21 March 2014

Synety Group plc

Audited final results for the year ended 31 December 2013

Synety Group plc ("the Company" or "the Group"), the cloud-based software and communications business, announces final results for the year ended 31 December 2013.

Highlights

- Year-on-year revenue up seven-fold
- Annualised recurring revenue up nearly six-fold
- Number of users up nearly five-fold
- Number of licences up over six-fold

For additional information:

Simon Cleaver	Synety Group plc.	+44 (0)20 3587 7188
Shaun Dobson / Matt Thomas	N+1 Singer (Nominated Adviser)	+44 (0)20 7496 3000
David Bick / Mark Longson	Square1 Consulting	+44 (0)207 929 5599

Executive Chairman's statement

I am delighted to be able to report on the excellent progress made in the Group's first full year since readmission to AIM as Synety. The year ended 31 December 2013 was undoubtedly a transformational year for Synety, marked by quantum increases in all our Key Performance Indicators (KPIs) which clearly demonstrate the market's appetite for CloudCall whilst also pointing to the future potential for the Group.

2014 has also started well. As shown in the table further down this statement, at the end of February these core operating KPIs continued to demonstrate accelerating growth.

Whilst the KPI growth is impressive, much progress has also been made in other areas of the business that is equally noteworthy. Highlights of this progress include:

- Improvements to our platform and infrastructure have delivered a step change in capacity, scalability and robustness.
- Enhancements to CloudCall's product set, particularly the launch of CloudCall Contact Centre which is attracting larger customers as it provides sophisticated call centre technology from any integrated CRM platform.
- Automation and streamlining of many of our internal systems that should allow us to scale the business in an efficient manner.

- A general maturing of our sales process and go-to-market strategy. Of particular note during the year, was the appointment of our Sales Director in October. This is a key strategic role and the Board is pleased to see that he has already delivered a positive impact on our order flow.

Quarterly Trading Statements

In line with the Board's policy on transparency, it has decided to publish KPIs on a quarterly basis along with a brief (unaudited) trading statement on the following dates:

Q1	7 April 2014
Q2	8 July 2014
Q3	7 October 2014
Q4	13 January 2014

Go-to-Market

Synety operates an indirect go-to-market strategy. Our key sales channel is focused around partnerships with our integrated CRM providers, whom we support by marketing to their customer bases. The sales figures achieved to date show that there is considerable market demand for CloudCall, but it is the rate of acceleration in sales we witnessed in 2013 that's providing so much encouragement to the Board.

Addressable Market

All of the improvements we have made to the service will have contributed to the acceleration in order flow, but I have little doubt that the overriding factor is the growth in our addressable market that is being brought about by integrating with additional CRM companies.

As some of these CRM partners do not release their count of end users or 'seats' it's impossible to put a precise figure on this increase in addressable market, but the Board estimates it grew from around 10,000 to over 1.5 million during the year. There are ongoing conversations taking place with a number of additional CRM companies and so I expect to see the UK addressable market continue its expansion.

In November, we reported obtaining our US telecommunications licence and that we were starting limited US activity, working with our established partners and running the service, as much as possible, with our existing infrastructure and staff in the UK. Following on from that announcement, I'm pleased to report that we already have a number of customers using CloudCall in the US and that we intend to open a sales office in Boston later this year.

Whilst there are well documented risks associated with operational expansion of this nature, the Board firmly believes that in Synety's case many of these risks are mitigated, as this is not a 'cold push' into a new territory, but is as a direct result of 'pull' we have received from our existing integrated CRM Partners.

Many of these partners are US based companies with home customer bases many times larger than their UK customer bases. Since all work on integration is already completed, launching in the US will immediately and substantially increase our addressable market.

