



Half-year results
for the six months to 30 September 2020

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D4t4 Solutions plc

Half-year results for the six months to 30 September 2020

D4t4 Solutions Plc (AIM: D4t4, "the Group", "D4t4"), the AIM-listed data solutions provider, announces its half year results for the six months to 30 September 2020 (H1 2021).

Financial highlights

- Group revenue and adjusted profit in line with management expectations
- Revenue of £5.09m (H1 2019-20: £8.84m)
- Annual recurring revenue (ARR¹) increased 27.4% to £10.09m (H1 2019-20: £7.92m)
- Adjusted loss before tax² £0.92m (H1 2019-20: profit £0.74m)
- Adjusted EPS³ of -1.57p (H1 2019-20: 1.76p)
- Net cash position of £12.08m (FY 2019-20: £11.24m) with no debt
- Interim dividend of 0.81p per share, up 5% (H1 2019-20: 0.77p)

Operational highlights

- H1 contract wins extend global reach in retail and financial services sectors and expand into US healthcare market
- Ongoing investment in R&D – new US and European patents granted
- Completion and delivery of version 9.2 of our Celebrus Customer Data Platform (CDP) software, which includes embedded machine learning capabilities and Natural Language Processing
- D4t4 has continued to strengthen its relationships with Teradata, Pegasystems, Dell Technologies and SAS.
 - The Celebrus Customer Data Platform (CDP) products are central to Teradata's "Vantage Ignite" programme, a major product initiative into its global installed base enterprise accounts

Geographic and industry expansion

- Continued investment in India, Europe and North America in product management, pre-sales, technical support and service delivery to support growing global presence
- Ongoing focus on existing and new strategic partnerships continues to grow our increasing pipeline of opportunities across the business
- APAC expansion underpinned by high level of opportunities in that region driven by the Teradata "Vantage Ignite" programme
- New opportunities in the risk and fraud area, particularly in the financial services vertical, are driving the requirement for new strategic partnerships

Post period end

- Four new contract wins announced on 5 November 2020
 - These add c. £5.5m revenue in the 2020-21 financial year

Peter Kear, CEO of D4t4 Solutions, commented:

"As we said in our October trading update, we have made good progress with many of our strategic initiatives and secured some excellent contract wins in the first six months, notably in new markets including a large South American retailer and our first US healthcare company. Our focus remains on growing revenues from our Celebrus family of products, expanding our international offering and investing in our technology and our people."

"We delivered a solid first half, underpinned by our continued shift towards a recurring revenue model, with ARR up 27%. We are in a strong position with a number of contract discussions outstanding at the end of the first half closing in early November 2020 and an excellent pipeline with a healthy increase in new opportunities. Our opportunity for growth in the Customer Data Platform and Customer Data Management markets is being amplified by the increased pressure on enterprises to accelerate their digital transformation."

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About D4t4 Solutions plc

D4t4 Solutions plc (www.d4t4solutions.com) provides data solutions through its Celebrus suite of products and services, which is comprised of two distinct complementary offerings – its proprietary Customer Data Platform (CDP) and Customer Data Management (CDM) solution. The Celebrus family of products offer data capture, data migration, data synchronization, data management and data monitoring.

Celebrus CDP is an enterprise software product which captures customer behaviour in real time across digital channels to enable a range of applications including customer analytics, personalised marketing, risk, fraud detection and compliance.

Celebrus CDM is an integrated platform that automates the ingestion, integration, transformation, and delivery of customer data from streaming, persisted or historical sources, whether as an appliance on-premises or in the cloud, to deliver real-time, unified, and trusted multidimensional views of customer data for personalisation, risk, fraud, analytics, and recommendation applications.

The Group has offices in the UK, USA and India with employees across the UK, US, Europe and India. D4t4's blue chip global customers are largely within the financial services, retail and consumer sectors.

Celebrus is fully compliant with all major data privacy regulations and the Group is accredited to ISO27001: Information Security Management.

