



8 May 2018

WEY EDUCATION PLC
(“Wey” or “the Company” or “the Group”)

Unaudited Interim Results for the six months ended 28 February 2018

Wey Education plc (AIM:WEY) today publishes its interim results for the six months to 28 February 2018 and reports on a number of important developments within the business.

HIGHLIGHTS:

- Academy 21 acquisition outperforming expectations
- Establishment of Chinese subsidiary and agreement to establish a Joint Venture in China to progress English language teaching
- Infinity Education starts delivering first courses
- Agreement reached for Joint Venture in Nigeria to teach both English and Nigerian curriculum online
- Launch of primary curriculum
- Appointment of Executive Director of Human Resources
- Turnover up 44% at £1.74m (2017 - £1.21m) including contribution of £249,000 from Academy 21
- Adjusted profit before tax of £145,000 (2017 - £75,000)
- Adjusted basic EPS 0.12p (2017:0.08p)
- Cash balances healthy at £4.3m

Commenting on the results, David Massie (Executive Chairman) said: “This was an exciting period in the Company’s development. Last November’s oversubscribed £5m placing gave the Company the financial resources to implement its medium-term strategy. The results of that process are already beginning to bear fruit. The completion of the Academy 21 acquisition accelerates the Company’s growth in the B2B market and we are very pleased with its development so far. The announcements regarding the joint ventures in China and Nigeria is very significant for the group’s growth as they have the potential to be transformational. Naturally, there is some cost involved in developing these initiatives, but the Company has the necessary financial resources for such, and the Board considers the potential is so great, that the price is one worth paying.”

This announcement contains information which, prior to its disclosure by this announcement, was inside information for the purposes of the Market Abuse Regulation

Enquiries:

Wey Education plc

David Massie (Executive Chairman) +44 (0) 20 7518 9700
+44 (0) 7785 957 958

WH Ireland Limited
(Nominated Adviser and Broker)
Mike Coe / Ed Allsopp (Corporate Finance) +44 (0) 117 945 3470

Academy 21 (“A21”)

The A21 acquisition has to date exceeded management expectations. Turnover for the period 22 December 2017 to 28 February 2018 consolidated into the interim accounts was £249,000. Forward sales indicate that last year’s A21 sales figure for the full year of £1.03m is likely to be exceeded.

This promising start has given management the confidence to commit to further expansion in the division and the Company is now planning to recruit further sales personnel and commission an improved automated administration system for Academy 21.

Establishment of Chinese subsidiary Proposed Joint Venture in China Initial supplies by Infinity Education in China

After the interim accounts date the company received approval from the relevant authorities in China for the establishment of its wholly owned subsidiary - referred to in China as a Wholly Foreign Owned Enterprise (“WFOE”), domiciled in Beijing. This was an important step in the Group being regulatory compliant and able to do business in China.

The Group has entered into a Memorandum of Understanding (“MOU”) with a listed Chinese company Beijing Star Cube Science Development Co. Ltd (“Starcube”) to establish a Joint venture to market and sell English language courses in China. Negotiations are progressing well and it is anticipated that a formal JV will be agreed in the next few months.

Starcube is a Chinese company, specialising in education software development and education content. Starcube was founded in January 2010. It was registered with the National Equities Exchange and Quotations (“NEEQ”) in January 2014 – Stock name: StarCube and Ticker symbol: 430375. NEEQ was founded in 2012 and is under the supervision of the China Securities Regulatory Commission. The NEEQ is an over-the-counter (OTC) national securities trading market, providing an alternative finance method to list for Chinese small and medium size enterprises. On June 2016, Starcube’s stock was transferred to NEEQ Market Making Component Index.

The MOU contemplates that Wey and Starcube will establish a joint venture, to be incorporated as a Chinese limited liability company, which will be 50% owned by each of the shareholders. It is intended that it will initially offer English language lessons to Chinese state schools and expand into the provision of privately funded top up tuition to pupils in due course.

Wey will provide the English language tuition online from the UK, supplemented by some local teaching which may be online or off line.

Modest targets are being agreed with Starcube for 2018/19 but in the medium term, this is potentially a very material development and gives the Group the opportunity to establish credibility both in the market generally and with the Chinese state authorities in a market of some 200m students learning English day to day. Wey has agreed to provide pilot and

training courses in the current financial year at no cost to the joint venture and will also contribute its share of initial infrastructure costs.

Infinity Education Limited (“Infinity”)

The Group’s premium brand has now opened its doors and has secured its first contract, also in China. Of modest size, the contract has Infinity provide top up A level tuition and Oxbridge preparation to a group of students attending an international school in China. It is noteworthy that the Chinese school which already has high academic achievements has asked the Company to provide this service which underlines the overall quality of the Group’s offerings.

Agreement for New Venture in Nigeria to teach both British and Nigerian Curriculum

The Group has reached agreement with an independent school in Nigeria to launch and offer Wey’s services within the Nigerian market. The new venture will offer both Wey’s traditional curriculum of year 7 to year 13 British curriculum secondary courses but will also use the Wey platform to offer teaching in the Nigerian curriculum.

