



Interim Report

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GETECH Group plc
24 September 2019

Getech Group plc ("Getech" or the "Company" and together with its subsidiaries the "Group") *Interim report for the six months ending 30 June 2019*

These are the unaudited interim results for the period ending 30 June 2019.

H1 2019 Highlights

- H1 revenue £2.5 million with an additional £1.6 million of new forward sales
- Revenue £0.4 million lower than H1 2018 - due to restructuring of Geoscience Services
- New forward sales £0.2 million higher than H1 2018 - delivering 49% order book growth (£3.0 million at 30 June 2019) and a 57% expansion in Annualised Recurring Revenue (£2.3 million at 30 June 2019)
- Total cost base reduced by a further 10%, to £3.2m, the net impact of lower costs and revenue being that Group Gross Profit increased to £1.3 million (H1 2018: £1.1 million)
- Loss Before Tax in line with the same period last year (H1 2019: £598k; H1 2018: £592k)
- Capital discipline, and the settlement of receivables, increased cash to £3.0m (30 June 2018: £1.9m)
- Our customers continue to carefully manage the release of their investment budgets
- In H2 2019 our focus is to keep our tangible and growing sales pipeline in step with their business requirements, whilst also using our transferable skills and technologies to diversify into new markets

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, knowledge and analytical products, the value of which are enhanced through services that leverage Getech's products and technical skills. The Group operates to a product-led strategy focused on growth from high margin, recurring revenue opportunities. This has been achieved through a programme of commercial, operational and cultural change that began in 2017. The engine of this strategy is a commitment to customer collaboration and continuous product and service enhancement. With a low level of variable costs, Getech's cash profitability is highly leveraged to revenue growth. The Group works to deliver this growth from its core markets of oil & gas and mining, as well as new sectors where Getech's skills and technologies can unlock material value.

H1 2019 overview

In H1 2019 we expanded our investment in our staff, we used customer feedback to evolve our products and we reshaped our service profitability. We also maintained our focus on high quality project delivery and through capital discipline we reduced our total cost base by a further 10%.

This was rewarded by an expansion in new forward sales and multi-year contracts, which grew our orderbook by 49%, to £3.0 million, and expand our foundation of recurring revenue by 57%, to £2.3 million.

In parallel, we took steps to relocate and reset the profitability of our Geoscience Services business line, which was loss making in 2018. Resizing this team largely accounted for a £0.4 million year-on-year reduction in Group H1 revenue (H1 2019: £2.5 million). Group profitability however increased, Gross Profit rising to £1.3 million (H1 2018: £1.1 million). Cash at 30 June 2019 increased to £3 million (30 June 2018: £1.9 million).

By maximising Getech's profitability and growing the percentage of the Group's cost base that is covered by recurring revenue, we have enhanced the quality of our earnings. This helps us plan our forward product investment, helps us fund innovation and lays a foundation from which can explore new sectors. In H1 2019, as well as working for our core oil and gas and mining customers, contracts were undertaken in the pipeline and utilities sectors.

H2 2019 outlook

Global economic uncertainty and geopolitical tensions continue to drive crude price volatility, and Getech's oil and gas customers remain careful in the release of their investment budgets. We therefore take pride in the fact that against what remains a challenging commercial backdrop, we have grown the Group's baseline of recurring revenue, broadened our customer base and expanded our geographic reach.

Our H2 2019 sales and marketing campaigns for products are well underway, with active trials taking place for Globe and Software in SE Asia, Europe and North America. In the Middle East, we were recently awarded a contract for the delivery of geospatial strategy services and completed on a 3-year commitment to geospatial support services. In data, a number of high-value opportunities are maturing as our customers present the business case to extend their gravity and magnetic data library and also to invest in Getech's new generation of satellite-derived gravity data.

Our focus remains on delivering a strong sales performance to 31 December 2019. This means working closely with our customers to ensure that investment in Getech products and services is prioritised above other investment opportunities. To this end, as we work to align our offerings with planned exploration activities, H2 is busy with face-to-face customer meetings in many regions of the world.

