Half Yearly Report

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Hangar 8 Plc
12 March 2014

12th March2014

HANGAR 8 PLC (AIM: HGR8)
("Hangar8", "the Company" or "the Group")
Interim results for the six months to 31 December 2013

Hangar 8 plc, one of the world's leading operators of privately owned passenger jet aircraft, today announces its unaudited half-year results for the six month period to 31 December 2013.

Financial highlights:

- Revenues up 13.1% to £12.5m (2012: £11.1m)
- Gross profit up 25.0% to £4.9m (2012: £3.9m)
- Gross margin percentage up 10.7% to 39.2% (2012: 35.4%)
- Adjusted EBITDA up 32.2% to £1.177m (2012: £0.890m)*
- Earnings used in Adjusted EPS up 40.7% to £0.882m (2012: £0.627m)**
- Adjusted basic EPS up 0.75% to 9.4p (2012: 9.3p)
- Basic and diluted EPS of 4.5p and 4.4p (2012: 6.8p and 6.5p)
- Maiden dividend to be recommended with the full year results

Operational highlights

- Continued growth in quality and forward visibility of earnings by focusing on long-term management and long-term charter contracts
- Contracted revenue up by 15.3% to £10.5m (H1 2012: £9.1m)
- Contracted revenue now 83% of total (H1 2012: 69%)
- 17 operational bases across EMEA region (H1 2012: 14)
- Engineering in-house repair capabilities now include aircraft batteries, wheels and tyres
- Set a new monthly record of 4 new aircraft deliveries (3 heavy and 1 super heavy jets)
- Aero-Medical operations in Africa building momentum
- Acquisition of 100% of Oasis Flight Malta Limited, a Maltese aviation company and holder of an Air Operators Certificate.

* *Adjusted EBITDA is arrived at by taking operating profit before depreciation, amortisation and exceptional items.*

** *Earnings used in the adjusted EPS calculation is the profit after taxation adjusted for exceptional items and amortisation*

Nigel Payne, Chairman, commented:

"We are delighted with the performance of the business in the six months to 31 December 2013, a six month period in which we have continued to build upon the strong platform we established in previous periods. We have added more long range aircraft to meet the needs of a growing market; we have increased the breadth and depth of our operations with significant growth into new geographical markets and the provision of additional services into existing markets; we have focused on sustainable contracted revenues and have increased the forward visibility of revenues to now stand at over 83%.

Hangar8 is one of the leaders in our sector, providing the highest global standards in private jet management, charter and engineering services. The Board is very pleased with this set of results which underscores the substantial progress that the Company has made. We are confident that these foundations are scalable and we continue to look to the future with confidence."

For further information please visit www.hangar8.co.uk or contact:

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Chief Executive's Statement

The six months period to 31 December 2013 has been an exciting and rewarding period for the company. During the period Hangar8 has delivered strong organic growth yielding higher revenues, greater profitability, and enhanced business capability. The period has provided us with an opportunity to bed-in our prior year enhancements such as in-house crew training and aircraft engineering, enabling the business to become more self-sufficient thereby increasing both absolute margin and margin percentage.

Confidence in our business is high which, as the economies around the world continue to improve, puts us in a strong market position.

Delivering on strategy

The economic difficulties of the previous few years necessarily led the Board to focus its strategy away from the traditional short term charter revenues and more towards a dedicated full-service management operation. This strategy has worked well and during the past six months we have reaped the rewards of continued strong organic growth as well as improved quality, margin and cost from both expanded internal capabilities and enhanced supply chain management.

Our range of in-house services continues to grow to such an extent that we provide them not only to our managed aircraft clients but also to third party owners and operators. Our success in these areas has allowed us to create strong profitable individual business units out of what were previously cost centers, creating a high quality multi-facetted aviation product encompassing the quality of our brand in all aspects of aviation services.

