Ebiquity plc

Interim Results for the six months ended 30 June 2020

Transitioning our business

Ebiquity plc ("Ebiquity" or the "Company"), a leading independent marketing and media consultancy, announces interim results for the six months ended 30 June 2020.

Headline Results

Group	2020 £m	2019 £m	Change £m
Revenue	26.8	35.3	(8.6)
Underlying Operating (Loss)/Profit [1]	(1.4)	3.4	(4.7)
Underlying (Loss)/Profit before Tax [1]	(1.9)	2.9	(4.8)
Underlying (Loss)/Earnings per Share [1]	(2.7)p	2.6p	(5.4)p
Statutory Operating (Loss)/Profit	(1.2)	(3.8)	2.6
Statutory (Loss)/Profit before Tax	(1.7)	(4.2)	2.5
Statutory (Loss) per Share	(2.6)p	(6.2)p	3.6p

Note 1: Underlying operating profit is defined as the operating profit excluding highlighted items. These include share-based payments, amortisation of purchased intangibles and non-recurring items. Underlying profit before tax and earnings per share are calculated based on the underlying operating profit.

Highlights

- Maintained normal level of business operations and service delivery throughout Covid-19 crisis lockdowns with staff working remotely across our global network.
- However, the economic and media downturn due to Covid-19 negatively impacted client activity and our business in the first half.
- Significant client wins achieved including Verizon, Daimler and Dubai Tourism, mitigated some of the effect of deferrals and cancellations.
- Prudent cost management measures, including use of government support schemes, led to 12% reduction in underlying operating costs to £28.1m (2019: £32.0m).
- Financial position remains strong with net debt reduced to £5.1m at 30 June 2020 (31 December 2019: £5.6m) including cash balances of £14.5m and undrawn bank facilities of £5.0m.
- Banking covenants successfully modified to a liquidity test through to November 2021.
- Digital Decisions, acquired in January 2020, is performing in line with expectations, winning eight global clients to date.
- Nick Waters, former Executive Chairman, UK & Ireland, Dentsu Aegis Network joined as Chief Executive Officer on 1 July 2020.

Divisional Performance

- **Media**: Media Management, Media Performance and Contract Compliance
    - Revenue of £21.9m (2019: £27.7m), reduced by 21%
    - Operating profit of £2.3m (2019: 6.7m), reduced by 66%

- **Analytics and Tech:** Advanced Analytics, MarTech and AdTech
    - Revenue reduced by 36% to £4.9m (2019: £7.6m)
    - Operating loss recorded of £0.8m (2019: profit of £0.7m)

Current Trading

- As Covid-19 restrictions have eased and economic and advertising outlooks have become more positive, our business is seeing greater demand from existing clients as well as new business opportunities. We therefore expect an increase in revenue in the second half-year compared to the first half. Assuming these trends continue, we anticipate a return to profitability in the second half year, and to be at or close to break-even for the full year. In the absence of renewed economic disruption due to Covid-19, we expect this improvement to carry through into 2021.

Capital Markets Day

- A Capital Markets event will be held on 10 November 2020 to provide more detail on the Group's strategy and priority development areas.

Nick Waters, CEO, commented:

"The half-year results are indicative of the challenges posed by the global Covid-19 pandemic on our customers and markets which have been impacted as advertisers reduced marketing budgets and related consultancy services. Ebiquity has taken appropriate actions to preserve jobs and to manage the business prudently.

Despite the wider market challenges, the Company has made good progress in securing significant new clients as Accenture exits the sector, with further opportunities remaining to be converted. While the outlook for the rest of the year remains difficult to predict accurately, there are encouraging signs of recovery as existing clients re-commission work previously deferred and new work is mandated.

The management team has undertaken a strategic review of the business which highlights the continued growth opportunities for independent media advisors to brands operating on a global scale and providing the right product and service offering. Covid-19 has accelerated the global shift to digital media and Ebiquity is strategically well placed to take advantage of this trend."

24 September 2020

Enquiries:

Ebiquity	**020 7650 9600**
Nick Waters, CEO Alan Newman, CFO	
Instinctif Partners	
Matthew Smallwood	**07831 379 122**
Guy Scarborough	**07917 178 920**
Numis Securities	**020 7260 1000**
Nick Westlake, Hugo Rubinstein (NOMAD) Matt Lewis	

Chief Executive and Financial Review

This half year under review has inevitably been dominated by the Covid-19 pandemic and its far-reaching impact on business and personal life across the globe as well as on the media market in which Ebiquity operates.

I am delighted to have joined the Company as Chief Executive Officer following the end of the period, on 1 July 2020, and look forward to working closely with the wider management team and Board.

From March 2020 onwards, our entire global business switched to remote working, which our China business had started in January. Thanks to the flexibility and commitment of our staff and to the robustness and resilience of our operating systems we have continued to deliver very high standards of service to our clients throughout the period of Covid-19 disruption. I am grateful to all our staff for the admirable way in which they have responded to the challenges faced during these difficult times. Some of our offices have now re-opened but the majority of staff are still working mainly from home at this time.

Covid-19 has caused an unprecedented global economic disruption which led brands to cut their marketing budgets rapidly and deeply. In May 2020, a World Federation of Advertisers' survey indicated that global advertisers reduced media budgets in the first half of 2020 by 36% on average. Although advertising activity has picked up in Q3 as lockdown eased in Europe and USA, industry estimates forecast a global decline of some 10 to 15% in advertising spend for 2020 as a whole.

Within this macro-trend, our own clients' purchasing behaviour has varied within sectors and geographies. Most companies in the automotive, travel, leisure and non-food retail sectors reduced their requirements for the services that the Group normally provides to them. For example, the Group's revenue from the automotive sector, previously one of our largest, fell by approximately 50% from its 2019 level in this period. In contrast some sectors were more stable. FMCG sector revenue which was marginally higher than automotive in 2019 increased by 11%, as its media activity was relatively unaffected by Covid-19. The revenue reduction was concentrated among some of the Group's largest accounts with 20 clients responsible for two-thirds of the revenue loss.

These factors combined to cause a 24% reduction in Group revenue which totalled £26.8 million compared to £35.3m in the prior year. On a divisional basis Media revenue fell by 21% while Analytics and Tech revenue was 36% lower. The greater reduction in what had previously been a higher growth segment was due in part to the relatively high proportion of its client base in sectors affected by Covid-19 and to its consultancy projects depending on client input which was also disrupted during the lockdown periods.

At this difficult time, in recognition of our role as the leading global adviser to brands on managing and optimising their media expenditure, we undertook an active marketing programme offering them advice on how to respond to the challenges created by the pandemic. These included online seminars on subjects such as how to optimise the value of digital advertising spend and to adapt media investment decisions to the Covid-19 crisis. Some were held jointly with industry bodies such as the US Association of National Advertisers (ANA) and the Incorporated Society of British Advertisers (ISBA). We also published guides such as "Built to Last? Embedding Agility" to assist brands to re-calibrate the objectives of their media activities and their agency partners and "Advertising through a recession" to help brands determine whether and how best to spend on advertising at this time.

Our business development teams continued actively to target new clients, including those previously served by Accenture, which in January 2020 announced its exit from media audit and management advisory work with effect from 31 August. This campaign has succeeded to date in winning 20 new clients (including Daimler, Orange and Walgreen) and contracts worth approximately £5 million on an annualised basis, some of which will be fully recognised in 2021. This highlights the competitive advantage of our market-leading global network and expertise and its recognised value to advertisers.

Although the Group entered the pandemic in a strong financial position, we took prudent measures to ensure continuing liquidity by temporarily renegotiating the covenants on the Group's banking facilities, which are in place until 2023, into a simple liquidity test. As previously announced, the Board has also suspended payment of dividends until economic conditions are more certain. Continued close management of cash and working capital contributed to net debt at 30 June of £5.1m being £0.5m (8%) lower than at 31 December 2019.

In the light of the trading environment, we also initiated cost reduction measures which resulted in a 12% reduction in Group operating costs to £28.1m, from £32.0m in the six months ended 30 June 2019. These measures included deferral of the annual pay review (normally held in April) a hiring freeze and a three-month salary sacrifice scheme participated in by the Board, the Group senior leadership team and a number of senior staff. In addition, the Group benefitted from Government job support schemes in various countries, including Australia, China, France, UK and USA. The salary sacrifices and Government schemes contributed £0.6m to cost savings in the period, with an additional £0.7m anticipated in the second half.

Although significant, the cost savings achieved did not offset fully the revenue reduction in the period, which led to the Group reporting an underlying operating loss of £1.4m, compared to an operating profit of £3.4 million in the six months ended 30 June 2019.

Staff numbers at the end of June remained at the same level as at the beginning of the period. In managing the Group's resources during these unprecedented conditions, the Board has been mindful of its obligations under the Government support schemes and its responsibilities for staff welfare as well as the need to maintain the Group's delivery capacity as demand recovers. The Board has maintained its objective of improving the Group's profit margins over time by ensuring delivery of operational efficiencies and establishing an appropriate cost base for the business. These objectives are reflected in the Group's strategic plans, which are further detailed below.

