

LOOPUP GROUP PLC

(“LoopUp Group” or the “Group”)

Interim results for the six months ended 30 June 2018

LoopUp Group plc (AIM: LOOP), the premium remote meetings company, today announces its unaudited interim results for the six months ended 30 June 2018. The results are the first since the Group's acquisition of MeetingZone in June 2018 and include one month of trading (June 2018) from the acquired business.

The results demonstrate six months of further robust growth in revenue and profitability, driven by continued strong new business sales and customer loyalty in the Group's key markets, and augmented by June's trading of MeetingZone. The Group enters the second half of the year with a healthy new business pipeline and strong balance sheet to drive further growth.

Financial Highlights

- Group revenue increased by 39% to £12.0m (H1 2017: £8.7m).
- Adjusted Group EBITDA^{2, 3} increased by 65% to £2.7m (H1 2017: £1.6m).
- Adjusted Group operating profit³ increased by 79% to £0.9m (H1 2017: £0.5m).
- Fully diluted EPS³ for the period was 1.7 pence (H1 2017: 1.9 pence). The H1 2017 result was positively impacted by a material R&D tax credit adjustment relating to 2016. Excluding this adjustment results in a comparative EPS of 1.1 pence for H1 2017, which represents year-on-year diluted EPS growth of 55% in H1 2018.
- As at 30 June 2018, the Group held £5.8m in cash and had net debt of £11.2m.

£ million	Six months to 30 June 2018 (unaudited)	Six months to 30 June 2017 (unaudited)	Year-on-year growth
Group revenue ¹	12.0	8.7	39%
Group gross profit ¹	8.9	6.6	35%
Group operating profit / (loss) ¹	(0.1)	0.5	
Adjusted Group operating profit ³	0.9	0.5	79%
Adjusted Group EBITDA ^{2, 3}	2.7	1.6	65%

¹ H1 2018 Group revenue includes June 2018 trading for MeetingZone

² Earnings before interest, taxation, depreciation, amortisation and share based payments charges

³ Excluding non-recurring transaction costs and exceptional reorganisation costs

Operational Highlights

- On 4 June 2018, the Group completed the acquisition of MeetingZone for £61.4m, funded by a £50m equity placement and a new £17m term loan, bringing a material increase in scale to the Group.
- The Group continues to see strong demand for the LoopUp product from its target market of mid-to-large enterprises and professional services firms.
- The Group entered the Australian market with two new business 'Pods', which to date have won more than 30 new customers for rollout in the second half of the year.
- The seven pods in LoopUp's existing UK and US markets have continued to operate to highly efficient unit economics in terms of recurring gross margin return on investment.
- The Group has maintained its track record of 'negative net churn' – i.e. net growth – in its long-term established customer base, driven by continued strong end user engagement with differentiated features of the LoopUp product.

Post-period Highlights

- Following the acquisition of MeetingZone, actions have already been successfully implemented that will deliver greater cost savings and on a faster timescale than announced at the time of acquisition.
- The Group expects to reinvest some of those additional cost savings in additional measures, including the expansion of pods and lead generation marketing, to drive LoopUp organic growth.
- A project team has been formed to transition MeetingZone's audio conferencing business over to the LoopUp platform. Initial approaches support management's expectations of a successful transition, and the first customer switchovers have now taken place.
- The Group has strengthened its senior management with several key hires, including Chief Marketing Officer, Robert Jardine.

Steve Flavell and Michael Hughes, co-CEOs of LoopUp Group, commented:

"It's been an action-packed and tremendously progressive first six months of the year – a transformational acquisition in terms of LoopUp's business scale, successful expansion into the Australian market, and continuation of our strong organic growth. Our income statement has developed positively at all key levels, and our strong balance sheet and increased scale following the MeetingZone acquisition puts the Group in a strong position to leverage the "network effect" of our product and drive growth across new and existing markets.

Looking ahead, we remain confident in our ability to meet market expectations and deliver strong future growth, driven by our highly differentiated product in the £5 billion market for outsourced remote meetings services."