Addressable Market **Key CRM Partners**		**Estimate of Seats in UK**	**Estimate of Seats in US**
Bullhorn CRM	US	6k	60k
Salesforce.com	US	0.3m	5m
ACT! (Swiftpage)	US	0.6m	3m

Microsoft CRM	US	0.25m	3m
Sage CRM	US	0.2m	1m
GoldMine CRM	CA	10k	0.8m
NetSuite	US	80k	0.8m
The estimates above are based on available market information and the reasonable estimates of Synety and its directors and are only intended to illustrate the potential market place in the US relative to the UK			

Maturing Relationships

What is also becoming apparent is that when CRM providers integrate, the full lead flow is not immediately 'switched on' but builds over time as the relationship develops and confidence in Synety's products grows.

We are witnessing this profile of sales build-up across many of our integration partners and this pattern applies both in terms of number of leads received and, perhaps more importantly, the average size of opportunity we receive.

Looking Forward

The combined benefits being delivered by our enhanced service offerings, our rapidly expanding addressable market and deepening relationships with our CRM partners means the Board are not only excited about the prospects for 2014 but are viewing Synety's future with confidence.

Overall, I am very pleased with the Group's results for 2013, and in particular the excellent work that has been done behind the scenes to strengthen core processes and build a solid foundation for future growth. This work is by no means complete, and there remains a lot still to be done to ensure the Group is ready for the future, but the building blocks are certainly being laid.

From myself, and on behalf of all the Board, I would like to take this opportunity to say a huge thank you to all our staff for your exceptional hard work last year. We really do appreciate the countless early mornings, late nights and often entire weekends dedicated to Synety.

Simon Cleaver
Executive Chairman

Financial Review

2013 was indeed a transitional year, and the first full year of trading as Synety following the reverse take-over of Zenergy on 25 September 2012. The results for the period show sales increasing seven-fold to £547k from £76k for the period ended 31 December 2012. The Group saw operating losses before non-recurring items climb to £3,041k, up from £1,326k in the period ended 31 December 2012. This increased loss was in line with expectations, and reflects the ongoing investment being made to strengthen and grow the business.

Period-end cash and cash equivalents at 31 December 2013, were £2,300k, down from £2,704k at 31 December 2012 due mainly to operating cash (out)flows of £2,224k (2012: £2,388k), offset by net cash inflows from financing activities (see below) of £1,914k. Cleared funds at 28 February 2014 amounted to £1,923k.

Net assets or Total Equity attributable to shareholders was £2,371k at 31 December 2013 (2012: £3,824k). The major elements comprise cash and cash equivalents of £2,300k together with intangible assets of £1,110k and goodwill of £339k recognised in respect of the acquisition of Synety Ltd.

On 6 September 2013 shareholders approved a placing of 1,400,000 new ordinary shares in the Company at a price of 150 pence each for a total consideration of £2.1m before fees and expenses in order to continue to fund the Group's growth.

As part of the acquisition of Synety Limited in September 2012, deferred contingent consideration of up to 740,861 shares in the Company may become payable, subject to the business meeting certain challenging growth targets. The Board considers it likely that these targets will be met and, with the share price growth seen in 2013, this has resulted in a non-recurring exceptional charge of £710k in the 2013 income statement.

Key Performance Indicators

During the course of 2013, the Group has developed a series of KPIs that the Board believes most accurately represents the business, allowing all stakeholders to monitor the key metrics and chart progress as the Group moves forward. As mentioned above, these 6 key measures will be published on a quarterly basis in future, and a more precise definition can be found below. We have been measuring these KPIs for an extended period of time, and are now beginning to see very positive trends emerging:

	31 Dec 2012	**30 June 2013**	**31 Dec 2013**	**Two months to 28 Feb 2014**	**Growth in 2014**
No of End Users	564	1,336	2,678	3,571	+33%
Av. New Users per Month	55	128	224	447	+100%
No of Licences	794	2,149	5,160	7,212	+40%
Av. Users Per Customer	5.8	7.9	10.1	11.6	+15%
Annualised Recurring Revenue (ARR)	£149,000	£376,000	£871,000	£1,165,000	+35%
Recurring Revenue Per User	£22.80	£24.17	£24.10	£24.66	+2%
Please see the company's R&A for definition of these KPIs – Source: Company's own KPI analysis					

