Interim results H1 FY25

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Financial review

David Senior – Chief Financial Officer

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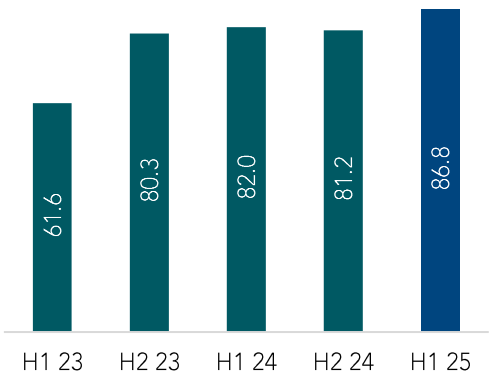
Financial Performance – revenue and profitability

Revenue

£86.8m (+6%)

Recurring revenue of £78.3m (+5%) equivalent to 90% of total revenue (H1 24: 91%).

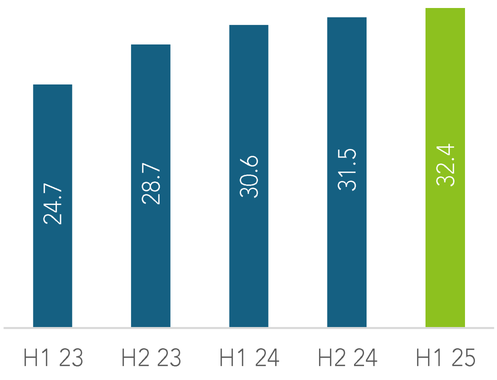
Non-recurring growth of 18% to £8.5m (£7.2m)



Adjusted operating costs

£32.4m (+6%)

Operating cost increase from inflationary pressures in staffing and licence costs

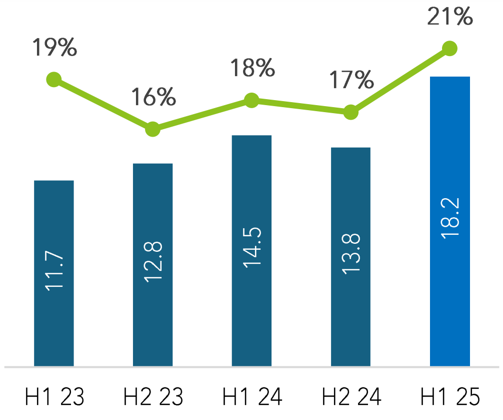


Adjusted EBITDA

£18.2m (+25%)

Adjusted EBITDA margin of 21% (H1 24: 18%)

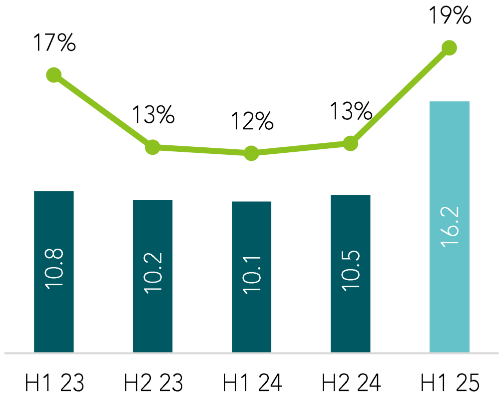
Significant EBITDA growth driven by electricity cost reduction



Adjusted EBITDA less maintenance capex

£16.2m (+60%)

Maintenance Capex decreased to £2.0m (H1 24: £4.5m) reflecting prior year investment in data centre cooling infrastructure delivering volume savings in FY25



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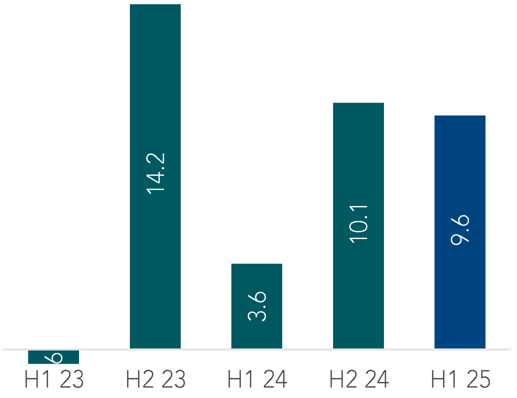
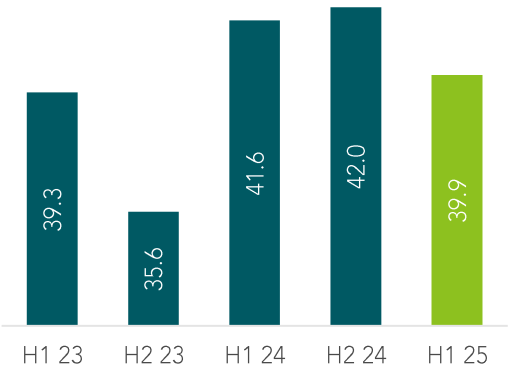
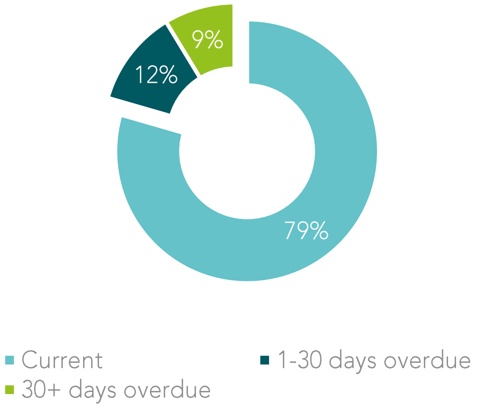
NB: % variances vs H1 24