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About LoopUp Group plc

LoopUp (LSE AIM: LOOP) is a premium remote meetings solution. Streamlined and intuitive, LoopUp is built for business users and delivers the quality, security and reliability required in the enterprise. One-click screen sharing and integration with tools business people use every day, like Outlook™, make it easy for LoopUp users to collaborate in real time. LoopUp's award-winning SaaS solution doesn't overwhelm users with features and doesn't require training. Over 2,000 enterprises worldwide, including Travelex, Kia Motors America, Planet Hollywood, and National Geographic trust LoopUp with their remote meetings.

The Group is headquartered in London, with offices in San Francisco, New York, Boston, Hong Kong, Sydney and Barbados, and is listed on the AIM market of the London Stock Exchange (LOOP). For further information, please visit: www.loopup.com.

Notes: This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

Chief Executive Officers' Business Review

We are pleased to report on a transformational period in the first half of 2018, with successful execution on a number of fronts. In June 2018, we completed the acquisition of MeetingZone and, while this only impacts the month of June's trading in this statement, the deal propels the Group to a new order of scale. At the same time, we have continued our track-record of strong organic revenue growth and gross margin improvement, and have increased profitability at both adjusted EBITDA and adjusted operating profit levels, driven by our continued efficient new business acquisition and customer retention metrics.

Following the acquisition, our strategic priorities are to: (i) continue to innovate the LoopUp product, which is central to how we compete; (ii) drive organic growth through the expansion of proven, efficient pods in core geographic markets and internationally, supplemented by an increasing role of inbound marketing; and (iii) ensure a successful transition of MeetingZone audio conferencing business to the LoopUp platform to amplify the established network effect in the LoopUp product.

Acquisition of MeetingZone

On 4 June 2018, the Group completed the acquisition of MeetingZone for consideration of £61.4m on a debt-free and cash-free basis, funded by a £50m equity placement and a new £17m term loan from Bank of Ireland. The acquisition brings a material increase in scale to the Group: unaudited MeetingZone revenue for the six months to 30 June 2018 was £11.7m, although only one month (June 2018) is consolidated in Group results.

The Group's strategic rationale for the deal is to transition MeetingZone's audio conferencing business over to the LoopUp platform and so amplify the established 'network effect' in the LoopUp product. During FY2017, approximately 30% of the Group's new business originated from non-customer guests on LoopUp meetings, existing customer referrals, previous LoopUp users now at new companies, and non-marketing driven inbound approaches to the Group.

A project team comprising both MeetingZone and LoopUp account managers, operating independently of LoopUp new business pods, has been formed to drive the transition of MeetingZone audio conferencing business over to the LoopUp platform. Initial approaches to MeetingZone customers support management's expectations of a successful transition and the first customer switchovers have now taken place. The Group expects to complete the transition in all geographies by the end of H1 2019.

Furthermore, the acquisition presents the opportunity for material cost savings in the enlarged Group. When the acquisition was announced on 16 May 2018, we expected to realise cost savings of approximately £0.5m in FY2018 and at least £2.8m in FY2019. However, following a comprehensive strategic review once under our ownership, actions have now already been successfully implemented that will generate cost savings of approximately £1.3m in FY2018 and £3.2m in FY2019.

The Group expects to reinvest some of these extra cost savings in additional measures to drive LoopUp's organic growth, including but not necessarily limited to the expansion of pods and more lead generation marketing. In line with this plan, the Group has augmented its senior management team during the period with a number of key hires. First, Robert Jardine has joined as Chief Marketing Officer to drive the Group's inbound lead generation and brand awareness, as well as supporting the targeted account-based marketing within pods. In addition, Ben Fried has joined as VP, Group Commercial and

Dave Carroll has re-joined as VP, Network Operations having previously worked in the business from [2006-2010]. Paul Tunstall completes the process, joining as Senior Director, Account Management.

Transaction cash costs for the acquisition and fundraise came in at £3.8m, £0.2m lower than estimated at completion. £1.0m of these costs have been charged to administrative expenses. The one-off exceptional cost associated with the implemented cost savings was approximately £1 million, in line with guidance at the time of the acquisition. The majority of this will apply to the Group's second half financials.

