Autins Group plc
Interim Results for the six months ended
31 March 2018

13 June 2018

Autins Group plc
(the "Company" or the "Group")

Interim Results

Autins Group plc (AIM: AUTG), a leading designer, manufacturer and supplier of acoustic and thermal insulation solutions for the automotive sector, announces its results for the six months ended 31 March 2018.

Financial Highlights

- Revenue increased by 29.4% to £15.86m (H1 2017: £12.25m)
- Gross profit ahead by 1.5% at £4.27m (H1 2017: £4.20m)
- Gross margins down to 26.9% (H1 2017: 34.3%)
- Adjusted EBITDA[1] £0.60m (H1 2017: £0.55m)
- Adjusted Profit Before Tax[1,2] £0.41m (H1 2017: £0.35m)
- Profit After Tax £0.05m (H1 2017: Loss of £0.16m)
- Earnings per Share 0.22p (H1 2017: Loss of 0.72p)
- Net debt £3.58m (YE 2017: Net debt £2.04m)

1: Adjusted EBITDA excludes non recurring start up Neptune costs of £0.24m (H1: 2017 £0.23m), £nil (H1 2017: £0.14m) related to the former Chief Executive and £nil (H1 2017: £0.09m) of IPO and refinancing costs

2: Adjusted PBT further excludes £0.12m (H1 2017: £0.12m) amortisation of intangible costs

Operational Highlights

First Half

- Neptune product successfully gained technical approval across all strategic targeted OEMs in Germany, UK and Sweden
- Neptune product gaining traction directly through OEMs and through Tier 1s with awarded business across 11 OEM brands, 26 vehicle models, and well over 100 different parts
- Continued growth in both Germany and Sweden
- Winning business and building partnerships with more than a dozen Tier 1s
- Indica Automotive joint venture continues to perform well
- Continued progress in focused areas: research, test and product development; advanced manufacturing; and continued strengthening of our organisation and capabilities

Post Period End

- Reduced schedules from key OEMs and customers in UK
- Pricing pressure / tighter margins on existing contracts and when bidding for new business
- Secured technical approval for Neptune with all target European automotive OEMs

Adam Attwood, Chairman, said:

"Our first half of year shows solid results in that we have continued to deliver top line growth although at the same time seeing pressure on gross margins. This reflects the challenging conditions in the UK automotive market."

"We had previously provided guidance that we expected a significant weighting to the second half of 2018. However, visibility to current volumes now indicates lower levels of supply required from some of our major customers in the UK and, therefore, our second half performance is likely to remain similar to the first."

"The investment in the Neptune facilities since the IPO will enable the Group to broaden its customer base and the technical approvals secured recently with Europe's leading automotive OEMs represents a significant step towards achieving that goal. The Board will provide further updates on new customer and platform wins as and when they occur."

For further information please contact:

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About Autins

Autins specialises in the design, manufacture and supply of acoustic and thermal insulation solutions primarily in the automotive sector but with an increasing focus on other sectors, including flooring, building and wider industrial applications.

The Group is one of the leading suppliers of noise and heat management products in the automotive market, producing and supplying over two million parts per month to customers including some of the world's leading vehicle manufacturers.

Revenue

Revenue progressed with growth of 29.4% to £15.86m (H1 2017: £12.25m). Component revenue saw growth of 35.4% to £15.57m (H1 2017: £11.50m). Tooling revenue was lower at £0.29m (H1 2017: £0.76m) but is expected to be higher in the second half year.

A major driver of the growth in component revenue was the UK market, which saw revenue increase by 33.2% to £13.56m (H1 2017: £10.17m). Swedish component manufacturing revenues increased by 4.7% to £0.49m (H1 2017: £0.47m), whilst German component revenues increased by 77.2% to £1.50m (H1 2017: £0.85m).

Direct component sales to the Group's largest customer accounted for 61% of Group revenue (2017: 64%). The reduction in concentration of revenue with this customer is expected to continue with new volume production commencing on new customer programmes in the next year.

