

AUCTION TECHNOLOGY GROUP PLC

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2023

Strong momentum over the half year and good progress against strategic growth drivers

London, United Kingdom, 17 May 2023 – Auction Technology Group plc (“ATG”, “the Company”, “the Group”) (LON: ATG), operator of world-leading marketplaces for curated online auctions, today announces its unaudited financial results for the six months ended 31 March 2023.

Financial results

	HY 23	Restated ¹ HY 22	Movement	Organic ³
Revenue ^{2&3}	£67.3m	£57.7m	+17%	5%
Adjusted EBITDA ²	£31.5m	£26.8m	+ 18%	
Adjusted EBITDA margin % ²	47%	46%	+1ppt	
Operating profit	£9.8m	£9.2m	+7%	
Operating margin %	15%	16%	-1ppt	
Adjusted diluted earnings per share ²	16.0p	13.4p	+19%	
Basic earnings per share	9.9p	1.8p	+450%	
Adjusted net debt ²	£132.4m	£122.1m	+£10.3m	
Cash generated by operations	£24.6m	£22.1m	+11%	

Financial highlights

- Revenue of £67.3m, up 17% year-on-year and up 5% on an organic basis, driven by robust Gross Merchandise Value⁴ (“GMV”) growth. In line with our expectations, organic revenue growth accelerated across the period as we finished annualising strong prior year performance that had benefited from Covid-19. Reported revenue growth also driven by a contribution from the acquisition of EstateSales.Net (“ESN”) and a favourable movement in the foreign exchange rate.
- Adjusted EBITDA of £31.5m, up 18% year-on-year; adjusted EBITDA margin of 47%, up from 46% in HY 22, driven by growth in high-margin commission and fixed fee revenue.
- Operating profit of £9.8m, compared to £9.2m in the same period last year after the impact of exceptional items related to the ESN acquisition, share-based payments, and intangible asset amortisation.
- Adjusted diluted earnings per share of 16.0p compared to 13.4p in the same period last year as the benefits of higher adjusted EBITDA were partially offset by higher net finance costs; basic earnings per share of 9.9p compared to 1.8p largely driven by a deferred tax credit.
- Closing adjusted net debt of £132.4m, in line with the end of FY 22 as strong cash generation was offset by financing for the acquisition of ESN. Adjusted net debt/adjusted last twelve months EBITDA ratio of 2.3x.

Operational highlights

- GMV of £1.9bn, up 5% year-on-year on a constant currency basis, driven by resilience in the auction market and continued structural shift online.
- Take rate⁴ flat at 3.2% as the growth in value-added services as well as higher listing fees across several platforms, offset the mix impact of a higher growth rate in the Industrial & Commercial (“I&C”) sector, which has a lower commission rate than Art & Antiques (“A&A”).
- Strong growth in value-added services revenue, up 17% on a constant currency basis benefiting from strong uptake of paid-for marketing solutions. 83% of LiveAuctioneers’ US based auctioneers now onboarded on payments. Strong response on Proxibid to atgPay with 21% of auctioneers onboarded. Activation of auctions with atgPay on Proxibid proceeding in Q3 23, three months later than initially planned in order to benefit from latest product enhancements.
- On track with transition to a single technology platform, including launch of phase one of integrated bidding that now enables auctioneers to seamlessly cross-list and run timed auctions across our LiveAuctioneers marketplace and on our Auction Mobility white label.
- Successful acquisition of ESN, a leading US estate sales platform; integration on track and business performing ahead of initial expectations.

John-Paul Savant, Chief Executive Officer of Auction Technology Group plc, said:

“ATG has delivered another robust set of results with solid revenue growth, margin expansion and strong cash generation, against an uncertain macroeconomic environment and exceptional growth in the prior year. We have made great progress against each of our six strategic growth drivers including the strong adoption of value-added services, expansion of our addressable market, bidder base and potential network effects with the acquisition of ESN, and the creation of unique timed auction format opportunities for auctioneers with the launch of our integrated bidding service.

“As expected, organic revenue growth accelerated across the half and this rate of growth has continued into the start of the second half. This momentum, combined with strong traction against our key strategic initiatives, leaves us confident that we will deliver a higher rate of organic revenue growth in the second half of the year and into FY 24. ATG has an exciting future ahead, with unparalleled scale in the curated auction space, plus the reach, product offering, and impact to truly make a difference for our customers, whether they be auctioneers ensuring they achieve the highest asset sale price for their consignors, or bidders seeking unique or specialised secondary goods. Many growth opportunities exist as we lead the transformation of the auction industry and follow the well-trodden path of online marketplace development.”

1. The HY 22 profit attributable to equity holders has been restated by £1.7m. Full details are provided in note 1 of the Condensed Consolidated Interim Financial Statements.
2. The Group provides alternative performance measures (“APMs”) which are not defined or specified under the requirements of UK-adopted International Accounting Standards. We believe these APMs provide readers with important additional information on our business and aid comparability. We have included a comprehensive list of the APMs in note 3 to the Condensed Consolidated Interim Financial Statements, with definitions, an explanation of how they are calculated, why we use them and how they can be reconciled to a statutory measure where relevant.
3. The Group has made certain acquisitions that have affected the comparability of the Group’s results. To aid comparisons between HY 23 and HY 22, organic revenue has been presented to exclude the acquisition of EstateSales.Net on 6 February 2023. Organic revenue is shown on a constant currency basis using average exchange rates for the current financial period applied to the comparative period and is used to eliminate the effects of fluctuations in assessing performance.
4. Refer to glossary for full definition of the terms. GMV and Take Rate exclude the impact of the acquisition of ESN.

Current trading and outlook

As expected, we have seen an improving rate of growth across the first half as well as at the start of the second half. Auction markets have remained robust despite an uncertain macroeconomic backdrop. In particular, our A&A marketplaces have seen positive GMV growth for the three months to end of April. The momentum in commission and fixed fee revenue in both the A&A and I&C sectors also gives us confidence in sustained growth for the balance of the year.

