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Full Year Results March 2022

2022

Report & accounts

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Operational review

Peter Brotherton – Chief Executive Officer

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Trading backdrop and underlying performance

£'m	Pre COVID-19	COVID-19 impacted	
	FY20	FY21	FY22
Revenue			
- Recurring	76.6	80.9	83.0
- Non recurring	9.9	9.5	10.3
Total revenue	86.5	90.4	93.3
<i>Recurring Revenue%</i>	<i>88.5%</i>	<i>89.5%</i>	<i>89.0%</i>
Adjusted EBITDA	19.9	23.9	23.7
<i>Adjusted EBITDA margin%</i>	<i>23.0%</i>	<i>26.4%</i>	<i>25.4%</i>
Capital expenditure ("Capex")	(6.6)	(3.5)	(3.2)
Adjusted EBITDA less Capex	13.3	20.4	20.5
<i>Adjusted EBITDA less Capex margin%</i>	<i>15.3%</i>	<i>22.5%</i>	<i>22.0%</i>
Adjusted operating profit	6.5	14.9	15.9

Note: On 31 March 2021, the assets relating to the EDF contract were disposed of for £5.8m. The EDF contract had the impact of reducing revenues by £1.1m in FY22. To provide a better understanding of the results for FY22, the revenue and EBITDA from the EDF contract has been excluded from the prior periods in the table shown above.

Robust financial performance despite considerable market headwinds with trading in line with Board expectations and materially ahead of pre COVID-19 levels (FY20):

- Revenue has increased by 8%
- Adjusted EBITDA is up by 19%
- Adjusted operating profit is up by 145%.

Underlying organic revenues contracted marginally in FY22 reflecting a market recovering from COVID-19. The following trends and customer behaviour's have influenced trading in the period, some resulting in a subdued market for most of the year, with new order intake being c.50% of pre pandemic levels for the first three quarters of FY22:

- Initial reengagement on previously deferred large scale IT projects
- Digital transformation continues to be a key focus for customers
- Customers adapting to hybrid working and appraising office space utilisation
- Cost bases are being closely scrutinised resulting in additional cancellations of non-critical services
- A shortage of electrical components affecting both recurring and non-recurring revenues.

Uptick in final quarter of FY22, with several large-scale wins and order intakes increasing to c.80% of pre COVID-19 levels.

Positive outlook with new market opportunities generated by acquisitions.

Operational highlights

A significant year for the Group, with two capability acquisitions completed in-year and a further three acquisitions completed post year end.

- Acquisitions have significantly enhanced our product and service offering, whilst adding transformational scale to the Group.
- A new divisional structure has been implemented, significantly strengthening the management team and positioning the Group to successfully execute its ambitious growth strategy:
 - New group positions of Chief Operating Officer, Chief Technical Officer and Customer Services Director have been created to support growth plans by driving innovation and efficiency, and ensuring we maintain our customer centric focus.
 - Four additional senior positions have been created as part of the new divisional structure which will provide dedicated focus in the key areas of Cloud, Networks, and Collaboration and result in enhanced customer conversations and improved bid quality.
- Near term focus on the integration of the most recent acquisitions to maximise synergy and cross sell potential.
- New four-bank syndicate facility signed in Apr-22, with £80m committed funds and a further £20m accordion at competitive interest rates.
- The Company has drawn c.£34m of its £80m committed bank facility. Facility headroom combined with significant cash generation provides substantial firepower for future acquisitions.
- Retention rates broadly consistent with prior years.

New divisional focus



Cloud Services

Cloud offering significantly strengthened through acquisitions. Solutions range from colocation to hybrid and public cloud services.

IT modernisation, digital transformation, and Dev-Ops skills complete Cloud Services portfolio.

FY22 recurring revenue contribution
35%



Network Services

Network integration and data connectivity solutions are our core offering.

Network Services delivered from own highly available and agile network.

Successful H2-22 for Network Services with large cross-sell opportunities and key public sector customer wins.

FY22 recurring revenue contribution
44%



Collaboration Services

Strong product portfolio ranging from IP Telephony to UCaaS.

Revenue opportunity currently underdeveloped.

New divisional Managing Director and Sales Director positions created to drive organic growth.

Continued development of acquisition pipeline to increase scale and capability.

FY22 recurring revenue contribution
13%



Cyber Security, Consultancy & Other

Wrap around security services, including penetration testing and managed vulnerability scanning, enhanced through 7 Elements acquisition.

Standalone Support Services division with new Customer Services Director role to maintain customer centric focus.

New Chief Technology Officer driving innovation, increased automation and operational efficiency.

FY22 recurring revenue contribution
8%

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Finance facility update

Newly secured finance facility to support Redcentric in its next phase of growth

- In Apr-22, Redcentric completed and significantly increased the refinancing of its Group debt facilities to support the growth strategy, including acquisition activity.
- The new facility consists of an £80m Revolving Credit Facility ("RCF") and a £20m accordion facility.
- Initial maturity date of 26 April 2025 with options to extend by a further 1 or 2 years.
- Competitive rates with borrowing cost equivalent to 175 basis points over SONIA at current leverage levels.
- A commitment fee of 40% of margin is payable on the undrawn portion of the RCF.

New four bank syndicate



NatWest



Silicon Valley Bank



**Bank of
Ireland**



BARCLAYS

Growth strategy

A robust growth strategy targeting £150m of revenue within the next two years (a material uplift on FY21) with EBITDA margins returning towards 25%

Organic

- The five acquisitions completed since Sep-21 have significantly enhanced our solutions portfolio and provide new market opportunities.
- We have materially increased our customer base through acquisitions, adding c.650 customers. Many of these customers are purely colocation customers providing a significant cross sell opportunity.
- Ongoing investment in expanding and enhancing Redcentric's own infrastructure so that it can continue to provide customers with the highest levels of service and security.
- Continued investment in product development.

Inorganic

- Acquisitions for both capability and scale.
- Efficient internal acquisitions team with a healthy pipeline of identified opportunities.
- Capability acquisitions to broaden product offerings, particularly to strengthen our Collaboration solutions.
- Scale acquisitions to expand the customer base, extract synergies and leverage the fixed cost nature of the business.
- Significant savings are available from merging networks, platforms, data centres, operational systems and back-office functions.

