

16 March 2016

## STILO INTERNATIONAL PLC

### **Preliminary Announcement of Results for Year Ended 31 December 2015**

Stilo International plc ("Stilo", the "Group" or the "Company") today announces its results for the year ended 31 December 2015. The Company provides software tools and cloud services that help organisations create and process 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**

- Sales revenues increased by 20% to £1,517,000 (2014: £1,262,000)
- Increase in EBITDA\* to £272,000 (2014: £108,000)
- Annual recurring software maintenance revenues of £713,000 (2014: £710,000)
- Continued investment in product development of £419,000 (2014: £403,000)
- Improved cash position of £1,318,000 as at 31 December 2015 (2014: £1,089,000)
- Final dividend proposed of 0.05 pence per Ordinary Share, making total dividend of 0.08 pence for the year (2014: total 0.06 pence); increased by 33%

\*EBITDA comprises profit before taxation, interest, depreciation and the amortisation of software development costs, and excludes non-recurring exceptional costs

#### **BUSINESS HIGHLIGHTS**

- 61% growth in revenues for Migrate, the world's first cloud XML content conversion service, with new customers including Qualcomm, Perceptive Software, Tridium, Infinera, Dell Software, Applied Materials, GE Medical, Molina Healthcare and Pitney Bowes.
- Largest ever order for Migrate, value US\$765k over 3 years, received from a major US client.
- Orders for OmniMark, a high-performance content processing development platform, received from the European Parliament, Scandinavian Airlines, Honeywell, Japan Patent Office, Electric Boat and Hebco.
- Successful beta testing of AuthorBridge, our new cloud XML authoring service, by major customer.

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

"The Company made good progress in 2015. In addition to growing sales revenues and increasing profits, we made substantial progress with the development of AuthorBridge, our new cloud XML authoring service for non-technical users.

With cash reserves continuing to be 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 0.08 pence per share.'

## ENQUIRIES

### **Stilo International plc**

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Richard Alsept, Chief Financial Officer  
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### **SPARK Advisory Partners**

(Nominated Adviser)  
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Nick Emerson  
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## CHAIRMAN'S STATEMENT

The Company made good progress in 2015. In addition to growing sales revenues and increasing profits, we made substantial progress with the development of AuthorBridge, our new cloud XML authoring service for non-technical users.

With cash reserves continuing to be strong, I am pleased to propose the payment of a final dividend of 0.05 pence per share, providing a total dividend for the period of 0.08 pence per share.

The market for XML DITA technologies and services continues to grow steadily, and it is our long-term intention to provide interoperable cloud services that dramatically reduce the barriers to entry and ongoing cost of ownership for new DITA adopters.

Migrate is now well-established as a unique and market-leading cloud conversion service. It helps us to quickly establish good relationships with new customers that in turn provide potential cross-sell opportunities for AuthorBridge.

We now look forward to the general release of AuthorBridge during 2016. Pricing will be based upon a low-cost annual licensing model, and while not significantly impacting results in 2016, it will serve to establish a firm foundation for growth in revenues and profits in future years.

**David Ashman**  
**Chairman**  
**15 March 2016**

## BUSINESS OVERVIEW

Stilo develops software tools and cloud services that help organisations create and process 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, different industries have adopted specific XML standards e.g. Publishing (DocBook), Aerospace & Defence (S1000D), Finance (XBRL), Life Sciences (SPL), Software and High Tech (DITA). The decision was made by the Company 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. Stilo is now beginning to make inroads into new market sectors including Manufacturing, Life Sciences and Publishing.

The market for DITA-based tools and services is growing steadily, with several hundred companies having adopted the standard worldwide. With a strong reputation for excellent products and supporting technical expertise, Stilo is well-positioned to be successful in this particular sector, and we will also seek to expand into other XML markets, as suitable business opportunities arise.

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, Scandinavian Airlines, Honeywell, Electric Boat, Hebco, and the Japan Patent Office.

### 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. New customers in 2015 include Qualcomm, Perceptive Software, Tridium, Infinera, Openet, Sensus, Harmonic, NetApp, Dell Software, Applied Materials, GE Medical, Molina Healthcare and Pitney Bowes. During the period, we achieved a significant 61% growth in sales revenues, including our largest ever order for Migrate, with a value of US\$765k over 3 years, from a major US client.

Using Migrate, our customers have converted over one million pages of content to the DITA format.

### AuthorBridge

AuthorBridge is a cloud XML authoring service, designed for occasional content contributors who have no knowledge of DITA or its complexities.

It is targeted at large enterprises that are looking to extend the use of DITA across different business units and potentially support thousands of users. We have made considerable progress with the development of AuthorBridge in 2015, working closely with an internationally renowned customer that has helped guide our technical efforts. Following successful beta testing, AuthorBridge is now scheduled to be deployed by them in full production in the coming months.