As Covid-19 restrictions have eased and economic prospects have become more positive, our clients have begun to revisit their plans and confirm previously deferred decisions, leading to greater certainty and a more positive outlook in the second half of the year.

Strategic direction and future plans

Since 1 July 2020, we have embarked on a process to review the business and its operations, and to develop our strategic plans with a view to returning the business to top line revenue growth and operating margin improvement.

The process has been approached with the objective to simplify, clarify and focus the business. The resulting strategy is one of continuity, evolution and change.

The Group will continue to offer services as an independent advisor to brand marketing companies improving the efficiency and effectiveness of their media investments. We will develop new products and services to meet the ever changing needs of our clients, especially those relating to digital media and we will evolve and re-organise to execute the strategy more effectively and gain operational efficiencies.

The global media advertising market is large scale with over US$ 500bn traded annually and with significant complexity for brand owners. Ebiquity's focus is in the media market advising brand marketers how to navigate the complexity and to improve media investment decisions for better business outcomes.
Digital channels are the growth drivers of the media investment business now accounting for more than 50% of all ad spend. 70% of digital advertising (excluding search) is now traded programmatically.

The digital and programmatic landscape has given rise to many well documented challenges for advertisers with brand safety, viewability, fraud, wastage, lack of transparency, attribution, efficiency and effectiveness all topics of frequent industry debate. As advertisers grapple with these challenges there is a need for high quality, independent advice, based on empirical evidence. Ebiquity will develop products and services to help advertisers address these challenges.

The impact of Covid-19 has been to accelerate existing market trends with consumers increasing the amount of time and activity online for shopping, working and entertainment.

Brand marketing companies have been impacted by the pandemic to varying degrees but the majority are seeking to reduce costs in the business. When the economic recovery comes, we expect it to be cost-led with companies seeking new value and price points in the media markets and reviewing their current partner arrangements. Ebiquity is well positioned to support clients through these processes. Whilst it is difficult to predict the timing and speed of any recovery, there are signs of activity picking up and without another wave of national lockdowns we expect a sequential improvement through the remaining quarters of 2020, through to 2021.

With the market focus having shifted so strongly to digital channels, our product and service portfolio will be updated to provide a range of productised data solutions with a renewed focus on addressing challenges in search marketing, social media, and e-commerce. Digital Decisions represents a first move in this direction and is performing to plan. A Chief Product Officer will be appointed to develop and drive the product roadmap for our entire global business.

We will simplify the organisational structure to better enable client teams to provide integrated solutions and higher value consultancy advice. The Group will transition its current matrix structure of practices and geographies and will be re-organised and managed on a geographic P&L basis. Ebiquity will continue to provide all the services offered by the current global practices but these will now become service lines offered to clients throughout the country, regional and global business structures.

Ebiquity has demonstrated the ability to grow revenue when putting strategic focus on a core group of clients. This successful approach will be further developed under the remit of a Chief Client Officer and enhanced Client Partner teams covering a larger proportion of our major clients across the network.

A new role of Business Operations Director has been established to develop and execute plans to achieve greater operational efficiency to enhance margins. Its remit will include the Scaled Delivery Centre established in 2019 and further leveraging the benefits of centralising and standardising processes.

With increased complexity in the media markets and the commercial relationships between advertisers and their partners, we anticipate the requirement for specialist support in this area to continue growing. FirmDecisions, under Federica Bowman's leadership as the new CEO, is the established market leader in the provision of contract compliance audits and although negatively impacted by Covid-19, we expect a return to growth.

With a clear focus on the provision of services in the media sector, a refreshed product offering for the digital market, and a simplified organisational structure we believe Ebiquity is well placed to capitalise on its strengths and remain the leading global, independent advisor, improving media investment decisions for optimal business outcomes.

Ebiquity will hold a Capital Markets event on 10 November to provide more detail on the strategy and priority areas.

Review of Performance

	Revenue			
	H1 20	H1 19	Variance	
	£m	£m	£m	%
Media	**21.9**	**27.7**	**(5.8)**	**(21)%**
Analytics and Tech	**4.9**	**7.6**	**(2.8)**	**(36)%**
Total	**26.8**	**35.3**	**(8.6)**	**(24)%**

Media

In the period under review, Media revenue was £21.9 million, a reduction of 21% from the prior period.

As previously, there were significant regional variations in business performance across our network. In Asia Pacific where business activity recovered earlier in the period, revenue increased by 3%, with China and Singapore both seeing revenue increases, although Australia revenue fell as the effects of the pandemic were more long-lasting. In UK & Ireland, our largest Media region, revenue fell by 19%, mainly due to global clients reducing activity whereas many small domestic UK clients maintained their spend. European revenue fell overall by 20% due mainly to France and Germany which each have large automotive clients whereas revenue increased in Italy and Russia. USA revenue reduced by 37%, in part due to phasing as some clients who renewed contracts deferred the work until later in the year. Significant new client wins, especially of former Accenture clients, were recorded in several markets including France, Germany, Spain, UK and USA but the revenue generated will mainly be reflected in the second half of 2020 and through to 2021.

The revenue pipeline for Media Performance and Management in the second half is positive due to a combination of deferred projects and to work starting on new projects won during the first half.

Our Contract Compliance practice (branded as “FirmDecisions”) was impacted due to necessary changes in business practices due to restrictions on travel and face-to-face meetings. The team rapidly re-designed its approach to enable remote audits to be conducted, but much of its activity was deferred. Clients in the period included Amazon and Dubai Tourism.

Digital Decisions has performed in line with the acquisition business plan. Its team has integrated well and worked closely with the Ebiquity team to win a number of contracts from existing Ebiquity clients as well as from other major brands. Digital Decisions’ innovative source data monitoring service provides brand media and procurement directors with information an analyses on the composition, cost and performance of their digital advertising spend through a frequently updated online dashboard. As anticipated, this has been well received in the market place and already adopted by clients such as Nestle and Huawei. As also planned, the Digital Decisions product will become a core element of Ebiquity’s enhanced digital media measurement service which is being developed to meet clients’ requests for a more comprehensive offering covering all aspects of digital media, including paid search and social media.

As previously reported, we have continued to develop the functionality and use of the key MediaSuite tools to support further process and efficiency improvements. EbiquityConnect™ streamlines data ingestion from agencies, many of which have given positive feedback following the system’s introduction. EbiquitySelect supports our agency selection work. EbiquitySync™ provides a standardised tool for benchmarking paid digital media spend and is now being integrated with the recently acquired Digital Decisions technology applications.

Our shared services media delivery centre ("SDC") in Spain which became operational in 2019 continued to increase the amount of work undertaken for the network and further to reduce Media delivery costs. The recent enforced adoption of remote working has also helped to demonstrate to clients and staff that physical location of work is less important than previously thought.

Analytics and Tech

Advanced Analytics began the year well-placed to continue the growth trend from the second half of 2019 but the pandemic led to cancellations or deferrals of substantial projects commissioned by clients in the airline, retail and automotive sectors. However, this service offering is well suited to helping brands to re-plan their media investment strategy to reflect changed conditions notably the rapid consumer switch to online buying. Supported by active marketing, the Analytics order flow re-started towards the end of the period indicating a likely second half improvement.

Our AdTech practice helps brand owners to address the specific challenges of managing digital media and automated trading programmes by designing the data and technology ecosystem best suited to deliver their marketing strategy and optimise their digital media investments. Their solutions include the evaluation and planning of in-housing alternatives and the selection of advertising technology partners. It has a number of continuous projects for several global clients, although delayed purchase approvals by one of these impacted its revenue in this period. AdTech has been expanding into the US and Italy and recent wins in those territories will benefit the second half.

The MarTech practice now comprises a single unit Digital Balance in Australia, following the closure of Stratigent in the USA in September 2019. During the period Digital Balance has been more closely integrated with the media practice in Australia and globally to support its growth and increase cross-selling of its services to Ebiquity's wider client base. This has already led to its winning projects for global clients based in France and Germany working in collaboration with the local units.

Operating Profit Analysis

	Underlying Operating Profit				**Underlying Operating Profit Margin**	
	H1 20	**H1 19**	**Variance**		**H1 20**	**H1 19**
	£m	**£m**	**£m**	**%**	**%**	**%**
Media	**2.4**	**6.7**	(4.3)	(65)%	11%	26%
Analytics and Tech	**(0.7)**	**0.7**	(1.4)	(208)%	(15)%	6%
Unallocated costs	**(3.0)**	**(4.0)**	1.0	24%		-
Total	**(1.4)**	**3.4**	**(4.7)**	**(141)%**	**(5)%**	**10%**

The underlying operating loss of £1.4m largely reflects the revenue performance in the period, despite the cost reductions achieved of £3.9m. The Media practice remained profitable albeit at a lower level, with its margins falling from 26% to 11%. Analytics and Tech moved into a loss of £0.7m, again due largely to the fall in revenue and to the expansion of the staff base in 2019 in anticipation of expected higher revenue in 2020.

