

20 February 2020

Transense Technologies plc
(“Transense”, the “Company” or the “Group”)
Interim results for six months ended 31 December 2019

Transense Technologies plc, the provider of sensor systems for the industrial, mining and transportation markets, reports the results for the six months ended 31 December 2019.

Highlights:

- Group revenues of £0.97m (Dec 2018: £0.93m)
- iTrack subscription revenue up 50% to £0.66m (Dec 2018: £0.44m)
- iTrack subscription revenue run rate at period end up 24% to £1.40m (Jun 2019: £1.12m, Dec 2018: £0.87m)
- Joint Collaboration Agreement (“JCA”) signed with Bridgestone Corporation in August 2019 by which the iTrack system is offered exclusively by Bridgestone to their customers for large mine haul trucks
- Significant working capital, R&D and overhead investment made in preparation for strong growth potential, funded partly by drawdown of US\$0.75m (£0.58m) loan under the JCA
- Net loss after taxation for the period of £1.19m (Dec 2018: £0.78m) reflecting additional overhead spend
- Cash used in operations of £0.54m (Dec 2018: £0.50m)
- Net Cash* at end of period of £1.52m (30 June 2019: £2.65m)
- Minimum duration of JCA extended post period end until 12 February 2022 at the earliest

* Excludes the impact of IFRS 16 and the Bridgestone Loan of \$0.75m

Non Executive Chairman of Transense Technologies, Nigel Rogers, said:

“I am pleased to be taking responsibility as Chairman of Transense at a pivotal time in the commercialisation of our leading technologies. The results for the first half of the financial year reflect the substantial investment in infrastructure, working capital and overhead costs required to take full advantage of our technical excellence, with the financial and commercial support of market leading partners.

There has been a transformational change in the scope and commercial reach of the iTrack system, and the business has the potential to deliver a significant breakthrough in market penetration. Our relationships with Bridgestone are strong at all levels, and we anticipate that our collaboration will continue to provide a firm basis for mutual success.

As this success becomes apparent, our leading technologies in Surface Acoustic Wave and tyre tread depth probes will increasingly come into focus, as we evaluate investment priorities. There are clear opportunities for technology led growth in each of these areas, and accordingly we look forward with growing confidence.”

For further information please visit www.transense.co.uk or contact:

Transense Technologies plc

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About iTrack

The iTrack Mining system provides real-time data on the condition of the tyres, combined with live tracking of vehicle location and status. Our 24/7 Control Room monitors the pressures and temperatures live, and this information can, for example, be used to ensure tyres do not exceed critical heat thresholds, to detect incorrect load distributions, predict suspension failures and eliminate manual tyre pressure checks. The Directors believe that these benefits maximise the hours a truck is working (Truck Uptime) and improve productivity by minimising maintenance requirements and using data to identify underperforming trucks. www.trans-logik.com/itrack-2/

About Transense Technologies

Based in Oxfordshire, UK, Transense has developed patent-protected sensor systems and supporting technology for use in a variety of diverse high growth markets. The Directors believe that Transense's Surface Acoustic Wave (SAW), wireless, battery-less, sensor systems offer advantages over legacy wireless sensor systems. Transense is targeting the transport and mining industries, and the global torque, temperature and pressure sensing markets, via its trading divisions, Translogik and SAWSense. www.transense.co.uk

Transense's shares are admitted to trading on AIM (AIM: TRT).

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

Transense Technologies plc

Chairman's Statement

I am pleased to be taking responsibility as Chairman of Transense at a pivotal time in the commercialisation of our leading technologies in iTrack and Surface Acoustic Wave sensing. The results for the first half of the financial year reflect the substantial investment in infrastructure, working capital and overhead costs required to take full advantage of our technical excellence, with the financial and commercial support of market leading partners.

Business strategy

The business strategy of the Group remains to develop innovative sensing solutions across a range of applications, which are commercialised either through the launch of products and services to customers or by forming strategic alliances with partner organisations. Value is realised through a combination of commercial income, royalties, licensing income and capital gains on disposals.

