The information contained within this announcement is deemed by the Company to constitute inside information pursuant to Article 7 of EU Regulation 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended.

10 September 2024

Nexteq plc
("Nexteq" or the "Group")

Interim Results
Resilient performance and strong cash generation in challenging market conditions

Nexteq (AIM: NXQ), a leading technology solutions provider to customers in selected industrial markets, is pleased to announce its unaudited interim results for the six months ended 30 June 2024.

	Six months to 30 June 2024	Six months to 30 June 2023	Change
Group revenue	$48.2m	$56.3m	(14%)
Quixant revenue	*$30.9m*	*$34.3m*	*(10%)*
Densitron revenue	*$17.3m*	*$22.0m*	*(21%)*
Group gross margin	37.3%	34.2%	310bps
Adjusted Group operating profit[1]	$4.4m	$5.9m	(25%)
Operating profit	$4.0m	$5.1m	(20%)
Adjusted Group profit before tax[1]	$5.0m	$5.9m	(16%)
Group profit before tax	$4.7m	$5.1m	(9%)
Adjusted diluted earnings per share[1]	6.07c	7.18c	(15%)
Diluted earnings per share	5.70c	6.31c	(10%)
Net cash from operating activities	$9.9m	$6.2m	59%
Net cash[1]	$36.9m	$27.9m[2]	32%

[1]*For details on adjusted measures refer to note 1 and note 4 of the condensed consolidated financial statements.*
[2]*Balance as at 31 December 2023.*

FINANCIAL HIGHLIGHTS:

- Revenues of $48.2m, down 14% against strong comparative, due to
    - persistent softer customer demand across both divisions, in line with wider industry de-stocking across a wide range of end markets; and
    - recent lower demand from some specific larger Quixant customers partly reflecting the timing of new product releases and challenges in specific regional markets.
- Group continues to be profitable, operating at double-digit Adjusted PBT margins, and highly cash generative, capital-light business model with cash conversion exceeding 100%, despite the challenging market conditions.

- Gross margin improving 310bps to 37.3%, benefitting from a focus on higher quality revenues and improved product and customer mix.
- Adjusted profit before tax reduced 16% to $5.0m, a margin of 10.4% (H1 2023: 10.5%). Reported profit before tax reduced 9% to $4.7m (H1 2023: $5.1m).
- Net cash increased 32% to $36.9m, reflecting improved cash generation from trading and effective management of working capital.
- Share buyback programme of up to 10% of the Company's share capital approved by shareholders, following consultation with investors and consideration of the likely timing of near-term acquisition opportunities. Robust balance sheet allows the Group to repurchase shares, while maintaining sufficient capital to allocate towards diversification into new markets; a total of £170k shares was bought back in the period.

OPERATIONAL HIGHLIGHTS:

- High levels of customer retention, demonstrating strength of relationships and providing for a strong platform from which to build as we see a resumption in industrial demand and an easing in the de-stocking cycle.
- Continued evolution of new product lines into mass production, targeting the high volume, value segment of the gaming market.
- Active stock management leading to improved working capital position.

BOARD TRANSITION:

- Duncan Faithfull, formerly Gaming Business Leader and Chief Commercial Officer, appointed as Group Chief Executive Officer following an extensive selection process, with former Group Chief Executive Officer Jon Jayal stepping down from the Board but remaining with the Group to support orderly handover.
- Nick Jarmany, founding Director and former Chief Executive Officer of the Group, appointed as Interim Chair, with former Chair Francis Small leaving the Group.
- Johan Olivier (Chief Financial Officer) to leave the Group when a successor has been identified.
- Process to recruit a permanent Chair and Chief Financial Officer ongoing.

CURRENT TRADING AND OUTLOOK:

- Confirmed order coverage of more than 90% of 2024 revised revenue expectations, despite lower order book due to de-stocking and shorter lead times.
- Profit and revenue expected to be in line with revised expectations as set out in July trading update.
- Customer de-stocking still ongoing and expected to continue into Q1 2025.
- Strong balance sheet with record net cash position and good operational liquidity; supported by good cash generation, positioning the Group for future organic and acquisitive growth.

Duncan Faithfull, Chief Executive Officer of Nexteq commented:

"Despite the previously reported challenges Nexteq's trading faces because of wider market conditions, it is reassuring to report the Group has maintained good profitability and achieved a record cash position which gives us a strong foundation for further investment opportunities. Equally, the Group has performed well in the execution of key elements of its strategy, reflected in our strong levels of customer retention and continued innovation across our product lines to capture further markets and customers.

"While we continue to monitor our end markets closely, we remain strategically well-placed for future growth, underpinned by our strong customer relationships, a clear product roadmap and a robust financial position. Now in the position as Chief Executive Officer, I am excited to apply my experience across Nexteq's

products, customers and markets to drive forward the Group's vision. We remain confident in the long-term prospects across the Gaming and other key industrial markets where our product offering continues to resonate with customers."

Investor Presentation
Nexteq is hosting an online presentation open to all investors on 11 September 2024, at 12.00pm BST. Anyone wishing to connect should register here: https://www.investormeetcompany.com/nexteq-plc/register-investor.

[1] The current range of forecasts for the year ended 31 December 2024 is revenue of between \$94.0m and \$96.0m with a consensus of \$95.0m and adjusted profit before tax of \$9.4m.

