Forbidden Technologies PLC - FBT Final Results
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Forbidden Technologies plc
("Forbidden", the "Group", or the "Company")

Full year results for the year ended 31 December 2018

Forbidden Technologies plc (AIM: FBT), the developer and seller of cloud video platform technology using its patented Blackbird technology, announces its audited full year results for the year ended 31 December 2018.

Financial Summary

- Invoiced sales up 34% to £960,606 (2017: £714,903)
- Revenue up 15% to £870,310 (2017: £758,835)
- Deferred revenue increased 57% to £230,361 (2017: £146,389)
- Contracted order book increased 40% to £335,743 (2017: £239,050)
- Year-on-year operational spend, including capital expenditure, of £3,010,869 (2017: £2,705,663)
- EBITDA loss of £1,993,284 (2017: £1,844,436)
- Net loss of £2,574,618 (2017: £2,336,000)
- Equity funds raised during the year £5,441,271 (net of expenses)
- The Company is debt-free with cash of £5,032,087 as at 31 December 2018 (as at 31 December 2017: £1,752,349)

Operational Highlights

- Recurring infrastructure sales grew to 53% of invoiced sales in line with the Company's strategy (2017: 48%). This proportion has almost doubled in two years (2016: 28%)
- An increased commercial presence and strengthened sales team in North America - invoiced sales have doubled in the territory which now represents 25% of total invoiced sales
- Products and services repositioned under the Blackbird brand
- Strengthened relationship with Microsoft - awarded 'co-sell ready' status by Microsoft Azure
- Transition of platform web applications from Java to JavaScript nearing completion, simplifying adoption among Original Equipment Manufacturers ("OEMs")
- Major contract wins include:
  - Significant six-figure deal with TownNews
  - Global fitness technology company, Peloton chose Blackbird to edit all of its on-demand virtual classes

Post period Highlights

- Traditional UK broadcast post-production business has begun transformation to OEM model, where post-production houses will become Blackbird resellers, known as the Blackbird Production Partnership ("BPP").
- Recently announced extension and growth of IMG contract shows a long-term commitment to Blackbird from one of the world's leading sports content providers

Ian McDonough, CEO of Forbidden, commented: "2018 has been a year in which we have seen continuing success in the execution of our strategy to move to recurring infrastructure sales as the primary driver of growth. These sales now represent more than half of our invoiced sales, almost double the amount two years ago. This is a result of our focus on having Blackbird adopted as an integral component of our client's infrastructure. This approach has gained significant traction, especially in North America, where we have seen major contract wins including TownNews. The North American market is where we see the greatest opportunity for Blackbird and it now represents one-quarter of our total invoiced sales. More recently we have also seen an expansion of our long-standing relationship with IMG in Europe.

"We expect the proportion and the quantum of our sales in the US to grow further. This is due to the strengthening of our sales team there and the transitioning of our platform to JavaScript which allows access and use of Blackbird products on virtually any device without configuration. In the UK, we have begun to roll-out the Blackbird Production Partnership scheme where Post-Production Houses take responsibility for reselling Blackbird to clients, increasing our sales channels, without additional cost.

"We have started 2019 in a strong position with higher deferred revenue and contracted orders at the beginning of the year than last year. To date we are ahead of our invoiced sales figure recorded this time last year. The Board is confident that our strategic focus and stronger sales capability, especially in North America, means we will continue to win new higher value business and grow revenue from our existing client base."

Enquiries:

Forbidden Technologies plc Ian McDonough, CEO	Tel: +44 (0)20 8879 7245
Allenby Capital Limited (Nominated Adviser and Broker) Nick Naylor John Depasquale Nicholas Chambers	Tel: +44 (0)20 3328 5656
Newgate Communications (for media) Robin Tozer Bob Huxford Ian Silvera	Tel: +44 (0)20 3757 6880 blackbird@newgatecomms.com

About Forbidden Technologies plc:
Forbidden Technologies plc is listed on the London Stock Exchange (AIM: FBT, www.forbidden.co.uk). Forbidden develops, markets and licenses a powerful cloud video platform using our patented Blackbird technology. The technology underpins multiple applications which are used by rights holders, broadcasters, sports and news video specialists, post-production houses, other mass market digital video channels and corporations.