- **Number of End Users –** up 475% in 2013 and a further 33% in 2014 to date (to 28 February)
- **Av Users per Month** – average monthly user acquisition increased four-fold in 2013, and has doubled again in 2014 to date (to 28 February).
- **No of Licences** – up 650% in 2013, and a further 40% in 2014 to date.
- **Av Users Per Customer** – a strong upward trend from 5.8 at the end of 2012 to 11.6 at the end of February 2014 shows clearly the increasing size of our customers.
- **Annualised Recurring Revenue (ARR)** – this forward looking measure captures the future locked in recurring revenue expected from existing customers and signed orders over the coming 12 months, and has grown from £149k at the end of 2012, to £871k at the end of 2013, equating to a six-fold increase. In the first 2 months of 2014, a further £294k has been added to this number, equating to a 35% increase since the year-end.
- **Recurring Revenue Per User** – has increased from £22.80 at the end of 2012, to £24.66 at the end of February 2014. A strong increase which shows the increasing value being delivered to our clients as new products come to market.

Paul Williams
Chief Financial Officer

Consolidated Income Statement and Statement of Comprehensive Income

For year ended 31 December 2013 (audited)

	Before non-recurring item 2013 £000	Non-recurring item 2013 £000	After non-recurring item 2013 £000	2012 £000
Revenue	547	–	547	76
Cost of sales	(173)	–	(173)	(47)
Gross Profit	374	–	374	29
Sales and marketing expenses	(648)	–	(648)	(38)
Administrative expenses	(2,042)	(710)	(2,752)	(424)
Share based payments	(216)	–	(216)	(371)
Total administrative expenses	(2,258)	(710)	(2,968)	(795)
Research and development expenses	(509)	–	(509)	–
Acquisition costs	–	–	–	(522)
Operating loss before non-recurring items	(3,041)	(710)	(3,751)	(1,326)
Financial income	10	–	10	10
Financial expenses	(1)	–	(1)	(18)
Net financing income / (expense)	9	–	9	(8)
Loss before tax	(3,032)	(710)	(3,742)	(1,334)
Taxation	159	–	159	18
Loss from continuing operations	(2,873)	(710)	(3,583)	(1,316)
Loss from discontinued operation (net of income tax)	–	–	–	(390)
Loss for the year attributable to owners of the parent	(2,873)	(710)	(3,583)	(1,706)
Other comprehensive income				
Foreign exchange translation differences	–	–	–	91
Other comprehensive income	–	–	–	91
Total comprehensive income for the year	(2,873)	(710)	(3,583)	(1,615)
Earnings / (Loss) per share (£)				
Loss per share – continuing operations	(0.54)	(0.13)	(0.67)	(0.34)
Loss per share – discontinued operations	–	–	–	(0.10)
Basic and fully diluted loss per share	(0.54)	(0.13)	(0.67)	(0.44)

Consolidated Statement of Financial Position

At 31 December 2013 (audited)

	2013	2012
	£000	£000
Non-current assets		
Investment in Subsidiaries	–	–
Property, plant and equipment	266	256
Goodwill	339	339
Other intangible assets	1,110	1,407
	1,715	2,002
Current assets		
Inventories	23	13
Trade and other receivables	155	179
Research & development tax credit receivable	95	–
Cash and cash equivalents	2,300	2,704
	2,573	2,896
Total assets	4,288	4,898
Current liabilities		
Trade and other payables	(467)	(270)
	(467)	(270)
Non-current liabilities		
Deferred tax liabilities	(239)	(303)
Contingent consideration	(1,211)	(501)
Total liabilities	(1,917)	(1,074)
Net assets	2,371	3,824
Equity attributable to shareholders		
Share capital	1,266	986
Share premium	52,288	50,654
Warrant reserve	33	34
Retained loss	(51,216)	(47,850)
Total equity attributable to shareholders	2,371	3,824