Operational review

SAWSense

SAWSense is a leader in the development of Surface Acoustic Wave ("SAW") wireless, batteryless, sensor systems that offer significant advantages over legacy systems in common use.

In July 2016, SAWSense entered into a significant licensing agreement with General Electric Company ("GE") for the use of patented, wireless, passive SAW technology in GE Aviation's T901-GE-900 engine. This has been selected by the U.S. Army for the Engineering and Manufacturing Development ("EMD") phase of the Improved Turbine Engine Program ("ITEP"), the U.S. Army's programme to replace more than 6,000 engines in its current fleet of Boeing AH-64 Apache and Sikorsky UH60 Black Hawk helicopters, expected to commence around 2023 reaching full volume in 2026.

This project has now been extended into the GE supply chain, where we are engaged with first tier global manufacturing partners of GE to support the production process, and this work is progressing on schedule.

Our relationship with GE continues to develop, with several new applications under review in co-operation with GE Research in Niskayuna, New York. These extend beyond avionics into marine, industrial and power generation technologies.

The agreement we have with GE is not exclusive and we have the opportunity to enter into other similar relationships. During the period under review, work continued in partnership with the Electronic Materials and Devices Group of the University of Southampton to develop SAW technology for the real time monitoring of temperature and strain on the inner and outer shells of Liquid Nitrogen Gas tanks in situ. This project is funded by Lloyd's Register Foundation, and is intended to pave the way towards providing early warnings of structural defects, predicting failures, and thus obviating

unnecessary dry dock inspections that are both costly and dangerous. The project is anticipated to have a duration of two and a half years, and during the period grant funding of £0.12m was received to support this activity.

During the period there was further activity on projects in the automotive field, covering recreational vehicles, Indy car and Formula 1, although no significant breakthrough into full production vehicles is evident at the current time.

Translogik

Translogik has developed a range of products and services for tyre pressure and temperature monitoring of mining haul trucks marketed under the name iTrack. The division also markets a range of tread depth probes and associated monitoring systems for use in the passenger car, bus, truck and OTR sectors.

Translogik - iTrack

iTrack has continued to achieve increased market penetration as a stand alone system in the period, with a 50% increase in monthly subscription revenues compared with the first half of last year.

Even more significant, however, was the signing of the Joint Collaboration Agreement (“JCA”) with Bridgestone Corporation (“Bridgestone”) in August 2019, for an initial eighteen month period. Bridgestone is the world’s largest producer of tyres and other rubber products with annual revenues in excess of £24bn and is the global market leader in the manufacture and sale of tyres.

Under the JCA, Bridgestone has agreed to offer the iTrack system exclusively as a mining tyre monitoring system for the largest mine haul trucks, and the Company has agreed that it will not contract with any other tyre manufacturer for this category of tyres.

Since the commencement of the JCA, Bridgestone affiliate agreements have been signed in many key territories, facilitating pre-sales engagement with major clients worldwide. This activity has produced sales opportunities at an unprecedented level, and many new trials are underway. The typical sales cycle in this marketplace extends for a number of months prior to adoption, and accordingly the JCA has not yet generated significant subscription income. There are considerable costs associated with the generation of client engagement, however, including building our sales, customer support and technical teams, opening a new London office to co-ordinate these activities, and extensive overseas travel. These additional costs have been part funded by direct support and loans from Bridgestone under the terms of the JCA, and the impact on reported earnings in the current period was approximately £0.40m.

Customer reaction has been very positive, indicating scope to increase iTrack adoption significantly in the second half of the year and beyond. Furthermore, the minimum term of the JCA was recently extended by a further twelve months until not earlier than February 2022.

The JCA also contains an undertaking by Transense not to have discussions with any other party in relation to any transaction of a merger, acquisition or joint venture nature in respect of the iTrack business and this undertaking was recently extended to expire on 30 April 2020.

Translogik - probes

Our range of tyre tread depth probes is compatible with the tyre management systems of a number of the world's leading tyre producers. Revenues from this range reduced in the second half of the last financial year, which was believed to have been a consequence of reduced marketing activity at that time. This was addressed in the early months of this financial year, and a return to modest growth is evident, with revenues of £0.25m recovering to a similar level as the first half of last year, and importantly a noticeable increase in enquiries.