Operational Review

In H1 2019, whilst maintaining capital discipline, we have continued to evolve our products based on customer feedback and reshape our Services profitability, all the while maintaining focus on high quality project delivery.

- G&M data and services - continued demand underlines our market-leading position
- Globe - released on time and to budget, multi-year contracts secured with majority of customers
- Software - all products now upgraded to ArcGIS Pro, securing their longevity
- GIS services - major support contracts ongoing, projects continue to deliver diversification
- Geoscience services - further progress towards profitability

Gravity & Magnetic Solutions

At the heart of our product suite is our portfolio of market-leading Gravity & Magnetic (G&M) data. These data are used by our oil & gas and mining customers to model variations in the Earth's crust, which in turn helps them to visualise the Earth's structures and understand the evolution of natural resources.

G&M data sales are typically high-value, high-margin and lumpy, and demand for G&M data in H1 2019 has continued despite oil price uncertainty. Being point sales, the revenue these data deliver is unpredictable, but we continue to mitigate this by growing our sources of recurring revenue elsewhere in the business.

Alongside G&M data sales we successfully completed a pilot R&D project investigating the enhancement of our market-leading Multi-Sat Gravity product using new satellite-derived data inputs. The results of the project were compelling and the associated uplift in processing quality will enable us to significantly enhance our Multi-Sat data product in the future.

With our G&M Service line also delivering good staff utilisation and strong profitability in the period, we believe that this continues to underline our market-leading position in the G&M domain.

Information Products

Globe is a large geospatial information product that its customers, a broad group of super-majors and large independent oil & gas companies, use to model the Earth's geological evolution and predict the location of oil & gas.

Globe continues to be structured around an annual release-cycle, which allows us to be agile with respect to the product's roadmap and respond to feedback relating to the changing needs of Globe's customers. Globe 2019 is our second annual release and was completed on time/within budget in H1 2019 and delivered to customers in July 2019. The product's content and functionality has been expanded to include innovative new thermal mapping and palaeo-surface geology modules, and a variety of interactive analytic capabilities have been added. These upgrades draw on geoscience, G&M and software development expertise from across the Group. Our customers have responded positively to Globe's repositioning - the majority having signed-up to multi-year contracts, which in turn contributes to the order book and annualised recurring revenue.

Software

Our software enables our oil & gas customers to easily integrate data from sub-surface interpretation applications, run play-based exploration projects and manage unconventional developments such as shale oil.

In H1 2019 we enhanced our software products to include a range of new customer-requested functionality and upgraded them to include support for Esri's latest 10.7.1 release of ArcMap. In addition, we completed the upgrade of all our software products to Esri's latest desktop GIS application, ArcGIS Pro.

Upgrading our entire product suite to ArcGIS Pro is important as it secures the longevity of these software products as Esri start to retire the ArcMap software product. As well as support for ArcGIS Pro, the new version of Unconventionals Analyst contains significant enhancements to its well modelling and planning algorithms, used by its customers in planning shale oil/gas operations.

Geospatial Services

We provide Geospatial Services to oil & gas companies that range from small independents to super-majors. In H1 2019 we renewed a high-value multi-year support contract from a large multi-national joint venture. The transferable nature of our geospatial skills enables us to diversify revenues and in H1 2019 we undertook contracts in the pipeline and utilities sectors.

Geoscience Services

We continue to reposition our Geoscience Services around the delivery of projects that integrate complex geoscience interpretation with Getech data and information. This effort was rewarded In H1 2019 with significantly increased utilisation and a return towards profitability.

Building on our long history of assisting governments we continue to promote Sierra Leone's Fourth Licensing Round. With investors requiring more time to complete their review and application processes, the Government of Sierra Leone has moved its deadline to 28 February 2020. This Round enables us to broker a high value portfolio of seismic and well data to prospective investors.

