

Trading Update: six months to 31 July

12 August 2020

Recurring revenue resilience

In a Trading Update for the six months to 31 July 2020 Checkit reports that, on a normalised basis, recurring revenue rose 23.4% YoY to £1.9m, whilst non-recurring revenue, on the same basis declined by 6.8% YoY to £4.3m. Normalised data is based on ownership of Checkit UK for the whole period - Checkit UK was acquired on 14 May 2019. Facing the circumstances occasioned by the COVID-19 pandemic the Group continues to base planning on **recurring revenues which have remained resilient**, in contrast to a contraction in installation and project-based non-recurring revenue streams. Total H1 '20 revenue rose 2.3% YoY to £6.4m compared to £6.2m, normalised, in H1 '19 (£3.2m on an actual basis).

Checkit provided a detailed breakdown of Quarterly and Semi-Annual revenues (summarised on p2) the main features of which are:

- For the six months to 31 July 2020 recurring revenue was £2.3m +97% YoY on an actual basis (H1 19: £1.2m), or +23.4% on a normalised basis.
- For the six months to 31 July 2020 non-recurring revenue was £4.1m, +105% YoY on an actual basis (H1 19: £2.0m), or -6.8% on a normalised basis.
- The change in recurring revenue from Q1 to Q2 was +6.2%, and in non-recurring revenue -29.7%, resulting in an overall change of -18.2%.

H1 recurring revenue +23% YoY

In the first half to 31 July 2020 recurring revenue rose 23%YoY to account for 36% of total compared to 31% a year earlier. Checkit noted the impact of new installations and conversion to a subscription basis of Checkit UK calibration and maintenance contracts in the healthcare sector. In terms of profitability this more than compensated for shortfalls in lower-margin installation operations.

Cash at 31 July 2020: £13.4m

Checkit maintained strong cash control, recording £14.3m at 31 January, £12.8m at the end of April and £13.4m at the close of Q2 in July. This included repayment of £0.5m from the repayment of the loan within the Group Employment Benefit Trust on the sale of remaining shares in the Trust to Chairman Keith Daley (9th July 2020).

Reasons for Optimism

Beginning with self-evident **strong cash and cost control** – resulting in a cash balance at the end of July close to year-end levels – the performance indicated in this Trading Update gives rise to optimism, not least in the **resilience of recurring revenue** streams and **focus on healthcare** as a promising demand vertical. The range of Checkit's services offering, meeting increasing demand for remote and reliable monitoring, underpins the (detailed) numbers provided. Indeed, this Update introduces a note of optimism to counterbalance the uncertainties introduced by the COVID situation.

Interim Results are expected to be released on 16 September 2020.

Company Data

EPIC	AIM: CKT
Price (last close)	38.5p
52 weeks Hi/Lo	56p/24p
Market cap	£24m
Net cash (31 July)	£13.4m

Share Price, p



Source: ADVFN

Nb Elektron Technology changed its name to Checkit on 24 September 2019

Description

Checkit specialises in software-based real-time management solutions to improve client companies' operational efficiency, safety, and accountability. Solutions combine Internet of Things (IoT), mobile and cloud technologies to access and monitor mobile-based operations, business processes and buildings management. Current sectors served include Retail, Hospitality, Healthcare, Real Estate Management and Manufacturing.

Checkit has 173 FTEs, headquartered in the UK in Cambridge, with an Operations Centre in Fleet.

It aims to expand its operations management platform and market presence based on a Software-as-a Service (SaaS) model.

Mike Jeremy (Analyst)

0207 065 2690

mike.jeremy@equitydevelopment.co.uk

Hannah Crowe

0207 065 2690

hannah@equitydevelopment.co.uk

Summary revenue performance

As shown below:

- Q1 20 recurring revenue was £1.1m compared to a normalised Q1 19 figure of £1.0m. For the second quarter, Q2 20, recurring revenue was £1.2m compared to a normalised £0.9m in Q2 19.
- Q1 20 non-recurring revenue was £2.4m compared to a normalised Q1 19 figure of £2.1m. For the second quarter, Q2 20, non-recurring revenue was £1.7m compared to a normalised £2.2m in Q2 19.

Quarterly Revenues, 2019 - 2020

£m	Q1 30 Apr 2019 Actual	Q1 30 Apr 2020 Actual	Q1 30 Apr 2019 Normalised
Rev Recurring	0.3	1.1	1.0
Rev Non-recurring	-	2.4	2.1
Total revenue	0.3	3.5	3.1

	Q2 31 July 2019 Actual	Q2 31 July 2020 Actual	Q2 31 July 2019 Normalised
Rev Recurring	0.9	1.2	0.9
Rev Non-recurring	2.0	1.7	2.2
Total revenue	2.9	2.9	3.1

Source: Company

Semi-Annual Revenues, 2019 - 2020

£m	H1 31 July 2019 Actual	H1 31 July 2020 Actual	H1 31 July 2019 Normalised
Rev Recurring	1.2	2.3	1.9
Rev Non-recurring	2.0	4.1	4.3
Total revenue	3.2	6.4	6.2