Acquisition strategy update

Peter Brotherton – Chief Executive Officer

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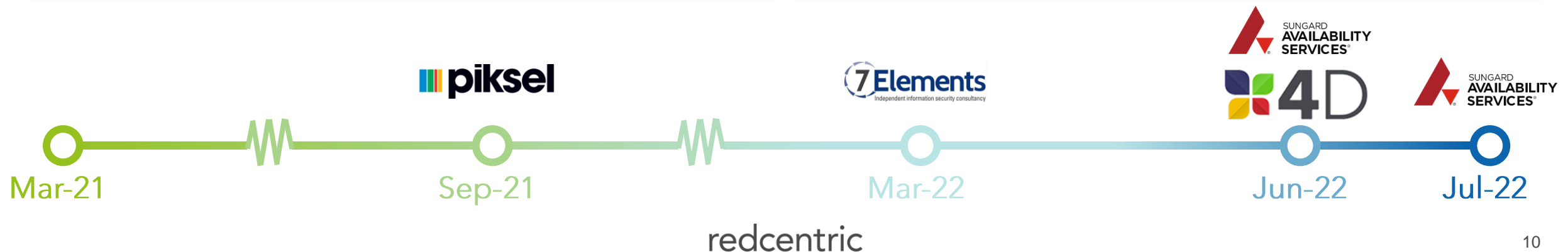
Progress against acquisition strategy

Significantly enhanced service capability

- During FY22, two capability acquisitions (Piksel and 7 Elements) were completed.
- A further capability acquisition was completed in Jun-22, with the acquisition of consulting and AWS cloud related services from Sungard UK ("Sungard Consulting").
- These capability acquisitions have significantly enhanced our hyper-cloud, security and consultancy product offerings.
- Also provide a strong foothold in the highest growth areas of the market.

Transformational scale acquisitions

- Post year end, two scale acquisitions have been completed.
- The acquisitions of the business and assets relating to three Sungard UK data centres ("Sungard DCs") and the smaller-scale 4D Data Centres ("4D") are highly accretive to the Group.
- Significant synergy opportunities have been identified.
- Enlarged customer base following combined customer acquisition of c.650 blue-chip and mid-market organisations provides substantial cross sell opportunity.



Long term impact of recent acquisitions

Highly accretive acquisitions, secured at competitive valuations, provides the Group with the platform to target revenues of £150m within the next two years and EBITDA Margins of c.25%

Average long-term equity / EBITDA valuation (£'m)				FY21A	Target (Illustrative)	Accretion (Illustrative)
<u>Acquired entity</u>						
Piksel Industry Solutions	9.6	*** Illustrative Revenue	£'m	90.4	150.1	66%
7 Elements	2.8					
4D Data Centres	10.1	*** Illustrative Adjusted EBITDA	£'m	23.9	37.5	57%
Sungard Consulting	4.2					
Sungard DCs	10.1					
Total consideration	36.8					
*IFRS 16 debt acquired	28.6					
Total equity impact	65.4					
**FY21 adjusted EBITDA	23.9					
Illustrative target EBITDA***	37.5					
Incremental EBITDA	13.6					
<u>Average long-term equity / EBITDA valuation</u>						
						4.8x

* IFRS 16 debt acquired based on current forecasts as at the date of this report

**Note: On 31 March 2021, the assets relating to the EDF contract were disposed of for £5.8m. The EDF contract had the impact of reducing revenues by £1.1m in FY22.

To provide a better understanding of the results the revenue and EBITDA from the EDF contract has been excluded from FY21 as presented above.

*** the illustrative target Revenue and EBITDA figures are based on an assumption that the Company delivers its target revenue of £150m with EBITDA margins remaining at current levels of c25%. It should not be construed as a profit forecast or an expectation of future performance of the Group.

Acquisition of Sungard DCs

- The Sungard DC business is renowned for its **highly resilient data centre estate** and **assured IT recovery services**.
- The business hosts and manages mission critical infrastructure for a **strong blue-chip enterprise customer base** from its three data centres in Hounslow, Elland, and Woking.
- The recovery services offering adds new capability to Redcentric's portfolio of solutions and exposure to new areas of the market.
- Anticipated total **contracted revenue in the first 12 months** post acquisition of **£39.1m (89% recurring revenue)**:
 - **162 customers signed long-term contracts** with Redcentric equivalent to £34.9m annual recurring revenue.
 - A further 57 customers signed up to short term contracts (<12 months) equivalent to £4.2m revenue. Some of this revenue is expected to be converted to recurring revenue.
- The Sungard DC business is expected to become **profitable in the first 6 months** of ownership.
- **Significant cross sell opportunity** within acquired customer base.

Highly attractive blue-chip enterprise customer base



Acquisition of Piksel Industry Solutions ("Piksel")

Enhancing cloud capability

Extensive public cloud experience across AWS and Microsoft Azure

Transformed cloud offering with complete end-to-end digital transformation capability enabling a customer's journey from colocation to hyperscale cloud

High growth market dynamics

Piksel IS core business is assisting customers with digital transformation programs, primarily transitioning from on-premise to public cloud

Additional capability provides access to the fastest growing segments of the IT managed services market

Immediately earnings enhancing

The first 6 months of trading contributed c.£6m revenues in FY22

High recurring revenues

Complementary customer base

Circa 100 customers across a range of industry verticals



Highly skilled people

Circa 90 colleagues based out of York and London

Highly skilled and technically accredited people

Redcentric has recently signed up to a lease on a new office in York to support colleagues in the region

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Substantial synergy opportunity

Integration well progressed

Annualised synergy of c.£1.5m substantially surpassing anticipated £1.1m opportunity

Additional £0.5m synergy expected to be delivered in FY23

Acquisition of 7 Elements ("7E")

New security capability

Leading provider of security testing, incident response management, managed vulnerability scanning, and bespoke consultancy services

Highly accredited

CREST accredited
.....
Awarded the "Innovation through Cyber" award at the 2020 Digital Technology Awards for its managed vulnerability scanning solution

High growth market dynamics

Provides access to high growth areas of the market such as penetration testing and managed vulnerability scanning
.....
Opportunity to expand into high demand areas such as 24/7/365 Security Operations Centre services

Robust customer base

Long standing customer base with a high proportion of repeat spend
.....
Providing security solutions across a range of sectors and verticals, including several of the UK's high street and retail banks

Highly skilled people

Highly skilled team with nationwide coverage
.....
Operations continue to be run by founder David Stubley who is highly experienced
.....
Sufficient capacity within the current team to grow revenue contribution

Independent operations

7E to remain as a standalone operational unit to safeguard independence
.....
Back-office functions have been integrated to provide streamlined customer experience

Integration update

Acquisition blueprint and robust operating platform driving synergy maximisation and efficiencies

- Near term focus on the integration of the most recent acquisitions (Sungard and 4D) to maximise synergy potential and create a streamlined platform for further acquisitions and future growth.
 - Sungard DC was loss making on acquisition. Based on signed recurring revenues and planned restructuring of the cost base, we expect that the business will turn profitable within 6 months of ownership.
 - The Sungard DCs are currently under license to occupy with landlord negotiations expected to conclude shortly.
 - Volatile electricity prices present the most significant risk to the Sungard DC business. We plan to implement a series of energy efficiency measures in the first 12 months of ownership (£1.5m capex requirement).
 - Synergies of c.£0.5m in relation to 4D are expected to be realised in the first 12 months. Integration commenced immediately post acquisition.