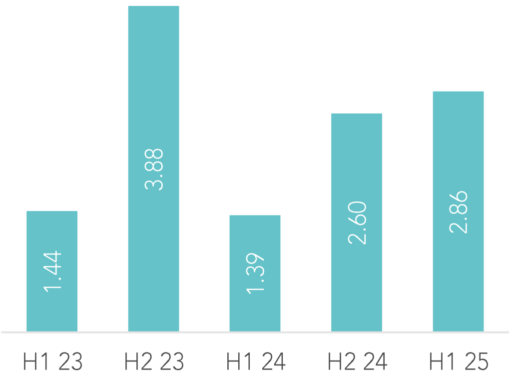
Financial Performance – liquidity & earnings

Normalised net cash / (debt) movement	Net bank debt	Trade debtors	Adjusted earnings per share
£9.6m (+272%)	£39.9m (-4%)	£18.2m (+7%)	2.86p (+90%)
H1 25 normalised net cash movement a slight improvement on H2 24. H1 24 saw significant working capital lag from H2 23.	Decrease of £1.7m reflecting improved profitability and cash generation	Excellent trade debt profile with 91% aged 30 days or less (H1 24: 91%)	Increase in adjusted EPS reflects the operating profit of £6.4m (FY24: £2.0m)









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NB: % variances vs H1 24 unless otherwise stated

Group Income Statement

	H1 FY24 £'m	H2 FY24 £'m	H1 FY25 £'m	Movement % H1 to H1
Revenue	82.0	81.2	86.8	6%
Cost of sales	(36.8)	(35.9)	(36.2)	(2%)
Gross profit	45.2	45.3	50.6	12%
Gross margin	*55%*	*56%*	*58%*	*2%*
Staff Costs	(18.7)	(18.7)	(19.3)	3%
Other op. costs	(11.9)	(12.8)	(13.1)	9%
Adjusted EBITDA	14.5	13.8	18.2	25%
EBITDA Margin	*18%*	*17%*	*21%*	
Tangible depreciation	(2.8)	(3.3)	(3.8)	36%
Intangible amortisation	(3.5)	(2.5)	(1.6)	(55%)
ROU depreciation	(5.9)	(5.9)	(5.1)	(13%)
Exceptional items	0.1	(2.6)	(0.8)	n/a
Share-based payments	(0.5)	(0.6)	(0.5)	6%
Interest	(2.7)	(2.8)	(2.8)	4%
PBT	(0.7)	(3.9)	3.6	n/a
Taxation	0.5	0.7	0.2	(66%)
PAT	(0.2)	(3.2)	3.8	n/a

The figures in the following tables are rounded on absolute values. The percentage changes are also calculated on absolute values.

- Total revenue was £86.8m (H1 FY24: £82.0m) with recurring revenue of £78.3m (H1 FY24: £74.8m), the proportion of recurring revenue is lower than H1 FY24 at 90.2% (H1 FY24: 91.2%), being more a reflection of strong non-recurring sales in H1 FY25 - up 18.3% to £8.5m from £7.2m in H1 FY24.
- Gross profit up 12% to £50.6m reflecting the saving from electricity price and volume.
- Staff costs increased by £0.6m (3%) on the prior year same period reflecting inflationary increases.
- Other operating costs were £1.2m higher than H1 FY24 reflecting inflationary impacts on staffing and licences, particular with respect to VMware's pricing model changes following acquisition from Broadcom.
- Adjusted EBITDA was £18.2m (H1 FY24: £14.5m) with adjusted EBITDA margins improving significantly to 21% (H1 FY24: 18%).
- Adjusted EBITDA increased by £3.7m (25%) year-on-year.