The current population of Nigeria is approximately 186 million and the children within such are the initial target market but it is considered that the offering of the Nigerian curriculum may also attract interest amongst the significant Nigeria diaspora living overseas.

Wey will provide the British curriculum teaching online from the UK and the Nigerian curriculum will be provided locally but utilising the Wey online learning platform. Wey will be paid a fee for every student utilising the platform for the Nigerian curriculum. It is hoped that the venture will admit its first students in the next financial year.

Launch of Primary Curriculum

Wey’s academic teaching is currently focussed on the secondary school curriculum (Years 7 – 13) i.e. Key stages 3, 4 and 5 broadly speaking for those aged 11 - 19. Wey has decided to extend its provision of online teaching into the Primary curriculum in terms of Key Stage 2, initially beginning with Years 5 and 6, typically for children aged 9 and 10.

It is intended to provide a curriculum of 6 core subjects from September 2018.

Appointment of Executive Director of Human Resources

The Company is pleased to announce the appointment of Tony Knowles as Executive Director responsible for Human Resources in the Group. Tony is an experienced HR professional who has worked in a range of industries. Most recently he was Human Resources Director for Veezu Holdings Limited, a gig economy based company operating in the private hire industry. Tony is expected to take up his position on 13 May 2018 and will be based at the Group’s administrative headquarters in Crickhowell.

Financial review

Turnover of £1.74m included a first time contribution of £249,000 from A21 for the period 22 December 2017 to 28 February 2018. This represented an increase of 44% on the 2017 turnover figure of £1.2m or 23% ignoring the Academy 21 contribution.

	6 months to 28.2.2018 £'000	6 months to 28.2.2017 £'000	Full year to 31.08.2017 £'000
Sales:			
Core	1,494	1,211	2,429
Acquisition	249	-	-
Total	1,743	1,211	2,429
Cost of sales	(838)	(575)	(1,221)
Gross profit	905	636	1,208
Admin Expenses	(745)	(557)	(1,036)
EBITDA	160	79	172
Depreciation	(15)	(4)	(11)
Adjusted Profit	145	75	161

Adjusted profits were £145,000 (2017: £75,000) in line with our expectations for the first half. The figure represents profit before tax adjusted for share based payments (£18,000), amortisation of intangibles (£95,000), acquisition costs (£43,000) and the higher than trend expenditure on marketing and other matters flagged up at the time of the November placing to substantially boost group revenues and underlying profits over the next three years (£143,000).

Adjusted EPS for the period was 0.12p (2017:0.08p)

Group cash at 28 February 2018 remained healthy at £4.3 million reflecting the balance of the funds raised in the November placing yet unspent and the inherent cash generative nature of the Group's operations.

Marketing

The Company allocated a portion of the funds raised in its November 2017 placing to increasing and enhancing marketing across the group. The results of this direct marketing are already apparent in the agreements reached in China and Nigeria and further developments are expected shortly.

The group is active online and continues to explore how best to enhance this with complementary advertising. Other initiatives include a campaign with Mumsnet and through Disability Rights UK as well as upgraded websites for overseas advertising.

Other UK B2B

B2B marketing (non-Interhigh) in the UK increased sales significantly over 2016/17 with most of the growth occurring in the first few months of the period. This contrasts well with the business profile of A21 whose sales are weighted towards the second half. As previously announced, the Wey B2B marketing team has been amalgamated with that of A21.

Management

With the appointment of a Finance Director and a new Human Resources director, senior management now consists of three executive directors and an executive chairman. The group considers itself well placed for future development.

Outlook

The Company is pleased with the progress in the first half.

In accordance with the strategy adopted at the time of the Company's £5 million placing in November 2017, emphasis has been put on development of the Company's business for the medium term at some short-term cost. The results of this strategy to date are reflected in the positive announcements made herein regarding A21, the Chinese joint venture and international expansion generally.

Turnover in the Group's core businesses increased 23% over the equivalent period in 2016/17 although in terms of profitability margin growth compensated for the sales shortfall. Overall for the full year, and notwithstanding the additional costs flagged above, we remain on track to meet our expectations for adjusted profitability for the year although this is likely to be achieved on lower than previously planned revenues.

The JV in Nigeria will be used to open up English speaking markets for the group's academic products in Commonwealth countries. The use of the Company's learning platform for teaching courses other than the British curriculum will open up a new revenue stream with attractive margins.

The JV in China is potentially very exciting. The Company will benefit both from the export sales made to the JV and from its share of underlying profitability of the JV. Delivery of the Group's services to China has been tested thoroughly and as noted above, revenue operations have commenced. The Group is developing the business in expectation of significant export sales from the UK from 2019/20 onwards. Management believes that the medium-term potential of this venture is so large that it justifies the commitment made.