Gross margin

The Group's component gross margin decreased to 27.1% (H1 17: 34.4%) as a result of changes in customer schedules affecting product mix and production efficiencies as well as significant competitive pressures with regards existing work and new platform launches. The Group's specialist technicians are continuing to successfully operate and improve the Neptune line, which is still working towards economic batch volumes.

EBITDA and operating profit

The reported operating loss of £0.07m (H1 2017: Loss of £0.28m) and EBITDA of £0.37m (H1 2017: £0.09m) are stated after charging exceptional and adjusting items of £0.12m (H1 2017: £0.34m) and non-recurring costs of £0.24m (H1 2017: £0.23m) as detailed below.

Adjusting items

The Company acquired 100 per cent of the issued share capital of Acoustic Insulations Limited on 29 April 2014 as part of an overall refinancing package to fund strategic investments and additional working capital to support the growth of the Group. This acquisition recognised £1.90m of intangible assets which creates an annual amortisation charge of £0.24m.

Non-recurring costs

The Group's Solar Nonwovens facility has, whilst continuing to work towards full operational status, incurred non-recurring start-up costs of £0.24m (H1 2017: £0.23m).

Joint venture

The Group's share of joint venture activities relates solely to Indica Automotive, a UK based foam conversion business.

Turnover at Indica Automotive increased 52.7% year on year to £1.94m (H1 2017: £1.27m) with a profit after tax of £0.31m (H1 2017: £0.22m). Whilst the Group remains the largest customer of the joint venture, diversification activities have resulted in a fourfold increase in sales to non-group customers.

Net finance expense

Net finance expense for the period of £0.04m (H1 2017: £0.05m) is primarily the interest element of hire purchase agreements (£0.03m) and interest paid on bank borrowings (£0.01m). No new term finance has been utilised in the period.

Taxation

Tax provisioning for the period has been calculated at a blended rate taking account of the relative UK, German and Swedish headline rates and the effect of additional reliefs and non-taxable items. We would expect the effective rate for full year profits to be lower than the headline rates due to enhanced R&D claims and the utilisation of brought forward losses within the Group.

The Group continues to have taxable losses available within its overseas subsidiaries which will offset trading profits in higher corporation tax territories of Sweden and Germany in the short term.

Dividends

The Board is proposing an interim dividend of 0.4p per share for the current year. The dividend will be paid on 3 August 2018 to shareholders on the register on 13 July 2018.

Net cash/(debt) and financing

The Group ended the period with net debt (being the net of cash and cash equivalents and the Group's loans and borrowings) of £3.58m (H1 2017: Net cash £0.44m; H2 2017: Net Debt £2.04m) and cash and cash equivalents of £1.35m (H1 2017: £1.93m; H2 2017: £1.45m). During the period net debt has increased as a result of funding working capital requirements and further capital investment in the Group's technical and operational facilities.

The Group's HSBC facilities provide up to £6m of invoice discount and £4.5m of asset finance availability for the Group's ongoing investment in growth. At the end of the period, £3.9m of the invoice discounting facility was utilised (H1 2017: Nil; H2 2017: £2.2m).

Capital expenditure

The Group invested £0.4m (H1 2017: £0.5m) in its facilities during the period, of which £0.1m related to its Neptune facility and £0.2m related to works required to accommodate water jet cutting equipment.

Operations

Our UK operations have continued to invest to ensure our capacity and capability aligns with our strategic growth prospects, however, we have experienced volume, mix and performance challenges, which have led to short-term margin erosion.

Our German and Swedish operations have both continued to grow and progress including market share gains with existing OEMs.

Neptune

Our Neptune product has successfully gained technical approval across all our strategic targeted OEMs in Germany, UK and Sweden. This has led to initial specific awards for future year models, however, the broader success of Neptune's adoption is clearly illustrated most clearly with it now being awarded across 11 OEM brands, 26 vehicle models and well over 100 different parts. Completing technical approvals with our target strategic OEMs represents an important milestone in delivering on our growth strategy, which is significantly underpinned by our class-leading Neptune offering.

