



The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

28 November 2023

## Marlowe plc

### Interim results for the six months to 30 September 2023

#### Resilient first half performance

Marlowe plc ("**Marlowe**", the "**Group**" or the "**Company**"), the leader in business-critical services and software which assure safety and regulatory compliance, announces its unaudited results for the six-month period ended 30 September 2023 ("HY24").

#### Key Highlights

- Strong revenue growth of 13% with organic growth of 6% demonstrating resilience of business
- Major progress on integration programmes across multiple businesses in the context of having deployed £426m into 36 acquisitions since April 2021
- Strategic review positioning the group to generate shareholder value
- Executed a long-term strategic goal of expanding into ISO certification market via IMSM acquisition
- Prioritise deleveraging in the second half of the year with expected net debt/EBITDA at around 2x by year end

#### Financial performance

ADJUSTED RESULTS	H1 FY24	H1 FY23	Change
Revenue	£251.3m	£222.9m	13%
EBITDA <sup>1,2</sup>	£43.0m	£39.2m	10%
EBITDA margin <sup>2</sup>	17.1%	17.6%	(50)bps
Operating profit <sup>2</sup>	£33.0m	£30.4m	9%
Profit before tax <sup>2</sup>	£24.1m	£26.4m	(9)%
Earnings per share – basic <sup>2</sup>	18.8p	22.3p	(16)%
Net debt (excluding lease liabilities)	£192.7m	£156.2m	

STATUTORY RESULTS	H1 FY24	H1 FY23
Revenue	£251.3m	£222.9m
EBITDA	£22.8m	£26.3m
Operating profit	£0.0m	£5.7m
(Loss)/profit before tax	£(8.9)m	£1.7m
(Loss)/earnings per share – basic	(9.6)p	1.1p
Net cash generated from operations	£27.5m	£22.6m
Net debt	£219.4m	£184.2m

<sup>1</sup> Earnings before interest, taxes, depreciation and amortisation ("EBITDA")

<sup>2</sup> Explanation of non-IFRS measures are contained within the Chief Financial Officer's review

Marlowe is holding a virtual H1 FY24 results presentation for investors and analysts at 09:30 GMT today. A link to this event is [here](#).

An on-demand version of the presentation will subsequently be made available on the Marlowe plc website after the event.

## HY24 Highlights

- **Revenue increased 13%** reflecting above market **organic growth of 6%** and the contributions from acquisitions
  - Organic growth of 6% in Testing, Inspection and Certification (“TIC”) and 5% in Governance, Risk and Compliance (“GRC”)
- **Adjusted EBITDA increased 10%** to £43.0 million
  - Group EBITDA margins at 17.1% down 50bps from HY23
  - GRC margins increased 40bps to 26.3% despite a slight compression in Occupational Health which has been positively offset by continued margin accretion across the rest of the division. Occupational Health margins expected to expand in the medium term as integration programmes conclude and associated synergies are realised with substantial synergies expected to be delivered in the second half
  - TIC margins of 12.9% slightly down in the first half reflecting the dilutive impact of bolt-on M&A and a temporary increase in the use of sub-contractor labour in support of strong organic growth
- **Adjusted EPS down 16% to 18.8p** as a result of a £4.9 million increase in interest expense to £8.9 million in the period and an increase in the UK corporation tax rate from 19% to 25%
- **Operating cash flow increased +22%** to £27.5 million, net debt (excluding leases) increased to £192.7 million
  - A significant improvement in operating cash delivery on the prior year
  - H1 cash is typically weaker due to timing impacts on working capital which unwind in the second half
  - Operating cash flows will continue to improve through the second half and into FY25 as synergies are realised and the Group continues to scale
  - We expect net debt/EBITDA to be around 2x as at 31 March 2024 as we prioritise using the cash we generate in the second half of the year to pay down debt
- **The Group began a strategic review of Group structure during HY24**
  - Marlowe’s Board regularly evaluates the optimal organisational and capital structure for the business to continue both the successful delivery of the Group’s strategy and to maximise shareholder value
  - Since 2016, when the Group was formed, the focus of the Group’s strategy and operations has continued to rapidly evolve and pivot towards high margin regulated technology and services
  - The outcome of this review may or may not lead to the Board deciding to undertake a managed separation of certain Group businesses with a view to optimising the Group’s organisational and capital structure
  - The Board remains committed to open and transparent engagement with all of its stakeholders and will communicate further as appropriate
- **Successful execution of M&A and integration programmes**
  - **£37.2 million of capital invested**<sup>1</sup> in HY24 including the strategic acquisition of IMSM which broadens our compliance offering into ISO certification and audit

<sup>1</sup> Based on enterprise value of £37.2 million which includes expected deferred consideration of £3.8 million

- Extensive integration projects across the Group have progressed well following significant M&A activity, having deployed £426 million since April 2021 into acquisitions
  - Integrations include TP Health and Healthwork Occupational Health businesses into Optima, Cedrec into Barbour (our regulatory intelligence business), the combination of five Compliance eLearning businesses into VinciWorks, and recent bolt-on acquisitions into WorkNest, Fire Safety & Security and Water & Air Hygiene, respectively
  - We expect integration costs to reduce in the second half and continue to diminish significantly into the first half FY25
- **Current trading and outlook**
    - The Group remains mindful of the challenging macroeconomic backdrop but notes that demand for compliance services and software remains resilient. We continue to see good demand across Marlowe's client base, supported by the non-discretionary nature of our services & software which are driven by regulatory requirements.
    - For the full year, the Group expects to deliver mid-single digit organic growth in revenues, supported by additional growth from recent acquisitions, continued double-digit growth in adjusted EBITDA and further strategic and operational progress across our GRC and TIC divisions.
    - Adjusted EPS will continue to be impacted by an increase in borrowing costs associated with higher base rates and an increase in the UK corporation tax rate from 19% to 25%.

**Commenting on the results Alex Dacre, Chief Executive, said:**

*"The Group delivered a good performance against a challenging macroeconomic backdrop in the first half of the year with organic growth of 6% demonstrating the resilience of our business and the markets we serve.*

*We completed five acquisitions in the period including the strategic acquisition of IMSM which broadens our offering into the attractive ISO certification and audit space.*

*Integration programmes are making good progress. The three major programmes within Occupational Health, Water & Air and Compliance eLearning, alongside multiple smaller integration programmes, are either complete or expected to conclude in the coming months. We expect these programmes to continue to deliver operational and financial synergies as they progress.*

*We have made a good start to the second half of the year and expect to see mid single digit organic growth supported by additional growth from acquisitions and continued double-digit growth in adjusted EBITDA."*

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**CHIEF EXECUTIVE'S REVIEW****Group Results**

The Group delivered another strong performance in the first half of the year with further financial, operational and strategic progress. Revenue grew 13% to £251.3 million, driven by organic growth of 6% and the contribution from acquisitions. We have continued to invest significantly whilst integrating and improving the quality and breadth of our operations and the services or products that we provide.

Adjusted EBITDA of £43.0 million increased 10% on the prior year. Adjusted EBITDA margin was 17.1%, a reduction of 50bps on HY23. We saw a slight compression of TIC divisional margins which were impacted by bolt-on M&A with dilutionary effects in the period and increased costs associated with a temporary increase in the use of subcontract labour to support inhouse fee-earners to resource the strong and continuing levels of organic growth that has been delivered across TIC in recent periods. This was partially offset by continued margin improvement in the GRC division, reflecting operational and scale efficiencies achieved particularly in SaaS, alongside the benefits that are accruing to the Group as we deliver on our ongoing integration programmes. We expect margins to continue their long-term improvement trend during the second half as we benefit from further operational and integration efficiencies.

Our businesses have highly cash generative characteristics and free cash flow remains a key management focus. The Group generated £27.5 million (HY23: £22.6 million) of operating cash flows in the period, representing growth of 22% on HY23. We expect strong operating cash conversion in H2 FY24 with our financial year significantly second half weighted from this perspective (during HY23 net cash generated was £22.6 million vs £51.7 million in H2 FY23).

Statutory operating profit was £0.0 million (HY23: £5.7 million). Loss before tax was £8.9 million (HY23 profit before tax: £1.7 million) reflecting the non-cash increased amortisation of acquisition related intangibles, movement in deferred consideration on historic acquisitions and a significant non-recurring investment in integration activities. Basic loss per share was 9.6p (HY23 earnings per share: 1.1p).