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About Nexteq

Nexteq (AIM: NXQ) is a strategic technology solutions provider to customers in selected industrial markets. Its innovative technology enables the manufacturers of global electronic equipment to outsource the design, development and supply of non-core aspects of their product offering. By outsourcing elements of their technology stack to Nexteq, customers can focus their product development effort on the most critical drivers of their business' success.

Our solutions are delivered through a global sales team and leverage the Group's electronic hardware, software, display and mechanical engineering expertise. Our operations in Taiwan are at the heart of Asian supply networks and facilitates cost effective manufacturing and strategic supply chain management.

The Group operates in six countries and services over 500 customers across 47 countries.

Nexteq operates two distinct brands: Quixant, a specialised computer platforms provider, and Densitron, leaders in human machine interface technology, each with dedicated sales, account management and product innovation teams. Founded in 2005, and later floating on the London Stock Exchange's AIM stock market as Quixant plc, the Group rebranded to Nexteq in 2023.

Further information on Nexteq and its brands can be found at www.nexteqplc.com.

Group overview

Continued strategic execution amidst period of industry de-stocking and softer industrial demand
The first half of 2024 saw continued softer customer demand across a broad range of customers and sectors. This trend, first highlighted in the trading update we issued in January 2024, reflects an ongoing process of de-stocking by customers as they seek to reduce cash tied up in inventory due to higher costs of capital. Many customers built significant stock balances through 2021 and 2022 to safeguard against supply chain shortages. Alongside the need to reduce these elevated stock levels, slowing economic activity through 2023 led to reduced demand for industrial goods and therefore these stock balances have taken longer than anticipated to reduce.

As a result, Group revenues during the first half were down 14% year on year to $48.2m (H1 2023: $56.3m), against a strong comparator which benefitted from the easing of component shortages. This H1 performance is in line with the wider industry, with five of the largest publicly listed global industrial PC manufacturers declining on average by 14% in the first half of the year[1].

The Densitron business, which supplies electronic displays and human machine interface (HMI) products to industrial customers, has a highly diversified customer base across around 500 accounts in a wide variety of sectors. Densitron revenues declined by 21% year on year against a strong comparator, reflecting the broad nature of the slowdown in activity and customer de-stocking which is leading to weak demand for industrial products.

The Quixant business, which provides computer solutions exclusively for the global casino gaming and slot machine market, was also affected by many of the same factors as Densitron and declined 10% year on year in the first half. Casino expansions slowed during 2024, and we believe the venues are currently extending the useful life of their installed base of machines to reduce capital investment. Notwithstanding a short term slow down, these assets will need replacement in due course as they deteriorate, become unreliable and do not have the computation power required to run the latest game content. As flagged in the July 2024 trading update, some specific larger key Quixant customers have also recently indicated lower demand, partly reflecting the timing of new product releases and challenges in specific regional markets.

Maintaining profitability and strong operating cash generation
Actions taken amidst the component market shortages of 2021 and 2022, which started to rebuild our gross margin during 2023, continued to deliver elevated gross margins in the first half of 2024, with gross margins up by 310 basis points to 37.3% (H1 2023: 34.2%). This is partly due to continued easing of component costs, but also due to customer and product mix. Included in cost of sales in H1 2024 is a provision of $1.2m related to stock originally purchased and committed to purchase for delivery to Aruze. Further details on the Aruze related balance sheet position are included in the financial review.

Due to the increase in gross margins year-over-year, while revenues were down by 14%, gross profit fell by just 7% to $18.0m (H1 2023: $19.3m).

Continued close management of our operating expenses and higher interest income on our cash balances led to adjusted profit before tax of $5.0m (H1 2023: $5.9m) and reported profit before tax holding at $4.7m (H1 2023: $5.1m).

The Group again delivered excellent cash conversion of 225% (H1 2023: 112%), resulting in strong operating cash generation of $9.9m, $3.7m higher than H1 2023. This was driven by reductions in working capital tied up in inventory from purchases previously used to mitigate long component lead times and supply shortages, alongside good cash collection reducing the Group's trade receivables. The strong operating cash performance

[1] Taiwan Stock Exchange (XTAI and TPE) and Nasdaq Copenhagen Exchange (XCSE), comparison of reported revenue in H1 2024 against H1 2023 for Advantech Co. Ltd, Adlink Technology Inc., Axiomtek Co. Ltd, iBase Technology Inc. and Nexcom A/S.

meant that the Group reported a record net cash balance of $36.9m at 30 June 2024 ($27.9m at 31 December 2023).

Business Review: Quixant

Quixant is Nexteq's brand that supplies computing solutions to the casino gaming and slot machine market, representing 64% of the Group's total revenue in H1 2024.

Demand across the land-based gaming customer base was weaker in H1 2024, and despite our largest market, the US, seeing growth in land-based commercial casino gross gaming revenues of 0.9%[2], longer capital renewal cycles and a strategy of de-stocking has impacted the volume of new machines deployed and therefore the volume of computers sold to the gaming manufacturers. Across Europe, a similar trend of de-stocking has been observed, dampening demand, and in LATAM the temporary government-led embargo on new gaming machines imports into Mexico, has impacted several of our customers' demand for computers. Globally, demand has been weaker than anticipated in the land-based environment, with many customers showing lower volumes of Cabinet sales into the market. We have retained all our Quixant customers through this period, demonstrating the stickiness of our products and providing a strong platform for future growth.

