



Pre-Close Update: 12 months to 31 December 2018

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GETECH Group plc
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("Getech" or the "Company" and with its subsidiaries the "Getech Group")

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Getech (AIM; GTC) provides geoscience and geospatial products and services to companies and governments who use them to de-risk exploration programmes and improve their management of natural resources. The Group's activities focus on a suite of data, software and information products; the value of which is enhanced through services that leverage these products and the Company's geoscience-geospatial skills.

Getech's product-led strategy targets recurring revenue growth. Its programme of investment is shaped by a culture of customer collaboration and a commitment to continuous product and service enhancement. In 2018, against rising and then falling crude prices, this strategy helped keep the Group's sales campaigns aligned with its customers' most pressing commercial needs.

This update covers the 12-month accounting period ended 31 December 2018. All figures referred to in this statement are unaudited. The audited accounts for this period will be published on or around 30 April 2019. Having moved its financial year-end from 31 July to 31 December, Getech's prior audited accounts are for the 17-month period to 31 December 2017. To aid year-on-year comparison, this update includes unaudited financial comparators for the 12 months ended 31 December 2017 (referred to as FY 2017). Full details of FY 2017 will be published alongside the audited 2018 accounts.

Revenue and forward sales

Brent averaged \$71/bbl in 2018, 42% higher than its prior three-year average†. With long-dated Brent consistently in excess of \$60/bbl† and industry reserve replacement falling, Getech's sales conversations for most of the year had a more forward-looking tone. In H1 2018, with the Company's customers looking to maximise their investment in people and technology, Getech extended its pipeline of multi-year subscriptions to its information products and software. This expanded Getech's foundation of recurring revenue.

The fragility however of global growth was highlighted by a Q4 crude price fall, Brent tumbling from a high of \$86/bbl to a low of \$50/bbl†. It is the Directors' opinion that this fall lengthened and complicated the sales cycle but by repositioning customer conversations, the Company ended 2018 with a significant sale of data and products. This sale also added a new customer to the Globe user community.

Annual Group revenue is expected to increase to £8.0 million, an 11% rise (FY 2017: £7.2 million). Product sales remained the key engine for growth, expanding year-on-year by 24% (FY 2017: 19% growth) and forming c80% of total sales (FY 2017: 72% of total sales). As noted above, many of these new product sales had a multi-year component, the forward value of which totalled an additional £1.0 million. In Services, despite growth in Gravity & Magnetics and Geospatial Solutions, the Geoscience Service market remained challenging. Restructuring steps were taken in H2 2018 (discussed below).

Operational activity

Having lowered the Company's underlying like-for-like cost base by 32% between 2016 and 2017, in 2018 management continued to optimise the business for profitable growth.

Getech strengthened its operations by investing in its people, products and services. The Group added new skillsets to its offering, and new datasets were made available to customers. Globe's expanded content and functionality attracted new users and work was completed on time and to cost.

Updates were delivered to Getech's Global Depth to Basement product and the Company launched Tectonics Online, a new cloud-based platform through which customers can access Getech's plate-modelling expertise. Getech's Data Assistant and Exploration Analyst software were both upgraded to ArcGIS Pro, and an Unconventionals Analyst upgrade is scheduled for the spring.

In Services, utilisation grew for the Company's Gravity & Magnetic team and the Geospatial team won a new support contract with a supermajor and expanded its work in the energy infrastructure space to include sub-sea power cabling and terrestrial pipeline projects. Both teams delivered revenue and profit growth but at the divisional level this was offset by a fall in Geoscience Service revenue.

To address the losses in Geoscience Services, in H2 2018 Getech restructured this team, and in October the Company merged its London and Henley offices. The total cost of this restructuring was £0.2 million, and it is expected to deliver a forward annualised fixed cost saving of c£0.5 million per year.

The Geoscience Service team is now more flexible and fully aligned with Getech's activities. Its tendering process has been strengthened and the team are awaiting award decisions on several potentially significant new projects.

Capital investment and cost base *

Before restructuring costs, Getech's 2018 total cost base is expected to be £7.6 million (FY 2017 £7.2 million). Product investment expanded to approximately £0.9 million (FY 2017: £0.8 million). Fixed costs fell by £0.1m to £6.3 million, whilst variable costs increased by £0.5 million; a key driver of which was a greater weighting of data sales in the H2 2018 sales mix.

Cash from operations and EBITDA

Cash from operations, before changes in working capital and restructuring costs, is expected to total £1.2 million (FY 2017: £0.6 million). In addition, cash R&D tax credits totalled £0.5 million (FY 2017: £0.4 million).

Adjusted for restructuring costs, EBITDA for the year is expected to total £1.2 million (FY 2017: £0.9 million, FY 2017 adjusted for both restructuring costs and inventory impairments).

Balance sheet

During the year Getech refinanced its debt; a long-term loan that was reaching maturity and secured against the Group's Leeds office. This involved repaying an outstanding sum of £0.63 million and drawing down a new loan facility of £0.95 million.

Cash at 31 December 2018 totalled £1.4 million (31 December 2017: £2.4 million). A fall in cash balances toward the year-end was due to the timing of sales and at 31 December 2018 Getech held a material net receivables balance (current receivables, less current payables) totalling £2.0 million (31 December 2017: £0.2 million).

At year-end, net cash plus net receivables totalled £2.5 million (31 December 2017: £2.0 million). Excluding long-term debt, the total rose to £3.3 million (31 December 2017: £2.4 million).

Kitson House update

In the year Getech placed its Leeds office, Kitson House, on the market for sale. There have been numerous viewings but in the run-up to Brexit, UK property investment activity has slowed. The capital invested in Kitson House can work harder for shareholders but Getech is also not a forced seller of this asset.

2019 activity

Crude prices have strengthened and stabilised year-to-date[†] and the breadth of Q1 new sales activity has been greater than in recent years. Balancing this, the lengthening of the sales cycle that emerged in Q4 2018 has persisted into 2019; the Directors believe that customers are cautious over the early release of their exploration and new business budgets. The Company's 2019 sales campaigns and programme of investment are positioned to unlock these conversations - their focus being on the commercial and operational priorities of Getech's customers.

Jonathan Copus, Getech CEO, commented:

"Despite year-on-year improvements in crude prices 2018 customer budgets remained constrained and commercial conditions were volatile. We managed these issues by working closely with our customers and focusing on their most pressing commercial needs. This enabled us to maintain flexibility in our sales conversations, which translated to new customers, growth in revenue and profit, and an extension to our baseline of forward sales. Underpinning this performance is our central ethos - to continuously enhance the practical operational value of our products and services."

* Cost base is measured as: cost of sales, administrative costs and development costs capitalised, less depreciation and amortisation, and adjustments for movements in inventories, foreign exchange and non-cash provisions. These are Getech's cash operating costs.

[†] Source: Bloomberg, Brent Crude Oil Prices (CO1:COM)

The information contained within this announcement is deemed by the Company to constitute inside information

stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

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Notes to Editors:

The Getech Group provides the expertise, support and knowledge that companies and governments need to better discover, develop and manage natural resources. Our data-rich products, GIS solutions and government advisory services help our customers to achieve their business goals of cost control, operational excellence, regulatory compliance and environmental responsibility.

For more information, please visit our website at www.getech.com.

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