

Aquis Exchange PLC
("Aquis" or the "Company")
Interim Results for the six months ended 30 June 2018

Aquis Exchange PLC, the independent, pan-European equities exchange operator and technology service provider, is pleased to announce its unaudited interim results for the six months ended 30 June 2018.

Highlights

- Revenue increased 54% to £1.5 million (H1 2017: £1.0 million)
- Adjusted EBITDA* of £(1.8) million (H1 2017: £(1.5) million)
- Cash and cash equivalents of £13.1 million (H1 2017: £5.9 million)
- Successful listing on AIM completed on 14 June 2018, raising £12 million for the Company
- Trading Members on Aquis Exchange grew from 24 to 26 during the period
- Market share of overall pan-European continuous trading grew over the period, reaching an all-time high of over 3% in August
- Post period end Aquis has continued to grow its software licence activities including an agreement signed with Archax, an institutional-grade crypto exchange
- Trading is in line with market expectations

*excluding exceptional items relating to the costs of the AIM listing

Alasdair Haynes, Chief Executive Officer of Aquis, commented:

"These results demonstrate how Aquis' pioneering business model is continuing to deliver, and is being recognised by the industry as we win record share of the European continuous trading market. We are disrupting the European cash equities trading landscape with a unique operating model underpinned by subscription-based pricing and a compelling offer to traders which combines good liquidity with market-leading low levels of toxicity. As the benefits of low toxicity are better appreciated, we are palpably winning market share.

"There is a clear regulatory drive for greater transparency in trading and a requirement for market participants to show they are using the best possible venue. With its increased profile, strong balance sheet post-IPO and its growing software licensing activities, Aquis is ideally positioned to capitalise on these trends and we are encouraged by our progress so far this year."

This announcement contains inside information for the purposes of EU Regulation 596/2014.

25 September 2018

Enquiries

Aquis Exchange PLC

Alasdair Haynes, CEO

Jonathan Clelland, CFO and COO

Tel: +44 (0) 20 3597 6321

Liberum Capital Limited (Nomad and Broker)

Clayton Bush

Chris Clarke

Kane Collings

Tel: +44 (0) 20 3100 2000

Finsbury (Financial Public Relations)

Alastair Hetherington

Michael Turner

Alexander Gorokhov

Tel: +44 (0) 20 7251 3801

Operational Review

Aquis Exchange

Aquis Exchange is a Pan-European cash equities trading venue with a unique, subscription based, pricing model. Aquis Exchange uses its own highly-performant trading technology, which is developed in-house.

Aquis Exchange is authorised and regulated by the Financial Conduct Authority to operate a multilateral trading facility. The Company was launched in November 2013 to introduce competition and innovation to the market.

During the period, Aquis grew its number of trading members from 24 to 26. In addition a number of members increased their trading volumes resulting in increased monthly subscriptions.

The Company has significantly increased its market share of the overall pan-European market achieving 3.17% of continuous trading for the month of August and therefore exceeding the year end 2018 target of 3.00%.

With effect from 1 October 2018, the subscription tiers will be modified which should enhance growth in the future. In addition the Company recently increased the number of stocks available to trade by 214 from 1,433 to 1,647 stocks to strengthen further market transaction opportunities.

Independent studies have verified that Aquis Exchange has materially lower toxicity than its competitors which lowers the implicit costs of trading for the end investor. This is a significant positive differentiating factor and underpins the growth potential.

Since the successful IPO Aquis has increased its investment in personnel, infrastructure, sales and marketing to help promote future growth of the business.

Aquis Technologies

In addition to operating a pan-European MTF, the Company develops and licenses exchange and regulatory technology to third parties through its brand Aquis Technologies. Aquis Exchange also utilises the technologies created by this specialist software arm.

Progress continues on a number of exchange and surveillance licensing projects in a variety of asset classes including bonds and derivatives.

Post period-end, Aquis announced that it had entered into an agreement with Archax, the institutional-grade crypto and security token exchange, to supply it with trading technology when its exchange launches in the first half of 2019. Archax will license Aquis' complete suite of exchange operations services and tools, including its high speed and high capacity Aquis Matching Engine (AME), its state-of-the-art Aquis Market Surveillance System (AMS), as well as operations systems and assistance in the post trade environment. The three year agreement comprises an upfront implementation fee and a recurring licence fee when the exchange launches, subject to its funding round planned for later this year. The agreement is in line with the Company's stated strategy to license its technology to third parties.

Aquis Market Data

Aquis Exchange has provided market data free of charge to trading members and data vendors since the trading venue was launched in November 2013. From 1 July 2018, the Company began charging market data vendors £2,000 per month for data from Aquis' exchange and it now has 11 paying Members. Market data is a significant revenue generator for the national exchanges and Aquis hopes this revenue stream will become increasingly meaningful over time.

Financial Review

Aquis delivered a strong performance during the six months ended 30th June 2018. Revenue for the period amounted to £1.52 million representing a 54% increase on the equivalent period for 2017.