The Blackbird technology allows full visibility on multi-location digital content, improves time to market for live content such as video clips and highlights for social media distribution which results in improved monetisation of video content.

Blackbird® is a registered trademark of Forbidden Technologies plc.

Websites:
www.forbidden.co.uk
www.blackbird.video

Social Media:
www.linkedin.com/company/forbidden
www.twitter.com/forbiddentech
www.facebook.com/ForbiddenTechnologies/

Chairman's Statement

Executive summary

2018 was an exciting year involving the full transition of our business to ensure we can deliver against our focused strategy. Our strategic focus is to not only be a key component in our end customers technology stacks but also to be a vital component in the technology stacks of solutions providers (OEMs), particularly in the US. This focus will increase repeatable revenues per client. The Board believes our successful and oversubscribed net equity fundraising of £5,441,271 in the summer means we can successfully execute this strategy.

The transition has been led by Ian McDonough, CEO, who joined us in September 2017, and involved four core activities:-

First, in April 2018 we consolidated all our products and services under the Blackbird brand. We now have Blackbird Edge, Blackbird Ascent and Blackbird Forte.

Second, we transitioned our products and services from Java to JavaScript. JavaScript allows access and use of Blackbird products on virtually any device without configuration. This transition is significant as configuration has been one of the big obstacles to adoption of our services. Rolling out JavaScript applications is essential for delivering a successful OEM strategy.

Third, we have made significant changes to our management team to better align the business with the Company's ambitions. This has included an overhaul of the sales team. We have brought in individuals with more in-depth market knowledge and contacts, in particular to deliver our stated goal of establishing a significant presence in North America.

Finally, and linked to the above three points, we have started to create momentum in our sales growth by building a Software as a Service ("SaaS") style business with repeatable revenues per client.

Our results for the year show the early outcomes of these activities. The Company recorded growth in revenues of 15% to £870,310 (2017: £758,835). This was on the back of a 34% growth in invoiced sales to £960,606 (2017: £714,903). We also doubled the size of our North American business, which now comprises 25% of our total invoiced sales. Invoiced sales is how we measure the performance of the sales and marketing team. It is a better indicator of the success of our commercial activity than revenue presented in the Income Statement as revenue is deferred over the length of the contract. Our revenue mix has also improved to 53% of revenues from recurring infrastructure sales from just 28% in 2016 and 48% in 2017.

Finally, we finished the year with an EBITDA loss of £1,993,284 (2017: loss of £1,844,436), not materially different from the prior year despite a substantial upgrading of the sales and management team.

The Board believes that the Company is now well positioned to grow and succeed in the large, high-growth, cloud video market. We have put the core organisation, technology and capabilities in place and have started to build growth momentum.

Introduction to Forbidden Technologies

Forbidden Technologies plc is the AIM-listed developer of Blackbird. Blackbird is a cloud-based video post-production and publishing platform. Blackbird has helped its users convert over 8 million hours of professionally shot video content into edited videos for broadcast and digital distribution. The platform and its applications are based around Blackbird's flexible and light-weight video codec. This results in a workstation experience in the cloud.