Hangar 8 now offers more services to our clients than ever before. To provide our stakeholders with greater clarity about our operations and services, we have established business divisions focused on aircraft management; charter; aviation logistics; engineering; ~~a~~ medical; and training. These divisions align with the industry requirements, creating strong independent pillars to our already solid Plc base.

The Fleet

With the addition of further new aircraft types, Hangar 8 has also increased its fleet range, with a concerted effort to replace smaller light jets with long-range heavy jets in response to the growing market demand for intercontinental business air travel. We also announced in January that we had experienced the largest monthly intake of new aircraft under management. The Company has 14 super heavy jets that can fly up to 9,000km without the need for refueling; a sector of the market that has seen most demand.

Financial review

Total revenue for the period was £12.495m (2012: £11.051m), an increase of 13.1%, yielding a gross profit of £4.893m (2012: £3.914m), an increase of 25%. Adjusted EBITDA generated was up 32% to £1.177m (2012: £0.890m), which was before exceptional costs of £54k (2012: £112k), details of which are included in note 3, and also before depreciation and amortisation of £453k (2012: £81k). Depreciation and amortisation to December 2013 includes £267k of amortisation of the recently acquired intangibles of IJC.

Overhead costs of £4.223m (2012: £3.217m) have risen as a result of the inclusion of IJC's overheads for a full 6 months, compared to 1 month in the results to December 2012. Cash decreased to £2.953m (2012: £4.745m) but the 31 December 2012 balance included unpaid consideration to IJC shareholders of £2.770m which was paid subsequent to that period end. Excluding this element, cash has increased year on year by £0.978m. +

Earnings used in the calculation of EPS, have increased 41% to £0.882m (2012: £0.627m). EPS was 9.4p (2012: 9.3p), an increase of 1% on the same period of the prior year.

Resilience

As the Company continues to grow we have both recognized the need for greater autonomy of our business units, whilst at the same time being able to leverage off the Company's core central services. Accordingly, during the period we have implemented new business intelligence software, as well as strengthening our IT and finance departments enabling us to manage our growth efficiently.

Engineering to extend its services

In late 2012 we were awarded a Part 145 certification enabling us to perform maintenance on aircraft. Since then we have invested heavily in this area, ensuring our growing team of engineers is capable of providing maintenance services on a wide variety of aircraft. We have extended our in-house engineering capabilities considerably to include Lead Acid and NiCad battery repairs, aircraft wheels and tyres. This represents £200,000 of historical expenditure which will lead to increased gross margin. Further new service offerings include avionic modifications and upgrades, paint support and even cabin and furnishing upgrades which will enhance revenues as well as generating additional profitability. As of February 2014 we have taken on the only General Aviation Hangar facility in Nice, one of the busiest corporate airports in Europe, local airport to all Monaco residents. Our dedication to future proofing our Engineering capacity has seen us now able to provide EASA Approved Part-147 Training onsite to both our staff and external candidates. As we look to the future, we anticipate that this area of the business will grow significantly as we take advantage of our own economies of scale.

Building relations

In early September, we were delighted to form a new partnership with The Economist, granting us access to conferences and business summits across the African region. This has allowed us to cement the Hangar 8 business profile across Africa, whilst also giving us access to government departments and political establishments, which is crucial to our growth in the regionHangar 8 also enhanced its Aero-Medical operations in Africa with the addition of an aeromedical-equipped Bombardier Challenger to the fleet.

Small acquisition

On 20 September 2013 Hangar8 acquired 100% ownership of Oasis Flight Malta Limited for a nominal consideration. This acquisition provides an important additional Air Operators Certificate as well as enhancing our foothold across Europe and providing the basis to further expand our operations for the future.

Dividend Policy

The Board is pleased to note that it expects to recommend a maiden dividend at the time of the publication of the final results for the year ended 30 June 2014.