Financial Review

- H1 revenue £2.5 million with an additional £1.6 million of new forward sales
- Revenue £0.4 million lower due to restructuring of Geoscience Services, new forward sales £0.2 million higher - delivering 49% growth in the order book and a 57% expansion in Annualised Recurring Revenue
- Gross profit £1.3 million (H1 2018: £1.1 million) - lower revenue offset by 10% reduction in costs
- EBITDA^[†] £0.1 million loss (H1 2018: £0.2 million loss)
- Cash balance £3.0 million (H1 2018: £1.9 million)

Revenues and Sales

Revenue in H1 2019 totalled £2.5 million. In addition, £1.6 million of new forward sales were also closed. When compared to 2018, revenue was lower (H1 2018: £2.9 million) but forward sales increased (H1 2018: £1.4 million).

Lower H1 revenue in large part reflects a near-term reduction in the size of the Geoscience Services team, a step taken in Q4 2018 to address the team's loss-making position.

Revenue from new forward sales will be recognised in future periods, and additional H1 sales grew Getech's Order Book^[‡] by £1.0 million, it totalling £3.0 million at 30 June 2019 (30 June 2018: £2.0 million). A large proportion of these new forward sales are also recurring in nature, and so Getech's Annualised Recurring Revenue^[§] also grew, increasing by £0.8 million to total £2.3 million at 30 June 2019 (30 June 2018: £1.5 million).

Changes in the shape of Getech's revenue and sales, reflect the ongoing process of repositioning the Group around its core products and skills. For the second year in a row, a large portion of the sales closed in the first half of the year relate to forward contracts that secure revenue for future periods. This enhances the quality of the Group's earnings.

In 2018, sales in the second half of the year were more weighted to items such as data - revenue from which is recognised immediately. This is consistent with the historic second half weighting of Getech's revenues, which in turn is driven in large part by our customers closing out their annual programmes of investment.

Cost management

In the past 12 months we have continued to invest in our staff, their skills and our products. We have also strengthened our project management, sales and marketing teams, and expanded our innovation programme. Whilst doing this, we have maintained capital discipline.

Inclusive of internal investment, the Group's total cost base for H1 2019 was reduced by 10% to £3.2 million (H1 2018: £3.5 million). These cost savings are predominantly a result of the restructuring and relocation of Geoscience Services in H2 2018. More detail is given in the table below.

	Percent variance from prior 6 months	Six months ended 30 June 2019 Unaudited £'000	Six months ended 30 June 2018 Unaudited £'000	12 months ended 31 Dec 2018 Audited £'000
Cost of sales		1,206	1,751	4,231
Development costs capitalised		569	420	861
Capitalised cost of building reports		-	13	13
Administrative costs		1,827	1,711	3,341
Restructuring costs		-	-	197
Depreciation and amortisation charges		(437)	(369)	(821)
Exchange adjustments		(4)	(30)	16
Movement on provisions		(5)	-	(34)
Cost base	(10)%	3,156	3,496	7,804
Restructuring costs		-	-	(197)
Cost base, excluding one-off restructuring costs	(10)%	3,156	3,496	7,607

Cost base is measured as: cost of sales, administrative costs and development costs capitalised, less depreciation and amortisation, and adjusted for movement foreign exchange and non-cash provisions.

Profitability

With both revenues and costs lower, due in large part to steps taken to strengthen our Geoscience Service offering, the net impact was that Getech increased its Gross Profit to £1.3 million (H1 2018: £1.1 million) - the Group Gross Profit Margin expanding to 51% (H1 2018: 39%).

Getech also reduced its loss before interest, depreciation and amortisation to £135,000 (H1 2018: £214,000 loss).

Getech's post-tax loss was £320,000 (H1 2018: £341,000).

Operating cash flow

Net cash generated from operations was £2.2 million (H1 2018: £0.1 million).

2018 net operating cash flow includes R&D tax credits totalling £545,000 - received in H1 2018. In 2019, receipt of our annual R&D tax credit is not expected until the second half of the year. As previously guided, Getech's increased profitability in the 2018 tax year means that in 2019 the size of these credits will be lower, forecast to total c£140,000.

