16 March 2017

STILO INTERNATIONAL PLC

Preliminary Announcement of Results for Year Ended 31 December 2016

Stilo International plc ("Stilo", the “Group” or the "Company") today announces its results for the year ended 31 December 2016. The Company develops software tools and cloud services that help organisations create and process structured content in XML format, so that it can be more easily stored, managed, re-used, translated and published to multiple print and digital channels.

FINANCIAL HIGHLIGHTS

- 16% increase in sales revenues to £1,761,000 (2015: £1,517,000)
- 22% increase in profits before tax to £318,000 (2015 : £261,000)
- 15% increase in operating costs, net of capitalised development costs, to £1,437,000 (2015: £1,246,000)
- 22% increase in annual recurring software maintenance revenues to £871,000 (2015: £713,000)
- Increased investment in total product development to £538,000(2015: £419,000) of which £204,000 capitalised (2015: £125,000)
- Improved cash position of £1,466,000 as at 31 December 2016 (2015: £1,318,000)
- Final dividend proposed of 0.05 pence per Ordinary Share, providing a 12.5% increase in total dividend to 0.09 pence for the year (2015: total 0.08 pence).

BUSINESS HIGHLIGHTS

- Substantial increase in OmniMark revenues partially offset by reduction in Migrate sales
- Migrate customers for the period include Dell, Locamation, Teradata, Qualcomm, Silicon Labs, VMWare, Swift and Motorola Solutions
- Significant OmniMark software orders received from the Japan Patent Office, the European Parliament and Embraer in Brazil
- Initial adoption of AuthorBridge by the central Information Developer Tools team at IBM and the Nuclear Regulatory Commission, Washington D.C.

David Ashman, Chairman, commenting on the Company's performance, stated:

I am very pleased to report a 16% increase in revenues, a 22% increase in profits before tax and an improved cash position for 2016.

A significant increase in OmniMark sales from customers in Japan and Brazil was partially offset by a reduction in Migrate revenues, in what we considered to be a general softening of demand for conversion services in the XML DITA market.

Following substantial development efforts, it was particularly pleasing to see the initial adoption of AuthorBridge by the central Information Developer Tools team at IBM in the USA, and the Nuclear Regulatory Commission in Washington D.C. This is a very positive beginning for AuthorBridge and augurs well for future sales.

The 2016 results benefitted from the weakening of the UK pound, post the Brexit referendum in June 2016. The majority of our sales are transacted in US dollars, with the balance mainly in euros, while our costs are primarily in Canadian dollars and UK pounds.

Our reported profits include the capitalisation of AuthorBridge development costs, as mandated by IFRS reporting standards and we anticipate depreciating the accumulated capitalised costs over a ten year period starting in 2017, following the general release of AuthorBridge v2.0.

We continue to press ahead with innovative new software developments, and with cash reserves remaining strong, I am pleased to propose the payment of a final dividend of 0.05 pence per share, providing a total dividend for the year of 0.09 pence per share.

ENQUIRIES

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CHAIRMAN'S STATEMENT

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David Ashman
Chairman
16 March 2017

BUSINESS OVERVIEW

Stilo develops software tools and cloud services that help organisations create and process structured content in XML format, so that it can be more easily stored, managed, re-used, translated and published to multiple print and digital channels.

Over recent years, many organisations have adopted industry specific XML standards e.g. Publishing (DocBook), Aerospace & Defence (S1000D), Finance (XBRL), Life Sciences (SPL), Software and High Tech (DITA). Stilo made the decision some years ago to focus new product development and marketing efforts on the emerging DITA standard. This standard originated within IBM to support the publishing of its technical documentation and has been increasingly adopted by other software and high-tech companies. DITA is now beginning to make inroads into additional market sectors including Manufacturing, Life Sciences and Publishing.

In order to diversify beyond the DITA market, we have recently undertaken research into the XML JATS (Journal Article Tag Suite) market for scientific and scholarly publishers. Initial indications are that this could represent a promising new business opportunity for Stilo, and we will seek to address this through the incremental development of AuthorBridge and Migrate.

We continue to build upon our strong reputation for excellent products and supporting technical expertise, resulting from many years of experience in the structured content marketplace. With offices in the UK and Canada, we support clients throughout North America, Europe and Japan.