Market overview

David Senior – Chief Financial Officer

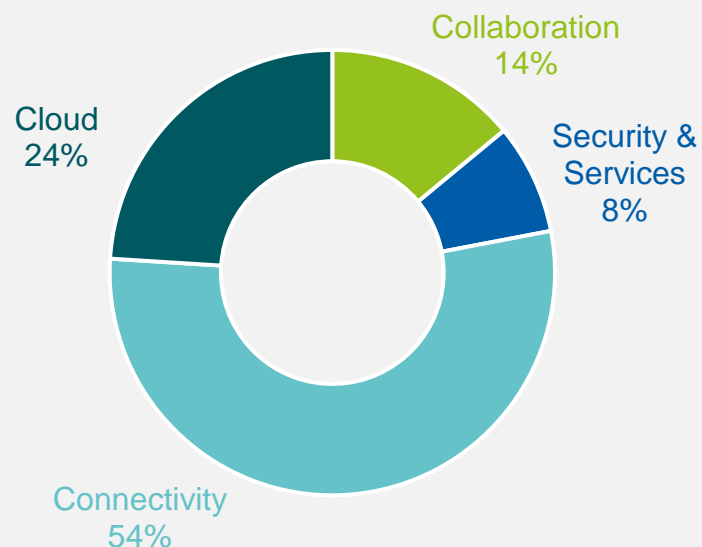
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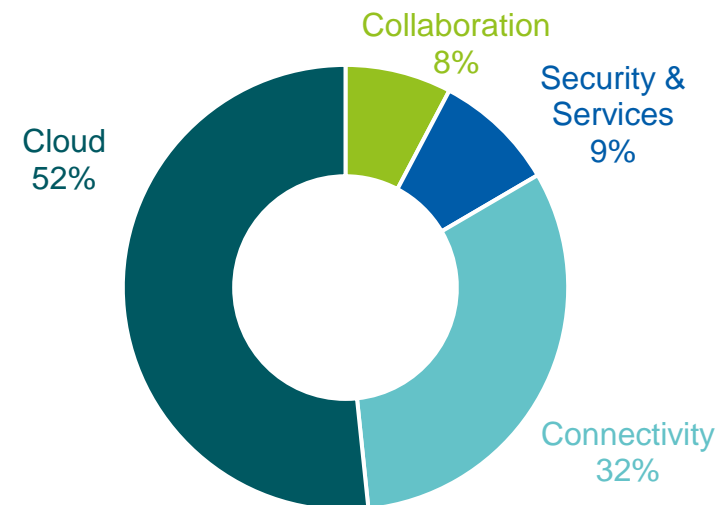
Transformed service offering

Having transformed our service offering through recent acquisitions, the Group is ideally positioned to capitalise on high growth areas of the market

Pre acquisition recurring revenue contribution (FY21)



Post acquisition recurring revenue contribution (estimated)



High growth market opportunity

Transformed cloud and security capability provides access to high-growth segments of the market

UK IT services market growing at 7% CAGR

Total UK IT services market is expected to be valued at £183bn by 2025 (estimated £146bn in 2022).

There are several areas that are materially outperforming the wider IT services market.

Cyber security consulting forecast to grow at 12% CAGR

Total UK cyber security market set to grow by 10% CAGR, with cyber security consulting leading the charge. 7E provides access to this high-growth market.

Cloud infrastructure management a major contributor to growth

Huge addressable market opportunity for Redcentric's newly created Cloud Services division.

Total cloud infrastructure services market expected to grow at 12% CAGR with Infrastructure as a Service (IaaS) expected to grow by an impressive c.30% CAGR.

High growth in data centres

Growing demand for data centres and colocation as organisations shift away from on-premise and seek private or hybrid infrastructure that removes the maintenance burden whilst providing a more cost effective and efficient solution.

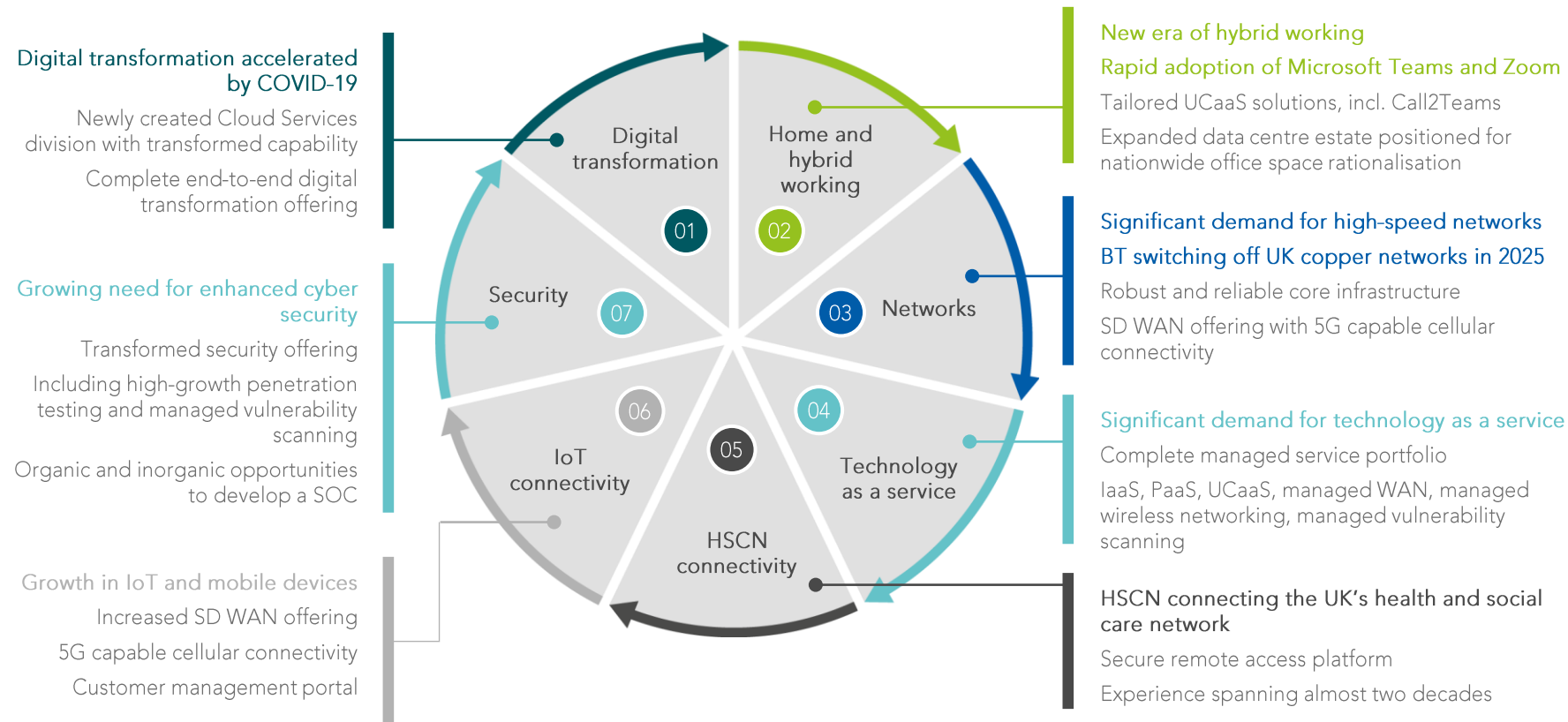
Demand for digital transformation set to continue

