Data-driven insights

Ebiquity plc

Interim Results for the six months ended 31 October 2013

Ebiquity plc, a leading international provider of independent, data-driven media and marketing insights, announces interim results for the six months ended 31 October 2013. Ebiquity provides services to over 1,200 clients across 40 countries, including over 90%[1] of the major global advertisers.

A strong performance highlighting continued improvement in organic growth, profit margins and cash generation

- Total revenue up 7% to £32.7m (2012: £30.5m)
- Overall organic revenue growth of 4%
- Total underlying[2] operating profit up 26% to £4.1m (2012: £3.2m)
- Underlying[2] profit before tax of £3.6m (2012: £2.7m) and reported profit before tax of £1.7m (2012: £1.2m)
- Underlying[2] diluted EPS increased 18% to 3.1p (2012: 2.6p)
- Strong cash generation with net cash inflow from operations up from £0.4m to £1.9m

New organisational structure marks beginning of exciting stage of growth

- Clear strategy to become the leading provider of independent data-driven insights
- Organisational restructure following long period of strategic acquisitions
- Restructured business into three clear business segments:
  - Media Value Measurement
  - Market Intelligence
  - Marketing Performance Optimization
- Completed the acquisition of China Media Consulting Group Limited – a leading independent media auditing and benchmarking company in China – further strengthening our capabilities in this important region
- Business in strong position to benefit from changing media landscape

Michael Greenlees, CEO, commented:

"These are outstanding results and against a background of an improving economic climate we remain confident in our future potential in the rapidly changing market in which we operate."

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[1]of the top 100 advertisers by global advertising spend (source: Advertising Age 2012)
[2]Underlying results are stated before highlighted items (see note 3)

Chief Executive Officer's Review

Overview

I am pleased to announce that for the half year to 31 October 2013, we have once again bettered management expectations on all significant financial metrics.

I am particularly pleased to be able to announce a continuing improvement in organic growth, profit margins and cash generation, the latter metrics benefitting from significant improvements in efficiencies throughout the business, and a clear demonstration of the Group's ability to translate the benefits of scale into shareholder value.

- Total revenue up 7% to £32.7m
- Total underlying operating profit up 26% to £4.1m
- Underlying operating profit margins increased from 10.6% to 12.5%
- Underlying diluted EPS increased by 18% to 3.1p
- Strong cash generation with net cash inflow from operations up from £0.4m to £1.9m

During the period we restructured our business into three segments. More details on each segment can be found later in this review. We enjoyed particularly strong growth in both Media Value Measurement (MVM) and Marketing Performance Optimization (MPO) with organic growth rates of 8% and 77% respectively. Overall our organic growth for the first half - whilst strong at 4% - was held back as a result of revenue erosion in the Market Intelligence segment where, although profitability has increased, the market remains competitive.

Review of strategic options

The review of strategic options (the "Strategic Review"), which was announced on 15 August 2013, has been one of the longest and most thorough in the Group's history.

The end of this review, which we have announced today, has involved a thorough interrogation of both the business and its growth strategies. It represents the start of an exciting new stage in the Group's development which we are confident will lead to significant growth opportunities for Ebiquity.

Structuring for growth

Over the last six years we have transformed Ebiquity into a global data-driven marketing insights company. For all of us that has meant immense change. A transformation from a predominantly UK focused company with £15m of annual revenue, to a truly global one with revenues approaching £70m, a single brand identity and an established reputation for bringing clarity and transparency to an increasingly complex media and marketing environment.

We have built a company with an enviable track record for delivering valued services to over a thousand respected brand advertisers across the world.

Our mission remains "to help our clients to improve their business and brand performance, and to do this by providing them with a wide range of data-driven insights into their own performance, and their competitors' performance, enabling them to make better informed decisions."

Our ultimate goal is to become the leading provider of independent data-driven insights to the largest global brands.

In order to achieve this we have to continue to respond and adapt to the rapidly developing and evolving market place in which we operate. One in which the real time trading of media, the growing use of on-line media in all its forms including the dramatic impact of social media, have all contributed to increasing complexity, a real lack of media transparency and a market in which, in spite of the increasing volume of data, marketing and media investment choices are hard to make.

The challenge cannot be underestimated - nor can the potential rewards. As part of our Strategic Review we sought to ensure that our business is 'future proof' by answering two key questions:

- Do we have the right mix of products, technology and services that will enable us to continue to meet the needs of our clients in a market facing rapid change?

- Do we have the right business and management structure that will enable us to scale the business and unlock value for shareholders?

While some of the outcomes from this review will emerge in the coming months, some have already been implemented and signal new growth opportunities for the Group.

What is already clear is that the science of marketing and the rules that inform it are developing rapidly and that both the use of technology and the access to data are crucial in navigating this increasingly complex market. It is in this context that the future role of Ebiquity will be defined.

Our new website (ebiquity.com) now positions our services into three key areas. Two of these will be familiar to shareholders as they currently represent the majority of our business.

MVM - Media Value Measurement (50% of total revenue)

MVM products and services help advertisers to hold agencies to account and improve the performance of their future spend in paid-for media.

In the last year our MVM segment has experienced significant growth and we expect this to continue, as we see the growing demand for our services in helping advertisers hold their agencies to account for year-on-year cost savings guarantees ('Value Track'), as well as financial compliance auditing ('Firm Decisions').