Outlook - building on a strong platform

The Group has made excellent progress in the first half of the financial year. We have expanded the breadth of services we offer, and also re-balanced our fleet towards longer range aircraft, meeting the needs of the market. We continue to focus on creating a strong platform from which we can build scalable growth, as well as seeking strategic acquisitions where they match our strategy. We are taking advantage of our expertise to offer new services, such as providing maintenance training to external parties, which will provide additional sources of revenue from our existing operations.

The Group is perfectly positioned to take full advantage of the forecast growth in the global business aviation market, and we look forward to the future with excitement and confidence.

Dustin Dryden
Chief Executive Officer
12th March 2014

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	**Six months ended 31 December 2013 (unaudited) £'000**	Six months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
Revenue		**12,495**	11,051	23,632
Cost of sales		**(7,602)**	(7,137)	(15,361)
Gross profit		**4,893**	3,914	8,271
Administrative expenses		**(4,223)**	(3,217)	(7,113)
Other operating income		-	-	-
Adjusted EBITDA		**1,177**	890	2,020
Exceptional items	3	**(54)**	(112)	(295)
Depreciation and amortisation		**(453)**	(81)	(567)
Operating profit		**670**	697	1,158
Share of post-tax loss of joint venture		**-**	(48)	-
Profit before taxation		**670**	649	1,158
Taxation	4	**(250)**	(189)	(376)
Profit after tax		**420**	460	782
Other comprehensive income				
Items that may be subsequently reclassified to profit and loss:				
Exchange gains arising on translation of foreign operations		(33)	18	61
Profit and total comprehensive income for the period attributable to the owners of the Company		**387**	478	843
Earnings per share attributable to the equity holders of the parent	6			
- basic		**4.5p**	6.8p	9.7p
- diluted		**4.4p**	6.5p	9.5p

- Adjusted basic	**9.4p**	9.3p	19.1p
- Adjusted diluted	**9.3p**	8.9p	18.9p

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2013 (unaudited) £'000**	31 December 2012 (unaudited) £'000	30 June 2013 (audited) £'000
Non-current assets				
Goodwill		**82**	2,106	199
Brand		**950**	-	1,072
Customer relationships		**1,024**	-	1,170
Software		**100**	157	103
AOCs		**941**	900	942
Intangible assets		**3,097**	3,163	3,486
Property, plant and equipment		**187**	202	225
Investment in equity accounted joint venture		**-**	-	-
Deferred tax asset		**104**	106	114
		3,388	3.471	3,825
Current assets				
Stock		**450**	234	376
Trade and other receivables		**23,317**	12,127	18,152
Cash and cash equivalents	**7**	**2,953**	4,745	3,829
		26,720	17,106	22,357
Current liabilities				
Trade and other payables		**(21,798)**	(13,881)	(18,489)
Corporation tax liability		**(906)**	(656)	(663)
		(22,704)	(14,537)	(19,152)
Net current assets/ (liabilities)		**4,016**	2,569	3,205
Non-current liabilities				
Deferred tax liabilities		**(535)**	-	(548)
Net assets		**6,869**	6,040	6,482
Equity attributable to the owners of the Company				
Share capital		**94**	94	94
Share premium		**5,594**	5,594	5,593
Shares to be issued		**25**	-	25
Merger reserve		**1,174**	1,114	1,174
Share based payment reserve		**21**	28	21
Foreign exchange reserve		**56**	46	89
Retained earnings		**(95)**	(836)	(514)
Total equity		**6,869**	6,040	6,482

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASHFLOWS

	Six months ended 31 December 2013 (unaudited) £'000	Six months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
Cash flows from operating activities			
Profit before taxation	**670**	649	1,158
Depreciation and amortisation	**453**	82	567
Shared based payment	**-**	13	6
Impairment provision	**42**	-	126
Loss on disposal of property, plant and equipment	**-**	-	10
Impairment of JV investment	**-**	48	48
(Increase) in stock	**(74)**	(113)	(256)
Decrease/(increase) in receivables	**(4,968)**	775	(3,272)
(Decrease)/increase in payables	**3,369**	(2,376)	3,062
Other Non Cash Movement	**-**	12	-
Net cash flows from operating activities	**(508)**	(910)	1,449