Overall gaming sector revenues were down 10% to $30.9m (H1 2023: $34.3m), although improved gross margin and good cost management meant that profit contribution was in line with prior year. In addition to the impact of de-stocking, we saw a decline in monitor sales, partly due to a cessation of sales to the Aruze Group following their US entity filing for Chapter 11 bankruptcy in February 2023. The number of computer boards shipped in the first half of 2024 decreased by 21% to 20,500 (H1 2023: 25,900), with the largest decrease in our mid-range IQON range, whilst our cost-effective and high-end product volumes were in line with the prior year. Offsetting the lower volumes was an increase in average selling price due to customer and product mix.

As noted above, gross margin continued the improvement first seen in 2023, supported by lower component pricing, with customer and product mix also driving the margin higher.

Through H1 2024, we continued to focus on product development and innovation. In June 2024, we launched the latest in our range of Intel based products, the IQ 2, which offers high performance at a competitive price point, for the high volume, value segment of the market. The IQ range is also well suited to the requirements of the potential Brazil market opening, enabling quick market entry for customers and partners should the Federal Gaming Bill be approved. The IQ range now comes with AMD and Intel options, giving Quixant customers the choice of CPU provider. Progress on sales pipeline has been made with this new product, with an important win going through the integration process. Our traditionally most popular product family, the IQON series, also now has Intel and AMD options, with the Intel based solution opening a wider addressable market. Again, the pipeline looks stronger with an important European customer progressing through the integration process. As markets develop, and the de-stocking process completes, the focus will be on Quixant's core strength – designing and engineering market leading gaming PCs, with a focus on a range of value propositions.

H2 2024 focus will be on-boarding the new customers won this year, and on converting further pipeline opportunities, along with continued retention of our current client roster. The development of new hardware and software products continues, with a focus on developing the revenue position for 2025 and 2026.

Business overview: Densitron

Densitron is Nexteq's brand that supplies industrial display components and bespoke Human Machine Interface (HMI) solutions to selected industrial markets outside gaming, representing 36% of the Group total revenue in H1 2024. Densitron provides a platform for the Group to identify new non-gaming focus markets, with the broadcast sector representing the first identified market in which to innovate high value products.

[2] American Gaming Association Commercial Gaming Revenue Tracker Q2 2024

Broadcast technology

Our Broadcast business provides HMI and control solutions. These solutions primarily support Broadcast Manufacturers and System Integrators to create intuitive and efficient controls for the broadcast workflow in and around the Production Control Room (PCR).

Following four years of consecutive double-digit growth within this vertical, revenues declined by 38% to $2.2m in H1 2024 (H1 2023: $3.5m). Within the hardware element of our offering the primary reason for weaker trading performance was de-stocking within our end customers, as some of our customers are managing down inventory levels and slowing new project progression due to increased cost of capital. Within the software element of our offering the performance was negatively impacted by the slowdown in project delivery timeline on certain projects in our pipeline due to cost management by our customers.

While 2024 presents a challenging trading environment due to the factors outlined above impacting first half, there are many signs that our proposition and technology are relevant and demanded by the sector, so we expect to return to growth as market conditions improve and further pipeline converts and head to mass production. Specifically, we now have our first production orders for our Tactila™ range of (patent pending) rotaries from a major international broadcast manufacturer – with an additional pipeline of exciting, qualified opportunities to convert. In addition, our new ProDeck demonstrator has received positive initial feedback, and we have secured a number of sample orders.

Industrial Display Components

Revenue from Densitron display components supplied into other industrial sectors was down 18% year on year to $15.1m (H1 2023: $18.5m).

Our industrial display components are supplied to a wide range of markets, which in aggregate continue to see weaker demand due to the challenging macroeconomic environment. Many customers continue to manage working capital through de-stocking, which is taking longer than originally anticipated due to reduced end-market demand.

The second largest sector in the Nexteq Group by revenue in the first half was the medical market and we have a longstanding book of customers who require high service levels, need to work with trusted supply partners and tend to buy the same display for up to a decade so present a very attractive customer base for the display component business to grow from. The medical sector continues to perform resiliently with revenues of $5.4m in the first half of 2024, slightly ahead of the prior year (H1 2023: $5.1m) despite the macroeconomic environment.

Gross margins in H1 2024 remained at the elevated levels first seen in 2023 as initiatives introduced over the last few years continue to yield results. This has allowed the overall Densitron business to deliver improved profit margins in H1 2024 compared with H1 2023.

Growth strategy

Nexteq delivers growth through identifying and investing in vertical markets which are undergoing a technology change bringing about a requirement for new, optimised solutions which are not met by standard technology. Having identified these markets our global engineering teams develop bespoke products, providing customers an opportunity to outsource their product development. We continually enhance this offering to increase the value proposition and become increasingly integrated into the value-chain.

The Group's growth strategy is centred on five strategic pillars:

- Identification and analysis of market sectors that do not currently benefit from dominant deep specialist solution outsource providers and are undergoing a technology evolution.

- Building new customer partnerships in its chosen target market segments, further diversifying the Group's revenue base.
- Focused R&D to move up the value chain, including within the software stack.
- Increase share of customer wallet by providing additional outsource solutions to become a fully integrated technology partner.
- Undertake acquisitions to complement and accelerate its organic growth and diversification strategy.