We also expect to see increasing growth internationally, particularly as our clients look to penetrate markets across Asia. I am therefore delighted to announce that we have completed the acquisition of China Media Consulting Group, our long-time partner in China. Alex Abplanalp and his team in CMCG will be an important addition to our global team.

In order to support this part of the business, we will be establishing an operating Board for Asia Pacific to exploit opportunities in the wider region.

MI - Market Intelligence (43% of total revenue)

MI products and services help advertisers to understand what is being said about them and their competitors and how best to adjust their marketing communications in this crowded media and marketing landscape.

In the coming months, as well as updating our technology platforms, we will be adding 'owned' Social Media to our MI suite of monitoring capabilities, a move which, alongside brand sentiment monitoring ('Sonar') will, we believe, confirm Ebiquity's position as the most comprehensive media monitoring service currently available - an important step in this competitive market.

Most of our clients either subscribe to one or other of our services in these two business segments. They represent highly predictable sources of revenue, which will continue to scale via the increasing use of technology across a growing global landscape.

In addition to the segments described above and, as a result of our Strategic Review, we have established a third business segment.

MPO - Marketing Performance Optimization (7% of total revenue)

The rapid growth of media technologies and the application of data analytics to help make more informed media and marketing decisions are changing the marketing landscape. Ebiquity's existing business in this area has meant that this is our most rapidly growing segment and we intend to build on our early successes.

As part of our Strategic Review we have combined our various performance analytics businesses into one segment, which includes our Effectiveness teams and our newly acquired US based analytics business, Stratigent. We judge this to be just the beginning of a significant growth opportunity.

Most recently both Stratigent and our Effectiveness teams have enjoyed significant success working with major corporations in the UK and US, helping them to use the appropriate technology and customer data to increase customer acquisition and sales. The teams are now working together to help shape the future of this segment by combining the business modelling and technology capabilities into a cutting edge Marketing Performance Optimization offering.

Over the coming months we plan to appoint segment directors for each of our three service areas to ensure our products and services remain at the cutting edge of their markets and that we effectively share best practice across our global offices.

Outlook

As part of our Strategic Review we have spoken to some of our largest shareholders who have expressed both enthusiasm for, and commitment to, our growth story. It is against this background that we have decided that our future can best be served in a public environment.

I have no doubt that the Strategic Review will prove to have been an important moment in the history of the Group. We emerge both clear-sighted and confident in our future potential as a business, determined to grasp the opportunities that lie ahead and with a clear road map of how to achieve our goals.

As the world's economic prospects improve and brands once again focus on how to achieve competitive advantage, we are well positioned to continue our exciting growth story. We remain confident that we will meet management expectations for the full year.

Michael Greenlees
Chief Executive Officer
14 January 2014

Financial review

Summary of results

In the six months to 31 October 2013 revenue has grown by 7% to £32.7m, with organic revenue growth at a rate of 4% for the period.

The Group has been able to demonstrate the strong cash generating ability of the business, with cash generated from operations for the period increasing more than fourfold, from £0.4m to £1.9m.

Operating profit and EBITDA margins have improved notably - to 12.5% and 14.7% respectively (from 10.6% and 12.7% in the prior period). This has been aided by strong margins from our most recent acquisitions, but also positively reflects a focus on driving operational efficiencies from the organic business.

The improvement in operating profit also results in a strong growth in the underlying diluted EPS, which has increased by 18% to 3.1p.

- **Segmental reporting presentation**

During the period, we have revised the way in which we report our results. We now report across three segments:

- MVM – Media Value Measurement (which includes our media benchmarking, financial compliance and associated services)
- MI – Market Intelligence (which includes our advertising monitoring, reputation management and research/insight services)
- MPO – Marketing Performance Optimization (consisting of our marketing effectiveness services and the recently acquired Stratigent business)

All results are stated before taking into account highlighted items unless otherwise stated. These highlighted items include share based payment expenses, amortisation of purchased intangible assets, acquisition costs, restructuring and other non-recurring items.

Acquisitions in the period

On 19 August 2013, we acquired 100% of Stratigent LLC ("Stratigent") for total expected consideration of £5.1m (sterling equivalent) consisting of upfront consideration of £2.7m and estimated earn out payments of £2.4m. Total consideration is capped at approximately £5.6m ($8.8m). Stratigent operates from offices near Chicago and employs 20 people.

The results of Stratigent have been consolidated into our MPO division from the date of acquisition.

- *Revenue*

	Six months ended 31 October 2013 £'000	Six months ended 31 October 2012 £'000
MVM - Media Value Measurement	**16,501**	14,810
MI - Market Intelligence	**13,889**	14,740
MPO - Marketing Performance Optimization	**2,290**	952
Total	**32,680**	30,502

MVM – Media Value Measurement

The prior year acquisition of Firm Decisions ("FD") has helped the MVM segment to increase by 11% to £16.5m. On an organic basis, the segment has seen growth of 8% with strong performances in particular from our European offices.

MI – Market Intelligence

Retention of media monitoring clients continues to be strong - despite being lower than for the same period last year - with the renewal rate (by value) of 90% (2012: 96%). However, new contract closures have continued to be slower than anticipated.