Based on the strength of core marketplace revenue, we reaffirm our guidance for organic revenue growth, although at the lower to mid end of the range reflecting the timing of atgPay activation for Proxibid auctions. We remain confident in delivering full year adjusted EBITDA and adjusted EPS in line with current market expectations. Given the strong demand from Proxibid auctioneers already seen for atgPay, we do not expect activation timing to negatively impact revenue in FY 24 and we remain confident in achieving our medium-term targets of mid-teens plus organic revenue growth and mid-high 40's adjusted EBITDA margin.

Webcast presentation

There will be a webcast presentation for analysts this morning at 9.30am. Please contact ATG@teneo.com if you would like to attend.

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About Auction Technology Group plc

Auction Technology Group plc ("ATG") is the operator of the world's leading marketplaces and auction services for curated online auctions, seamlessly connecting bidders from around the world to over 3,800 trusted auction houses across two major sectors: Industrial & Commercial ("I&C") and Art & Antiques ("A&A").

The Group powers eight online marketplaces and listing sites using its proprietary auction platform technology, hosting in excess of 70,000 live and timed auctions each year. ATG has been supporting the auction industry since 1971 and the Group has offices in the UK, US and Germany.

CAUTIONARY STATEMENT The announcement may contain forward-looking statements. These statements may relate to (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses or future prospects, and (ii) developments, expansion or business and management strategies of the Company. Forward-looking statements are identified by the use of such terms as "believe", "could", "should", "envisage", "anticipate", "aim", "estimate", "potential", "intend", "may", "plan", "will" or variations or similar expressions, or the negative thereof. Any forward-looking statements contained in this announcement are based on current expectations and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. If one or more of these risks or uncertainties materialise, or if underlying assumptions prove incorrect, the Company's actual results may vary materially from those expected, estimated or projected. No representation or warranty is made that any forward-looking statement will come to pass. Any forward-looking statements speak only as at the date of this announcement. The Company and its directors expressly disclaim any obligation or undertaking to publicly release any update or revisions to any forward-looking statements contained in this announcement to reflect any change in events, conditions or circumstances on which any such statements are based after the time they are made, other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority). Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

LEI Number: 213800U8Q9K2XI3WRE39

CEO REVIEW

ATG's purpose is to unlock the value of the curated secondary goods market and, in doing so, to facilitate the growth of the circular economy. For auctioneers and sellers of secondary items, we massively extend their reach by giving access to our diverse and highly fragmented global bidder base, specialised technology, and operational efficiencies that arise from working with us. Critically, we help ensure they achieve the highest asset sale price possible for their consignors. For bidders, we provide access to millions of unique, specialised, and curated second-hand items through our eight online marketplaces and listing sites. The combination of the widest array of inventory and the largest bidder base has enabled us to create a virtuous circle that benefits both buyers and sellers, with more buyers participating in online auctions and estate sales resulting in higher realised prices for second-hand items, which in turn attracts more secondary assets to be listed and sold online, and thus more bidders.

In the first half of FY 23, we built on our strong track record and delivered another period of robust operational and financial performance. Growth was underpinned by the strength of our core business, against both an uncertain macroeconomic backdrop and the annualising of strong revenue comparatives from the prior period. Our adjusted EBITDA margin improved to 47%, driven by high operating leverage of our business. Our cash-generative financial model enabled us to complete the accretive bolt-on acquisition of ESN whilst also reducing our gross debt balance. We made great progress against each of our strategic drivers, which, combined with the improving rate of revenue growth we saw over the first half, gives us confidence in our outlook for the remainder of the year and into FY 24.

Progressing against our six strategic drivers

ATG is uniquely positioned to lead the transformation of the auction industry and in FY 23 we are focused on executing against our second phase of development: End-to-End Experience. This involves enhancing our core ecommerce capabilities such as upgrading the user experience, rolling out integrated payments, providing even-better marketing solutions for sellers, and providing multiple tiers of service so auctioneers can access the online market seamlessly through different channels with different rate cards based on their online activity and sophistication. Six growth drivers underpin our success and we have made strong progress against each of these in the first half of FY 23.

1. Expand the Total Addressable Market

The auction market accounts for approximately 42%¹ of all secondary goods traded in the A&A market and 32%¹ of goods in the core I&C market. As we grow, we expect our addressable market to grow even faster than the secondary goods market as more secondary assets from other channels are attracted to online auctions, driven by higher realised prices generated by more eyes on every asset, greater transparency for consignors and faster time to sell, thus enabling quicker payment to consignors and higher velocity of deal flow for auctioneers.

Over the last six months, auction market activity has proved to be resilient with over £6bn Total Hammer Value ("THV") on our marketplaces in the first half, up 11% on a constant currency basis. This in turn has been driven by growth in the number of auctions hosted on our marketplaces, up 8% year-on-year, and growth in the number of lots listed on our marketplaces, up 14%. This volume growth has offset the softening of used asset prices in the I&C equipment market, which is driven by an easing of supply chain constraints in the primary equipment market. Against an uncertain consumer backdrop, demand for A&A auctions has also remained robust. Our auctioneer retention rate has remained in line with previous years, and we have acquired new auctioneers including Merritt Auctions, a large US based I&C auctioneer. The acquisition of ESN has also opened up a new adjacent channel for secondary goods sales for ATG in the estimated \$5bn US estate sales market.

2. Grow the conversion rate

Whilst our conversion rate of 32% was slightly down year-on-year due to the impact of physical auctions reopening as well continued growth in newer auctioneers on our marketplaces who initially have a lower conversion rate, our conversion rate remains over 10 percentage points higher than pre-pandemic rates. Furthermore, our marketplaces (which currently exclude ESN) continue to attract significant pools of bidders for auctioneers, with over 808,000 new bidding accounts created in the last six months contributing to over 6.4m auction registrations and over 53m online bids placed.

We have made good progress on strategies to drive bidder acquisition, engagement, and conversion. Key activities include an upgrade to our recommendation engine to include new product categories, increased number of email alerts we send, including a new email reminder for bidders who have browsed but not yet bid on a lot, and SMS alerts across several of our marketplaces. We have further improved our Search Engine Optimisation to help our bidders find the most relevant search results, including optimised sitemaps, enhancements to expired lot pages as well as updates to category, item, and brand pages.

For auctioneers, we have worked to facilitate the shift from live to timed auctions through the introduction of a new tiered pricing structure on Proxibid in March, which incentivises auctioneers to adopt the timed format. This pricing structure is expected to have a minimal impact on churn, demonstrating both the stickiness of our auctioneer base as well as the strength of our competitive position and the value ATG delivers.