Cash flows from investing activities			
Purchase of property, plant and equipment	**(14)**	(98)	(201)
Purchase of intangibles	**(22)**	(217)	(314)
Net cash acquired on purchase of subsidiary	**-**	1,214	(1,651)
Investment in joint venture	**-**	-	-
Net cash generated/(used) in investing activities	**(35)**	899	(2,166)
Income taxes paid	**(249)**	-	(210)
Cash flows from financing activities			
Issue of ordinary shares	**-**	4,200	4,200
Share issue costs	**-**	(234)	(234)
Net cash from financing activities	**-**	3,966	3,966
Net increase/(decrease) in cash and cash equivalents	**(878)**	3,955	3,039
Cash and cash equivalents at beginning of the period	**3,830**	790	791
Cash and cash equivalents at end of the period	**2,953**	4,745	3,830

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Shares To be issued	Merger reserve	Share based payment reserve	Foreign exchange reserve	Retained earnings	Total
Balance as at 1 July 2013	**94**	**5,594**	**25**	**1,174**	**21**	**89**	**(514)**	**6,482**
Transactions with owners:								
Issue of shares	-	-		-	-	-	-	-
Share based payments	-	-		-	-	-	-	-
Merger relief taken on acquisition of Star-Gate	-	-		-	-	-	-	-
Total comprehensive income for the year	-	-		-	-	(33)	419	387
Balance as at 31st December 2013	**94**	**5,594**	**25**	**1,174**	**21**	**56**	**(95)**	**6,869**
	£'000	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance as at 1 July 2012	**64**	**1,653**	**0**	**129**	**15**	**28**	**(1,296)**	**593**
Transactions with owners:								
Issue of shares IJC acquisition	5	-	-	-	-	-	-	5
Issue of shares fund raising December 2012	25	4,174		-	-	-	-	4,199
Issue of Shares on acquisition of Star gate	-	-	-	25	-	-		25
Share issue costs	-	(234)	-	-	-	-	-	(234)
Share based payments	-	-	-	-	6	-	-	6
Shares to be issued on Star gate Acquisition	-	-	25	-	-	-	-	25
Merger relief taken on acquisition of IJC	-	-		1,020	-	-	-	1,020
Total comprehensive income	-	-			-	61	782	843
Balance as at 30 June 2013	**94**	**5,594**	**25**	**1,174**	**21**	**89**	**(514)**	**6,482**

The accompanying notes are an integral part of this interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM STATEMENTS

1. Basis of preparation

Hangar 8 plc (the "Company") is a company domiciled in England. The basis of preparation of this financial information is consistent with the basis that will be adopted for the full year accounts which were prepared in accordance with IFRS as adopted by the European Union.

While the financial figures included in this half-yearly report have been computed in accordance with IFRS applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34.

This interim financial information has neither been audited nor reviewed pursuant to guidance issued by the Auditing Practices Board and the financial information contained in this report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The 30 June 2013 figures have been extracted from the audited financial statements for this period.

2. Accounting policies

The condensed consolidated interim financial information has been prepared using accounting policies consistent with those set out on pages 24 to 31 in the audited financial statements for the year ended 30 June 2013, except as set out below. These accounting policies have been applied consistently to all periods presented in this Financial Information.

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired. Goodwill on acquisition of subsidiaries is included in 'intangible assets'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Any impairment losses would be recognised within administrative expenses in the consolidated statement of comprehensive income for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Critical accounting estimates & judgements and principal risks & uncertainties

There have been no changes to any of the Group's critical accounting estimates and judgements of its principal financial risks.

Going concern

The Directors are of the opinion that as at 12th March 2014, given the Group and Company's liquidity and capital resources are adequate to deliver the current strategic objectives and business plan and that both the Group and the Company remain a going concern.