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Translation reserve	Warrant reserve	Retained earnings	Total equity attributable to shareholders
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2012	691	49,951	2,336	134	(47,638)	5,474
Loss for the period	–	–	–	–	(1,706)	(1,706)
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	–	–	91	–	–	91
Total comprehensive income for the period	–	–	91	–	(1,706)	(1,615)
Equity settled share based payments transactions	–	–	–	(100)	(271)	(371)
Disposal	–	–	(2,427)	–	1,765	(662)
Issue of equity shares	295	703	–	–	–	998
Balance at 31 December 2012	986	50,654	–	34	(47,850)	3,824
Balance at 1 January 2013	986	50,654	–	34	(47,850)	3,824
Loss for the period	–	–	–	–	(3,583)	(3,583)
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	–	(3,583)	(3,583)
Equity settled share based payments transactions	–	–	–	(1)	217	216
Issue of equity shares	280	1,634		–	–	1,914
Balance at 31 December 2013	**1,266**	**52,288**	**–**	**33**	**(51,216)**	**2,371**

Consolidated Cash Flow Statement

For year ended 31 December 2013 (audited)

	2013 £000	2012 £000
Cash flows from operating activities		
Loss for the period	**(3,583)**	(1,706)
Adjustments for:		
Depreciation and amortisation	**390**	174
Fair value of contingent consideration	**710**	–
Foreign exchange losses/(gains)	–	112
Loss on sale of property, plant and equipment	–	72
Loss on discontinued operation	–	(978)
Financial income	**(10)**	(13)
Financial expenses	**1**	1
Equity settled share-based payment expenses	**216**	(371)
Taxation	**(159)**	(16)
Operating loss before changes in working capital and provisions	**(2,435)**	(2,725)
Decrease / (Increase) in trade and other receivables	**24**	383
Decrease / (Increase) in inventory	**(10)**	115
(Decrease) / Increase in trade and other payables	**197**	(321)
Cash absorbed by operations	**(2,224)**	(2,548)
Tax (paid)	–	159
Net cash absorbed by operating activities	**(2,224)**	(2,389)
Cash flows from investing activities		
Net Interest received	**9**	13
Investment in subsidiaries	–	(75)
Cash assumed on acquisition of subsidiary	–	75
Proceeds from the sale of property, plant and equipment	–	–
Acquisition of property, plant and equipment	**(91)**	(188)
Development expenditure capitalised and other intangible assets acquired	**(12)**	–
Net cash absorbed by investing activities	**(94)**	(175)

Basic Earnings per Share

The calculation of basic loss per share at 31 December 2013 of £0.67 (2012: £0.44) was based on the loss for the year attributable to shareholders of £3,583k (2012: £1,706k) and a weighted average number of Ordinary Shares outstanding during the period of 5,363,000 (2012: 3,845,000), calculated as follows:

Cash flows from financing activities		
Interest paid	–	(1)
Net proceeds from the issue of share capital	1,914	–
Net cash from financing activities	1,914	(1)
Net (decrease)/increase in cash and cash equivalents	(404)	(2,565)
Cash and cash equivalents at start of period	2,704	5,287
Effect of exchange rate fluctuations on cash held	–	(18)
Cash and cash equivalents at end of period	2,300	2,704

(Thousands of Shares)	**2013 (000)**	**2012 (000)**
Issued ordinary shares at start of period (*)	4,930	69,059
1:20 Share Consolidation	–	(65,607)
		3,452
Issued for cash on 9th September 2013	433	–
Share options exercised	–	–
Issued for shares on 25 September 2012	–	393
Weighted average number of ordinary shares	5,363	3,845

- Ends -

About SYNETY

SYNETY is a leading cloud-based software and communications business based in Leicester, United Kingdom.

The company develops and provides a suite of cloud-based software products and services known as CloudCall which are aimed at enabling organisations to use their communications more effectively. The CloudCall® suite of products allows companies to fully integrate their telephony systems into their existing software, enabling calls to be made, recorded, logged, categorised and detailed reports easily generated.

SYNETY's capacity to offer a streamlined integration with third-party CRM software makes it one of the most integrated telephony platforms in the world.

Since 2011 SYNETY has grown rapidly, seeing considerable increases in both the number of end users and in the number of CRM companies integrated with its software.

For additional information about SYNETY, including all regulatory announcements, please visit www.synety.com