Continued strong, efficient and profitable growth

We are pleased to report on another period of robust business performance during the first half of 2018, maintaining our track record of strong, efficient and profitable growth: revenue increased by 39% to £12.0m; gross profit increased by 35% to £8.9m; and after adjustments to exclude non-recurring transaction costs and exceptional reorganisation costs, EBITDA increased by 65% to £2.7m and operating profit increased by 79% to £0.9m.

Our performance continues to be driven by both our highly differentiated competitive positioning and product, as well as our efficient and scalable team-based 'Pods' organisational structure for new business acquisition. Organic LoopUp revenue grew by 22% in H1 2018 on a constant currency basis over H1 2017, and organic LoopUp gross margins improved further to 77.2%, 40 basis points higher than during H1 2017. The Group continues to see strong demand for the LoopUp product from mid-to-large enterprises and professional services firms. Landmark accounts won during the first half of the year included a publicly-quoted UK telecommunications company, a leading pet products retailer, and multiple major international law firms.

As announced on 28 March 2018, LoopUp's expansion into Australia has meant two of the Group's nine new business acquisition 'pods' have been in pipeline-build mode during H1 2018, leading to the difference in growth rate versus an average of 31% over the three prior first half periods. Our Australian pods have now closed more than 30 accounts for rollout during the second half of the year. This is in line with expectations and the Australian pods are expected to develop to normal pod productivity levels during H2 2018.

The remaining seven pods in LoopUp's existing UK and US markets have continued to operate to highly efficient unit economics. In H1 2018, each pod delivered on average approximately £518,000 of new annual recurring revenue (FY2017: £472,000) – or approximately £400,000 of new annual recurring gross margin (FY2017: £362,000) – at an average fully-loaded cost of approximately £532,000 (FY2017: £483,000).

A critical factor here is the recurring nature of the newly-acquired gross margin achieved by the one-time invested cost of acquisition. Concerning retention, LoopUp has maintained its track record of 'negative net churn' – i.e. net growth – in its long-term established customer base. LoopUp revenue (at constant currency) in this long-term established base grew year-on-year by a net 3.3% (FY2017: 2.2%). The key driver here is the strong engagement that LoopUp customers demonstrate with differentiated features of the LoopUp product. For example, during H1 2018, new users since 2016 are now joining 75% of their meetings by having LoopUp call out to them rather than 'dialing in' in the traditional way, and 79% of them have chosen to download one or both of LoopUp's Outlook add-in and mobile app.

Outlook

We continue to see strong demand for the LoopUp product from our target market of mid-to-large enterprises and professional services firms. Since the end of the reported period, we've had some major new customer wins with successful momentum particularly building in the legal sector. Pipelines are

healthy and we remain confident in our ability to deliver further growth in line with expectations for the full year.

Unaudited consolidated statement of comprehensive income for the six months to 30 June 2018

£'000	Six months to 30 June 2018	Six months to 30 June 2017	12 months to 31 December 2017
Revenue	12,012	8,651	17,465
Cost of sales	(3,064)	(2,004)	(4,076)
Gross profit	8,948	6,647	13,389
Administrative expenses	(9,045)	(5,038)	(12,657)
Operating profit / (loss)	(97)	510	732
Adjusted EBITDA¹	2,654	1,609	3,463
Non-recurring transaction costs	(994)	-	-
Exceptional reorganisation costs	(18)	-	-
Depreciation	(180)	(137)	(291)
Amortisation of intangible fixed assets	(1,559)	(962)	(2,140)
Impairment of intangible fixed assets	-	-	(300)
Operating profit / (loss)	(97)	510	732
Interest payable	(41)	(3)	(3)
Finance costs	(82)	-	-
Profit / (loss) before tax	(220)	507	729
Income tax	(4)	356	1,260
Profit / (loss) for the period	(224)	863	1,989
Other comprehensive income and loss			
Currency translation loss	(3)	(80)	(175)
Total comprehensive income / (loss) for the period attributable to the equity holders of the parent	(227)	783	1,814
Earnings / (loss) per share (pence) – Note 4			
- Basic adjusted ²	1.8	2.1	4.8
- Basic	(0.5)	2.1	4.8
- Diluted adjusted ²	1.7	1.9	4.4
- Diluted	(0.5)	1.9	4.4

