28 September 2015

7digital Group plc

(“7digital”, “the Group” or “the Company”)

Half Year results for the period ended 30 June 2015

7digital Group plc (AIM: 7DIG), the digital music and radio services company, today announces its results for the half year ended 30 June 2015.

These are the first Interim Results on which the success of the new company created from the merger of UBC Media and 7digital can be observed. The strategy set out at the merger is bearing fruit; a company designed to take advantage of business to business revenues arising from the rapid changes in the online music and radio marketplace is now seeing strong growth. High margin monthly recurring licensing revenues from access to the Company’s streaming technology and music catalogue are replacing low margin revenues from downloaded content. As the online music industry moves into a “Third Age”, an increasing number of companies are ready to enter the digital music and radio marketplace, creating a strong demand for the Company’s services.

Operational highlights

- 15 new customer contracts signed producing set-up revenues of £0.9m, including Sainsbury’s, Mariposa, Jazz FM, NEC, Panasonic, and OpenLIVE
- 13 new customers using platform, generating annualised MRR of £1.6m during the lifetime of their contracts, including ROK Mobile, Onkyo, Spanish Broadcasting Systems, and new Guvera territories
- Continued transition from low margin download business to high margin B2B streaming services raises gross margin to 64% (2014: 49%)
- New partnership agreements with Imagination for FlowRadio, and product innovation with Google Cast™

Financial highlights [(1)]

- Turnover of £5.2m (2014: £5.1m)
- High-margin licensing revenues up by 26% to £3.1m
- Total annualised monthly recurring revenues (“MRR”) at half year end up 55% at £5.2m (December 2014: £3.3m)
- Gross profit up by 34% to £3.3m (2014: £2.5m)
- Adjusted LBITDA reduced by 27% to £1.3m (2014: £1.8m)
- Including the mark-to-market loss on sale of Audioboom stake of £4.8m, a statutory loss of £6.6m (2014: £2.8m)
- Cash at 30 June 2015 of £2.5m (December 2014: £5.3m)

Post period-end highlights

- Remaining interest in Audioboom was sold on 4 September 2015, raising net cash proceeds of £1.9m

Simon Cole, Chief Executive, said “The changes in our revenues are evident from these results, which highlight the scale of 7digital’s continued shift further towards streaming and licensing models. The strategy set out at the merger is clearly driving the business forward, and ensuring we are at the forefront of the Third Age of digital music.”

(1) As a consequence of the reverse acquisition of 7digital Group Inc by UBC Media Group plc ("the Reverse Acquisition") on 10 June 2014, the reported comparative results for the half year to 30 June 2014 include six months of the 7digital Group and one month of the UBC Media Group.

Enquiries:

7digital Group Simon Cole, Chief Executive Chris Dent, Chief Financial Officer Holly Ashmore, PR and Client Relations Manager	**020 7099 7777**
finnCap (nominated adviser and broker) Geoff Nash / Carl Holmes - Corporate Finance Malar Velaigam / Mia Gardner - Corporate Broking	**020 7220 0500**
Powerscourt Juliet Callaghan / Simon Compton/ Hattie O’Reilly	**020 7250 1446**

Chief Executive's Review

These results demonstrate the continued transformation of our source of revenue; over the six months licensing revenues have increased 26%. In June 2015 our annualised streaming MRRs were up 153% from December 2014, as the focus of the business, and the market, shifts further towards streaming. We are pioneering a completely new business model that fuses digital music and radio, through the building or licensing of new services for a diverse range of customers. This model generates a regular flow of high margin income for the business and utilises the combined skills from 7digital and UBC.

Industry shifts

During the first six months of 2015, the transition in music consumption from owning CDs and digital files to accessing streaming services has continued at an increased rate. Meanwhile, as we predicted, radio has been thrust into the spotlight as Apple and others have entered this marketplace for the first time.

Historically, strong music retail markets such as the US and UK have served as important pathfinders for an industry navigating changes in consumer behaviour. However, H1 has seen a growth in streaming more evenly spread across international markets and, according to Futuresource, 60% of global digital growth is expected to come from outside the US and UK between 2014 and 2019. Our own customer profile mirrors the trend, with clients such as Guvera (India), Astro (Malaysia), and Mariposa (Brazil). The industry may have finally reached its 'tipping point' where streaming is becoming the norm. Enabling growth through new models and in new markets then becomes the primary focus for the music industry, rather than protecting CD sales or adhering to digital models that only target the music aficionado.