The prior period result includes the results of a now-disposed business. Taking account of the impact of this disposal, revenue across the MI segment has declined by 5%.

MPO – Marketing Performance Optimization

The current period acquisition of Stratigent has helped the MPO segment in its 141% increase to £2.3m. The organic business has also been very strong, growing by 77%.

Analysis of organic revenue growth

	Organic £'000	Acquisitions £'000	Total £'000
Six months ended 31 October 2012	29,935	567	**30,502**
Prior period disposals	(121)	-	**(121)**
Six months ended 31 October 2012 pro forma	**29,814**	**567**	**30,381**
Organic revenue increase	1,098	-	**1,098**
Full year impact of prior period acquisition (FD)	-	593	**593**
Revenue from current period acquisition (Statigent)	-	608	**608**
Six months ended 31 October 2013	**30,912**	**1,768**	**32,680**

Organic revenues have increased by 4% (£1.1m) marking a significant improvement over the prior year.

FD was only owned for three months of the prior period and is therefore not considered to be organic in this financial period.

Revenue from current period acquisitions represents Stratigent's revenue from the acquisition date until the period end.

- *Underlying operating profit*

	Six months ended 31 October 2013 £'000	Six months ended 31 October 2012 £'000
MVM - Media Value Measurement	**3,745**	2,794
MI - Market Intelligence	**2,477**	2,435

MPO - Marketing Performance Optimization	**999**	370
Central costs	**(3,126)**	(2,356)
Total	**4,095**	3,243

Underlying operating profit was £4.1m (2012: £3.2m), representing a 26% increase over the prior year.

MVM – Media Value Measurement

A 34% improvement in operating profit has resulted from an 11% increase in revenue on a well-controlled organic cost base and a strong margin from the FD acquisition.

MI – Market Intelligence

The MI operating profit has increased by 2%, despite the revenue decline, due to a successful efficiency improvement program.

MPO – Marketing Performance Optimization

A strong organic revenue growth with a significant improvement in margin from a well-controlled cost base, together with a strong margin from the Stratigent acquisition, has resulted in an MPO operating profit increase of 170%.

Central costs

Central costs include central salaries (Board, Finance, IT and HR), legal and advisory costs and property costs. Central costs have increased by £0.8m largely due to an increased investment in centrally managed IT developers (representing approximately £0.3m of the increase) to significantly improve our Market Intelligence offerings, increases in the allocation of UK property costs to Central, increased bonus accruals to reflect the improvement in performance and increased investment in Central support functions to support the larger group.

Margins

The underlying operating profit margin has improved from 10.6% to 12.5% largely due to the operational gearing of the growing parts of the organic group.

The underlying EBITDA margin has also improved, increasing from 12.7% to 14.7%.

Highlighted items before tax

Highlighted items comprise significant non-cash charges and non-recurring items which are highlighted in the income statement because separate disclosure is considered relevant in understanding the underlying performance of the business.

	Six months ended 31 October 2013 £'000	**Six months ended 31 October 2012 £'000**
Recurring (non-cash) administration expenses	**1,024**	1,177
Non-recurring (cash) administration expenses	**838**	368
Total	**1,862**	1,545

Highlighted items have increased by £0.3m to £1.9m, £1.0m of which relates to non-cash expense items.

Recurring highlighted items relate primarily to amortisation of purchased intangibles, down £0.2m to £1.0m. All recurring highlighted items are non-cash.

Non-recurring highlighted items have increased by £0.5m to £0.8m. The majority of the increase relates to acquisition and integration costs, and in addition there have been costs associated with the upcoming consolidation of London properties.

- Result before tax

	Six months ended 31 October 2013 £'000	Six months ended 31 October 2012 £'000
Underlying operating profit	**4,095**	**3,243**
Highlighted items	(1,862)	(1,545)
Reported operating result	**2,233**	**1,698**
Net finance expenses	(549)	(530)
Share of profit of associates	17	2
Reported profit before tax	**1,701**	**1,170**
Underlying profit before tax	**3,563**	**2,715**

- **Reported profit before tax is up 45% to £1.7m (2012: £1.2m). Underlying profit before tax was up 31% to £3.6m (2012: £2.7m).**

Taxation

Tax for the period is a charge of £0.5m representing a current tax charge of £0.8m at an effective tax rate of 26%, an underlying deferred tax credit of £0.2m, and a highlighted deferred tax credit of £0.1m relating to the recognition of a deferred tax asset on the expectation of the use of brought forward tax losses in Germany.

Equity

During the period, 116,661 shares were issued upon the exercise of employee share options, resulting in an increase in our share capital to 60,475,510 ordinary shares (30 April 2013: 60,358,849).

At the time of the acquisition of Xtreme in April 2010, convertible loan notes were issued that are convertible into 13,802,861 ordinary shares. These convertible loan notes have been included within equity as they demonstrate the characteristics of ordinary share capital. They are also included within the number of shares for the purposes of both the basic and diluted earnings per share calculations. None of the convertible loan notes have been converted into ordinary shares at this time.

Since the period end, a further 38,470 shares have been issued upon exercise of employee share options.