Work is ongoing to make further enhancements to the current probes and provide a modular version.

Financial results

Revenues for the six months were broadly in line with the corresponding period last year at £0.97m (Dec 2018: £0.93m), with subscription revenues generated by users of the iTrack system increased by 50% to £0.66m (Dec 2018: £0.44m). The annualised subscription run rate at the end of the period was £1.4m representing an increase of 24% since the financial year end and a 60% increase compared with the run rate at last year's H1 period end (Jun 19: £1.1m and Dec 18: £0.9m). There were further units in the field awaiting deployment by customers and with all units deployed the annualised run rate increases to £1.7m.

We anticipate these revenues have the potential to grow strongly over the remainder of 2020 and throughout 2021 as the iTrack installed base expands, especially as a result of the JCA.

Operating expenses in the period were £2.08m (Dec 2018: £1.69m) as a consequence of the incremental overheads associated with the ramp up of iTrack. The resulting net loss before taxation from continuing operations was slightly higher than the comparative period at £1.19m (Dec 2018: £0.91m).

The total comprehensive loss for the period amounted to £1.19m (Dec 2018: £0.78m), reflecting a tax credit of £nil (Dec 2018: £0.12m).

The board continues to keep under careful review the expected outturn for the financial year ending 30 June 2020, and, in particular, the likely timing of conversion of an unprecedented level of customer enquires into deployed units that will be the subject of sale or subscription agreements. It is increasingly likely that units will be deployed solely on a subscription model, with significant longer term benefits, but to the detriment of short term income recognition. Furthermore, the directors consider that it would be inappropriate to cut back overhead expenditure at an expected inflexion point in the conversion of customer demand.

Accordingly, the board has revised downwards its expectations for the current financial year to reflect these market dynamics, whilst being committed to delivering increases in the future growth trajectory in the following financial periods.

Financial position and cash flow

Operating cash outflow before movements in working capital increased slightly to £0.76m compared to the corresponding period in the last financial year (Dec 2018: £0.52m). Cash used in operations for the period increased marginally to £0.54m (Dec 2018: £0.50m).

The net investment in fixed assets for iTrack contracts in the period amounted to £0.26m (December 2018: £0.20m) and as the iTrack installed base increases there will continue to be a need to invest in fixed assets. During the period there was further fixed asset investment of £0.06m in the fit out and equipping of a new London office to co-ordinate worldwide activities on iTrack.

The Company also capitalised ongoing development expenditure on iTrack totaling £0.18m (Dec 2018: £0.11m).

The Company closed the period with net cash of £1.52m (30 June 2019: £2.65m) which excludes the impact of IFRS 16 and the Bridgestone Loan of \$0.75m.

The board has assessed the financial and operational needs of the business over the forthcoming twelve months covering a broad range of potential outcome scenarios. In each case, the directors are satisfied that the Company has access to adequate sources of finance.

Accordingly, the Board consider we will have sufficient resources to continue in operational existence for the foreseeable future.

Outlook and prospects

The financial year thus far has seen transformational change in the scope and commercial reach of the iTrack system, and the business has the potential to deliver a significant breakthrough in market penetration. Whilst the board has revised downwards its expectations for the current financial year to reflect our current market dynamics, the board remains committed to delivering increases in growth trajectory in the following financial periods. Our relationships with Bridgestone are strong at all levels, and we anticipate that our collaboration will continue to provide a firm basis for mutual success.

As this success becomes apparent, our leading technologies in Surface Acoustic Wave and tyre tread depth probes will increasingly come into focus, as we evaluate investment priorities. There are clear opportunities for technology led growth in each of these areas, and accordingly we look forward with growing confidence.

