

28 September 2017

Microsaic Systems plc

("Microsaic", "Microsaic Systems" or the "Company")

Interim Results and Management Update for the six months ended 30 June 2017

Microsaic Systems plc (AIM: MSYS), the developer of chip-based mass spectrometry ("MS") instruments designed to improve the efficiency of pharmaceutical R&D, announces its unaudited interim results for the six months ended 30 June 2017 ("H1 2017") and an update on trading since the period end.

Overview of Activities in H1 2017

- Further improvements delivered to overall products and services, including:
 - The world's first on-line desalting module for real-time bioprocessing applications
 - Mass-range extension enabling larger biomolecule detection
 - Increased environmental robustness for point-of-use applications
- Refocused strategy on the bioprocessing market where point of use MS has the potential to reduce analysis times significantly:
 - Validated a significant market opportunity with multiple points of entry
 - Product enhancements delivered to enable real-time analysis of therapeutic proteins and other biologics
 - Completed feasibility phase with a global partner in bioprocessing which co-funded R&D
- Difficult trading conditions in existing traditional markets for small molecule detection
 - Revenue down to £0.13m in H1 2017 (H1 2016: £0.47m)
- Streamlined organisation to maintain rigorous capital management:
 - Operating expenses in H1 2017 of £1.56m down 16% over H1 2016 (£1.87m)
 - Loss pre tax in H1 2017 is a 15% improvement over H1 2016
 - Cash of £4.08m at 30 June 2017 (31 December 2016: £5.73m)
- Eric Yeatman appointed Interim Non-Executive Chairman

Post-Period end update

- Appointment of Glenn Tracey as Chief Executive Officer ("CEO")
- Completed development of new extended mass range product offering, the 4500 MiD®, and first delivery of units to customers
- H2 2017 revenues from instruments and consumables are anticipated to be above H1 2017 based on current performance in Q3.

Glenn Tracey, CEO commented:

"Following a strategic review, the Board of Microsaic began implementing its revised life sciences strategy early in H1 2017, which is currently focused on the application of its unique miniaturised, point-of-analysis MS instruments for the detection of therapeutic proteins and antibodies ("biologic molecules") in the bioprocessing market.

"The Board sees significant opportunities for its MS instruments to be integrated into the attractive area of bioprocessing, and for diagnostics (disease biomarker detection) in the longer term. MS has a critical role in providing the reliable characterisation needed, and the high deployability and ease of use of Microsaic's technology makes it ideal for these applications compared to traditional instruments.

"Bioprocessing is a crucial stage in the production of biologic drugs, and aims to ensure that they are produced and purified correctly to retain the specific activity given their complex structures, without introducing harmful substances or degrading the biologic product. Point of use MS can be a very powerful tool in this process and recent development initiatives in the application of Microsaic's technology has demonstrated significant improvements in bioprocessing workflows.

"The Board believes that Microsaic's technology is well placed to exploit opportunities in life sciences and is very encouraged with the progress made so far with one of our global partners, hence we are committed to focusing technical and financial resources on opportunities in bioprocessing."

Technological enhancements

The Company has a compelling product development pipeline in support of its bioprocessing applications and in maintaining its leading position in miniaturised MS instruments and technologies. Such enhancements aim to further extend the mass range for biologics detection, and introduce new capabilities, such as on-line desalting, which allows for the purification of biomolecules in real time. In doing so, analysis times can be reduced from weeks to hours, which offers the potential for significant savings in operational costs of bioprocessing.

The Company has also developed a working prototype of a miniaturised "triple quadrupole" instrument, and is welcoming interest from partners for further product development and channels to market for this technology, in life science applications.

Traditional markets

The Company is committed to working with its current OEM partners in small molecule detection. These partnerships provide important insights about customer needs and technology enhancements, as well as the capabilities and robustness of the Company's MS instruments in a real-world environment. Although H1 2017 was a very challenging period for revenues we are pleased to see these increasing again through continued close relationships with our partners. H2 2017 revenues from instruments and consumables are anticipated to be above H1 2017 based on current Q3 performance.

Board and Management Changes

Glenn Tracey was appointed as CEO in September, 2017 replacing Jim Ramage, who retired as CEO and as a Board Member at the AGM in May 2017. Mr Tracey previously held the post of Chief Operating Officer since joining the Company in March 2015 and he was appointed to the board in December 2015.

Mr Tracey has 20 years of experience in product marketing and research and development, for both small and large companies in the healthcare technology industry, including PerkinElmer where he was central to the development, scale-up and commercialisation of disruptive sensing and detection technologies across multiple emerging application areas.

As previously announced, following the retirement of Colin Nicholl, Eric Yeatman was appointed Interim Chairman, in January 2017.

