options were exercised or forfeited on the IPO.

The total share-based payments expense was:

	6 months to 30 Sept 2019 (Unaudited) £'000	6 months to 30 Sept 2018 (Unaudited) £'000	Year to 31 March 2019 (Audited) £'000
Equity settled share-based payments	135	164	340

15. Post balance sheet events

At the 30th September 2019, the Company held a provision in respect of compensation paid to a non-UK resident employee in consideration for surrendering EMI options which vested on the IPO, as detailed in Note 12. The employee left the business in October 2019 and as a result the compensation will no longer be payable and the provision of £814,000 will be released as an adjusting item in the post balance sheet period.