Earnings per share

Underlying diluted earnings per share was 3.06p (2012: 2.60p). This is an increase of 18% over the prior period, reflecting the positive impact of the improved profitability of the segments and the recent acquisitions, offset by an increase in central costs.

The Group reports a diluted earnings per share of 1.29p (2012: 0.99p) due to improved underlying profitability, offset by an increase in highlighted items.

Cash conversion

	Six months ended 31 October 2013	Six months ended 31 October 2012

	£'000	£'000
Reported cash from operations	1,871	412
Underlying cash from operations	2,520	1,218
Underlying operating profit	4,095	3,243
Cash conversion	*62%*	*38%*

Underlying cash from operations represents the cash flows from operations excluding the impact of highlighted items. The underlying net cash inflow from operations has improved significantly to £2.5m (2012: £1.2m).

After highlighted items are considered, net cash inflow from operations for the period was £1.9m (2012: £0.4m).

Due to stronger working capital management in the period, cash conversion has improved significantly. Cash inflows are seasonally lower in the first half of the financial year, and so the conversion percentage is typically lower than for the full year.

- Net debt and banking facilities

	As at 31 October 2013 £'000	As at 31 October 2012 £'000	As at 30 April 2013 £'000
Cash	**6,635**	4,335	7,109
Bank debt[1]	**(27,287)**	(18,970)	(22,636)
Net debt	**(20,652)**	(14,635)	(15,527)

[1] Bank debt on the Balance Sheet at 31 October 2013 is shown net of £0.2m (2012: £0.3m) of loan arrangement fees that have been paid and which are amortised over the life of the facility. The bank debt stated above excludes these costs.

During the period, the term loan facility was increased by £6.0m. Of this, £3.2m was drawn in relation to the acquisition of Stratigent.

Our total drawn facilities now comprise £14.2m of term loan and £13.1m of revolving credit facility. Both the term loan and the revolving credit facility have a maturity date of 9 March 2016. £6.1m of the term loan is being repaid on a quarterly basis to maturity, and the balance of the term loan and any drawings under the revolving credit facility are repayable on maturity of the facility.

At 31 October 2013, £3.7m of the total facility remains undrawn (£0.9m original revolving credit facility plus £2.8m of the new term loan), which may be used to pay deferred consideration on completed acquisitions, upfront consideration on future potential acquisitions, or for general working capital requirements.

During the period, the Group continued to trade within all of its banking facilities and associated covenants.

- Balance sheet and net assets

Total net assets have increased by £6.0m since 31 October 2012 and £0.9m since 30 April 2013 primarily as a result of the improved performance of the Group including the impact of the recent acquisitions. Goodwill has increased by £3.6m from 30 April 2013, largely reflecting the Stratigent acquisition.

Deferred contingent consideration has reduced by a net £0.8m since 30 April 2013, due to the conclusion of a number of earn out positions, partially offset by the acquisition of Stratigent. During the period, earn out payments totalling £3.3m were made. Remaining deferred consideration is currently estimated to be £4.9m, £4.2m of which is forecast to be settled in the next 12 months.

Andrew Beach
Chief Financial Officer
14 January 2014

Consolidated Income Statement
for the six months ended 31 October 2013

	Note	Unaudited 6 months ended 31 October 2013	Unaudited 6 months ended 31 October 2012	Audited 12 months ended 30 April 2013
	Note	£'000s	£'000s	£'000s
Revenue		32,680	30,502	64,046
Cost of sales		(14,232)	(14,453)	(29,359)
Gross Profit		**18,448**	**16,049**	**34,687**
Administrative expenses – excluding highlighted items		(14,353)	(12,806)	(24,246)
Administrative expenses – highlighted items	3	(1,862)	(1,545)	(2,936)
Total administrative expenses		**(16,215)**	**(14,351)**	**(27,182)**
Operating profit before highlighted items		4,095	3,243	10,441
Administrative expenses – highlighted items	3	(1,862)	(1,545)	(2,936)
Operating profit		**2,233**	**1,698**	**7,505**
Finance income		5	7	13
Finance expenses		(554)	(537)	(988)
Net finance expense		**(549)**	**(530)**	**(975)**
Share of profits of associates		**17**	**2**	**26**
Profit before tax and highlighted items		3,563	2,715	9,492
Highlighted items	3	(1,862)	(1,545)	(2,936)
Profit before tax		**1,701**	**1,170**	**6,556**
Tax before highlighted tax		(649)	(285)	(1,393)
Highlighted tax		138	-	-
Tax expense		**(511)**	**(285)**	**(1,393)**
Profit for the period		**1,190**	**885**	**5,163**
Attributable to:				
Equity holders of the parent		985	743	5,044
Non-controlling interests		205	142	119
		1,190	**885**	**5,163**
Earnings per share				
Basic	5	1.33p	1.03p	6.95p
Diluted	5	1.29p	0.99p	6.71p
Underlying basic	5	3.15p	2.70p	9.32p
Underlying diluted	5	3.06p	2.60p	9.00p

Consolidated Statement of Comprehensive Income
for the six months ended 31 October 2013