Nigel Rogers

Chairman

20 February 2020

Transense Technologies plc

Condensed Consolidated Statement of Comprehensive Income

	Half year to 31 Dec 19	Half year to 31 Dec 18	Full Year 30 Jun 19
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	(Unaudited) £'000	(Unaudited) £'000	(Audited) £'000
Continuing operations			
Revenue	965	933	2,226
Cost of sales	(193)	(202)	(435)
Gross profit	772	731	1,791
Administrative expenses	(2,080)	(1,686)	(3,603)
Operating loss	(1,308)	(955)	(1,812)
Interest receivable	4	-	2
Interest payable	(4)	-	-
Other income	118	49	79
Loss before taxation	(1,190)	(906)	(1,731)
Taxation	-	124	266
Loss for the year	(1,190)	(782)	(1,465)
Other comprehensive income:			
Exchange difference on translating foreign operations	18	2	2
Other comprehensive income for the year	18	2	2
Total comprehensive income for the year attributable to the equity holders of the parent	(1,172)	(780)	(1,463)

Transense Technologies plc
Condensed Consolidated Statement of Financial Position

	31 Dec 19 (Unaudited)	31 Dec 18 (Unaudited)	30 Jun 19 (Audited)
	£'000	£'000	£'000
Non current assets			
Property, plant and equipment	909	510	529
Intangible assets	1,033	860	946
	1,942	1,370	1,475
Current assets			
Inventory	730	575	566
Corporation tax receivable	-	129	-
Trade and other receivables	988	729	789
Cash and cash equivalents	1,519	843	2,647
	3,237	2,276	4,002
Total assets	5,179	3,646	5,477
Current liabilities			
Trade and other payables	(1,286)	(412)	(604)
Current tax liabilities	(63)	(68)	(55)
Provisions	(50)	(70)	(70)
Total liabilities	(1,399)	(550)	(729)
Non current liabilities	(204)	-	-
Net assets	3,576	3,096	4,748
Capital and reserves			
Share capital	5,451	5,025	5,451
Share premium	2,591	682	2,591
Share based payments	41	41	41
Translation reserve	41	23	23
Accumulated reserve/(deficit)	(4,548)	(2,675)	(3,358)
Shareholders' funds	3,576	3,096	4,748

Transense Technologies plc
Condensed Consolidated Statement of Changes in Equity (Unaudited)

	Issued share capital £'000	Share premium account £'000	Translation Reserve £'000	Share based payments £'000	Accumulated deficit £'000	Total equity £'000
Balance at 1 July 2018	5,025	682	21	41	(1,893)	3,876
Comprehensive income for the year:						
Loss for the period	-	-	-	-	(1,465)	(1,465)
Other comprehensive income for the year:						
Currency movement on subsidiary reserves	-	-	2	-	-	2
Total Comprehensive income for the year:	-	-	2	-	(1,465)	(1,463)
Shares issued and share premium	426	1,909	-	-	-	2,335
Balance at 30 June 2019	5,451	2,591	23	41	(3,358)	4,748
Comprehensive income for the period:						
Loss for the period	-	-	-	-	(1,190)	(1,190)
Other comprehensive income for the period:						
Translation of foreign entity	-	-	18	-	-	18
Total Comprehensive income for the period:	-	-	18	-	-	1,172
Balance at 31 December 2019	5,451	2,591	41	41	(4,548)	3,576

Transense Technologies plc
Condensed Consolidated Statement of Cash Flows

	Half year to 31 Dec 19 (Unaudited) £'000	Half year to 31 Dec 18 (Unaudited) £'000	Full year to 30 Jun 19 (Audited) £'000
Cash flow from operating activities			
Loss for the period	(1,190)	(782)	(1,465)
Adjustments for			
Taxation	-	(124)	(266)
Interest receivable	(4)	-	(2)
Interest payable	4	-	-
Depreciation of property, plant and equipment	211	178	369
Amortisation and impairment of intangible assets	216	211	396
Share based payments	-	-	-
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Operating cash flows before movements in working capital	(763)	(517)	(968)
Change in receivables	(199)	(160)	(91)
Change in payables	583	68	247
Change in inventories	(164)	110	119
Cash used in operations	(543)	(499)	(693)
Taxation recovered	-	124	266
Net cash used in operations	(543)	(375)	(427)
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Cash flows from investing activities			
Interest received	4	-	2
Interest paid	(4)	-	-
Acquisition of property, plant & equipment	(300)	(215)	(424)
Acquisition of intangible assets	(303)	(161)	(433)
Net cash used in investing activities	(603)	(376)	(855)
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Cash flows from financing activities			
Proceeds from issue of equity share capital	-	-	2,335
Net cash used for financing activities	-	-	2,335
	<hr/>	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(1,146)	(751)	1,053
Unrealised currency translation gain	18	2	2
Cash and cash equivalents at beginning of period	2,647	1,592	1,592
Cash and cash equivalents at end of period	1,519	843	2,647

