

16 May 2023



Zytronic plc

**(“Zytronic” or the “Company” and, together
with its subsidiaries, the “Group”)**

Interim Results for the six months ended 31 March 2023 (unaudited)

Zytronic plc, a leading specialist manufacturer of touch sensors, announces its consolidated interim results for the six months ended 31 March 2023. Comparative data is given for the six months ended 31 March 2022, except where indicated.

Overview

- Group revenue of £4.7m (2022: £5.9m)
- Loss before tax of £0.9m (2022: profit of £0.4m)
- Basic loss per share of 7.5p (2022: earnings per share of 3.0p)
- Cash used in operations £0.4m (2022: generated from operations £0.1m)
- Net cash of £5.4m (30 September 2022: £6.4m)

Commenting on the results, Mark Butcher, Interim Chair said:

“Having been confident in December 2022 that the Group was positioned for progress, it is disappointing to report these results for the 6 months to 31 March 2023. As recently announced on 4 May 2023, we have downgraded our expectations for the full year even though there remain encouraging signs reflected by the increase in the number of open opportunities in our pipeline. As a Board we are working on a number of initiatives to address the headwinds the Group is currently facing so that the Group may return to revenue growth and profitability as soon as practicably possible.”

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Notes to Editors

Zytronic is the developer and manufacturer of a unique range of internationally award-winning and patented touch sensor products, operating from three modern factories totaling 80,000ft² near Newcastle-upon-Tyne in the United Kingdom.

Zytronic touch products employ an embedded sensing solution and are readily configurable to enable multi-user and multi-touch touch sensing sizes from five inches to ultra-large 85", making them an ideal solution for system designers' specific requirements, offering significant durability, environmental stability and optical enhancement benefits to touch interactivity for industrial, self-service and public access equipment.

Chair statement

Introduction

As commented on in the trading updates issued at the time of the AGM on 9 February 2023 and latterly on 4 May 2023, the Group has observed a lower level of performance over the first half period of the year than was expected. Sales in H1 were £4.7m (2022: £5.9m), with some of this change related to degrees of overstocking by customers in Gaming and Vending during FY2022, as a result of the supply chain uncertainties that were prevailing in the electronic components markets. However, these issues became further compounded in Gaming towards the end of the period, with customers whose end market customer is Aruze Gaming America, Inc. ("AGA"), who filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the State of Nevada.

Results

Group revenue for the half year ended 31 March 2023 was £4.7m (2022: £5.9m). The resultant gross margin was 23.5% (2022: 31.7%), adversely impacted by 4.5% due to the impairment of £0.2m of stock associated with the status of end customer AGA, as noted above. This gave rise to an EBITDA loss of £0.6m (2022: EBITDA of £0.8m) and a loss before tax of £0.9m (2022: profit of £0.4m), both of which were impacted by the £0.3m impairment of trade receivables also associated with products supplied for ultimate sale by AGA. Basic loss per share was 7.5p (2022: earnings per share of 3.0p).

As well as the now expected low levels of sales in the Financial market, sales in the period have generally been impacted across most markets, with the most sizeable impacts being in our top two market sectors of Gaming and Vending. Gaming, for reasons noted above, is approximately £0.6m lower than the same period last year, with reported sales of £1.5m (2022: £2.1m). Vending is £0.4m lower, with sales of £1.5m (2022: £1.9m), impacted in the main by the £0.5m reduction in comparable revenues for touch sensors supplied for a US-based end customer's brand-independent OEM drinks fountain (2022: £0.7m) due to FY2022 product overstocking. In both instances of overstocking we are expecting to see associated product supply delays, possibly into the start of FY2024.

Activities

Although the results are somewhat reflective of the effects on the business of the periods of global business development inactivity caused by the pandemic across a near two-year period from the start of the second half of FY2020, and the well-reported historical two-year average bespoke project maturation timeframe, the increasing business development activity levels over this first half period are encouraging.

This has continued to be demonstrated by the steady progress as measured by our CRM system which records the number of open opportunities. With the inevitable dynamic movement of opportunities closing for reasons previously detailed, the period ended with 491 open opportunities with a customer projected lifetime value ("CPLV") of £62m (30 September 2022: 484 and £59m respectively).

