14 March 2019

STILO INTERNATIONAL PLC

Preliminary Announcement of Results
for Year Ended 31 December 2018

Stilo International plc ("Stilo", the "Group" or the "Company") today announces its results for the year ended 31 December 2018. 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, reused, translated and published to multiple print and digital channels.

FINANCIAL HIGHLIGHTS

- Sales revenues of £1,487,000 (2017: £1,894,000).
- Profit after tax of £177,000 (2017: £313,000).
- Reduction in operating costs, net of capitalised development costs, to £1,358,000 (2017: £1,591,000), primarily due to favourable currency exchange rates.
- Investment in total product development of £583,000 (2017: £656,000) of which £213,000 capitalised (2017: £213,000).
- Cash of £1,271,000 as at 31 December 2018 (2017: £1,621,000), with reduction largely due to continued investment in development projects and dividend payments to shareholders.
- Final dividend proposed of 0.06 pence per Ordinary Share, providing a total dividend of 0.12 pence for the year (2017: total 0.10 pence).

BUSINESS HIGHLIGHTS

- Total sales revenues for the period decreased significantly, principally due to an expected reduction in OmniMark-related revenues from one major customer.
- Migrate revenues held up well given the expiry of a significant contract from earlier years. Customers during the period included Edwards Lifesciences, Visa, Viewpoint, ARRIS, Synopsys, Deltek, Varian and TIBCO.
- AuthorBridge beginning to get traction with new customers including Kaplan Professional, Intel and Coriolis.
- Initiated the development of OptimizeR – a new tool to help customers deduplicate their DITA content, improve content consistency and maximise the opportunity for content reuse.

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

“Total sales revenues for the period decreased significantly, principally due to an expected reduction in OmniMark-related revenues from one major customer. However, it was encouraging that our Migrate revenues held up well, as new customer wins compensated for the expiry of a major contract. We were also successful in making some initial breakthroughs with sales of AuthorBridge to new customers.

Given our size, we continue to incur significant financial overheads associated with being a public listed company, but notwithstanding this we were able to generate a post-tax profit for the period of £177,000.

The Company continues to invest in the development of leading technologies for the structured content market and in so doing build long-term value for shareholders. As we look forward to growing future sales, supported by healthy cash reserves and a strong balance sheet, I am pleased to announce the payment of an increased final dividend of 0.06 pence per share, providing a total dividend for the year of 0.12 pence”.

OUTLOOK

The long-awaited release of AuthorBridge v3 in 2019 provides for a best-in-class, web authoring tool for the DITA market. However, the DITA market has well-established competitors and it will likely take some time to build significant new revenue streams with customers and technology partners.

In the short term, growth will be primarily driven by sales of Migrate and OptimizeR solutions to new customers and we will be stepping up our sales, marketing and development efforts accordingly. 2019 is going to be a challenging year for the Company, with potential demand, as always, difficult to predict at the current time.

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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, reused, 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), Scientific and Scholarly Publishing (JATS), 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 early 2018 we undertook some exploratory development and marketing efforts for the JATS market but these were put on hold mid-year in order to focus resources on the major release of AuthorBridge v3 for the DITA market.

In the medium term, given limited resources, we will look to diversify beyond the DITA market through potential partnering opportunities and the incremental development of AuthorBridge, Migrate and OptimizeR.

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 Pratt and Whitney, Airbus Defence & Space, Clarivate Analytics and Wolters Kluwer.

Sales for the year included orders from the European Parliament, Japan Patent Office, Qantas and Gulfstream.

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 sales for the period include orders from Edwards Lifesciences, Visa, Viewpoint, ARRIS, Synopsys, Deltek, Varian and TIBCO.

Using Migrate, we have helped our customers convert over one million pages of content to the DITA standard.

OptimizeR

Complementing Migrate, OptimizeR is a tool that we are developing to help automate the deduplication of DITA content, improve content consistency and help maximise the opportunity for content reuse. This can be particularly important in highly regulated or hazardous environments.

In 2018 the tool was in the research and early development phase with all expenses recognised in the profit or loss. Initial customer testing is due to start in the coming months and we expect to make OptimizeR generally available to customers mid-year 2019.

AuthorBridge

AuthorBridge is a web-based XML authoring tool, designed for 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 hundreds of users.