Outlook

While market conditions remain challenging because of the continuing Covid-19 pandemic, advertising expenditure has been recovering as economic activity returns to more normal levels. Our business is thus seeing greater demand in the second half both from existing clients and new business opportunities. Assuming these trends continue, the Board expects improved revenue in the second-half compared to the first six months. This should lead to a return to profitability in the second-half and to being at or close to break-even for the year as a whole, which would be a creditable result given the very challenging year that 2020 has been.

Looking ahead, assuming a more stable and improving trading environment into 2021, Ebiquity's market leadership position along with the development plans being implemented under the leadership of the new CEO will enable it to benefit from the post-crisis recovery and fulfil its potential as the leading global independent media advisor.

Financial Review

Revenues for the half year ended 30 June 2020 of £26.8 million were £8.6m lower than the comparable period in 2019.

There was an underlying operating loss (statutory operating profit excluding highlighted items) of £1.4 million, a decrease of £4.7 million, from the prior year. Project-related costs (which comprise external partner and production costs) reduced by 36% to £3.0m from £4.7m. Cost of sales (which comprise direct project staff costs) reduced by 8% to £12.8m from £14.0m. Administrative expenses reduced by £1.0 million to £12.3 million. The underlying operating profit margin was converted to a loss of 5% compared to a profit margin of 10% in the prior year.

Reflecting the operating loss, there was an underlying loss before tax of £1.9 million compared to a profit of £2.9 million for the six months ended 30 June 2019. Net finance costs were £0.5 million in 2020, an increase of £0.1m (16%) compared to the prior year. This resulted from the treatment of foreign exchange movement on intercompany loan balances as a finance cost instead of an administrative expense, as was the case in 2019.

There was a statutory operating loss (after highlighted items) of £1.2 million, compared to a loss of £3.8m in the prior year. This reflected a reduction in highlighted net costs of £7.3 million compared to 2019. The 2019 costs included the goodwill and intangibles write-down relating to Stratigent. There was a reported loss before tax of £1.7 million in this period, compared to a loss of £4.2 million in the prior year.

Highlighted items

Highlighted items after tax in the period totalled a profit of £0.1m (2019: charge of £7.0 million) and include the following:

- £1.7 million profit relating to share options, arising largely on the lapse of 4.2 million options awarded under the Executive Incentive Plan in 2010 (2019: £0.1 million charge)
- £0.6 million for purchased intangible asset amortisation (2019: £0.6 million)
- £0.4 million for severance and reorganisation costs in UK, France and USA (2019: £0.1 million)
- £0.2 million charge relating to adjustments to the fair value deferred consideration provisions (2019: profit of £0.2 million)
- £0.1 million relating to consideration due for Digital Decisions which is treated as a remuneration cost under IFRS 3 (revised)
- £0.1 million relating to legal and professional costs associated with the acquisition of Digital Decisions and the buy-out of the Italian minority
- £0.1 million relating to legal fees incurred on amending the bank covenants within the loan facility agreement.

Taxation

The underlying tax charge for the period is £0.2m million compared to £0.6 million in the prior year. This is in line with the reduction in underlying profit before tax in the current period. The tax charge included in highlighted items of £0.1 million (2019: credit of £0.1 million) arose due to the deferred tax impact of intangible asset additions in the period.

Earnings per share

There was an underlying basic loss per share of 2.7p compared to an earnings per share of 2.6p in the prior period. The diluted loss per share was the same as the basic figure in both reporting periods. There was a statutory basic loss per share of 2.6p (2019: loss per share of 6.2p).

Dividend

No dividend has been declared for the six months ended 30 June 2020 (2019 £nil).

Equity

During the six months to 30 June 2020, 2,447,628 shares were issued, 2,437,628 as partial settlement of the Italian minority buy-out and a further 10,000 upon the exercise of employee share options. As a result, the total share capital increased to 82,563,254 ordinary shares (31 December 2019: 80,115,626).

Cash conversion

	Six months ended 30 June 2020	**Six months ended 30 June 2019**
	£'000	**£'000**
Reported cash from operations	4,310	(1,518)
Underlying cash from operations	5,439	587
Underlying operating (loss)/profit	(1,375)	3,365

Underlying cash from operations represents the cash flow from operations excluding the impact of highlighted items and totalled £5.4 million in the period compared to £0.6 million in the prior year. The increase is due to the working capital inflow of £4.5 million compared to an outflow of £3.9 million, partially offset by the reduced profit in the current period.

Net debt and banking facilities	**As at 30 June 2020**	**As at 30 June 2019**
	£'000	**£'000**
Cash and cash equivalents net of bank overdrafts	14,519	6,974
Bank debt [1]	(19,000)	(14,000)
US PPP Loan [2]	(804)	-
Net debt	(5,285)	(7,026)

[1] Bank debt in the statement of financial position includes £0.1 million (30 June 2019: £0.1 million) of loan arrangement fees that have been paid and which are amortised over the remaining life of the facility. The bank debt and net debt figures above exclude these costs.
[2] This represents a loan received under the US Payment Protection Programme. Loan forgiveness will be applied for in relation to this balance, and if successful, it will be treated instead as a grant rather than a loan and released to the income statement.

All bank borrowings are held jointly with Barclays and NatWest. On 20 September 2019, the Group entered into a new RCF facility agreement of £24.0 million with broadly similar terms to the previous one. The facility has a maturity period of four years, expiring in September 2023 with an option for the company to extend for one further year. The committed RCF facility at 30 June 2020 totals £24.0 million, of which £19.0 million was drawn (2019: the RCF of £25.0 million, of which £14.0 million was drawn). In the prior year, the drawn RCF facility of £14.0 million was included as a current liability since the facility was set to expire within 1 year.

During the period, the Group continued to trade within the limits of its banking facilities and associated covenants. The covenants applying on a quarterly basis until June 2020 are based on EBITDA multiples as follows: interest cover > 4.0; adjusted leverage < 2.5; and adjusted deferred consideration leverage < 3.0. In response to the COVID-19 disruption, modified covenants have been agreed with the lenders which will apply from July 2020 to 30 November 2021. These will require the Group to maintain minimum liquidity of at least £5 million at the end of every month during that period. Minimum liquidity is defined as the aggregate amount of cash together with any available undrawn amount under the facility. Liquidity as at 30 June 2020 totalled £18.7 million. The covenants previously in force will apply again from December 2021 onwards.

Statement of financial position and net assets

Debtor days have increased to 71 days from 62 days as at 31 December 2019, with some clients seeking to take longer credit in order to preserve cash in the current uncertain climate.

Net current assets as at 30 June 2020 totalled £15.2m. These have increased by £0.6 million from 31 December 2019. £5.0 million was drawn down against the loan facility in March 2020.

Net assets as at 30 June 2020 are £33.9m, a decrease of £4.8m since 31 December 2019.

Corporate development activities

On 8 January 2020, the Group completed the purchase of Digital Decisions B.V ('Digital Decisions'). The initial cash consideration paid was €700,000 (£597,000) with further contingent consideration payable in a mix of cash and Ebiquity plc shares. The first deferred contingent payment will be based on performance in the year to 31 December 2020 and the second payment will be based on the average profit performance for the two years ended 31 December 2022. Payment of the deferred contingent consideration is conditional upon the vendor remaining in Ebiquity's employment and is therefore deemed to be post-date remuneration in accordance with IFRS 3 (revised). Accordingly, £0.1m has been included as a highlighted item for the amount earned to 30 June in respect of Digital Decisions' performance in the year ended 31 December 2020.

On 3 February 2020, the Company agreed to acquire the outstanding 49% interest in its subsidiary Ebiquity Italy Media Advisor S.r.l ('Ebiquity Italy') from the founders and minority shareholders, Arcangelo DiNieri and Maria Gabrielli. The transaction completed on 28 May 2020, following the approval of the Group's audited accounts. The total consideration of £3.1 million was based on an average of Ebiquity Italy's profit before tax and management charges for the years ending 31 December 2018 and 2019. Since the announcement date, the payment terms were amended so that the consideration will be paid in a combination of cash and Ebiquity plc shares. At completion, 25% of the total consideration was settled by the issue of 2,437,628 Ebiquity plc shares and 5% in cash. The remaining cash payments totalling £2.3m will be made between August 2020 and March 2021.

Alternative Performance Measures

In these results we refer to ‘underlying’ and ‘statutory’ results, as well as other non-GAAP Alternative Performance Measures.

Alternative Performance Measures (‘APMs’) used by the Group as defined in the Annual Report are:-

- Net revenue
- Like-for-like revenue growth
- Underlying operating profit;
- Underlying operating margin;
- Underlying profit before tax;
- Underlying effective rate of tax;
- Underlying earnings per share
- Underlying cash from operations; and
- Underlying operating cash flow conversion.

Net revenue is the result when project-related costs, comprising external production costs, are deducted from revenue.

