

Daily Internet plc
("Daily Internet" or the "Company" or the "Group")

Interim Results for the six months ended 30 September 2015

Daily Internet plc (AIM:DAIP), the managed hosting and cloud integrator, is pleased to announce its unaudited interim results for the six months ended 30 September 2015.

FINANCIAL HIGHLIGHTS

- Revenue growth of 35.2% to £2,414k (H1 2014: £1,785k)
- Adjusted EBITDA¹ profit growth of 7.8% to £276k (H1 2014: £256k)
- Loss before tax reduced 26.2% to £76k (H1 2014: £103k)
- Gross margin maintained at 61.9% (H1 2014: 61.2%)
- Cash at bank at period end increased to £441k (H1 2014: £271k)
- On track to exceed analysts' full year expectations given the current H2 outlook

OPERATIONAL HIGHLIGHTS

- Re-aligning of cost base now largely completed which included:
 - Closure of Maidenhead office
 - Reduction of headcount in SME division
 - Removing duplication of common functions across business units
 - Legacy SME business of Netplan transferred to SME division
 - SME businesses server estate consolidated into a common datacentre
- Strategic partnership with Epicor Software
- SaaS platform developed for Epicor customers

¹Adjusted EBITDA, which is referred to throughout the announcement, is earnings before interest, taxation, depreciation, amortisation, acquisition and integration costs, fair value adjustments and share based payments

Chris Evans, Chief Executive commented:

"Following what has been a transformational period, we have entered H2 with a leaner cost base, a simplified management structure and a renewed focus on delivering profitable growth. We are building on a solid base and believe that we are well positioned to deliver on our plan. We therefore look forward to the future with confidence."

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Daily Internet plc

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About Daily Internet

Daily Internet is a leading cloud integrator. Solutions delivered comprise best of breed technologies, tailored and delivered to ensure customers benefit from the vast array of solutions and ever advancing hosting technologies. The Daily Group team keeps customers at the forefront of technology, enabling them to free up resources so they can focus on growing their core business without the distractions or complexity of the ever-changing hosting landscape.

The Group has offices in Liverpool, Nottingham and Coventry.
For more information, visit <http://www.dailyplc.com>

Introduction

We have achieved a good trading performance over the first half, which has seen Group revenue grow by 35.2% to £2,414k (H1 2014: £1,785k). We continued to implement the realigning of our cost base in support of our particular focus on our Managed Hosting segment and as a result of restructuring work we have exited the period leaner and in a better position from which to deliver sustained revenue and profit growth moving forward.

Operational Review

We currently report across two segments: SME Hosting, which comprises of our mass-market brands daily.co.uk, [Evohosting](http://evohosting.com), and [NameHOG](http://namehog.com); and Managed Hosting, which comprises of the [Netplan](http://netplan.com) brand and the former Q4Ex business (which is now fully integrated and trades as [Netplan](http://netplan.com)).

The revenue generated by each segment continues to shift in ratio towards Managed Hosting, which now accounts for 53% of revenue, and SME Hosting, 47%. This is the reverse of the H1 2014 position of 47% and 53% respectively.

SME Hosting

During the period under review, the Directors continued a programme of cost-realignment to focus capital more on the Managed Hosting division, as we have seen the largest growth opportunities in this area. This cost programme is largely completed, resulting in the closure of our Maidenhead office, the consolidation of the SME server estate into a single datacentre and the restructured SME teams simplifying the management and reporting structure. Staff numbers in the SME division have decreased from 16 to 10.

Revenue for SME hosting rose 22% to £1,143k vs £939k for H1 2015. As a result of the reorganisation EBITDA increased 100% to £250k from £125k for H1 2015. Given that many of the cost savings became effective towards the end of the period under review and the one-off non-recurring costs for redundancies, relocation of staff and other items, the run rate of costs for this division is lower as we enter H2.

A new livery was launched for the “Daily” brand of the SME division, to give a more ‘upmarket’ image ahead of a renewed focus on reducing churn and refreshing the product offering. The brand is being repositioned to provide a higher quality product away from competing for volume. This move is designed to attract higher value customers with lower churn, producing more profitable contracts.