In the meantime, we continue to invest significantly in the continuing development of AuthorBridge as we look to address the requirements of the wider market, and to proceed with a more general controlled release in 2016.

### Sales analysis by geographic region

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

Region	2015	2014
UK	2%	3%
Rest of Europe	16%	17%
North America	67%	61%
South America	1%	5%
Asia	14%	14%

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 DITA will spread internationally in the future.

## **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 utilised 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 of 31 December 2015, there were 17 permanent employees in the Company, complemented by the use of contractors. In 2016 we will be making additional investments in the recruitment of development personnel, but 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 2015 have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards as adopted by the European Union.

In 2015, the results for Stilo show an increase in EBITDA to £272,000 (2014: £108,000). Pre-tax profits were £261,000 (2014: £95,000).

Total sales revenues for the year increased by 20% to £1,517,000 (2014: £1,262,000). The increase in revenue was due primarily to a growth of 61% in Stilo Migrate sales. The Company continued to benefit from recurring revenue from software maintenance contracts of £713,000 (2014: £710,000) which represents 47% (2014: 56%) of annual sales revenue. Revenue from OmniMark software remained broadly level compared to the previous year.

The Company continues to maintain careful control over operating costs. Operating expenses, excluding capitalised development costs, increased to £1,250,000 (2014: £1,160,000), due primarily to the recruitment of additional staff.

Investment in R & D continued in 2015, with total expenditure for the year of £419,000 (2014: £403,000). Of this expenditure, £125,000 (2014: £114,000) relating to the development of AuthorBridge has been capitalised. As a result of this investment, Stilo continues to benefit from research and development tax credits.

There was a cash balance of £1,318,000 as at 31 December 2015 (31 December 2014: £1,089,000), and Stilo remains entirely un-gearred. 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 planned for 2016, however, overall costs will continue to be carefully managed in order to maintain cash reserves at a satisfactory level.

## **DIVIDENDS**

The Board recommends the payment of a Final Dividend for the year of 0.05 pence per Ordinary Share which, if approved at the AGM on 18 May, will be paid on 23 May 2016 to shareholders on the register on 25 April 2015. The shares will be marked ex-dividend on 22 April 2016. If approved, payment of the Final Dividend will bring the total dividends paid to shareholders for the year to 0.08 pence per Ordinary Share, representing an annualised increase of 33% over 2014.

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 2015**

	Note	2015 £'000	2014 £'000
<b>Continuing operations</b>			
<b>Revenue</b>		1,517	1,262
Cost of sales		(12)	(13)
		<hr/>	<hr/>
<b>Gross profit</b>		1,505	1,249
Operating expenses		(1,233)	(1,141)
Depreciation		(13)	(11)
Amortisation of intangible assets		(4)	(8)
		<hr/>	<hr/>
<b>Operating profit</b>		255	89
Finance Income		6	6
		<hr/>	<hr/>
<b>Profit before tax</b>		261	95
Income tax		48	58
		<hr/>	<hr/>
<b>Profit for the year attributable to the equity shareholders of the parent company</b>		309	153
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share attributable to equity shareholders of the parent:			
Earnings per share – basic	3	0.28p	0.14p
Earnings per share – diluted	3	0.28p	0.13p
Dividends paid per share	4	0.06p	0.06p

**Group Statement of Comprehensive Income**  
**Year Ended 31 December 2015**

	2015 £'000	2014 £'000
<b>Profit for the year</b>	309	153
	<hr/>	<hr/>
<b>Other comprehensive income</b>		
<b>Items that may subsequently be reclassified to profit and loss:</b>		
Foreign currency translation differences	(109)	(30)
	<hr/>	<hr/>
<b>Other comprehensive income for the year, net of tax</b>	(109)	(30)
	<hr/>	<hr/>
<b>Total comprehensive income relating to the year</b>	200	123
	<hr/> <hr/>	<hr/> <hr/>
All comprehensive income is attributable to equity shareholders of the parent company.		