PRODUCTS AND CUSTOMERS

OmniMark

Stilo's core technology is OmniMark, a long-established development platform used to build high-performance content processing applications integral to enterprise publishing solutions.

Users include Boeing, Pratt and Whitney, EADS, Thomson Publishing, and Wolters Kluwer. Sales for the period included orders from the European Parliament, Japan Patent Office and Embraer in Brazil.

Migrate

Migrate is the world's first cloud XML content conversion service, and utilises OmniMark technology. Through advanced levels of automation, it enables organisations to improve turnaround times, reduce operating costs and take direct control of their work schedules, providing an attractive alternative to traditional outsourced conversion services.

Migrate users include IBM, Cisco, EMC and Oracle. Sales for the period included orders from Dell, Locamation, Teradata, Qualcomm, Silicon Labs, VMWare, Swift and Motorola Solutions. Using Migrate, we have helped our customers convert over one million pages of content to the DITA format.

AuthorBridge

AuthorBridge is a web-based XML authoring tool, designed for occasional content contributors who have no knowledge of XML or its complexities. It is currently targeted at large enterprises, which are looking to extend the use of DITA across different business units and potentially support thousands of users.

Development of AuthorBridge is progressing well, albeit with some slippage against original schedules. Its initial adoption by the central Information Developer Tools team at IBM in the USA and the Nuclear Regulatory Commission in Washington D.C. provides a good foundation upon which we can build future sales.

The ongoing development of AuthorBridge continues at a pace, as we add functionality that is necessary to advance sales more generally in the DITA market.

Planned developments in 2017 also include support for the XML JATS (Journal Article Tag Suite) standard for scientific and scholarly publishers, and for the ISO-STS (Standards Tagging Set) standard developed by NISO (National Information Standards Organisation). These are emerging new international XML standards with the potential for adoption by thousands of diverse organisations around the world, with an associated demand for specialist authoring tools and conversion services.

Sales analysis by geographic region

Our customers typically comprise large organisations, and are spread globally. Geographic sales revenues were derived as follows:

Region	2016	2015
UK	2%	2%
Rest of Europe	10%	16%
North America	49%	67%
South America	9%	1%
Asia	30%	14%

North America continues to represent a significant proportion of sales revenues as adoption of the DITA XML standard has been primarily led by corporations with their headquarters based in the USA. It is anticipated that adoption of the DITA XML standard will spread internationally over the coming years.

The percentage increase in sales to Asia is as a consequence of major OmniMark licence sales to the Japan Patent Office through our partner Toshiba Solutions, based in Tokyo.

Technical Expertise

Our technical team includes leading experts in the development of XML content processing technologies and along with our support services, are very highly regarded by customers.

OmniMark is used in the development of Migrate, and both Migrate and OmniMark technologies are used in AuthorBridge, which results in very efficient integrated development and support activities.

Operations

Stilo operates from offices located in Swindon, UK and Ottawa, Canada. The technical team is based in our Ottawa office.

As at 31 December 2016, there were 18 permanent employees in the Company, complemented by the use of contractors. In 2017 we will be making additional investments in the recruitment of development personnel, although it is not anticipated that we will be growing headcount significantly, as we look to contain our costs and scale the business through technology sales.

FINANCIAL RESULTS

The results for the year ended 31 December 2016 have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union.

In 2016, the results for Stilo show an increase in EBITDA to £327,000 (2015: £272,000). Pre-tax profits were £318,000 (2015: £261,000).

Total sales revenues for the year increased by 16% to £1,761,000 (2015: £1,517,000). The increase in revenue was due primarily to a £331,000 growth in OmniMark licence sales, from major customers in Japan and Brazil. The Company also benefitted from an increase in recurring revenue from software maintenance contracts to £871,000 (2015: £713,000) which represents 49% (2015: 47%) of annual sales revenue. Revenue from Migrate reduced by £223,000 compared to the previous year, in what we considered to be a general softening of demand for conversion services in the DITA market.

The Company continues to maintain careful control over operating costs. Investment in additional development staff has meant that operating costs increased in the year. Operating expenses, excluding capitalised development costs, were £1,437,000 (2015: £1,246,000).