Share buyback

The Board commenced a limited share buyback programme of up to £1m in April 2024, principally with the intention of providing some short-term liquidity for the Group's shares. Following engagement with shareholders and consideration of the likely timing of near-term acquisition opportunities the Board extended the buyback programme in July 2024. The Board intends to utilise up to its full authority to purchase up to 10% of the Group's issued share capital, which if fully utilised will return up to £6.5 million to shareholders.

The Board remains committed to allocating capital towards diversification of the Group's revenues into new market sectors, consistent with its growth strategy, but considering the board changes announced in July 2024 and current trading performance the Board recognises that completion of any acquisition is likely delayed.

The Group's capital allocation policy remains unchanged, with a cash generative business model and strong balance sheet with good liquidity allowing it to invest in the business to drive organic growth and take advantage of acquisition opportunities. Priorities for capital allocation are:

- Maintain a strong balance sheet with good liquidity;
- Investment in acquisitions to progress the Group's ongoing growth and diversification agenda;
- Maintain a progressive dividend payment, growing at least in line with earnings growth; and
- Any excess cash not required for investment in the medium-term growth of the business will be available for distribution to shareholders, including by means of share buybacks.

Board changes

In July 2024 we announced changes to the Board of Directors, namely the intention of the Chair, Chief Executive Officer and Chief Financial Officer to step down from the Board over the coming months.

Nick Jarmany, formerly Non-Executive Deputy Chair and a founding Director of the Group, assumed the role of Interim Chair on 14 August 2024, with former Chair Francis Small stepping down from the Group on the same day. The Board continues with the process to recruit a permanent Chair.

Duncan Faithfull, formerly Gaming Business Leader and Chief Commercial Officer at Nexteq, was appointed to the Board as Group Chief Executive Officer with effect from 29 August 2024 following an extensive selection process. Former Group Chief Executive Officer Jon Jayal, stepped down from the Board on 29 August 2024 but will remain with the Group to ensure an orderly handover.

Johan Olivier, Chief Financial Officer, will step down from the Board and leave the Group in the coming months. Johan intends to continue in his current role until a successor has been identified and to facilitate an orderly handover.

Current Trading and Outlook

Order intake has remained muted throughout 2024 leading to the announcement in July tempering expectations for full year trading. Despite the lower order intake, the Group has order coverage of more than 90% of 2024 revenue expectations giving it a high degree of visibility of the full year outcome. We expect to deliver full year profit before tax and revenues in line with the revised expectations as set out in the July 2024 trading update.

The customer de-stocking cycle leading to a normalisation of order patterns is still ongoing and we expect this to continue into Q1 2025, although it continues to be difficult to determine the extent and timing of the recovery. The Group continues to benefit from high customer retention and a healthy new business pipeline. We have continued to execute on our growth strategy and believe that the Group is well placed to return to growth in 2026 as the new business wins start to ramp and end-markets recover.

Notwithstanding short-term term challenging macro trading conditions, the structural drivers of demand for the Group's products and its business model to support customers in selected industrial markets to outsource aspects of their technology to Nexteq remain intact. We continue to generate healthy operating cash which is building on a strong balance sheet, and this positions us well for future organic and acquisitive growth.

Group Financial Review

Group revenues were 14% lower year on year to $48.2m (H1 2023: $56.3m), with Quixant declining 10% to $30.9m (H1 2023: $34.3m) and Densitron declining 21% to $17.3m (H1 2023: $22.0m). The decrease across both divisions were due to wider industry de-stocking by customers as they seek to reduce cash tied up in inventory due to higher costs of capital. Furthermore, some specific larger key Quixant customers have recently indicated lower demand, partly reflecting the timing of new product releases and challenges in specific regional markets. As a result, Quixant board sales volumes declined to 20.5k in H1 2024, down 21% from the 25.9k shipped in H1 2023. The volume decline was partially offset by an increase in the average selling price, due to customer and product mix. Densitron revenues were impacted by customer de-stocking across all its sub-sectors. Revenues from the Broadcast sector declined by 38% to $2.2m (H1 2023: $3.5m).

Gross margin in H1 2024 was 37.3%, 310bps up from the 34.2% achieved in H1 2023. The increase reflects the Group's continued focus on higher-value products, which benefitted both the Densitron and Quixant divisions. Looking ahead to the second half of 2024, the Group expects gross margins to stay at these elevated levels.

Adjusted operating expenses increased by $0.2m to $13.6m (H1 2023: $13.4m), as the Group carefully managed its cost base.

Adjusted Group operating profit in the first half was $4.4m, compared to the $5.9m reported in H1 2023. Statutory operating profit was $4.0m (H1 2023: $5.1m).

Interest rate rises and increased cash balances contributed to finance income of $0.7m (H1 2023: $0.1m), whilst finance expense were in line with the prior year at $0.1m (H1 2023: $0.1m).

Adjusted Profit before tax in the first half was $5.0m, compared to the $5.9m reported in H1 2023. Statutory profit before tax was $4.7m (H1 2023: $5.1m).

The adjustments to statutory profit before tax and statutory operating profit of $0.3m (H1 2023: $0.8m) comprised a share-based payments expense of $0.1m (H1 2023: $0.5m) and amortisation of acquired intangibles of $0.2m (H1 2023: $0.3m).