**Group Statement of Financial Position  
as at 31 December 2015**

	2015 £'000	2014 £'000
<b>Non-current assets</b>		
Goodwill	1,660	1,674
Other intangible assets	225	118
Plant and equipment	19	20
Deferred tax asset	50	50
	<hr/> 1,954	<hr/> 1,862
<b>Current assets</b>		
Trade and other receivables	203	272
Income tax asset	49	59
Cash and cash equivalents	1,318	1,089
	<hr/> 1,570	<hr/> 1,420
<b>Total Assets</b>	<hr/> <b>3,524</b> <hr/>	<hr/> <b>3,382</b> <hr/>
<b>Current Liabilities</b>		
Trade and other payables	474	453
<b>Non-current liabilities</b>		
Other payables	28	11
<b>Total liabilities</b>	<hr/> 502 <hr/>	<hr/> 464 <hr/>
Called up share capital	1,124	1,098
Share premium	13	-
Merger reserve	658	658
Retained earnings	1,227	1,062
<b>Total equity attributable to equity shareholders of the parent company</b>	<hr/> 3,022 <hr/>	<hr/> 2,818 <hr/>
<b>Total equity and liabilities</b>	<hr/> <b>3,524</b> <hr/>	<hr/> <b>3,282</b> <hr/>

**Group Statement of Changes in Equity  
for the year ended 31 December 2015**

**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 2014	1,098	-	658	1,005	2,761
<b>Comprehensive income</b>					
Profit for the financial year	-	-	-	153	153
<b>Other comprehensive income</b>					
Exchange adjustments	-	-	-	(30)	(30)
<b>Total comprehensive income</b>	-	-	-	123	123
<b>Transactions with owners</b>					
Dividends paid	-	-	-	(66)	(66)
<b>Total transactions with owners</b>	-	-	-	(66)	(66)
Balance at 1 January 2015	1,098	-	658	1,062	2,818
<b>Comprehensive income</b>					
Profit for the financial year	-	-	-	309	309
<b>Other comprehensive income</b>					
Exchange adjustments	-	-	-	(109)	(109)
<b>Total comprehensive income</b>	-	-	-	200	200
<b>Transactions with owners</b>					
Share based transactions	-	-	-	31	31
Dividend paid	-	-	-	(66)	(66)
Shares issued	26	13	-	-	39
<b>Total transactions with owners</b>	26	13	-	(35)	4
At 31 December 2015	1,124	13	658	1,227	3,022

**Group Cash Flow Statement  
for the year ended 31 December 2015**

	2015 £'000	£000	2014 £'000	£000
<b>Cash flows from operating activities</b>				
Profit before taxation	261		95	
Adjustment for depreciation and amortisation	17		19	
Adjustment for investment income	(6)		(6)	
Adjustment for foreign exchange differences	(81)		(28)	
Adjustment for (gain) / loss on financial derivatives	(26)		24	
Adjustment for share based payments	31		-	
	<hr/>		<hr/>	
<b>Operating cash flows before movements in working capital</b>	196		104	
Decrease in trade and other receivables	69		-	
Increase in trade and other payables	64		32	
	<hr/>		<hr/>	
Cash generated from operations		329		136
Tax paid		(1)		(1)
Tax credit received		59		55
		<hr/>		<hr/>
<b>Net cash generated from operating activities</b>		387		190
<b>Cash flows from investing activities</b>				
Finance income		6		6
Development costs capitalised		(125)		(114)
Purchase of plant and equipment		(12)		(12)
		<hr/>		<hr/>
<b>Net cash used in investing activities</b>		(131)		(120)
<b>Financing activities</b>				
Dividend paid		(66)		(66)
Issue of ordinary shares		39		-
		<hr/>		<hr/>
<b>Net cash used in financing activities</b>		(27)		(66)
Net increase in cash and cash equivalents		229		4
Cash and cash equivalents at beginning of year		1,089		1,085
		<hr/>		<hr/>
<b>Cash and cash equivalents at end of year</b>		1,318		1,089
		<hr/> <hr/>		<hr/> <hr/>

## Notes to the preliminary financial results

1. The figures for the year ended 31 December 2015 and 2014 do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The figures for the year ended 31 December 2015 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 2014 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 2016 and authorised for issue on 16 March 2015.
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 2015 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 £309,000 (2014: profit of £153,000), and on the weighted average number of shares in issue during the year of 110,566,803 (2014: 109,808,470). The fully diluted earnings per share in 2015 takes account of outstanding options which results in a weighted average number of shares in issue during the prior year of 110,951,117 (2014: 113,383,710).

#### 4. DIVIDENDS

Ordinary	2015 £'000	2014 £'000
Final 2014 paid (0.03 pence per share (2014: 0.03 pence per share))	33	33
Interim paid (0.03 pence per share (2014: 0.03 pence per share))	33	33
	<u>66</u>	<u>66</u>

The directors recommend the payment of a final dividend of 0.05 pence per Ordinary Share (2014: 0.03 pence per share) to be paid on 23 May 2016 to those shareholders on the register on 25 April 2015.

The proposed dividend is not included as a liability in these financial statements as it is subject to shareholder 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 2015 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 2015 Annual Report and Accounts will be available to download from the investor relations section on the Company's website [www.stilo.com](http://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 Wednesday 18 May 2016.**