	Unaudited 6 months ended 31 October 2013	Unaudited 6 months ended 31 October 2012	Audited 12 months ended 30 April 2013
	£'000	**£'000**	**£'000**
Profit for the period	1,190	885	5,163
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of overseas subsidiaries	(859)	(9)	302
Movement in valuation of hedging instruments	61	(128)	(105)
Total comprehensive income for the period	**392**	**748**	**5,360**
Attributable to:			
Equity holders of the parent	146	606	5,241
Non-controlling interests	246	142	119
	392	**748**	**5,360**

Consolidated Statement of Financial Position
as at 31 October 2013

	Note	Unaudited as at 31 October 2013 £'000s	Unaudited as at 31 October 2012 £'000s	Audited as at 30 April 2013 £'000s
Non-current assets				
Goodwill	6	51,493	47,589	47,864
Other intangible assets	7	12,670	13,080	12,642
Property, plant & equipment		3,055	2,960	3,061
Investment in associates		85	5	68
Deferred tax assets		1,729	1,263	1,217
Total non-current assets		**69,032**	**64,897**	**64,852**
Current assets				
Trade & other receivables		20,495	20,744	22,395
Cash & cash equivalents		6,635	4,335	7,109
Total current assets		**27,130**	**25,079**	**29,504**
Total assets		**96,162**	**89,976**	**94,356**
Current liabilities				
Trade & other payables		(5,525)	(7,154)	(7,231)
Accruals & deferred income		(8,723)	(9,175)	(10,871)
Financial liabilities	8	(7,000)	(12,165)	(5,948)
Current tax liabilities		(2,753)	(1,819)	(2,003)
Provisions		(482)	(330)	(498)
Total current liabilities		**(24,483)**	**(30,643)**	**(26,551)**
Non-current liabilities				
Financial liabilities	8	(25,283)	(18,558)	(22,554)
Provisions		(256)	(736)	(227)
Deferred tax liability		(3,129)	(3,062)	(2,908)
Total non-current liabilities		**(28,668)**	**(22,356)**	**(25,689)**
Total liabilities		**(53,151)**	**(52,999)**	**(52,240)**
Total net assets		**43,011**	**36,977**	**42,116**
Equity				
Ordinary shares		15,119	14,922	15,090
Share premium		4,607	4,297	4,588
Convertible loan note reserve		9,445	9,445	9,445
Other reserves		1,306	1,785	2,136
Retained earnings		11,993	6,150	10,496
Equity attributable to the owners of the parent		**42,470**	**36,599**	**41,755**
Non-controlling interests		541	378	361
Total equity		**43,011**	**36,977**	**42,116**

Consolidated Statement of Changes in Equity
for the six months ended 31 October 2013

	Share capital £'000	Share premium £'000	Convertible loan note reserve £'000	Other reserves £'000	Retained earnings £'000	Non-controlling interests £'000	Total equity £'000
1 May 2012	14,729	4,233	9,445	1,816	5,132	407	35,762
Profit for the period	-	-	-	-	743	142	885
Other comprehensive expense	-	-	-	(31)	-	(106)	(137)
Total comprehensive (expense)/income for the period	-	-	-	(31)	743	36	748
Shares issued for cash	193	64	-	-	-	-	257
Share options charge	-	-	-	-	115	-	115
Deferred tax on share options	-	-	-	-	160	-	160
Dividends paid to non-controlling interests	-	-	-	-	-	(65)	(65)
31 October 2012	14,922	4,297	9,445	1,785	6,150	378	36,977
Profit/(loss) for the period	-	-	-	-	4,301	(23)	4,278
Other comprehensive income	-	-	-	351	-	(17)	334
Total comprehensive income/(expense) for the period	-	-	-	351	4,301	(40)	4,612
Shares issued for cash	81	43	-	-	-	-	124
Acquisition of subsidiaries	87	248	-	-	-	23	358
Share options charge	-	-	-	-	152	-	152
Deferred tax on share options	-	-	-	-	(107)	-	(107)
30 April 2013	15,090	4,588	9,445	2,136	10,496	361	42,116
Profit for the period	-	-	-	-	985	205	1,190
Other comprehensive (expense)/income	-	-	-	(839)	-	41	(798)
Total comprehensive (expense)/income for the period	**-**	**-**	**-**	**(839)**	**985**	**246**	**392**
Shares issued for cash	29	19	-	9	7	-	64
Acquisition of non-controlling interest	-	-	-	-	(72)	(6)	(78)
Share options charge	-	-	-	-	124	-	124
Deferred tax on share options	-	-	-	-	453	-	453
Dividends paid to non-controlling interests	-	-	-	-	-	(60)	(60)
31 October 2013	**15,119**	**4,607**	**9,445**	**1,306**	**11,993**	**541**	**43,011**