The tax charge on adjusted profit before tax was $0.8m (H1 2023: $1.0m), an effective tax rate of 17.0% (H1 2023: 17.2%), driven by the mix of profits across our regions in the first half. We expect the full year tax rate to be within a range of 16-19% (2023: 16-19%). The tax charge on reported profit was $0.8m (H1 2023: $0.8m).

Adjusted diluted earnings per share was 6.07c, a reduction of 15% on H1 2023 (7.18c per share). Diluted earnings per share was 5.70c, a reduction of 10% on H1 2023 (6.31c per share).

Valuation of Aruze debtors and inventory

As disclosed in its 2022 and 2023 annual reports, the Group, through its Quixant brand, had active contracts in place with Aruze Philippines Manufacturing Inc. ("APMI"), for the supply of display products and gaming boards. On 1 February 2023 Aruze Gaming America, Inc ("AGA"), a US based affiliate of APMI, filed a voluntary petition under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the State of Nevada.

As at the date of this interim report the Chapter 11 proceedings are still ongoing. AGA's operations and assets have been sold as part of the proceedings and AGA also closed it Las Vegas operations. APMI filed for voluntary liquidation on 22 August 2023 and a liquidation order was issued by the Philippine courts. As at the date of this interim report the liquidation proceedings are still ongoing.

There remains uncertainty over the recoverability of balances related to APMI, and Nexteq management evaluated their carrying value as at the balance sheet date.

As at 30 June 2024, APMI owed $1.0m to the Group from the sale of goods. The amounts were impaired in full as at 31 December 2023 and due to the uncertainty referenced above remain fully impaired at 30 June 2024. We are continuing to take steps to recover these balances.

Inventory, consisting of raw materials with a book value of $1.6m (31 December 2023: $1.8m) and finished goods with a book value of $0.2m (31 December 2023: $0.6m) originally earmarked for use by APMI was included in the Nexteq Group's balance sheet as at 30 June 2024. The Group is also obligated to purchase raw materials originally earmarked for APMI's use with a total purchase value of $1.8m. The Group received raw materials with a book value of $0.9m in July 2024 and expects to receive the remaining stock into its inventory in the second half of 2024.

The Group sold finished goods with a book value of $0.4m in the first half of the year and expects to sell the remaining $0.2m stock in the second half of 2024 and 2025. All raw materials, both already within inventory and due to be received, can be used to manufacture products that can be sold to the Group's existing or new customers or for use in the Group's turnkey cabinet offering. Due to weak market demand currently, the Group is exploring other sales opportunities, including selling the raw materials as separate components. In Q3 2024 the Group sold raw materials with a book value of $1.0m as separate components at a loss of $0.6m. The Group has assessed the net realisable value of the remaining raw material in stock and has recognised a provision of $1.2m in the income statement in the six months ended 30 June 2024, $0.6m against the book value of raw materials in stock at 30 June 2024 and $0.6m as an onerous contract provision against the stock due to be received in H2 2024. This provision reflects both the loss on sale of raw materials in Q3 2024 and estimated losses on future sales, either as raw materials or as finished goods.

The Group balance sheet also previously included capitalised development costs with a book value of $0.4m related to the development of products for APMI's future use. Management assessed the commercial opportunities for these products and determined that it was not probable that these would generate future economic benefits for other customers. As a result, development of these products was ceased in 2023. An impairment charge of the full book value of $0.4m was recorded within operating expense in the year ended 31 December 2023.

Cash flow
The Group generated $9.9m net cash from operating activities in the first half of 2024 (H1 2023: $6.2m). Adjusted operating cash flow, which excludes tax payments, was $11.3m (H1 2023: $6.7m), which resulted in operating cash conversion of 225% (H1 2023: 112%). This was largely due to strong working capital management, with cash collections reducing trade receivables and effective stock management, with Inventory balances reduced by $2.2m since 31 December 2023.

The Group capitalised $1.0m of development costs (H1 2023: $0.7m), reflecting the continued focus on innovation across both divisions.

Net cash was $36.9m on 30 June 2024, compared with $27.9m on 31 December 2023, and comprised cash and cash equivalents of $37.3m (H1 2023: $28.4m) and gross debt of $0.4m (H1 2023: $0.5m). The debt relates to a mortgage over the Group's offices in Taiwan.

Foreign exchange
The Group reports its results in US Dollars as this is the principal currency in which it trades with customers, with approximately 93% (H1 2023: 91%) of its revenues denominated in US Dollars.

The Group's reported results are impacted by US Dollar movements against currencies in the territories it operates, principally Pound Sterling, Euro and Taiwan Dollar. The following are the average and closing rates for the current and prior year:

	Average rate	
Income statement	H1 2024	H1 2023
USD/GBP	1.27	1.23
USD/Euro	1.08	1.08
USD/TWD	0.031	0.033

	Closing rate	
Balance sheet	H1 2024	H1 2023
USD/GBP	1.26	1.27
USD/Euro	1.07	1.09
USD/TWD	0.031	0.032

As most of the Group's revenues are denominated in US Dollars, the impact of foreign exchange movements on reported revenues was minimal in H1 2024 and H1 2023. The impact on foreign exchange movement on profit before tax is mostly due to operating expenses incurred in Pound Sterling and Taiwan Dollars.

