



OTAQ PLC

(‘OTAQ’, or the ‘Company’ or the ‘Group’)

Interim Results

Strong double-digit growth for the first half suggesting OTAQ is well on track to deliver on full year expectations

OTAQ, the marine technology products and solutions group for the global aquaculture and offshore oil and gas industries, announces its Interim Results for the half-year ended 30 September 2020.

Financial Highlights

- Revenue increase of 16%, to £2.03m (HY 2019: £1.76m)
- Gross Profit up 13%, to £1.14m (HY 2019: £1.01m)
- Adjusted EBITDA* increased 22%, to £0.39m (HY 2019: £0.32m)
- Net cash of £1.13m at 30 September 2020 (HY 2019: £0.16m)

Operating Highlights

- Continued focus on diversifying revenue streams both geographically and through further enhancing the product portfolio
- Delivered direct sales of SealFence units to customers in the Faroe Islands, while also launching the SealFence portable product in addition to new installs in Scotland and Ireland
- Strategic alliance with Minnowtech LLC - enhancing capabilities to commercialise new technologies
- Significant progress on the delivery of the biomass and plankton projects, with additional infrastructure put in place to support successful delivery
- Post-period end acquisition of trade and assets of ROS Technology Limited

Outlook

- Expectation remains to report revenue of £4.0m and Adjusted EBITDA* of £0.5m for the year to 31 March 2021
- Well placed to return to a normal level of operations and business development activities once travel restrictions are lifted
- Positioned to increase market share once the regulatory requirements across target markets are clarified

Appointments

- Matt Enright joined the Board on 26 June 2020 as Chief Financial Officer and Company Secretary
- Strengthened the R&D team with Chris Hyde appointed Chief Technology Officer and Dr Peter Robinson joining the Company through the ROS Technology acquisition

Alex Hambro, Non-Executive Chairman of OTAQ plc, commented: *“Whilst Covid-19 is expected to continue to impact operations and business development for the remainder of the financial year, we believe that the Group is well placed to return to a normal level of operations and business development activities once travel restrictions are lifted. Furthermore, we believe that the business will*

be in a strong position to further grow its market share once the regulatory requirements across its target markets are clarified.

“While trading conditions have been impacted by wider issues, we remain excited by the potential to diversify revenue streams both geographically and through further enhancing our product portfolio. Importantly, the business remains well placed to trade through this period of uncertainty and take advantage of strong growth opportunities as conditions allow.”

Contacts:

OTAQ PLC

Alex Hambro, Non-Executive Chairman
Phil Newby, Chief Executive Officer
Matt Enright, Chief Financial Officer

Via Walbrook

Dowgate Capital Ltd (Broker & Adviser)

David Poutney/James Serjeant/Nicholas
Chambers

020 3903 7715

Walbrook PR Ltd

Tom Cooper/Nick Rome/Nicholas Johnson

Tel: 020 7933 8780 or Otaq@walbrookpr.com
0797 122 1972 or 07748 325 236 or 07884 664 686

About OTAQ:

OTAQ is a highly innovative marine technology company focused on the marine aquaculture, offshore energy, renewables and oceanographic research sectors. It operates in four worldwide locations: Lancaster, Aberdeen and Ulverston in the UK and Puerto Montt in Chile.

OTAQ's marine technology portfolio includes a market-leading intelligent acoustic deterrent system, Sealfence, designed to protect marine-based aquaculture sites from predation, with multiple systems deployed in Scotland, Chile, Finland and Russia.

The Company's Oceansense leak detection systems have a global reputation as the industry standard solution and have been deployed successfully on hundreds of jobs. OTAQ's Dragonfish laser measurement system is fast becoming recognised as one of the most accurate underwater precision laser measurement systems available. OTAQ also has significant experience in the design and manufacture of underwater connectors, penetrators and communication systems.

It seeks to develop and continuously improve its products using its specialist mechanical, electronic and software engineers with decades of experience in bringing underwater technology products to market. Concurrently, OTAQ seeks to expand its technology portfolio through acquisitive growth, with the aim of further expanding its aquaculture and offshore product offering.