Consolidated Cash Flow Statement
for the six months ended 31 October 2013

	Note	Unaudited 6 months ended 31 October 2013 £'000s	Unaudited 6 months ended 31 October 2012 £'000s	Audited 12 months ended 30 April 2013 £'000s
Cashflows from operating activities				
Cash generated from operations	9	1,871	412	7,526
Finance expense paid		(441)	(295)	(714)
Income taxes paid		(114)	(322)	(1,582)
Net cash from operating activities		**1,316**	**(205)**	**5,230**
Cashflows from investing activities				
Acquisition of subsidiaries, net of cash acquired		(5,862)	(1,941)	(7,264)
Disposal of investments		-	-	62
Purchase of property, plant & equipment		(603)	(382)	(892)
Purchase of intangible assets		-	-	(414)
Finance income received		5	7	13
Net cash used in investing activities		**(6,460)**	**(2,316)**	**(8,495)**
Cashflows from financing activities				
Proceeds from issue of share capital (net of issue costs)		64	257	381
Proceeds from bank borrowings		7,037	1,750	6,456
Repayment of bank borrowings		(2,378)	(1,125)	(2,309)
Acquisition of interest in a subsidiary from non-controlling interests		(78)	-	-
Dividends paid to non-controlling interests		(60)	(65)	(65)
Capital repayment of finance leases		(89)	(146)	(157)
Net cash inflow from financing activities		**4,496**	**671**	**4,306**
Net (decrease)/increase in cash, cash equivalents and bank overdrafts		**(648)**	**(1,850)**	**1,041**
Cash, cash equivalents and bank overdrafts at beginning of period		**7,109**	**6,190**	**6,190**
Effect of unrealised foreign exchange gain/(losses)		174	(5)	(122)
Cash, cash equivalents and bank overdrafts at end of period		**6,635**	**4,335**	**7,109**

Notes to the interim financial statements for the six months ended 31 October 2013

1. Accounting policies

Basis of preparation

The financial information presented in this documentation has been prepared using recognition and measurement principles which are consistent with International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are endorsed for use in the European Union. Further standards or interpretations may also be issued that could be applicable for the year ending 30 April 2014. These potential changes could result in the need to change the basis of accounting or presentation of certain financial information from that presented in this document.

The comparatives for the period ended 30 April 2013 are not the Company's full statutory accounts for that year but are drawn up from those accounts. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

As permitted by AIM rules, the group has not applied IAS 34 'Interim Reporting' in preparing this interim report.

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning 1 May 2013 that would be expected to have a material impact on the Group.

2. Segmental reporting

The Group now reports its results in three business divisions (Media Value Measurement, Market Intelligence and Marketing Performance Optimization) with UK central costs allocated to relevant UK entities, as this more accurately reflects the way the Group is now being managed. There is no change to any of the Group's accounting policies and there is no restatement of either revenues or profitability, other than this revised segmentation by the three operating segment headings.

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Directors, which are considered to be the Group's chief operating decision maker.

The segment information provided to the Executive Directors for the reportable segments for the period ended 31 October 2013 is as follows:

Unaudited six months ended 31 October 2013

	Media Value Measurement £'000	Market Intelligence £'000	Marketing Performance Optimization £'000	Reportable Segments £'000	Unallocated £'000	Total £'000
Revenue	**16,501**	**13,889**	**2,290**	**32,680**	**-**	**32,680**
Operating profit before highlighted items	**3,745**	**2,477**	**999**	**7,221**	**(3,126)**	**4,095**

Unaudited six months ended 31 October 2012

	Media Value Measurement £'000	Market Intelligence £'000	Marketing Performance Optimization £'000	Reportable Segments £'000	Unallocated £'000	Total £'000
Revenue	**14,810**	**14,740**	**952**	**30,502**	**-**	**30,502**
Operating profit before highlighted items	**2,794**	**2,435**	**370**	**5,599**	**(2,356)**	**3,243**

Year ended 30 April 2013

	Media Value Measurement £'000	Market Intelligence £'000	Marketing Performance Optimization £'000	Reportable Segments £'000	Unallocated £'000	Total £'000
Revenue	**32,364**	**29,639**	**2,043**	**64,046**	**-**	**64,046**
Operating profit before	**8,003**	**5,936**	**774**	**14,713**	**(4,272)**	**10,441**

highlighted items

2. Segmental reporting (continued)

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

	Unaudited 6 months ended 31 October 2013 £'000	Unaudited 6 months ended 31 October 2012 £'000	Audited 12 months ended 30 April 2013 £'000
Reportable segment operating profit before highlighted items	**7,221**	5,599	14,713
Unallocated costs:			
Staff costs	**(2,446)**	(1,937)	(3,815)
Property costs	**(172)**	(54)	(97)
Exchange rate movements	**25**	53	23
Other administrative expenses	**(533)**	(418)	(383)
Operating profit before highlighted items	**4,095**	3,243	10,441
Highlighted items (note 3)	**(1,862)**	(1,545)	(2,936)
Operating profit	**2,233**	1,698	7,505
Net finance costs	**(549)**	(530)	(975)
Share of profit of associates	**17**	2	26
Profit before tax	**1,701**	1,170	6,556

Unallocated costs comprise central costs that are not considered attributable to any segment.

3. Highlighted items

Highlighted items comprise significant non-cash charges and non-recurring 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 31 October 2013 £'000s	Unaudited 6 months ended 31 October 2012 £'000s	Audited 12 months ended 30 April 2013 £'000s
Recurring:			
Share option charge	124	115	267
Amortisation of purchased intangibles	900	1,062	2,308
	1,024	**1,177**	**2,575**
Non-recurring:			
Acquisition and integration costs	559	368	361
Facility amendment costs	89	-	-
Property costs	190	-	-
	838	**368**	**361**
Total highlighted items before tax	**1,862**	**1,545**	**2,936**
Deferred tax on tax losses	**(138)**	**-**	-
Taxation credit	**(350)**	**(292)**	(1,003)
Total highlighted items after tax	**1,374**	**1,253**	**1,933**

Amortisation of purchased intangibles relates to acquisitions made in the current financial year of £21,000 and to acquisitions made in prior years of £879,000.