Outlook

We had previously provided guidance that we expected a significant weighting to the second half of 2018. However, visibility to current volumes now indicates lower levels of supply required from some of our major customers in the UK and, therefore, our second half performance is likely to remain similar to the first.

The investments we have made in the past year to improve our capability in people and processes have enabled us to make good progress to ensure we can deliver sustainable growth. We have built a strong pipeline of quoted opportunities whilst winning good business for future year models across major targeted OEMs. This diversification across UK and Europe underpins our strategy and this progress positions us for a bright future. However, before this new business can come into live production, we have near-term challenges with lower demand in the UK constraining our current financial performance.

The investment in the Neptune facilities since the IPO will enable the Group to broaden its customer base and the technical approvals secured recently with Europe’s leading automotive OEMs represents a significant step towards achieving that goal. The Board will provide further updates on new customer and platform wins as and when they occur.

Interim Consolidated Income Statement

	Notes	Unaudited Period 1/10/17–31/3/18 £'000	Unaudited Period 1/10/16–31/3/17 £'000	Audited Year Ended 30/09/17 £'000
Revenue	2	15,855	12,253	26,357
Cost of sales		(11,586)	(8,048)	(17,327)
Gross profit		4,269	4,205	9,030
Other operating income		23	60	121
Distribution and administrative expenses excluding exceptional costs and amortisation		(4,239)	(4,204)	(8,255)
Exceptional IPO related administrative expenses (net)		-	(25)	(92)
Amortisation of acquired intangible assets		(118)	(118)	(237)
Other exceptional operating costs		-	(197)	(458)
Total distribution and administrative expenses		(4,357)	(4,544)	(9,042)
Operating (loss)/profit		**(65)**	**(279)**	**109**
Finance expense		(35)	(53)	(92)
Share of post-tax profit of equity accounted joint ventures		154	112	190
Profit/(loss) before tax		54	(220)	207
Tax (expense)/credit		(5)	61	196
Profit/(loss) after tax for the period		**49**	**(159)**	**403**
Earnings per share for profit/(loss) attributable to the owners of the Parent during the year				
Basic (pence)	3	*0.22p*	*(0.72)p*	*1.82p*
Diluted (pence)	3	*0.22p*	*(0.72)p*	*1.82p*

Interim Consolidated Statement of Comprehensive Income

	Unaudited Period 1/10/17–31/3/18 £'000	Unaudited Period 1/10/16–31/3/17 £'000	Audited Year Ended 30/09/17 £'000
Profit/(loss) after tax for the period	49	(159)	403
Other comprehensive (expense)/income:			
Items that may be reclassified subsequently to profit and loss:			
Currency translation differences	(24)	1	(15)
Other comprehensive (expense)/income for the period	(24)	1	(15)
Total comprehensive income/(expense) for the period	25	(158)	388

Interim Consolidated Statement of Financial Position

	Unaudited As at 31/3/18 £'000	Unaudited As at 31/3/17 £'000	Audited As at 30/9/17 £'000
Non-current assets			
Property, plant and equipment	10,926	9,413	10,869
Intangible assets	3,773	3,767	3,837
Investments in equity-accounted joint ventures	282	232	243
Deferred tax asset	134	-	159
Total non-current assets	15,115	13,412	15,108
Current assets			
Inventories	2,535	1,596	1,967
Trade and other receivables	8,087	7,368	7,378
Cash in hand and at bank	1,515	2,081	1,625
Total current assets	12,137	11,045	10,970
Total assets	27,252	24,457	26,078
Current liabilities			
Trade and other payables	5,879	6,775	5,851
Loans and borrowings	4,679	628	2,947
Total current liabilities	10,558	7,403	8,798
Non-current liabilities			
Trade and other payables	-	-	123
Loans and borrowings	419	1,013	718
Deferred tax liability	474	482	496
Total non-current liabilities	893	1,495	1,337
Total liabilities	11,451	8,898	10,135
Net assets	15,801	15,559	15,943
Equity attributable to equity holders of the Company			
Share capital	442	442	442
Share premium account	12,938	12,938	12,938
Other reserves	1,886	1,886	1,886
Currency differences reserve	(128)	(87)	(103)
Retained earnings	663	380	780
Total equity	15,801	15,559	15,943