Underlying results are not intended to replace statutory results but remove the impact of highlighted items in order to provide a better understanding of the underlying performance of the business. The above APMs are consistent with how business performance is measured internally by the Group.

Underlying profit is not recognised under IFRS and may not be comparable with underlying profit measures used by other companies.

Highlighted items comprise non-cash charges and non-recurring items which are highlighted in the consolidated income statement as their separate disclosure is considered by the Directors to be relevant in understanding the underlying performance of the business. The non-cash charges include share option charges and amortisation of purchased intangibles.

The non-recurring items include the costs associated with potential and completed acquisitions and disposals, adjustments to the estimates of contingent consideration on acquired entities, asset impairment charges, management restructuring and other significant one-off items. Costs associated with acquisition identification and early stage discussions with acquisition targets are reported in underlying administrative expenses.

Further detail of highlighted items are set out within the financial statements and the notes to the financial statements.

Consolidated Income Statement
for the six months ended 30 June 2020

	Note	**Unaudited 6 months ended 30 June 2020**			Restated Unaudited 6 months ended 30 June 2019		
		Before highlighted items £'000	**Highlighted items (note 3) £'000**	**Total £'000**	Before highlighted items £'000	Highlighted items (note 3) £'000	Total £'000
Revenue	2	**26,757**	**—**	**26,757**	35,319	—	35,319
Project-related costs		**(3,029)**	**—**	**(3,029)**	(4,729)	—	(4,729)
Net revenue		**23,728**	**—**	**23,728**	30,590	—	30,591
Cost of sales		**(12,811)**	**—**	**(12,811)**	(13,967)	—	(13,967)
Gross profit		**10,917**	**—**	**10,917**	16,623	—	16,623
Administrative expenses	3	**(12,292)**	**181**	**(12,111)**	(13,258)	(7,124)	(20,382)
Operating (loss)/profit		**(1,375)**	**181**	**(1,194)**	3,365	(7,124)	(3,759)
Finance income		**6**	**—**	**6**	6	—	6
Finance expenses		**(448)**	**—**	**(448)**	(456)	—	(456)
Foreign exchange		**(81)**	**—**	**(81)**	—	—	—
Net finance costs		**(523)**	**—**	**(523)**	(450)	—	(450)
(Loss)/profit before taxation from continuing operations		**(1,898)**	**181**	**(1,717)**	2,915	(7,124)	(4,209)
Taxation (charge)/credit – continuing operations		**(181)**	**(52)**	**(233)**	(605)	147	(458)
(Loss)/profit for the period – continuing operations		**(2,079)**	**129**	**(1,950)**	2,310	(6,977)	(4,667)
Net (Loss)/profit from discontinued operations	4	**—**	**—**	**—**	—	(1,250)	(1,250)
(Loss)/profit for the period		**(2,079)**	**129**	**(1,950)**	2,310	(8,227)	(5,917)
Attributable to:							
Equity holders of the parent		**(2,201)**	**135**	**(2,066)**	2,077	(8,221)	(6,144)
Non-controlling interests		**122**	**(6)**	**116**	233	(6)	227
		(2,079)	**129**	**(1,950)**	2,310	(8,227)	(5,917)
Earnings per share – continuing operations							
Basic	5	**(2.73)p**		**(2.57)p**	2.62p		(6.17)p
Diluted	5	**(2.73)p**		**(2.57)p**	2.58p		(6.17)p
Earnings per share – discontinued operations							
Basic	5	**—**		**—**	—		(1.58)p
Diluted	5	**—**		**—**	—		(1.58)p

Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2020

	Unaudited 6 months ended 30 June 2020 £'000	Unaudited 6 months ended 30 June 2019
(Loss) for the period	**(1,950)**	(5,917)
Other comprehensive income:		
Items that may be reclassified subsequently to the income statement:		
Exchange differences on translation of overseas subsidiaries	**1,159**	387
Total other comprehensive income for the period	**1,159**	387
Total comprehensive income/(expense) for the period	**(791)**	(5,530)
Attributable to:		
Equity holders of the parent	**(907)**	(5,757)
Non-controlling interests	**116**	227
	(791)	(5,530)

Consolidated Statement of Financial Position
as at 30 June 2020

	Note	Unaudited as at 30 June 2020 £'000s	Audited as at 31 December 2019 £'000s
Non-current assets			
Goodwill	6	29,384	28,409
Other intangible assets	7	6,541	6,763
Property, plant and equipment		2,291	2,563
Right of use assets		7,274	8,339
Lease receivables		412	—
Deferred tax asset		1,354	986
Total non-current assets		**47,256**	47,060
Current assets			
Trade and other receivables		22,528	27,586
Lease receivables		149	—
Cash and cash equivalents	8	14,519	8,236
Total current assets		**37,196**	35,822
Total assets		**84,452**	82,882
Current liabilities			
Trade and other payables		(4,792)	(5,575)
Accruals and contract liabilities		(8,958)	(9,084)
Financial liabilities	9	(2,346)	22
Current tax liabilities		(3,540)	(4,152)
Provisions		—	(300)
Lease liabilities		(2,101)	(1,834)
Deferred tax liability		(272)	(272)
Total current liabilities		(22,009)	(21,195)
Non-current liabilities			
Financial liabilities	9	(19,706)	(13,868)
Provisions		(400)	(387)
Lease liabilities		(7,313)	(7,756)
Deferred tax liability		(1,143)	(1,036)
Total non-current liabilities		**(28,562)**	(23,047)
Total liabilities		**(50,571)**	(44,242)
Total net assets		**33,881**	38,640
Equity			
Ordinary shares		20,641	20,029
Share premium		255	46
Other reserves		5,587	4,428
Retained earnings		6,541	12,958
Equity attributable to the owners of the parent		**33,024**	37,461
Non-controlling interests		857	1,179
Total equity		**33,881**	38,640

Consolidated Statement of Changes in Equity
for the six months ended 30 June 2020

	Ordinary shares £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000	Non-controlling interests £'000	Total equity £'000
1 January 2019	**19,778**	**44**	**5,144**	**21,556**	**46,522**	**992**	**47,514**
Profit for the period	—	—	—	(6,144)	(6,144)	227	(5,917)
Other comprehensive expense	—	—	387	—	387	—	387
Total comprehensive (expense)/income for the period	—	—	**387**	**(6,144)**	**(5,757)**	**227**	**(5,530)**
Shares issued for cash	60	2	—	—	62	—	62
Share options charge	—	—	—	102	102	—	102
Acquisition of non-controlling interests	—	—	—	(251)	(251)	(84)	(335)
Dividends paid to shareholders	—	—	—	(534)	(534)	—	(534)
30 June 2019	**19,838**	**46**	**5,531**	**14,729**	**40,144**	**1,135**	**41,279**
(Loss)/profit for the period	—	—	—	(1,864)	(1,864)	224	(1,640)
Other comprehensive income	—	—	(1,103)	—	(1,103)	—	(1,103)
Total comprehensive income/(expense) for the period	**—**	**—**	**(1,103)**	**(1,864)**	**(2,967)**	**224**	**(2,743)**
Shares issued for cash	191	—	—	—	191	—	191
Share options charge	—	—	—	93	93	—	93
Acquisition of non-controlling interests	—	—	—	—	—	1	1
Dividends paid to non-controlling interests	—	—	—	—	—	(181)	(181)
31 December 2019	**20,029**	**46**	**4,428**	**12,958**	**37,461**	**1,179**	**38,640**
(Loss)/profit for the period	—	—	—	(2,066)	(2,066)	116	(1,950)
Other comprehensive income	—	—	1,159	—	1,159	—	1,159
Total comprehensive income/(expense) for the period	**—**	**—**	**1,159**	**(2,066)**	**(907)**	**116**	**(791)**
Shares issued for cash	3	—	—	(3)	—	—	—
Share options charge	—	—	—	(1,609)	(1,609)	—	(1,609)
Acquisition of non-controlling interests	609	209	—	(2,739)	(1,921)	(348)	(2,269)
Dividends paid to shareholders	—	—	—	—	—	(90)	(90)
30 June 2020	**20,641**	**255**	**5,587**	**6,541**	**33,024**	**857**	**33,881**

Consolidated Cash Flow Statement
for the six months ended 30 June 2020

	Note	Unaudited 6 months ended 30 June 2020 £'000s	Unaudited 6 months ended 30 June 2019 £'000s
Cash flows from operating activities			
Cash (used)/generated from operations	12	4,310	(1,518)
Finance expenses paid		(269)	(464)
Finance income received		6	6
Income taxes paid		(1,259)	(668)
Net cash from operating activities		**2,788**	**(2,644)**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(597)	—
Disposal of division		18	26,000
Payments to acquire non-controlling interests		(155)	(168)
Payment of contingent consideration		—	(578)
Purchase of property, plant and equipment		(76)	(138)
Purchase of intangible assets		(564)	(646)
Net cash flow from investing activities		**(1,374)**	**24,470**
Cash flows from financing activities			
Proceeds from issue of share capital (net of issue costs)		—	62
Proceeds from bank borrowings		5,000	—
Repayment of bank borrowings		—	(20,000)
Proceeds from government borrowings		803	—
Repayments of lease liabilities		(925)	(516)
Dilapidation payments		(300)	—
Dividends paid to shareholders		—	(534)
Dividends paid to non-controlling interests		(90)	(289)
Net cash flow from financing activities		**4,488**	**(21,277)**
Net increase in cash, cash equivalents and bank overdrafts		**5,902**	**549**
Cash, cash equivalents and bank overdrafts at beginning of period (as at 31 December 2019)		8,237	6,414
Effect of exchange rate changes on cash and cash equivalents		380	11
Cash, cash equivalents and bank overdrafts at end of period	8	**14,519**	**6,974**

Notes to the interim financial statements for the six months ended 30 June 2020

1. Accounting policies

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard ('IAS') 34 'Interim Financial Reporting' as adopted by the European Union ('EU'). These interim financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union, the Companies Act 2006 that applies to companies reporting under IFRS, and IFRS Interpretations Committee (IFRIC).

