

Octagonal PLC

Trading Update for Trading Subsidiary

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 Octagonal PLC
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For immediate release

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Octagonal plc

("Octagonal" or the "Company")

Trading Update for Trading Subsidiary

Following completion of the reporting period to 31 March 2018, Octagonal provides the following trading update for its principal and wholly owned trading subsidiary - Global Investment Strategy UK Ltd ("GIS").

The Board is very pleased to announce that GIS expects to report EBITDA of £3.01 million, a record for the Group, on sales of £6.53 million for the year ended 31 March 2018. This is a 39% increase in profit (2017: £2.16 million) and 16% increase in sales (2017: £5.62 million) from the previous year. These results reflect the ongoing work we have undertaken to improve efficiencies and reducing transaction costs as well as offering a broader range of services to clients.

Highlights

- Cash in the bank or equivalents more than £5m as at 31 March 2018
- Sales increase 16% against FY2017
- EBITDA increased 39% against FY2017
- Net profit margins remain strong at 46%
- Corporate finance and related activities represented 14% of sales in the period
- Soft launch of SynerGIS Bonds Platform
- Further developments with Hong Kong application to the SFC.

GIS expects to make an impairment charge this year against its remaining pre-RTO non-core legacy investment: specifically, it expects a charge of £50,000 against its Level 1 investment, namely Inspirit Energy Holdings PLC, reducing the carrying value of this investment to approximately £56,000.

The Group's audited results will be announced in due course.

John Gunn CEO commented;

"This year has seen the continued benefit of the work we have done to streamline our operations. Margins have again improved year on year which has enabled us to deliver strong profit growth, whilst also increasing top line sales. This has come at a time of economic uncertainty, the impact of Brexit and a strengthening pound, which has a negative impact on our profits.

The year ahead looks positive as we expect to continue seeing improvements in our operational capabilities and a greater contribution from our ancillary businesses.

2018 has had its challenges from a regulatory perspective with the introduction of Mifid II and PSD2. I am pleased to say that we were able to implement these on schedule.

We had in the year declared our first dividend of £0.001 per share and we look forward to declaring future dividends, subject to sustainable growth.

Our application for regulatory approval in Hong Kong is ongoing and we expect to provide the market with an update shortly. Our CEO Samantha Esquina and myself made several alternate visits to Hong Kong in the past year and we have now made new appointments that will enable us to launch our activities in this very dynamic market shortly. This is expected to allow GIS to expand its Asian offering to provide similar services to those currently available to our existing global network of clients. We are closely monitoring these costs, but we do not see them having any significant impact on our earnings, as they should be offset by increased income, which we hope to generate from this region. We have started soft marketing in the region and hope to build on the existing client base we already have there.

The SynerGIS Bond platform was launched in November 2017 and we continue to progress with this soft launch to develop market awareness. Our management have risen to many challenges over the past years in several fields that are new to them, but have delivered impressively. I am pleased to say that the product is of an excellent standard. The regulatory requirements are very high and we continue to work with the competent authorities towards the conclusion of the prospectus.

Our total investment to date in the project stands at less than £387,000 and based on the last private equity investment, this provides a valuation of £9.1m on the investment. GIS retains a 71.14% shareholding in the venture.

We will further update Shareholders once the Bond is ready to be launched."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

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