FINANCIAL REVIEW

Comprehensive income:

In H1 2017, total revenues of £128,884 were 72.7% down on H1 2016 (H1 2016: £472,072). H1 2017 revenues have been impacted by difficult trading conditions and therefore lower than expected unit sales which were communicated to the market in a trading update on 19 June 2017. Consumable revenue and service income at £60,254 were in line with last year (H1 2016: £62,024). In recognition of the limited potential in the application areas of small molecule detection that the Company has historically focused on, the Company is targeting its resources on high value opportunities in bioprocessing.

Gross profit for the period of £50,007 is down on H1 2016 by £122,021 or 70.9% reflecting the decline in revenues. The gross margin percentage of 38.8% is above the 36.4% recorded last year, mainly due to the higher proportion of consumable revenue and service income in H1 2017, which attract a higher margin.

Other operating income during the period of £51,004 was principally due to the amended collaboration agreement the Company signed in April 2017 with a long standing global partner (H1 2016: £Nil).

Operating expenses were £1,562,664 in the period (H1 2016: £1,868,900) down 16% over H1 2016. The fall in operating expenses of £306,236 was mainly due to a cost reduction programme that was introduced in Q1 2017 to address the reduction in revenues.

The loss for the period, before share-based payments, tax and interest, was £1,461,653, an improvement of £235,219 or 13.9% over last year (H1 2016: £1,696,872).

The comprehensive loss for the period of £1,477,060 (H1 2016: £1,697,836) is 13.0% or a £220,776 improvement over last year. This improvement was achieved through higher other operating income and operating expense savings. The basic loss per share fell from 2.31p in H1 2016 to 0.81p in H1 2017.

Statement of Financial Position:

Total assets at £5,462,421 are £1,668,199 below 31 December 2016, mainly due to a lower cash balance, which is down £1,649,761.

Total equity is £5,060,288 down £1,452,785 compared to 31 December 2016. The main movement since the year end has been in retained earnings with the balance increasing to £16,151,397 due to the comprehensive loss incurred in H1 2017 (£1,477,060) and the transfer in respect of lapsed share options in H1 2017 (£72,143).

Total liabilities at £402,133 are £215,414 lower than at 31 December 2016. The reduction is due to lower trade and other payables which are down £219,378 over the 2016 year-end figure.

Statement of Cash Flows:

The comprehensive loss for the period was lower in H1 2017 compared with last year by £220,776, principally due to operating expense savings which were partly off-set by a fall in gross profit. However, after adjustments for non-cash items plus an outflow on working capital, net cash used in operating activities for H1 2017 of £1,623,043, is in line with H1 2016.

Net cash used in investing activities in H1 2017 of £26,718 compares with £22,889 in H1 2016. The main movement was in interest received which was £3,572 lower in H1 2017.

The net decrease in cash and cash equivalents in H1 2017 amounted to £1,649,761 compared with a decrease for the same period last year of £1,653,093. The closing cash balance at 30 June 2017 is £4,078,783.

OUTLOOK

The Board sees significant opportunities for its MS instruments being integrated into multiple areas of bioprocessing, and for diagnostics in the longer term.

The Company is transforming the way it operates. It has a vision to help solve some of the major problems in human health. To do this, the Company aims to work with global partners with similar aspirations, which are prepared to co-fund R&D development costs and ensure that new product opportunities are adequately validated so they meet customer needs.

The Company expects its full year 2017 revenue to be significantly lower than 2016. The shortfall in revenue is expected to be off-set by lower overheads as a result of cost reduction plans implemented in H1 2017 and that the full year loss before tax will be broadly in line with 2016. Progress has been made in addressing the difficult trading conditions and H2 2017 revenues are anticipated to be above H1 2017 based on current Q3 performance.

This announcement is released by Microsaic Systems plc and contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 ("MAR"), encompassing information relating to the trading update described herein, and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of the Company by Bevan Metcalf, Finance Director.

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Cautionary Statement

This presentation contains forward-looking statements regarding the Company's plans, expectations, estimates and beliefs. Forward-looking statements are typically identified by words such as "believes", "anticipates", "intends", "will", "may" and other similar expressions. These forward-looking statements may include, among other things, projections of the Company's financial performance, anticipated growth, characterization of and the Company's ability to control contingent liabilities, and anticipated trends in the Company's businesses. These statements are only predictions, based on the Company's current expectation about future events. Although the Company believes the expectations reflected in the forward-looking statements are reasonable, it cannot guarantee future results performance or achievements or that predictions or current expectations will be accurate. These forward-looking statements involve risks and uncertainties.

About Microsaic Systems

Microsaic Systems plc (AIM: MSYS) is a high technology company developing chip-based, bench-top and point-of-analysis mass spectrometry ("MS") instruments that are designed to improve the efficiency of pharmaceutical R&D. The Company is working with established global life science companies to co-develop new solutions to improve productivity in the development of small molecule and novel biologic (peptides, antibodies) medicines. MS is a powerful method of analysis to enable earlier decision making relating to product identification, purity and bioactivity, and is the analytical technique of choice for biochemists across many industry sectors.