Operational review

Overview

During the period we experienced a healthy increase in new business pipeline and converted opportunities in both the retail and US healthcare sectors. We have also seen volume increases in licences from existing customers, across both our CDP and CDM solutions, who realise the benefit from the use of our Celebrus product family. Although a number of contracts slipped past the half year end by a few weeks they have since closed and we now have exceptional revenue visibility for this financial year.

We have continued to invest in people, with ongoing investment in R&D and product innovation. We have also grown out project management and pre-sales teams.

We have continued to work closely with industry analysts such as Forrester and the CDP Institute and we continue to feature actively in their research and reports. We have produced several exceptional customer video testimonials along with a number of customer and partner led webinars. Since the close of the half year we have also delivered our first virtual Capital Markets Day, which can be viewed on our website.

Strategy

In 2019 we made the strategic decision to move from a perpetual licence (capital expenditure) based sales model to a predominantly term / annual recurring revenue model, providing more visibility and better-quality earnings. This shift continues as can be seen by the increase in our annual recurring revenue (ARR) up to £10.09m at the end of H1 from £7.92m at the same point last year.

At the same time, we are focused on increasing revenues from our Celebrus software family of products by extending the vertical market focus for our products and services.

Our strategic commitment to international expansion, the growth of our partner sales model and product innovation continues and we see evidence of good success in each of these areas.

Recurring revenues

We have continued to drive the expansion of our annual recurring revenue licence model, although the pace of the shift is ultimately driven by customer requirements. We still experience reticence among some customer groups particularly where they require on premise deployment over multiple years. We continue to be flexible in our licencing approach and offer the appropriate licence model based on individual customer needs whilst driving the move to ARR.

International expansion

Leveraging our enterprise partner model, we have further extended our international reach as can be evidenced by new contract wins in South America and mainland Europe. We have grown our international pre-sales and support teams as well as our partnership specialists to support our international expansion.

Notably, we are focusing our attention on our Asia Pacific capabilities to ensure coverage for this fast-growing region. Leveraging our existing partnerships enables us to find new opportunities in the region, in particular the Teradata “Vantage Ignite” programme has provided a strong pipeline in this region.

Partnerships

D4t4’s focus on selling with and via partners that have global reach and penetration continues to provide us with increasing numbers of new opportunities in a wide range of enterprise class customers across our target markets.

Our channel partner sales continue to contribute a major proportion of our revenues and as can be seen in recent announcements we are working ever more closely with our partner base.

We have recently commenced work on a number of new partner initiatives which should provide significant sales leads over the coming one to two years. One of these is the Teradata “Vantage Ignite” programme, a major product initiative into Teradata’s global installed base enterprise accounts where D4t4’s Celebrus Customer Data Platform (CDP) products are central to the programme.

We have been presented with a number of new opportunities for our data in the risk and fraud area, particularly in the financial services vertical. Working closely with our existing partners and customers, who rely on the depth and quality of our data, we are being introduced to different user groups within those accounts where new opportunities have emerged. These opportunities are driving both new development of our software and the requirement for new strategic partnerships to exploit the use of our data.

Product innovation – Celebrus

We remain a leader in both real time digital data collection and customer data management and our products and services are used by many of the world's largest financial services and consumer organisations. With the launch of V9.2 of our Celebrus CDP we introduced, unique to our industry, newly embedded machine learning (ML) capabilities and natural language processing (NLP) capabilities.

We use machine learning to deliver Automated Marketing Signals. Automated Marketing Signals enable enterprises to better understand customer interest, life events, subscriptions and customer experience in real time. These preconfigured signals reveal new revenue generating opportunities and dramatically limit customer churn.

The value of the new NLP functionality lies in the ability for enterprises to immediately understand 'customer sentiment' in all digital channels including online chatbots, complaints feedback and product review forums. This speed is significant because it allows clients to make meaningful interventions 'in the moment' to safeguard customer relationships and reinforce their brand values.