3. Enhance the network effect

In the last six months, ATG hosted over 91m bidder sessions on its marketplaces (excluding ESN), a scale and reach of bidders that is unparalleled in online curated auctions. In the first half of FY 23, we made it easier for auctioneers to grow their bidder reach through cross-listing, with the launch of the first stage of our integrated bidding programme, 'Timed+'. This functionality enables auctioneers using both LiveAuctioneers and Auction Mobility to seamlessly upload an auction catalogue and to run a timed auction simultaneously on both platforms. To date, auctions run on Timed+ have resulted in an average 26% asset price uplift versus if the auction was listed on Auction Mobility alone, demonstrating the benefits of the network effect. Adoption rates of Timed+ continue to grow, with large auctioneers including Bonhams having signed up to the solution. Timed+ not only incentivises auctioneers to switch to ATG's white label solution, but also increasingly facilitates the shift to timed auctions, which will further enhance our conversion rate. Cross-listing also encourages more bidders to participate in auctions and for those bidders to use ATG as their primary search portal by presenting them with the broadest array of inventory. This further enhances our competitive position and the network effect, which all in turn benefits the auctioneers who work with us, as they see more bidders.

¹ Management estimates November 2022; A&A market excludes eBay

4. Expand operational leverage

ATG has an attractive financial model with high operational leverage and low capital intensity. As we have grown commission and fixed fee revenue, we delivered further improvement in our adjusted EBITDA margin, up 1 percentage point to 47%. In the first half, we increased listing fees across many of our platforms with many of these fees having not changed since before the Covid-19 period. Reflecting the high return on investment that our marketplaces offer auctioneers, we saw an immaterial impact on auctioneer churn as a result of these price changes. We have driven efficiency in our sales model through the development of automated analytics reports for our auctioneers on auction performance, which reduce the need for manual touch points with our consumer services team, whilst we have also redesigned the structure of our sales team to ensure we are more able to cross-sell new solutions and products to our auctioneer base. Our single technology platform programme is on track, with initial success including a significant improvement in the stability and security across all our marketplaces, as well as the development of integrated bidding.

5. Grow the take rate via value-added services

Value-added services revenue grew 17% in the first half of FY 23 on a constant currency basis. We saw continued strong adoption rates of our auctioneer marketing products, with 56% of auctioneers across our marketplaces now using one or more of our paid-for marketing solutions. We have developed new assets including auctioneer sponsored search, enhanced email segmentation for bidder campaigns and optimised homepage banners. Measuring the performance of an auctioneer's marketing investment is critical to ensuring we elevate the shared-success model of which our clients are a part. We have therefore developed and rolled out reporting dashboards that allow us to better assess the performance of auctions that are supported by our marketing. Marketing uptake is most advanced on LiveAuctioneers and currently represents around 2% of marketplace GMV, compared to 0.4% of GMV across the whole Group, highlighting the significant opportunity for further growth across our other marketplaces.

The acquisition of LiveAuctioneers enabled us to accelerate the development and roll out of a payment's product across other ATG marketplaces. We have continued to see strong progress with payments on LiveAuctioneers, with 83% of US auctioneers having adopted the product at the end of March, 86% of invoices having been paid through the LiveAuctioneers checkout, and with the payment's product accounting for 48% of US gross transaction value on the marketplace in March. We have updated the solution, including the integration of wire transfers as a payment method. Whilst the activation of auctions with atgPay on Proxibid will proceed in Q3 23, three months later than planned in order to add additional functionality to the solution, we have been very pleased with the rates of adoption we have seen since so far, with 21% of auctioneers having signed up to the solution by the end of March. This strong demand gives us confidence in the continued growth in the adoption and usage of payments over the coming year.

6. Pursue accretive M&A

M&A has been and will continue to be a key growth lever for ATG and the acquisition of ESN, for a purchase price of \$40m, represents an additional proof point of ATG's strong track record for sourcing and executing on value-enhancing M&A opportunities within the fragmented secondary goods market. ESN is a leading US estate sale site, providing a platform to facilitate estate sales. ESN is a natural fit for ATG, expanding our immediately addressable market into an attractive adjacent channel for the resale of secondary goods, in the estimated \$5bn US estate sales market. The acquisition provides significant cross-selling opportunities with the addition of ESN's 96m bidder sessions and younger demographic being added to ATG's existing 180m sessions, creating an even larger pool of buyers of secondary goods. The integration has progressed well since February with the ATG team working closely with the ESN founders to ensure a smooth transition. Since completion, ESN has delivered strong revenue growth, ahead of expectations. Over the next six months, we will be focused on optimising the listing site include enhanced marketing opportunities and an updated pricing structure, as well as developing plans to successfully accelerate the digital transformation of the estate sales industry.

Developing and progressing against our ESG programmes

Sustainability is central to our proposition and we are committed to highlighting the environmental benefits of buying at auction to bidders. During the half year, TheSaleroom published a series of social media content and marketplace editorials showcasing the sustainability credentials of the items listed on our marketplaces, including highlighting the carbon emissions saved through buying second hand versus buying new. At the Group level, the completion of the relocation of our Proxibid office in Omaha in March to a smaller and more efficient site is a significant step towards our longer term CO2 reduction targets.

We have also made strong progress against other ESG programmes in the first half, including the implementation of a new information security management system, which has been based on a recognised international standard. We were also delighted with the results from our global employee engagement survey, which showed that our employees are not only feel highly engaged with ATG, but are also confident in its strategy and outlook. The survey is testament to the positive and collaborative culture that we are creating, with 95% of employees stating they enjoy working with their team. I believe this culture of engagement and collaboration is a critical enabler for ATG to deliver its growth ambitions.

Summary

We are pleased with our performance in the first half of FY 23 as we have continued to execute against each of our strategic growth drivers. We are confident in our outlook for the rest of the year as we build on the momentum across the business. Our outlook is also underpinned by the growing adoption of payments amongst auctioneers, our updated rate card on select marketplaces, significant improvements being made to the user experience, as well as the launch of integrated bidding, which will enable more seamless cross-listing for our auctioneers. The acquisition of ESN further demonstrates our ability to supplement our organic growth with strategic, accretive bolt-on M&A. The auction industry is still early in its transformation and ATG's continued strong operational and financial track record, experienced team and shared success model provides confidence for us to continue to deliver on our ambitious growth plans.

