

Interim results: resilience and confidence

16th September 2020

Interim results for the six months to 31 July 2020

Overall performance shows resilience to the impact of COVID-19, with comprehensive restructuring and a focus on recurring, software-driven, revenue streams.

- H1'21 revenue grew 2.3%YoY (normalised basis) to £6.4m. Checkit UK, acquired on 24 May 2019, contributed 2.5 months of earnings, in H1'20 equivalent to £6.2m on an annualised basis. Notably, gross profitability improved significantly from 21.9% at July 2019 to **35.9%** by July 2020.
- Checkit reorganised into two divisions: **Checkit Connect**, providing workflow management (CWM), automated monitoring (CAM), and building management services (CBM); and **Checkit BEMS**, responsible for building installation and maintenance projects. Checkit Connect contributed 53% of H1'21 revenue, growing 15%YoY (normalised), of which 68% was recurring, growing 23%YoY. Checkit Connect is the focus of a SaaS-based products and services business model; its recurring revenue base contributed almost 100% of divisional growth, driven by firmed pricing and a major contract. Checkit BEMS revenue declined 9%YoY (normalised) reflecting the impact of COVID-19 in limiting on-site access.
- Checkit's operating loss was reduced from £2.9m in H1'20 to £1.5m, or £2.0m inclusive of exceptional items (H1'20: £3.1m loss). Investment in development was maintained, at £1.0m in H1'21 compared to £1.2m a year earlier.
- Elektron Eye Technology (EET) was sold in July for £0.9m, paid over 24 months.
- The cash position as of 31 July was £13.4m, compared to £14.3m on 31 January.

Outlook in the 'new normal'

With healthy cash resources and cost controls in place Checkit plans to continue a programme of product development and marketing, in which £1.0m was invested in the half year (H1'20: £1.2m). As a result, the company expects to record a near-term operating loss. COVID-19 has brought into focus the services Checkit offers, particularly as working practices change, perhaps permanently. This means management of dispersed workforces through more, data-driven, remote monitoring, an increased reliance on automated, continuous systems surveillance and access to analytical tools for improvement. The factors introduced by COVID-19 effectively define Checkit's strengths in the provision of SaaS-based, automated monitoring and workflow management services (CAM, CWM and CBM) and analytical tools.

Forecasts – recurring revenue base and investment

We reinstate forecasts based on estimated 2.3%YoY (normalised) revenue growth this year to £13.1m followed by +7%YoY in FY22 (£14.0m), underpinned by strong recurring revenue growth of 34% and 22% respectively. We expect continued investment in product, sales and marketing, resulting in near-term operating losses of £4.0m in FY21 and £3.0m in FY22 within a programme primed by strong cash reserves which we estimate at £10.1m at year-end FY21 and £7.5m at the close of FY22.

Company Data

EPIC	CKT
Price (last close)	46p
52 weeks Hi/Lo	56p/24p
Market cap	£28.5m

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 170 FTEs, headquartered in the UK in Cambridge, with an operations centre in Fleet.

Mike Jeremy (Analyst)

0207 065 2690
mike.jeremy@equitydevelopment.co.uk

Hannah Crowe

0207 065 2692
hannah@equitydevelopment.co.uk

First half FY21 performance

As summarised below, the extent of H1'21 operating losses, excluding one-off items, was significantly reduced, from £2.9m in H1'20 to £1.5m, underpinned by gross margin improvement from 21.9% in H1'20 to 35.9%. Checkit actively reduced costs, including salary reductions and use of the government furlough scheme for up to 30% of employees. The key features of H1 performance were:

A strong contribution from Checkit Connect, with revenue +15.1%YoY, of which the recurring portion contributed 67.6%, up 23.4%YoY, comprising 98% of divisional growth.

Gross margin improvement from 21.9% in H1'20 to 28.8% in H2'20 and 35.9% in H1'21.

A 9.2% contraction in revenue from BEMS, affecting non-recurring one-off projects where on-site presence was curtailed by the measures implemented to address COVID-19.