Digital transformation and cloud consultancy services continue to be high priority and is predicted to grow at 4% CAGR as organisations seek to accelerate digital strategies following the pandemic as they adapt to long term hybrid working.

Source: UK IT services market, Mintel & Gartner.
All CAGR figures quoted are for the period 2021-2025.

Our response to market drivers

Outlook remains positive, despite ongoing headwinds, supported by robust market dynamics and a compelling service offering



Our response to ongoing headwinds

- We continue to work closely with our suppliers to manage hardware shortages and avoid delays to customer projects.
- We are keeping abreast of volatile electricity prices and continue to adapt our forecasts and procurement policy accordingly.
- Additional service capabilities gained through acquisitions have provided new market opportunities to mitigate areas of subdued activity such as large-scale IT projects and non-critical services.
- We are cognisant of sector-wide employment, retention and salary inflation challenges and continue to take a proactive approach to feedback from our colleagues.

Financial review

David Senior – Chief Financial Officer

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Financial performance – revenue and profitability

Revenue

£93.3m (+3%)

Recurring revenue of £83.0m (+3%) equivalent to 89% of total revenue (FY21: 90%)

Adjusted operating costs

£35.8m (+8%)

Operating cost increase largely reflects additional costs associated with acquired businesses and increased energy costs

Adjusted EBITDA

£23.7m (-1%)

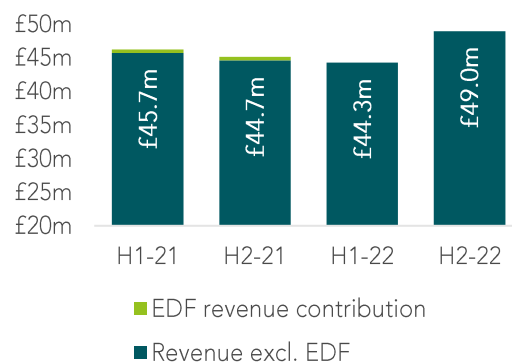
Adjusted EBITDA margin of 25% (FY21: 26%)
Increased operating costs offset additional contribution from Píksel and 7E

Adjusted EBITDA less capex

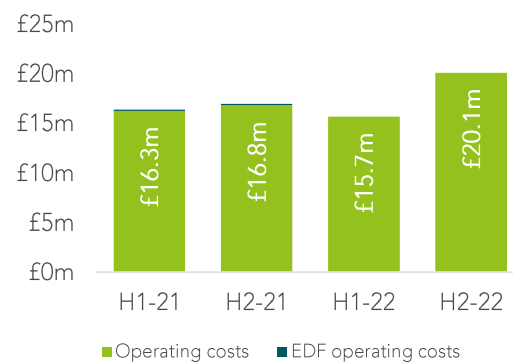
£20.5m (+1%)

Capex reduced marginally to £3.2m (FY21: £3.5m)

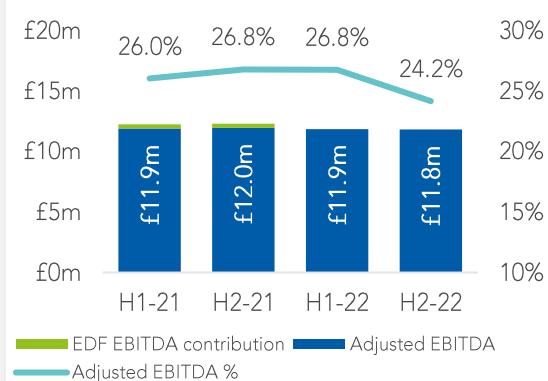
Revenue



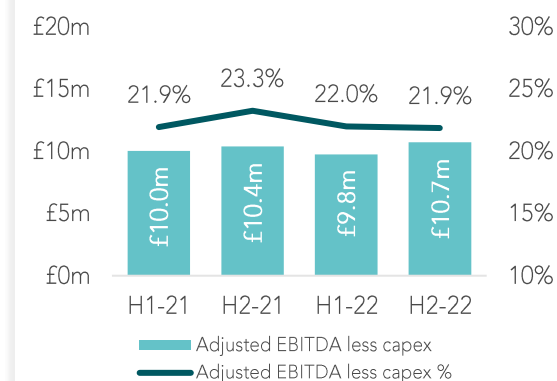
Adjusted operating costs



Adjusted EBITDA



Adjusted EBITDA less capex



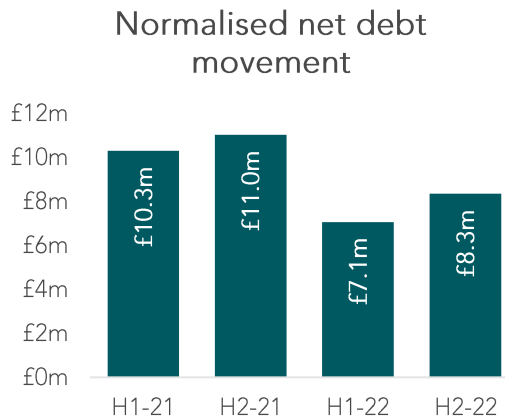
Note: On 31 March 2021, the assets relating to the EDF contract were disposed of for £5.8m. The EDF contract had the impact of reducing revenues by £1.1m in FY22. To provide a better understanding of the results for FY22, the revenue and EBITDA from the EDF contract has been excluded from the prior periods as presented above. FY21 restatement split equally between H1-21 and H2-21.