John-Paul Savant
Chief Executive Officer

CFO REVIEW

Group presentation of results

The financial results for HY 23 are presented for the six months ended 31 March 2023. On 6 February 2023, the Group completed its acquisition of Vintage Software LLC., trading as EstateSales.NET (“ESN”) for a consideration of \$40m. The results for ESN are included within the A&A operating segment in HY 23. Full details of the accounting implications are detailed in note 9 of the Condensed Consolidated Interim Financial Statements.

The impact of the acquisition affects the comparability of the Group’s results. Therefore, to aid comparisons between HY 22 and HY 23 organic revenue growth is presented to exclude the acquisition of ESN on 6 February 2023. Organic revenue is shown on a constant currency basis, using average exchange rates for the current financial period applied to the comparative period and are used to eliminate the effects of fluctuations in assessing performance.

Note 3 of the Condensed Consolidated Interim Financial Statements includes a full reconciliation of all APMs presented to the reported results.

Given that a significant majority of the Group’s revenue, costs and cash flows are now generated in US dollars, the Board has determined that, for financial periods beginning on or after 1 October 2023, the Group will change the presentational currency in which the Group presents its consolidated financial results from pound sterling to US dollars.

Revenue

	HY 23	HY 22	Movement	Movement
	£m	£m	Reported	Organic
Arts & Antiques (“A&A”)	31.8	26.9	18%	4%
Industrial and Commercial (“I&C”)	29.8	25.1	19%	7%
Total marketplace	61.6	52.0	18%	6%
Auction Services	4.2	4.1	2%	(7)%
Content	1.5	1.6	(6)%	(6)%
Total	67.3	57.7	17%	5%

Group

Group revenue increased 17% to £67.3m, driven by growth in commission and fixed fee revenue, a favourable impact from the movement in foreign exchange and a contribution from the acquisition of ESN. Organic revenue growth of 5% was driven by organic marketplace revenue growth of 6%, which in turn benefited from GMV growth of 5% across the Group and a flat take rate of 3.2%. The Group saw revenue declines on an organic basis in both the Auction Services and Content divisions.

Art & Antiques

Revenue in the A&A segment increased 18% to £31.8m, growing 4% on an organic basis as the increase in the take rate, largely driven by value-added services, offset a decline in GMV. GMV across A&A declined by 3% on an organic basis, impacted by challenging comparisons to the prior year, which had benefited from tailwinds from the Covid-19 pandemic, as well as continued headwinds to our conversion rate year-on-year from the reopening of physical auctions. This decline in conversion rate was partially offset by growth in the value and volume of items listed on our marketplaces. As the comparisons eased across the half, we saw an improving rate of GMV growth with LiveAuctioneers delivering positive GMV growth in the second quarter of FY 23. GMV decline was offset by growth in value-added services revenues driven by marketing and payments solutions. This growth, combined with fixed fee increases, resulted in a 0.7ppt increase in the take rate in A&A to 8.3%. The A&A segment also benefited from ESN’s contribution since the date of acquisition on 6 February, which delivered a strong revenue growth rate, ahead of initial expectations, driven by growth in the volume of estate sales listings.

Industrial & Commercial

I&C revenue grew 7% on an organic basis and 19% on a reported basis to £29.8m, driven by a 7% increase in GMV. Activity on I&C marketplaces remained resilient in the first half, as the headwind from the softening of exceptionally high used equipment prices in the prior year as well as the reopening impact of physical auctions was offset by an increase in volume of items listed on our marketplaces. There was also a benefit from an increase in the rate of business insolvencies, which are an important source of supply of assets for I&C. The take rate within I&C was broadly flat, as the benefits from the uptake of marketing solutions across I&C auctioneers was offset by a higher mix of lower commission rate items sold. We would expect the take rate in I&C to increase in the second half, driven by the updated pricing structure on the Proxibid marketplace as well as the contribution from payments revenue.

Auction Services

Auction Services revenue of £4.2m increased 2% on a reported basis and declined 7% on an organic basis. This decline was driven by strong comparisons in the prior year when the uptake of white label solutions had been elevated during Covid-19. We continue to see the benefits of enabling auctioneers to access the online market through multiple channels and ATG’s increasingly integrated suite of products will enable more seamless cross-listing across ATG marketplaces and ATG white label solutions.

Content

Content revenue declined by 6% to £1.5m. As expected, the segment saw a fall in advertising volumes as auctioneers increasingly migrate their marketing spend to the online channel.

Financial performance

	Reported		Movement
	Restated ¹		
	HY 23 £m	HY 22 £m	
Revenue	67.3	57.7	17%
Cost of sales	(21.3)	(18.6)	15%
Gross profit	46.0	39.1	18%
Administrative expenses	(36.7)	(30.0)	22%
Other operating income	0.5	0.1	400%
Operating profit	9.8	9.2	7%
Adjusted EBITDA (as defined in note 3)	31.5	26.8	18%
Finance income	0.1	–	100%
Finance cost	(9.2)	(5.5)	67%
Net finance costs	(9.1)	(5.5)	(65)%
Profit before tax	0.7	3.7	(81)%
Income tax	11.2	(1.6)	800%
Profit for the period attributable to the equity holders of the Company	11.9	2.1	467%

1. The HY 22 profit attributable to equity holders has been restated by £1.7m. Full details are provided in note 1 of the Condensed Consolidated Interim Financial Statements.

Operating profit

The Group reported an operating profit of £9.8m compared with £9.2m in HY 22, driven by the increase in high gross margin commission and fixed fees revenue, which offset an increase to the Group's administrative expenses.

Gross profit increased 18% to £46.0m, reflecting revenue growth and a high flow-through of revenue to gross profit. The gross profit margin of 68% was broadly flat compared to the prior period as the growth in high margin commission and fixed fees revenue offset the dilutive gross margin impact from the growth in payment's revenue.