Change	H1 31 July 2019 Actual	Normalised
Rev Recurring	96.8%	23.4%
Rev Non-recurring	105.4%	-6.8%
Total revenue	102.2%	2.3%

Source: Company

Financials

Summary P&L

Y/e Jan 31 (£m)	FY19 (Restated)	FY20
Bulgin (discontinued)	30.1	
Elektron Eye Technology (discontinued)	2.6	
Checkit Europe		1.3
Checkit UK	1.0	8.5
Revenue	1.0	9.8
Gross Profit	0.0	2.6
COGS	(1.0)	(7.2)
Operating expenses	(4.5)	(7.8)
Non-recurring items		
Revision to development costs amortisation	-	(0.3)
Impairment of development costs	-	(2.0)
Checkit UK restructuring	-	(0.5)
Checkit UK acquisition	-	(0.2)
Amortisation of acquired intangibles	-	(1.0)
Impairment of goodwill	-	(7.3)
Sum Non-recurring	-	(11.3)
Operating Reported	(4.5)	(16.5)
Operating Adjusted	(4.5)	(5.2)
Depreciation	(0.1)	(0.7)
Amortisation	(1.6)	(0.9)
EBITDA Reported	(3.8)	(16.4)
EBITDA Adjusted	(2.8)	(3.6)
Finance income	-	0.1
PBT Reported	(4.5)	(16.4)
PBT Adjusted	(4.5)	(5.1)
Tax	-	0.7
PAT Reported	(4.5)	(15.7)
PAT Adjusted	(4.5)	(5.1)
Discontinued operations	8.6	89.4
Comprehensive income Reported	4.1	73.7
Comprehensive income Adjusted	4.1	84.3
Exchange rate adjustments	-	2.2
Basic Weighted Average shares (m)	177.7	161.4
Fully diluted weighted average shares (m)	188.1	161.8
EPS Reported Basic (p)	(2.5)	(9.8)
EPS Reported Diluted (p)	(2.5)	(9.8)
EPS Adjusted Basic (p)	(2.5)	(3.2)
EPS Adjusted Diluted (p)	(2.5)	(3.2)

Source: Company

Note: in the calculation of FY20 EPS, tax (£0.7m), relating to the amortisation of acquired intangibles, is included in the reported basic and diluted EPS, but not in the calculation of adjusted basic and diluted EPS.

Balance Sheet

Summary Balance Sheet

Y/e Jan 31 (£m)	FY19 (Restated)	FY20
Capitalised R&D	2.6	0.0
Other intangibles	0.3	0.0
PPE	1.7	1.2
Deferred tax	0.4	0.0
Sum Fixed Assets	5.0	1.2
Inventory	4.3	1.7
Trade receivables	5.1	3.4
Cash, Equivalents	10.1	14.3
Sum Current Assets	19.5	19.4
Total Assets	24.5	20.6
Trade payables	6.6	5.1
Tax	0.3	0.0
Contract lease liabilities	0.0	0.5
Provisions	1.0	0.0
Sum Current Liabilities	7.9	5.6
Net Current Assets	11.6	13.8
Provisions	0.3	0.3
Sum Long-term Liabilities	0.3	0.7
Total Liabilities	8.2	6.3
Share Capital	9.3	3.1
Share Premium	5.4	5.4
Merger reserve	1.1	0.0
Capital redemption reserve	0.2	6.4
Own shares	(1.9)	(0.7)
Other reserves	0.8	0.0
Translation reserve	(2.2)	0.0
Retained earnings	3.6	0.1
Equity	16.3	14.3
Net cash/(debt)	10.1	14.3

Source: Company

Cashflow

Summary Cashflow

Y/e Jan 31 (£m)	FY19 (Restated)	FY20
Reported PBT	(4.5)	(16.4)
Discontinued operations	9.5	89.9
Depreciation	0.4	1.3
Amortisation (R&D)	1.8	2.3
Disposal	(0.4)	(85.2)
Finance (net)		(0.1)
Operating Cash Flow	6.8	1.7
(Increase)/Decrease in debtors/receivables	(0.2)	(0.9)
Increase/(Decrease) in creditors/payables	0.0	(0.1)
Change in inventories	(0.6)	0.1
Movement in working capital	(0.8)	(0.9)
Change in provisions	0.3	(0.1)
Cash generated by operations	6.3	0.7
Tax	(0.5)	(0.5)
Net cash from operations	5.8	0.2
Investing activities		
PPE	(0.7)	(0.3)
Intangibles		(8.8)
Product development	(1.5)	(1.3)
Disposal	1.3	93.0
Net cash used in investing	(0.9)	82.7
Net OpFCF	4.9	82.9
Financing activities		
Repurchase and cancellation of loans		(80.6)
Employment benefit trust		2.7
Contract leases		(0.8)
Net cash from financing		(78.7)
Net increase in cash / equivalents	4.9	4.2
Cash at beginning of year	5.2	10.1
Cash at year end	10.1	14.3
Net cash/(debt)	10.1	14.3

Source: Company



Investor Access

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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Equity Development, 15 Eldon Street, London, EC2M 7LD. Contact: info@equitydevelopment.co.uk 0207 065 2690