Financial performance – liquidity & earnings

Normalised net cash / (debt) movement

£15.4m (-28%)

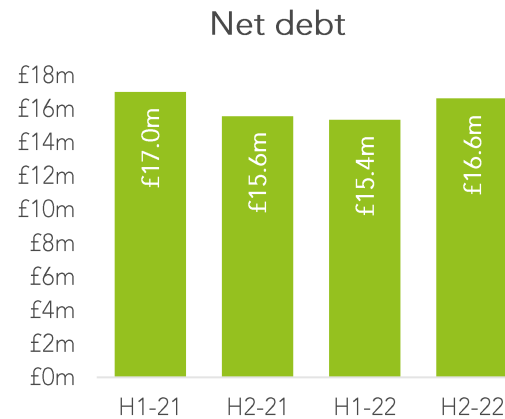
£5.9m reduction on prior year largely reflects a reversal of FY21 positive working capital movements.



Net debt

£16.6m (+7%)

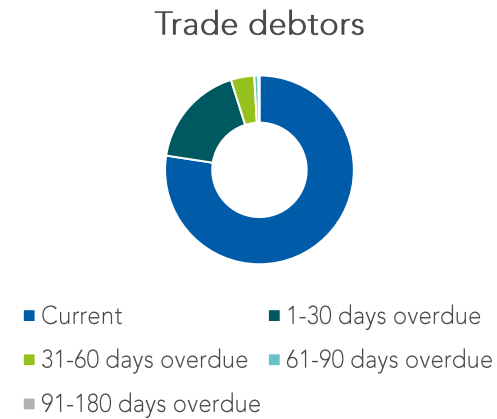
Increase of £1.1m reflecting strong operating cash flows and proceeds from the EDF contract sale, offset by dividend and share buybacks and acquisitions.



Trade debtors

£111.1m (+8%)

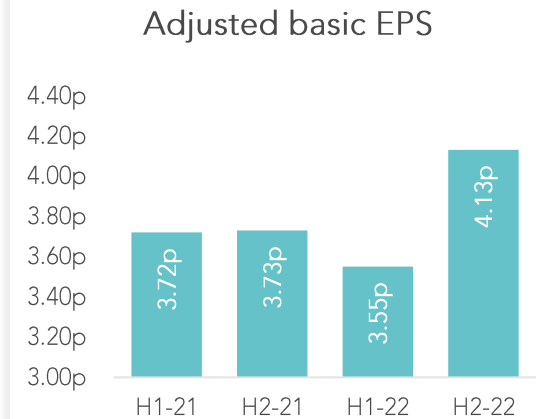
Exemplary trade debt profile with only £20k over three months old (H1-22: £25k).



Adjusted operating profit per share

7.68p (+3%)

Increase in adjusted EPS reflects improved revenue performance and marginally reduced capex in the period



Note: On 31 March 2021, the assets relating to the EDF contract were disposed of for £5.8m. The EDF contract had the impact of reducing revenues by £1.1m in FY22. To provide a better understanding of the results for FY22, the revenue and EBITDA from the EDF contract has been excluded from the prior periods as presented above. FY21 restatement split equally between H1-21 and H2-21.

Group income statement

	FY22 £'m	H2-22 £'m	H1-21 £'m	FY21 £'m	Movement %
Revenue	93.3	49.0	44.3	91.4	2%
Cost of sales	(33.8)	(17.1)	(16.7)	(33.5)	1%
Gross Profit	59.5	31.9	27.6	57.9	3%
Gross Margin	63.8%	65.1%	62.4%	63.4%	
Operating Costs	(35.8)	(20.0)	(15.8)	(33.4)	7%
Adjusted EBITDA	23.7	11.8	11.9	24.6	-4%
EBITDA Margin	25.4%	24.2%	26.8%	26.9%	
Depreciation of property, plant and equipment	(2.7)	(0.1)	(2.6)	(3.4)	-21%
Amortisation of intangibles	(7.0)	(3.5)	(3.5)	(6.9)	1%
Depreciation of ROU assets	(4.6)	(3.1)	(1.5)	(4.9)	-7%
Exceptional items	(1.6)	(0.9)	(0.7)	4.2	-139%
Share based payments	(1.2)	(0.9)	(0.3)	(0.7)	75%
Interest	(1.1)	(0.6)	(0.5)	(1.5)	-25%
Profit before taxation	5.5	2.7	2.8	11.3	-52%
Taxation credit / (expense)	1.4	1.5	(0.1)	(2.3)	-161%
Profit after tax	6.9	4.2	2.7	9.0	-24%
Earnings per share					
Adjusted basic EPS	7.68p			7.45p	3.1%

- Total revenue was £93.3m (FY21: £91.4m or £90.4m excluding the EDF contribution) with recurring revenue of £83.0m (FY21: £80.9m excl. EDF contribution), the proportion of recurring revenue is broadly in-line with the prior period at 89.0% (FY21: 89.5%).
- Adjusting for the sale of the EDF contract, total revenue increased by 3.2%
- Gross profit reflects revenue performance with a slight improvement in margin, now 63.8% (FY21: 63.0% excl. EDF) reflecting contributions from higher margin Pikel and 7 Elements acquisitions.
- Adjusted operating costs were higher than the prior period (£2.8m higher excl. EDF) reflecting £1.9m additional people costs linked to Pikel and 7 Elements, £0.7m data centre costs due to increased electricity costs, £0.4m of network and equipment costs primarily related to Pikel, and £0.1m of other sales and admin costs, offset by reduced legal and offshore employee costs.
- Adjusted EBITDA was £23.7m (FY21: £24.6m or £23.9m excl. EDF) with adjusted EBITDA margins decreasing marginally to 25.4% (FY21: 26.4% excl. EDF).
- Adjusting for the EDF contract, adjusted EBITDA declined by only 0.8% with increased operating costs offsetting £0.8m adjusted EBITDA contribution from Pikel and 7 Elements.