The Blackbird platform helps customers to increase audience engagement and the value of time-sensitive content by (i) reducing the time from content creation to viewing (ii) efficiently creating multiple uses of content through better accessibility and searchability, and (iii) reducing the cost of scaling media capabilities and realising the benefits that cloud solutions can provide. Specific applications include enabling:

- Sports broadcasters and rights holders to engage more effectively with their viewers by allowing them to provide clips and highlights packages during events, faster than ever before. Our Emmy-nominated workflow with MSG Networks across live NBA and NHL games, published directly to its digital media outlets, exemplifies this.
- Production houses and post-production houses to rapidly access and remotely capture, log, edit and review their content. Our applications speed up the post-production process, saving time and money. For example, our deep integration with Envy Post which uses Blackbird on high profile shows such as Gold Rush and Gogglebox.
- Over The Top ("OTT") or Subscription Video on Demand ("SVOD") customers or any company dealing with large volumes of video, either on one site or multi-site, to improve audience engagement. Blackbird allows content creators access to advanced tools so they can collaborate in real time effectively and efficiently in the Cloud to turn video around ready for publication. Our recent deal with Peloton is an excellent example of this. Fitness classes are edited and certain aspects personalised depending upon users' tastes.
- News media groups to rapidly adjust their news content for regional audiences. Townnews provide this particular Blackbird service to their customers and successfully rolled it out to 17 Meredith Corporation local news networks and several Block Communications networks in 2018.

Consolidated income statement and consolidated statement of financial position

In the year ended 31 December 2018, the Group recorded revenue of £870,310 (2017: £758,835), which represented an increase of 15% year on year. Revenue, for income statement purposes, was derived from invoiced sales of £960,606 up 34% from £714,903 in 2017. Deferred revenue increased year on year by 57% to £230,361 from £146,389 at 31 December 2017, while the contracted order book (to be invoiced in future periods) increased year on year by 40% to £335,743 from £239,050 as at 31 December 2017.

Operating costs during the year to 31 December 2018 were up 12% to £2,738,515 compared to £2,452,158 in the corresponding period in 2017. This increase was primarily the result of increased investment in North America through higher ongoing customer-facing consulting fees, one-off severance costs, and one-off marketing costs relating to the rebranding and launch of Blackbird.

Total operating spend in the year was up 11% to £3,010,869 compared to £2,705,663 in the corresponding period in 2017. Operating spend includes capitalised expenditure of £272,354 (2017: £253,505) The loss before interest, taxation, depreciation and amortisation was £1,993,284 (2017: £1,844,436). The net loss for the year of £2,574,618 compares to a loss of £2,336,000 in 2017.

In June 2018 the Company successfully raised new net equity funds of £5,441,271. The Group is debt-free and had cash at 31 December 2018 of £5,032,087 in comparison to a balance as at 31 December 2017 of £1,752,349.

Board change

In October 2018, we announced the creation of a new board role of Chief Operating and Financial Officer. Stephen White who is currently VP Finance at Comcast's NBC Universal's Networks Division has been appointed to the role. He is expected to join the Board in early April 2019. I would like to thank Jonathan Lees who is stepping down from the Board after five years, and serving as Finance Director for four of them, for his hard work including improving our financial management and reporting capabilities and managing our successful fundraising activities.

Blackbird platform development

The core focus of our development efforts is to support the continuous improvement of Blackbird around our infrastructure and OEM strategy. This focus combines improving performance, adding new functionality, increasing the ease of adoption and upgrading the user interface. Integral to this has been the shift of our web applications to JavaScript.

Also, we are committed to maintaining the superiority of our video production codec including working on the next generation of our Blackbird codec. Furthermore, we are ensuring that Blackbird can be integrated with third party functionality such as Articifial Intelligence ("AI") and data feeds. Our strategy is to integrate with specialists in their field and we are in conversations with market leaders including multiple major public cloud specialists.

Current trading and outlook

We start the year with a deferred revenue book of £230,361 at 31 December 2018, 57% higher than the previous year (31 December 2017: £146,389). Our contracted order book is 40% higher at £335,743 as at 31 December 2018 (31 December 2017: £239,050). In addition, the Board believes our strategic focus and stronger sales capability, especially in North America, will allow us to win new business and grow our existing client base. The recent news of IMG's increased investment in Blackbird over multiple years for the first time is a testament to this.

To date we are ahead of our invoiced sales figure recorded this time last year. We expect to build on last year's growth momentum as this financial year develops.