Interim Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £'000	Other reserves £'000	Currency differences reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 2017	442	12,938	1,886	(103)	780	15,943
Comprehensive income for the period						
Profit for the period	-	-	-	-	49	49
Other comprehensive expense	-	-	-	(25)	-	(25)
Total comprehensive income for the period	-	-	-	(25)	49	24
Contributions by and distributions to owners						
Share based payment	-	-	-	-	11	11
Dividends	-	-	-	-	(177)	(177)
Total contributions by and distributions to owners	-	-	-	-	(166)	(166)
At 31 March 2018	442	12,938	1,886	(128)	663	15,801

	Share capital £'000	Share premium account £'000	Other reserves £'000	Currency differences reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 2016	442	12,938	1,886	(88)	539	15,717
Comprehensive expense for the period						
Loss for the period	-	-	-	-	(159)	(159)
Other comprehensive income	-	-	-	1	-	1
Total comprehensive expense for the period	-	-	-	1	(159)	(158)
At 31 March 2017	442	12,938	1,886	(87)	380	15,559

	Share capital £'000	Share premium account £'000	Other reserves £'000	Currency differences reserve £'000	Retained earnings £'000	Total equity £'000
At 1 October 2016	442	12,938	1,886	(88)	539	15,717
Comprehensive income for the year						
Profit for the year	-	-	-	-	403	403
Other comprehensive expense	-	-	-	(15)	-	(15)
Total comprehensive income for the year	-	-	-	(15)	403	388
Contributions by and distributions to owners						
Share based payment	-	-	-	-	15	15
Dividends	-	-	-	-	(177)	(177)
Total contributions by and distributions to owners	-	-	-	-	(162)	(162)
At 30 September 2017	442	12,938	1,886	(103)	780	15,943

Interim Consolidated Statement of Cash Flows

	Unaudited Period 1/10/17-31/3/18 £'000	Unaudited Period 1/10/16-31/3/17 £'000	Audited Year ended 30/09/17 £'000
Cash flows from operating activities			
Profit/(loss) after tax	49	(159)	403
Adjustments for:			
Depreciation of property, plant and equipment	302	250	528
Amortisation of intangible assets	118	118	237
Finance expense	35	53	92
Share of post-tax profit of equity accounted joint ventures	(154)	(112)	(190)
Loss on sale of fixed assets	-	-	38
Employee share-based payment charge	11	-	15
Income tax expense/(credit)	5	(61)	(196)
	366	89	927
Increase in trade and other receivables	(913)	(2,307)	(2,357)
Increase in inventories	(580)	(30)	(402)
Increase in trade and other payables	7	965	930
Cash used in operations	(1,120)	(1,283)	(902)
Income taxes received/(paid)	173	(123)	(92)
Net cash flows from operating activities	(947)	(1,406)	(994)
Investing activities			
Purchase of property, plant and equipment	(438)	(1,383)	(3,903)
Purchase of intangible assets	(98)	(139)	(363)
Dividend received from equity accounted joint venture	115	85	153
Net cash used in investing activities	(421)	(1,437)	(4,113)
Financing activities			
Dividends paid	(177)	-	(177)
Proceeds from loans and borrowings	1,749	-	2,304
Repayment of loans and borrowings	(277)	(1,487)	(1,794)
Interest paid	(35)	(40)	(81)
Net cash from/(used in) financing activities	1,260	(1,527)	252
Net decrease in cash and cash equivalents	(108)	(4,370)	(4,855)
Cash and cash equivalents at beginning of period	1,445	6,300	6,300
Exchange gains on cash and cash equivalents	13	-	-
Cash and cash equivalents at end of period	1,350	1,930	1,445
Cash and cash equivalents comprise:			
Cash balances	1,515	2,081	1,625
Bank overdrafts	(165)	(151)	(180)
	1,350	1,930	1,445

Notes to the Interim Consolidated Financial Information

1. *Accounting policies*

Description of business
Autins Group is a public limited company domiciled in the United Kingdom and listed on the Alternative Investment Market of the London Stock Exchange ('AIM'). The principal activity of the Group is the supply of Noise Vibration and Harshness ('NVH') insulating materials primarily to the automotive industry. The address of the registered office is Central Point One, Central Park Drive, Rugby, Warwickshire, CV23 0WE.