Semi-Annual Results				
Six months to end July (£m)	H1'20	H2'20	H1'21	FY20
Checkit Connect	1.6	3.1	3.4	4.7
Checkit BEMS	1.6	3.5	3.0	5.1
Revenue	3.2	6.6	6.4	9.8
Gross Profit	0.7	1.9	2.3	2.6
Gross Margin	21.9%	28.8%	35.9%	26.5%
Operating expenses	(3.6)	(4.2)	(3.8)	(7.8)
Sum Non-recurring	(0.2)	(11.1)	(0.5)	(11.3)
Operating Reported	(3.1)	(13.4)	(2.0)	(16.5)
Operating Adjusted	(2.9)	(2.3)	(1.5)	(5.2)
Depreciation	(0.9)	(0.4)	(0.4)	(1.3)
Amortisation	(0.8)	(1.5)	(0.5)	(2.3)
EBITDA Reported	(2.2)	(13.0)	(1.6)	(15.2)
EBITDA Adjusted	(1.2)	(0.4)	(0.6)	(1.6)
PBT Reported	(3.1)	(13.3)	(2.0)	(16.4)
PBT Adjusted	(2.9)	(2.2)	(1.5)	(5.1)
Tax	0.0	0.7	0.0	0.7
PAT Reported	(3.1)	(12.6)	(2.0)	(15.7)
PAT Adjusted Net of tax	(2.9)	(2.2)	(1.5)	(5.1)
Discontinued operations	1.4	88.0	0.9	89.4
Exchange rate/other adjustments	0.5	1.7	0.0	2.2
Comprehensive income Reported	(1.2)	77.1	(1.1)	75.9
Comprehensive income Adjusted	(1.0)	87.5	(0.6)	86.5
Profit from discontinued operations	(1.4)	(88.0)	(0.9)	(89.4)
Basic Weighted Average shares (m)	178.3	161.0	60.9	161.0
EPS Reported Basic (p)	(1.7)	(8.0)	(3.2)	(9.8)
EPS Reported Diluted (p)	(1.7)	(8.0)	(3.2)	(9.8)
EPS Adjusted Basic (p)	(1.6)	(1.5)	(2.5)	(3.2)
EPS Adjusted Diluted (p)	(1.6)	(1.5)	(2.5)	(3.2)

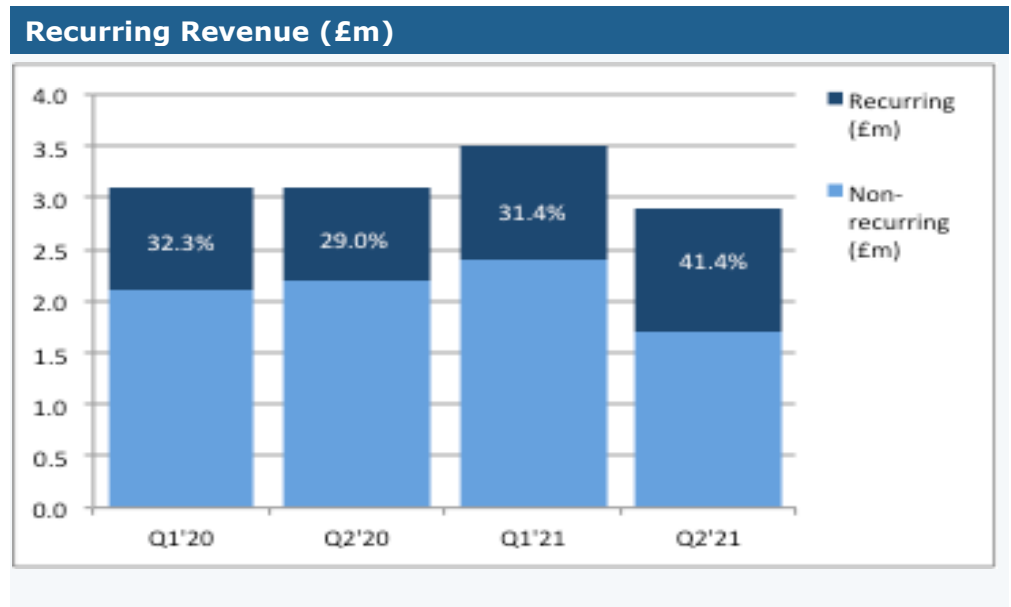
Source: Company data. Note: discontinued operations in H1'21 comprise the gain on disposal of Elektron Eye Technology.

Semi-annual recurring revenue +23%

Revenue resilience in the three months to 31 April 2020 and subsequent quarter to 31 July is evident in the data below, with the proportion of recurring revenue increasing from an average of 30.6% in the first two quarters of FY20 to an average of 36.4% in the most recent two quarters, reaching 41.4% of total revenue in Q2'21.