Finally, the Board and Management team are confident that we are building the right team and have the platform and strategy in place to grow our business successfully.

David Main
Chairman

Chief Executive's Review

2018 Results

At the end of my first full financial year at the helm of Forbidden, the changes and improvements to the business have continued apace.

This has been a record year for revenue, which was £870,310 (2017: £758,835). Our core strategy, highlighted in the annual report last year, of selling our software as a vital component of our customers' video capabilities is gaining real traction, especially in North America. The evidence of this is the increase in invoiced sales of 34% and the doubling of invoiced sales in North America. Invoiced sales are our core measure for the performance of the sales and marketing team. This metric is a better indicator of commercial activity than revenue as presented in the Income Statement as revenue is deferred over the length of the contract.

At the solution level, we have also made progress. In our mature post-production business, we had good retention rates and grew this sector in terms of invoiced sales by 29% to £496,315 (2017: £384,652).

In terms of our solutions for sports broadcasters and rights holders, invoiced sales grew by 9% to £278,921 (2017: £255,312) with all our core clients renewing and expanding their business with us. Also, as a result of the deal with TownNews, we have returned to growth in the news sector. Invoiced sales in news grew 75% to £62,343 (2017:£35,565).

Other areas of focus, where we see the potential for growth, including the eSports, education and corporate markets, saw invoiced sales grow 212% to £123,027 (2017: £39,374).

In total, 53% of our revenue is now from what we describe as recurring infrastructure solutions reflecting the impact of our strategy. This excludes much of the broadcast post production market where our high repeat rates come from new seasons of shows we have been involved with. In 2016, revenue from recurring infrastructure solutions was just 28% of the total.

Overall, the 2018 results are encouraging but a good deal short of what I believe is our full potential, especially in North America. Establishing ourselves in the North American market is a significant focus for the Company. This is not only because of its size and potential. It is also because of the market's status as a trendsetter for media companies around the world. We have begun conversations with potential customers and partners across North America including the West Coast tech giants, the traditional national media networks, the local and regional players, and the many emerging digital publishers.

Strategy

Our strategic focus continues to be not only about becoming a key component in our end customers technology stacks but also to be a vital component in the technology stacks of solutions providers (OEMs), equivalent to a 'Blackbird Inside' model.

As an example, we are looking to replicate the success we have had with TownNews, who offer a technology and content solution to a large base of customers that provide regional news.

Our relationship with Microsoft has been strengthened. Microsoft Azure awarded us 'co-sell ready' status this year and recognised Blackbird's ability to bring significant productivity and efficiency to many different types of media supply chain. We are in discussions with other public cloud companies and OEMs to provide best in class, browser-based cloud editing to their many customers.

The OEM theme is also being deployed in our more mature post-production business. From January 2019, our post facilities will be incentivised to resell Blackbird directly to the production companies rather than the mixed economy model previously. We call this our Blackbird Production Partnership, and some post houses have already signed up. This OEM focus helps us achieve widespread traction beyond what would traditionally be expected for a company our size.

The need for large companies to make video manipulatable and instantly visible across the whole organisation and its channels is at the very heart of what we offer. It is thanks to the unique Blackbird codec that we can deliver this. Blackbird continues to perform well in major international media supply chains as demonstrated by our relationship with IMG who recently renewed and expanded their contract with us. The 'problem of visibility' is industry wide. We can solve this issue by rolling out our market-leading Player and content creation tools within large OEM systems. This is how I believe the demand for Blackbird will expand rapidly.

From a technology and platform perspective, our excellent development and product teams led by Stephen Streater and Huw Dymond will continue to innovate. This innovation will be based on customer needs and will keep us best in class. The release and rollout of our workflows into JavaScript means that customers do not need any installation or machine configuration prior to using Blackbird. Also, the launch of the macOS Blackbird Edge allows Blackbird to be used on Macs. This development increases the addressable audience enormously and again enables mass deployment in an OEM. Our goal is to maintain our leadership position in video production codecs. We will continue to improve the useabilty of our solutions and the functionality ensuring we can simply integrate into client technology stacks, third-party Cloud providers and leading video AI tools.