The Group's administrative expenses increased to £36.7m, driven by the full year impact of investments in senior management made in FY 22 to support future growth, an increase in amortisation costs, the adverse impact from foreign exchange rates, an increase in share-based payments expense and one-off exceptional costs related to the acquisition of ESN. Amortisation costs of £15.4m increased by £0.8m compared to HY 22 due to the adverse impact of foreign exchange rates and the additional acquired intangible assets in relation to ESN. The share-based payments expense of £3.9m increased from £2.5m, reflecting the impact of one-off awards for new members of the senior management team and additional grants awarded in December 2022. Exceptional costs of £1.7m (HY 22: nil) relate to the acquisition of ESN. Excluding the impact of exceptional costs, acquired amortisation and share-based payments, administrative expenses would have increased by £2.3m, reflecting the movement in foreign exchange and investments in the business to support future growth.

Adjusted EBITDA

Adjusted EBITDA increased from £26.8m in the six months ended 31 March 2022 to £31.5m, driven by revenue growth, a high flow-through of revenue to adjusted EBITDA and the contribution from ESN. Adjusted EBITDA margin of 47% increased by 1ppt as strong growth in high margin revenue offset the full-year impact of investments made in FY 22 to support future growth.

Net finance costs

Net finance costs were £9.1m in HY 23 (HY 22 restated: £5.5m). Finance costs of £9.2m (HY 22 restated: £5.5m) primarily relate to interest on the US dollar-denominated Senior Term Facility in addition to non-cash foreign exchange losses of £3.7m related to intergroup loan balances. The increase in finance costs compared to HY 22 was also due to an increase in the interest rate on the Senior Facility, which is linked to the Secured Overnight Financing Rate ("SOFR"), as well as the unfavourable movement in foreign exchange rates with the interest payable in US dollars. In the period, the Group pre-paid \$53.7m of the Senior Term Loan facility. This repayment was partially offset by the net \$21.7m drawdown on our Revolving Credit Facility to fund the ESN acquisition, which carries a similar interest rate that of the Senior Loan Facility. Finance costs also include commitment fees on the Revolving Credit Facility. Prior period finance costs related to interest costs on our Senior Term Facility, commitment fees, foreign exchange losses and the movement in contingent consideration.

Profit before tax

After the impact of net finance costs, the Group reported a profit before tax of £0.7m, a decrease from £3.7m (restated) in the prior period due to the increase in net finance costs, which offset the higher operating profit year-on-year.

Taxation

In the period, there was a tax credit of £11.2m (HY 22 restated: expense of £1.6m), arising from the profit in the period and a deferred tax credit on unrealised foreign exchange differences and non-deductible foreign exchange differences on intergroup loan balances.

The tax charge is based on the effective tax rate estimated on a full year basis, being applied to reported profit for the six months ended 31 March 2023. The Group's forecast effective tax rate is 21% which excludes the impact of discreet tax items related to foreign exchange movements and tax rate changes. The Group's effective tax rate for the six-month period is 1,462% which reflects the net impact of foreign exchange movements of £11.2m on the deferred tax liability and £1.0m for change in the blended US tax rate.

Earnings per share and adjusted earnings per share

Basic earnings per share was 9.9p, compared to 1.8p (restated) in the prior period and diluted earnings per share was 9.7p compared to 1.8p (restated). The increase was driven by the deferred tax credit on unrealised foreign exchange differences partially offset by the decrease in profit before tax compared to the prior period. The weighted average number of shares in issue during the period was 120.7m (HY 22: 120.2m shares).

Adjusted diluted earnings per share of 16.0p (HY 22: 13.4p) is based on profit after tax adjusted to exclude share-based payment expense, exceptional items (operating and finance costs including foreign exchange gains and losses), amortisation of acquired intangible assets and any related tax effects. The increase is due to higher adjusted earnings for the period, partially offset by an increase in the weighted average number of ordinary shares and dilutive options.

A reconciliation of the Group's diluted earnings per share to adjusted diluted earnings per share is set out in note 3.

EstateSales.NET acquisition

On 6 February 2023, the Group acquired 100% of the equity share capital of Vintage Software LLC, trading as EstateSales.Net ("ESN"), for total consideration of \$40m, funded out of the Group's existing cash balance and debt facilities. ESN is a leading estates sales listing site in the US and the purpose of the acquisition was to access an adjacent channel in the resale of secondary goods and to enable cross-selling opportunities for the Group. The full acquisition accounting is detailed in note 9.

Foreign currency impact

The Group's reported performance is sensitive to movements in both the US dollar and the euro against the British pound sterling with a mix of revenues included in the table below.

	HY 23	HY 22
Revenue	£m	£m
United Kingdom	9.7	9.4
North America	55.5	46.4
Germany	2.1	1.9
Total	67.3	57.7

The pound sterling weakened by 10.4% against the US dollar and weakened by 4.2% on an average rate basis against the euro compared to HY 22, as shown in the table below.

	Average rate				Closing rate			
	HY 23	HY 22	Movement	FY 22	HY 23	HY 22	Movement	FY 22
Euro	1.14	1.19	(4.2)%	1.18	1.14	1.18	(3.4)%	1.13
US dollar	1.20	1.34	(10.4)%	1.27	1.24	1.31	(5.3)%	1.12

When comparing revenue in HY 22 to HY 23, changes to currency exchange rates had a favourable impact on revenue of £5.4m. Partially offsetting this, the changes to foreign currency exchange rates had an unfavourable movement on the Group's cost of sales and administrative expenses of £3.4m when compared to HY 22.

The Group has loans and borrowings of \$172m with interest costs sensitive to movements in foreign currency. The movement in the US dollar resulted in unfavourable movements in interest costs of £0.4m compared to HY 22.

The tax for the period was also significantly impacted by movements in foreign currency exchange rates, resulting in a reduction to the tax charge of £11.2m.

The strengthening of the pound sterling against the US dollar during the year has given rise to a loss of £61.4m on assets held. A £51.7m loss has been recognised within the foreign currency translation reserve relating to the net impact of foreign exchange differences arising on the translation of foreign operations.