Our solutions provide our customers with confidence in the depth and quality of their data, safe in the knowledge that they can collect all relevant data from every customer interaction across all digital channels in real time.

Our customer data management (CDM) technology ensures that digital channel data can be easily combined with any other customer data that exists in their environment – enabling customer analytics, optimised customer experiences and more accurate targeted marketing, all in real time.

During the period we have committed our development resources to ensure that we are on target for the next release of our Celebrus CDP software which contains many new features developed in conjunction with both customer and partner requirements which will take us into new areas beyond our traditional customer experience offerings.

We have also continued our focus on enhancing the value of the Group's enterprise software technology with the recent award of new US and European patent grants.

People

This year has seen many new challenges in the way that we work and it has been reassuring to see the diligence that our people have applied to the new working conditions we all now experience and I am grateful to our global workforce for the manner in which they have responded to these challenges.

Our customers value not just our technology but also our people who bring that technology to life in their environment and provide them with the ingredients that make our customers successful.

I would like to take this opportunity to thank all our management and staff for their hard work and commitment which has enabled us to continue to service our clients and win new business throughout. This has also meant we have not had to claim from any of the taxpayer funded furlough or other business support schemes.

Financial review

Revenue

Revenue for the period was £5.09m (H1 2019-20: £8.84m). Driving the reduction versus the same period last year was a delay in signing of a number of key contracts, due largely to the COVID-19 pandemic and its repercussions. Support & maintenance revenues in the period were less impacted at £3.21m, an increase of 7% (H1 2019-20: £3.00m). As mentioned above, a number of contracts have been successfully concluded since the period end and as announced on 5 November, will deliver approximately £5.5m of revenue in the current year.

	2020	2019
	£'000	£'000
Products – Own IP	263	1,812
Products – 3 rd party	343	2,205
Delivery services	1,272	1,825
Support & maintenance	3,209	2,998
Revenue	5,087	8,840

Annually Recurring Revenue (ARR) at the end of the period was £10.09m, an increase of £2.17m – or 27.4% - versus the same period in the prior year (H1 2019-20: £7.92m). Driving the increase in ARR were a number of Celebrus recurring term licence deals signed in the second half of 2019-20. ARR at 30 September reflects a £0.54m increase on the prior year-end (2019-20: £9.55m) and the intention is to continue to increase this over the next 2-3 years although the level of increase will ultimately be driven by customer requirements.

Profit before Tax

Gross Margin as a percentage of sales reduced slightly to 48.6% (H1 2019-20: 51.8%) which was due to the lower level of product sales in the period. Administration expenses were in line with the same period last year at £3.84m with savings in travel and events continuing. It is still expected that over the full year, administration expenses will increase versus 2019-20 as a result of continued investment in future growth.

Adjusted Profit before Tax was a loss of (£0.92m), a reduction of £1.66m versus the same period in the prior year (H1 2019-20: £0.74m). This was primarily driven by the reduction in sales mentioned above. Had the contract wins announced since the period end been secured in the first half the Group would have made a reasonable profit during H1.

Balance Sheet & Cash Position

The net cash balance at 30 September was £12.08m, an increase of £0.84m on the same period last year (H1 2019-20: £11.24m). During H1, net cash reduced by £0.69m, partly as a result of the dividend paid in August. Net cash from operating activities was positive at £0.40m, with the reduction in working capital more than offsetting the operating loss as a result of the high level of invoicing from the final quarter of 2019-20 being collected in the period.

The Group remains debt-free although there are plans to lease a number of hardware assets to support upcoming Platform as a Service style Customer Data Management contracts where the client often requires the Group to maintain the IT infrastructure on their behalf. At 30 September, net assets stood at £27.39m (H1 2019-20: £25.81m).

Dividend

As a Company, we are committed to a progressive dividend policy and rewarding our shareholders whilst at the same time balancing our investment in the business for future growth.

Given the confidence outlined above the Board is pleased to declare an interim dividend of 0.81p per share, a 5% increase over the comparative period last year. This will be paid on 11 January 2021 to Members on the Register as at 11 December 2020. The shares will become ex-dividend on 10 December 2020.