Managed Hosting

The Managed Hosting segment continues to perform well. Revenue for the period increased by 50.2% to £1,271k up from £846k in H1 2014. EBITDA rose 17.1% to £376k up from £321k for H1 2014. The board expects EBITDA growth to exceed revenue growth in the longer term as the segment builds economies of scale.

A crucial part of the Group’s strategy is the clear focus on creating long-standing and loyal client relationships that lead to high renewal rates and the provision of additional services from across the Group. We enjoy low

levels of churn in our Managed Hosting division and, in addition, our five largest clients by revenue are under contracts (and in some case multiple contracts) that have more than 2 years to run under their current term.

The partnership with Epicor Software, as announced on 26 August 2015, is developing and the activity levels with them are increasing. We now provide services in some shape or form from hosting to consultancy to 17 Epicor customers. We have created a new cloud platform hosted by us to service a subset of Epicor Bistrack ERP customers which allows them to pay a per user per month fee under a Software as a Service (SaaS) model. A pipeline for this product has been building from September and three clients have converted to the service after the period end.

We also worked with Epicor to host their new product, Epicor Commerce Connect, which has begun to gain some traction.

We continue to deepen our partnerships with Microsoft Azure and Amazon Web Services to ensure we offer the most appropriate solution to our customers, Private Cloud, Public or a Hybrid. Having all of these offerings available ensures we can advise customers of their best choice for addressing performance, cost, reliability, scalability, data sovereignty and regulatory issues.

Our revenues from consulting services are increasing as our clients continue to seek our advice and support.

M&A Activity

We evaluated a number of opportunities in the period but these did not fit with the Boards strategic objectives. We remain committed to our M&A strategy and expect to grow through further acquisitions in the future.

Financial Performance

Group revenues grew 35.2% to £2,414k from £1,785k in H1 2014.

Our SME Hosting segment grew 22% to £1,143k (H1 2014: £939k). EBITDA was strengthened by 100% to £250k (H1 2014: £125k). This was largely as a result of a full period contribution from Evohosting, which was acquired and announced in August 2014, and a reorganisation of the cost base.

The Managed Hosting segment grew revenues by 50.2% to £1,271k (H1 2014: £846k) and EBITDA grew 17.1% to £376k (H1 2014: £321k). The growth came about as the result of a part period contribution from the Q4Ex acquisition as announced in December 2014 and strong organic growth in the combined entity of Q4Ex and Netplan.

Costs associated with the Group and not assigned to a segment (these include the cost of the board, head office, accounts, marketing and development plus costs associated with being quoted on AIM) increased to £350k in the period from £191k in H1 2014. The increase resulted from the creation of a number of Group roles for common functions to remove duplication across business units.

Adjusted EBITDA grew by 7.8% in the period to £276k from £256k in H1 2015. Cash at the period end was £441k (H1 2015: £271k). Net cash of the Group was £336k after allowing for convertible loan notes of £105k which are due to be redeemed in January 2016.

The Group incurred some one-off non-recurring costs relating to the redundancy of staff, closure of an office, moving of a server estate, staff relocation costs and some duplicated roles. These have been expensed through the P&L and have not been adjusted for.

Current trading and outlook

The market and opportunity is growing and continuously evolving and we are well placed for continued growth. In light of the Group's reorganisation process, particularly with regard to SME Hosting and coupled with the developments in our Managed Hosting division, we expect the result for the full year to be ahead of current market expectations. We look forward to the remainder of this year and beyond with confidence.

Chris Evans
 Chief Executive Officer
 08 December 2015

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 SIX MONTHS ENDED 30 SEPTEMBER 2015**

Notes	Unaudited six months to 30 Sep 2015 £'000	Unaudited six months to 30 Sep 2014 £'000	Audited year to 31 Mar 2015 £'000
Revenue	2,414	1,785	3,891
Cost of sales	(920)	(693)	(1,469)
Gross profit	1,494	1,092	2,422
Operating expenses before depreciation, amortisation, acquisition and integration costs, fair value adjustment and share based payments	(1,218)	(836)	(2,011)
Operating profit before depreciation, amortisation, acquisition and integration costs, fair value adjustment and share based payments	276	256	411
Depreciation	(153)	(119)	(263)
Amortisation of intangibles	(150)	(122)	(276)
Acquisition and integration costs	(29)	(102)	(148)
Fair value adjustment	(11)	(3)	83
Share based payments	14	18	118
Administrative expenses	(1,547)	(1,164)	(2,497)
Loss from operations	(53)	(72)	(75)
Finance costs	(23)	(31)	(63)
Loss before taxation	(76)	(103)	(138)
Taxation	30	24	54
Total comprehensive loss attributable to the equity holders of the company	(46)	(79)	(84)

Basic and fully diluted loss per share	3	£0.0001	£0.0002	£0.0002
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The Group's results are derived from continuing operations.