Statement of financial position

Overall net assets at 31 March 2023 have decreased by £25.6m to £513.7m since 30 September 2022. Total assets decreased by £79.4m, driven by the cash outflow of £44.7m primarily related to the purchase of ESN and the prepayment of our Senior Term Facility, net of the drawdown of the Revolving Credit Facility. Goodwill and intangible assets also decreased by £37.7m in the period, with the goodwill and intangible asset addition of £32.9m acquired with ESN and other additions of £3.9m being offset by foreign exchange movements of £59.9m and the amortisation charge of £15.4m. Total liabilities decreased by £53.7m, primarily due a reduction in loans and borrowings of £43.2m and a decrease in the deferred tax liabilities of £17.0m largely driven by the movement on the unrealised foreign exchange differences, and the unwind of the capitalised acquisition intangible assets.

Cash flow and adjusted net debt

The Group generated strong cash flow from operations (before tax) at £24.6m (HY 22: £22.1m) driven by the Group's high pass-through of revenue to adjusted EBITDA and its capital light model. Additions to internally generated software and to property, plant and equipment in the period was £4.1m (HY 22: £1.8m) and largely relates to our programme migrating the Group to a single technology platform, as well as planned investments to improve our product offering, including new functionality within payments.

The Group pre-paid \$53.7m of its Senior Term Loan Facility in the first half and expects to continue to make prepayments to the Facility through FY 23. There are no pre-payment penalties associated with the Facility. The Group paid a cash consideration of \$30.0m for the acquisition of ESN on 6 February 2023 using cash available as well as utilising a partial withdrawal of its Revolving Credit Facility with the Senior Facility.

Adjusted net debt was £132.4m as at 31 March 2023 (restated 30 September 2022: adjusted net debt of £131.4m), with the impact of the acquisition offsetting cash generation from operations and the movement in foreign exchange. The Group had cash at bank of £5.2m and borrowings of £137.6m (restated 30 September 2022: cash at bank of £49.4m and borrowings of £180.8m). The adjusted net debt/ adjusted last twelve months EBITDA ratio was 2.3x as at 31 March 2023.

The Group's adjusted free cash flow was £21.8m (HY 22: £24.3m) with a conversion rate of 69% (HY 22: 91%). The conversion rate was impacted by the timing of working capital payments driven by stronger trading activity in March, an increase in additions to internally generated software as well as the impact from the size and timing of performance related payments. A reconciliation of cash generated from operations to adjusted free cash flow and adjusted free cash flow conversion is included below and note 3:

	HY 23 £m	HY 22 £m
Adjusted EBITDA	31.5	26.8
Cash generated from operations	24.6	22.1
Adjustments for:		
Exceptional items	1.7	–
Working capital from exceptional and other items	(0.4)	4.0
Additions to internally generated software	(3.9)	(1.6)
Additions to property, plant & equipment	(0.2)	(0.2)
Adjusted free cash flow	21.8	24.3
Adjusted free cash flow conversion	69%	91%

Risk and uncertainties

The Board retains ultimate responsibility for the Group's Risk Management Framework and continues to undertake ongoing monitoring to review the effectiveness of the Framework and ensure the principal risks of the Group are being appropriately mitigated in line with its risk appetite. The principal risks and uncertainties which could impact the Group for the remainder of the current financial year remain those detailed on pages 40 to 44 of the 2022 Annual Report available at www.auctiontechnologygroup.com. A summary of the risks is included as follows:

1. IT infrastructure – stability and business continuity of auction platforms
2. IT infrastructure – inability to keep pace with innovation and changes
3. Data security/data loss
4. Competition
5. Failure to deliver expected benefits from acquisitions and/or integrate the business into the Group effectively
6. Attracting and retaining skills/capabilities and succession planning
7. Regulatory compliance
8. Governance and internal control
9. Economic and geo-political uncertainty

The Directors note that the global geopolitical outlook suggests continuing potential for short-term volatility and instability across markets. A number of these risks and uncertainties could have an impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ from expected and historical results.

Related parties

Related party disclosures are detailed in note 15.

Going concern

In assessing the appropriateness of the going concern assumption, the Directors have considered the ability of the Group to meet the debt covenants and maintain adequate liquidity through the forecast period. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to operate comfortably within the level of its current facilities and meet its debt covenant obligations.

Sensitivities have been modelled to understand the impact of the various risks outlined above on the Group's performance and the Group's debt covenants/cash headroom, including consideration of a reasonable downside scenario. Given the current demand for services across the Group at the date of this report, the assumptions in these sensitivities, when taking into account the factors set out above, are considered to be unlikely to lead to a debt covenant breach or liquidity issues under both scenarios.

After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that it remains appropriate to continue to adopt the going concern basis in preparing the financial information.

Tom Hargreaves

Chief Financial Officer

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss
for the six months ended 31 March 2023

		Unaudited six months ended 31 March 2023 £000	Restated Unaudited six months ended 31 March 2022 £000	Audited Year ended 30 September 2022 £000
Revenue	4,5	67,311	57,738	119,846
Cost of sales		(21,345)	(18,607)	(40,101)
Gross profit		45,966	39,131	79,745
Administrative expenses		(36,638)	(30,051)	(63,646)
Other operating income		513	103	718
Operating profit	4	9,841	9,183	16,817
Finance income	6	73	1	2,127
Finance cost	6	(9,151)	(5,452)	(9,665)
Net finance costs	6	(9,078)	(5,451)	(7,538)
Profit before tax	4	763	3,732	9,279
Income tax	7	11,160	(1,620)	(15,406)
Profit/(loss) for the period attributable to the equity holders of the Company		11,923	2,112	(6,127)

Other comprehensive (loss)/income for the period attributable to the equity holders of the Company

Items that may subsequently be transferred to profit and loss:

Foreign exchange differences on translation of foreign operations		(51,651)	10,041	86,126
Fair value gain/(loss) arising on hedging instruments during the period		13,288	–	(16,173)
Tax relating to these items		(2,924)	–	3,074
Other comprehensive (loss)/income for the period, net of tax		(41,287)	10,041	73,027
Total comprehensive (loss)/income for the period attributable to the equity holders of the Company		(29,364)	12,153	66,900

Earnings/(loss) per share

		p	p	p
Basic	8	9.9	1.8	(5.1)
Diluted	8	9.7	1.7	(5.1)

The above results are derived from continuing operations.

The Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss for the six months ended 31 March 2022 has been restated as detailed in note 1.