New customers

We are now in the Third Age of digital music. The journey started with piracy and the decline of physical sales (First Age), moving on to the launch of iTunes and the subsequent rise of £9.99 subscription streaming (Second Age). Progression to the Third Age of streaming brings new opportunity with products and services suitable for a global, mainstream market. The Company is a leader in the Third Age of digital music, and our market is comprised of customers who are investing in transforming the listening experience.

Increasingly we are working with new customers that are either augmenting their existing radio businesses or seeking to differentiate their hardware or telecoms network offerings through the bundling of music. Apple and Spotify were viewed as the disrupters of the digital music market when they emerged, and as they began to gain traction. A decade later, it is time for a paradigm shift. The £9.99 per month streaming subscription model isn't right for everyone. 7digital is a proponent of new business models, such as bundling with consumer devices and mobile contracts (which feel free to the end user), or niche streaming to offer limited catalogues of specific genres of music at new price points.

Radio

Radio remains the most popular form of audio consumption in terms of audience, and accounts for most of the general population's total listening time. A shift in consumer habits is undermining traditional radio's relevance in an increasingly digital world, leading to a significant opportunity for the Company and its customers. Just as Amazon and Netflix have disrupted video consumption and are challenging the position of established, traditional broadcasters in the market, the same will also happen in the radio industry. Apple has already made its initial move into broadcasting with Beats 1, and we are seeing a number of visionary radio companies also taking decisive action to innovate. For example, the BBC (a long-term partner of ours) has announced recently that it proposes to launch a new streaming service.

The Company has existing customers in the radio space, such as Astro, and is also working with Jazz FM and Team Rock – both radio stations that could previously only be active in one country and can now be available around the world due to the emergence of new radio streaming service models. Discussions with radio groups are ongoing, five contracts have been signed to date for Radioplayer Worldwide, and we recently announced an agreement with Imagination Technologies to license the FlowRadio internet radio aggregation service internationally. The Company is well placed in the radio industry and has an active pipeline in this area.

Impact of high resolution audio

Historically high resolution audio (or hi-res) has not been a large revenue driver for the music industry; however, with technology and bandwidth barriers removed, the industry expects hi-res to be an important growth segment in the coming years. The Company's move into providing hi-res audio is already bringing in additional revenue streams from Panasonic and the Onkyo Pioneer Group, with hi-res download revenues increasing 14% month-on-month in the period. This area will continue to generate revenues as a significant portion of the market want to differentiate their offering while selling consumer electronics devices. We have already won business from the device manufacturers mentioned, and others want to work with us to showcase the capabilities of their devices. Network operators are also interested in hi-res audio for a similar reason.

Quality of our pipeline and outlook

The Company has significant deals at various stages in the contract process, with 63 new prospects as well as existing customers who are looking to expand current services or extend into further territories. Our results in the first six months of the year show the continued progress the Company has made in winning business in the sectors we have targeted. We look forward to further progress over the remainder of the year and expect an outcome for the year in line with expectations.

7digital Group plc

Financial review

Results for the six months ending 30 June	2015 £'000	2014 £'000	Change	%
Revenue	5,153	5,057	96	2%
Cost of Sales	(1,836)	(2,579)	743	-29%
Gross profit	**3,317**	**2,478**	**839**	**34%**
Other operating income	485	-	485	0%
Other administration expenses	(5,093)	(4,292)	(801)	19%
Adjusted LBITDA	**(1,291)**	**(1,814)**	**523**	**-29%**
Depreciation	(381)	(312)	(69)	22%
Adjusted operating loss	**(1,672)**	**(2,126)**	**454**	**-21%**
Share based payments	(73)	(290)	217	-75%
Exceptional items	(66)	(315)	249	-79%
Operating loss	**(1,811)**	**(2,732)**	**921**	**-34%**
Taxation on continuing operations	(10)	(7)	(3)	43%
Finance cost	(23)	(34)	11	-32%
Loss for the period	**(1,844)**	**(2,772)**	**928**	**-33%**

This review covers the consolidated results of 7digital Group plc (formerly UBC Media Group plc), which went through a reverse acquisition with 7digital Group, Inc. on 10 June 2014. The comparative statement of Comprehensive Income consists of six months of the 7digital Group, Inc. consolidated accounts from 1 January, and the 20 days of the UBC Media Group from 10 June 2014.