Adjusted net debt

	FY22 £'m	H2-22 £'m	H1-22 £'m	FY21 £'m	Movement %
Adjusted EBITDA	23.7	11.8	11.9	24.6	-4%
Working Capital movements	(4.0)	(2.1)	(1.9)	1.9	-313%
Transfer from intangibles to cost of sales	0.1	0.1	-	-	n/a
Non-cash provision movement	(0.6)	(0.6)	-	-	n/a
Cash Generated from operations	19.3	9.3	10.0	26.5	-27%
Capital expenditure – cash purchases	(2.8)	(0.6)	(2.1)	(2.3)	20%
Capital expenditure – finance lease purchases	(0.4)	(0.4)	-	(2.2)	-80%
Proceeds from sale and leaseback off assets	-	-	-	1.0	-100%
Capital Expenditure	(3.2)	(1.1)	(2.1)	(3.5)	-9%
Corporation tax	0.2	0.3	(0.0)	(0.1)	-265%
Interest paid	(0.1)	0.2	(0.3)	(0.4)	-76%
Loan arrangement fees/fee amortisation	-	-	-	(0.0)	-100%
Finance lease/term loan interest	(0.8)	(0.3)	(0.5)	(1.0)	-18%
Effect of exchange rates	0.0	0.0	-	(0.0)	-200%
Other movements in net debt	(0.7)	0.1	(0.8)	(1.6)	-59%
Normalised net debt movement	15.4	8.3	7.1	21.3	-28%
Cash cost of acquisition net of cash acquired	(10.4)	(2.1)	(8.4)	-	n/a
Cash cost of exceptional items	(2.1)	(7.4)	5.3	(9.5)	-78%
Non-capitalised finance lease purchases	(0.1)	(0.1)	-	-	n/a
IFRS16 modifications	(1.3)	(1.3)	-	3.9	-133%
Supplier loans	-	-	-	(1.2)	-100%
Share issues / Share buy back	(2.7)	(2.7)	-	5.8	-146%
Sale of treasury shares	-	(0.0)	0.0	0.5	-100%
Cash received on exercise of share options	0.0	0.0	-	0.0	-67%
Dividend paid to shareholders	(5.6)	(1.9)	(3.7)	(1.9)	201%
Cash received on disposal of non-core business unit	5.8	5.8	-	-	n/a
Net decrease (increase) in net debt	(1.1)	(1.3)	0.2	19.0	-106%
Net debt at the beginning of the period	(15.6)	(15.4)	(15.6)	(34.5)	-55%
Net debt at the end of the period	(16.6)	(16.6)	(15.4)	(15.6)	7%

- During the year, net debt increased by £1.1m to £16.6m reflecting:
 - Operating cash flows of £19.3m (82% operating cash conversion);
 - The net cash impact of the acquisition of Piksel and 7 Elements in the period of £10.4m; and
 - The receipt of £5.8m proceeds resulting from the sale of the EDF contract on 31 March 2021.

Balance sheet

Strong balance sheet maintained

- The net asset position is broadly in line with the prior period.
- The increase in intangible assets reflects the acquired intangible assets and goodwill in relation to Piksel and 7 Elements.

	FY22 £'m	H2-22 £'m	H1-22 £'m	FY21 £'m	Movement %
Intangible assets	67.7	67.7	73.1	61.3	11%
Property, plant and equipment	5.4	5.4	5.1	5.8	-8%
ROU assets	17.0	17.0	17.5	18.8	-15%
Current assets	23.5	23.5	20.7	26.7	-12%
Deferred income	(7.5)	(7.5)	(8.4)	(7.5)	1%
Other current liabilities	(17.7)	(17.7)	(16.3)	(15.6)	14%
Provisions	(3.9)	(3.9)	(3.3)	(3.3)	-12%
Deferred tax	4.0	4.0	2.1	1.4	210%
Net debt	(16.6)	(16.6)	(15.4)	(15.6)	7%
Net assets	71.8	71.8	75.1	72.1	0%

Net debt analysis

- Adjusted net debt of £1.5m as at 31 March 2022 (FY21: net cash of £1.0m).
- The net debt position reflects the following:
 - Dividend payments of £5.6m
 - Cash of £5.8m on disposal of the EDF non-core business unit
 - Share buybacks of £3.0m
 - Combined cash cost of acquisitions of £10.6m
 - A c.£2m working capital catch up in relation to Piksel and the alignment of supplier payment practices.
- Senior bank debt at the year end was nil.

	FY22 £'m	H2-22 £'m	H1-22 £'m	FY21 £'m	Movement %
Cash	1.8	1.8	3.6	5.3	-65%
Revolving credit facility	-	-	-	-	n/a
Finance leases	(3.4)	(3.4)	(3.9)	(4.3)	-21%
Net bank cash / (debt)	(1.5)	(1.5)	(0.4)	1.0	-258%
Term loans / supplier loans	(1.0)	(1.0)	(1.0)	(1.5)	-33%
IFRS 16 lease liabilities	(14.1)	(14.1)	(13.9)	(15.1)	-6%
Statutory net debt	(16.6)	(16.6)	(15.4)	(15.6)	7%

Dividend policy and share buyback

- A **final dividend of 2.4p per share** is recommended by the Board, resulting in total dividend for FY22 of 3.6p per share (FY21: 3.6p per share).
- **Returns to shareholders totalled £8.6m** in the year reflecting continued strong cash generation:
 - £3.7m FY21 final dividend payment
 - £1.9m FY22 interim dividend payment
 - £3.0m share buybacks
- In the medium term the Board intends to maintain a fixed dividend of 3.6p (interim 1.2p/final 2.4p) and continue with selective share buybacks.
- Policies will be reviewed should a large-scale acquisition opportunity arise.

The following dates are proposed:

Ex-dividend date	28 July 2022
Record date	29 July 2022
Last day for DRIP elections	19 August 2022
Payment date	16 September 2022

Summary & outlook

Peter Brotherton – Chief Executive Officer

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Summary and outlook

Summary

The business continues to perform well and is trading significantly ahead of pre COVID-19 levels.

.....

We have faced ongoing headwinds in the period which have impacted trading, but sales orders and large-scale IT projects started to return towards the end of the period. We continue to proactively respond to headwinds to mitigate the impact on the business.

.....

We have successfully completed 5 acquisitions between Sep-21 and Jul-22 in line with our stated acquisition strategy. In doing so, we have transformed our business through enhanced capability and adding significant scale.

.....

Successfully agreed new £80m RCF and a further £20m accordion at competitive interest rates.