The development of AuthorBridge has been a major effort over several years, culminating in the release of AuthorBridge v3 in early 2019. This release helps position AuthorBridge at the forefront of web-based DITA editing tools, albeit there are some additional developments that we need to undertake to round it off. Its initial deployment in production at IBM, following extensive co-operation and testing by the central IBM Information Developer Tools team, serves as a good foundation upon which we can build future sales. Other early stage customers include the Nuclear Regulatory Commission, Intel, Kaplan Professional and Coriolis.

Sales analysis by geographic region

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

Region	2018	2017
UK	5%	2%
Rest of Europe	12%	12%
North America	62%	51%
South America	4%	3%
Asia	17%	32%

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

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.

There is a high level of synergy between our products 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 2018, there were 18 permanent employees in the Group, complemented by the use of contractors. 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 2018 have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union.

In 2018, the results for Stilo show a decrease in EBITDA to £148,000 (2017: £315,000). Post tax profits were £177,000 (2017: £313,000).

Total sales revenues for the year decreased to £1,487,000 (2017: £1,894,000), principally due to an expected reduction in OmniMark-related revenues from one major customer.

The Group continued to benefit from recurring revenue from software maintenance contracts of £816,000 (2017: £930,000) which represents 55% (2017: 49%) of annual sales revenue.

The Group continues to maintain careful control over operating costs. Operating expenses, excluding capitalised development costs, were reduced to £1,358,000 (2017: £1,591,000). This decrease has been driven by a fall in staff costs and favourable currency exchange rates in the current year.

Investment in research and development continued in 2018, with total expenditure for the year of £583,000 (2017: £656,000). As a result of this investment, Stilo continues to benefit from research and development tax credits. Of this expenditure, £213,000 (2017: £213,000) 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 2019.

There was a cash balance of £1,271,000 as at 31 December 2018 (31 December 2017: £1,621,000), with the reduction being largely due to continued investment in development projects and dividend payments to shareholders. Stilo remains entirely un-geared. This Statement of Financial Position stability provides a sound financial base for the Group and will support continued investment in product development, sales and marketing. Costs will continue to be carefully managed in order to maintain cash reserves at a satisfactory level.

Total trade receivables were £224,000 (2017: £126,000), equating to 55 days (2017: 24 days). Overdue amounts are closely monitored.

The directors monitor the performance of the Group based on the above key performance indicators.

DIVIDENDS

The Board recommends the payment of a final dividend for the year of 0.06 pence per Ordinary Share which, if approved by the shareholders at the AGM on 23 May 2019, will be paid on 30 May 2019 to shareholders on the register on the Record Date of 23 April 2019. The shares will be marked ex-dividend on 18 April 2019. If approved, payment of the final dividend will bring the total dividends paid to shareholders for the year to 0.12 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.

Group Income Statement
Year Ended 31 December 2018

	Note	2018 £'000	2017 £'000
Continuing operations			
Revenue		1,487	1,894
Cost of sales		(16)	(13)
Gross profit		1,471	1,881
Administrative expenses		(1,342)	(1,578)
Operating profit		129	303
Finance income		10	6
Profit before tax		139	309
Income tax		38	4
Profit for the year attributable to the equity shareholders of the parent company		177	313
Earnings per share attributable to equity shareholders of the parent:			
Earnings per share - basic	3	0.16p	0.28p
Earnings per share – diluted	3	0.15p	0.26p
Dividends paid per share	4	0.11p	0.10p

Group Statement of Comprehensive Income
Year Ended 31 December 2018

	2018 £'000	2017 £'000
Profit for the year	177	313
Other comprehensive income		
Items that may subsequently be reclassified to profit and loss		
Foreign currency translation differences	(39)	(32)
Other comprehensive income for the year, net of tax	(39)	(32)
Total comprehensive income for the year	138	281

Group Statement of Financial Position
as at 31 December 2018

	2018 £'000	2017 £'000
Non-current assets		
Goodwill	1,633	1,660
Other intangible assets	882	688
Plant and equipment	14	12
Deferred tax asset	50	50
	2,579	2,410
Current assets		
Trade and other receivables	259	170
Income tax asset	56	54
Cash and cash equivalents	1,271	1,621
	1,586	1,845
Total assets	4,165	4,255
Current liabilities		
Trade and other payables	436	504
Non-current liabilities		
Other payables	4	13
Total liabilities	440	517
Equity attributable to equity shareholders of the parent company		
Called up share capital	1,139	1,139
Share premium	29	29
Merger reserve	658	658
Retained earnings	1,899	1,912
Total equity	3,725	3,738
Total equity and liabilities	4,165	4,255