- Adjusted EBITDA is operating profit stated before non-recurring transaction costs, exceptional reorganisation costs, depreciation and amortisation of intangible fixed assets.
- Basic adjusted and diluted adjusted earnings per share is calculated using profit before tax adjusted for non-recurring transaction costs and exceptional reorganisation costs.

Unaudited consolidated statement of financial position at 30 June 2018

£'000	30 June 2018	30 June 2017	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	2,268	528	466
Intangible assets:			
- Goodwill (note 6)	31,101	-	-
- Customer relationships, brands and trademarks (note 6)	33,155	-	-
- Development costs	6,471	5,705	6,142
Total non-current assets	72,995	6,233	6,608
Current assets			
Trade and other receivables	9,656	3,539	3,348
Cash and cash equivalents	5,844	1,612	2,902
Current tax	-	-	904
Total current assets	15,500	5,151	7,154
Total assets	88,495	11,384	13,762
Liabilities			
Trade and other payables	(5,034)	(1,788)	(2,118)
Accruals and deferred income	(2,937)	(986)	(1,189)
Borrowings	(1,700)	-	-
Total current liabilities	(9,671)	(2,774)	(3,307)
Net current assets	5,829	2,377	3,847
Non-current liabilities			
Borrowings	(15,300)	-	-
Deferred tax liability	(5,636)	-	-
Total non-current liabilities	(20,936)	-	-
Total liabilities	(30,607)	(2,774)	(3,307)
Net assets	57,888	8,610	10,455
Equity			
Share capital	274	205	210
Share premium	60,233	11,828	12,637
Other reserve	12,691	12,691	12,691
Foreign currency translation reserve	(1,986)	(1,888)	(1,983)
Retained loss	(13,324)	(14,226)	(13,100)
Shareholders' funds attributable to equity owners of parent	57,888	8,610	10,455

Unaudited consolidated statement of changes in equity at 30 June 2018

£'000	Share capital	Share premium	Other reserve	Foreign currency translation reserve	Retained loss	Shareholders' funds / (deficit) attributable to equity owners of parent
Balance at 1 January 2017	204	11,708	12,691	(1,808)	(15,089)	7,706
Profit and total comprehensive income / (loss)	-	-	-	(80)	863	783
Proceeds from share issues	1	120	-	-	-	121
Balance at 30 June 2017	205	11,828	12,691	(1,888)	(14,226)	8,610
Profit and total comprehensive income	-	-	-	(95)	1,126	1,031
Proceeds from share issues	5	809	-	-	-	814
Balance at 31 December 2017	210	12,637	12,691	(1,983)	(13,100)	10,455
Profit and total comprehensive income / (loss)	-	-	-	(3)	(224)	(227)
Proceeds from share issue	64	50,058	-	-	-	50,122
Cost of issue of equity shares	-	(2,462)	-	-	-	(2,462)
Balance at 30 June 2018	274	60,233	12,691	(1,986)	(13,324)	57,888

Unaudited consolidated statement of cash flows for the six months to 30 June 2018