3. Exceptional Items

Operating profit is stated after Exceptional items relating to business re-organisation costs.

4. Taxation

The tax charge for the half year is calculated on the basis of the estimated full year effective tax rate and therefore an estimated corporation tax charge for the period of £250,472.

5. Segmental Analysis

	Six months ended 31 December 2013 (unaudited)				
	Charter £'000	**Management £'000**	**Engineering £'000**	**Unallocated £'000**	**Group £'000**
Revenue	2,044	8,323	1,966	161	12,495
Gross profit	339	3,529	874	151	4,893
Overheads	(124)	(2,364)	(332)	(896)	(3,716)
Adjusted operating profit/ (loss)	**215**	**1,165**	**542**	**(745)**	**1,177**
Exceptional cost	-	(54)	-	-	(54)
Impairment of JV investment	-	-	-	-	-
Depreciation/amortisation	-	(445)	(3)	(6)	(454)
Profit/(loss) before taxation	215	666	539	(751)	670

	Six months ended 31 December 2012 (unaudited)				
	Charter £'000	Management £'000	Engineering £'000	Unallocated £'000	Group £'000
Revenue	1,973	7,672	1,109	297	11,051
Gross profit	298	2,494	929	193	3,914
Overheads	(111)	(1,716)	(418)	(779)	(3,024)
Adjusted operating profit/ (loss)	**187**	**778**	**511**	**(586)**	**890**
Exceptional cost	-	-	-	(112)	(112)
Impairment of JV investment	-	-	-	(48)	(48)
Depreciation/amortisation	-	(64)	(3)	(14)	(81)
Profit/(loss) before taxation	187	714	508	(760)	649

	Year ended 30 June 2013 (audited)				
	Charter £'000	**Management £'000**	**Engineering £'000**	**Unallocated £'000**	**Group £'000**
Revenue	4,329	15,867	3,220	216	23,632
Gross profit	705	5,545	1,820	201	8,271
Overheads	(142)	(4,463)	(1,053)	(592)	(6,251)
Other operating income	-	-	-	-	-
Adjusted operating profit/ (loss)	**563**	**1,082**	**767**	**(391)**	**2,020**
Exceptional costs	-	(295)	-	-	(295)
Depreciation/amortisation	(17)	(537)	(5)	(8)	(567)

Profit/(loss) before taxation	546	250	762	(399)	1,158

6. Earnings per share ("EPS")

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

	Six months ended 31 December 2013 (unaudited) £'000	Six months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 *(audited)* £'000
Profit attributable to ordinary shareholders	**419**	460	782
Add Amortisation	**409**	7	472
Add Exceptional Items	**54**	112	295
Add Impairment	**0**	48	0
Adjusted Earnings	**882**	627	1,549
Denominator			
Weighted average number of shares used in basic EPS	**9,433,609**	6,758,141	8,102,439
Effects of:			
Employee share options	**80,000**	232,403	79,781
Deferred share consideration on business combinations	**10,571**	25,063	13,514
Weighted average number of shares used in diluted EPS	**9,524,180**	7,015,607	8,195,734
Basic earnings per share - pence	**4.5**	6.8	9.7
Diluted earnings per share - pence	**4.4**	6.5	9.5
Adjusted Basic earnings per share - pence	**9.4**	9.3	19.1
Adjusted Diluted earnings per share - pence	**9.3**	8.9	18.9

7. Cash and Cash Equivalents

The balance as at 31 December 2012 included an amount of £2.77m in respect of the deferred consideration for the acquisition of International Jet Club. This had been settled in full by 30 June 2013.

8. Dividend Policy

The Board expects to recommend a maiden dividend at the time of the publication of the final results for the year ended 30 June 2014.

9. Copies of the interim statement

Copies of the interim statement will be sent to shareholders. Further copies will be available from the Company's registered office at The Farmhouse, Oxford Airport, Oxford OX5 1RA, and from the Company's website: www.hangar8.co.uk

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