At 30 September 2023 adjusted net debt was £192.7 million (30 September 2022: £156.2 million), excluding lease liabilities of £26.7 million (30 September 2022 £28.0 million), with a proforma net debt/adjusted EBITDA

gearing ratio of 2.3x. The increase in net debt is directly attributable to M&A activity and settlement of deferred consideration during the period. Cash generation in the second half will be used to reduce leverage to around 2x by the end of the year, with a target of reducing leverage to below 2x in the medium term.

### Strengthening and integrating

A key focus over the past 18 months has been integration. Since April 2021 we have deployed £426 million into M&A. This scale of investment requires the appropriate focus and resource to build businesses which can benefit from margin enhancement and sustainable organic growth into the future.

There have been several significant integration programmes undertaken in the past 18 months:

- The integration of **Compliance eLearning** (the Essential Skillz, Deltanet, SkillBoosters, Cylix acquisitions) into VinciWorks is now complete with major synergies delivered across the Group's proprietary Astute platform and tech stack, back office and client support costs, office closures and various other areas of staff duplication. Now integrated, VinciWorks is able to focus on accelerating the organic growth of its unified SaaS platform with a significantly expanded portfolio of compliance topics and modules to offer its client base. This complex integration programme has been delivered within approximately twelve months of commencement.
- Integration of Healthwork and TP Health into **Optima has been ongoing** for fourteen months and is well-progressed with the majority of integration activities expected to wind down during the next six months. The business now trades as Optima with a single integrated operating and digital platform (My OH Portal) and integrated service delivery, consolidated systems and processes, and an optimised organisational structure. Significant further synergies are planned during H2 FY24 now the business operates under this single national operating platform.
- Integration of Cedrec into **Barbour EHS**, the Group's regulatory intelligence SaaS platform, is nearing completion with the Barbour software platform upgrade programme progressing well. The relaunch is planned for the first quarter in FY25 and the Cedrec brand has now been retired. The breadth of regulatory areas covered as a result of integration of the platforms is significantly expanded, with a significantly enhanced client proposition.
- Integration of Business HR Solutions, Vista, Care4Quality, ESP and CLM into **Worknest** is now well-progressed. Third party legacy SaaS cost (EHS and eLearning SaaS) in Worknest have now been largely replaced with the Group's EHS and eLearning SaaS (Meridian and VinciWorks) platforms delivering enhanced client experience and major cost synergies. There has been further investment in the redevelopment of the YouManage HR SaaS and implementation of AI technology within our Employment Law & HR business. CaseNest (Worknest's proprietary case management platform) and Salesforce are now in place across the majority of the business.
- Integration of Clymac, Victory Fire, Merryweather, MRFS, MJ Fire and JCR into **Marlowe Fire & Security** is proceeding as planned with extensive further activity taking place during H2 FY24.
- Integration of Phase Technology and PCS into **WCS Group** and the implementation of the target operating model is expected to substantively complete during the remainder of the financial year.

### Disciplined approach to M&A

Acquisition has been a key tool that we have used to build the scale that we enjoy across our markets. We are either a market leader or have a top-3 position in each of the compliance markets we occupy yet they remain highly fragmented and we estimate we currently serve only c.6% of our £8.6 billion addressable market.

We completed five acquisitions in HY24 for a consideration of £37.2 million. We have broadened into ISO Certification and Audit, a new highly attractive compliance vertical, through the acquisition of IMSM for £20.6 million. The ISO Certification and Audit market has been a corporate development area of key strategic interest

for some time and offers cross-sell opportunities with our GRC customer base. IMSM provides a platform for growth in this core compliance market, with attractive structural growth and a high degree of recurring revenues.

IMSM is performing in line with pre-acquisition expectations and integration activity has commenced with a focus on digitalising the businesses client proposition via the use of the Group's CoreStream platform. This digitalisation is expected to complete by early FY25.

We have deepened our presence across Fire Safety & Security through four bolt-on acquisitions in the period.

We will prioritise reducing balance sheet leverage to around 2x by the end of the year with a target of reducing leverage to below 2x in the medium term.

### **Strategic Review of Group Structure**

During the first half, we commenced a major strategic review of the Group's structure. Marlowe's Board regularly evaluates the optimal organisational and capital structure for the business to continue both the successful delivery of the Group's strategy and to maximise shareholder value. Marlowe consists of a portfolio of compliance service and SaaS businesses, which each have benefited from significant investment and have strong growth prospects in sizeable markets with strong competitive positioning. During the first half the Group has been working with advisers to evaluate the merits of a potential separation of certain Group assets as a route to maximising shareholder value.

Since 2016, when the company was first formed, Marlowe has evolved from a pure play compliance service business focused on the route-based Fire Safety, Water & Air Testing & Inspection sectors to a much broader SaaS and service provider addressing both software and service markets across Governance, Risk & Compliance and Testing, Inspection & Certification. As the Group has grown and evolved, its operational activities have diversified into sectors with varying operational and financial characteristics. In some cases, these businesses have varying operating models, financial profiles and capital requirements. For instance, Software as a service (SaaS) currently accounts for approximately 25% of Group profitability. It is in the context of this growth strategy and the continuing pivot towards the high margin GRC regulated technology and service sectors that the Board is undertaking this review.

The outcome of this review may or may not lead to the Board making a decision in the future to undertake a managed separation of certain Group businesses at an optimal point in the future. This may be via a divestment in the form of a sale, a spin off or a public listing of certain Group assets. Such an action, if pursued, could potentially provide an optimised organisational and capital structure, growth capital for certain Group businesses whilst also enabling a potential significant return of capital to shareholders in the future.

The Board remains committed to open and transparent engagement with all of its stakeholders and will communicate further as appropriate.

### **Our Markets**

Set against a challenging macroeconomic backdrop the market for compliance services and software has demonstrated a good level of resilience. We continue to see good demand across Marlowe's client base, supported by the non-discretionary nature of our services & software which are driven by regulatory requirements. Whilst we estimate that market growth has slightly slowed over the past twelve months, we believe that we are operating in markets that are demonstrating on average at least low-mid single digit growth.

New and evolving regulatory change requires the ever-increasing use of Marlowe's software and services. For instance, the Fire Safety (England) Regulations 2022 Act which came into effect in January this year has placed the legal onus of ensuring fire safety standards onto the property manager or building owner, significantly increasing the regulatory burden. This new legislation, coupled with the growing costs and fines associated with non-compliance has resulted in an increase in outsourcing for even the most basic of fire and safety inspections.

A significant proportion of our compliance markets remain un-vented which is especially relevant in the SME markets within our GRC division and across our SaaS markets. For example, there has been a considerable rise in employee tribunals year on year following the removal of legal fees associated with taking an employer to court with the average costs of being found liable of £14,000. This is resulting in an increasing proportion of

the SME market obtaining retained legal and HR advice from services such as Marlowe's WorkNest to make sure that it remains compliant.

An increasing focus on employee wellbeing continues to drive demand for our software and services. This can be seen within our Occupational Health division. Poor mental health amongst employees costs UK employers an estimated c.£42 billion<sup>2</sup> each year which has resulted in both large organisation and SMEs increasing their investment into Occupational Health services to reduce absenteeism and improve employee efficiency.

Our organic initiatives build on these structural tailwinds. Through investment we look to add additional capabilities which we can then upsell and cross-sell to existing customers. We have invested and moved our entire content library in eLearning into our VinciWork's proprietary Learning Management System (LMS), which enables us to sell additional eLearning software courses more easily to existing customers. Similarly, we have invested in off-the-shelf modules in our Enterprise Risk Management software, exploring new areas of enterprise risk to sell to new customers (for instance, Anti Money Laundering SaaS). We look to drive organic growth and customer retention through digitalising our offering, which we have already commenced in the ISO Certification and Audit market following our recent acquisition of IMSM.

Scale and investing in inorganic growth and integration has also opened new opportunities across Marlowe's portfolio of businesses. In several compliance areas we are one of only a few providers that can effectively compete for large multisite and complex customers. We have benefited from this trend significantly in our Fire Safety business where we have seen strong levels of organic growth, particularly over the past 18 months.

With more than 40,000 customers across the Group, we have been able to cross-sell and up-sell to accelerate organic growth. The individual responsible for procuring fire and security services is often also responsible for procuring water & air hygiene services and health and safety software. Similarly, within GRC if an individual is responsible for procuring HR and employment law services, they are also likely be responsible for procuring occupational health, compliance eLearning or HR software. It is this same channel to market which allows the Group to successfully cross-sell services and software to existing customers, which each year contributes approximately 1%-2% to our organic growth.