OTAQ is proud to be fully ISO 9001:2015 accredited through DNV-GL. ISO 9001 is an internationally recognised quality management system and demonstrates OTAQ's commitment to consistency, continual improvement and customer satisfaction. The certification also demonstrates its ability to consistently deliver products and services to market whilst meeting statutory and regulatory requirements by applying an effective quality management system.

Chairman's Statement

Summary

The Group is pleased to present its first set of interim results as a plc which have been delivered against the complexities of the Covid-19 pandemic.

Despite a challenging six months due to the pandemic, revenue has increased by 16% to £2.03m compared with the prior period (H1 2019: £1.80m) and adjusted EBITDA* has increased by 22% to £0.39m (H1 2019: £0.32m). Whilst these results were impacted by restricted operations and opportunities for business development, the Group remains focussed on delivering the long-term strategic goals it has set in order to realise OTAQ's potential and significantly increase shareholder value. The focus remains on further growing our customer base, expanding into new geographies, and developing new products - with the ultimate goal of diversifying revenue streams.

This strategic objective is demonstrated by the progress made during the eight months since listing. The Group has developed and launched new products, invested in the USA-based aquaculture innovator Minnowtech LLC and post period-end acquired the trade and assets of ROS Technology. The research and development team has been strengthened by appointing Chris Hyde to the role of Chief Technology Officer and work continues to deliver the key aquaculture projects developing new products in the fields of biomass measuring and plankton detection.

Additionally, the Group is delighted to welcome Matt Enright who joined the Board on 26 June 2020 as Chief Financial Officer and Company Secretary.

Covid-19

The Covid-19 pandemic has impacted Group operations; however, the workforce has successfully adapted to Covid-safe working environments as well as working from home. Investments have been made in remote-working infrastructure enabling the Group to adapt and as such be able to successfully fulfil customer orders and requirements.

Conversely, business development activities have been constrained by global restrictions on travel meaning that the Group's pursuit of growth opportunities in new markets are not progressing as quickly as anticipated. However, the Group remains excited about its ability to pursue these opportunities as and when travel restrictions are eased.

Trading

Aquaculture revenue has shown some progress in the period at £1.3m (H1 2019: £1.05m) and against £2.1m reported for the full year to 31 March 2020. The Aquaculture division, which represents 59% of Group revenue, is underpinned by long-term deployment of SealFence units at customer sites. We have continued to install new units in Scotland and a new location, Ireland, during the period but not to the extent we originally envisaged. Chile, in particular, has been more problematic due to significant travel restrictions imposed by the Chilean government during the period in response to the Covid-19 pandemic.

In addition, we have also delivered direct sales of SealFence units to customers in the Faroe Islands. The launch of the SealFence portable product also resulted in additional sales in October and is expected to deliver further revenue in the full financial year.

The Offshore division has performed in line with the prior year with revenue of £0.30m (H1 2019: £0.34m) and against £0.62m in the full year to 31 March 2020 which was augmented through product sales rather than core rentals. Future performance in that division looks uncertain given the reduced market for rental of the flagship product, OceanSense. New product development being undertaken by the Offshore division is intended to increase non-rental revenue.

The Connectors division moved into larger premises in November 2020 which will support future growth in the division. Connectors has performed in-line with expectations for the year with revenue of £0.50m (H1 2019: £0.36m for four months post-acquisition).

Strategy

The Group's strategy is to build a business of significance within the aquaculture industry focussed on enabling salmon producers, and farmers of other aquatic species, to become more productive by helping them overcome environmental challenges in their operations and generate efficiencies through the use of data and technology.

Acquisitions

A key part of the strategy, acquisition-led development, has made progress during the period. The strategic alliance with Minnowtech LLC, announced in June 2020, allows OTAQ not only to maintain a shareholding in an exciting aquaculture technology innovator but also contribute expertise in commercialising new technologies.