Revenue

	2015 £'000	2014 £'000	Change	%
Monthly recurring revenue	2,251	2,210	41	2%
Step-up fees	883	281	602	214%
Licensing revenue	**3,134**	**2,491**	643	26%
Content	1,099	2,376	-1,277	-54%
Production	920	190	730	384%
Total Revenues	**5,153**	**5,057**	96	2%

Licensing revenue, which forms the core of the business has risen by 26%. MRR was up by 2%; the low increase being due to the loss of customers providing download services, which have been replaced by customers wanting new streaming services. This change in our customer base is reflected in the high levels of set-up fees which primarily relate to the initial set-up fees paid by new customers, who we would expect to contribute to increasing MRR in the coming year. The total annualised MRR rate in June 2015 was £4.2m, an increase of 55% from December 2014 (£3.3m).

Low-margin content revenue has fallen as customers have closed download stores reflecting the industry wide move from ownership to rental models for music.

The production revenue has increased due to the inclusion of a full 6 months of the results of the production businesses acquired as part of the reverse acquisition in June 2014.

The change in revenue mix has led to an increase in gross profit by £0.8m (34%), and an increase in the gross margin, which has risen from 49% to 64% as higher margin licence sales have grown.

7digital Group plc

Financial review

Adjusted LBITDA and operating loss

In the six months to 30 June 2015, the Company reduced its adjusted LBITDA from £1.81m to £1.32m (a reduction of 27%), and its adjusted operating loss from £2.13m to £1.70m.

Operating loss

The operating loss has reduced, from £2.73m to £1.84m, in part because of £0.3m of exceptional expenses related to the reverse acquisition in June 2014.

Other gains and losses

Post period-end the group disposed of its remaining interest in Audioboom for £1.9m. This has resulted in an impairment loss of £4.8m during the period.

Statutory loss

Due to the exceptional one-off impairment loss in relation to our disposal of our remaining interest in Audioboom, we have made a statutory loss of £6.6m (2014: £2.8m).

Cash flow & cash position

In the six months to 30 June 2015, the Company had a cash outflow from operating activities of £2.31m (H1 2014: £2.71m). At 30 June 2015, cash in bank was £2.47m (H1 2013: £5.29m). Post period-end this cash balance was augmented by net proceeds of £1.9m from the sale of the remaining stake in Audioboom.

Loss per share

In the six months to 30 June 2015 the Company reported a basic and diluted loss per share of 6.13 pence.

7digital Group plc

Condensed consolidated statement of comprehensive income

Six months ended 30 June 2015 (unaudited)

	Notes	**Unaudited six months ended 30 June 2015**	**Unaudited six months ended 30 June 2014**	**Audited full year ended 31 Dec 2014**
		£'000	**£'000**	**£'000**
Continuing operations				
Revenue	2	**5,153**	5,057	10,213
Cost of sales		**(1,836)**	(2,579)	(4,883)
Gross profit		**3,317**	2,477	5,330
Other income	3	**455**	-	-
Administrative expenses		**(5,613)**	(5,209)	(9,833)
Adjusted operating loss		**(1,681)**	(2,127)	(3,775)
- Share based payments		**(73)**	(290)	(340)
- Exceptional items	4	**(86)**	(315)	(388)
Operating loss		**(1,841)**	(2,732)	(4,503)
Other gains and losses	5,7	**(4,757)**	-	1,888
Finance Income		**10**	-	8
Finance cost		**-**	(34)	(5)
Loss before tax		**(6,587)**	(2,765)	(2,612)
Taxation on continuing operations		**(10)**	(7)	(17)
Loss from operations attributable to owners of the parent company		**(6,597)**	(2,772)	(2,629)
Fair value (loss)/gain on investment		**-**	(115)	3,004
Foreign exchange		**(36)**		(31)
Total comprehensive income attributable to owners of the parent company		**(6,632)**	(2,887)	345
Loss per share (pence)				
Basic and diluted		**(6.13)**	(3.75)	(3.01)

7digital Group plc

Condensed consolidated statement of financial position

As at 30 June 2015 (unaudited)