### **Current trading and outlook**

The Group remains mindful of the challenging macroeconomic backdrop but notes that demand for compliance services and software remains resilient. We continue to see good demand across Marlowe's client base, supported by the non-discretionary nature of our services & software which are driven by regulatory requirements. For the full year, the Group expects to deliver mid-single digit organic growth in revenues, supported by additional growth from acquisitions, continued double-digit growth in adjusted EBITDA and further strategic and operational progress across our GRC and TIC divisions. Adjusted EPS will continue to be impacted by an increase in borrowing costs associated with higher base rates and an increase in the UK corporation tax rate from 19% to 25%.

Our main operational focus for the remainder of the financial year remains firmly on the completion of integration programmes and the associated wind down of integration investments associated to the significant M&A activity that we have conducted in recent periods. This integration activity is in the context of the Group having invested £426 million in M&A since April 2021 and is a vital investment in order to deliver long-term shareholder value. Whilst we anticipate a further relatively intensive period of integration activity during the second half of the year, we currently expect the majority of this to be completed by the end of FY24, with a significantly reduced level of restructuring activity in FY25 and beyond.

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<sup>2</sup> This is made up of absence costs of around £7 billion, presenteeism costs ranging from about £27 billion to £29 billion and turnover costs of around £9bn

## Governance, Risk & Compliance

GRC encompasses our consulting and software solutions across Compliance Software & eLearning, Health & Safety, Employment Law & HR, Occupational Health and ISO. Our software compliance platforms are used to implement governance frameworks and manage and monitor audit and control risk. The majority of the compliance services we deliver revolve around employees and organisational risks.

	H1 FY24 £m	H1 FY23 £m	Change
Revenue	£102.0m	£92.3m	11%
Adjusted EBITDA <sup>1,2</sup>	£26.8m	£23.9m	12%
Adjusted operating profit <sup>2</sup>	£22.9m	£20.6m	11%
<i>Adjusted EBITDA margin<sup>1,2</sup></i>	<i>26.3%</i>	<i>25.9%</i>	<i>40bps</i>

<sup>1</sup> Earnings before interest, taxes, depreciation and amortisation ("EBITDA")

<sup>2</sup> Explanation of non-IFRS measures are contained within the Chief Financial Officer's review

## Financial Review

Our GRC division performed in line with expectation in HY24, with revenue increasing 11% to £102.0 million (HY23: £92.3 million). This reflects good organic growth supported by growth from acquisitions. Organic revenue growth was 5%, reflecting high single digit growth within our software lines and low to mid-single digit growth within our GRC retained advisory & subscription businesses. The vast majority of our GRC revenue is recurring and is delivered as multi-year contracted consultancy or SaaS-based subscriptions.

Adjusted EBITDA increased by 12% to £26.8 million (HY23: £23.9 million). Adjusted EBITDA margin improved by 40bps reflecting operational efficiencies realised within the division. Excluding Occupational Health, GRC margins have increased by c.150bps as a result of the strong progress made with operational improvements and the attractive operating leverage we are seeing as a result of higher volumes across our SaaS and advisory subscription activities. Margins in Occupational Health were slightly weaker and will continue to be impacted in H2 as a result of lower volumes related to a significant customer executing a planned insource of their corporate health requirements and the timing lag of new client mobilisations related to new business already secured.

We continue to expect that we can increase divisional EBITDA margin to at least 30% over the medium term as we benefit from further operational improvements, additional scale, operational gearing, and an increasing proportion of revenue from higher-margin software subscriptions.

## Operational review

**Compliance Software**, which encompasses eLearning, Enterprise Risk Management solutions (EHS, GRC, HR & Contractor Risk) and regulatory data and information, performed strongly in the period. SaaS now contributes approximately £45 million on a run-rate basis and has very attractive financial characteristics. In addition, we deliver compliance software revenues related to implementation. Software is usually paid for in advance and is delivered through multi-year subscriptions, with net customer revenue retention rates remaining over 100% and EBITDA margins close to 50%.

Within our software offering, compliance eLearning is now operating under one management team and under one brand, VinciWorks. We expect organic growth to accelerate in the coming months as we leverage an integrated and well-invested sales and marketing function and explore international opportunities. We are in the midst of a planned re-platforming of our regulatory data and information business, Barbour, and expect this to further enhance our offering and user experience which will drive the next phase of growth.

**Employment Law, HR and Health & Safety** businesses deliver a range of subscription-based consultancy services. We saw mid-single digit organic growth in the first half of the year. New business conversions were slower in the first quarter of the financial year with client decision-making cycles extending but has since



improved to back towards historic levels. Our continued growth is supported by favourable market conditions, notably a greater regulatory burden, increased regulatory interventions and rising insurance premiums.

Our **Occupational Health** business assures regulatory compliance for our clients by improving the physical and mental health of employees, minimising workplace risk and maximising corporate productivity. In many cases occupational health services are regulated by legislation including The Health & Safety at Work Act.

Organic revenue growth was in the low single digits in the first half and volumes are expected to continue to be impacted in H2 by a significant customer insourcing a significant portion of their corporate health & wellbeing requirements. This churn has exerted some temporary pressure on margins which we expect to revert as secured new business comes on stream during H2. The new business pipeline of secured and potential opportunities remains strong and we are beginning to leverage our position, now that integration of the division is well progressed, as by far the largest digitally enabled corporate health and wellbeing provider in the UK with the broadest range of health & wellbeing compliance capabilities, to look to accelerate organic growth towards our mid-high single digit medium-term target. Additionally, we expect Occupational Health margins to expand as a result of the significant synergies we are realising through ongoing integration programme.

We are in the final period of a significant integration and restructuring programme within Occupational Health, during which we have consolidated all of our historic occupational health acquisitions into our Optima platform.

We have added a new compliance vertical in the first half of the year, **ISO Certification**, through the acquisition of IMSM for an enterprise value of £20.6 million. This acquisition is a key step in Marlowe's strategy in broadening its GRC capabilities into the highly complementary ISO certification and audit market and presents an attractive opportunity to cross-sell into the Group's existing SME customer base, particularly across the Worknest business. IMSM has performed well in the brief period since acquisition, and we expect it to deliver organic growth in the high to mid-single digits.

Integration activities have begun and we have already made good progress with digitalising IMSM's services through collaboration with our existing compliance software offering and expect this to drive organic growth and improve customer retention in future periods.

## Testing, Inspection & Certification

The majority of our services in TIC revolve around our clients' business premises and include services such as the testing and inspection of water and air systems, water hygiene compliance and the inspection and certification of fire safety and security systems. A large portion of the services we deliver are recurring and are essential to our clients' operations. These are also stipulated by regulatory obligations.

	H1 FY24	H1 FY23	
	£m	£m	Change
Revenue	£149.2m	£130.6m	14%
Adjusted EBITDA <sup>1,2</sup>	£19.3m	£18.1m	7%
Adjusted operating profit <sup>2</sup>	£13.5m	£12.8m	5%
<i>Adjusted EBITDA margin<sup>1,2</sup></i>	<i>12.9%</i>	<i>13.9%</i>	<i>(100)bps</i>

<sup>1</sup> Earnings before interest, taxes, depreciation and amortisation ("EBITDA")

<sup>2</sup> Explanation of non-IFRS measures are contained within the Chief Financial Officer's review

## Financial Review

Our TIC division performed well with revenue increasing 14% to £149.2 million (HY23: £130.6 million), reflecting good organic growth and the benefit from acquisitions. Organic revenue growth was 6% reflecting mid-single digit growth within Water & Air Hygiene and continued strong organic growth within Fire Safety & Security. We continue to benefit from our ability to service and retain multisite and complex customers and to upsell additional capabilities.

Adjusted EBITDA increased by 7% to £19.3 million (HY23: £18.1 million). Adjusted EBITDA margin was 12.9% (HY23: 13.9%), due to the dilutive impact of bolt-on M&A and a temporary increase in costs associated to sub

contract labour as a result of increased volumes associated with strong organic growth in the past 12 months. We expect margins to improve over the next 6 months as we reduce sub contract labour costs and benefit from scale efficiencies such as improved route density, improved pricing strategies and increased operational efficiencies.

## Operational Review

**Our Fire Safety & Security division** has continued to deliver strong organic growth as we benefit from our large geographic reach and comprehensive range of capabilities which allows us to successfully compete for large multi-site and complex customers. We have been able to deliver consistently high compliance service levels which has resulted in the successful upsell of new capabilities to existing customers and the displacing of competitors who struggle to achieve similar compliance service levels and lack our breadth of offering.