Post period end on 7 November 2020, The Group acquired the trade and assets, including key customer contracts and the core intellectual property, of ROS Technology Limited. The acquisition will be revenue generating and EBITDA enhancing for the remainder of the year and beyond. ROS Technology Limited was set up by Dr Peter Robinson, the founder of OTAQ and inventor of the SealFence technology, as a vehicle for him to apply his expertise in electronics and mechanical design. This acquisition not only enhances the financial performance of the Group but also reunites Peter's knowledge and experience with the OTAQ R&D team.

Innovation

Additional focus has been given to the R&D department with Chris Hyde appointed as Chief Technology Officer to lead the team. This was complemented by Dr Peter Robinson joining the Group through the ROS Technology acquisition. Chris and Peter have considerable expertise and experience within the aquaculture market. Chris will lead the delivery of the biomass and plankton projects, and the Group is pleased to report significant progress has been made regarding these projects with additional infrastructure put in place to support the successful delivery.

Regulation

Regulation of the aquaculture industry worldwide is still evolving due to the introduction of novel technologies and the demands of governing bodies who oversee food standards. OTAQ believes that clear regulation is a positive force in aquaculture, maintaining high standards in the industry and rewarding those who have invested in their technology. The benefit of regulatory standards being implemented ensures the maintenance of a respected industry and mitigates the risk of under-invested competitors undermining competition and threatening the marine environment. It remains, however, that many markets have yet to define their regulatory policy in the field of aquaculture technology, and specifically deterrent technologies.

In this regard, the Scottish fish farming industry, in which OTAQ's SealFence technology is widely deployed awaits the outcome of a review of acoustic deterrent devices (ADDs) and their environmental impact. OTAQ remains confident that its products are environmentally benign, with the added benefit that the nature of its products also means that they would be adaptable to comply with any variations in technical specifications if required. Until the Scottish Parliament has reviewed the scientific evidence on the environmental impact of ADDs (scheduled for March 2021), there will remain an element of uncertainty in the further development of this important market.

The Group is also increasingly confident that the SealFence product is compliant with the updated United States Marine Mammals Protection Act. This will potentially open up business development opportunities in North America and the rest of the world as salmon exports to the USA are forced to comply with the act.

Financial Highlights

Group	H1 2019/20 £'000	H1 2018/19 £'000	Change %
Revenue	2,031	1,757	+16
Gross profit	1,139	1,011	+13
Adjusted EBITDA*	385	316	+22
Net cash **	1,132	157	+621

*EBITDA (earnings before income, tax, depreciation, share option charges and amortisation) is reconciled from the statutory operating loss per the consolidated statement of comprehensive income as follows:

	30 Sept 20 £'000	30 Sept 19 £'000
Operating (loss) / profit	(157)	6
Amortisation of intangible assets	69	49
Covid-19 grant	108	-
IFRS16 depreciation	43	-
Depreciation on property, plant and equipment	322	261
Adjusted EBITDA	385	316

**Net cash is reconciled from the statutory cash position per the consolidated statement of financial position as follows:

	30 Sept £'000	31 Mar 20 £'000
Cash and cash equivalents	1,939	4,087
Non-current lease liabilities	(277)	(214)
Current lease liabilities	(114)	(78)
Current financial liabilities	-	(487)
Current deferred payment for acquisition	(270)	(232)
Non-current deferred payment for acquisition	(153)	(273)
Income tax asset	7	56
Net cash	1,132	2,859

Adjusted EBITDA grew to £0.39 million from £0.32m in 2019. This improvement was driven by the overall revenue growth to £2.03m. The adjusted EBITDA profit margin improved to 19% from an adjusted EBITDA operating profit margin of 18% in 2019.

The reduction in the Net cash position to £1.13m from £2.86m is in line with management expectations as current financial liabilities of £0.49m have been repaid in the period to 30 September 2020 as well as the payment of professional fees in the period relating to the reverse takeover of Hertsford Capital plc and additional placing that took place on 31 March 2020 as shown in the Condensed Consolidated Statement of Cash Flows with £0.86m related to trade payables and other payables.