Basis of preparation
This unaudited consolidated interim financial information has been prepared in accordance with IFRS as adopted by the European Union. The principal accounting policies used in preparing the interim results are those the Group expects to apply in its financial statements for the year ended 30 September 2018.

Depreciation is provided in respect of certain items and property, plant and equipment relating to the Group's Neptune line at a fixed rate per unit of manufactured product. The fixed rate has been calculated so as to write off the cost less estimated residual value of the assets over the estimated total output of the line.

With the above exception, all of the principal accounting policies used in preparing the interim results are unchanged from those disclosed in the Annual Report for the year ended 30 September 2017.

The financial information does not contain all of the information that is required to be disclosed in a full set of IFRS financial statements. The financial information for the six months ended 31 March 2018 and 31 March 2017 is unreviewed and unaudited and does not constitute the Group's statutory financial statements for those periods.

The comparative financial information for the full year ended 30 September 2017 has, however, been derived from the audited statutory financial statements for that period. A copy of those statutory financial statements has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified, did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying its report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

The financial information in the Interim Report is presented in Sterling, the Group's presentational currency.

Basis of consolidation
The consolidated financial statements present the results of the company and its subsidiaries (the "Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

Operating segments
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the management team including the Chief Executive, Chief Financial Officer and Chairman.

The Board considers that the Group's activity constitutes one primary operating and one separable reporting segment as defined under IFRS 8. Management consider the reportable segment to be Automotive NVH. Revenue and profit before tax primarily arises from the principal activity based in the UK. All material assets are based in the UK. Management reviews the performance of the Group by reference to total results against budget.

The total profit measure is operating (loss)/profit as disclosed on the face of the consolidated income statement. No differences exist between the basis of preparation of the performance measures used by management and the figures in the Group financial information.

2 Revenue

	Unaudited Period 1/10/17–31/3/18 £'000	Unaudited Period 1/10/16–31/3/17 £'000	Audited Year ended 30/09/17 £'000
Revenue arises from:			
Component sales	15,566	11,497	24,844
Sales of tooling	289	756	1,513
	15,855	12,253	26,357

Segmental information

The Group currently has one main reportable segment in each year/period, namely Automotive NVH which involves provision of insulation materials to reduce noise, vibration and harshness to automotive manufacturing. Turnover and Operating Profit are disclosed for other segments in aggregate as they individually do not have a significant impact on the Group result.

Measurement of operating segment profit or loss, assets and liabilities

The accounting policies of the operating segments are the same as those applied for the Group in the 2017 annual report and accounts.

The Group evaluates performance on the basis of operating profit/(loss).

	Automotive NVH £'000	Others £'000	1/10/17–31/3/18 Total £'000
Group's revenue per Consolidated Statement of Comprehensive Income	14,735	1,120	15,855
Depreciation/Amortisation	420	-	420
Segment operating (loss)/profit	(176)	111	(65)
Finance expense			(35)
Share of post tax profit of equity accounted joint venture			154
Group profit before tax			54

Segmental information (continued)

	Automotive NVH £'000	Others £'000	As at 31/3/18 Total £'000
Additions to non-current assets	536	-	536
Reportable segment assets	26,970	-	26,970
Investment in joint ventures	282	-	282
Total Group assets	27,252	-	27,252
Reportable segment liabilities/ total Group liabilities	11,451	-	11,451

	Automotive NVH £'000	Others £'000	1/10/16–31/3/17 Total £'000
Group's revenue per Consolidated Statement of Comprehensive Income	11,720	533	12,253
Depreciation/Amortisation	368	-	368
Segment operating (loss)/profit	(333)	54	(279)
Finance expense			(53)
Share of post tax profit of equity accounted joint venture			112
Group loss before tax			(220)