Growth was achieved in both core business lines with the exchange activities increasing 44% from £0.84m to £1.20 million and licensing activities increasing 112% from £0.15 million to £0.32 million. The growth in exchange activities was driven principally by existing Members increasing transaction flow as the benefits of the low toxicity become better appreciated. The growth in licensing activities was driven by the successful conclusion of two exchange systems projects.

Cost of sales and administration expenses increased as the company continues to invest in its personnel and systems.

The Company significantly strengthened its balance sheet at the IPO which will ensure it is able to meet regulatory capital requirements and support business growth. The net capital position at 30 June 2018 was £13.8 million.

Market

Market conditions for the period were relatively stable with equity market trading volumes in line with historic norms.

The continued impact of the introduction of MiFID II on 3 January 2018 is anticipated to have beneficial effects to the Company as market participants increase their trading activities on lit markets. As yet, the implementation of MiFID II has not had a material impact on trading volumes, but in the medium term it is anticipated that regulation will have a positive effect on the Company.

The Company recently announced that it is establishing a new venue in Paris to ensure it is able to continue providing financial services to its Members across Europe following the UK's planned departure from the European Union (Brexit), which may be as soon as end March 2019

Growth Strategy

The key strategic areas of focus for the Company are:

- to capitalise on regulatory and technical shifts in market infrastructure by providing a trading venue which offers deeper liquidity and transparent, higher quality execution for intermediaries and investors;
- to continue to increase the trading levels of the existing Members;
- to increase the number of Members and associated trading volumes by providing a robust and innovative platform that responds to investors' needs, whilst maintaining a competitive pricing model; and
- to license its technology platform to third parties that require trading systems, market surveillance or gateway technology.

During the remainder of 2018 and 2019, the Company intends to focus on building its client base and trading activities in European equities. Given that a number of large investment banks are already Members and directing flow to Aquis Exchange, we believe that the Company is well positioned to capitalise further on this. Furthermore, the continued investment in the Company's technology supports growth in software licensing contracts.

In the medium term, the Directors believe that the combination of a successful equities trading venue and a successful licensing business should offer the Company the opportunity to expand its activities internationally and develop trading venue activities in additional asset classes.

Outlook

We have been very pleased with the progress made in 2018. In particular reaching 3% of continuous pan-European trading is an important milestone for the Company and establishes the platform for future growth. The objective is to consolidate this increase during the remainder of the year and then continue to grow during 2019. This should be achieved through the combination of existing Members increasing their trading activities, new Members joining the exchange and through the addition of more stocks being made available on the platform. We are confident of meeting market expectations for the full year.

Financial Statements

Statement of total comprehensive income

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000	Year ended 31 December 2017 £'000
Revenue	1,520	986	2,014
Cost of sales	(2,092)	(1,882)	(4,075)
Gross Loss	(572)	(896)	(2,061)
Administrative expenses	(1,336)	(685)	(1,216)
Operating loss	(1,908)	(1,581)	(3,277)
Investment income	6	5	10
Loss before tax	(1,902)	(1,576)	(3,267)
Exceptional costs	(1,398)	-	-
Income tax recovered	-	-	222
Loss after tax	(3,300)	(1,576)	(3,045)
Other comprehensive income	-	-	-
Loss and total comprehensive income for the year	(3,300)	(1,576)	(3,045)
Loss per share			
Basic (pence)	(12)	(244)	(522)
Diluted (pence)	(12)	(244)	(522)

Statement of financial position

	6 months ended 30 June 2018	6 months ended 30 June 2017	Year ended 31 December 2017
	£'000	£'000	£'000
Non-current assets			
Property, plant and equipment	418	234	283
Other receivables	277	277	277
Total non-current assets	695	511	560
Current assets			
Trade and other receivables	793	459	574
Current tax recoverable	-	-	222
Cash and cash equivalents	13,140	5,939	3,985
Total current assets	13,933	6,398	4,781
Current liabilities			
Trade and other payables	863	299	276
Net current assets	13,070	6,099	4,505
Net assets	13,765	6,610	5,065
Equity			
Called up share capital	2,715	-	-
Share premium account	11,554	23,517	23,517
Retained earnings	(504)	(16,907)	(18,452)
Total equity	13,765	6,610	5,065

Statement of changes in equity

	Share capital	Share premium	Retained earnings	Total
	£	£	£	£
At 1 January 2017	17	23,517,321	(15,407,444)	8,109,894
Loss for the 6 months to 30 June 2017	-	-	(1,576,341)	(1,576,341)
At 30 June 2017	17	23,517,321	(16,983,785)	6,533,553
Loss for the 6 months to 31 December 2017	-	-	(1,468,253)	(1,468,253)
At 31 December 2017	17	23,517,321	(18,452,038)	5,065,300
Share capital reorganisation	2,268,842	(23,517,321)	21,248,479	-
Issue of share capital	446,097	11,553,903	-	12,000,000
Loss for the 6 months to 30 June 2018	-	-	(3,300,545)	(3,300,545)
At 30 June 2018	2,714,956	11,553,903	(504,104)	13,764,755