£'000	Six months to 30 June 2018	Six months to 30 June 2017	12 months to 31 December 2017
Net cash flow from operating activities			
Profit / (loss) before tax	(220)	507	729
Adjustments for:			
Depreciation	180	137	290
Amortisation of development costs	1,559	962	2,140
Impairment of development costs	-	-	300
Interest payable		3	3
Finance costs	82	-	-
Working capital adjustments:			
Increase in trade and other receivables	(982)	(737)	(547)
Increase / (decrease) in trade and other payables	427	(348)	183
Income tax received	895	856	858
Cash generated from operations	1,941	1,380	3,956
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	(61,579)	-	-
Purchase of property, plant and equipment	(107)	(202)	(331)
Development expenditure	(1,888)	(1,845)	(3,760)
Net cash used in investing activities	(63,574)	(2,047)	(4,091)
Cash flows from financing activities			
Proceeds of borrowings	17,000	-	-
Proceeds from share issues net of transaction costs	47,660	121	935
Repayment of loans	-	(306)	(306)
Interest and finance fees paid	(82)	(3)	(3)
Net cash generated by financing activities	64,578	(188)	626
Net increase / (decrease) in cash and cash equivalents	2,945	(855)	491
Cash and cash equivalents brought forward	2,902	2,547	2,547
Effect of foreign exchange rate changes	(3)	(80)	(136)
Cash and cash equivalents carried forward	5,844	1,612	2,902

Notes to the financial information for the six months ended 30 June 2018

1. General information

LoopUp Group plc (AIM: "LOOP", "LoopUp Group", or the "Group") is a global software-as-a-service ("SaaS") provider of remote meetings. It is a public limited company incorporated and domiciled in England and Wales, with company number 09980752. Its registered office is 78 Kingsland Road, London, E2 8DP.

2. Basis of preparation and significant accounting policies

These consolidated interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (September 2018). This results announcement does not constitute statutory accounts of the Group within the meaning of sections 434(3) and 435(3) of the Companies Act 2006. The balance sheet at 31 December 2017 has been derived from the full Group accounts published in the Annual Report and Accounts 2017, which has been delivered to the Registrar of Companies and on which the report of the independent auditors was unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006.

The results have been prepared in accordance with the accounting policies set out in the Group's 31 December 2017 statutory accounts, which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union ("EU"). There have been two significant mandatory accounting changes which apply from 1 January 2018:

IFRS 15 'Revenue from Contracts with Customers'

This new standard became effective on 1 January 2018 and establishes a five-step model to account for revenue arising from contracts with customers. The standard establishes a 'principles based' approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred. The new revenue standard supersedes all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018.

The impact of this standard has been immaterial and therefore there has not been any restatement of reporting comparatives.

IFRS 9 'Financial Instruments'

This new standard introduces extensive changes to IAS 39's guidance on the classification and measurement of financial assets and introduces a new 'expected credit loss' model for the impairment of financial assets. IFRS 9 became effective for annual reporting periods beginning on or after 1 January 2018.

The impact of this standard has been immaterial and therefore there has not been any restatement of reporting comparatives.

These unaudited interim results have been prepared on a going concern basis. At the balance sheet date, the Group had cash of £5.8m and net assets of £57.9m, and as such the Directors have a reasonable expectation that the Group has adequate resources to continue operations for the next twelve months.

The results for the six months ended 30 June 2018 were approved by the Board on 25 September 2018. A copy of these interim results will be available on the Group's web site www.loopup.com from 26 September 2018.

The principal risks and uncertainties faced by the Group have not changed from those set out in the Annual Report and Accounts 2017.

3. Revenue and segmental reporting

The Directors have identified segments by reference to the principal groups of services offered and the geographical organisation of the business as reported to the chief operating decision maker.

Segmental revenues are external and there are no material transactions between segments.

The main revenue segment is audio conferencing revenue, which consists of ongoing contracts to provide customers with access to the LoopUp conferencing platform as well as the acquired MeetingZone conferencing platform. Other collaboration services consist of revenues from the resale and usage of externally designed web conferencing platforms, along with related hardware and consultancy sales.