1 Reporting Entity

Transense Technologies plc (“the Company”) is a company incorporated in the United Kingdom under the Companies Act 2006. These condensed consolidated interim financial statements of the Company as at and for the six months ended 30 December 2019 comprises the Company and its subsidiaries (together referred to as “the Group” and individually as “Group entities”). These condensed consolidated interim financial statements are presented in pounds sterling, rounded to the nearest thousand.

The consolidated financial statements of the Group are available upon request from the Company’s registered office or at www.transense.co.uk

These condensed consolidated interim financial statements are unaudited.

2 Accounting policies

The Condensed Consolidated Financial Statements for the half yearly report for the 6 months ended 31 December 2019 have been prepared using accounting policies and methods of computation consistent with those set in Transense Technologies plc’s Annual Report and Financial Statements for the year ended 30 June 2019. There has been no change to any accounting policy from the date of that report, except for the Group has now implemented IFRS 16 – Leases.

The Group has transitioned to IFRS 16 as at 1 July 2019 and it has transitioned the leases previously accounted for as operating leases under IAS 17 using the Modified Retrospective Approach.

The Group has assessed its leases that were previously accounted for under IAS 17, recognising the discounted asset at the date of transition as a Right of Use asset within tangible fixed assets and the associated liability within trade and other payables.

Following the transition to IFRS 16, a right of use asset (and associated liability) of £0.29m (£0.20m in non current liabilities and £0.09m in current liabilities) was recognised. In H1 2020, there has been £0.03m of depreciation against the assets and approximately £4,000 of interest incurred associated with the unwind of the discount on the liability.

3 Earnings per share

	31 December 2019	31 December 2018	30 June 2019
	Shares	Shares	Shares
Weighted average number of shares			
Issued at start of period	16,307,282	12,048,948	12,048,948
Effect of shares issued in period	-	-	1,135,633
Weighted average number of shares at end of period	16,307,282	12,048,948	13,184,581
Basic Earnings per share	(7.30p)	(6.49p)	(11.11p)

4 Revenue

Revenue	Half year to 31 Dec 19 (Unaudited) £'000	Half year to 31 Dec 18 (Unaudited) £'000	Full year to 30 Jun 19 (Audited) £'000
Chile	325	373	670
Australia	237	186	398
Rest of the World	212	76	192
North America	129	203	743
UK & Europe	62	95	192
Japan	-	-	31
Total	965	933	2,226

5 Trade and other payables

Included in trade and other payables is a loan from Bridgestone of \$0.75m (£0.58) which could become repayable in the next 12 months.

6 Going concern

The interim financial information has been prepared on a going concern basis, which assumes that the Company will have adequate resources to continue in operational existence for the foreseeable future.

7 Corporation tax and deferred tax

The Company is entitled to a Corporation Tax credit in respect of expenditure on Research and Development and this is recognised in the accounts on the basis that the credit is received before finalising the accounts.

The Group has tax losses, in the sum of £22m which, subject to agreement by HM Revenue and Customs, are available for offset against future profits of the same trade. There is no expiry date for tax losses however there is an annual restriction of £5m plus half of the surplus above £5m. An appropriate asset will be recognised when the Group can demonstrate a reasonable expectation of sufficient taxable profits to utilise the temporary differences.

Accordingly, no deferred tax asset is recognised in these financial statements in respect of trading losses to date.