2019 net operating cash flow includes a significant working capital adjustment that relates to a data and products sale, closed at the end of H2 2018. Pre working capital, Getech delivered a net operating outflow of £133,000 (H1 2018: £180,000).

Investment and capital expenditure

Investment in the Globe platform and Software products totalled £569,000 (H1 2018: £420,000). Work has now commenced on the next annual phase of Globe development and during H1 2019 upgraded versions of all our Geospatial software products were released, following migration to the Esri ArcGIS Pro platform.

Getech is committed to ensuring that its capital works hard for the benefit of all shareholders. We therefore continue to work toward the disposal of Kitson House, although due to continued Brexit-related uncertainties in the commercial property market, there is no significant progress to report.

Liquidity

Capital discipline, and the settlement of receivables, increased cash to £3.0 million at 30 June 2019 (30 June 2018: £1.9 million). Having refinanced the Group's loan facility in H2 2018, borrowings at 30 June 2019 totalled £0.9 million (30 June 2018: £0.5 million). This represents a net cash position of £2.1 million versus £1.4 million at the same point in 2018 (31 December 2018: £0.5 million).

As noted above, cash at 30 June 2018 included tax credits totalling £0.6 million. In 2019, we expect receipt of tax credits the second half of the year.

Dividends

Getech's Board is appreciative of the value that payment of a dividend can bring to shareholders. It is also focused on ensuring that the Group can operate with the confidence to deliver a dividend policy that is both sustainable and progressive, whilst also maintaining its programme of organic and acquisitional investment.

Having considered the continued volatility of the oil & gas investment environment the Board decided that it was not appropriate to pay a dividend at this time.

Stuart Paton

Chairman

Dr Jonathan Copus

Chief Executive Officer

Chris Jepps

Chief Operating Officer

Andrew Darbyshire

Chief Financial Officer

For further information, please contact:

Getech Group plc

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Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	6 months ended 30 June 2019	6 months ended 30 June 2018 Unaudited	12 months ended 31 Dec 2018 Audited
	Unaudited £'000	Restated £'000	Audited £'000
Note			
Revenue	2,461	2,879	8,019
Cost of sales	(1,206)	(1,751)	(4,231)
Gross profit	1,255	1,128	3,788
Administrative costs	(1,827)	(1,711)	(3,341)
Operating (loss)/profit before exceptional administrative expenses	(572)	(583)	447
Exceptional administrative expenses			
Restructure costs	--	--	(197)
Operating loss	(572)	(583)	250
Finance income	5	--	--
Finance costs	(31)	(9)	(25)
Loss before tax	(598)	(592)	225
Income tax credit	237	251	283
Loss for the period attributable to owners of the Parent Company	(361)	(341)	508

Other comprehensive income

Items that may be reclassified subsequently to profit or loss:

Currency translation differences on translation of foreign operations	0	21	36
Total comprehensive income for the period attributable to owners of the Parent Company	(361)	(320)	544

Earnings per share

Basic earnings per share	4	(0.96)p	(0.91)p	1.35p
Diluted earnings per share		(0.94)p	(0.89)p	1.33p