Current Trading & Outlook

The Board remains confident in delivering a strong finish to 2020-21 with second half prospects well underpinned by:

- New contract wins announced on 5 November 2020 set to deliver revenue of c.£5.5m in H2
- High level of annual recurring revenue from new licences signed during the second half of last year and Support and maintenance revenues
- Strong visibility on new contracts due to initiate during H2
- Significant pipeline of business in negotiation with new & existing clients

We continue to invest in our international markets, product innovation and strengthening our partner relationships in line with the substantial market opportunity that is presented to us.

Overall, we are in a good position. The strength of the Group's balance sheet and excellent short, mid and long-term prospects provides the Board with significant comfort and a high level of confidence in prospects for the current financial year and beyond.

Consolidated income statement

for the period ended 30 September 2020 (unaudited)

	Six months ended 30 September		Year ended 31 March
	2020	2019	2020
	£'000	£'000	£'000
Continuing operations			
Revenue	5,087	8,840	21,748
Cost of sales	(2,616)	(4,265)	(8,537)
Gross Profit	2,471	4,575	13,211
Administration expenses	(3,838)	(3,776)	(8,343)
Other operating income	29	28	58
(Loss) / Profit from operations	(1,338)	827	4,926
Finance income	10	20	43
Finance costs	-	-	-
(Loss) / Profit before tax	(1,328)	847	4,969
Tax	370	(52)	(522)
Attributable to equity holders of the parent	(958)	795	4,447
(Loss) / Earnings per share from continuing operations attributable to the equity holders of the parent			
Basic	(2.38p)	2.00p	11.12p
Diluted	(2.38p)	1.98p	11.04p

Consolidated statement of comprehensive income

for the period ended 30 September 2020 (unaudited)

	Six months ended 30 September		Year ended 31 March
	2020	2019	2020
	£'000	£'000	£'000
Attributable to equity holders of the parent	(958)	795	4,447
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Gains on property revaluation	-	-	71
Exchange differences on translation of foreign operations	(11)	29	24
Total comprehensive (loss) / income for the period attributable to equity holders of the parent	(969)	824	4,542

Consolidated statement of changes in equity attributable to Equity Holders of the Parent
for the period ended 30 September 2020 (unaudited)

	Share capital	Share premium	Merger reserve	Revaluation reserve	Own shares	Equity reserve	Retained earnings	Total £'000
Balance at 1 April 2019	794	2,624	5,977	1,099	(1,127)	10	15,463	24,840
Dividends paid	-	-	-	-	-	-	(925)	(925)
Purchase of own shares	-	-	-	-	(23)	-	-	(23)
Issue of new shares - exercise of share options	14	741	-	-	-	-	-	755
Settlement of share based payments	-	-	4	-	738	(3)	(457)	282
Share-based payment charge	-	-	-	-	-	-	60	60
Deferred tax on outstanding share options	-	-	-	-	-	(7)	-	(7)
Transactions with equity holders	14	741	4	-	715	(10)	(1,322)	142
Profit for the period	-	-	-	-	-	-	795	795
Other comprehensive income	-	-	-	-	-	-	29	29
Total comprehensive income							824	824
Balance at 30 Sept 2019	808	3,365	5,981	1,099	(412)	-	14,965	25,806
Dividends paid	-	-	-	-	-	-	(310)	(310)
Purchase of own shares	-	-	-	-	(46)	-	-	(46)
Settlement of share based payments	-	-	-	-	118	-	(59)	59
Share-based payment charge	-	-	-	-	-	-	37	37
Transactions with equity holders	-	-	-	-	72	-	(332)	(260)
Profit for the period	-	-	-	-	-	-	3,652	3,652
Other comprehensive income	-	-	-	71	-	-	(5)	66
Total comprehensive income				71	-	-	3,647	3,718
Balance at 1 April 2020	808	3,365	5,981	1,170	(340)	-	18,280	29,264
Dividends paid	-	-	-	-	-	-	(764)	(764)
Purchase of own shares	-	-	-	-	(326)	-	-	(326)
Settlement of share based payments	-	-	-	-	246	-	(132)	114
Share-based payment charge	-	-	-	-	-	-	68	68
Transactions with equity holders	-	-	-	-	(80)	-	(828)	(908)
Profit for the period	-	-	-	-	-	-	(958)	(958)
Other comprehensive income	-	-	-	-	-	-	(11)	(11)
Total comprehensive income	-	-	-	-	-	-	(969)	(969)
Balance at 30 Sept 2020	808	3,365	5,981	1,170	(420)	-	16,483	27,387

