

Leading
exponent
of behavioural
economics and
system 1 thinking
in marketing and
research

Founded in 1999

Floated on AIM in December 2006 at £1.08 per share

Long term track record of profitable organic growth and strong cash flow

Operating in 10 countries

170 employees

200 + large (mainly consumer goods) clients

After successful year last year, highly disappointing H1 this year

Finished 2016/17 on the front foot

- Core Quant System1 products all growing well
- Established Ad Agency and moving into marketing services (not just research)
- Market as a whole increasingly embracing System 1 thinking

However, H1 results have declined sharply:

- Gross Profit 9% down
- PBT down to £0.85m from £2.79m

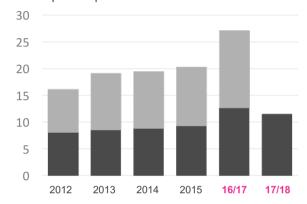
What happened?

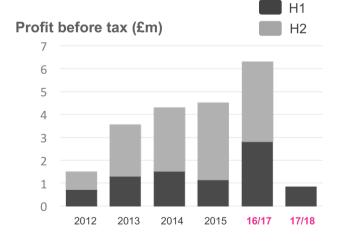
- Large CPG clients cut/deferred budgets
- Research industry shifting towards automated lower cost data
- Rebranding and team reorganisation for long term positioning, meant less focus on clients

9% Gross Profit decline caused heavy PBT fall due to large fixed-cost base

Gross profit (£m)

main top-line performance indicator





Revenue down 10% (12% in constant currency)

Gross profit down 9% (12% in constant currency)

Profit before tax down to 70%

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Diluted EPS down 69%

Cash outflow before financing £0.61m

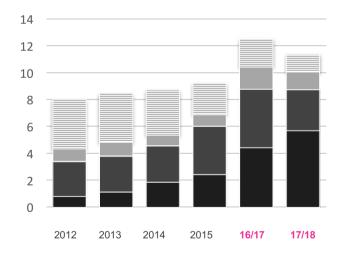
Cash returned to shareholders: £4.05m (dividends)

Cash balance: £3.50m and no debt

Gross Profit Decline due to Innovation Testing (Predictive Markets and Concept Testing)

Product mix – gross profit £m





Most of the business from our core 4 products

Brands and comms: Ad Testing, Brand Tracking Innovation: Predictive Markets, Concept Testing

Brands and comms

Ad Testing and Brand Tracking (43% of Gross Profit last year) grew 17% and 53% respectively. Leading to more sole supplier status and regular repeat usage.

Innovation

Innovation testing (44% of Gross Profit last year) down 27%.

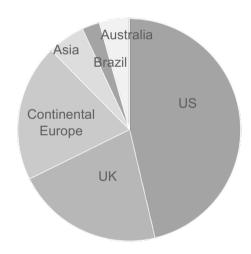
Other services

Other services (10% now) down significantly, which is painful in short term but less ongoing consequence

Gross profit down in most markets and underlying causes similar

	Gross profit		Operating profit	
US	£5.20m	-11%	£2.59m	-25%
UK	£2.40m	-18%	£0.91m	-36%
Continental Europe	£2.23m	-3%	£1.11m	-7%
Asia	£0.62m	+28%	£0.14m	+115%
Brazil	£0.29m	-56%	£(0.13)m	-140%
Australia	£0.49m	+77%	£0.40m	+39%
Total Research	£11.23m	-10%	£5.02m	-24%
System1 Ad Agency	£0.16m	+324%	£(0.21)m	NA
Total	£11.39m	-9%	£4.81m	-26%
Central Costs			£(3.97)m	+9%
Operating profit			£0.84m	-70%

Gross profit split



Costs increased in large part due to investment in US and Ad Agency

	2017/18	2016/17	Growth
Research overheads	£9.40m	£7.81m	+20%
Advertising Agency overheads	£0.37m	£0.15m	+147%
Underlying overheads	£9.77m	£7.96m	+23%
Bonus ("Profit Share")	-	£1.43m	-100%
Severance costs	£0.38m	£0.13m	+192%
One-off rebranding costs	£0.14m	-	NA
Overheads excluding share based payments	£10.29m	£9.52m	+8%
Share-based payments	£0.26m	£0.21m	+24%
Total overheads	£10.55m	£9.73m	+8%

Investment in US

Increased headcount and senior hires on back of consistently strong historic performance

Investment in Agency

Senior hires in Europe and US

Cash position remains solid

Cash Flow

Small operating cash outflow Pre-financing cash flow £0.60m

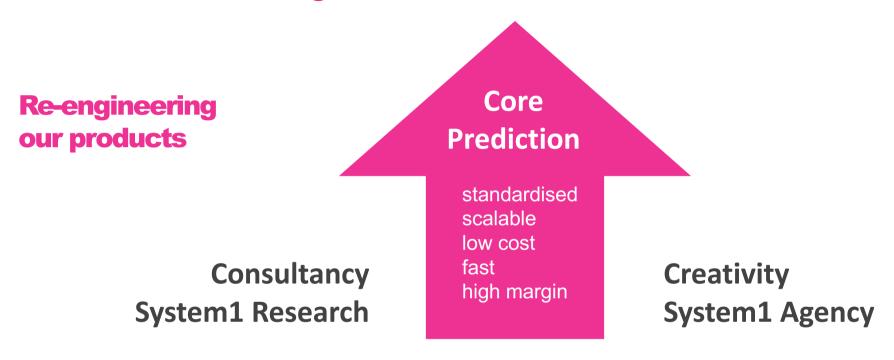
Finished the period with £3.50m cash and no debt

Returns to shareholders

Returned £4.05m to shareholders so far the year Final and Special Dividends

2017/18 interim dividend 1.1p Maintaining dividend in spite of earnings decline

Marketing that Makes a Difference & Zero Waste...



Core Prediction predicts which ads, concepts or other marketing creative will make a difference Research Consultancy improves the marketing outputs that clients decide to move ahead with Agency Creativity produces ads and concepts that are *guaranteed* to generate a return All feed off each other to win large scale programmes of ongoing work

Outlook

New Chapter following rebranding to System1 not started as hoped

However the decline has been a catalyst for re-engineering products

Increased potential for large work programmes and margin uplift

But: in a period of change, and with normal limited visibility, more cautious than usual on short term outlook

Were Gross Profit decline in H1 to repeat in H2, PBT would decline 50-60%