We completed four bolt-on acquisitions within Fire Safety & Security in HY24, the largest being the acquisition of Clymac for £8.5 million in April 2023 adding around £10 million of annual revenues. The acquisitions have been slightly dilutive from a margin perspective but through effective integration we expect to bring acquisition margins in line with the divisional TIC margin over the next 12 months.

Our market-leading **Water & Air Hygiene business** generates run-rate revenues of over £150 million and has the broadest service capabilities and coverage in its markets. We serve over 14,000 customers across numerous industries.

We have seen low to mid-single digit organic growth, driven by upselling capabilities to existing customers and our ability to service large multi-site customers. Cross-sell between Marlowe's divisions, particularly between our TIC businesses, remains strong and continues to be a key focus of management to drive further growth. Additionally, even though a relatively small aspect of our business, the revenue generated from water treatment chemical sales has dropped due to a significant reduction in chemical prices.

A large proportion of our businesses are now on our proprietary ERP system, Wave, where pricing strategies can be more effectively implemented going forward. We have seen good levels of net new customer wins, and with an average customer longevity of around 11 years.

We continue to drive best-in-class compliance rates, well above market average of around 90%, through strong governance implemented across all of our businesses by our successful integration programmes. We expect to materially reduce integration costs within Water & Air during the remainder of the current financial year

We have seen a good start to the second half of FY24 and expect margins for the full year to be in line with FY23.

## CHIEF FINANCIAL OFFICER'S REVIEW

Revenue in the half grew to £251.3 million (HY23: £222.9 million). The increase reflects good organic growth of 6%, combined with contribution from acquisitions completed in the year and the full year benefit of those completed in HY23.

Adjusted operating profit increased by 9% to £33.0 million (HY23: £30.4 million) demonstrating the strong operational performance of the Group despite the challenging wider economic environment. Adjusted EBITDA increased by 10% to £43.0 million (HY23: £39.2 million). Adjusted EBITDA means operating profit before interest, tax, depreciation and amortisation and excludes separately disclosed acquisition and other costs.

Group adjusted EBITDA margin was 17.1%, down from 17.6% in HY23 reflecting the dilutive impact of bolt-on acquisitions and higher subcontract labour requirements within the TIC divisions already noted.

We remain confident that we can continue our long-term trend of improving margins as we leverage operational efficiencies as a result of the completion of integration programmes, which will be complemented by the increasing scale of the higher margin GRC division. On a statutory basis, operating profit was £0.0 million

(HY23: £5.7 million) reflecting the one-off costs associated with the strategic review and fair value movement in contingent consideration combined with higher amortisation of acquired intangible assets.

Adjusted profit before tax was £24.1 million (HY22: £26.4 million) and has been adversely impacted by the increase in finance costs on the back of the Bank of England base rate changes and higher utilisation of the Group's debt facility. On a statutory basis, loss before tax for the half year was £8.9 million (HY23 profit before tax: £1.7 million), reflecting the lower statutory operating profit and the increase in finance costs.

### Non-IFRS measures

The interim financial results contain all the information and disclosures required by all accounting standards and regulatory obligations that apply to the Group. The results also include measures which are not defined by generally accepted accounting principles such as IFRS. We believe this information, along with comparable IFRS measures, is useful as it provides investors with a basis for measuring the performance of the Group on an underlying basis. The Board and our managers use these financial measures to evaluate our operating performance. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Similarly, non-IFRS measures as reported by us may not be comparable with similar measures reported by other companies.

Due to the nature of acquisitions, costs associated with those acquisitions, subsequent integration costs and the non-cash element of certain charges, the Directors believe that adjusted EBITDA and adjusted measures of operating profit, profit before tax and earnings per share provide shareholders with a useful representation of the underlying earnings derived from the Group's business and a more comparable view of the year-on-year underlying financial performance of the Group.

A reconciliation between statutory operating profit and EBITDA is shown below:

	H1 FY24 £m	H1 FY23 £m
<b>Continuing operations</b>		
<b>Operating profit</b>	<b>0.0</b>	<b>5.7</b>
Amortisation of acquisition intangibles	12.8	11.8
Depreciation and amortisation of non-acquisition intangibles	10.0	8.8
<b>EBITDA</b>	<b>22.8</b>	<b>26.3</b>

A reconciliation between statutory (loss)/profit and the adjusted performance measures noted above is shown below:

Six months ended 30 September 2023 Continuing operations	(Loss)/profit before tax £m	Operating profit £m	EBITDA £m
<b>Statutory reported</b>	<b>(8.9)</b>	<b>0.0</b>	<b>22.8</b>
Acquisition costs	1.4	1.4	1.4
Restructuring costs	9.4	9.4	9.4
Amortisation of acquisition intangibles	12.8	12.8	-
Share based payments (excluding SAYE schemes)	0.8	0.8	0.8
Fair value losses in contingent consideration and acquisition related incentive schemes	4.5	4.5	4.5
Strategic review costs	4.1	4.1	4.1
<b>Adjusted results</b>	<b>24.1</b>	<b>33.0</b>	<b>43.0</b>

<b>Six months ended 30 September 2022</b>	<b>Profit before</b>	<b>Operating</b>	<b>EBITDA</b>
<b>Continuing operations</b>	<b>tax £m</b>	<b>profit £m</b>	<b>£m</b>
<b>Statutory reported</b>	<b>1.7</b>	<b>5.7</b>	<b>26.3</b>
Acquisition costs	1.5	1.5	1.5
Restructuring costs	10.0	10.0	10.0
Amortisation of acquisition intangibles	11.8	11.8	-
Share based payments (excluding SAYE schemes)	0.9	0.9	0.9
Fair value losses in contingent consideration and acquisition related incentive schemes	0.5	0.5	0.5
<b>Adjusted results</b>	<b>26.4</b>	<b>30.4</b>	<b>39.2</b>

### Acquisition and other costs

Acquisition costs totalled £1.4 million in the half year (HY23: £1.5 million) and include legal fees, professional fees and staff costs incurred as part of the acquisitions.

Restructuring costs, being the costs associated with the integration of acquisitions, remain a key component of delivering shareholder value by increasing returns made on acquired businesses. Restructuring costs for the first half of the year were £9.4 million (HY22: £10.0 million) reflecting acquisitions made in year and the three key integration programmes within Occupational Health, Water and Compliance eLearning, which have now either completed or are being finalised. Restructuring costs primarily consist of:

- The cost of duplicated staff roles during the integration and restructuring period;
- The redundancy cost of implementing the post completion staff structures; and
- IT costs associated with the integration and transfer to Group IT systems, including costs of third party software used in the delivery of customer contracts where there is a programme to transition such software to one of the Group's existing platforms

Amortisation of intangible assets for the half year was £12.8 million (HY22: £11.8 million). This is attributable to the carrying value of intangible assets resulting from the execution of the Group's M&A strategy.

Non-cash share-based payment charges for the half year were £0.8 million (HY23: £0.9 million) and largely represent the charge for the Executive Incentive Plan.

Certain long term incentive schemes for platform businesses have been established to incentivise key members of our platform acquisition's senior management to create shareholder value through the successful acquisition, restructuring and integration of businesses in their chosen service sectors. These schemes have similar characteristics to earn out structures in place within the Group and have a similar purpose. As such, we consider the charge associated with these schemes to be similar in nature as "Acquisition and other costs" as we continue to execute our stated strategy. The total charge for these schemes and for movements in deferred consideration provisions during the half year totalled £4.5 million (HY23: £0.5 million).

As noted already the Group began a strategic review of Group structure in the half-year to assess the merits of a potential separation of certain businesses across its TIC and GRC Divisions. Strategic Review costs include professional fees, legal fees and staff costs. These costs are non-recurring and not considered to be reflective of the underlying trading performance. Further details behind our approach to the treatment of acquisition and other costs can be found in note 3.

### Earnings per share

Basic adjusted earnings per share are calculated as adjusted profit for the year less a standard tax charge divided by the weighted average number of shares in issue in the year.

Basic earnings per share reflect the actual tax charge.

<b>Earnings per share* (EPS)</b>	<b>HY24</b>	<b>HY23</b>
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Basic adjusted earnings per share	18.8p	22.3p
Basic (loss)/earnings per share	(9.6)p	1.1p

\*Refer to note 5

The primary driver in the reduction in adjusted earnings per share is the £4.9m increase in finance costs during the period. This have been further compounded by the increase in the rate of corporation tax to 25%.

### Interest

Finance costs amounted to £8.9 million in the first six months (HY23: £4.0 million). This movement reflects the increased costs of borrowing driven by increased base rates and higher levels of utilisation of the Group's debt facility.