The Company continues to explore additional marketing channels in China for its core academic products.

Consolidated Statement of Comprehensive Income For the six months ended 28 February 2018

	Unaudited 6 months ended 28 February	Unaudited 6 months ended 28 February	Audited Year ended 31 August
	2018 £'000	2017 £'000	2017 £'000
Total revenue	1,743	1,211	2,429

	£'000	£'000	£'000
NON CURRENT ASSETS			
Goodwill	1,643	201	201
Intangible assets	642	736	737
Tangible assets	126	49	102
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Total non current assets	<u>2,411</u>	<u>986</u>	<u>1,040</u>
CURRENT ASSETS			
Trade and other receivables	1,126	287	266
Cash and cash equivalents	4,346	1,030	1,005
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Total current assets	<u>5,472</u>	<u>1,317</u>	<u>1,271</u>
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TOTAL ASSETS	<u><u>7,883</u></u>	<u><u>2,303</u></u>	<u><u>2,311</u></u>
EQUITY AND LIABILITIES			
EQUITY AND RESERVES			
Issued share capital	1,267	988	1,039
Share premium	7,352	2,783	2,868
Share option reserve	95	91	77
Profit and loss account	(2,478)	(2,398)	(2,323)
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Total equity and reserves	<u>6,236</u>	<u>1,464</u>	<u>1,661</u>

CURRENT LIABILITIES

Trade and other payables	336	102	168
Accruals, deferred income, receipts in advance and refundable deposits	<u>1,311</u>	<u>737</u>	<u>482</u>
Total current liabilities	<u>1,647</u>	<u>839</u>	<u>650</u>
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TOTAL EQUITY AND LIABILITIES	<u><u>7,883</u></u>	<u><u>2,303</u></u>	<u><u>2,311</u></u>

Unaudited Consolidated Cash Flow Statement For the six months ended 28 February 2018

	Unaudited 6 months ended 28 February 2018 £'000	Unaudited 6 months ended 28 February 2017 £'000	Audited Year ended 31 August 2017 £'000
Cash flows from operating activities			
Profit/(loss) before taxation	(153)	11	18
Adjustments for:			
Amortisation	95	80	160
Depreciation	15	4	11
Equity based share payments	18	43	33
Equity based share awards	-	-	108
Changes in working capital:			
Trade and other receivables	(614)	(70)	(49)
Trade and other payables	69	(105)	46
Accruals, deferred income, receipts in advance and refundable deposits	558	368	112
Net cash generated from/(used in) operating activities	<u>(12)</u>	<u>331</u>	<u>439</u>
Cash flow from financing activities			

Issue of shares	4,711	-	110
Net cash generated from financing activities	4,711	-	110
Cash flow from investing activities			
Acquisition of business net of cash	(1,338)	-	(102)
Development costs	-	(187)	(267)
Purchase of fixed assets	(20)	(24)	(85)
Net cash (used in) investing activities	(1,358)	(211)	(454)
Net increase in cash and cash equivalents	3,341	120	95
Cash and cash equivalents brought forward	1,005	910	910
Cash and cash equivalents carried forward	4,346	1,030	1,005

**Notes to the Interim Results
For the six months ended 28 February 2018**

1. The interim results (approved by the Board of Directors and authorised for issue on 8 May 2018) are neither audited nor reviewed and do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information for the preceding period is extracted from the statutory accounts for the financial year ended 31 August 2017. The audited accounts for the year ended 31 August 2017, upon which the auditors issued an unqualified opinion, and which did not contain a statement under Section 498 (2) and (3) of the Companies Act 2006, have been delivered to the Registrar of Companies. As permitted, this interim report has been prepared in accordance with UK AIM Rules and not in accordance with IAS 34 'Interim Financial Reporting', therefore it is not fully in compliance with IFRS.
2. Wey Education plc is a public limited company incorporated in the United Kingdom. The Company is domiciled in the United Kingdom and its ordinary shares are traded on the AIM market of the London Stock Exchange plc.
3. The consolidated interim results have been prepared in accordance with the recognition and measurement principles of IFRS including standards and interpretations issued by the International Accounting Standards Board, as adopted by the European Union. They have been prepared using the historical cost convention.
4. The preparation of the interim results requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. If in the

future such estimates and assumptions, which are based on management's best judgement at the reporting date, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. The interim results are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except where otherwise indicated.

5. The interim results of the Group for the period ended 28 February 2018 have been prepared in accordance with the accounting policies expected to apply in respect of the financial statements for the year ending 31 August 2018.
6. There is no tax charge for the period due to the availability of tax losses brought forward.
7. The basic earnings per share is calculated on the weighted average number of shares in issue during the period. The weighted average number of ordinary shares in issue for the six months to 28 February 2018 was 116,650,560 shares (28 February 2017: 96,446,001 shares and 31 August 2017: 98,904,014 shares).
8. Copies of this report will be available to download from the investor relations section of the Company's website www.weyeducation.com.