Acquisition costs represent professional fees incurred in relation to acquisitions (£343,000) and adjustments to the fair value of deferred consideration (£156,000). Integration costs include certain one-off costs incurred whilst integrating the acquisitions made in the current and prior financial years in to the Group’s existing operations. Also included are severance costs relating to de-duplication and restructure of senior management and support functions following these acquisitions as well as costs incurred in relation to the strategic review being undertaken by the Company.

Facility amendment costs represent professional fees incurred in relation to the amendment of banking facilities undertaken in August 2013.

Property costs represent the onerous lease costs of certain vacant offices and the costs associated with upcoming property moves.

Deferred tax on tax losses relates to the recognition of a deferred tax asset on a portion of the German tax losses.

4. Dividends

No interim dividend is being proposed (2012: nil).

5. Earnings per share

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

	Unaudited 6 months ended 31 October 2013 £’000s	**Unaudited 6 months ended 31 October 2012 £’000s**	**Audited 12 months ended 30 April 2013 £’000s**
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	**985**	743	5,044
Adjustments:			
Impact of highlighted items (net of tax)[1]	**1,350**	1,204	1,716
Earnings for the purpose of underlying earnings per share	**2,335**	1,947	6,760
Number of shares:			
Weighted average number of ordinary shares for the purpose of basic earnings per share[2]	**74,196,910**	72,219,626	72,557,927
Effect of dilutive potential ordinary shares:			
Share options	**2,226,284**	2,589,462	2,561,185
Weighted average number of ordinary shares for the purpose of diluted earnings per share[2]	**76,423,194**	74,809,088	75,119,112

Basic earnings per share	**1.33p**	1.03p	6.95p
Diluted earnings per share	**1.29p**	0.99p	6.71p
Underlying basic earnings per share	**3.15p**	2.70p	9.32p
Underlying diluted earnings per share	**3.06p**	2.60p	9.00p

[1] Highlighted items (see note 3), stated net of their total tax and non-controlling interest impact.
[2] The weighted average number of shares includes convertible loan notes that are convertible into 13,802,861 ordinary shares.

It is assumed that all contingent deferred consideration will be settled in cash therefore there is no dilutive effect.

6. Goodwill

	£'000
Cost and net book value	
At 1 May 2012	44,311
Acquisitions	3,232
Adjustments to prior year acquisitions	71
Foreign exchange differences	(25)
At 31 October 2012	47,589
Acquisitions	111
Foreign exchange differences	164
At 30 April 2013	47,864
Acquisitions (note 10)	4,104
Foreign exchange differences	(475)
At 31 October 2013	**51,493**

7. Other intangible assets

	Capitalised development costs £'000s	**Purchased intangible assets £'000s**	**Total intangible assets £'000s**
Cost			
At 1 May 2013	1,345	19,423	20,768
Acquisitions (note 10)	-	1,192	1,192
Foreign exchange	-	(190)	(190)
At 31 October 2013	1,345	20,425	21,770
○ **mortisation**			
At 1 May 2013	(673)	(7,453)	(8,126)
Charge for the period	(105)	(900)	(1,005)
Foreign exchange	-	31	31
At 31 October 2013	(778)	(8,322)	(9,100)
Net book value			
At 31 October 2013	**567**	**12,103**	**12,670**
At 31 October 2012	321	12,759	13,080
At 30 April 2013	672	11,970	12,642

The capitalised development costs are internally generated.

8. Financial liabilities

	31 October 2013 £'000	31 October 2012 £'000	30 April 2013 £'000
Current			
Bank borrowings	**2,639**	2,243	2,179
Finance lease liabilities	**193**	118	145
Contingent deferred consideration	**4,168**	9,804	3,624
	7,000	12,165	5,948
Non-current			
Bank borrowings	**24,467**	16,471	20,238
Finance lease liabilities	**-**	64	138
Interest rate swaps	**84**	168	145
Contingent deferred consideration	**732**	1,855	2,033
	25,283	18,558	22,554
Total financial liabilities	**32,283**	30,723	28,502

All bank borrowings are held jointly with Bank of Ireland and Barclays Bank. The facility comprises an amortising term loan of £15,000,000 (of which £11,015,000 remains outstanding at 31 October 2013 (2012: £13,254,000)), and a revolving credit facility of £15,000,000 (of which £13,122,000 was drawn down at 31 October 2013 (2012: £5,716,000)), both with a maturity date of 9 March 2016. £5,056,000 of the term loan is being repaid on a quarterly basis until 31 January 2016, with the remainder repayable on the maturity of the facility. Loan arrangement fees of £181,000 (2012: £256,000) are offset against the term loan, and are being amortised over the period of the loan.

In August 2013, the facilities were amended to include a further £6,000,000 term loan facility (of which £3,150,000 was drawn down at 31 October 2013) with a maturity date of 9 March 2016. £1,049,000 of the additional drawn term loan is being repaid on a quarterly basis until 31 January 2016, with the remainder repayable on the maturity of the facility.