Microsaic's core product, the 4000 MiD®, is one of the smallest MS systems in the world, retaining the functionality of larger conventional MS systems, is easier to use by non-specialists, consumes less energy and has lower running costs. For more information, please go to www.microsaic.com.

STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

		6 months to 30 June 2017	6 months to 30 June 2016	Year to 31 December 2016
	Notes	Unaudited £	Unaudited £	Audited £
Revenue	6	128,884	472,072	851,180
Cost of sales		(78,877)	(300,044)	(549,179)
Gross profit		50,007	172,028	302,001
Other operating income		51,004	-	55,941
Other Operating expenses		(1,562,664)	(1,868,900)	(3,666,315)
Loss from operations before share based payments		(1,461,653)	(1,696,872)	(3,308,373)
Share based payments		(24,275)	(51,069)	(109,963)
Loss from operations after share based payments		(1,485,928)	(1,747,941)	(3,418,336)
Finance income		8,868	8,996	12,532
Loss before tax		(1,477,060)	(1,738,945)	(3,405,804)
Tax on loss on ordinary activities		-	41,109	303,819
Total comprehensive loss for the period		(1,477,060)	(1,697,836)	(3,101,985)
Loss per share attributable to the equity holders of the Company				
Basic and diluted loss per ordinary share	4	(0.81)p	(2.31)p	(2.93)p

STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 JUNE 2017

	Notes	30 June 2017 Unaudited £	30 June 2016 Unaudited £	31 December 2016 Audited £
ASSETS				
Non-current assets				
Intangible assets		75,040	93,056	84,377
Property, plant and equipment		160,757	137,968	196,970
Total non-current assets		235,797	231,024	281,347
Current assets				
Inventories		638,959	647,738	694,288
Trade and other receivables		246,172	440,753	163,731
Corporation tax receivable		262,710	308,484	262,710
Cash and cash equivalents		4,078,783	1,954,498	5,728,544
Total current assets		5,226,624	3,351,473	6,849,273
TOTAL ASSETS		5,462,421	3,582,497	7,130,620
EQUITY AND LIABILITIES				
Equity				
Share capital	5	453,413	183,413	453,413
Share premium		20,504,071	15,714,258	20,504,071
Share based payment reserve		254,201	243,173	302,069
Retained earnings		(16,151,397)	(13,342,329)	(14,746,480)
Total Equity		5,060,288	2,798,515	6,513,073
Current liabilities				
Trade and other payables		208,364	583,632	427,742
Non-Current liabilities				
Provisions		193,769	200,350	189,805
Total liabilities		402,133	783,982	617,547
TOTAL EQUITY AND LIABILITIES		5,462,421	3,582,497	7,130,620

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
AS AT 30 JUNE 2017

	Share capital £	Share premium £	Share Based payment reserve £	Retained Earnings £	Total equity £
At 1 January 2016	183,413	15,714,258	445,258	(11,897,647)	4,445,282
Total comprehensive loss for the period	-	-	-	(1,697,836)	(1,697,836)
Transactions with owners:					
Transfer in respect of lapsed share options	-	-	(253,154)	253,154	-
Share based payments-share options	-	-	51,069	-	51,069
At 30 June 2016	183,413	15,714,258	243,173	(13,342,329)	2,798,515
Total comprehensive loss for the period	-	-	2	(1,404,151)	(1,404,149)
Transactions with owners:					
Shares issued	270,000	5,130,000	-	-	5,400,000
Share issue costs	-	(340,187)	-	-	(340,187)
Transfer in respect of lapsed share options	-	-	-	-	-
Share based payments-share options	-	-	58,894	-	58,894
At 31 December 2016	453,413	20,504,071	302,069	(14,746,480)	6,513,073
Total comprehensive loss for the period	-	-	-	(1,477,060)	(1,477,060)
Transactions with owners:					
Transfer in respect of lapsed share options	-	-	(72,143)	72,143	-
Share based payments-share options	-	-	24,275	-	24,275
At 30 June 2017	453,413	20,504,071	254,201	(16,151,397)	5,060,288

STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2017

	6 months to 30 June 2017 Unaudited £	6 months to 30 June 2016 Unaudited £	Year to 31 December 2016 Audited £
Total comprehensive loss for the period	(1,477,060)	(1,697,836)	(3,101,985)
Amortisation of intangible assets	21,270	20,738	41,509
Depreciation of property, plant and equipment	56,473	57,669	109,419
Loss on disposal of intangibles	-	-	2,029
Profit on disposal of property, plant and equipment	(50)	-	(1,288)
Provision for leasehold dilapidations	3,964	22,093	16,779
Provision for warranty	-	33,000	27,769
Provision for bad and doubtful debts	-	(1,989)	(1,989)
Share based payments	24,275	51,069	109,963
General inventory provision	-	30,654	(25,000)
Tax on loss on ordinary activities	-	(41,110)	(303,819)
Interest received	(5,424)	(8,996)	(12,532)
Decrease/(Increase) in inventories	55,329	(78,124)	(69,020)
(Increase)/Decrease in trade and other receivables	(82,441)	6,981	284,003
Decrease in trade and other payables	(219,379)	(24,353)	(180,243)
Cash used in operations	(1,623,043)	(1,630,204)	(3,104,405)
Taxation received	-	-	308,483
Net cash used in operating activities	(1,623,043)	(1,630,204)	(2,795,922)
Cash flows from investing activities			
Purchases of intangible assets	(11,933)	(11,489)	(25,611)
Purchases of property, plant and equipment	(20,259)	(20,396)	(131,359)
Proceeds from sale of property, plant and equipment	50	-	1,500
Interest received	5,424	8,996	12,532
Net cash used in investing activities	(26,718)	(22,889)	(142,938)
Cash flows from financing activities			
Proceeds from share issues	-	-	5,400,000
Share issue costs	-	-	(340,187)
Net cash from financing activities	-	-	5,059,813
Net (decrease)/increase in cash and cash equivalents	(1,649,761)	(1,653,093)	2,120,953
Cash and cash equivalents at beginning of the year	5,728,544	3,607,591	3,607,591
Cash and cash equivalents at the end of the period	4,078,783	1,954,498	5,728,544

NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

1. Nature of Operations

Microsaic Systems plc (the "Company") is registered in England and Wales. The Company's registered office is GMS House, Boundary Road, Woking, GU21 5BX. The Company has no subsidiaries so the financial information relates to the Company only. Microsaic is a high technology company developing chip-based, bench-top MS instruments that are designed to improve the efficiency of pharmaceutical R&D.

2. General Information

The interim financial information has been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and implemented in the UK. The accounting policies, methods of computation and presentation used in the preparation of the interim financial information are the same as those used in the Company's audited financial statements for the year ended 31 December 2016.

The interim financial information in this statement does not constitute full statutory accounts as defined by Section 434 of the Companies Act 2006 and has not been audited.

The interim financial information for the six months to 30 June 2017 has been prepared using extracts from the financial statements prepared for the year ended 31 December 2016. Those financial statements have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified.

3. Basis of preparation

The financial statements are presented in GB Pounds Sterling. The financial information has been prepared on the historical cost basis, except where financial instruments are required to be carried at fair value under IFRS.

The financial information has been prepared on a going concern basis, as the directors consider that, the Company based on its latest forecasts has sufficient resources to continue operations for at least the next 12 months.

4. Loss per share

	6 months to 30 June 2017 Unaudite d	6 months to 30 June 2016 Unaudited	12 months to 31 Dec 2016 Audited
Comprehensive loss attributable to equity shareholders	(1,477,060)	(1,697,836)	(3,101,985)
Weighted average number of 0.25p ordinary shares for the purpose of basic and diluted loss per share	181,365,146	73,365,146	105,824,162

Basic and diluted loss per share	(0.81)p	(2.31)p	(2.93)p
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NOTES TO THE INTERIM FINANCIAL INFORMATION (UNAUDITED)

Potential ordinary shares are not treated as dilutive as the Company is loss making, therefore the weighted average number of ordinary shares for the purposes of the basic and diluted loss per share are the same.

5. Called up share capital

	30 2017	June 2016	30 2016	June 2016	31 2016	Dec
		Unaudited £	Unaudited £	Unaudited £	Audited £	Audited £
Allotted, issued and fully paid Ordinary shares of 1p each		453,413	183,413	453,413		

The number of shares in issue was as follows:

	Number of shares
Balance at 1 January 2016	73,365,146
Issued during the period	-
Balance at 30 June 2016	73,365,146
Issued during the period	108,000,000
Balance at 31 December 2016	181,365,146
Issued during the period	-
Balance at 30 June 2017	181,365,146

6. Segmental reporting

Throughout the period the Company operated in one business segment, that of research, development and commercialisation of scientific instruments. All of the Company's assets are held in the UK and all of its capital expenditure arises in the UK. The geographical analysis of revenue was as follows:

	6 months to 30 June 2017 Unaudited	6 months to 30 June 2016 Unaudited	12 months to 31 Dec 2016 Audited
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	£	£	£
UK	6,282	7,412	12,347
Non-UK	122,602	464,660	838,833
	128,884	472,072	851,180

A further breakdown of the non-UK revenue is not possible due to the nature of the sales via OEM's which are then distributed globally. One customer represented 58% of total revenue in the period (H1 2016: 50%).