Quarterly and Semi-Annual Revenue, Normalised							
£m	Q1 20	Q2 20	Q1 21	Q2 21	H1 20	H1 21	Change
Checkit Connect, recurring	1.0	0.9	1.1	1.2	1.9	2.3	23.4%
Checkit Connect, non-rec.	0.5	0.5	0.7	0.4	1.0	1.1	0.6%
Checkit Connect Revenue	1.5	1.4	1.8	1.6	2.9	3.4	15.1%
Checkit BEMS, non-rec.	1.6	1.7	1.7	1.3	3.0	3.0	-9.2%
Total Revenue	3.1	3.1	3.5	2.9	5.9	6.4	2.3%

Source: Company data



Source: Company data

Commitment to product development

With H1'21 cash balance maintained at £13.4m, close to year-end levels (£14.3m) and boosted by a £0.5m contribution from the sale of shares held in the Employee Benefit Trust, Checkit maintained investment in product development of £1.0m in H1'21, comparable to £1.2m invested a year earlier. Capitalised development costs of £0.5m were fully-amortised during the period.

An exceptional cost of £0.5m was recognised during the period following of the sale of Bulgin and integration of Checkit UK, comprising restructuring and Transitional Service Agreement (TSA) costs. Although TSA payments will cease, it is anticipated that there will be additional investment in the transformation process.

Elektron Eye Technology's Henson visual screener business was sold in July 2020 for £0.9m payable in 24 monthly instalments with £0.8m payable recorded as deferred consideration.

Checkit Connect

The Checkit Connect division implements Checkit’s software-as-a-service (SaaS) business model within a new standardised structure for each product offering – CAM and CAM+, CBM and CWM:

CAM – Connected Automated Monitoring – and CAM+ (previously Tutela) provides seamless monitoring based on wireless sensors in environments where factors such as temperature control are critical for the safe storage of foodstuffs or medicines. Analysis tools include indelible audit trails for compliance purposes and network alerts to maintain systems integrity.

CWM - Connected Workflow Management – provides clients with customised data entry templates for workflow configuration based on mobile apps, integrated with monitoring tools in areas such as temperature control and monitoring. Data sets are securely stored for analysis (Checkit Cloud) with provision of tools for process innovation and improvement.

CBM – Connected Building Management (formerly Axon) for remote monitoring and management of energy usage, safety systems and plant viability. This offering is particularly relevant to buildings such as office blocks with reduced (or zero) occupancy as employees are forced or encouraged to work from home.

The division also incorporates a Customer Success reporting structure to ensure that changing client requirements are registered and responded to.

Checkit Connect Quarterly and Semi-Annual Performance							
£m	Q1 20	Q2 20	Q1 21	Q2 21	H1 20	H1 21	Change
Checkit Connect, recurring	1.0	0.9	1.1	1.2	1.9	2.3	23.4%
Checkit Connect, non-rec.	0.5	0.5	0.7	0.4	1.0	1.1	0.6%
Checkit Connect Revenue	1.5	1.4	1.8	1.6	2.9	3.4	15.1%
Percentage of divisional revenue (%)							
Checkit Connect, recurring	66.7	64.3	61.1	75.0	65.5	67.6	
Checkit Connect, non-rec.	33.3	35.7	38.9	25.0	34.5	32.4	

Source: Company data.

Q2 divisional revenue growth of 15.1%YoY (normalised) was partially impacted by COVID-19 in the form of service and payment deferral for clients in the hospitality sector – particularly badly-hit by the effects of the measures to controlled the pandemic – amounting to c.£15,000/month for selected clients. Checkit expects this situation to revert to normal in Q3.

Checkit BEMS

In H2'21 Checkit will continue to develop the BEMS division as a profit centre and adapt to and develop operational practices suited to the constraints of the COVID-19 situation.

Focus on healthcare

Checkit had previously conducted a strategic review of targeted customers resulting in a focus on major (T1) national and multinational customers, with a target contribution to earnings from this group of approximately 50%. In H1'21 the company reported that the impact of COVID-19 on sectors such as the leisure and hospitality industries resulted in a shift in focus towards the healthcare sector. Checkit donated monitoring equipment to the newly-established Nightingale hospitals resulting in a raised profile within the NHS.

Product development

We estimate that Checkit has the cash resources to maintain a product development programme – see cashflow outlook and estimates to FY22 below – backed by investment in marketing, which has timely appeal to the working practices and management of businesses which COVID-19 is engendering; the 'new normal'. Within the newly-created Checkit Connect division there are offerings which appear particularly relevant, notably:

Connected Workflow Management – CWM. The ability to efficiently and remotely monitor, record and improve on workflow should prove increasingly relevant as face-to-face interaction is, at least for the medium-term, increasingly limited by the restrictions placed on social and workplace interaction by the virulence of the COVID infection.