Consolidated statement of financial position
as at 30 September 2020 (unaudited)

	30 September	30 September	31 March
	2020	2019	2020
	£'000	£'000	£'000
Non-current assets			
Goodwill	8,696	8,696	8,696
Other intangible assets	920	891	956
Property, plant and equipment	3,954	3,981	4,099
Deferred tax assets	686	772	283
	14,256	14,340	14,034
Current assets			
Trade and other receivables	2,857	4,292	10,137
Tax receivables	396	-	649
Inventories	1,649	3	1,266
Cash and cash equivalents	12,082	11,241	12,772
	16,984	15,536	24,824
Total assets	31,240	29,876	38,858
Current liabilities			
Trade and other payables	(3,622)	(3,822)	(9,377)
	(3,622)	(3,822)	(9,377)
Non-current liabilities			
Deferred tax liabilities	(231)	(188)	(217)
	(231)	(188)	(217)
Total liabilities	(3,853)	(4,070)	(9,594)
Net assets	27,387	25,806	29,264
Equity			
Share capital	808	808	808
Share premium account	3,365	3,365	3,365
Merger reserve	5,981	5,981	5,981
Revaluation reserve	1,170	1,099	1,170
Own shares	(420)	(412)	(340)
Retained earnings	16,483	14,965	18,280
Attributable to equity holders of the parent	27,387	25,806	29,264

Consolidated cash flow statement
for the period ended 30 September 2020 (unaudited)

	Six months ended 30 September		Year ended 31 March
	2020 £'000	2019 £'000	2020 £'000
Operating activity			
(Loss)/Profit before tax	(1,328)	847	4,969
Adjustments for:			
Depreciation of property, plant and equipment	169	155	327
Amortisation of intangible assets	136	123	246
Finance income	(10)	(20)	(43)
Share-based payments	68	60	97
Operating cash flows before movements in working capital	(965)	1,165	5,596
Decrease / (increase) in receivables	7,280	1,983	(3,862)
(Increase) / decrease in inventories	(383)	42	(1,221)
(Decrease) / increase in payables	(5,770)	(2,846)	2,603
Cash generated from operations	162	344	3,116
Income taxes refunded / (paid)	238	(177)	(738)
Net cash generated from operating activities	400	167	2,378
Investing activities			
Interest received	10	20	43
Purchase of property, plant and equipment	(24)	(31)	(249)
Capitalisation of development costs	(100)	-	(188)
Net cash used in investing activities	(114)	(11)	(394)
Equity			
Dividends paid	(764)	(925)	(1,235)
Purchase of own shares	(326)	(23)	(69)
Exercise of share options	114	1,037	1,096
Net cash (used) / generated in financing activities	(976)	89	(208)
Net (decrease) / increase in cash and cash equivalents	(690)	245	1,776
Cash and cash equivalents at start of period	12,772	10,996	10,996
Cash and cash equivalents at end of period	12,082	11,241	12,772

Notes to the financial statements

1. Basis of preparation

The financial information in these interim results is that of the Group. It has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS) but does not include all of the disclosures that would be required under IFRS. The interim financial information for the six months ended 30 September 2020 (HY 2020-21) and comparative interim figures for 2019 (HY 2019-20) have been neither audited nor reviewed by the Group's auditors.