Investment in R & D continued in 2016, with total expenditure for the year of £538,000 (2015: £419,000). As a result of this investment, Stilo continues to benefit from research and development tax credits. Of this expenditure, £204,000 (2015: £125,000) relating to the development of AuthorBridge has been capitalised, and the total accumulated capitalised costs will be depreciated over a 10 year period, commencing in 2017

There was a cash balance of £1,466,000 as at 31 December 2016 (31 December 2015: £1,318,000), and Stilo remains entirely un-geared. This balance sheet stability provides a sound financial base for the Company and will support continued investment in product development, sales and marketing. Further investment in staff recruitment is expected in 2017, however, overall costs will continue to be carefully managed in order to maintain cash reserves at a satisfactory level.

Total trade debtors were £348,000 (2015: £161,000), equating to 72 days (2015: 54 days). Albeit outside of standard credit terms, the directors consider this to be reasonable, due to the specific circumstances relating to one balance. Overdue amounts are closely monitored.

DIVIDENDS

The Board recommends the payment of a Final Dividend for the year of 0.05 pence per Ordinary Share which, if approved by shareholders at the AGM on 18 May 2017, will be paid on 23 May 2017 to shareholders on the register on 21 April 2017. The shares will be marked ex-dividend on 20 April 2017. If approved, payment of the Final Dividend will bring the total dividends paid to shareholders for the year to 0.09 pence per Ordinary Share,

The Board's policy is to maintain payment of a steady and progressive dividend, well covered and paid subject to maintaining sufficient funds within the business with regard to prudent forecasts of future capital requirements, without the need for debt funding.

OUTLOOK

The global market for dynamically publishing structured content to multiple channels continues to grow, which in turn drives the market for XML content conversion and authoring tools.

Overall trading in 2017 continues in line with management expectations, as we continue to invest in the development of innovative new products that will serve to underpin our future growth.

Group Income Statement
Year Ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue – continuing operations		1,761	1,517
Cost of sales		(12)	(12)
Gross profit		1,749	1,505
Operating expenses		(1,437)	(1,246)
Amortisation of intangible assets		-	(4)
Operating profit		312	255
Finance Income		6	6
Profit before tax		318	261
Income tax		13	48
Profit for the year attributable to the equity shareholders of the parent company		331	309
Earnings per share attributable to equity shareholders of the parent:			
Earnings per share – basic	3	0.29p	0.28p
Earnings per share – diluted	3	0.28p	0.28p
Dividends paid per share	4	0.09p	0.06p

Group Statement of Comprehensive Income
Year Ended 31 December 2016

	2016 £'000	2015 £'000
Profit for the year	331	309
Other comprehensive income		
Items that may subsequently be reclassified to profit and loss:		
Foreign currency translation differences	200	(109)
Other comprehensive income for the year, net of tax	200	(109)
Total comprehensive income relating to the year	531	200

All comprehensive income is attributable to equity shareholders of the parent company.

Group Statement of Financial Position
as at 31 December 2016

	2016 £'000	2015 £'000
Non-current assets		
Goodwill	1,660	1,660
Other intangible assets	482	225
Plant and equipment	18	19
Deferred tax asset	50	50
	2,210	1,954
Current assets		
Trade and other receivables	390	203
Income tax asset	59	49
Cash and cash equivalents	1,466	1,318
	1,915	1,570
Total Assets	4,125	3,524
Current Liabilities		
Trade and other payables	589	474
Non-current liabilities		
Other payables	9	28
Total liabilities	598	502
Called up share capital	1,138	1,124
Share premium	29	13
Merger reserve	658	658
Retained earnings	1,702	1,227
Total equity attributable to equity shareholders of the parent company	3,527	3,022
Total equity and liabilities	4,125	3,524