The accompanying notes form an integral part of this consolidated statement of comprehensive income.

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

	Unaudited 30 Sep 2015 £'000	Unaudited 30 Sep 2014 £'000	Audited 31 Mar 2015 £'000
Assets			
Non-current assets			
Goodwill	4,454	2,794	4,454
Intangible assets	1,450	1,710	1,594
Plant, property and equipment	575	572	592
	6,479	5,076	6,640
Current assets			
Trade and other receivables	494	369	594
Cash and cash equivalents	441	271	426
	935	640	1,020
Total Assets	7,414	5,716	7,660
Equity and Liabilities			
Equity attributable to the equity shareholders of the parent			
Called up share capital	2,399	2,246	2,399
Share premium reserve	7,061	6,782	7,061
Share based payment reserve	74	188	88
Retained losses	(5,466)	(5,415)	(5,420)
	4,068	3,801	4,128
Non-current liabilities			
Obligations under finance leases	113	154	126
Convertible loan notes	-	101	-
Deferred taxation	297	357	327
Contingent consideration due on acquisitions	618	-	1,225
	1,028	612	1,678
Current liabilities			
Trade and other payables	1,332	1,056	1,468
Contingent consideration due on acquisitions	618	-	-
Other loans	150	-	175
Convertible loan notes	103	163	103
Obligations under finance leases	115	84	108
	2,318	1,303	1,854
Total Equity and Liabilities	7,414	5,716	7,660

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
SIX MONTHS ENDED 30 SEPTEMBER 2015**

	Attributable to equity holders of the parent				Total £'000
	Share capital	Share premium account	Other reserve	Accumulated losses	
	£'000	£'000	£'000	£'000	
At 1 April 2014	2,038	6,185	206	(5,336)	3,093
Loss and total comprehensive income for the period	-	-	-	(79)	(79)
Issue of share capital	208	623	-	-	831
Expenses of share issue	-	(26)	-	-	(26)
Movement in share option reserve	-	-	(18)	-	(18)
At 30 September 2014	2,246	6,782	188	(5,415)	3,801
Loss and total comprehensive income for the period	-	-	-	(5)	(5)
Issue of share capital	153	280	-	-	433
Expenses of share issue	-	(1)	-	-	(1)
Movement in share option reserve	-	-	(100)	-	(100)
At 31 March 2015	2,399	7,061	88	(5,420)	4,128
Loss and total comprehensive income for the period	-	-	-	(46)	(46)
Movement in share option reserve	-	-	(14)	-	(14)
At 30 September 2015	2,399	7,061	74	(5,466)	4,068

The following describes the nature and purpose of each reserve within equity:

Reserve	Description and purpose
Share Premium	Amount subscribed for share capital in excess of nominal values.
Other Reserve	Amount reserved for share based payments to be released over the life of the instruments.
Accumulated losses	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere.

**CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
SIX MONTHS ENDED 30 SEPTEMBER 2015**

	Unaudited six months to 30 Sep 2015 £'000	Unaudited six months to 30 Sep 2014 £'000	Audited year to 31 Mar 2015 £'000
Cash flows used in operating activities			
Loss after tax	(46)	(79)	(84)
Adjustments for:			
Depreciation and other amortisation	303	241	539
Fair value adjustment on contingent consideration	11	3	(83)
Finance costs	23	31	63
Acquisition costs	1	59	84
Share based payments	(14)	(18)	(118)
Taxation	(30)	(95)	(54)
Operating cash flows before movement in working capital	248	142	347
Decrease/(increase) in trade and other receivables	100	(14)	(201)
(Decrease)/increase in trade and other payables	(136)	(63)	240
Net cash flow from operating activities	212	65	386
Cash flows from investing activities			
Payments to acquire property, plant & equipment	(51)	(125)	(191)
Acquisition costs	(1)	(51)	(75)
Final payment on acquisition	-	-	(550)
Payment for acquisitions net of cash received	-	(916)	(330)
Net cash used in investing activities	(52)	(1,092)	(1,146)
Cash flows from financing activities			
Issue of ordinary share capital	-	411	408
Drawdown of loan facility	150	-	175
Repayment of loan facility	(175)	-	-
Repayment of loan notes	-	-	(170)
Loan note interest paid	(4)	(13)	(24)
Interest element of finance lease payments	(19)	(18)	(32)
Capital repayment of finance leases	(97)	(81)	(170)
Net cash from financing activities	(145)	299	187
Net (decrease)/increase in cash and cash equivalents	15	(728)	(573)
Cash and cash equivalents at the beginning of the period/year	426	999	999
Cash and cash equivalents at the end of the period/year	441	271	426

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED 30 SEPTEMBER 2015**

1. ACCOUNTING POLICIES

The financial information for the year ended 31 March 2015 set out in this half yearly report does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The figures for the year ended 31 March 2015 have been extracted from the Group financial statements for that year. Those financial statements have been delivered to the Registrar of Companies and included an independent auditor's report, which was unqualified and did not contain a statement under section 493 of the Companies Act 2006.

The half yearly financial information has been prepared using the same accounting policies and estimation techniques as will be adopted in the Group financial statements for the year ending 31 March 2016. The Group financial statements for the year ended 31 March 2015 were prepared under International Financial Reporting Standards as adopted by the European Union. These half yearly financial statements have been prepared on a consistent basis and format with the Group financial statements for the year ended 31 March 2015. The provisions of IAS 34 'Interim Financial Reporting' have not been applied in full.

The half year financial statements to 30 September 2015 have neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board.

2. SEGMENTAL REPORTING

The Group has two operating segments.

The SME Hosting division is services to the mass-market and included the brands Daily.co.uk, Evohosting and NameHOG. The Managed Hosting segment is enterprise hosting, private and public cloud and consultancy. Managed Hosting costs of the Netplan brand (and includes the former Q4Ex business now integrated into and trading as Netplan). Each reportable segment has a segment manager or managers who are directly accountable to and maintain regular contact with the CEO.

No customer represents more than ten per cent. of the Group's revenue.

The following tables represent the revenue and profit information for the Group's business segments:

	6 months to 30 September 2015 £'000	6 months to 30 September 2014 £'000	Year ended 31 March 2015 £'000
Revenue			
SME Hosting	1,143	939	2,039
Managed Hosting	1,271	846	1,852
	2,414	1,785	3,891
Gross Profit			
SME Hosting	674	497	1,131
Managed Hosting	820	595	1,291
	1,494	1,092	2,422
Adjusted EBITDA			
SME Hosting	250	125	278
Managed Hosting	376	321	567
Group	(350)	(191)	(434)
	276	255	411

Profit/(loss) before tax			
SME Hosting	153	58	110
Managed Hosting	148	147	186
Group	(377)	(308)	(434)
	(76)	(103)	(138)
Loss attributable to the equity holders of the company			
SME Hosting	163	49	123
Managed Hosting	168	167	227
Group	(377)	(295)	(434)
	(46)	(79)	(84)

3. LOSS PER SHARE

	Unaudited six months to 30 Sep 2015	Unaudited six months to 30 Sep 2014	Audited year to 31 Mar 2015
Loss for the financial year attributable to shareholders	£46,000	£79,000	£84,000
Weighted number of equity shares in issue	479,791,101	428,022,700	456,047,673
Basic/diluted loss per share	£0.0001	£0.0002	£0.0002

Since the conversion of potential ordinary shares to ordinary shares would decrease the net loss per share, they are not dilutive. Accordingly, diluted loss per share is the same as basic loss per share.

4. SUBSEQUENT EVENTS

There have been no events subsequent to the period end.

5. AVAILABILITY OF INTERIM REPORT

Copies of this report are available on the Company's website at <http://www.dailyplc.com>