The financial statements for the year ended 31 March 2020 have been filed with the Registrar of Companies and contained an unqualified audit opinion.

2. Business and geographical segments

Business Segments	Six months ended 30 September		Year ended 31 March
	2020	2019	2020
	£'000	£'000	£'000
Products – Own IP	263	1,812	7,658
Products – 3 rd party	343	2,205	4,362
Delivery services	1,272	1,825	3,629
Support & maintenance	3,209	2,998	6,099
Revenue	5,087	8,840	21,748
Cost of sales	(2,616)	(4,265)	(8,537)
Gross profit	2,471	4,575	13,211
Other operating costs and income	(3,809)	(3,748)	(8,285)
Investing and financing activity	10	20	43
(Loss) / Profit before tax	(1,328)	847	4,969

Geographical information	Six months ended 30 September		Year ended 31 March
	2020	2019	2020
	£'000	£'000	£'000
United Kingdom	1,564	1,840	4,158
Rest of Europe	847	942	3,162
United States of America	2,061	5,423	13,327
Others	615	635	1,101
	5,087	8,840	21,748

The geographical revenue segment is determined by the domicile of the external customer.

Non-current assets, including Property, Plant & Equipment, Goodwill and Intangibles, are predominantly located in the United Kingdom.

3. Earnings per share

	Six months ended 30 September		Year ended 31 March
	2020	2019	2020
	£'000	£'000	£'000
(Loss) / Profit attributable to owners of the parent	(958)	795	4,447
Amortisation of intangible assets	136	123	246
Share-based payments	68	60	97
Net foreign exchange differences	161	(293)	(362)
Restructuring costs	39	-	96
Tax on the adjustments	(77)	21	(15)
Adjusted (Loss) / Profit attributable to owners of the parent	(631)	706	4,509

	2020	2019	2020
	No.	No.	No.
	Basic weighted average number of shares, excluding own shares, in issue	40,242,293	39,695,986
Dilutive effect of share options	-	358,036	299,994
Diluted weighted average number of shares, excluding own shares, in issue	40,242,293	40,054,022	40,276,951

	Six months ended 30 September		Year ended 31 March
	2020	2019	2020
	Pence per share	Pence per share	Pence per share
Basic (Loss) / Earnings per share	(2.38)	2.00	11.12
Diluted (Loss) / Earnings per share	(2.38)	1.98	11.04
Adjusted Basic (Loss) / Earnings per share	(1.57)	1.78	11.28
Adjusted Diluted (Loss) / Earnings per share	(1.57)	1.76	11.19

4. Dividends

	Six months ended 30 September		Year ended 31 March
	2020	2019	2020
	£'000	£'000	£'000
Amounts recognised as distributions to equity holders			
Final dividend for the year ended 31 March 2020 of 1.9p (2019: 2.3p)	764	-	-
Final dividend for the year ended 31 March 2019 of 2.3p (2018: 1.875p)	-	925	925
Interim dividend for the year ended 31 March 2020 of 0.77p (2019: 0.7p)	-	-	310
	764	925	1,235

An interim dividend of 0.81p per share will be paid in the week commencing 11 January 2021 to Members on the Register as at 11 December 2020. The share will become ex-dividend on 10 December 2020.

¹ ARR (Annual Recurring Revenue) is the amount of revenue at a point in time that is expected to recur within the next twelve months.

² Adjusted (loss) / profit before tax is calculated before amortisation of intangibles, one-off reorganisation costs, foreign exchange gains/(losses) and share based payment charges.

³ Adjusted EPS is calculated before amortisation of intangibles, one-off reorganisation costs, foreign exchange gains/(losses) and share based payment charges.

Forward-Looking Statements

This document contains certain forward-looking statements. The forward-looking statements reflect the knowledge and information available to the Group up to the publication of this document. By their very nature, these statements depend upon circumstances and relate to events that may occur in the future and thereby involve a degree of uncertainty. Therefore, nothing in this document should be construed as a profit forecast by the Group.



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