Condensed Consolidated Statement of Financial Position
as at 31 March 2023

		Unaudited 31 March 2023 £000	Restated Unaudited 31 March 2022 £000	Audited 30 September 2022 £000
	Note			
ASSETS				
Non-current assets				
Goodwill	10	469,085	430,703	488,978
Other intangible assets	10	228,735	227,506	246,475
Property, plant and equipment		729	471	526
Right of use assets		2,126	1,919	1,714
Trade and other receivables		89	85	90
Total non-current assets		700,764	660,684	737,783
Current assets				
Trade and other receivables		18,489	16,087	15,790
Tax asset		719	1,408	1,565
Cash and cash equivalents	11	7,622	35,219	51,817
Total current assets		26,830	52,714	69,172
Total assets		727,594	713,398	806,955
LIABILITIES				
Non-current liabilities				
Loans and borrowings	12	(137,604)	(140,643)	(149,862)
Tax liabilities		(1,067)	(1,392)	(1,074)
Lease liabilities		(1,656)	(1,206)	(1,094)
Deferred tax liabilities	13	(47,627)	(51,614)	(64,618)
Total non-current liabilities		(187,954)	(194,855)	(216,648)
Current liabilities				
Trade and other payables		(24,756)	(20,607)	(18,780)
Loans and borrowings	12	–	(14,276)	(30,983)
Tax liabilities		(591)	(625)	(475)
Lease liabilities		(606)	(837)	(746)
Total current liabilities		(25,953)	(36,345)	(50,984)
Total liabilities		(213,907)	(231,200)	(267,632)
Net assets		513,687	482,198	539,323
EQUITY				
Share capital	14	12	12	12
Share premium		235,950	235,903	235,903
Other reserve		238,385	238,385	238,385
Capital redemption reserve		5	5	5
Share option reserve		37,557	32,157	34,690
Foreign currency translation reserve		28,377	6,828	66,740
Retained losses		(26,599)	(31,092)	(36,412)
Total equity		513,687	482,198	539,323

The Consolidated Statement of Financial Position at 31 March 2022 has been restated as detailed in note 1.

Condensed Consolidated Statement of Changes in Equity
for the six months ended 31 March 2023

	Share capital £000	Share premium £000	Other reserve £000	Capital redemption reserve £000	Share option reserve £000	Foreign currency translation reserve £000	Retained losses £000	Total equity £000
1 October 2021	12	235,903	238,385	5	1,649	(3,213)	(33,287)	439,454
Loss for the year	–	–	–	–	–	–	(6,127)	(6,127)
Other comprehensive income	–	–	–	–	–	69,953	3,074	73,027
Total comprehensive income/(loss) for the year	–	–	–	–	–	69,953	(3,053)	66,900
Transactions with owners								
Issue of options as consideration for a business combination, net of transaction costs and tax	–	–	–	–	28,346	–	–	28,346
Movement in equity-settled share-based payments	–	–	–	–	4,695	–	78	4,773
Income tax relating to items taken directly to equity	–	–	–	–	–	–	(150)	(150)
30 September 2022	12	235,903	238,385	5	34,690	66,740	(36,412)	539,323
Profit for the period	–	–	–	–	–	–	11,923	11,923
Other comprehensive loss	–	–	–	–	–	(38,363)	(2,924)	(41,287)
Total comprehensive (loss)/income for the period	–	–	–	–	–	(38,363)	8,999	(29,364)
Transactions with owners								
Exercise of share options	–	47	–	–	–	–	–	47
Movement in equity-settled share-based payments	–	–	–	–	2,867	–	814	3,681
31 March 2023	12	235,950	238,385	5	37,557	28,377	(26,599)	513,687

	Share capital £000	Share premium £000	Other reserve £000	Capital redemption reserve £000	Share option reserve £000	Foreign currency translation reserve £000	Retained losses £000	Total equity £000
1 October 2021 (restated see note 1)	12	235,903	238,385	5	1,649	(3,213)	(33,287)	439,454
Profit for the period	–	–	–	–	–	–	2,112	2,112
Other comprehensive income/(loss)	–	–	–	–	–	10,041	–	10,041
Total comprehensive income for the period	–	–	–	–	–	10,041	2,112	12,153
Transactions with owners								
Issue of options as consideration for a business, net of transactions costs and tax	–	–	–	–	28,346	–	–	28,346
Movement in equity-settled share-based payments	–	–	–	–	2,162	–	51	2,213
Tax relating to items taken directly to equity	–	–	–	–	–	–	32	32
31 March 2022 (restated see note 1)	12	235,903	238,385	5	32,157	6,828	(31,092)	482,198

The Consolidated Statement of Changes in Equity at 31 March 2022 has been restated as detailed in note 1.

Condensed Consolidated Statement of Cash Flows
for the six months ended 31 March 2023

		Unaudited six months ended 31 March 2023 £000	Restated Unaudited six months ended 31 March 2022 £000	Audited Year ended 30 September 2022 £000
Cash flows from operating activities				
Profit before tax		763	3,732	9,279
Adjustments for:				
Amortisation of acquired intangible assets	10	13,748	12,855	26,591
Amortisation of internally generated software	10	1,612	1,725	4,118
Depreciation of property, plant and equipment		165	135	280
Depreciation of right of use assets		475	467	920
Share-based payment expense		3,918	2,450	5,226
Net exchange differences		–	25	–
Finance income	6	(73)	(1)	(2,127)
Finance costs	6	9,151	5,452	9,665
Operating cash flows before movements in working capital		29,759	26,840	53,952
(Increase)/decrease in trade and other receivables		(3,901)	(2,707)	304
Decrease in trade and other payables		(1,225)	(2,073)	(4,847)
Cash generated by operations		24,633	22,060	49,409
Income taxes paid		(4,259)	(6,123)	(9,981)
Net cash from operating activities		20,374	15,937	39,428
Cash flows from investing activities				
Acquisition of subsidiaries, net of cash acquired	9	(24,937)	(358,763)	(358,763)
Additions to internally generated software	10	(3,885)	(1,621)	(4,209)
Payment for property, plant and equipment		(248)	(130)	(270)
Payment of contingent consideration		–	(17,295)	(20,946)
Net cash used in investing activities		(29,070)	(377,809)	(384,188)
Cash flows from financing activities				
Payment of contingent consideration		–	(1,222)	(1,222)
Repayment of loans and borrowings		(51,777)	(359)	(359)
Proceeds from loans and borrowings		21,250	–	–
Interest element of lease payments		(61)	(73)	(137)
Capital element of lease payments		(449)	(481)	(959)
Issue of new share capital, net of share issue costs		47	–	–
Interest paid		(5,026)	(1,608)	(7,283)
Net cash used in financing activities		(36,016)	(3,743)	(9,960)
Cash and cash equivalents at beginning of the period		51,817	397,451	397,451
Net decrease in cash and cash equivalents		(44,712)	(365,615)	(354,720)
Effect of foreign exchange rate changes		517	3,383	9,086
Cash and cash equivalents at the end of the period		7,622	35,219	51,817

The Consolidated Statement of Cash Flows at 31 March 2022 has been restated as detailed in note 1.