The average US Dollar exchange rate against currencies in the territories in which the Group operates for H1 2024 were very similar to H1 2023 levels, resulting in a negligible impact on adjusted operating expenses, when compared to H1 2023 average rates. The Group recognised translational foreign exchange rate gains of $0.2m in H1 2024, compared with gains of $0.5m in the prior year, a negative $0.3m impact year over year. Combining the impact of these foreign exchange elements resulted in a net negative foreign exchange rate impact of $0.3m on adjusted profit before tax for H1 2024 when compared to H1 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND 30 JUNE 2023

	Note	**Unaudited 30 June 2024 $000**	Unaudited 30 June 2023 $000
Revenue	3	**48,231**	56,291
Cost of sales		**(30,221)**	(37,025)
Gross profit		**18,010**	19,266
Operating expenses		**(13,984)**	(14,215)
Operating profit		**4,026**	5,051
Finance income		**721**	139
Finance expense		**(65)**	(52)
Profit before tax	1	**4,682**	5,138
Taxation		**(797)**	(802)
Profit for the period		**3,885**	4,336
Other comprehensive expense for the period			
Foreign currency translation differences		**(1,520)**	(189)
Total comprehensive income for the period		**2,365**	4,147
Basic earnings per share	4	$0.0584	$0.0652
Diluted earnings per share	4	$0.0570	$0.0631

The above condensed consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2024 AND AT 31 DECEMBER 2023

	Unaudited 30 June 2024 $000	31 December 2023 $000
Non-current assets		
Property, plant and equipment	**5,386**	5,478
Intangible assets	**14,396**	14,243
Right-of-use assets	**1,532**	1,558
Deferred tax assets	**2,918**	2,951
Trade and other receivables	**-**	54
	24,232	24,284
Current assets		
Inventories	**20,889**	24,338
Trade and other receivables	**22,626**	25,828
Cash and cash equivalents	**37,341**	28,406
	80,856	78,572
Total assets	**105,088**	102,856
Current liabilities		
Loans and borrowings	**(86)**	(91)
Trade and other payables	**(17,668)**	(16,763)
Tax payable	**(424)**	(1,247)
Lease liabilities	**(567)**	(569)
	(18,745)	(18,670)
Non-current liabilities		
Loans and borrowings	**(317)**	(382)
Provisions	**(330)**	(351)
Lease liabilities	**(1,048)**	(1,107)
	(1,695)	(1,840)
Total liabilities	**(20,440)**	(20,510)
Net assets	**84,648**	82,346
Equity attributable to equity holders of the parent		
Share capital	**106**	106
Share premium	**6,747**	6,747
Treasury shares	**(218)**	-
Share based payments reserve	**2,060**	1,905
Retained earnings	**78,283**	74,398
Translation reserve	**(2,330)**	(810)
Total equity	**84,648**	82,346

The above condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024, 31 DECEMBER 2023 AND 30 JUNE 2023

	Share capital	Share premium	Treasury shares	Translation reserve	Share based payments	Retained earnings	Total equity
	$000	$000	$000	$000	$000	$000	$000
Balance at 1 January 2023	106	6,708		(1,533)	895	66,038	72,214
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	4,336	4,336
Other comprehensive expense	-	-	-	(189)	-	-	(189)
Total comprehensive income for the period	-	-	-	(189)	-	4,336	4,147
Transactions with owners, recorded directly in equity							
Share based payments	-	-	-	-	509	-	509
Exercise of share options	-	39	-	-	-	-	39
Total contributions by and distributions to owners	-	39	-	-	509	-	548
Unaudited balance at 30 June 2023	106	6,747	-	(1,722)	1,404	70,374	76,909
Unaudited balance at 1 July 2023	106	6,747		(1,722)	1,404	70,374	76,909
Total comprehensive income for the period							
Profit for the period	-	-		-	-	6,561	6,561
Other comprehensive income	-	-		912	-	-	912
Total comprehensive income for the period	-	-		912	-	6,561	7,473
Transactions with owners, recorded directly in equity							
Share based payments	-	-	-	-	453	-	453
Deferred tax on share-based payment expense	-	-	-	-	48	-	48
Dividend paid	-	-	-	-	-	(2,537)	(2,537)
Total contributions by and distributions to owners	-	-	-	-	501	(2,537)	(2,036)
Balance at 31 December 2023	106	6,747	-	(810)	1,905	74,398	82,346
Balance at 1 January 2024	106	6,747	-	(810)	1,905	74,398	82,346
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	3,885	3,885
Other comprehensive expense	-	-	-	(1,520)	-	-	(1,520)
Total comprehensive income for the period	-	-	-	(1,520)	-	3,885	2,366
Transactions with owners, recorded directly in equity							
Purchase of own shares	-	-	(218)	-	-	-	(218)
Share based payments	-	-	-	-	155	-	155
Total contributions by and distributions to owners	-	-	(218)	-	155	-	(63)
Unaudited balance at 30 June 2024	106	6,747	(218)	(2,330)	2,060	78,283	84,648