Outlook

As per the trading update dated 29 October 2020, the Group expects to report revenue of £4.0m and adjusted EBITDA of £0.5m for the year to 31 March 2021.

Whilst Covid-19 is expected to continue to impact operations and business development for the remainder of the financial year we believe that the Group is well placed to return to a normal level of operations and business development activities once travel restrictions are lifted. Furthermore, we believe that the business will be in a strong position to further grow its market share once the regulatory requirements across its target markets are clarified.

While trading conditions have been impacted by wider issues, we remain excited by the potential to diversify revenue streams both geographically and through further enhancing our product portfolio. Importantly, the business remains well placed to trade through this period of uncertainty and take advantage of strong growth opportunities as conditions allow.

Alex Hambro
Non-Executive Chairman
26 November 2020

Condensed Consolidated Statement of Comprehensive Income

	Notes	Half-year ended	
		30 September 2020 £000	30 September 2019 £000
Revenue	2	2,031	1,757
Cost of sales		(892)	(746)
Gross profit		1,139	1,011
Administrative expenses		(1,296)	(1,057)
Operating Loss		(157)	(46)
Finance expense		(9)	(97)
Other income	3	108	-
Exceptional items	4	(57)	-
Loss on ordinary activities before taxation		(115)	(143)
Taxation		-	6
Loss for the period		(115)	(137)
Other comprehensive loss		-	-
Total Comprehensive Loss		(115)	(137)
Attributable to:			
The Group		(115)	(136)
Non-controlling interests		-	(1)

The loss for the period arises from the Group's continuing operations and is attributable to the equity holders of the parent.

There were no other items of comprehensive income for the period (2019: £nil) and therefore the loss for the period is also the total comprehensive loss for the period.

Condensed Consolidated Balance Sheet

	30 September 2020 £000	31 March 2020 £000
Assets		
Non-current assets		
Plant and equipment	1,393	1,442
Right-of-use assets	383	292
Goodwill	1,030	1,030
Intangible assets	1,304	1,124
	<hr/> 4,110	<hr/> 3,888
Current assets		
Inventories	1,155	972
Trade and other receivables	1,106	757
Income tax asset	7	56
Cash and cash equivalents	1,939	4,087
	<hr/> 4,207	<hr/> 5,872
Total assets	<hr/> 8,317	<hr/> 9,760
Liabilities		
Current liabilities		
Trade and other payables	1,348	2,206
Deferred payment for acquisition	270	273
Leases	114	78
Financial liabilities	-	487
	<hr/> 1,732	<hr/> 3,044
Non-current liabilities		
Deferred payment for acquisition	153	232
Deferred Tax	90	90
Leases	277	214
	<hr/> 520	<hr/> 536
Total liabilities	<hr/> 2,252	<hr/> 3,580
Net assets	<hr/> 6,065	<hr/> 6,180
Capital and reserves		
Share capital	4,582	4,582
Share premium	2,892	2,892
Share option reserve	559	559
Merger relief reserve	9,154	9,154
Reverse acquisition reserve	(6,777)	(6,777)
Revenue reserve	(4,345)	(4,230)
Total equity	<hr/> 6,065	<hr/> 6,180