Outlook

The next 6-9 months will be focussed on the integration of our most recent acquisitions to maximise synergies and create a streamlined platform for future acquisitions and growth.

.....

The new divisional structure will drive organic growth through innovation and support the success of recent acquisitions.

.....

Substantial firepower to support future acquisitions for additional scale and capability.

.....

Trading in FY23 continues to be impacted by ongoing headwinds but we remain cautiously optimistic.

.....

Targeting revenue of £150m with EBITDA margins of c.25% within the next two years – successful delivery would see Group generating revenues and EBITDA of over 60% and over 50% ahead of FY21, respectively.

Financial guidance and trends

Data centre & network review

Potential DC rationalisation opportunity following recent acquisitions

Capital expenditure

Customer requirements are changing due to SD-Wan solutions, which are capex heavy. As a result, we expect customer related capex to increase in the short term, this will be recovered over the contract term.

Working capital

Ingestion of acquisitions may cause short term negative impact, but we expect any impact to be neutral by the end of FY23

Dividends

The Board intends to continue with the same level of dividends (subject to large-scale acquisition opportunities)

IFRS 16

Right of use asset depreciation and associated interest expected to increase materially due to addition of 4D and Sungard data centres

Share-based payments

Share based payments expected to return to levels seen in FY21

Share buyback

The Board intends to continue with the same level of selective share buybacks (subject to large-scale acquisition opportunities)

Tax rate

The main rate of corporation tax is being raised to 25%, from 19%, with effect from the 1 April 2023.

Tax losses will be utilised in the most efficient way in order to reduce this charge.

Company overview & investment highlights

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Redcentric at a glance

Redcentric is a leading IT managed services provider delivering highly available connectivity, cloud and collaboration solutions that help public and private sector organisations succeed



Formed in 2013 when Redstone reversed into InTechnology Plc

.....
The Group is comprised of 7 historical acquisitions which are all fully integrated and a series of 5 acquisitions completed between Sep-21 and Jul-22 building additional capability and transformational scale



The Group has significantly expanded its product offering in the high market growth areas of Hyper-cloud and cyber security

.....
520 UK colleagues with the majority based out of the York and Harrogate offices, and a further 90 colleagues based out of our offshore Hyderabad office

.....
Dual 24/7 security and network operation centres



2,000+ UK-based large SME and enterprise customers

.....
Circa 90% recurring revenues

.....
83% derived from the private sector and 17% from the public sector,

.....
Growing public sector presence, particularly with the acquisition of Sungard DCs



High level of ISO and Public Sector accreditations with presence on 9 public sector procurement frameworks



Growing business with sector-leading financial metrics and an emphasis on acquisitions to complement organic growth

.....
Significant scale added with recent acquisitions and now targeting £150m turnover target within next two years

redcentric

Transforming and managing your **mission critical** IT infrastructure

KEEPING 20,000

CUSTOMER SITES CONNECTED

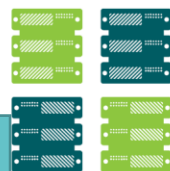


ENABLING 97,000

users to communicate & collaborate



PROVIDING ASSURANCE TO
100S OF ORGANISATIONS



NHS DIGITAL PARTNER



hosting national
CRITICAL INFRASTRUCTURE



Securely connecting
30,000 REMOTE WORKERS



HELPING OVER 400
organisations confidently
MOVE TO THE CLOUD

End-to-end management,
total control, accountability and
a single point of contact with
solutions delivered across our own
network, platforms and data centres.



Multiple UK-based Tier 3
designed data centres



Own 100GB network



Voice & IaaS platforms



24/7 Network and security
operations centre



Offices throughout the UK



UK-based support team

Trusted partner to over 2,000 organisations



Creating a
"Connected Army"



Guaranteeing
availability for the No.1
trade kitchen supplier



Improving the
patient experience
for 1.5m people



Ensuring content
delivery to
22 million viewers

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LONDON

Enabling a £100m
e-commerce business

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Our enhanced service portfolio



Cyber security

Security Information Event
Management (SIEM)
Managed firewalls
DDoS mitigation

Security testing
Managed vulnerability scanning
Incident response
Managed perimeter security service

Scanning & remediation
Data loss prevention
Cloud data protection
Application firewalls

Identity & access management solutions
Endpoint security management
Security monitoring & analytics

Information security
management as a service
Information security policy development
Certificate management



Cloud

Digital transformation consultancy
Modern workplace
Colocation
Managed public cloud
(Azure & AWS)
Infrastructure as a service
Hybrid cloud
Cloud migration
& consultancy
Backup as a service
Platform as a service

Disaster recovery
as a service
Virtual desktops
Full stack managed service
OS Level managed service
E-commerce (DC2) & SAP Hybris
Application modernisation
Application services experts
Database administration
AI & machine learning



Connectivity

SD-WAN
Managed WAN
Managed LAN
Network connectivity options
Secure remote access
Internet access

HSCN connectivity
Public cloud connectivity
(Azure & AWS)
Managed wireless networking
Cellular MPLS primary
& failover
WAN Insight



Communication

Hosted telephony
Unified communications
Microsoft Teams
Webex Teams
Microsoft Teams calling
Call recording & Voice AI
Call reporting

Calls & lines
SIP trunks
CallConnect GP
PCI Comply
Keep my place in the queue / ARC
User device management