This activity has all been underpinned by the positive return of the international and regional, application-based trade expos and the business development activities that ensue around them, and our research and development ("R&D") department no longer having to spend excessive manpower on supporting supply chain issues. Our R&D function has therefore been able to allocate more time to supporting the critical business development process with customers and establishing new product development programmes.

As part of this process, R&D is continuing with work associated with utilising our technologies, capabilities and processes in the development of potential end-use products, such as bespoke interactive tables, rather than solely the touch components used in them.

Cash

Cash has inevitably been impacted over the period and closed at £5.4m (30 September 2022: £6.4m). Cash used in operations was £0.4m despite working capital decreasing by £0.2m over the first half of the year. £0.3m was due for collection at the half year end, relating to our customers in the AGA supply chain, and has subsequently been impaired. As the Group continues its recovery it has been more active in investing activities with £0.5m being incurred over tangible and intangible purchases. £0.2m was also paid over to shareholders for the final dividend from the prior year. More positively, the Group has been able to earn reasonable interest over the period from its cash balances.

Dividends

On the basis of the interim results detailed above, and the Board's stated policy to only pay covered interim or full year dividends, the Board is not proposing the payment of a 2023 interim dividend (2022: Nil).

Recruitment

Over the course of the period, we unfortunately saw the early retirement due to ill health of our Chair, David Buffham. Mark Cambridge was then temporarily appointed as Acting Executive Chair, to provide continuity through to the issuing and acceptance of the annual report for FY2022 at the AGM on 9 February 2023. At the conclusion of the AGM, I was appointed as Interim Chair whilst John Walter joined the Board as a temporary Non-executive Director on 10 February 2023.

John has subsequently been appointed as Chair of the nominations committee and is overseeing the present recruitment process to source a permanent Chair of the Board, which, it is hoped, will have concluded in the coming few months.

Outlook

The headwinds caused by the noted effects of the overstocking and Chapter 11 event are expected to remain to the end of the financial year. The positive resumption of business development activities and the Group's Board restructuring with the future Chair appointment, together with other initiatives being pursued, are expected to help position the Group more favourably for a future return to growth.

Mark Butcher
Interim Chair
16 May 2023

Consolidated statement of comprehensive income

Unaudited results for the six months to 31 March 2023

Six months to 31 March 2023 Unaudited	Six months to 31 March 2022 Unaudited	Year to 30 September 2022 Audited
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	Notes	£'000	£'000	£'000
Group revenue		4,728	5,910	12,340
Cost of sales excluding impairment		(3,403)	(4,034)	(8,577)
Impairment	3a	(214)	—	—
Total cost of sales		(3,617)	(4,034)	(8,577)
Gross profit		1,111	1,876	3,763
Distribution costs		(107)	(132)	(258)
Administration expenses excluding impairment		(1,638)	(1,345)	(2,810)
Impairment	3b	(342)	—	—
Total administration expenses		(1,980)	(1,345)	(2,810)
Group operating (loss)/profit		(976)	399	695
Finance revenue		79	—	10
(Loss)/profit before tax		(897)	399	705
Tax credit/(expense)	4	134	(56)	(94)
(Loss)/profit for the period		(763)	343	611
Other comprehensive income		—	—	—
Total comprehensive (loss)/income		(763)	343	611
(Loss)/earnings per share				
Basic	5	(7.5p)	3.0p	5.6p

All activities are from continuing operations.

Consolidated statement of changes in equity

Unaudited results for the six months to 31 March 2023

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Retained earnings £'000	Total £'000
At 1 October 2022	102	8,994	58	6,033	15,187
Profit for the period	—	—	—	(763)	(763)
Dividends	—	—	—	(224)	(224)
At 31 March 2023 (unaudited)	102	8,994	58	5,046	14,200