Checkit reports adding more online collaborative functions to its CWM offering to remotely enable replicate social interaction.

In addition, expansion of the Checkpoints application, which links workflow management with physical assets and locations, and associated product tracking. This application is provisioned via the cloud, with iPhone and iPad connectivity to improve interactivity.

Services for the 'new normal'

Checkit has identified sources of demand which are arising specifically in response to the restrictions on socialisation imposed by COVID-19, such as:

- Take-away food sales and distribution, introducing new challenges for large-scale supply chain and distribution management.
- Storage and transportation of critical medical supplies, particularly temperature sensitive items which, we estimate, in the future would include an eventual COVID-19 vaccine.

International expansion plans

Checkit reports preparations for international expansion, including the development of language-specific manuals. It notes accreditations for the US market and a pending outcome for Australia and New Zealand. As the post-Brexit trading landscape becomes clear, including the resolution of a recent UK trade agreement with Japan for example, Checkit's preparations for an international presence should become increasingly important.

Outlook: rising recurring contribution

Checkit has undertaken divisional reorganisation with the focus on developing SaaS-based recurring or repeat revenues and has exhibited a striking improvement in H1'21 gross profitability, albeit boosted by the availability of the government furlough scheme which applied to some 30% of employees.

We reinstate forecasts based on two key assumptions: (i) continued development of recurring revenue streams within the Checkit Connect division, boosted by underlying demand for the remote monitoring and management services in which it specialises, and (ii) Checkit's stated commitment to continued investment in product development and sales and marketing, an indicator of confidence in business outlook. Our outlook indicates:

- FY21(E) revenue of £13.1m, +2.3%YoY normalised; operating (adj) loss of £4.0m.
- FY22(E) revenue of £14.0m, +7.0%YoY. Operating loss of £3.0m.

The contribution of recurring revenue within Checkit Connect increases significantly, from 67.6% in H1'21 to 77.3% for the full year and, in FY22(E) to 86.2%.

Outlook to FY22					
Year to 31 January (£m)	FY20	FY20	H2'21	FY21E	FY22E
	Normalised:				
Checkit Connect	4.7	6.0	3.2	6.6	7.2
Checkit BEMS	5.1	6.8	3.5	6.5	6.8
Revenue	9.8	12.8	6.7	13.1	14.0
Checkit Connect YoY				10.0%	9.0%
Checkit BEMS YoY				-4.4%	5.0%
Gross Profit	2.6		2.3	4.6	5.1
Gross Margin	26.5%		34.1%	35.0%	36.5%
Operating expenses	(7.8)		(4.8)	(8.6)	(8.1)
Operating Reported	(16.5)		(2.5)	(4.5)	(3.0)
Operating Adjusted	(5.2)		(2.5)	(4.0)	(3.0)
Depreciation	(1.3)		(0.3)	(0.7)	(0.7)
Amortisation	(2.3)		(0.8)	(1.3)	(1.1)
EBITDA Adjusted	(1.6)		(1.4)	(2.0)	(1.2)
PBT Adjusted	(5.1)		(2.5)	(4.0)	(3.0)
Tax	0.7		0.0	0.0	0.0
PAT Reported	(15.7)		(2.5)	(4.5)	(3.0)
PAT Adjusted Net of tax	(5.1)		(2.5)	(4.0)	(3.0)
Comprehensive income adj	86.5		(2.5)	(3.1)	(3.0)
Profit from disc't'd operations	(89.4)		0.0	(0.9)	0.0
Basic Wtd Avg shares (m)	161.0		60.9	60.9	60.9
EPS Reported Basic (p)	(9.8)		(4.1)	(7.4)	(4.9)
EPS Reported Diluted (p)	(9.8)		(4.1)	(7.4)	(4.9)
EPS Adjusted Basic (p)	(3.2)		(4.1)	(6.6)	(4.9)
EPS Adjusted Diluted (p)	(3.2)		(4.1)	(6.6)	(4.9)