The facility bears variable interest of LIBOR plus a margin of 2.75%. The margin rate may be lowered from April 2014 to 2.50% depending on the Group's net debt to EBITDA ratio. The rate may be further lowered to 2.25% from April 2015.

The undrawn amount of the revolving credit facility is liable to a fee of 45% of the prevailing margin. The Group may elect to prepay all or part of the outstanding loan subject to a break fee, by giving 5 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.

The Group holds floating to fixed interest rate swaps against 100% of its original sterling and US dollar denominated term loans for the period from May 2012 to April 2015. These instruments are held at fair value at 31 October 2013.

Contingent deferred consideration represents additional amounts that are expected to be payable for acquisitions made by the Group and is held at fair value at the Balance Sheet date. All amounts are expected to be fully paid by July 2016.

9. Cash generated from operations

	Unaudited 6 months ended 31 October 2013	Unaudited 6 months ended 31 October 2012	Audited 12 months ended 30 April 2013
	£'000	£'000	£'000
Profit before taxation	**1,701**	1,170	6,556
Adjustments for:			
Depreciation	**603**	561	1,151
Amortisation (note 7)	**1,005**	1,138	2,450
Loss on disposal	**-**	-	42
Unrealised foreign exchange gain	**(4)**	(2)	(36)
Share option charges (note 3)	**124**	115	267
Finance income	**(5)**	(7)	(13)
Finance expenses	**554**	537	988
Share of profit of associates	**(17)**	(2)	(26)
Contingent deferred consideration revaluations	**156**	140	(575)
	4,117	3,650	10,804
Increase in trade & other receivables	**2,423**	943	(762)
Decrease in trade & other payables	**(4,621)**	(4,103)	(2,100)
Movement in provisions	**(48)**	(78)	(416)
Cash generated from operations	**1,871**	412	7,526

10. Acquisitions

STRATIGENT LLC ("Stratigent")

On 19 August 2013, the Group acquired 100% of Stratigent LLC, a company incorporated in the United States of America. The initial cash consideration was $4,217,000 (£2,700,000). Additional consideration is payable dependent on future performance during the periods to December 2013, April 2014, April 2015 and April 2016 and will be paid in cash. The maximum total consideration payable is $8,780,000 (£5,621,000).

Stratigent contributed £609,000 to revenue and £182,000 to profit before tax for the period between the date of acquisition and the period end.

The carrying value and the fair value of the net assets at the date of acquisition were as follows:

	Carrying value £'000	Recognised on acquisition £'000
Customer relationships	-	1,192
Property, plant and equipment	24	24
Trade and other receivables	483	483
Cash and cash equivalents	146	146
Trade and other payables	(250)	(340)
Deferred tax liability	-	(488)
Net assets acquired	**403**	**1,017**
Goodwill arising on acquisition		4,104
		5,121

The fair value of trade and other receivables includes trade receivables with a fair value and gross contractual value of £450,000.

The goodwill is attributable to the assembled workforce, expected synergies and other intangible assets, which do not qualify for separate recognition.

Purchase consideration:

	£'000
Cash	2,700
Contingent deferred consideration	2,421
Total purchase consideration	**5,121**

The fair value of contingent deferred consideration payable is based on forecast EBIT for the year ended 31 December 2013 and forecast revenue growth and operating profit margins for the years ended 30 April 2014, 30 April 2015 and 30 April 2016. The potential range of future payments that Ebiquity plc could be required to make under the contingent consideration arrangement is between £nil and £2,921,000 and will be paid in cash. All contingent deferred consideration payments are expected to be paid by August 2016.

TRANSACTIONS WITH NCI'S

On 19 July 2013, the Group acquired the remaining 8.3% in its subsidiary undertaking, Ebiquity SAS, for cash consideration of €90,000 (£78,000).

EVENTS AFTER THE REPORTING PERIOD

On 14 January 2014, the Group acquired the entire issued share capital of China Media Consulting Group Limited, the Hong Kong incorporated holding company of the CMCG group ("CMCG"). CMCG was acquired for an initial cash consideration of HK$20m (approximately £1.6m), and the maximum total consideration is up to HK$85m (approximately £6.8m), with earn out payments payable in cash, depending on the performance of CMCG in the five financial years ending 30 April 2017.

CMCG's unaudited revenue for the year ended 31 December 2012 was approximately RMB 13.5m (approximately £1.4m) and it generated an operating profit before highlighted items of approximately RMB 4.0m (approximately £0.4m). CMCG had unaudited net assets of approximately RMB 6.8m (approximately £0.7m) at 31 December 2012 and employs 22 people.

INDEPENDENT REVIEW REPORT TO EBIQUITY PLC

Introduction

We have been engaged by the company to review the Ebiquity plc interim financial statements in the half-yearly financial report for the six months ended 31 October 2013, which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial 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.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with the basis of preparation set out in note 1.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the AIM Rules for Companies and for no other purpose. We do not, in producing this report, 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.

Scope of review

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 Ireland) 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 October 2013 is not prepared, in all material respects, in accordance with the basis of preparation set out in note 1 and the AIM Rules for Companies.

PricewaterhouseCoopers LLP
Chartered Accountants
14 January 2014
London