Management and team changes

We have strengthened our sales and marketing teams during the year to support the delivery of our strategy. Adrian Lambert, an experienced senior marketing strategist, joined the Company in October 2018 as Marketing Director. Adrian has been instrumental in the redevelopment of our website and rebranding our products and services as Blackbird. He has also improved our client collateral and strengthened our presence at leading industry events including the International Broadcasting Convention ("IBC") and National Association of Broadcasters ("NAB").

Our continued focus on OEM and infrastructure sales has led to a more streamlined frontline sales team. This team has the skills and expertise we need to grow the business, especially in North America. Our emphasis on developing long-term consultative partnerships with clients and partners demands a deep understanding of their needs and strategy. To this end, we have hired two new Strategic Accounts Directors. Oliver Parker will be responsible for Europe, the Middle East and Africa ("EMEA") and Daniel Webster for the Americas. Oliver and Daniel are supported by two new pre-sales and technical experts George Maddocks and Robert Clements in their respective territories in Wimbledon and Los Angeles. Rachel Darcy, the UK Sales Director, left the Company in February 2019 as part of the restructuring.

Prospects

There is a long way to go to achieve our goals but there is an enormous potential market for Blackbird. Large organisations increasingly need to make high-quality video visible quickly and efficiently across multiple channels to engage more effectively with their viewers. We aim to build on our position in North America, especially among sports broadcasters and rights holders, OTT or SVOD customers or any company dealing with large volumes of video, and news media groups. Our successful fund raising in June last year means we have the financial resources to deliver our plans. We have also invested in a high-quality sales team and continue to develop our products and services to ensure we remain best in class.

Ian McDonough
Chief Executive Officer

Consolidated income statement and statements of comprehensive income for the year ended 31 December 2018

	2018	2017
	£	£
CONTINUING OPERATIONS		
Revenue	870,310	758,835
Cost of Sales	(125,079)	(151,113)
GROSS PROFIT	745,231	607,722
Operating costs	(2,738,515)	(2,452,158)
EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION, AMORTISATION AND EMPLOYEE SHARE OPTION COSTS	(1,993,284)	(1,844,436)
Depreciation	(44,432)	(47,091)
Amortisation	(544,889)	(512,549)
Employee share option costs	(32,445)	42,137
	(621,766)	(517,503)
OPERATING LOSS	(2,615,050)	(2,361,939)
Finance income	15,898	671
LOSS BEFORE INCOME TAX	(2,599,152)	(2,361,268)
Income tax	24,534	25,268
LOSS FOR THE YEAR	(2,574,618)	(2,336,000)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	(2,574,618)	(2,336,000)
Earnings per share expressed in pence per share		
Basic - continuing and total operations	(1.07p)	(1.29p)

Consolidated and company statements of financial position for the year ended 31 December 2018

	Group		**Company**	
	2018	2017	2018	2017
	£	£	£	£
ASSETS				
NON-CURRENT ASSETS				
Other intangible assets	748,062	1,038,095	748,062	1,038,095

Property, plant and equipment	32,816	59,750	32,816	59,750
Investments	-	-	641	641
	780,878	1,097,845	781,519	1,098,486
CURRENT ASSETS				
Trade and other receivables	301,742	221,095	306,062	226,748
Current tax assets	24,534	25,268	24,534	25,268
Cash and bank balances	5,032,087	1,752,349	5,026,622	1,746,113
	5,358,363	1,998,712	5,357,218	1,998,129
TOTAL ASSETS	6,139,241	3,096,557	6,138,737	3,096,615
EQUITY AND LIABILITES CAPITAL AND RESERVES				
Issued share capital	2,363,890	1,443,890	2,363,890	1,443,890
Share premium	21,456,572	16,935,301	21,456,572	16,935,301
Capital contribution reserve	125,000	125,000	125,000	125,000
Retained earnings	(18,375,226)	(15,833,053)	(18,374,946)	(15,832,255)
TOTAL EQUITY	5,570,236	2,671,138	5,570,516	2,671,936
CURRENT LIABILITIES				
Trade and other payables	569,005	425,419	568,221	424,679
TOTAL LIABILITIES	569,005	425,419	568,221	424,679
TOTAL EQUITY AND LIABILITIES	6,139,241	3,096,557	6,138,737	3,096,615