The condensed consolidated interim financial statements have been prepared on a going concern basis. The Group meets its day-to-day working capital requirements through its cash reserves and borrowings, described in note 9. As at 30 June 2020, the Group had cash balances of £14,519,000 and undrawn bank facilities available of £5,000,000, and was cash generative and within its banking covenants.

In assessing the going concern status of the Group, the Directors have considered the Group's forecasts and projections, taking account of reasonably possible changes in trading performance and the Group's cash flows, liquidity and bank facilities.

In accordance with the guidance issued by the Financial Reporting Council, the Directors have given specific consideration to the potential impact of the COVID-19 pandemic on the global economy, business environment in which the Group operates, and its business in particular. As at the date of this interim report this impact remained highly uncertain and difficult to predict. The Directors have accordingly considered a range of scenarios relating to the impact of COVID-19 which they believe are plausible in the context of the Group's clients, services and operations and assessed their impact on the Group's cash flows and liquidity for a period of 12 months from the date of approval of these condensed consolidated interim financial statements. In this assessment, the Directors had regard to the potential reduction in receipts from clients that may arise from the COVID-19 disruption and to options that may be available to the Group to mitigate any resulting negative impact on its cash flows and liquidity. These include: (i) draw down of all available borrowing facilities; (ii) reductions in its operating and capital expenditure; and (iii) benefit of measures taken by governments and central banks in the countries in which the Group operates to assist businesses and employees, directly or indirectly, to meet their financial obligations and maintain their business operations during the period of the pandemic.

As a result of these scenarios, the Directors consider that the Group will have sufficient liquidity within its existing bank facilities, totalling £24,000,000, to meet its obligations during the next 12 months.

The lenders, Barclays and NatWest Bank have agreed to covenant waivers and modifications where required in order to negate the risk of any future covenant breaches.

The existing covenants remained in place for the 12 months to March 2020 and June 2020 and were achieved. Waivers have been granted over existing covenants for the five quarters ending September 2020 through to September 2021. For the period from July 2020 to November 2021 a monthly liquidity test will be applied instead of the existing covenants. Under the Directors' base case scenario, which does implement some level of growth, there are no forecast breaches of these new liquidity tests. The Directors' downside scenario indicates that the covenant test at September 2021 is the most sensitive but is not breached. If expectations for this period were to worsen then the Directors believe that they would be in a position to take the appropriate actions ahead of time to reduce operating costs to an appropriate level in order to mitigate the likelihood of a breach.

1. Accounting policies (continued)

Basis of preparation (continued)

Sensitivity analyses indicate that should revenue fall by 18% or more below the Directors' base case throughout the entire 12 months to September 2021, then in the absence of any mitigating actions, the minimum liquidity test could be breached in September 2021 or may need to be waived. This represents a material uncertainty that casts significant doubt on the Group's ability to operate as a going concern. The financial statements do not include any adjustments that may result if the Group were not able to continue as a going concern.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below. These policies have been consistently applied to all of the periods presented.

Presentational change in the income statement

For the prior year end, the Group changed its accounting policy with respect to the classification of costs previously included within cost of sales. Cost of sales historically comprised external production costs, direct salary, commission and freelancer costs. The Group now records external production costs within a new cost line named project-related costs. On project-related costs being deducted from revenue, the result is net revenue. Direct salary, commission and freelancer costs remain to be recorded within cost of sales which is deducted from net revenue to get to gross profit.

The Group believes that this revised classification is more appropriate for the continuing consultancy-based business.

The impact of this voluntary change in accounting policy is purely presentational. There is no change to gross profit or operating profit in the interim financial statements and there are no further impacts in the interim financial statements. The comparative income statement, for the period ended 30 June 2019, has been restated to reflect the change in accounting policy as detailed above.

The change reflects a reclassification of external production costs of £4,729,000 to project-related costs, with net revenue of £30,590,000 resulting. Sales commission, direct salary costs and freelancer costs of £13,967,000 are then included within cost of sales, with gross profit of £16,623,000 resulting. This is no change from the gross profit reported in the 2019 interim financial statements. Administrative expenses remain unchanged and therefore the resulting underlying operating profit remains at £3,365,000.

The impact of the change in accounting policy is shown in the table below:

	period ended 30 June 2019			*period ended 30 June 2019 (reclassified)*			*Impact of reclassification*
	Before highlighted items	Highlighted items	Total	Before highlighted items	Highlighted items	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	35,319	—	35,319	35,319	—	35,319	—
Project-related costs	—	—	—	(4,729)	—	(4,729)	(4,729)
Net revenue	**—**	**—**	**—**	**30,590**	**—**	**30,590**	**30,590**
Cost of sales	(18,696)	—	(18,696)	(13,967)	—	(13,967)	4,729
Gross profit	**16,623**	**—**	**16,623**	**16,623**	**—**	**16,623**	**—**
Administrative expenses	(13,258)	(7,124)	(20,382)	(13,258)	(7,124)	(20,382)	—
Operating profit	**3,365**	**(7,124)**	**(3,759)**	**3,365**	**(7,124)**	**(3,759)**	**—**

2. Segmental reporting

In accordance with IFRS 8 the Group's operating segments are based on the reports reviewed by the Executive Directors that are used to make strategic decisions.

The Group reports its results in two business practices (Media and Analytics & Tech), as this most accurately reflects the way the Group is being managed. Previously there were three business practices (Media, Analytics & Tech and Intel), however on 2 January 2019 the sale completed of Intel to Nielsen Media Research Limited and therefore the results of this division have been presented within discontinued operations. Refer note 4 for more details.

The Executive Directors are the Group's chief operating decision-makers. They assess the performance of the operating segments based on operating profit before highlighted items. This measurement basis excludes the effects of expenditure such as restructuring costs, purchased intangible amortisation and equity-settled share-based payments from the operating segments. Interest income and expenditure are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The segment information provided to the Executive Directors for the reportable segments for the period ended 30 June 2020 is as follows:

Unaudited 6 months ended 30 June 2020

	Media £'000	**Analytics & Tech £'000**	**Reportable Segments £'000**	**Unallocated £'000**	**Total £'000**
Revenue	21,907	4,850	**26,757**	—	**26,757**
Operating profit/(loss) before highlighted items	2,354	(718)	**1,636**	(3,011)	**(1,375)**

Included within operating (loss) before highlighted items is a credit of £495,000 relating to government assistance measures implements as a result of the pandemic. These measures have been in place from April 2020 and are expected until October 2020. The measures include job retention schemes, reduced payroll tax liabilities, waivers of payroll tax and cash flow boosts.

Unaudited 6 month period ended 30 June 2019

	Media £'000	Analytics & Tech £'000	Reportable Segments £'000	Unallocated £'000	Total £'000
Revenue	27,701	7,618	35,319	—	35,319
Operating profit/(loss) before highlighted items	6,679	664	7,343	(3,978)	3,365

2. Segmental reporting (continued)

A reconciliation of segment operating (loss)/profit before highlighted items to total (loss) before tax is provided below:

	Unaudited 6 months ended 30 June 2020	Unaudited 6 months ended 30 June 2019
	£'000	£'000
Reportable segment operating profit before highlighted items	**1,636**	7,343
Unallocated costs:		
Staff costs	**(1,752)**	(2,917)
Property costs	**(669)**	(488)
Exchange rate movements	**198**	(27)
Other administrative expenses	**(788)**	(546)
Operating (loss)/profit before highlighted items	**(1,375)**	3,365
Highlighted items (note 3)	**181**	(7,124)
Operating (loss)	**(1,194)**	(3,759)
Net finance costs	**(523)**	(450)
(Loss) before tax	**(1,717)**	(4,209)

Net finance costs in the current period include £81,000 relating to foreign exchange movements on intercompany loan balances. Previously this was included as an administrative expense, however it was considered appropriate to reclassify this in the current period in accordance with IAS 12.