Source: Company data, Equity Development estimates

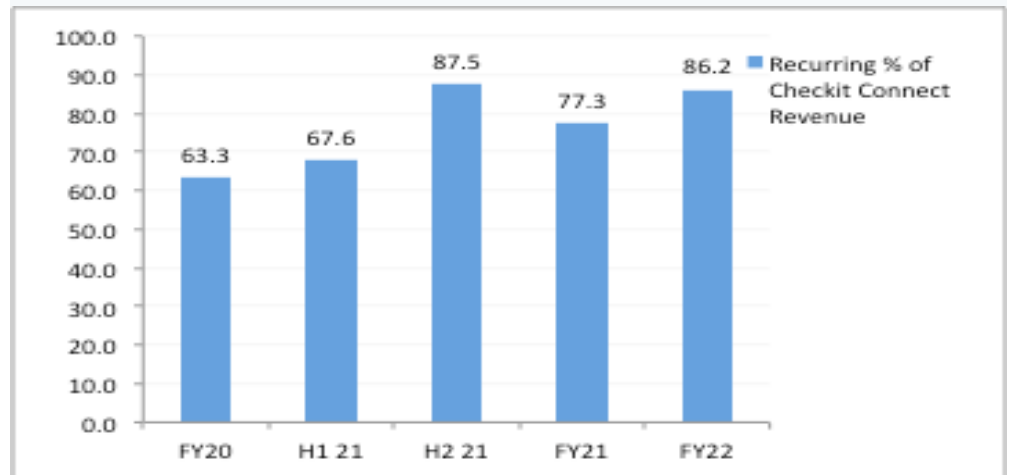
Outlook: Checkit Connect

The rising contribution from recurring revenue within the Checkit Connect SaaS business model is expected to accelerate the shift away from one-off project-based sources, which are also expected to shrink, as shown below. Consequently, as illustrated below, the contribution from recurring revenue is expected to rise consistently, from 63.3% of Checkit Connect divisional total in FY20 to reach 86% by FY22.

Divisional revenue outlook						
£m	H2'21	FY20	FY21	FY22	YoY	YoY
Checkit Connect, recurring	2.8	3.8	5.1	6.2	34.2%	21.6%
Checkit Connect, non-rec	0.4	2.2	1.5	1.0	-31.8%	-33.7%
Checkit Connect Revenue	3.2	6.0	6.6	7.2	10.0%	9.0%
Percentage of divisional revenue (%)						
Checkit Connect, recurring	87.5	63.3	77.3	86.2		
Checkit Connect, non-rec	12.5	36.7	22.7	13.8		
Checkit BEMS, non-recurring	3.5	6.8	6.5	6.8	-4.4%	5.0%
Total revenue	6.7	12.8	13.1	14.0	2.3%	7.0%

Source: Company data, Equity Development estimates

Outlook for recurring revenues



Source: Company data, Equity Development estimates

Impact on cashflow

Checkit's planned programme of investment in product development and sales and marketing both in the UK and overseas indicates, in the absence of near-term operating profitability, reliance on cost control and use of cash resources.

Cashflow outlook to FY22E				
£m	FY20	H1'21	FY21E	FY22E
Cash generated by operations	0.7	(0.6)	(2.8)	(0.9)
PPE	(0.3)	0.0	(0.1)	(0.1)
Product development	(1.3)	(0.5)	(1.3)	(1.1)
Cash beginning of period	10.1	14.3	14.3	10.1
Cash end of period	14.3	13.4	10.1	7.5

Source: Company data, Equity Development estimates

H1'21 Board and Management changes

Appointment of Rachel Neaman as a Non-Executive Director

On February 3rd, 2020 Checkit announced the appointment of Rachel Neaman as a Non-Executive Director. Rachel has her own independent consultancy, Neaman Consulting Ltd., which specialises in digital transformation, strategy, healthtech and skills and inclusion, working with the private, public, and not-for-profit sectors.

She holds advisory positions for the Campaign for Social Science (see <https://campaignforsocialscience.org.uk>), DigitalHealth London and Digital Leaders in addition to being Strategy Advisor for DigitalAgenda and a mentor for PUBLIC's GovStart programme.

A frequent keynote speaker at UK and international conferences, Rachel has appeared regularly before Parliamentary Select Committees and on the judging panels of digital awards. A Fellow of the Royal Society of Arts she has featured since 2016 in Computer Weekly's annual list of Most Influential Women in IT.

Appointment of CFO, Aylsa Muir

As previously announced, Chief Financial Officer Andy Weatherstone will step down in September 2020 and will be succeeded by Aylsa Muir.

Resignation of Non-executive Director

Post period-end, on 20 August 2020, Checkit announced the resignation of Ric Piper, non-executive director.