Product and software sales

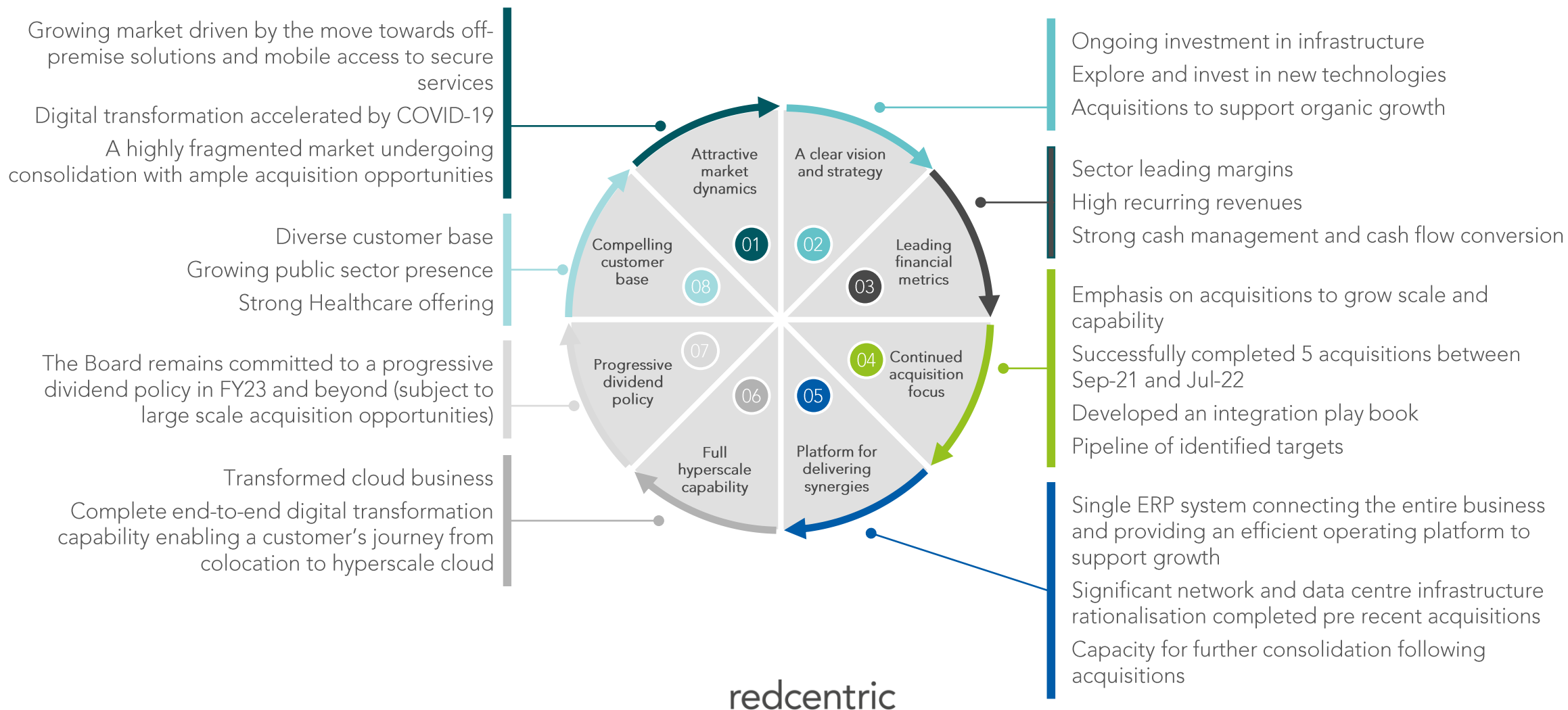
LAN infrastructure
Telephony infrastructure
On-premises Wi-Fi

On-premises security
IT consultancy services
Implementation services

Maintenance & support services
Hardware - switches, routers,
servers, PCs & laptops

Applications & software sales
Microsoft licensing & licence optimisation
Microsoft operating systems

The investment proposition



Investment highlights

Stable performance

Performance in line with Board expectations and significantly ahead of pre COVID-19 levels

Revenue of £93.3m

Gross profit of £59.6m

Adjusted EBITDA of £23.7m

Inorganic growth momentum

Successfully completed 5 acquisitions between Sep-21 and Jul-22

Integration well underway

Firepower to support future acquisitions for capability and scale

Sector-leading metrics

Recurring revenue (RMR) of £83.0m, equivalent to 89% of total revenue

Gross profit margin of 64%

Adjusted EBITDA margin of 25%

Adjusted EBITDA less capex margin 22%

Strategic success

Transformed cloud offering following the acquisition of Pikel and Sungard Consulting with enhanced public cloud and security solutions

Uptick in final quarter of FY22, with several large-scale wins and order intakes increasing to c.80% of pre COVID-19 levels

Highly cash generative

Adjusted cash generation from operations of £19.3m

Adjusted operating cash conversion of 82%

Cash balance at year end of £1.8m

Adjusted net debt of £1.5m

Operationally robust

The 3 years preceding FY22 were focused on delivering integration, optimisation, and efficiency programmes to provide a solid and scalable platform for growth

Newly implemented divisional structure will support the rapidly expanding Group and is fundamental to delivering the growth strategy

Our valued customers

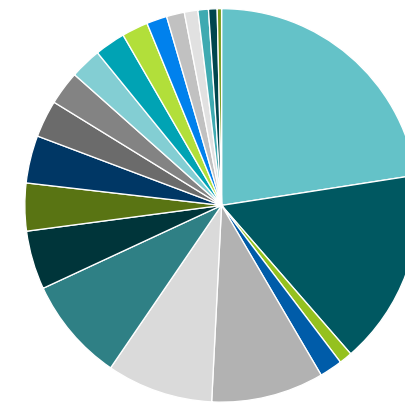
Our private sector customer

- 83% revenues
- Diverse customer base



Our public sector customers

- 17% revenues
- Growing public sector presence, particularly with the acquisition of Sungard DCs
- Strong Healthcare offering
- 9 public sector frameworks:
 1. RM1557.12 – G-Cloud 12
 2. RM3825 – HSCN Peering
 3. RM3808 – Network Services 2
 4. RM3808 – Technology Services 3
 5. RM1043 – Digital Outcomes and Specialists
 6. NOE-CPC - Enterprise Solutions
 7. Procurement 4 Housing
 8. YPO Data Centre Services
 9. Yorkshire & Humber Procurement Services Network



Our responsibility

We are committed to being a socially, economically, and environmentally responsible business. This is reflected in our actions and our corporate policies.

- Continuously evolving our national corporate social responsibility strategy to support key customers in their local areas.
- Committed to creating a diverse, inclusive and great place to work for our employees.
- Continued investment in our highly successful apprenticeship programme.
- Heavily invested in new end-to-end HR system and online learning management system.
- Employee wellbeing continues to be a key priority.
- Continue to maintain ISO 14001 environmental management certification.
- Continued use of renewable electricity sources across our UK sites.
- Proactive objectives to reduce energy use, company travel and use of paper and consumables.
- Ongoing investment to reduce carbon footprint and power consumption in our data centre facilities.

Environmental, Social and Governance (ESG)

- During the year, an initial assessment of the Group's position on ESG issues was undertaken.
- We have engaged a third-party specialist to support us in calculating our Scope 3 emissions, creating a net zero strategy, and working towards producing our first voluntary task force on climate-related disclosures (TCFD) report for FY23.

Planning for net zero

- The UK Government has set a target of net zero for the UK by 2050.
- We want to do our part in ensuring this target is met.
- In FY23, we will be putting in place our net zero strategy. Our carbon reduction plan will include both short and long-term carbon reduction targets, and our progress will be reported annually.

Thank you

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