Consolidated statement of financial position

Unaudited results at 31 March 2023

	Notes	At 31 March 2023 Unaudited £'000	At 31 March 2022 Unaudited £'000	At 30 September 2022 Audited £'000
Assets				
Non-current assets				
Intangible assets		872	635	711
Property, plant and equipment		5,154	5,310	5,107
		6,026	5,945	5,818
Current assets				
Inventories		2,292	2,093	2,184
Trade and other receivables		1,834	2,078	2,957
Cash and short term deposits	7	5,385	7,538	6,403
		9,511	11,709	11,544
Total assets		15,537	17,654	17,362
Equity and liabilities				
Current liabilities				
Trade and other payables		326	881	1,055
Derivative financial liabilities		–	18	92
Accruals		543	580	560
Tax liabilities		–	53	–
		869	1,532	1,707
Non-current liabilities				
Deferred tax liabilities (net)		468	336	468
		468	336	468
Total liabilities		1,337	1,868	2,175
Net assets		14,200	15,786	15,187
Capital and reserves				
Equity share capital		102	106	102
Share premium		8,994	8,994	8,994
Capital redemption reserve		58	54	58
Retained earnings		5,046	6,632	6,033
Total equity		14,200	15,786	15,187

Consolidated cashflow statement

Unaudited results for the six months to 31 March 2023

	Notes	Six months to 31 March 2023 Unaudited £'000	Six months to 31 March 2022 Unaudited £'000	Year to 30 September 2022 Audited £'000
Operating activities				
(Loss)/profit before tax		(897)	399	705
Finance income		79	—	10
Depreciation and impairment of property, plant and equipment		233	279	543
Amortisation, impairment and write-off of intangible assets		102	121	223
Amortisation of government grant		—	(26)	(26)
Fair value movement on foreign exchange forward contracts		(92)	2	76
Loss on disposal of asset		—	—	2
Working capital adjustments				
Increase in inventories		(108)	(658)	(749)
Decrease/(increase) in trade and other receivables		1,123	122	(757)
(Decrease)/increase in trade and other payables and provisions		(838)	(169)	106
Cash (used in)/generated from operations		(398)	70	133
Tax received/(paid)		77	(125)	(224)
Net cashflow used in operating activities		(321)	(55)	(91)
Investing activities				
Interest received		70	—	7
Payments to acquire property, plant and equipment		(280)	(219)	(280)
Payments to acquire intangible assets		(263)	(23)	(201)
Net cashflow used in investing activities		(473)	(242)	(474)
Financing activities				
Dividends paid to equity shareholders of the Parent		(224)	(170)	(170)
Repurchase and cancellation of shares		—	(1,152)	(2,019)
Net cashflow used in financing activities		(224)	(1,322)	(2,189)
Decrease in cash and cash equivalents		(1,018)	(1,619)	(2,754)
Cash and cash equivalents at the beginning of the period		6,403	9,157	9,157
Cash and cash equivalents at the end of the period	7	5,385	7,538	6,403

Notes to the interim report

Unaudited results for the six months to 31 March 2023

1. Basis of preparation

The financial information in these interim statements is prepared under the historical cost convention and in accordance with international accounting standards. It does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006 and does not reflect all the information contained in the Group's annual report and financial statements.

The tax charge is calculated by applying the Directors' best estimate of the annual tax rate to the profit for the period. Other expenses are accrued in accordance with the same principles used in the preparation of the annual report and financial statements.

The interim results for the six months to 31 March 2023 are not reviewed by Crowe U.K. LLP and accordingly no opinion has been given.

The interim financial statements have been prepared using the same accounting policies and methods of computation used to prepare the 2022 annual report and financial statements.

The financial information for the six months to 31 March 2023 and the comparative financial information for the six months to 31 March 2022 have not been audited. The comparative financial information for the year ended 30 September 2022 has been extracted from the 2022 annual report and financial statements.

The annual report and financial statements for the year ended 30 September 2022, which were approved by the Board of Directors on 12 December 2022, received an unqualified audit report, did not contain a statement under Sections 498(2) or (3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

The Group has one reportable business segment comprising the development and manufacture of customised optical products to enhance electronic display performance. Products in this reportable business segment include touch sensors, filters and other laminated products. All revenue, profits or losses before tax and net assets are attributable to this reportable business segment.

2. Basis of consolidation

The Group results consolidate the accounts of Zytronic plc and all its subsidiary undertakings drawn up to 31 March 2023.