	FY24 £'m	H1 FY25 £'m
Adjusted EBITDA	28.3	18.2
Working capital	0.1	(1.8)
Profit on disposal of FA	(0.1)	-
Cash movement on provisions	(1.0)	-
Cash generated from operations	27.4	16.4
Capital expenditure	(8.3)	(4.1)
Corporation tax	(0.2)	-
Interest paid on RCF & term loans	(3.6)	(1.9)
Finance lease interest	(1.3)	(0.6)
Loan arrangement fees/amortisation	(0.2)	(0.1)
Exchange rate effect	(0.1)	-
Other movements in net debt	(5.4)	(2.7)
Normalised net debt movement	13.6	9.6
Cash cost of exceptional items	(4.2)	(0.9)
Acquisitions (net of cash acquired)	(0.9)	-
IFRS 16 modifications	(4.2)	(0.2)
Utilisation of asset financing facility	(2.4)	(0.9)
Dividends	(1.4)	(1.9)
Disposal of treasury shares	0.1	-
Net decrease (increase) in net debt	0.6	5.7
Net debt at the beginning of the period	(73.0)	(72.4)
Net debt at the end of the period	(72.4)	(66.6)

Net Debt

Since 31 March 2024 Net debt has reduced £5.7m to £66.6m, reflecting improved trading and cash generation.

- Operating cash inflows of £16.4m (90% operating cash conversion);
- Capex of £4.1m is net of £0.9m of proceeds via the financing of PPE through the asset financing facility. The gross £5.0m capex spend reflects customer capex of £3.0m and £2.0m of maintenance capex;
- Reduction in exceptional items following conclusion of material acquisition and integration activities;
- Dividends paid of £1.9m.

Balance Sheet

Summary Balance Sheet

- The net asset position has improved compared to 31 March 2024, predominantly due to the increased profitability of the Group.

	H1 FY24 £'m	FY24 £'m	H1 FY25 £'m
Intangible assets	80.6	78.9	78.1
Property, plant and equipment	20.0	21.4	21.9
ROU assets	40.4	37.5	32.6
Other non-current assets^	-	3.3	2.8
Current assets	42.9	37.8	38.8
Deferred income	(8.2)	(10.0)	(10.7)
Other current liabilities	(31.1)	(32.2)	(30.4)
Provisions	(13.2)	(12.4)	(12.5)
Deferred tax	1.6	2.5	2.8
Net debt	(74.7)	(72.4)	(66.6)
Net Assets	58.4	54.5	56.8

Net bank debt analysis

- Net bank debt of £39.9m as at 30 September 2024 (FY24: £42.0m).
- Movement in bank debt analysed on following slide but predominantly derives from improved trading and cash generation, coupled with lower exceptional costs and capex investment.

	H1 FY24 £'m	FY24 £'m	H1 FY25 £'m
Cash	2.1	3.1	4.0
Revolving credit facility	(38.7)	(39.9)	(38.8)
Lease liabilities that would have been classified as finance leases under IAS 17	(0.7)	(1.6)	(1.2)
Asset financing liability	(2.8)	(3.6)	(3.9)
Net bank cash / (debt)	(40.1)	(42.0)	(39.9)
Term loans / Supplier loans	(0.0)	(0.0)	(0.0)
Lease liabilities that would have been classified as operating leases under IAS 17	(34.5)	(30.4)	(26.7)
Statutory Net Debt	(74.7)	(72.4)	(66.6)

^ From 31 March 2024 certain current assets were re-classified as non-current. This has not been applied retrospectively to H1 FY24

Dividend policy and share buyback

- An **interim dividend of 1.2p per share** is recommended by the Board (FY24: 1.2p per share)
- 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.

Key dividend dates:

	Final FY24	Interim FY25
Ex dividend date	12 December 2024	13 March 2025
Record date	13 December 2024	14 March 2025
DRIP elections by	2 January 2025	28 March 2025
Payment date	24 January 2025	25 April 2025

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Summary & outlook

Peter Brotherton – Chief Executive Officer

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Summary and outlook

Summary

The significant improvement in all key profit measures is a demonstration of the success of the Company’s acquisition strategy.

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The Sungard and other businesses that were acquired in FY22 and FY23 have now been fully integrated with all the anticipated synergies and cost savings delivered.

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The split out of the Data Centre and Managed Services businesses will provide investors with greater clarity on the performance and operating metrics of two very distinct businesses.

Current trading & outlook

We anticipate a broadly flat H2 FY25 in terms of revenue and gross profit, but an improved profit performance arising from c.£0.9m of cost savings

This would represent very considerable progress with full year revenues up circa 7% and adjusted EBITDA in excess of 30% on the prior year FY24 numbers.

The significant data centre upgrade programmes will be complete in FY26 and capital expenditure will return to more normalised levels.

Thank you

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