

**For immediate release**

**17 January 2019**

**Frontier Smart Technologies Group Ltd**

(‘Frontier’ or the ‘Group’)

**Pre-Close Trading update and Notice of Results**

***Improved H2 EBITDA driven by revenues higher than H1 and targeted cost rationalisation***

Frontier (AIM: FST), a pioneer in technologies for Digital Radio and Smart Audio devices, announces the following unaudited trading update for the year ended 31 December 2018 (‘FY 2018’) ahead of its full year results.

As set out in the Group’s announcements in May and Sept 2018, Frontier’s priorities are to:

- maximise Digital Radio cashflows
- control R&D expenditure and leverage ecosystem relationships in Smart Audio
- establish a Licensing business, which exploits the Group’s multi-ecosystem software and cloud assets, to address the opportunities in Smart Audio and Smart IoT

Pursuing this strategy, the Group expects to report a much improved second half and a FY 2018 financial performance broadly in line with current market expectations<sup>1</sup>. Revenue for the financial year is expected to be not less than US\$41.0 million and EBITDA<sup>2</sup> is anticipated to be c. US\$1.4 million.

The US\$1.4 million EBITDA comprises Trading EBITDA of c. US\$0.8 million together with capitalised R&D costs of c. US\$0.6 million. In addition, restructuring costs incurred during the year are expected to be in the order of US\$0.7 million and are accounted for below EBITDA.

Following the Trading EBITDA loss of US\$2.1 million in the first half of the year, H2 2018 is expected to report a positive Trading EBITDA in the region of US\$2.9 million. This improvement is due to increased revenues in the second half of the year coupled with targeted cost reductions in R&D and other overheads.

As at 31 December 2018, the Group had gross cash of US\$3.8 million (net debt US\$2.1 million).

**Digital Radio**

The Group's Digital Radio business continues to deliver positive cashflows, albeit lower than FY 2017, which benefitted from the Norwegian digital switch over. H2 2018 trading for Digital Radio was considerably stronger than H1. This improvement is underpinned by the continued development of European DAB markets, in which Frontier retains its leadership position, coupled with tight management of costs.

### **Smart Audio**

Smart Audio continues to be loss-making, albeit H2 2018 losses are expected to be substantially lower than in previous periods. As reported in September 2018, the Group is developing a Licensing business model for Smart Audio, targeting global Tier 1 customers. To support this initiative, the Group is establishing new, collaborative relationships with silicon providers, such as NXP Semiconductors NV. Since the period end, the Group has secured its first customer for Licensing. Revenues for this new business line are expected to build gradually during 2019.

### **Outlook**

The Board expects a continued improvement in EBITDA in FY 2019.

### **Anthony Sethill, CEO of Frontier Smart Technologies, said:**

*"In the second half of 2018, the Group delivered a significantly improved financial performance based on a recovery in sales and the implementation of our targeted cost reduction programme. Our Digital Radio business continues to generate strong positive cashflows. In Smart Audio, our Licensing business has secured its first revenues and established a healthy pipeline of potential customers.*

*"For FY 2019, we expect further improvements in EBITDA, driven by the sustained performance of Digital Radio and the growth of our Smart Audio business, in particular its Licensing arm."*

### **Notice of Results**

The Group expects to publish its full results for the year to 31 December 2018 in March 2019. A further announcement will be made in due course.

**- Ends -**

### **Notes**

<sup>1</sup> Current market expectations prior to this announcement for the Group's Trading EBITDA for the year ending 31 December 2018 are approx. US\$0.9 million. Trading EBITDA means earnings before interest, tax, depreciation, amortisation, and before restructuring, other non-recurring costs and certain non-cash items. It excludes the benefit of capitalised R&D costs.

<sup>2</sup> EBITDA means Trading EBITDA plus the capitalisation of certain R&D costs in compliance with IAS38. In prior periods, whilst the Group has been in compliance with IAS 38, R&D has not been capitalised. The Group's policy on capitalisation of R&D expenditure has been consistently applied and is disclosed in the Principal Accounting Policies in the 2017 Annual Report and Accounts.

This trading update is based upon unaudited management accounts and has been prepared solely to provide additional information on trading to the shareholders of Frontier. It should not be relied on by any other party for other purposes. Certain statements made in this update are forward-looking statements. Such statements have been made by the Directors in good faith using information available up until the date that they approved this update. Forward-looking statements should be regarded with caution because of the inherent uncertainties in economic trends and business risks.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation. Upon the publication of this announcement via a regulatory information service, this inside information is now considered to be in the public domain.

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**About Frontier Smart Technologies**

Frontier Smart Technologies is a pioneer in technologies for Digital Radio and Smart Audio devices. The Company's customers include many leading consumer audio brands: Bose, Denon, harman/kardon, JBL, Onkyo, Panasonic, Sony, Yamaha, Altec Lansing, Blaupunkt, Grundig, Hama, Klipsch, Marshall, Pioneer, Pure, Roberts, TechniSat, Teufel and many more. Established in 2001, the Group is headquartered in London, with engineering, sales and operations teams in Cambridge, Timisoara (Romania), Hong Kong, and Shenzhen.

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