3. Highlighted items

Highlighted items comprise items which are highlighted in the income statement because separate disclosure is considered relevant in understanding the underlying performance of the business.

	Unaudited 6 months ended 30 June 2020	Unaudited 6 months ended 30 June 2019
	£'000s	£'000s
Share option (credit)/charge	**(1,651)**	68
Amortisation of purchased intangibles	**556**	620
Impairment of goodwill and intangibles	**—**	5,850
Severance and reorganisation costs	**367**	104
Acquisition, integration and strategic costs	**547**	482
Total highlighted items before tax	**(181)**	7,124
Taxation charge/(credit)	**52**	(147)
Total highlighted items after tax – continuing operations	**(129)**	6,977
Highlighted items – discontinued operations	**—**	1,250
Total highlighted items	**(129)**	8,227

3. Highlighted items (continued)

Share option charges include the non-cash IFRS 2 credit of £1,609,000 (June 2019: charge of £102,000) along with the cash element in relation to the exercising of share options, a credit of £42,000 (June 2019: credit of £34,000). The IFRS 2 credit has arisen in the period predominantly due to the lapse of 4,200,000 options awarded under the Executive Incentive Plan in 2010 as the current share price was below the exercise price.

Amortisation of purchased intangibles relates to acquisitions made in prior years of £545,000 (June 2019: £620,000) and in the current period of £11,000 (June 2019: £nil).

Impairment of goodwill and intangibles in the prior year of £5,850,000 is in relation to the impairment of goodwill and intangibles held in Stratigent LLC, the result being that these items were fully written down to a net book value of £nil due to the winding down of the activities of this operation.

Severance and reorganisation costs of £367,000 (June 2019: £104,000) relate to restructuring within the UK, US and France businesses.

The acquisition, integration and strategic costs of £547,000 (June 2019: £482,000) predominantly relates to the adjustment to the fair value of contingent consideration by £245,000 (June 2019: a credit of £159,000) in relation to current period and prior year acquisitions to the latest prevailing exchange rates. Post-date remuneration of £146,000 has been recognised relating to amounts owed relating to the Digital Decisions acquisition. A further £42,000 was incurred in relation to the subleasing arrangement of the Chicago office, this is more than offset by the rental income from the subleasing arrangement of £70,000. Another £54,000 was incurred in relation to the acquisitions of Digital Decisions B.V. and the Italian minority buy out in the period and £50,000 was incurred in relation to financing restructuring.

The final portion relates to the movement in the period of the impairment to the right-of-use assets of £80,000 in accordance with IFRS 16 (June 2019: £451,000). The prior year balance also includes a credit of £107,000 for the release of the brought forward provision in relation to the Hamburg office since the Group have been released from any future obligations on a new tenant being identified in the period for the previously unoccupied space since AdIntel vacated the office.

Also included in the comparative is £297,000 relating to one-off costs of relocating to the new London premises.

4. Discontinued operations

On 12 February 2018, the Group agreed to dispose of the AdIntel business to Nielsen for gross consideration of £26,000,000. This disposal was completed on 2 January 2019. The gross consideration was dependent upon a working capital target position at the date of completion. The working capital acquired by Nielsen was below this target and a resulting repayment was made to Nielsen of £1,155,000 on 31 October 2019; net consideration was therefore £24,845,000. The results of this division have been presented within discontinued operations as appropriate.

On 19 March 2018, the Group entered into an agreement to sell the business assets of its Reputation division to Echo Research Holdings Limited. Completion took place on 31 March 2018. The consideration payable was dependent upon the revenue performance of the business during the 12 months following completion. The consideration resulting was £36,000, half of which was paid in June 2019 and the balance was paid in June 2020. The results of this division have been presented within discontinued operations as appropriate.

4. Discontinued operations (continued)

The financial performance and cash flow information presented below reflects profit on disposal recognised in 2019 on the AdIntel sale completing on 2 January 2019, and the contingent consideration recognised in 2019 in relation to the Reputation business.

The table below summarises the income statement for the discontinued business units for both the current and the prior period:

	Unaudited 6 months ended 30 June 2020			Unaudited 6 months ended 30 June 2019		
	AdIntel £'000	**Reputation £'000**	**Total £'000**	AdIntel £'000	Reputation £'000	Total £'000
Revenue	**—**	**—**	**—**	—	—	—
Cost of sales	**—**	**—**	**—**	—	—	—
Gross result	**—**	**—**	**—**	—	—	—
Administrative expenses	**—**	**—**	**—**	—	—	—
Operating result	**—**	**—**	**—**	—	—	—
Highlighted items	**—**	**—**	**—**	1,194	36	1,230
Profit before tax	**—**	**—**	**—**	1,194	36	1,230
Tax [1]	**—**	**—**	**—**	(2,480)	—	(2,480)
Net result from discontinued operations	**—**	**—**	**—**	(1,286)	36	(1,250)

[1] This represents the current best estimate of the multi-jurisdiction tax charge arising as a result of the disposal of the AdIntel business. The finalised charge will be incorporated within the Group's 2019 annual results announcement.

Below is a table summarising the cash flows from continued and discontinued operations:

	Unaudited 6 months ended 30 June 2020 £'000	Unaudited 6 months ended 30 June 2019 £'000
Cash generated by/(used in) operations – continuing operations	**2,788**	(2,644)
Cash generated by operations – discontinued operations	**—**	—
Total cash generated by/(used in) operations	**2,788**	(2,644)
Cash (used in) investment activities – continuing operations	**(1,392)**	(1,530)
Cash generated by investment activities – discontinued operations	**18**	26,000
Total cash (used in)/generated by investment activities	**(1,374)**	24,470
Cash generated by/(used in) financing activities – continuing operations	**4,488**	(21,277)
Cash generated by financing activities – discontinued operations	**—**	—
Total cash generated by/(used in) financing activities	**4,488**	(21,277)
Net increase/(reduction) in cash and cash equivalents – continuing operations	**5,884**	(25,951)
Net increase in cash and cash equivalents – discontinued operations	**18**	26,000
Net increase in cash and cash equivalents	**5,902**	549

4. Discontinued operations (continued)

Below is a table summarising the details of the sale of the divisions:

	Unaudited 6 months ended 30 June 2020			Unaudited 6 months ended 30 June 2019		
	AdIntel £'000	**Reputation £'000**	**Total £'000**	AdIntel £'000	Reputation £'000	Total £'000
Cash received or receivable:						
Cash	—	—	—	26,000	36	26,036
Decease of consideration	—	—	—	(808)	-	(808)
Total disposal consideration	—	—	—	25,192	36	25,228
Carrying amount of net assets sold	—	—	—	23,672	—	23,672
Costs to sell – current year	—	—	—	25	—	25
Reclassification of foreign currency translation reserve	—	—	—	301	—	301
Total	—	—	—	23,998	—	23,998
Gain on sale before income tax	—	—	—	1,194	36	1,230
Income tax charge on gain	—	—	—	(2,480)	—	(2,480)
(Loss)/gain on sale after income tax	—	—	—	(1,286)	36	(1,250)
Costs to sell – prior year	—	—	—	(3,176)	—	(3,176)
(Loss)/gain on sale after income tax – total	—	—	—	(4,462)	36	(4,426)

5. Earnings per share

The calculation of basic and diluted earnings per share is based on the following data:

	Period ended 30 June 2020			Period ended 30 June 2019		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	**(2,066)**	**—**	**(2,066)**	(4,894)	(1,250)	(6,144)
Adjustments:						
Impact of highlighted items (net of tax) [1]	**135**	**—**	**135**	6,971	1,250	8,221
Earnings for the purpose of underlying earnings per share	**(2,201)**	**—**	**(2,201)**	2,077	—	2,077
Number of shares:						
Weighted average number of shares during the period						
– basic	**80,565,910**	**—**	**80,565,910**	79,305,619	—	79,305,619
– dilutive effect of share options	**573,149**	**—**	**573,149**	1,326,363	—	1,326,363
– diluted	**81,139,059**	**—**	**81,139,059**	80,631,982	—	80,631,982
Basic earnings per share [2]	**(2.57)p**	**—**	**(2.57)p**	(6.17)p	(1.58)p	(7.75)p
Diluted earnings per share [3]	**(2.57)p**	**—**	**(2.57)p**	(6.17)p	(1.58)p	(7.75)p
Underlying basic earnings per share [4]	**(2.73)p**	**—**	**(2.73)p**	2.62p	—	2.62p
Underlying diluted earnings per share [5]	**(2.73)p**	**—**	**(2.73)p**	2.58p	—	2.58p

[1] Highlighted items (see note 3), stated net of their total tax and non-controlling interest impact.