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024 AND 30 JUNE 2023

	Unaudited 30 June 2024 $000	Unaudited 30 June 2023 $000
Cash flows from operating activities		
Profit for the period	**3,885**	4,336
Adjustments for:		
Depreciation and amortisation	**1,079**	1,348
Loss on disposal of property, plant and equipment	**(1)**	6
Impairment losses on intangible assets	**-**	506
Depreciation of leased assets	**314**	314
Provision for doubtful debts	**412**	-
Movement in provisions	**4**	48
R&D tax credit	**(38)**	-
Taxation charge	**797**	802
Finance income	**(721)**	(139)
Finance expense	**65**	52
Unrealised exchange rate losses	**232**	496
Share-based payment expense	**155**	509
	6,183	8,278
Decrease in trade and other receivables	**2,547**	2,921
Decrease in inventories	**2,216**	486
Increase / (Decrease) in trade and other payables	**420**	(4,967)
	11,366	6,718
Interest paid	**(12)**	(1)
Lease liability interest paid	**(49)**	(45)
Income tax paid	**(1,455)**	(496)
Net cash from operating activities	**9,850**	6,176
Cash flows from investing activities		
Addition of development costs	**(980)**	(683)
Purchase of property, plant and equipment	**(279)**	(91)
Addition of externally purchased intangible assets	**(46)**	(86)
Interest received	**721**	139
Net cash used in investing activities	**(584)**	(721)
Cash flows from financing activities		
Repayment of borrowings	**(44)**	(45)
Mortgage interest paid	**(5)**	(6)
Payment of lease liabilities	**(305)**	(302)
Purchase of own shares	**(218)**	-
Exercise of share options	**-**	39
Net cash used in financing activities	**(572)**	(314)
Net increase in cash and cash equivalents	**8,694**	5,141
Cash and cash equivalents at 1 January	**28,406**	13,508
Foreign exchange rate movements	**241**	342
Cash and cash equivalents at period end	**37,341**	18,991

The above condensed consolidated cash flow statement should be read in conjunction with the accompanying notes.

1. Basis of preparation and accounting policies

As is permitted by the AIM rules for Companies, the Directors have not adopted the requirements of IAS34 'Interim Financial Reporting' in preparing the interim financial statements. The financial information shown for the year ended 31 December 2023 in the interim financial information does not constitute full statutory financial statements as defined in Section 434 of the Companies Act 2006 and has been extracted from the Company's annual report and accounts. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2023 and any public announcements made by Nexteq Plc during the interim reporting period. The annual financial statements of the Group were prepared in accordance with UK adopted international accounting standards. Statutory accounts for the year ended 31 December 2023 have been filed with the Registrar of Companies and the auditor's report was unqualified, did not contain any statement under Section 498(2) or 498(3) of the Companies Act 2006 and did not contain any matters to which the auditors drew attention without qualifying their report.

The accounting policies applied by the Group in this condensed consolidated interim financial report are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2023. The reporting currency adopted by the Group is the US Dollar as this is the trading currency of the Group.

The condensed consolidated interim financial information is neither audited nor reviewed and the results of operations for the six months ended 30 June 2024 are not necessarily indicative of the operating results for future operating periods.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial report.

This condensed consolidated interim financial report was approved by the Board of Directors on 10 September 2024.

Reconciliation of adjusted measures

The Group uses certain alternative performance measures to evaluate performance and as a method to provide Shareholders with clear and consistent reporting. The Directors consider that these represent a more consistent measure of performance by removing items of income or expense which are considered significant by virtue of their size, nature or incidence or which have a distortive effect on current period earnings and are relevant to an understanding of the Group's financial performance. These measures include Adjusted Profit before tax, Adjusted Profit after tax, Adjusted Operating expenses, Adjusted Operating cash flow and Net cash. The Group's definition of adjusted measures may not be comparable to other similarly titled measures reported by other companies. See below for analysis of the adjusting items in reaching adjusted performance measures.

Adjusted Profit before tax

	Six months ended 30 June 2024 $000	Six months ended 30 June 2023 $000
Profit before tax	**4,682**	5,138
Adjustments:		
Amortisation of customer relationships, technology and order backlog[1]	**179**	291
Share-based payments expense[2]	**155**	509
Adjusted Profit before tax	**5,016**	5,938

[1] The amortisation of customer relationships, technology and order backlog has been excluded as it is not a cash expense to the Group.
[2] Share-based payments expense has been excluded as it is not a cash-based expense.

Adjusted Profit after tax

Profit after tax	**3,885**	4,336
Adjustments:		
Amortisation of customer relationships, technology and order backlog	**179**	291
Share-based payments expense	**155**	509
Non-recurring tax benefits[1]	**(84)**	(200)
Adjusted Profit after tax	**4,135**	4,936

[1] Tax on adjusted items relating to amortisation of customer relationships, technology and order backlog of $0.2m (H1 2023: $0.3m) and share-based payments expense of $0.2m (H1 2023: $0.5m).

Adjusted Operating profit

Operating profit	**4,026**	5,051
Adjustments:		
Amortisation of customer relationships, technology and order backlog	**179**	291
Share-based payments expense	**155**	509
Adjusted Operating expenses	**4,360**	5,851

Adjusted Operating expenses

Operating expenses	**(13,984)**	(14,215)
Adjustments:		
Amortisation of customer relationships, technology and order backlog	**179**	291
Share-based payments expense	**155**	509
Adjusted Operating expenses	**(13,650)**	(13,415)

Adjusted Operating cash flow

Net cash from operating activities	**9,850**	6,176
Add back:		
Tax paid	**1,455**	496
Adjusted Operating cash flow	**11,305**	6,672
Adjusted Operating Cash conversion % (Adjusted operating cash flow/Adjusted profit before tax)	**225%**	112%

Net cash

Cash and cash equivalents	**37,341**	18,991
Loans and borrowings	**(403)**	(512)
Net cash	**36,938**	18,479

2. Business and geographical segments

The Chief Operating Decision Maker (CODM) in the organisation is an executive management committee comprising the Board of Directors. The segmental information is presented in a consistent format with management information. The Group assesses the performance of the segments based on a measure of revenue and profit before tax. The segmental split of the balance sheet is not reviewed by the CODM, and they do not look at assets/liabilities of each division separately but combined as a group. Therefore, this split for assets has not been included.