Condensed Consolidated Statement of Changes in Equity

	Issued Equity capital £000	Share Premium £000	Share option reserve £000	Merger relief reserve £'000	Reverse acquisition reserve £'000	Other Reserve £000	Revenue Reserve £000	Net Equity for OTAQ Sharehol- ders £000	Non- Controlling Interests £000	Total Equity £000
At 31 March 2019	960	1,924	-	-	-	355	(1,583)	1,656	(6)	1,650
Loss for the period and total comprehensive loss of the period	-	-	-	-	-	-	(136)	(136)	(1)	(137)
Deferred cost related to the acquisition of subsidiary	-	-	-	-	-	25	-	25	-	25
Unwinding of discount on deferred cost related to acquisition of subsidiary	-	-	-	-	-	40	-	40	-	40
Group reconstruction	-	-	-	-	1,736	-	-	1,736	-	1,736
At 30 September 2019	960	1,924	-	-	1,736	420	(1,719)	3,321	(7)	3,314
At 31 March 2020	4,582	2,892	559	9,154	(6,777)	-	(4,230)	6,180	-	6,180
Loss for the period and total comprehensive loss for the period	-	-	-	-	-	-	(115)	-	-	-
At 30 September 2020	4,582	2,892	559	9,154	(6,777)	-	(4,345)	6,065	-	6,065

Condensed Consolidated Statement of Cash Flows

	Half-year ended	
	30 September 2020 £000	30 September 2019 £000
Cash flows from operating activities		
Loss after interest and tax	(115)	(137)
<i>Adjustments for:</i>		
Depreciation of tangible fixed assets	365	261
Interest expense	9	
Amortisation of intangible assets	69	100
Taxation Charge	-	(6)
<i>Changes in working capital:</i>		
(Increase)/decrease in inventories	(183)	7
(Increase) in trade and other receivables	(199)	(97)
(Decrease)/increase in trade payables and other payables	(857)	110
Cash (outflow)/inflow from operating activities	(911)	314
Tax credit received	49	6
Net cash (outflow)/inflow from operating activities	(862)	320
Cash flows from investing activities		
Purchases of tangible fixed assets	(414)	(385)
Purchases of intangible fixed assets	(251)	(190)
Payment of acquisition of subsidiary, net of cash acquired	(82)	(289)
Net cash outflow from investing activities	(747)	(864)
Cash flow from financing activities		
Proceeds from issues of ordinary share capital	-	1,073
Loans (repayments)/proceeds	(638)	255
Grant funding received	108	-
Interest Paid	(9)	-
Net cash inflow from financing activities	(539)	1,328
(Decrease)/increase in cash and cash equivalents	(2,148)	784
Cash and cash equivalents at the start of the period	4,087	368
Cash and cash equivalents at the end of the period	1,939	1,152

Notes:

1. Significant changes in the current reporting period

The impact of Covid-19 has resulted in restricted travel and changes in the working environment of the Group. Consequently, there has been a reduction in business development activities and this has affected the increase in revenue of the Group.

2. Segment and Revenue Information

Similar to the year ended 31 March 2020, at 30 September 2020 the Group operated as three primary segments, being the rental of intelligent acoustic systems designed to deter seals and sea lions from attacking fish farms (Aquaculture), rentals of underwater measurement & leak detection devices in the Offshore (Oil & Gas) market and the development and manufacture of products for the Offshore and Aquaculture markets. This is the level at which operating results are reviewed by the chief operating decision maker (i.e. the CEO) to make decisions about resources, and for which financial information is available. All revenues have been generated from continuing operations and are from external customers.

3. Other income

Other income pertains to the amounts received in relation to furlough grant claims of £6k submitted under the government's Coronavirus Job Retention Scheme, as well as the grant of £102k received from the government of Scotland to help fund working capital and cashflow needs during the coronavirus (COVID-19) crisis. There are no unfulfilled conditions or other contingencies attaching to these grants.

4. Exceptional items

Exceptional items pertain to the amount paid to the remuneration committee consultant of £26k and other one-off legal costs.

5. Events occurring after the reporting period

On 7th November OTAQ PLC (through one of its subsidiaries) acquired trade and assets of ROS Technology LTD, an engineering design company, domiciled in England, engaged in custom design, prototyping and maintenance services.

6. Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 30 September 2020 has been prepared in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2020 and any public announcements made by OTAQ PLC during the interim reporting period. This interim financial information has not been reviewed nor audited by the auditors.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New and amended standards adopted by the Group

A number of new or amended standards became effective in the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a

result of adopting these standards, since none of the amended standards are applicable to the Group.