### Taxation

UK Corporation Tax is calculated at 25% (HY23: 19%) of the estimated assessable profit for the year.

### Statement of financial position

The Group looks to maintain a strong balance sheet that is commensurate with the high levels of recurring revenues associated with the business model. Net assets at 30 September 2023 were £438.3 million (31 March 2023: £443.3 million). Property, plant and equipment totalled £13.1 million (31 March 2023: £11.7 million), comprising freehold and long leasehold property, leasehold improvements, operational equipment, vehicles and computer systems.

### Cash flow

The Group benefits from revenues which have beneficial underlying working capital characteristics. As a result, working capital as a % of revenue at the half year remained low. As expected, operating cash flow in the first half included a working capital outflow of £10.1 million (HY23: £16.6 million). This included the usual timing elements such as the settlement of business-as-usual accruals present at the year end, such as annual bonus payments and the increase in prepayments driven by factors such as annual insurance premiums. We also experienced adverse timing on a significant customer invoice of approximately £2 million which has now been resolved. As usual we expect an inflow in working capital in the second half relating to timing benefits in the second half of the year.

Capital expenditure totalled £7.3 million (HY23: £7.6 million) reflecting the continued investment in our software systems and ongoing investment in our businesses.

### Net debt and financing

Net debt at 30 September 2023, including inter alia £26.7 million of lease liabilities, was £219.4 million (FY23: £188.9 million). Net debt (excluding lease liabilities) at the half was £192.7 million (FY23: £160.8 million). The increase in net debt since the year end reflects the targeted execution of the M&A strategy with the completion of the IMSM acquisition a key strategic step taking the Group into the ISO accreditation market. The focus in the second half will primarily be on reducing leverage down to around 2x adjusted EBITDA (excluding leases) by the end of the financial year.

In July 2023 the Group completed a Capital Reduction and whilst the Board and management remain focussed on the continued execution of the Company's stated growth strategy, the Capital Reduction now removes a potential restriction on the Company's ability to either make dividend payments and other distributions or to purchase its own shares in the future. The Capital Reduction will not change the number of Ordinary Shares in issue or the paid-up share capital of the Company or change any rights attaching to the Ordinary Shares.

### Key Performance Indicators ('KPIs')

The Group uses many different KPI's at an operational level which are specific to the business and provide information to management. The Board uses KPIs that focus on the financial performance of the Group such as revenue, adjusted EBITDA, adjusted profit before tax, adjusted operating profit and cash-flow, including debtor analysis.

**Unaudited Consolidated Statement of Comprehensive Income**

For the six months ended 30 September 2023

	Notes	Unaudited six months ended 30 September 2023 £'m	Unaudited six months ended 30 September 2022 £'m	Audited year ended 31 March 2023 £'m
<b>Revenue</b>	<b>2</b>	<b>251.3</b>	<b>222.9</b>	<b>465.7</b>
Cost of sales		(143.6)	(131.0)	(276.7)
<b>Gross profit</b>		<b>107.7</b>	<b>91.9</b>	<b>189.0</b>
Administrative expenses excluding costs separately disclosed below		(74.7)	(61.5)	(124.7)
Acquisition costs	3	(1.4)	(1.5)	(2.7)
Restructuring costs	3	(9.4)	(10.0)	(21.1)
Amortisation of acquisition intangibles	3	(12.8)	(11.8)	(24.0)
Share based payments (excluding SAYE schemes) <sup>3</sup>	3	(0.8)	(0.9)	(1.7)
Fair value losses in contingent consideration and acquisition <sup>3</sup> related incentive schemes	3	(4.5)	(0.5)	(8.4)
Strategic review costs	3	(4.1)	-	-
<b>Total administrative expenses</b>		<b>(107.7)</b>	<b>(86.2)</b>	<b>(182.6)</b>
<b>Operating profit</b>		<b>0.0</b>	<b>5.7</b>	<b>6.4</b>
Exceptional finance costs		-	-	(2.6)
Finance costs		(8.9)	(4.0)	(10.7)
<b>Total finance costs</b>		<b>(8.9)</b>	<b>(4.0)</b>	<b>(13.3)</b>
<b>(Loss)/profit before tax</b>		<b>(8.9)</b>	<b>1.7</b>	<b>(6.9)</b>
Income tax (charge)/credit	4	(0.3)	(0.6)	3.1
<b>(Loss)/profit for the year and total comprehensive income for the year from continuing operations</b>		<b>(9.2)</b>	<b>1.1</b>	<b>(3.8)</b>
<b>Attributable to owners of the parent</b>		<b>(9.2)</b>	<b>1.1</b>	<b>(3.8)</b>
Earnings/(loss) per share attributable to owners of the parent (pence)				
<b>Total</b>				
Basic	5	(9.6)	1.1	(3.9)
Diluted	5	(9.6)	1.1	(3.9)

<sup>3</sup> Acquisition related incentive schemes have been reclassified in the prior year as documented in note 3

**Unaudited Consolidated Statement of Changes in Equity**

For the six months ended 30 September 2023

	Share capital £'m	Share premium £'m	Merger Reserve £'m	Other reserves £'m	Retained earnings £'m	<b>Total equity £'m</b>
Balance at 1 April 2022	47.9	384.8	9.9	3.5	(0.1)	446.0
Profit for the period	-	-	-	-	1.1	1.1
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>1.1</b>	<b>1.1</b>
<b>Transaction with owners</b>						
Share-based payments	-	-	-	1.0	-	1.0
	-	-	-	<b>1.0</b>	-	<b>1.0</b>
<b>Balance at 30 September 2022 (unaudited)</b>	<b>47.9</b>	<b>384.8</b>	<b>9.9</b>	<b>4.5</b>	<b>1.0</b>	<b>448.1</b>
Balance at 1 October 2022	47.9	384.8	9.9	4.5	1.0	448.1
Loss for the period	-	-	-	-	(4.9)	(4.9)
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>(4.9)</b>	<b>(4.9)</b>
<b>Transaction with owners</b>						
Share-based payments	-	-	-	1.3	-	1.3
Deferred tax on share-based payments	-	-	-	(1.2)	-	(1.2)
	-	-	-	<b>0.1</b>	-	<b>0.1</b>
<b>Balance at 31 March 2023</b>	<b>47.9</b>	<b>384.8</b>	<b>9.9</b>	<b>4.6</b>	<b>(3.9)</b>	<b>443.3</b>
Balance at 1 April 2023	47.9	384.8	9.9	4.6	(3.9)	443.3
Loss for the period	-	-	-	-	(9.2)	(9.2)
<b>Total comprehensive income for the period</b>	-	-	-	-	<b>(9.2)</b>	<b>(9.2)</b>
<b>Transaction with owners</b>						
Share-based payments	-	-	-	1.2	-	1.2
Issue of shares during the period	0.3	-	2.7	-	-	3.0
	<b>0.3</b>	-	<b>2.7</b>	<b>1.2</b>	-	<b>4.2</b>
Cancellation of share premium	-	(384.8)	-	-	384.8	-
<b>Balance at 30 September 2023 (unaudited)</b>	<b>48.2</b>	-	<b>12.6</b>	<b>5.8</b>	<b>371.7</b>	<b>438.3</b>

**Unaudited Consolidated Statement of Financial Position**

As at 30 September 2023

	Notes	Unaudited six months ended 30 September 2023 £'m	Unaudited six months ended 30 September 2022 £'m	Audited year ended 31 March 2023 £'m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	7	667.4	645.2	644.1
Property, plant and equipment		13.1	13.6	11.7
Right of use assets		25.7	26.4	27.4
Trade and other receivables	9	2.1	4.7	4.8
Deferred tax asset		4.4	3.9	4.4
		<b>712.7</b>	<b>693.8</b>	<b>692.4</b>
<b>Current assets</b>				
Inventories		9.9	9.0	9.3
Trade and other receivables	9	132.0	114.3	116.4
Held for sale property		-	-	1.3
Current tax asset		2.3	2.0	1.8
Cash and cash equivalents	10	36.3	19.8	30.2
		<b>180.5</b>	<b>145.1</b>	<b>159.0</b>
<b>Total assets</b>		<b>893.2</b>	<b>838.9</b>	<b>851.4</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables		(129.4)	(118.9)	(123.2)
Financial liabilities - lease liabilities	10	(9.4)	(9.5)	(9.7)
Provisions		(1.6)	(1.1)	(1.4)
		<b>(140.4)</b>	<b>(129.5)</b>	<b>(134.3)</b>
<b>Non-current liabilities</b>				
Trade and other payables		(12.2)	(13.8)	(12.0)
Financial liabilities - borrowings	11	(229.0)	(176.0)	(191.0)
Financial liabilities - lease liabilities	10	(17.3)	(18.5)	(18.4)
Deferred tax liabilities		(54.7)	(51.8)	(51.2)
Provisions		(1.3)	(1.2)	(1.2)
		<b>(314.5)</b>	<b>(261.3)</b>	<b>(273.8)</b>
<b>Total liabilities</b>		<b>(454.9)</b>	<b>(390.8)</b>	<b>(408.1)</b>
<b>Net assets</b>		<b>438.3</b>	<b>448.1</b>	<b>443.3</b>
<b>EQUITY</b>				
Share capital	12	48.2	47.9	47.9
Share premium account		-	384.8	384.8
Merger relief reserve		12.6	9.9	9.9
Other reserves		5.8	4.5	4.6
Retained earnings		371.7	1.0	(3.9)
Equity attributable to owners of parent		<b>438.3</b>	<b>448.1</b>	<b>443.3</b>