The operating segments applicable to the Group are as follows:

- Quixant – Design, development and manufacturing of gaming platforms, cabinets, and display solutions for the casino gaming and slot machine industry.
- Densitron – Sale of electronic display components to global industrial markets and custom Human Machine Interface (HMI) products to the Broadcast market. IDS is included in the Densitron reporting segment, due to the nature of IDS business, the products that are sold and the market that the business operates in are all consistent with that segment.

Reconciliation of segment results to profit after tax:

	Six months ended 30 June 2024 $000	Six months ended 30 June 2023 $000
Quixant	**8,014**	8,492
Densitron	**2,069**	2,492
Segment results	**10,083**	10,984
Corporate cost	**(6,057)**	(5,933)
Operating profit	**4,026**	5,051
Finance income	**721**	139
Finance expense	**(65)**	(52)
Profit before tax	**4,682**	5,138
Taxation	**(797)**	(802)
Profit after tax	**3,885**	4,336

	Six months ended 30 June 2024			Six months ended 30 June 2023		
	$000	**$000**	**$000**	$000	$000	$000
	Quixant	**Densitron**	**Total**	Quixant	Densitron	Total
Other information						
Depreciation of owned assets	**54**	**5**	**59**	62	3	65
Amortisation of intangible assets	**355**	**202**	**557**	468	159	627
Impairment of intangible assets	**-**	**-**	**-**	28	478	506
	409	**207**	**616**	558	640	1,198

[1]Depreciation and amortisation of $778k (H1 2023: $969k) were not allocated to segments as these were reported to the CODM as corporate costs.

3. Analysis of turnover

	Six months ended 30 June 2024			Six months ended 30 June 2023		
	$000	**$000**	**$000**	$000	$000	$000
	Quixant	**Densitron[1]**	**Total**	Quixant	Densitron	Total
By primary geographical market						
Asia	**497**	**5,096**	**5,593**	1,115	5,327	6,442
Australia	**1,259**	**18**	**1,277**	3,637	36	3,673
UK	**1,731**	**994**	**2,725**	2,757	1,879	4,636
Europe excl. UK	**2,588**	**4,677**	**7,265**	5,637	8,590	14,227
North America	**24,445**	**6,071**	**30,516**	21,096	5,678	26,774
Rest of World	**371**	**484**	**855**	48	491	539
	30,891	**17,340**	**48,231**	34,290	22,001	56,291

[1]Densitron Revenue from products splits into Densitron $16.7m (H1 2023: $21.3m) and IDS $0.6m (H1 2023: $0.7m). IDS Revenue of $0.2m (H1 2023: $0.2m) recognised throughout the performance period.

The above analysis includes sales to individual countries in excess of 10% of total turnover of:

	Six months ended 30 June 2024	Six months ended 30 June 2023
	$000	$000
USA	**30,255**	26,111

Revenues of $20.8m (H1 2023: $16.0m) are derived from three customers (H1 2023: two customers) who individually accounted for more than 10% of Group revenues in H1 2024. These revenues are attributed to the Quixant segment.

4. Earnings per share

	Six months ended 30 June 2024	Six months ended 30 June 2023
	$000	$000
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	**3,885**	4,336
Number of shares		
Weighted average number of ordinary shares for the purpose of basic EPS	**66,510,153**	66,488,872
Effect of dilutive potential ordinary shares:		
Share options	**1,602,231**	2,237,164
Weighted number of ordinary shares for the purpose of diluted EPS	**68,112,384**	68,726,036
Basic earnings per share	**$0.0584**	$0.0652
Diluted earnings per share	**$0.0570**	$0.0631

Calculation of adjusted diluted earnings per share:	**Six months ended 30 June 2024 $000**	Six months ended 30 June 2023 $000
Earnings		
Earnings for the purposes of basic and diluted EPS being net profit attributable to equity shareholders	**3,885**	4,336
Adjustments:		
Amortisation of customer relationships, technology and order backlog	**179**	291
Share-based payments expense	**155**	509
Tax effect of adjustments	**(84)**	(200)
Adjusted earnings	**4,135**	4,936
Adjusted diluted earnings per share	**$0.0607**	$0.0718

5. Related party transactions

During the period, the Group paid €15,600 (H1 2023: €15,600) for administrative services to Francesca Marzilli, the wife of Nicholas Jarmany. There were no other related party transactions, other than transactions with key management personnel, who are the Directors of the Company and the Executive Committee.

6. Post balance sheet events

On 29 July 2024, the Group announced its intention to extend the share buyback programme previously authorised by shareholders at the General Meeting on 16 April 2024. This increased the initial buyback programme, authorised to purchase shares of up to £1.0m, to extend the authorisation to purchase up to 10% of the Group's Issued Share Capital, equating to 6,475,634 ordinary shares of 0.1 pence each. The extended buyback will return a maximum of £6.5m to shareholders.