Consolidated statement of changes in equity for the year ended 31 December 2018

	Issued share capital £	Retained earnings £	Share premium £	Capital contribution reserve £	Total equity £
Balance at 1 January 2017	1,443,890	(13,454,916)	16,935,301	125,000	5,049,275
Changes in equity					
Share based payment	-	(42,137)	-	-	(42,137)

Total comprehensive income for the year	-	(2,336,000)	-	-	(2,336,000)
Balance at 31 December 2017	1,443,890	(15,833,053)	16,935,301	125,000	2,671,138
Changes in equity					
Issue of share capital	920,000		4,830,000		5,750,000
Expenses			(308,729)		(308,729)
Share based payment	-	32,445	-	-	32,445
Total comprehensive income for the year	-	(2,574,618)	-	-	(2,574,618)
Balance at 31 December 2018	2,363,890	(18,375,226)	21,456,572	125,000	5,570,236

Consolidated and company statements of cash flows for the year ended 31 December 2018

		Group		**Company**	
		2018	2017	2018	2017
	Notes	£	£	£	£
Cash flows from operating activities					
Cash used in operations	A	(1,919,634)	(1,725,967)	(1,918,863)	(1,732,097)
Tax received		25,268	23,529	25,268	23,529
Net cash from operating activities		(1,894,366)	(1,702,438)	(1,893,595)	(1,708,568)
Cash flows from investing activities					
Payments for intangible fixed assets		(254,856)	(206,810)	(254,856)	(206,810)
Payments for property, plant and equipment		(17,498)	(46,695)	(17,498)	(46,695)
Interest received		11,036	671	11,036	671
Net cash from investing activities		(261,318)	(252,834)	(261,318)	(252,834)
Cash flows from financing activities					
Share issue (net of expenses)		5,441,271	-	5,441,271	-
Repayment of finance leases		(5,849)	(3,412)	(5,849)	(3,412)

Net cash from financing activities	5,435,422	(3,412)	5,435,422	(3,412)
Increase/(decrease) in cash and cash equivalents	3,279,738	(1,958,684)	3,280,509	(1,964,814)
-				
Cash and cash equivalents at beginning of year	1,752,349	3,711,033	1,746,113	3,710,927
Cash and cash equivalents at end of year	5,032,087	1,752,349	5,026,622	1,746,113

A. **Reconciliation of loss before income tax to cash (used in)/generated from operations**

	Group		Company	
	2018	2017	2018	2017
	£	£	£	£
Loss before income tax	(2,599,152)	(2,361,268)	(2,599,670)	(2,360,313)
Depreciation	44,432	47,091	44,432	47,091
Amortisation charges	544,889	512,549	544,889	512,549
Employee share option costs	32,445	(42,137)	32,445	(42,137)
Finance income	(15,898)	(671)	(15,898)	(671)
Earnings before interest, taxation, depreciation and amortisation	(1,993,284)	(1,844,436)	(1,993,802)	(1,843,481)
Movements in working capital:				
(Increase)/decrease in trade and other receivables	(75,785)	197,679	(74,452)	190,524
Increase/(decrease) in trade and other payables	149,435	(79,210)	149,391	(79,140)
Cash (used in)/generated from operations	(1,919,634)	(1,725,967)	(1,918,863)	(1,732,097)

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