**Unaudited Consolidated Statement of Cash Flows**

For the six months ended 30 September 2023

	Notes	Unaudited six months ended 30 September 2023 £'m	Unaudited six months ended 30 September 2022 £'m	Audited year ended 31 March 2023 £'m
<b>Net cash generated from operations</b>	<b>13</b>	<b>27.5</b>	<b>22.6</b>	<b>74.3</b>
Net finance costs		(8.3)	(2.5)	(8.6)
Income taxes paid		(1.0)	(5.9)	(8.3)
<b>Net cash generated from operating activities before acquisition and restructuring costs</b>		<b>18.2</b>	<b>14.2</b>	<b>57.4</b>
Acquisition and restructuring costs		(10.8)	(11.5)	(23.8)
<b>Net cash generated from operating activities</b>		<b>7.4</b>	<b>2.7</b>	<b>33.6</b>
<b>Cash flows used in investing activities</b>				
Purchases of property, plant and equipment and non-acquisition intangibles		(7.3)	(7.6)	(16.4)
Disposal of property, plant and equipment		0.4	0.3	1.4
Purchase of subsidiary undertakings net of cash acquired		(26.3)	(37.1)	(59.0)
<b>Cash flows used in investing activities</b>		<b>(33.2)</b>	<b>(44.4)</b>	<b>(74.0)</b>
<b>Cash flows from financing activities</b>				
Utilisation of debt facility		42.0	36.0	65.0
Repayment of debt facility		(4.0)	-	(14.0)
Repayment of debt upon purchase of subsidiary undertaking		(0.4)	(0.4)	(0.5)
Lease repayments		(5.7)	(5.3)	(11.1)
<b>Net cash generated from financing activities</b>		<b>31.9</b>	<b>30.3</b>	<b>39.4</b>
Net increase/(decrease) in cash and cash equivalents		6.1	(11.4)	(1.0)
Cash and cash equivalents at start of period		30.2	31.2	31.2
<b>Cash and cash equivalents at the end of period</b>		<b>36.3</b>	<b>19.8</b>	<b>30.2</b>
<b>Cash and cash equivalents shown above comprise:</b>				
Cash at bank	<b>10</b>	36.3	19.8	30.2

## Notes to the consolidated Interim Report

For the six months ended 30 September 2023

### 1. Basis of Preparation

#### *Basis of preparation*

The consolidated interim financial information of the Group for the six months ended 30 September 2023 was approved by the Board of Directors and authorised for issue on 28 November 2023. The disclosed figures are not statutory accounts in terms of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2023, on which the auditors gave an audit report which was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006, have been filed with the Registrar of Companies. The annual financial statements of the Group are prepared in accordance with applicable law and UK-adopted International Accounting Standards (UK-IAS).

The comparative figures for the financial year ended 31 March 2023 and the six months ended 30 September 2022 are consistent with the Group's annual financial statements and interim financial statements respectively.

#### *Going concern*

Based on the Group's cash flow forecasts and projections, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. In the event of further disruption to the business in the future as a result of the crises in Ukraine and Gaza, the Directors are confident that additional cost reduction and cash preservation measures could be utilised in conjunction with the Group's existing debt facility to reduce costs and preserve cash. They continue to adopt the going concern basis of accounting in preparing these interim financial statements.

#### *Accounting policies*

This interim report has been prepared in accordance with the recognition and measurement requirements of UK adopted International Accounting Standards (IAS) but does not include all the disclosures that would be required under IAS. The accounting policies adopted in the interim financial statements are consistent with those adopted in the last annual report for financial year ended 31 March 2023 and those applicable for the year ending 31 March 2024.

There were no new relevant Standards or Interpretations to be adopted for the six months ended 30 September 2023.

Critical accounting estimates and judgements continue to be applied to the identification of separable intangibles on acquisition and rate of customer attrition, acquisition and other costs, valuation of separable intangibles on acquisition, impairment of non-financial assets, impairment of trade receivables and recoverability of amounts due from contract assets.

## 2. Segmental analysis

The Group is organised into two main reporting segments, Governance, Risk & Compliance (“GRC”) and Testing, Inspection & Certification (“TIC”). The key profit measures are adjusted operating profit, adjusted EBITDA and adjusted profit before tax and are shown before acquisition and restructuring costs, amortisation of acquisition intangibles, fair value losses in contingent consideration and acquisition related incentive schemes, share based payments and strategic review costs. The vast majority of trading of the Group is undertaken within the United Kingdom. Segment assets include intangibles, property, plant and equipment, inventories, receivables and cash. Central assets include acquisition intangibles, deferred tax and head office assets. Segment liabilities comprise operating liabilities. Central liabilities include deferred tax, corporate borrowings and head office liabilities. Capital expenditure comprises additions to application software and property, plant and equipment. Segment assets and liabilities are allocated between segments on an actual basis.

Six months ended 30 September 2023 - Unaudited

	<b>GRC</b>	<b>TIC</b>	<b>Head Office</b>	<b>Total</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>Continuing operations</b>				
Revenue	103.2	153.8	0.1	257.1
Inter-segment elimination	(1.2)	(4.6)	-	(5.8)
Revenue from external customers	102.0	149.2	0.1	251.3
Segment adjusted operating profit/(loss)	22.9	13.5	(3.4)	33.0
Acquisition costs				(1.4)
Restructuring costs				(9.4)
Amortisation of acquisition intangibles				(12.8)
Share based payments (excluding SAYE schemes)				(0.8)
Fair value losses in contingent consideration and acquisition related incentive schemes				(4.5)
Strategic review costs				(4.1)
Operating profit				-
Finance costs				(8.9)
Loss before tax				(8.9)
Tax charge				(0.3)
Loss after tax				(9.2)
Segment assets	132.6	280.6	480.0	893.2
Segment liabilities	(64.4)	(79.8)	(310.7)	(454.9)
Capital expenditure	(4.9)	(2.4)	-	(7.3)
Depreciation and amortisation	(3.9)	(5.8)	(13.1)	(22.8)

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Six months ended 30 September 2022 - Unaudited

	<b>GRC</b>	<b>TIC</b>	<b>Head Office</b>	<b>Total</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>Continuing operations</b>				
Revenue	92.8	135.1	-	227.9
Inter-segment elimination	(0.5)	(4.5)	-	(5.0)
Revenue from external customers	92.3	130.6	-	222.9
Segment adjusted operating profit/(loss)	20.6	12.8	(3.0)	30.4
Acquisition costs				(1.5)
Restructuring costs				(10.0)
Amortisation of acquisition intangibles				(11.8)
Share based payments (excluding SAYE schemes)				(0.9)
Fair value losses in contingent consideration and acquisition related incentive schemes				(0.5)
Operating profit				5.7
Finance costs				(4.0)
Profit before tax				1.7
Tax charge				(0.6)
Profit after tax				1.1
Segment assets	128.0	168.6	542.3	838.9
Segment liabilities	(58.2)	(71.1)	(261.5)	(390.8)
Capital expenditure	(5.0)	(2.4)	(0.2)	(7.6)
Depreciation and amortisation	(3.3)	(5.3)	(12.0)	(20.6)