	Automotive NVH £'000	Others £'000	As at 31/3/17 Total £'000
Additions to non-current assets	1,032	-	1,032
Reportable segment assets	24,225	-	24,225
Investment in joint ventures	232	-	232
Total Group assets	24,457	-	24,457
Reportable Segment liabilities/ Total Group liabilities	8,898	-	8,898

Segmental information (continued)

	Automotive NVH £'000	Others £'000	Year Ended 30/9/17 Total £'000
Group's revenue per Consolidated Statement of Comprehensive Income	24,925	1,432	26,357
Depreciation/Amortisation	765	-	765
Segment operating profit	19	90	109
Finance expense			(92)
Share of post tax profit of equity accounted joint venture			190
Group profit before tax			207

	Automotive NVH £'000	Others £'000	As at 30/9/17 Total £'000
Additions to non-current assets	3,001	-	3,001
Reportable Segment assets	25,835	-	25,835
Investment in joint venture	243	-	243
Total Group assets	26,078	-	26,078
Reportable segment liabilities/ Total Group liabilities	(10,135)	-	(10,135)

Reporting of external revenue by location of customers is as follows:

	Unaudited Period 1/10/17–31/3/18 £'000	Unaudited Period 1/10/16–31/3/17 £'000	Audited Year ended 30/09/17 £'000
United Kingdom	13,845	10,932	23,044
Germany	1,501	847	2,260
Sweden	494	472	1,002
Rest of the World	15	2	51
	15,855	12,253	26,357

3 Earnings per share

	Unaudited Period 1/10/17–31/3/18 £'000	Unaudited Period 1/10/16–31/3/17 £'000	Audited Year Ended 30/09/17 £'000
Profit/(loss) used in calculating basic and diluted earnings per share	49	(159)	403
Weighted average number of £0.02 shares for the purpose of basic and diluted earnings per share ('000)	22,101	22,101	22,101
Basic and diluted earnings per share (pence)	0.22p	(0.72)p	1.82p

Earnings/(loss) per share are calculated based on the share capital of Autins Group plc and the earnings of the Group for all periods. There are options in place over 941,048 (H1 2017: 305,944) shares that were anti-dilutive at the period end but which may dilute future earnings per share.

4 Non-recurring and exceptional items

	Unaudited Period 1/10/17 – 31/3/18 £'000	Unaudited Period 1/10/16 – 31/3/17 £'000	Audited Year Ended 30/09/17 £'000
Adjusted operating profit	293	295	1,486
Non-recurring costs:			
Start up costs	240	234	590
Operating profit before non-recurring costs	53	61	896
Exceptional IPO related expenses	-	25	92
Amortisation of acquired intangible assets	118	118	237
Other exceptional operating costs			
Resignation of Chief Executive	-	136	158
Legal and professional costs for new banking facilities	-	61	-
Senior management restructuring costs	-	-	116
Critical press repairs	-	-	184
Reported operating (loss)/profit	(65)	(279)	109

The Company acquired 100 per cent of the issued share capital of Acoustic Insulations Limited on 29 April 2014 as part of an overall refinancing package to fund strategic investments and additional working capital to support the growth of the Group. This acquisition recognised £1,909K of intangible assets which creates an annual amortisation charge of £237K.

The on-going start up process and commissioning of the major plant for the Neptune line resulted in an operating loss of £240,000 (full year 2017: £590,000) from the incremental costs of the operation and the specific premises taken on for the plant.

5 Taxation

Taxation on the profit/(loss) before taxation and share of results of joint ventures has been provided at a rate of 19% for the six month period ended 31 March 2018, which is the estimated rate of tax for the period (six months ended 31 March 2017: 20%; year ended 30 September 2017: 19.5%).

6 Dividend

On 11 December 2017, the Company announced a final dividend in respect of the year ended 30 September 2017 of 0.8 pence per share payable on 16 February 2018 to those Ordinary Shareholders on the register of members at close of business on 19 January 2018.