Group Statement of Changes in Equity
for the year ended 31 December 2018

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 2017	1,138	29	658	1,702	3,527
Comprehensive income					
Profit for the financial year	-	-	-	313	313
Other comprehensive income	-	-	-	(32)	(32)
Total comprehensive income	-	-	-	281	281
Transactions with owners					
Share based payment transactions	-	-	-	43	43
Dividends paid	-	-	-	(114)	(114)
Shares issued	1	-	-	-	1
Total transactions with owners	1	-	-	(71)	(70)
Balance at 1 January 2018	1,139	29	658	1,912	3,738
Impact of adopting IFRS 15	-	-	-	(28)	(28)
Balance at 1 January 2018 (IFRS 15)	1,139	29	658	1,884	3,710
Comprehensive income					
Profit for the financial year	-	-	-	177	177
Other comprehensive income	-	-	-	(39)	(39)
Total comprehensive income	-	-	-	138	138
Transactions with owners					
Share based payment transactions	-	-	-	2	2
Dividend paid	-	-	-	(125)	(125)
Shares issued	-	-	-	-	-
Total transactions with owners	-	-	-	(123)	(123)
Balance at 31 December 2018	1,139	29	658	1,899	3,725

Group Cash Flow Statement
for the year ended 31 December 2018

	2018		2017	
	£'000	£'000	£'000	£'000
Cash flow from operating activities				
Profit before taxation	139		309	
Adjustment for depreciation	11		12	
Adjustment for impairment and write off of goodwill	27		-	
Adjustment for investment income	(10)		(6)	
Adjustment for foreign exchange differences	-		8	
Adjustment for share-based payments	2		43	
Operating cash flows before movements in working capital	169		366	
Decrease/(increase) in trade and other receivables	(86)		220	
(Decrease)/increase in trade and other payables	(112)		(81)	
Cash (used in) / generated from operations		(29)		505
Tax paid		(16)		(50)
Tax credit received		53		58
Net cash generated from operating activities		8		513
Cash flows from investing activities				
Finance income		11		6
Development costs		(213)		(213)
Purchase of equipment		(13)		(6)
Net cash used in investing activities		(215)		(213)
Cash flows from financing activities				
Dividends paid		(125)		(114)
Issue of ordinary share capital		-		1
Net cash used in financing activities		(125)		(113)
Net (decrease)/increase in cash and cash equivalents		(332)		187
Cash and cash equivalents at beginning of year		1,621		1,466
Exchange (losses) on cash and cash equivalents		(18)		(32)
Cash and cash equivalents at end of year		1,271		1,621

Notes to the preliminary financial results

1. The figures for the years ended 31 December 2018 and 2017 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The figures for the year ended 31 December 2018 have been extracted from the statutory accounts for that year on which the auditor has issued an unqualified audit report which has yet to be delivered to the Registrar of Companies. The figures for the year ended 31 December 2017 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 13 March 2019 and authorised for issue on 14 March 2019.

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 2018 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 is based on the profit for the year after tax of £177,000 (2017: £313,000), and the weighted average number of ordinary shares in issue during the year of 113,930,470 (2017: 113,854,048). The fully diluted earnings per share takes account of outstanding options which results in a weighted average number of shares in issue during the year of 115,944,901 (2017: 119,241,436). 9,200,000 (2017: nil) were excluded from the calculation because they are antidilutive for the period presented.

4. DIVIDENDS

Ordinary	2018 £'000	2017 £'000
Final paid (0.05 pence per share) (2017: 0.05 pence per share)	57	57
Interim 2018 paid (0.06 pence per share (2017: 0.05 pence per share))	68	57
	125	114

The directors recommend the payment of a final dividend of 0.06 pence per Ordinary Share (2017: 0.05 pence per share) to be paid on 30 May 2019 to those shareholders on the register on 23 April 2019.

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 which is the Group's presentation and functional currency.

6. Copies of the 2018 Annual Report and Accounts will be made available to shareholders in April, at which point this will be announced by Regulatory News Service. Copies may be obtained thereafter by contacting the Company Secretary at the registered office. The 2018 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 23 May 2019.