Audited year ended 31 March 2023

	<b>GRC</b>	<b>TIC</b>	<b>Head Office</b>	<b>Total</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>Continuing operations</b>				
Revenue	195.9	283.5	-	479.4
Inter-segment elimination	(2.8)	(10.9)	-	(13.7)
Revenue from external customers	193.1	272.6	-	465.7
Segment adjusted operating profit/(loss)	44.7	25.6	(6.0)	64.3
Acquisition costs				(2.7)
Restructuring costs				(21.1)
Amortisation of acquisition intangibles				(24.0)
Share based payments (excluding SAYE schemes)				(1.7)
Fair value losses in contingent consideration and acquisition related incentive schemes				(8.4)
Operating profit				6.4
Exceptional finance costs				(2.6)
Finance costs				(10.7)
Loss before tax				(6.9)
Tax credit				3.1
Loss after tax				(3.8)
Segment assets	119.1	157.2	575.1	851.4
Segment liabilities	(60.6)	(63.3)	(284.2)	(408.1)
Capital expenditure	(9.7)	(6.5)	(0.2)	(16.4)
Depreciation and amortisation	(6.8)	(11.2)	(24.4)	(42.4)

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Six months ended 30 September 2023 - Unaudited

	<b>GRC</b>	<b>TIC</b>	<b>Head Office</b>	<b>Total</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Segment adjusted operating profit/(loss)	22.9	13.5	(3.4)	33.0
Depreciation and amortisation of non-acquisition intangibles	3.9	5.8	0.3	10.0
<b>Adjusted EBITDA</b>	<b>26.8</b>	<b>19.3</b>	<b>(3.1)</b>	<b>43.0</b>

Six months ended 30 September 2022 - Unaudited

	<b>GRC</b>	<b>TIC</b>	<b>Head Office</b>	<b>Total</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Segment adjusted operating profit/(loss)	20.6	12.8	(3.0)	30.4
Depreciation and amortisation of non-acquisition intangibles	3.3	5.3	0.2	8.8
<b>Adjusted EBITDA</b>	<b>23.9</b>	<b>18.1</b>	<b>(2.8)</b>	<b>39.2</b>

Audited year ended 31 March 2023

	<b>GRC</b>	<b>TIC</b>	<b>Head Office</b>	<b>Total</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
Segment adjusted operating profit/(loss)	44.7	25.6	(6.0)	64.3
Depreciation and amortisation of non-acquisition intangibles	6.8	11.2	0.4	18.4
<b>Adjusted EBITDA</b>	<b>51.5</b>	<b>36.8</b>	<b>(5.6)</b>	<b>82.7</b>

The above tables reconcile segment adjusted operating profit/(loss) to adjusted EBITDA, which excludes separately disclosed acquisition and other costs, to the standard profit measure under IFRS (Operating profit). This is the Group's Alternative Profit Measure used when discussing the performance of the Group. The Directors believe that adjusted EBITDA and operating profit is the most appropriate approach for ascertaining the underlying trading performance and trends as it reflects the measures used internally by senior management for all discussions of performance and also reflects the starting profit measure when calculating the Group's banking covenants.

Adjusted EBITDA is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute, or superior to, IFRS measurements of profit.

#### Major customers

For the six-month period ended 30 September 2023, no customers (30 September 2022: nil) individually accounted for more than 10% of the Group's total revenue.

### 3. Adjusting items

Due to the nature of acquisitions and other costs in relation to each acquisition and the non-cash element of certain charges, the Directors believe that adjusted operating profit, adjusted EBITDA and adjusted measures of profit before tax and earnings per share provide shareholders with a more appropriate representation of the underlying earnings derived from the Group's business and a more comparable view of the year-on-year underlying financial performance of the Group. The adjusting items shown on the Consolidated Statement of Comprehensive Income and the rationale behind the Directors' view that these should be included as adjusting items are detailed below:

Adjusting item	Rationale
Acquisition costs	Acquisition costs include professional fees, transaction costs and staff costs associated with completing acquisitions. These costs are non-recurring to the extent that if the Group were to cease further M&A activity these costs would not continue.
Restructuring costs	Restructuring costs include the costs associated with the integration of acquisitions, include: <ul style="list-style-type: none"> <li>• The cost of duplicated staff roles and other duplicated operational costs during the integration and restructuring period;</li> <li>• The redundancy cost of implementing the post completion staff structures; and</li> <li>• IT costs associated with the integration and transfer to Group IT systems, including costs of third-party software used in the delivery of customer contracts where there is a programme to transition such software to one of the Group's existing platforms.</li> </ul> Each integration programme is distinct and one-off in nature such that when complete the costs associated with that programme would cease.
Amortisation of acquired intangibles	The amortisation charge for those intangible assets recognised on business combinations is excluded from the adjusted results of the Group since they are non-cash charges arising from investment activities. As such, they are not considered to be reflective of the underlying trading performance of the Group.
Share-based payments (excluding SAYE schemes)	Charges associated with share-based payment schemes (excluding SAYE schemes which remain are classed as administrative expenses) have been included as adjusting items. Although share-based compensation is an important aspect of the compensation of our employees and executives, management believes it is useful to exclude share-based compensation expenses from adjusted profit measures to better understand the long-term performance of our underlying business. Share-based compensation expenses are non-cash charges and are determined using several factors, including expectations surrounding future performance, employee forfeiture rates and, for employee payroll-related tax items, the share price. As a result, these charges are not reflective of the value ultimately received from the awards.
Fair value gains/ (losses) in contingent consideration and acquisition related incentive schemes	Movements in contingent consideration are considered to be part of the investing activities of the Group and are therefore not considered to be reflective of the underlying trading performance. Further, share based compensation expenses are not reflective of the value ultimately received by the recipients of the awards. In addition, certain legacy long terms incentives are considered to be part of the investing activities of the Group and non-recurring in nature.
Exceptional finance costs	Exceptional finance costs in FY23 relate to the write down of deferred finance costs associated with the debt facilities which were replaced in FY23. The requirement to restructure and replace the debt facilities was a direct result of the acquisitions completed during the year and is therefore not considered part of the underlying trading of the Group.
Strategic review costs	Strategic Review costs include professional fees, legal fees and staff costs associated with performing a strategic review of the merits of a potential separation of the TIC and GRC divisions. These costs are non-recurring and not considered to be reflective of the underlying trading performance.

In the September 2022 comparative figures, the charges arising on certain long-term incentive schemes related to prior acquisitions were included within 'Share-based payments and legacy long-term incentives'. These have been reclassified and are now included within 'Fair value losses in contingent consideration and acquisition

related incentive schemes' to better reflect the nature of these schemes. As a result, the September 2022 charge for 'Share-based payments and legacy long-term incentives' has reduced from £1.4m to £0.9m and the September 2022 charge for 'Fair value gains/(losses) in contingent consideration and acquisitions related incentive schemes' has increased from £0.0m to £0.5m. The March 2023 comparative figures already include this reclassification.

#### 4. Taxation

The underlying tax charge is based on the expected tax rate (25%) for the year ending 31 March 2024 applied to taxable trading profits for the period. The tax rate applied to the comparative periods ending 30 September 2022 and 31 March 2023 was 19%.

#### 5. Earnings per ordinary share

Basic earnings per share have been calculated on the (loss)/profit after tax for the period and the weighted average number of ordinary shares in issue during the period.

	Unaudited six months ended 30 September 2023	Unaudited six months ended 30 September 2022	Audited year ended 31 March 2023
Weighted average number of shares in issue	96,072,077	95,856,682	95,868,871
Total (loss)/profit after tax for the period	£(9.2)m	£1.1m	£(3.8)m
Total basic (loss)/earnings per ordinary share (pence)	(9.6)p	1.1p	(3.9)p
Weighted average number of shares in issue	96,072,077	95,856,682	95,868,871
Potential dilution of share options	1,111,486	1,531,699	1,291,637
Weighted average fully diluted number of shares in issue	96,072,077	97,388,381	95,868,871
Total fully diluted (loss)/earnings per share (pence)	(9.6)p	1.1p	(3.9)p

Potentially dilutive shares have not been included in the diluted EPS for the period ending 30 September 2023 on the basis that they are anti-dilutive, however they may become dilutive in future periods.