£'000	Six months to 30 June 2018	Six months to 30 June 2017	12 months to 31 December 2017
Analysis of revenue by segment:			
Audio conferencing revenue	11,210	8,651	17,465
other collaboration services	802	-	-
	12,012	8,651	17,465
Analysis of gross profit before tax by segment:			
Audio conferencing revenue	8,698	6,647	13,389
other collaboration services	250	-	-
	8,948	6,647	13,389
Geographical analysis of total revenue:			
UK	5,517	3,116	6,957
Other EU	1,306	848	1,267
US	5,047	4,547	8,968
Rest of World	142	140	273
	12,012	8,651	17,465
Geographical analysis of audio conferencing revenue:			
UK	4,929	3,116	6,957
Other EU	1,220	848	1,267
US	4,919	4,547	8,968
Rest of World	142	140	273
	11,210	8,651	17,465
Geographical analysis of other collaboration services revenue:			
UK	589	-	-
Other EU	86	-	-
US	127	-	-
Rest of World	-	-	-
	802	-	-
Geographical analysis of non-current assets:			
UK	67,012	5,775	6,209
Other EU	16	-	-
US	305	419	354
Rest of World	30	39	45
	67,363	6,233	6,609

4. Earnings per share

The basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the year. Adjusted earnings per share is presented using this net profit adjusted for non-recurring transaction costs and exceptional reorganisation costs.

	Six months to 30 June 2018	Six months to 30 June 2017	12 months to 31 December 2017
Profit / (loss) attributable to equity holders (£'000)			
- As reported	(224)	863	1,989
- Adjustment for non-recurring transaction costs and exceptional reorganisation costs	1,012	-	-
- Adjusted profit	788	863	1,989
Weighted average number of ordinary shares in issue ('000)	44,049	40,915	41,208
Basic earnings / (loss) per share (pence):			
- Adjusted	1.8	2.1	4.8
- Basic	(0.5)	2.1	4.8

The diluted earnings per share has been calculated by dividing the above profit numbers by the weighted average number of shares in issue during the year, adjusted for potentially dilutive shares that are not anti-dilutive.

	Six months to 30 June 2018	Six months to 30 June 2017	12 months to 31 December 2017
Weighted average number of ordinary shares in issue ('000)	44,049	40,915	41,208
Adjustments for share options ('000)	2,921	4,290	3,699
Weighted average number of potential ordinary shares in issue ('000)	46,970	45,205	44,907
Diluted earnings per share (pence):			
- Adjusted	1.7	1.9	4.4
- Diluted	(0.5)	1.9	4.4

5. Dividends

The directors did not recommend the payment of a dividend for the years ended 31 December 2017 or 2016.

6. Acquisitions and financing

On 4 June 2018, the Group acquired the entire issued share capital of Warwick Holdco Limited, the holding company of the MeetingZone group. The acquisition from GMT Communication Partners was for an agreed enterprise value of £61.4m. To fund the acquisition, the group issued 12,500,000 new Ordinary Shares at a placing price of £4.00 each and secured a new £17.0 million term loan from the Bank of Ireland.

The amounts recognised for each class of assets and liabilities at the acquisition date were as follows:

£'000	Fair value
Intangible assets consisting of:	
- Customer relationships	31,178
- Brand and trademarks	1,977
Net assets acquired consisting of:	
- Property, plant and equipment	1,875
- Trade and other receivables	5,325
- Trade and other payables	(4,241)
- Deferred tax liability	(5,636)
Net identifiable assets acquired	30,478
Add: goodwill	31,101
Net assets acquired	61,579

The goodwill is attributable to the workforce acquired and the value projected to be generated through future new business and the expected benefits from integrating MeetingZone into the LoopUp group.

The Group incurred legal and professional fees of £3.8m in relation to the acquisition. £2.5m of these costs were set against share premium, £1.0m were included in administrative expenses and £0.1m related to finance costs. In addition, £0.2m of arrangement fees for the term loan are being expensed over the five year life of the facility.

In the year ended 31 December 2017 the trade of Warwick Holdco Limited and its subsidiaries generated revenues of £22.5m and Adjusted EBITDA of £5.0m. The business generated revenues of £1.9m and EBITDA of £0.3m in the period from acquisition to 30 June 2018 – these amounts are included in the consolidated results of the Group. Total revenue associated with MeetingZone for the period to 30 June 2018 was £11.7m, with EBITDA of £2.3m.

If the acquisition had occurred on 1 January 2018, the Group revenue for the period to June 2018 would have been £21.8m, and Adjusted EBITDA would have been £4.8m.