Group Statement of Changes in Equity
for the year ended 31 December 2016

Attributable to the equity shareholders of the parent

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2015	1,098	-	658	1,062	2,818
Comprehensive income					
Profit for the financial year	-	-	-	309	309
Other comprehensive income					
Other comprehensive income	-	-	-	(109)	(109)
Total comprehensive income	-	-	-	200	200
Transactions with owners					
Share based transactions	-	-	-	31	31
Dividend paid	-	-	-	(66)	(66)
Shares issued	26	13	-	-	39
Total transactions with owners	26	13	-	(35)	4
Balance at 1 January 2016	1,124	13	658	1,227	3,022
Comprehensive income					
Profit for the financial year	-	-	-	331	331
Other comprehensive income					
Other comprehensive income	-	-	-	200	200
Total comprehensive income	-	-	-	531	531
Transactions with owners					
Share based transactions	-	-	-	46	46
Dividend paid	-	-	-	(102)	(102)
Shares issued	14	16	-	-	30
Total transactions with owners	14	16	-	(56)	26
At 31 December 2016	1,138	29	658	1,702	3,527

Group Cash Flow Statement
for the year ended 31 December 2016

	2016 £'000	£000	2015 £'000	£000
Cash flows from operating activities				
Profit before taxation	318		261	
Adjustment for depreciation and amortisation	15		17	
Adjustment for investment income	(6)		(6)	
Adjustment for foreign exchange differences	124		(81)	
Adjustment for gain on financial derivatives	-		(26)	
Adjustment for share based payments	46		31	
Operating cash flows before movements in working capital	497		196	
(Increase)/decrease in trade and other receivables	(187)		69	
Increase in trade and other payables	97		64	
Cash generated from operations		407		329
Tax paid		(45)		(1)
Tax credit received		49		59
Net cash generated from operating activities		411		387
Cash flows from investing activities				
Finance income		6		6
Development costs		(204)		(125)
Purchase of plant and equipment		(11)		(12)
Net cash used in investing activities		(209)		(131)
Financing activities				
Dividend paid		(102)		(66)
Issue of ordinary shares		30		39
Net cash used in financing activities		(72)		(27)
Net increase in cash and cash equivalents		130		229
Cash and cash equivalents at beginning of year		1,318		1,089
Exchange gains on cash and cash equivalents		18		-
Cash and cash equivalents at end of year		1,466		1,318

Notes to the preliminary financial results

1. The figures for the years ended 31 December 2016 and 2015 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The figures for the year ended 31 December 2016 have been extracted from the statutory accounts for that year on which the auditor has issued an unqualified audit report which have yet to be delivered to the Registrar of Companies. The figures for the year ended 31 December 2015 have been extracted from the statutory accounts for that year which have been delivered to the Registrar of Companies and on which the auditor has issued an unqualified audit report. No statement has been made by the auditor under Section 498(2) or (3) of the Companies Act 2006 in respect of either of these sets of accounts. This announcement was approved by the board of directors on 15 March 2017 and authorised for issue on 16 March 2017.

2. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board ('IASB') and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (together 'IFRS') as endorsed by the European Union. The information in this preliminary statement has been extracted from the audited financial statements for the year ended 31 December 2016 and as such, does not contain all the information required to be disclosed in the financial statements prepared in accordance with the International Financial Reporting Standards ('IFRS').

3. Earnings per Share. The basic earnings per share is calculated on the profit for the financial year of £331,000 (2015: profit of £309,000), and on the weighted average number of shares in issue during the year of 112,846,662 (2015: 110,566,803). The fully diluted earnings per share in 2016 takes account of outstanding options which results in a weighted average number of shares in issue during the prior year of 118,276,189 (2015: 110,951,117).

4. DIVIDENDS

Ordinary	2016 £'000	2015 £'000
Final 2015 paid (0.05 pence per share (2015: 0.03 pence per share))	56	33
Interim 2016 paid (0.04 pence per share (2015: 0.03 pence per share))	46	33
	102	66

The directors recommend the payment of a final dividend of 0.05 pence per Ordinary Share (2015: 0.05 pence per share) to be paid on 23 May 2017 to those shareholders on the register on 21 April 2017.

The proposed dividend is not included as a liability in these financial statements as it is subject to shareholders' approval.

5. These financial statements are presented in sterling as that is the currency of the primary economic environment in which the Group operates.

6. Copies of the 2016 Annual Report and Accounts will be made available to shareholders in April. Copies may be obtained by contacting the Company Secretary at the registered office. The 2016 Annual Report and Accounts will be available to download from the investor relations section on the Company's website www.stilo.com.

The annual general meeting is due to be held at the offices of RSM UK Audit LLP, 25 Farringdon Street, London EC4A 4AB at 11.30am on Thursday 18 May 2017.