	Notes	**Unaudited six months ended 30 June 2015**	**Unaudited six months ended 30 June 2014**	**Audited full year ended 31 Dec 2014**
		£'000	**£'000**	**£'000**
Assets				
Non-current assets				
Intangibles		**369**	363	345
Property, plant and equipment		**803**	671	691
Investments	5,7	**1,868**	4,786	6,625
Derivative financial instrument		**-**	351	-
		3,041	6,170	7,661
Current assets				
Inventory: work-in-progress		**41**	183	44
Trade and other receivables		**4,392**	3,547	3,095
Cash and cash equivalents		**2,471**	5,294	5,312
		6,903	9,024	8,452
Total assets		**9,944**	15,194	16,113
Current liabilities				
Trade and other payables		**(5,495)**	(7,768)	(4,796)
Provisions for liabilities and charges - current		**-**	-	(188)
		(5,495)	(7,768)	(4,984)
Net current assets		**1,408**	1,256	3,468
Net assets		**4,449**	7,426	11,129
Equity				
Share capital		**10,843**	10,833	10,833
Share premium account		**17,278**	17,265	17,278
Treasury reserve		**(74)**	(183)	(215)
Reverse acquisition reserve		**(4,430)**	(4,380)	(4,430)
Foreign exchange reserve		**20**	-	(31)
AFS reserve		**-**	(115)	3,004
Retained earnings		**(19,189)**	(15,994)	(15,311)
Total Equity		**4,449**	7,426	11,129

7digital Group plc

Condensed consolidated cash flow statement

Six months ended 30 June 2015 (unaudited)

	Notes	Unaudited six months ended 30 June 2015 £'000	Unaudited six months ended 30 June 2014 £'000	Audited full year ended 31 Dec 2014 £'000
Loss from continuing operations		**(6,632)**	(2,772)	(2,629)
		-	-	-
Loss for the period		**(6,632)**	(2,772)	(2,629)
Adjustments for:				
Taxation		**10**	7	17
Interest		**(10)**	30	(2)
Foreign Exchange		**36**	-	-
Amortisation of intangible assets		**125**	-	254
Negative goodwill released to income		**-**	(22)	(22)
Depreciation of fixed assets		**256**	313	414
Loss/(gain) on sale of asset	5,7	**4,757**	-	(1,888)
Share option valuation adjustment		**73**	290	340
Decrease in provisions		**(188)**	(3)	(451)
Increase/(decrease) in accruals and deferred income		**348**	-	(1,543)
Decrease in inventories		**3**	10	151
(Increase)/decrease in trade and other receivables		**(1,296)**	(157)	354
Increase/(decrease) in trade and other payables		**211**	(408)	(1,282)
Cash flows from operating activities		**(2,308)**	(2,712)	(6,288)
Taxation		**(10)**	(7)	(17)
Net interest		**10**	-	2
Net cash used in operating activities		**(2,308)**	(2,712)	(6,302)
Investing activities				
Disposal of investment		**-**	-	3,520
Purchase of property, plant and equipment		**(310)**	(120)	(345)
Acquisition of subsidiary		-	198	198
Purchase of intangible asset		**(188)**	-	-
Net cash generated from / (used) in investing activities		**(498)**	78	3,372
Financing activities				
Proceeds from issue of ordinary share capital		**-**	6,691	6,952
Net cash generated from in financing activities		**-**	6,691	6,952
Net increase / (decrease) in cash and cash equivalents		**(2,806)**	4,056	4,022
Cash and cash equivalents at beginning of period		**5,312**	1,290	1,290
Effect of foreign exchange rate changes		**(36)**	(46)	-
Cash and cash equivalents at end of period		**2,471**	5,300	5,312

7digital Group plc

Condensed consolidated statement of changes in equity

Six months ended 30 June 2015 (unaudited)

	Share capital £'000	Share premium account £'000	Treasury reserves £'000	Other reserves £'000	Retained earnings £'000	**Total £'000**
At 1 January 2014	-	11,477	-	-	(13,023)	**(1,546)**
Loss for the period	-	-	-	-	(2,772)	**(2,772)**
Other comprehensive income for the period	-	-	-	(115)	-	**(115)**
Share based payment	-	-	-	-	290	**290**
Acquisition of subsidiary	10,833	5,788	(183)	(4,380)	-	**12,058**
At 30 June 2014	10,833	17,265	(183)	(4,495)	(15,505)	**7,916**
Loss for the period	-	-			143	**143**
Acquisition of subsidiary	-	14	-	(50)	-	**(37)**
Other comprehensive income for the period	-	-	-	3,088	-	**3,088**
Transaction in treasury shares	-	-	(33)	-	-	**(33)**
Share based payment	-	-	-	-	50	**50**
At 1 January 2015	10,833	17,278	(215)	(1,456)	(15,311)	**11,128**
Loss for the period	-	-	-	-	(6,632)	**(6,632)**
Other comprehensive income for the period	-	-	-	(2,953)	2,834	**(119)**
Share based payment	11	-	142	-	(79)	**73**
At 30 June 2015	**10,843**	**17,278**	**(73)**	**(4,410)**	**(19,189)**	**4,450**

7digital Group plc

Notes to the financial statements

Six months ended 30 June 2015 (unaudited)

1. Presentation of financial information and accounting policies

Basis of preparation

The condensed consolidated financial statements are for the six months to 30 June 2015.