[2] Basic earnings per share is calculated by dividing profit attributable to shareholders by the basic average number of shares

[3] Diluted earnings per share is calculated by dividing profit attributable to shareholders by the basic average number of shares and also including the dilutive impact of share options

[4] Underling basic earnings per share is calculated by dividing underlying profit attributable to shareholders by the basic average number of shares

[5] Underlying diluted earnings per share is calculated by dividing underlying profit attributable to shareholders by the basic average number of shares and also including the dilutive impact of share options

6. Goodwill

	£'000
Cost	
At 1 January 2020	36,749
Acquisitions [1]	504
Foreign exchange differences	822
At 30 June 2020	**38,075**
Accumulated impairment	
At 1 January 2020	(8,340)
Impairment	—
Foreign exchange differences	(351)
At 30 June 2020	**(8,691)**
Net book value	
At 30 June 2020	**29,384**
At 31 December 2019	28,409

[1] Goodwill of £504,000 has been recognised on the acquisition of Digital Decisions B.V. in the period. Refer to note 13 for more details.

6. Goodwill (continued)

Goodwill has been allocated to the following segments:

	Year ended 30-Jun 2020 £'000	Year ended 31-Dec 2019 £'000
Media	**26,867**	25,905
Analytics & Tech	**2,517**	2,504
	29,384	28,409

The Group tests annually for impairment, however given the recent uncertainty as a result of COVID-19, this provides an indication that goodwill could potentially have been impaired. For this reason, an impairment review has been undertaken as at 30 June 2020.

Goodwill is allocated to the Group's cash-generating units (CGUs) in order to carry out impairment tests. The Group's remaining carrying value of goodwill by CGU at 30 June was as follows:

Cash generating unit	Reporting segment	**Period ended 30-Jun 2020 £'000**	Year ended 31-Dec 2019 £'000
Media UK and International	Media	**9,270**	9,241
Digital Decisions	Media	**534**	—
Media Germany	Media	**4,329**	4,319
Media Value Group	Media/Analytics & Tech	**3,226**	3,042
FirmDecisions	Media	**2,981**	2,981
Media Australia	Media	**2,373**	2,289
China	Media	**2,234**	2,150
Effectiveness	Analytics & Tech	**1,678**	1,678
Digital Balance	Analytics & Tech	**839**	826
Media America	Media	**604**	604
Media France	Media	**574**	560
Media Italy	Media	**405**	382
Russia	Media	**337**	337
Analytics USA	Analytics & Tech	**—**	—
		29,384	28,409

The impairment test involves comparing the carrying value of the CGU to which the goodwill has been allocated to the recoverable amount. The recoverable amount of all CGUs has been determined based on value-in-use calculations.

Under IFRS, an impairment charge is required for goodwill when the carrying amount exceeds the recoverable amount, defined as the higher of fair value less costs to sell and value-in-use. No impairment of goodwill was recognised for the period ended 30 June 2020.

Value-in-use calculations

The key assumptions used in management's value in use calculations are budgeted operating profit, pre-tax discount rate and the long term growth rate.

6. Goodwill (continued)

Budgeted operating profit assumptions
To calculate future expected cash flows, management has taken the latest Board-approved forecasted operating profit ('EBIT') for each of the CGUs for the 2020 financial year.

For the 2021 and 2022 financial years, the forecast EBIT is as per management and market expectations. The forecast 2022 balances are taken to perpetuity in the model. The forecast for 2021 and 2022 uses certain assumptions to forecast revenue and operating costs within the Group's operating segments beyond the 2020 forecast.

Discount rate assumptions
The Directors estimate discount rates using rates that reflect current market assessments of the time value of money and risk specific to the CGUs. The three year pre-tax cash flow forecasts have been discounted at between 7.0% and 12.0% (31 December 2019: between 7.0% and 12.0%).

Growth rate assumptions
Cash flows beyond the three year period are extrapolated at a rate of 2.25% (31 December 2018: 2.25%), which does not exceed the long term average growth rate in any of the markets in which the Group operates.

The excess of the value-in-use to the goodwill carrying values for each CGU gives the level of headroom in each CGU. The estimated recoverable amounts of the Group's operations in all CGUs significantly exceed their carrying values with the exception of the China and Media America CGUs.

Sensitivity analysis
The Group's calculations of value-in-use for its respective CGUs are sensitive to a number of key assumptions. Other than disclosed below, management does not consider a reasonable possible change, in isolation, of any of the key assumptions to cause the carrying value of any CGU to exceed its value-in-use. The considerations underpinning why management believes no impairment is required in respect of China and Media America are as follows, specifically what change in key assumptions would result in an impairment:

	China		Media America	
	Current %	% change leading to impairment [1]	Current %	% change leading to impairment [1]
Forecast revenue growth	5%	-1%	20%	-3%
Forecast cost growth	0% - 3%	+1%	-14% - +2%	+2%
Pre-tax discount rate	12%	+1%	11%	+2%

[1] These changes have been applied to 2021 and 2022 projected information.

7. Other intangible assets

	Capitalised development costs £'000s	Computer software £'000s	Purchased intangible assets [1] £'000s	Total intangible assets £'000s
Cost				
At 1 January 2020	4,034	2,525	16,165	22,724
Additions	561	3	—	**564**
Acquisitions [2]	—	—	70	**70**
Foreign exchange	75	25	381	**481**
At 30 June 2020	**4,670**	**2,553**	**16,616**	**23,839**
Amortisation				
At 1 January 2020	(1,471)	(1,853)	(12,637)	(15,961)
Charge for the period [3]	(287)	(151)	(556)	**(994)**
Foreign exchange	(40)	(24)	(279)	**(343)**
At 30 June 2020	**(1,798)**	**(2,028)**	**(13,472)**	**(17,298)**
Net book value				
At 30 June 2020 [4]	**2,872**	**525**	**3,144**	**6,541**
At 31 December 2019	2,563	672	3,528	6,763

[1] Purchased intangible assets consist principally of customer relationships with a typical useful life of three to 10 years.
[2] Purchased intangibles of £70,000 were recognised on the acquisition of Digital Decisions B.V. in the period.
[3] Amortisation is charged within administrative expenses so as to write off the cost of the intangible assets over their estimated useful lives. The amortisation of purchased intangible assets is included as a highlighted administrative expense.
[4] Of the net book value of capitalised development costs, £1,417,000 remains in development at 30 June 2020.

8. Cash, cash equivalents and bank overdrafts

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

	30 June 2019 £'000	31 December 2019 £'000
Cash and cash equivalents	**14,519**	8,236
Bank overdraft (note 9)	**—**	—
Cash, cash equivalents and bank overdrafts	**14,519**	8,236

9. Financial liabilities

	30 June 2020 £'000	31 December 2019 £'000
Current		
Bank overdraft	**—**	—
Loan fees [1]	**(45)**	(36)
Contingent consideration	**2,391**	14
	2,346	(22)
Non-current		
Bank borrowings	**19,000**	14,000
Government borrowings	**804**	—
Loan fees [1]	**(98)**	(132)
	19,706	13,868
Total financial liabilities	**22,052**	13,846

[1] Loan fees were payable on amending the banking facility and are being recognised in the income statement on a straight-line basis to the maturity date of the facility, this being September 2023.

	Bank borrowings £'000	Government borrowings £'000	Contingent consideratio n £'000	Total £'000
At 1 January 2020	13,832	—	14	13,846
Recognised on acquisition	**—**	**—**	**3,683**	**8,766**
Paid	**—**	**—**	**(1,552)**	**(1,552)**
Charged to the income statement	**25**	**—**	**65**	**90**
Discounting charged to the income statement	**—**	**—**	**(27)**	**(27)**
Borrowings	**5,000**	**804**	**—**	**5,804**
Foreign exchange released to the income statement	**—**	**—**	**208**	**516**
At 30 June 2020	**18,857**	**804**	**2,391**	**22,052**

All bank borrowings are held jointly with Barclays and NatWest Bank. The committed facility, totalling £24,000,000, comprises a revolving credit facility ('RCF') of £23,000,000 (of which £19,000,000 was drawn as at 30 June 2020) and £1,000,000 available as an overdraft for working capital purposes. The RCF has a maturity date of 20 September 2023. The drawn RCF and any further drawings under the RCF are repayable on maturity of the facility. The facility may be used for deferred consideration payments on past acquisitions, to fund future potential acquisitions, and for general working capital requirements.

Loan arrangement fees of £143,000 (31 December 2019: £168,000) are offset against the term loan, and are being amortised over the period of the loan. £45,000 of loan arrangement fees have been included within creditors due within one year and the balancing £98,000 have been included within creditors due after more than one year.

9. Financial liabilities (continued)

The facility bears variable interest of LIBOR plus a margin of 2.00%. The margin rate is able to be lowered each quarter end depending on the Group's net debt to EBITDA ratio.

The undrawn amount of the revolving credit facility is liable to a fee of 40% of the prevailing margin. The Group may elect to prepay all or part of the outstanding loan subject to a break fee, by giving five business days' notice.

All amounts owing to the bank are guaranteed by way of fixed and floating charges over the current and future assets of the Group. As such, a composite guarantee has been given by all significant subsidiary companies in the UK, US, Germany and Australia.