Statement of cash flows

	6 months ended 30 June 2018	6 months ended 30 June 2017	Year ended 31 December 2017
	£'000	£'000	£'000
Cash absorbed by operations	(2,656)	(1,585)	(3,443)
Income taxes refunded	222	-	-
Net cash outflow from operating activities	(2,434)	(1,585)	(3,443)
Investing activities			
Purchase of property, plant and equipment	(418)	(240)	(301)
Interest received	6	5	10
Net cash used in investing activities	(412)	(235)	(291)
Financing activities			
Proceeds from issue of shares	12,000	-	-
Net cash generated / (utilised) by financing activities	11,588	(235)	(291)
Net increase (decrease) in cash and cash equivalents	9,154	(1,820)	(3,734)
Cash and cash equivalents at beginning of period	3,986	7,720	7,720
Cash and cash equivalents at end of period	13,140	5,900	3,986

Notes to the financial information

1. Policies

Basis of preparation

These interim statements have been prepared in accordance with International Accounting Standard 34 as adopted by the European Union (IAS 34) and AIM Rule 18. The 30 June 2018 results and 30 June 2017 comparatives have not been audited; 31 December 2017 results have been extracted from the audited financial statements which are available on the Aquis website.

Company information

Aquis Exchange PLC ("the Company") is licensed to operate a multilateral trading facility (MTF) enabling members to trade across fourteen European markets and to provide exchange software under licence. The Company is a public limited company which is incorporated and domiciled in England and Wales. Its registered office is located at Palladium House, 1-4 Argyll Street, London, W1F 7LD.

Revenue

Turnover represents amounts receivable for subscription fees and fees receivable for the licensing of software. Turnover is recognised on a time apportioned basis reflecting exchange and licensing contracts, taking into account ongoing commitments to deliver services.

Rendering of services

Revenue for services is recognised in the accounting year in which the services are rendered, by reference to the ongoing contractual obligation to provide subscription based services.

Property, plant and equipment and intangible assets

All property, plant and equipment is stated at historical cost less depreciation or impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent expenditure is included in the asset's carrying amount or is recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following basis:

Fixtures, fittings & equipment 5 years straight line

Computer equipment 3 years straight line

Fair value measurement

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash at bank. Cash at bank is deposited with less than 3 months to maturity and it is considered that there is an insignificant risk of changes in fair value.

Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs, other than those classified as fair value through profit and loss, which are measured at fair value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets. The Company's loans and receivables comprise 'trade and other receivables', and 'cash and cash equivalents' in the statement of financial position.

Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are not interest bearing and are initially recognised at fair value.

Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Taxation

The tax expense / (credit) represents the sum of the tax currently payable / (repayable) and deferred tax.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Foreign exchange

Functional and presentation currency

Items included in the financial information of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial information is presented in UK Pounds Sterling (£), which is the Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such

transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

All foreign exchange gains and losses recognised in the income statement are presented net within 'administrative expenses'.

2. Critical estimates and judgements

In preparing this report the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical Judgements

Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated over its estimated useful economic life. Management estimates the useful economic lives of this fixtures and fittings to be 5 years and computer equipment 3 years. Changes in the expected level of usage could impact on the useful economic lives and the residual values of these assets; therefore, future depreciation charges could be revised.

Capitalisation of internally generated intangibles assets

Internally generated Intangible assets are not being capitalised because in management's judgement the criteria for capitalisation have not been met.

3. Revenue

	6 months ended 30 June 2018	6 months ended 30 June 2017	Year ended 31 December 2017
	£'000	£'000	£'000
Revenue arises from:			
Subscription fees	1,199	835	1,706
Licence fees	321	151	308
	1,520	986	2,014
Other significant revenue:			
Interest income	6	5	10
	1,526	991	2,024

4. Operating segments

The Company only has one operating segment.

5. Cost of sales

	6 months ended 30 June 2018	6 months ended 30 June 2017	Year ended 31 December 2017
	£'000	£'000	£'000
Staff costs	1,598	1,479	3,660
Non-staff costs	494	403	415
	<u>2,092</u>	<u>1,882</u>	<u>4,075</u>

6. Share capital

	6 months ended 30 June 2018	6 months ended 30 June 2017	Year ended 31 December 2017
Ordinary shares	27,149,559	-	-
A shares	-	1	1
B shares	-	16	16
Total	<u>27,149,559</u>	<u>17</u>	<u>17</u>

Prior to the capital reorganisation 1 A share was equal to 3.2 B shares in respect of economic, dividend and voting rights. There were no restrictions on the A or B shares and no rights for capital repayment.

On 8th June 2018 the A and B shares were converted to £0.10 ordinary shares.