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Jaywing plc Interim Results September 2023

Jaywing

Jaywing plc ("Jaywing", "the Company" or "the Group")

Jaywing plc (AIM: JWNG), the Data Science and Marketing business, with operations in the UK and Australia, today announces its interim results for the six months ended 30 September 2023 ("H1").

Financial highlights

	6 months to 30 September 2023	6 months to 30 September 2022	Change

Underlying Adjusted EBITDA(1)	1,311	942	39.2%
Loss after tax for the period	(1,688)	(208)	
Cash Generated from Operations	(123)	(134)	
Net Debt (excluding IFRS 16) (2)	(11,925)	(10,381)	

Reconciliation of Operating Profit with Adjusted EBITDA

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	6 months to 30 September 2023 £’000	6 months to 30 September 2022 £’000
Operating (Loss)/Profit	(537)	580
Add Back:		
Depreciation	119	117

Amortisation of intangibles	227	30
EBITDA	**122**	**1,037**
Restructuring charges	1,189	131
Acquisition & related costs	-	192
Legal income	-	(418)
Underlying Adjusted EBITDA(1)	**1,311**	**942**
Underlying Adjusted EBITDA margin	**11.8%**	**8.4%**

	6 months to 30 September 2023 £'000	6 months to 30 September 2022 £'000	Change %	Change % at constant exchange rates* %
Revenue				
United Kingdom	7,690	8,426	(8.7%)	(8.7%)

Underlying Adjusted EBITDA(1)				
United Kingdom	810	801	1.1%	1.1%
Australia	501	141	255.3%	288.3 %
Group total	**1,311**	**942**	**39.2%**	44.1 **%**

(1) Underlying Adjusted EBITDA represents EBITDA before restructuring charges arising from headcount reduction and other cost saving actions taken in Q1 of FY24, acquisition and related costs in FY23 and legal recoveries in FY23

(2) Including accrued interest

* At constant exchange rates applicable to the 6 months ended 30 September 2022

Operational Highlights

Underlying Adjusted Group EBITDA up by 39.2% at £1,311k, on 0.5% lower revenues

Australia ("AUS") underlying profitability improved with Adjusted EBITDA up 255.3% due to strong AUS revenue growth.

AUD:GBP FX rate adversely impacted results. Under constant exchange rates Group revenues were up by 2.4% and Group Adjusted EBITDA up by 44.1%.

Encouraging new business pipeline

UK Marketing sector continues to be affected by current economic conditions.

Decision (our AI-based PPC automation tool) is performing well with 12 clients now on Decision, including our first client in Australia.

Full report

Commenting on the results, Andrew Fryatt, CEO of Jaywing plc, said:

I am pleased to report a strong improvement in our profitability, with Group underlying Adjusted EBITDA up 39% to £1,311k on net revenues which were down by 0.5%. I am especially pleased as we have found ourselves operating against a backdrop of continuing challenging economic conditions and in a marketing sector impacted by a widespread slowdown in client spend.

In the first quarter of this financial year we could see the risk of a slowdown in UK revenues, and we took early action to reduce our cost base to ensure that we were in the right shape for the balance of the year. With the support of our employees we were able to remove around 14% of UK headcount, resulting in a significant improvement in UK profitability in the second quarter of this financial year (July 23 to September 23). Following this exercise, Group headcount is 245 across the UK and Australia.

Australia

Jaywing Australia has seen accelerating revenue growth since the integration of our two businesses in Sydney. Revenue was up by 25% in the first half (up by 37% at constant exchange rates), supported by continuing new client wins. Additional

Jaywing Australia's heritage was previously focused on performance marketing and website design & build. Now, the expanded proposition includes Creative and Data Science components, partially supported out of the UK, building a more integrated proposition for our clients.

Revenue gains have been delivered whilst maintaining tight control of costs, and the momentum is expected to continue into the second half of the financial year.

UK Risk Consulting sector

Early in the year we won a significant new contract for modelling work with Virgin Media O2, and more recent wins include model validation contracts with Hampshire Trust Bank and also with ITV. Together these have driven a 23% growth in half year Risk Consulting revenues and a 77% growth at contribution level.

The strength of our performance in Risk Consulting has sustained profitability despite the slowdown in Marketing revenues in the UK, and we have an encouraging pipeline of further Consulting opportunities. Our risk consultants and analysts continue to provide a fast-paced, flexible and high-quality service that competes strongly in this sector.

UK Agency sector

The weakness of the UK marketing sector has been widely reported, and we saw a delay in client commitments from April 2023 onwards. As mentioned above, we took decisive action in May 2023 to ensure our UK Agency cost base was "right-sized" for subdued revenues, and refocused our efforts on the growth areas of the sector. We have reaped the benefits of this from July onwards, with Q2 contribution stepping up markedly compared to a slow Q1, a result of the restructuring, and currently building a promising pipeline of new client opportunities.

towards digital has reinforced the need to understand marketing effectiveness, and we have been able to deliver both outstanding results and insight to our clients. We have had 10 new clients commence billing in the first half, including DUSK.com, Subaru Europe, and Lowell Financial, and we have seen some clients returning and restarting spend, including, for example HSBC.

Following the headcount reductions, UK Agency revenue per head in the first half was up 9% to £42k.

We are continuing to build the client base for our suite of award-winning AI-based tools, including Decision (our AI-based PPC automation tool) and Archetype (our AI modelling tool that helps to predict customer behaviour). In our Risk Consulting business, we also have Echelon (our commercial scoring tool) and Horizon (AI-based modelling software we use with our IFRS 9 clients).

Decision is used both as a standalone application and also as part of an integrated solution, and monthly billings are now up 60% year-on-year.

We continue to develop our automation and AI capabilities across both our Agency and Risk Consulting divisions to enhance the effectiveness of our client-focused solutions.

Net Debt and Cash Flow

Net debt increased by £1,544k to £11,925k as at 30 September 2023, due to the impact of the restructuring exercise, the funding of the Midisi acquisition in 2022, and interest charges now accruing at a higher rate.

Working capital continues to be closely managed with debtor days for the Group dropping from 51 days at the year end, to 47 days.

People

continuing contribution and support.

Outlook

The actions taken to optimise our cost base, coupled with the strong growth of Australia and our Risk Consulting business in the UK, have helped us to offset the impact of the weaker UK Agency sector in H1. Our new business pipeline and strengthened integrated marketing proposition give us confidence for the second half, although we remain cautious given the backdrop of ongoing economic and geopolitical uncertainty.

Enquiries:

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