Government borrowings represent an amount received as a part of the US Payment Protection Programme. Loan forgiveness will be applied for in relation to this balance. If this application is successful then this balance will be treated instead as a grant rather than a loan and will be released to the income statement. If the application is unsuccessful then this balance will continue to be treated as a loan, will incur interest at 1% and will be repayable within two years.

Contingent consideration represents additional amounts that are expected to be payable for acquisitions made by the Group and is held at fair value at the Statement of Financial Position date. All amounts are expected to be fully paid by March 2021.

Contingent consideration has been recognised in the period in relation to the minority buy-out of Ebiquity Italy Media Advisor S.r.l ('Ebiquity Italy'). The consideration payable in relation to the minority buyout of Ebiquity Italy was contingent upon the performance for the years ending 31 December 2018 to 31 December 2019.

It has been determined that the deferred payments in relation to the acquisition of Digital Decisions B.V. ('Digital Decisions') should be treated as post-date remuneration. IFRS 3 (revised) provides guidance for situations where contingent consideration may be considered to be remuneration for post-acquisition employment. We have reviewed these guidelines and assessed the indicators in IFRS 3. Taken in aggregate, these indicate that the payments to the seller (who remains an employee) do indeed constitute post-date remuneration but should be treated as such. As a result instead of the contingent consideration being recognised in full as at 30 June 2020 within financial liabilities, the amount payable in relation to 2020 has been provided for, within accruals and contract liabilities.

10. Fair value measurement

All of the Group's financial assets and liabilities are measured at amortised cost, with the exception of the contingent consideration payable, which is held at fair value through profit and loss.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

10. Fair value measurement (continued)

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
At 30 June 2020				
Financial liabilities				
Contingent consideration	—	—	**2,391**	**2,391**
	—	—	**2,391**	**2,391**
At 31 December 2019				
Financial liabilities				
Contingent consideration	—	—	14	14
	—	—	14	14

The fair value of the contingent consideration of £2,391,000 (31 December 2019: £14,000), was estimated by applying the income approach. The fair value estimates are based on a discount rate of 2.1% forecast EBIT of Ebiquity Italy Media Advisor S.r.l. and Ebiquity Marsh Limited. This is a level 3 fair value measurement. The key assumptions in calculating the contingent consideration payable are the EBIT of the businesses acquired and the discount rate.

Refer to Note 9 for a reconciliation of movements during the period.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	**Fair value at 30 June 2020 £'000**	**Unobservable inputs** [1]	**Relationship of unobservable inputs to fair value**
Ebiquity Italy Media Advisor S.r.l.	2,286	Risk adjusted discount rate [2]	A decrease in the discount rate by 1% would increase the fair value by £13,000
Ebiquity Marsh Limited	105	Risk adjusted discount rate	A decrease in the discount rate by 1% would increase the fair value by £nil
		Expected EBIT	If expected revenues were 10% higher, the fair value would increase by £197,000

[1] There were no significant inter-relationships between unobservable inputs that materially affect fair values.

[2] The contingent consideration payable in relation to the acquisition of the minority interest of Ebiquity Italy Media Advisor S.r.l. was calculated with reference to the EBIT achieved in 2018 and 2019 and so the expected EBIT is not an unobservable input.

10. Fair value measurement (continued)

The main level 3 inputs used by the group in measuring the fair value of financial instruments are derived and evaluated as follows:

- Discount rates: these are determined with reference to the external rate of borrowing which is consistent with prior periods.

Changes in level 3 fair values are analysed at the end of each reporting period. During the period a credit of £27,000 (December 2019: charge of £218,000) was recognised in the income statement on discounting the contingent consideration relating to the acquisitions of Ebiquity Italy Media Advisor S.r.l. and Ebiquity Marsh Limited.

11. Dividends

No dividend is being paid in respect of the year ending 31 December 2019. No dividend is declared for the six months ended 30 June 2020. Dividends were paid to non-controlling interests as shown in the consolidated statement of changes in equity.

12. Cash generated from operations

	Unaudited 6 months ended 30 June 2020	Unaudited 6 months ended 30 June 2019
	£'000	£'000
(Loss) before taxation	**(1,717)**	(4,209)
Adjustments for:		
Depreciation	**1,383**	901
Amortisation (note 7)	**994**	1,076
Gain on disposal	**(1)**	—
Impairment of right-of-use assets	**80**	—
Impairment of goodwill (note 6)	**—**	5,082
Impairment of intangibles (note 7)	**—**	768
Recognition of onerous lease provision	**—**	296
Unrealised foreign exchange gain	**(54)**	(284)
Share option (credit)/charge (note 3)	**(1,609)**	102
Finance income	**(6)**	(6)
Finance expenses	**448**	456
Contingent consideration revaluations	**245**	(159)
	(237)	4,023
Decrease/(increase) in trade and other receivables	**4,837**	(1,529)
(Decrease) in trade and other payables (including accruals and contract liabilities)	**(290)**	(4,012)
Movement in provisions	**—**	—
Cash generated by/(used in) operations – continuing operations	**4,310**	(1,518)
Cash generated from operations – discontinued operations	**—**	—
Cash generated by/(used in) operations	**4,310**	(1,518)

13. Acquisitions

Digital Decisions B.V.

On 8 January 2020, the Group completed the purchase of Digital Decisions B.V. ('Digital Decisions'). The acquisition was for an initial cash consideration of €700,000 (£597,000) with further consideration payable in a mix of cash and Ebiquity plc shares. The first deferred payment will be based on performance for the year ending 31 December 2020 and the second payment will be based on the average performance in the years ending 31 December 2021 and 31 December 2022.

The fair value of the purchase consideration for the acquisition of Digital Decisions is as follows:

	£'000
Cash	597

As discussed in note 9, the deferred payments constitute post-date remuneration and therefore will be accrued in accordance to the period they relate. As at 30 June 2020 the net present value of these future payments is £5,100,000, of which £146,000 has been accrued at the period end in relation to amounts owed for the performance for the year ending 31 December 2020.

The carrying value and the provisional fair value of the net assets recognised at the date of acquisition are as follows:

	Carrying value £'000	Fair value adjustment £'000 [1]	Fair value £'000
Brands	—	70	70
Property, plant and equipment	16	—	16
Trade and other receivables	127	—	127
Cash and cash equivalents	10	—	10
Trade and other payables	(117)	—	(117)
Deferred tax liabilities	—	(13)	(13)
Net assets acquired	36	57	93
Goodwill arising on acquisition [2]			504
Purchase consideration recognised on acquisition			597

[1] The fair value adjustments relate to the finalisation of the allocation of the purchase consideration accounting for intangible assets (brands) and deferred tax liabilities.

[2] The goodwill recognised of £504,000 is attributable to the assembled workforce, expected synergies and other intangible assets, which do not qualify for separate recognition. None of the goodwill arising from the acquisition is expected to be tax deductible.

Digital Decisions contributed £225,000 to revenue and a loss of £42,000 to loss before tax for the period between the date of acquisition and the period ended 30 June 2020. Acquisition-related costs of £37,000 were incurred during the period ended 30 June 2020 and have been recognised within highlighted items. Refer to note 3 for further details.

13. Acquisitions (continued)

Ebiquity Italy Media Advisor S.r.l.

On 3 February 2020, the Group acquired the remaining 49% in its subsidiary undertaking, Ebiquity Italy Media Advisor S.r.l (Ebiquity Italy), from its founders and minority shareholders Arcangelo DiNieri and Maria Gabrielli. The transaction was completed on 28 May 2020. The total consideration of €3,648,000 (£3,086,000) is based on an average of Ebiquity Italy's profit before tax and management charges for the years ending 31 December 2018 and 2019.

The consideration is being paid in a combination of cash and Ebiquity plc shares. To date €182,000 (£154,000) has been settled in cash and €912,000 (£818,000) has been settled in shares.

As at 30 June 2020 €2,523,000 (£2,286,000) remained outstanding. All contingent consideration payments are expected to be paid by March 2021.

INDEPENDENT REVIEW REPORT TO EBIQUITY PLC
Report on the consolidated interim financial statements

Our conclusion

We have reviewed Ebiquity plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim report of Ebiquity plc for the 6 month period ended 30 June 2020. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

Emphasis of matter – Going Concern

In forming our conclusion on the interim financial statements, which is not modified, we have considered the adequacy of the disclosure made in the Basis of Preparation in Note 1 to the interim financial statements concerning the Group's ability to continue as a going concern. For the period from July 2020 to November 2021 a monthly liquidity test will be applied instead of existing covenants. Under the Directors' base case scenario, there are no forecast breaches of this liquidity test. However, should revenue fall by 18% or more the liquidity test could be breached or a waiver may need to be obtained. This, along with the other matters explained in the Basis of Preparation in Note 1 to the interim financial statements, indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The financial statements do not include any adjustments that may result if the Group were not able to continue as a going concern.

What we have reviewed

The interim financial statements comprise:

- the consolidated statement of financial position as at 30 June 2020;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

Our responsibility is to express a conclusion on the interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
London

24 September 2020