#### Adjusted earnings per share

The Directors believe that the adjusted earnings per share provide a more appropriate representation of the underlying earnings derived from the Group's business. The adjusting items are shown in the table below:

	Unaudited six months ended 30 September 2023 £'m	Unaudited six months ended 30 September 2022 £'m	Audited year ended 31 March 2023 £'m
(Loss)/profit before tax for the period	<b>(8.9)</b>	<b>1.7</b>	<b>(6.9)</b>
Adjustments:			
Acquisition costs	1.4	1.5	2.7
Restructuring costs	9.4	10.0	21.1
Amortisation of acquisition intangibles	12.8	11.8	24.0
Share based payments (excluding SAYE schemes)	0.8	0.9	1.7
Fair value losses in contingent consideration and acquisition related incentive schemes	4.5	0.5	8.4
Exceptional finance costs	-	-	2.6
Strategic review costs	4.1	-	-
<b>Adjusted profit before tax for the period</b>	<b>24.1</b>	<b>26.4</b>	<b>53.6</b>

The adjusted earnings per share, based on weighted average number of shares in issue during the period, is calculated below:

	Unaudited six months ended 30 September 2023	Unaudited six months ended 30 September 2022	Audited year ended 31 March 2023
Adjusted profit before tax (£'m)	24.1	26.4	53.6
Tax at 25%,19%,19%	(6.0)	(5.0)	(10.2)
Adjusted profit after taxation (£'m)	18.1	21.4	43.4
Adjusted basic earnings per share (pence)	18.8	22.3	45.3
Adjusted fully diluted earnings per share (pence)	18.8	22.0	45.3

## 6. Dividends

The Company has not declared any dividends in respect of the current year or prior year.

## 7. Intangible assets

	Goodwill £'m	Customer relationships £'m	Applications software £'m	Content database £'m	Trade name £'m	Total £'m
<b>Cost</b>						
1 April 2022	395.5	185.0	45.4	7.5	6.1	639.5
Acquired with subsidiary	24.8	17.7	1.7	0.5	-	44.7
Additions	-	-	4.7	-	-	4.7
30 September 2022	420.3	202.7	51.8	8.0	6.1	688.9
1 October 2022	420.3	202.7	51.8	8.0	6.1	688.9
Acquired with subsidiary	4.7	2.0	1.3	-	-	8.0
Additions	-	-	4.8	-	-	4.8
Disposals	(0.3)	-	-	-	-	(0.3)
31 March 2023	424.7	204.7	57.9	8.0	6.1	701.4
1 April 2023	424.7	204.7	57.9	8.0	6.1	701.4
Acquired with subsidiary	18.5	14.5	-	0.3	-	33.3
Additions	-	-	5.0	-	-	5.0
Disposals	-	-	(0.3)	-	-	(0.3)
30 September 2023	443.2	219.2	62.6	8.3	6.1	739.4
<b>Accumulated amortisation and impairment</b>						
1 April 2022	-	24.3	4.9	0.6	0.2	30.0
Charge for the period	-	9.0	3.7	0.6	0.3	13.6
30 September 2022	-	33.3	8.6	1.2	0.5	43.6
1 October 2022	-	33.3	8.6	1.2	0.5	43.6
Charge for the period	-	9.1	3.6	0.7	0.3	13.7
31 March 2023	-	42.4	12.2	1.9	0.8	57.3
1 April 2023	-	42.4	12.2	1.9	0.8	57.3
Charge for the period	-	9.7	4.2	0.7	0.3	14.9
Disposals	-	-	(0.2)	-	-	(0.2)
30 September 2023	-	52.1	16.2	2.6	1.1	72.0
<b>Carrying amount</b>						
30 September 2022	420.3	169.4	43.2	6.8	5.6	645.2
31 March 2023	424.7	162.3	45.7	6.1	5.3	644.1
30 September 2023	443.2	167.1	46.4	5.7	5.0	667.4



## 8. Business Combinations

During the period ending 30 September 2023 the Group made 5 acquisitions. The provisional fair values are as follows:

Acquisition	Division	Cash consideration £'m	Share based consideration £'m	Contingent consideration £'m	Total £'m	Net assets acquired £'m	Intangible assets- customer relationships £'m	Intangible assets- content database £'m	Intangible assets- deferred tax £'m	Goodwill £'m
Victory Fire	TIC	5.5	-	1.0	6.5	2.4	1.2	-	(0.3)	3.2
Clymac	TIC	8.2	-	0.3	8.5	0.4	4.5	-	(1.1)	4.7
JCR Security	TIC	0.4	-	0.3	0.7	0.1	0.2	-	-	0.4
Trans-Fire Holdings	TIC	0.7	-	0.2	0.9	0.2	0.4	-	(0.1)	0.4
IMSM	GRC	15.6	3.0	2.0	20.6	4.5	8.2	0.3	(2.2)	9.8
<b>Total</b>		<b>30.4</b>	<b>3.0</b>	<b>3.8</b>	<b>37.2</b>	<b>7.6</b>	<b>14.5</b>	<b>0.3</b>	<b>(3.7)</b>	<b>18.5</b>



## 9. Trade and other receivables

	Unaudited six months ended 30 September 2023 £'m	Unaudited six months ended 30 September 2022 £'m	Audited year ended 31 March 2023 £'m
<b>Current</b>			
Trade receivables	81.4	78.6	81.9
Less: provision for impairment of trade receivables	(1.8)	(2.6)	(1.9)
Trade receivables – net	79.6	76.0	80.0
Other receivables	4.6	2.4	2.8
Contract assets	5.3	2.6	2.1
Accrued income	29.5	21.9	22.8
Prepayments	12.3	10.7	8.1
Deferred consideration receivable in less than one year	0.7	0.7	0.6
	132.0	114.3	116.4
<b>Non-current</b>			
Deferred consideration receivable in more than one year	2.1	4.7	4.8
	2.1	4.7	4.8

Deferred consideration receivable represents the divestment of non-core activities within the Group's Air Quality business following the sale of Ductclean (UK) Limited in March 2020 for a consideration of up to £7.0m and additional amounts receivable on projects concluded before the transaction. The fair value of this consideration is determined using an estimate of discounted cash flows that are expected to be received within the next five years. The consideration is subject to a number of variables which may result in the amount received being materially greater or lower than currently recognised.

## 10. Net debt

	Unaudited six months ended 30 September 2023 £'m	Unaudited six months ended 30 September 2022 £'m	Audited year ended 31 March 2023 £'m
Cash at bank and in hand	36.3	19.8	30.2
Bank loans due after one year	(229.0)	(176.0)	(191.0)
Leases due within one year	(9.4)	(9.5)	(9.7)
Leases due after one year	(17.3)	(18.5)	(18.4)
<b>Net (debt)</b>	<b>(219.4)</b>	<b>(184.2)</b>	<b>(188.9)</b>

**11. Financial liabilities – Borrowings**

	Unaudited six months ended 30 September 2023 £'m	Unaudited six months ended 30 September 2022 £'m	Audited year ended 31 March 2023 £'m
Current			
Bank loans	-	-	-
Non - current			
Bank loans	229.0	176.0	191.0
	229.0	176.0	191.0

**12. Called up share capital**

	Allotted, issued and fully paid £'m	No. of ordinary shares	Issue price (p)
Balance at 1 April 2022	47.9	95,833,853	
Share Options ("SAYE 2020")		6,204	460p
Marlowe plc Long Term Incentive Plan 2019		37,879	50p
Balance at 30 September 2022 (unaudited)	47.9	95,877,936	
Share Options ("SAYE 2020")		4,129	460p
Balance at 31 March 2023 (audited)	47.9	95,882,065	
Share-based consideration for IMSM Acquisition		597,609	502p
Share Options ("SAYE 2020")		2,217	460p
Balance at 30 September 2023 (unaudited)	48.2	96,481,891	

**13. Net cash generated from operations**

	Unaudited six months ended 30 September 2023 £'m	Unaudited six months ended 30 September 2022 £'m	Audited year ended 31 March 2023 £'m
<i>Continuing operations</i>			
(Loss)/profit before tax	(8.9)	1.7	(6.9)
Depreciation of property, plant and equipment and amortisation of non-acquisition intangibles	10.0	8.8	18.4
Acquisition costs	1.4	1.5	2.7
Restructuring costs	9.4	10.0	21.1
Amortisation of acquisition related intangible assets	12.8	11.8	24.0
Share based payments (excluding SAYE schemes)	0.8	0.9	1.7
Fair value losses in contingent consideration and acquisition related incentive schemes	3.2	0.5	8.4
Net finance costs	8.9	4.0	13.3
Increase in inventories	(0.2)	(1.3)	(1.7)
Increase in trade and other receivables	(10.2)	(11.2)	(12.0)
Increase/(decrease) in trade and other payables	0.3	(4.1)	5.3
<b>Net cash generated from operations</b>	<b>27.5</b>	<b>22.6</b>	<b>74.3</b>

**14. Related party transactions and key management compensation***Related party transactions*

There were no related party transactions during the period.

*Key management compensation*

Transactions between the Group and key management personnel in the period relate to remuneration consistent with the policy set out in the Directors' Remuneration Report within the Group's 2023 Annual Report.