Major shareholders

Major shareholders as of 13 July are as follows:

Major shareholders	
As of 13 July 2020	Holding
Daley K (Chairman)	23.25%
D&A Income Limited	19.10%
Ruffer LLP	8.90%
Herald IM	7.50%
Sum	58.75%
Shares outstanding: 62,033,617	

Source: Company data

Financials

Summary P&L, Semi Annual to H1'21			
Six months (£m)	H1'20	H2'20	H1'21
Checkit Connect	1.6	3.1	3.4
Checkit BEMS	1.6	3.5	3.0
Revenue	3.2	6.6	6.4
Gross Profit	0.7	1.9	2.3
COGS	(2.5)	(4.7)	(4.1)
Operating expenses	(3.6)	(4.2)	(3.8)
Non-recurring items			
Amortised revised devl'pt costs	0.0	0.0	0.0
Impairment of development costs	0.0	0.0	0.0
Checkit UK restructuring	0.0	0.0	(0.5)
Checkit UK acquisition	0.0	0.0	0.0
Amortisation of acquired intangibles	0.0	0.0	0.0
Impairment of goodwill	0.0	0.0	0.0
Sum Non-recurring	0.0	0.0	(0.5)
Operating Reported	(3.1)	(13.4)	(2.0)
Operating Adjusted	(2.9)	(2.3)	(1.5)
Depreciation	(0.9)	(0.4)	(0.4)
Amortisation	(0.8)	(1.5)	(0.5)
EBITDA Reported	(2.2)	(13.0)	(1.6)
EBITDA Adjusted	(1.2)	(0.4)	(0.6)
Finance income	0.0	0.0	0.0
PBT Reported	(3.1)	(13.3)	(2.0)
PBT Adjusted	(2.9)	(2.2)	(1.5)
Tax	0.0	0.0	0.0
PAT Reported	(3.1)	(12.6)	(2.0)
PAT Adjusted Net of tax	(2.9)	(2.2)	(1.5)
Discontinued operations	1.4	88.0	0.9
Comprehensive income Reported	(1.2)	77.1	(1.1)
Comprehensive income Adjusted	(1.0)	87.5	(0.6)
Basic wtd. av shares (m)	178.3	161.0	60.9
Fully-diluted wtd. av. shares (m)	178.3	161.0	60.9
EPS Reported Basic (p)	(1.7)	(8.0)	(3.2)
EPS Reported Diluted (p)	(1.7)	(8.0)	(3.2)
EPS Adjusted Basic (p)	(1.6)	(1.5)	(2.5)
EPS Adjusted Diluted (p)	(1.6)	(1.5)	(2.5)

Source: Company data, Equity Development estimates

Note: Dilution is not included in the calculation of EPS as this would reduce the impact of operating losses.

Summary P&L to FY22E				
Year to 31 January (£m)	FY19	FY20	FY21E	FY22E
Checkit Connect	0.0	4.7	6.6	7.2
Checkit BEMS	0.0	5.1	6.5	6.8
Revenue	1.0	9.8	13.1	14.0
Gross Profit	0.0	2.6	4.6	5.1
COGS	(1.0)	(7.2)	(8.5)	(8.9)
Operating expenses	(4.5)	(7.8)	(8.6)	(8.1)
Non-recurring items				
Amortised revised devl'pt costs	0.0	(0.3)	0.0	0.0
Impairment of development costs	0.0	(2.0)	0.0	0.0
Checkit UK restructuring	0.0	(0.5)	(0.5)	0.0
Checkit UK acquisition	0.0	(0.2)	0.0	0.0
Amortisation acquired intangibles	0.0	(1.0)	0.0	0.0
Impairment of goodwill	0.0	(7.3)	0.0	0.0
Sum Non-recurring	0.0	(11.3)	(0.5)	0.0
Operating Reported	(4.5)	(16.5)	(4.5)	(3.0)
Operating Adjusted	(4.5)	(5.2)	(4.0)	(3.0)
Depreciation	(0.1)	(1.3)	(0.7)	(0.7)
Amortisation	(1.6)	(2.3)	(1.3)	(1.1)
EBITDA Reported	(4.4)	(15.2)	(2.5)	(1.2)
EBITDA Adjusted	(2.8)	(1.6)	(2.0)	(1.2)
Finance income	0.0	0.1	0.0	0.0
PBT Reported	(4.5)	(16.4)	(4.5)	(3.0)
PBT Adjusted	(4.5)	(5.1)	(4.0)	(3.0)
Tax	0.0	0.7	0.0	0.0
PAT Reported	(4.5)	(15.7)	(4.5)	(3.0)
PAT Adjusted Net of tax	(4.5)	(5.1)	(4.0)	(3.0)
Discontinued operations	8.6	89.4	0.9	0.0
Comprehensive income Reported	4.1	75.9	(3.6)	(3.0)
Comprehensive income Adjusted	4.1	86.5	(3.1)	(3.0)
Basic wtd. av shares (m)	177.7	161.0	60.9	60.9
Fully-diluted wtd. av. shares (m)	188.1	161.0	60.9	60.9
EPS Reported Basic (p)	(2.5)	(9.8)	(7.4)	(4.9)
EPS Reported Diluted (p)	(2.4)	(9.8)	(7.4)	(4.9)
EPS Adjusted Basic (p)	(2.5)	(3.2)	(6.6)	(4.9)
EPS Adjusted Diluted (p)	(2.4)	(3.2)	(6.6)	(4.9)