The combined financial information has been prepared in accordance with 7digital Group plc accounting policies. 7digital Group plc accounting policies are in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and as issued by the International Accounting Standards Board, and are set out in the 7Digital Group plc Annual Reports and Financial Statements 2014, with the exception of the application of new accounting standards.

The information for the six months ended 30 June 2015 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The information for the year ending 31 December 2014 is taken from the Annual Reports and Financial Statements 2014 of 7digital Group plc.

Going concern

The condensed financial statements have been prepared on a going concern basis. At the period end, the Group had cash and cash equivalents of £2.6m, and post-period end has received a further £1.9m from the divestment of our stake in Audioboom. The directors are satisfied that there are sufficient resources available for the Group to continue for the foreseeable future. As such the condensed and consolidated financial statements have been prepared on a going concern basis.

Estimates and judgments

The preparation of a condensed set of financial statements requires management to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities at each period end. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

In preparing these condensed set of consolidated financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were principally the same as those applied to the Group's consolidated financial statements for the year ended 31 December 2014.

2. Business and geographical segments

Business segments

	Unaudited six months to 30 June 2015	Unaudited six months to 30 June 2014	Audited full year ended 31 Dec 2014
	£'000	£'000	£'000
Revenue			
Licensing	**3,133**	2,491	4,983
Content	**1,101**	2,376	4,028
Production	**920**	190	1,202
Total	**5,155**	5,057	10,213
Operating profit/(loss)			
Licensing	**2,798**	2,229	4,651
Content	**49**	217	598
Production	**469**	31	81
Unallocated	**(5,158)**	(5,209)	(9,749)
Total	**(1,841)**	(2,732)	(4,419)
Other income	**485**	-	1,888
Net finance costs	**(23)**	(34)	2
Taxation	**(10)**	(7)	(17)
Loss for the year	**(1,845)**	(2,773)	(2,545)

Geographical information

	Revenue		Non-current assets	
Unaudited six months to 30 June	**2015**	2014	**2015**	2014
Continuing Operations	**£'000**	£'000	**£'000**	£'000
United Kingdom	**1,990**	1,759	**1,173**	1,033
Europe	**792**	1,014	**-**	-
Rest of World	**2,374**	2,284	**-**	-
	5,155	5,057	**1,173**	1,033

3. Other income

Other income relates to a research and development tax credit which was receivable from HMRC at the end of the period.

4. Exceptional items

	Unaudited six months ended 30 June 2015	Unaudited six months ended 30 June 2014	Audited full year ended 31 Dec 2014
	£'000	£'000	£'000
Acquisition costs	**20**	(337)	(409)
Adjustment on acquisition	**-**	22	22
Restructuring costs	**(86)**	-	-
	(66)	(315)	(388)

On 10 June 2014 7digital Group plc (formerly UBC Media Group plc) acquired 7digital Group Inc. This was accounted for as a reverse acquisition. As part of this transaction 7digital Group Inc incurred a variety of legal and professional fees which have been classified as exceptional items due to their one-off nature and magnitude. As part of the accounting for the acquisition the fair value of the assets acquired and the consideration paid were measured, as this resulted in an excess credit being recognised, this was not capitalised, but taken to the income statement as an exceptional item.

5. Investment in asset for sale

	£'000
Cost and net book value	
At 1 January 2014	-
Acquisition of subsidiary	5,252
Fair value adjustment	(115)
Balance as at 30 June 2014	5,137
Disposal	(1,516)
Fair value adjustment	3,004
Balance as at 31 December 2014	6,625
Fair value adjustment	(4,757)
Balance as at 30 June 2015	**1,868**

The amounts included above represent investments in Audioboom Group plc ("Audioboom"), an AIM listed company, which was acquired as part of the reverse acquisition of UBC Media Group plc. At the period end the Group owned 58m shares in Audioboom, and had a further 8.8m of warrants exercisable at 1.5 pence.

On 7 September 2015 the Group disposed of the whole of its interest in Audioboom, raising cash proceeds of approximately £1.87 million. The fair value adjustment in the period is to adjust the balance to the value which was realised post the balance sheet date.

6. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed within the financial statements or related notes.

7. Post balance sheet event

On 7 September 2015 the Group disposed of the whole of its interest in Audioboom, please see note 5 for details.