3. Impairment

(a) Cost of sales

	Six months to 31 March 2023 Unaudited £'000	Six months to 31 March 2022 Unaudited £'000	Year to 30 September 2022 Audited £'000
Write-down of stock associated with doubtful debt	214	—	—
Total impairment	214	—	—

The consolidated statement of profit and loss includes a charge amounting to £0.2m relating to the impairment of stock associated with AGA and its Chapter 11 filing as described in the Chair statement. The Group does not have a direct relationship with AGA but as AGA has delayed its payments to its suppliers then the Group is consequently impacted and has prudently impaired any associated stock for its customers.

(b) Administration expenses

	Six months to 31 March 2023 Unaudited £'000	Six months to 31 March 2022 Unaudited £'000	Year to 30 September 2022 Audited £'000
Write-down of stock associated with doubtful debt	342	—	—
Total impairment	342	—	—

The consolidated statement of profit and loss includes a charge amounting to £0.3m relating to the impairment of debt associated with AGA and its Chapter 11 filing as described in the Chair statement. The Group is actively seeking to recover this debt.

4. Tax charge on (loss)/profit on ordinary activities

The estimated tax rate for the year of 15% has been applied to the half year's loss before tax, in accordance with the Auditing Standards Board's statement on interim reports.

5. (Loss)/earnings per share ("LPS" / "EPS")

Basic LPS/EPS is calculated by dividing the (loss)/profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the period. All activities are continuing operations and therefore there is no difference between LPS/EPS arising from total operations and LPS/EPS arising from continuing operations.

For the six months to 31 March 2023 and 2022

	Loss 31 March 2023 £'000	Weighted average number of shares 31 March 2023 Thousands	LPS 31 March 2023 Pence	Profit 31 March 2022 £'000	Weighted average number of shares 31 March 2022 Thousands	EPS 31 March 2022 Pence
(Loss)/profit on ordinary activities after tax	(763)	10,162	(7.5)	343	11,357	3.0
Basic LPS/EPS	(763)	10,162	(7.5)	343	11,357	3.0

For the year to 30 September 2022

	Profit 30 September 2022 £'000	Weighted average number of shares 30 September 2022 Thousands	EPS 30 September 2022 Pence
Profit on ordinary activities after tax	611	10,836	5.6
Basic EPS	611	10,836	5.6

6. Dividends

As the Group has not made a profit for the period, the Directors considered it prudent not to pay an interim dividend. Accordingly, no interim dividend is proposed for the period (2022: Nil). The table below reflects historical dividend payments.

	Six months to 31 March 2023 Unaudited £'000	Six months to 31 March 2022 Unaudited £'000	Year to 30 September 2022 Audited £'000
Ordinary dividends on equity shares			
Final dividend of 1.5p per ordinary share paid on 18 March 2022	—	170	170
Final dividend of 2.2p per ordinary share paid on 24 February 2023	224	—	—
	224	170	170

7. Cash and cash equivalents

	Six months to 31 March 2023 Unaudited £'000	Six months to 31 March 2022 Unaudited £'000	Year to 30 September 2022 Audited £'000
Cash at bank and in hand	5,385	7,538	6,403

For the purpose of the consolidated cashflow statement, cash and cash equivalents comprise the following:

	Six months to 31 March 2023 Unaudited £'000	Six months to 31 March 2022 Unaudited £'000	Year to 30 September 2022 Audited £'000
Cash at bank and in hand	850	7,267	6,132
Short term deposits	4,535	271	271
	5,385	7,538	6,403

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short term deposits are made for variable lengths, being overnight, three months or one year (with break conditions), depending on the immediate cash requirements of the Group, and earn interest at variable rates.

At 31 March 2023 the Group had available a net £1.0m (cash less overdrawn accounts) overdraft facility from Barclays Bank plc, which will fall for review in October 2023.

The fair value of cash and cash equivalents is £5.4 (2022: £7.5m).

8. Availability of the interim report

The interim report and interim results presentation are available online at the Company's corporate website, www.zytronicplc.com. Copies can be requested from the Company's registered office: Whiteley Road, Blaydon-on-Tyne, Tyne and Wear NE21 5NJ.

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