Source: Company data, Equity Development estimates

Summary Balance Sheet, Semi Annual to H1'21			
Six months (£m)	H1'20	H2'20	H1'21
Capitalised R&D	2.5	0.0	0.0
Other intangibles	8.1	0.0	0.0
PPE	1.3	1.2	0.9
Deferred tax	0.0	0.0	0.0
Sum Fixed Assets	11.9	1.2	0.9
Inventory	2.2	1.7	1.6
Trade receivables	3.1	3.4	3.1
Cash, Equivalents	1.5	14.3	13.4
Sum Current Assets	11.6	19.4	18.9
Total Assets	23.5	20.6	19.8
Trade payables	6.7	5.1	5.1
Tax	0.1	0.0	0.0
Contract lease liabilities	0.5	0.5	0.4
Provisions	0.0	0.0	0.0
Sum Current Liabilities	7.3	5.6	5.5
Net Current Assets	4.3	13.8	13.4
Provisions	0.2	0.3	0.2
Sum Long-term Liabilities	1.1	0.7	0.5
Total Liabilities	8.4	6.3	6.0
Share Capital	9.3	3.1	3.1
Share Premium	5.4	5.4	5.4
Merger reserve	1.1	0.0	0.0
Capital redemption reserve	0.2	6.4	6.4
Own shares	(1.8)	(0.7)	0.0
Other reserves	0.8	0.0	0.0
Translation reserve	(1.7)	0.0	0.0
Retained earnings	1.8	0.1	(1.1)
Equity	15.1	14.3	13.8
Net cash/(debt)	1.5	14.3	13.4

Source: Company data, Equity Development estimates

Summary Balance Sheet to FY22E				
Year to 31 January (£m)	FY19	FY20	FY21E	FY22E
Capitalised R&D	2.6	0.0	1.3	2.4
Other intangibles	0.3	0.0	0.0	0.0
PPE	1.7	1.2	1.3	1.4
Deferred tax	0.4	0.0	0.0	0.0
Sum Fixed Assets	5.0	1.2	2.6	3.8
Inventory	4.3	1.7	1.6	1.6
Trade receivables	5.1	3.4	3.3	3.3
Cash, Equivalents	10.1	14.3	10.1	7.5
Sum Current Assets	19.5	19.4	15.8	12.4
Total Assets	24.5	20.6	18.4	16.2
Trade payables	6.6	5.1	5.0	5.0
Tax	0.3	0.0	0.0	0.0
Contract lease liabilities	0.0	0.5	0.4	0.4
Provisions	1.0	0.0	0.0	0.0
Sum Current Liabilities	7.9	5.6	5.4	5.4
Net Current Assets	11.6	13.8	10.4	7.0
Provisions	0.3	0.3	0.3	0.3
Sum Long-term Liabilities	0.3	0.7	0.6	0.6
Total Liabilities	8.2	6.3	6.0	6.0
Share Capital	9.3	3.1	3.1	3.1
Share Premium	5.4	5.4	5.4	5.4
Merger reserve	1.1	0.0	0.0	0.0
Capital redemption reserve	0.2	6.4	5.7	3.5
Own shares	(1.9)	(0.7)	(0.7)	(0.7)
Other reserves	0.8	0.0	0.0	0.0
Translation reserve	(2.2)	0.0	0.0	0.0
Retained earnings	3.6	0.1	(1.1)	(1.1)
Equity	16.3	14.3	12.4	10.2
Net cash/(debt)	10.1	14.3	10.1	7.5