Consolidated Statement of Financial Position

As at 30 June 2019

Company registration number: 02891368

	30 Jun 2019 Unaudited £'000	30 Jun 2018 Unaudited Restated £'000	31 Dec 2018 Audited £'000
Assets			
Non-current assets			
Goodwill	3,428	3,428	3,428
Intangible assets	4,258	3,941	4,018
Property, plant and equipment	3,004	2,477	3,086
Deferred tax assets	312	204	305
	11,002	10,050	10,837
Current assets			
Trade and other receivables	2,413	2,526	4,941
Current tax assets	295	189	104
Cash and cash equivalents	2,990	1,878	1,400
	5,698	4,593	6,445
Total assets	16,700	14,643	17,282
Liabilities			
Current liabilities			
Borrowings	113	276	113
Trade and other payables	2,790	2,088	2,906
	2,903	2,364	3,019
Non-current liabilities			
Borrowings	782	213	819
Trade and other payables	494	--	565
Deferred tax liabilities	137	185	137
	1,413	398	1,521
Total liabilities	4,316	2,762	4,540
Net assets	12,384	11,881	12,742
Equity			
Equity attributable to owners of the Parent Company			
Share capital	94	94	94
Share premium account	3,053	3,053	3,053
Merger relief reserve	2,407	2,407	2,407
Share option reserve	217	186	183
Currency translation reserve	(6)	10	25
Retained earnings	6,619	6,131	6,980
Total equity	12,384	11,881	12,742

Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	6 months ended 30 June 2019 Unaudited £'000	6 months ended 30 June 2018 Unaudited Restated £'000	12 months ended 31 Dec 2018 Audited £'000
Cash flows from operating activities			
(Loss)/profit before tax	(598)	(592)	225
Share-based payment charge	34	22	19
Depreciation and amortisation charges	437	369	820
Finance income	(5)	--	--
Finance costs	31	9	25
Exchange adjustments	(33)	11	(16)
Cash (outflow)/inflow from operating activities before working capital movement	(134)	(181)	1,073
Movement in working capital:			
Decrease/(increase) in trade and other receivables	2,528	(404)	(2,820)

(Decrease) in trade and other payables	(185)	129	901
Cash generated from/(used in) operations	2,209	(456)	(846)
Income taxes refunded/(paid)	39	545	514
Net cash generated from operating activities	2,248	89	(332)
Cash flows from investing activities			
Purchase of property, plant and equipment	(25)	(25)	(78)
Development costs capitalised	(569)	(420)	(861)
Capitalised cost of Reports	--	(13)	(13)
Interest received	5	--	--
Net cash used in investing activities	(589)	(458)	(952)
Cash flows from financing activities			
Receipt of new loan	--	--	950
Repayment of long-term borrowings	(37)	(145)	(652)
Repayment of lease liabilities	(2)	--	(29)
Interest paid	(31)	(9)	(25)
Net cash used in financing activities	(70)	(154)	244
Net increase/(decrease) in cash and cash equivalents	1,589	(523)	(1,040)
Cash and cash equivalents at beginning of period	1,400	2,393	2,393
Exchange adjustments to cash and cash equivalents at beginning of period	1	8	47
Cash and cash equivalents at end of period	2,990	1,878	1,400

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Share capital £'000	Share premium account £'000	Merger relief reserve £'000	Share option reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2019	94	3,053	2,407	183	25	6,980	12,742
Transfer of reserves	-	-	-	-	-	-	-
Share-based payment charge	-	-	-	34	-	-	34
Transactions with owners	-	-	-	34	-	-	34
Loss for the period	-	-	-	-	-	(361)	(361)
Other comprehensive income							
Currency translation differences	-	-	-	-	(31)	-	(31)
Total comprehensive income for the period	-	-	-	-	(31)	(361)	(392)
At 30 June 2019 - unaudited	94	3,053	2,407	217	(6)	6,619	12,384

For the six months ended 30 June 2018

	Share capital £'000	Share premium account £'000	Merger relief reserve £'000	Share option reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2018	94	3,053	2,407	164	(11)	6,472	12,179
Transfer of reserves	-	-	-	-	-	-	-
Share-based payment charge	-	-	-	22	-	-	22
Transactions with owners	-	-	-	22	-	-	22
Loss for the period	-	-	-	-	-	(341)	(341)
Other comprehensive income							
Currency translation differences	-	-	-	-	21	-	21
Total comprehensive income for the year	-	-	-	-	21	(341)	(320)
At 30 June 2018 - unaudited	94	3,053	2,407	186	10	6,131	11,881

Consolidated Statement of Changes in Equity

For the 12 months ended 31 December 2018

	Share capital £'000	Share premium account £'000	Merger relief reserve £'000	Share option reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2018	94	3,053	2,407	164	(11)	6,472	12,179
Transfer of reserves	-	-	-	-	-	-	-
Share-based payment charge	-	-	-	19	-	-	19
Transactions with owners	-	-	-	19	-	-	19
Profit for the period	-	-	-	-	-	508	508

Other comprehensive income							
Currency translation differences	-	-	-	-	36	-	36
Total comprehensive income for the period	-	-	-	-	36	508	544
At 31 December 2018 - audited	94	3,053	2,407	183	25	6,980	12,742

Notes to the Interim Report

For the six months ended 30 June 2019

1. Corporate Information

Getech Group plc (the 'Company' and ultimate Parent of the Group) is a public limited company domiciled and incorporated in England and Wales. The Company's registered office and principal place of business is Kitson House, Elmete Hall, Elmete Lane, Leeds, LS8 2LJ.

The principal activity of the Group is the provision of geological services, reports and data to the petroleum and mining industries to assist in their exploration activities.

2. Basis of Preparation

The interim results are for the six months ended 30 June 2019. They have been prepared using the recognition and measurement principals of IFRS. As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS 34 'Interim Financial Reporting'.

This interim report does not constitute full statutory financial statements within the meaning of section 434(5) of the Companies Act 2006 and the financial statements are unaudited. The unaudited interim financial statements were approved for issue by the board on 23 September 2019.

The financial statements are prepared on a going concern basis under the historical cost convention with the exception of certain items measured at fair value and are presented to the nearest thousand pounds (£'000) except as otherwise stated. They have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the period ended 31 December 2018. A copy of the audited financial statements for that period has been delivered to the Registrar of Companies. The Auditors' opinion on those financial statements was unqualified, did not draw attention to any matters by way of an emphasis of matter paragraph, and it contained no statement under section 498(2) or section 498(3) of the Companies Act 2006.

The Directors have instituted regular reviews of trading and cash flow forecasts and have considered the sensitivity of these forecasts with regards to different assumptions about future income and costs. With continued prospects for profitable trading, the Directors are fully satisfied that the Group is a going concern and will be able to continue trading for the foreseeable future.

3. Dividends

	Six months ended 30 June 2019 Unaudited £'000	Six months ended 30 June 2018 Unaudited £'000	12 months ended 31 Dec 2018 Audited £'000
Paid during the year			
No final dividend in respect of the year ended 31 December 2018 (period ended 31 December 2017: £nil per share)	--	--	--

4. Earnings Per Share

Basic Earnings Per Share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of the Ordinary Shares in issue in the period.

	Six months ended 30 June 2019 Unaudited £'000	Six months ended 30 June 2018 Unaudited £'000	12 months ended 31 Dec 2018 Audited £'000
Profit/(loss) attributable to equity holders of the Group	£(361,000)	£(341,000)	£508,000
Weighted average number of Ordinary Shares in issue	37,563,615	37,563,615	37,563,615
Basic earnings per share	(0.96)p	(0.91)p	1.35p
Diluted earnings per share	(0.94)p	(0.89)p	1.33p

Diluted earnings per share is calculated by dividing the profit attributable to equity holders of the Group by the weighted average number of the Ordinary Shares which would be in issue if all the options granted, other than those which are anti-dilutive, were exercised. The addition to the weighted number of the Ordinary Shares used in the calculation of diluted earnings per share for the six months ended 30 June 2019 is 685,112 (six months ended 30 June 2018: 679,833; year ended 31 December 2018: 738,949).

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

[†] Earnings before interest, tax, depreciation and amortisation

[†] Getech's Order Book is the total value of contracts signed by Getech's customers and clients where revenue has not yet been recognised, typically this is services not yet provided, multi-stage projects where there are outstanding deliverables and revenue relating to remaining term on a subscription.

[§] Annualised Recurring Revenue (ARR) is the annualised value of Getech's recurring contracts, typically this is Globe contracts, Software subscriptions and recurring support services.

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