Source: Company data, Equity Development estimates

Summary Cashflow, Semi Annual to H1'21			
Six months (£m)	H1'20	H2'20	H1'21
Reported PBT	(3.1)	(13.3)	(2.0)
Discontinued operations	1.9	88.0	0.9
Depreciation	0.9	0.4	0.4
Amortisation (R&D)	0.8	1.5	0.5
Disposal	0.0	(85.2)	(0.9)
Finance (net)	0.0	(0.1)	0.0
Operating Cash Flow	0.5	1.2	(1.1)
Change in receivables	(0.5)	(0.4)	0.4
Change in payables	2.5	(2.6)	0.0
Change in inventories	(0.1)	0.2	0.1
Movement in working capital	1.9	(2.8)	0.5
Change in provisions	(0.4)	0.3	0.0
Cash generated by operations	2.0	(1.3)	(0.6)
Tax	(0.3)	(0.2)	0.0
Net cash from operations	1.7	(1.5)	(0.6)
Investing activities			
PPE	(0.2)	(0.1)	0.0
Intangibles	(8.8)	0.0	0.0
Product development	(0.7)	(0.6)	(0.5)
Disposal	0.0	93.0	0.0
Net cash used in investing	(9.7)	92.4	(0.5)
Net OpFCF	(8.0)	90.9	(1.1)
Financing activities			
Repurchase and cancellation of loans	0.0	(80.6)	0.0
Employment benefit trust	0.0	2.7	0.5
Contract leases	(0.6)	(0.2)	(0.3)
Net cash from financing	(0.6)	(78.1)	0.2
Net increase in cash / equivalents	(8.6)	12.8	(0.9)
Cash at period start	10.1	1.5	14.3
Cash at period end	1.5	14.3	13.4
Net cash/(debt)	1.5	14.3	13.4

Source: Company data, Equity Development estimates

Summary Cashflow to FY22E				
Year to 31 January (£m)	FY19	FY20	FY21E	FY22E
Reported PBT	(4.5)	(16.4)	(4.5)	(3.0)
Discontinued operations	9.5	89.9	0.9	0.0
Depreciation	0.4	1.3	0.7	0.7
Amortisation (R&D)	1.8	2.3	1.3	1.1
Disposal	(0.4)	(85.2)	(0.9)	0.0
Finance (net)		(0.1)	0.0	0.0
Operating Cash Flow	6.8	1.7	(2.5)	(1.2)
Change in receivables	(0.2)	(0.9)	0.2	0.0
Change in payables	0.0	(0.1)	(0.1)	0.0
Change in inventories	(0.6)	0.1	0.2	0.0
Movement in working capital	(0.8)	(0.9)	0.3	0.0
Change in provisions	0.3	(0.1)	(0.6)	0.0
Cash generated by operations	6.3	0.7	(2.8)	(1.2)
Tax	(0.5)	(0.5)	0.0	0.0
Net cash from operations	5.8	0.2	(2.8)	(1.2)
Investing activities				
PPE	(0.7)	(0.3)	(0.1)	(0.1)
Intangibles	0.0	(8.8)	0.0	0.0
Product development	(1.5)	(1.3)	(1.3)	(1.1)
Disposal	1.3	93.0	0.0	0.0
Net cash used in investing	(0.9)	82.7	(1.4)	(1.2)
Net OpFCF	4.9	82.9	(4.2)	(2.4)
Financing activities				
Change in loans	0.0	(80.6)	0.0	0.0
Employment benefit trust	0.0	2.7	0.6	0.4
Contract leases	0.0	(0.8)	(0.6)	(0.6)
Net cash from financing	0.0	(78.7)	0.0	(0.2)
Net change in cash	4.9	4.2	(4.2)	(2.6)
Cash at beginning of year	5.2	10.1	14.3	10.1
Cash at year end	10.1	14.3	10.1	7.5
Net cash/(debt)	10.1	14.3	10.1	7.5

Source: Company data, Equity Development estimates



Head of Corporate

Andy Edmond

Direct: 0207 065 2691

Tel: 0207 065 2690

andy@equitydevelopment.co.uk

Investor Access

Hannah Crowe

Direct: 0207 065 2692

Tel: 0207 065 2690

hannah@equitydevelopment.co.uk

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More information is available on our website www.equitydevelopment.co.uk

Equity Development, 15 Eldon Street, London, EC2M 7LD

Contact: info@equitydevelopment.co.uk 0207 065 2690