Notes to the Condensed Consolidated Interim Financial Statements

1. Accounting policies

General information

Auction Technology Group plc (the "Company") is a company incorporated in the United Kingdom under the Companies Act. The Company is a public company limited by shares and is registered in England and Wales.

These Condensed Consolidated Interim Financial Statements have been approved for issue on 17 May 2023.

These Condensed Consolidated Interim Financial Statements for the period do not constitute statutory financial statements within the meaning of s434 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2022 have been delivered to the Registrar of Companies. They are also available on the Group's website (www.auctiontechnologygroup.com). The audit report for those accounts was unqualified, did not draw attention to any matters by way of emphasis without qualifying the report and did not contain a statement under 498(2) or (3) of the Companies Act 2006. These Condensed Consolidated Interim Financial Statements have been reviewed and not audited.

Basis of preparation

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting". The Condensed Consolidated Interim Financial Statements do not include all the information required for full annual financial statements and should be read in conjunction with the Group's Annual Report and Accounts for the year ended 30 September 2022 which have been prepared in accordance with the requirements of the Companies Act 2006.

In determining the information to be disclosed in the notes to the Condensed Consolidated Interim Financial statements in accordance with IAS 34, the Group has taken into account its materiality in relation to these Condensed Consolidated Interim Financial Statements.

The Condensed Consolidated Interim Financial Statements have been prepared under the historical cost convention, except for certain financial instruments which have been measured at fair value.

The accounting policies applied in these Condensed Consolidated Interim Financial Statements are the same as those applied in the most recent annual financial statements except for amortisation of other intangible assets and taxes on income. The acquisition of EstateSales.NET ("ESN") increases the range of the estimated useful lives on customer relationships from 7 - 14 years to 2 – 14 years. Tax on income in the interim period is recognised by applying the effective tax rate that would be applicable to the expected full year profit or loss to the period's result.

The Group's deferred consideration is classified as level 2 (for further details of fair valuation methods used see note 9). There are no other financial instruments measured at fair value on a recurring basis.

New and amended accounting standards adopted by the Group

There were no new standards adopted by the Group in the period but the following amendments became applicable during the current reporting period:

- Annual Improvements to IFRS Standards 2018-2020
- Amendments to IAS 16: Property, Plant and Equipment: proceeds before intended use
- Amendments to IFRS 3: Business Combinations: reference to conceptual framework

These amendments did not have a material impact on the Group's accounting policies and have therefore not resulted in any changes in these Condensed Consolidated Interim Financial Statements.

Going concern

The Directors have undertaken the going concern assessment for the Group, taking into consideration the Group's business model, strategy and principal and emerging risks. As part of the going concern review the Directors have reviewed the Group's forecasts and projections, assessed the headroom on the Group's facilities and the banking covenants. This has been considered under a base case and several plausible but severe downside scenarios, taking into consideration the Group's principal risks and uncertainties.

These scenarios include significant reduction in commission revenue due to THV reduction, significant reduction in commission revenue due to conversion rate decline and delay in the roll out of payments technology across the Group. None of these scenarios individually or collectively threaten the Group's ability to continue as a going concern. Even in the combined downside scenario modelled (the combination of all downside scenarios occurring at once) the Group would be able to operate within the level of its current available debt facilities and covenants. As at 31 March 2023 the Group has adjusted net debt of £132.4m and is in a net current asset position.

After due consideration, the Directors have concluded that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least 12 months from the date of this report. For this reason, the Directors continue to adopt the going concern basis in preparing these Condensed Consolidated Interim Financial Statements for the Group.

Restatements

In the second half of FY22, following the acquisition of LiveAuctioneers, a review was performed to ensure that the functional currency of each subsidiary within the Group had been correctly determined given the revised structure and operations of the Group.

As a result of the review, the functional currency for all entities was deemed to be the currency of the primary economic environment in which the entities operate with no changes proposed, except for ATG Media US Inc., Proxibid Bidco Inc., Platinum Parent Inc., Platinum Intermediate Inc., Platinum Purchaser Inc. and LiveAuctioneers Inc. The functional currency of these entities was deemed to be pound sterling rather than US dollars. The LiveAuctioneer entities (Platinum Parent Inc., Platinum Intermediate Inc., Platinum Purchaser Inc. and LiveAuctioneers Inc.) have been translated into the new functional currency, using the exchange rate at 1 October 2021, the date they became part of the Group. As ATG Media US Inc. and Proxibid Bidco Inc. were part of the Group previously a prior period adjustment was required to be disclosed in the Group's Annual Report and Accounts for the year ended 30 September 2022.

1 October 2021

The restatement for the prior period adjustment recognised for the year ending 30 September 2021 is aligned with the Consolidated Statement of Changes in Equity in the Group's Annual Report and Accounts for the year ended 30 September 2022.

31 March 2022

As the review took place in the second half of FY 22 a restatement has been recognised for the six months ended 31 March 2022 adjusting foreign currency reserves, finance costs and deferred and income tax. These changes have no impact on the adjusted measures used as part of the Group's alternative performance measures.

Below is a summary of the restatement for the six months ended 31 March 2022, outlining the primary statements and financial statement line items impacted:

	Reported 31 March 2022 £000	Change £000	Restated 31 March 2022 £000
Consolidated Statement of Profit or Loss and Other Comprehensive Income or Loss			
Finance costs	(5,931)	479	(5,452)
Net finance costs	(5,930)	479	(5,451)
Profit before tax	3,253	479	3,732
Income tax	539	(2,159)	(1,620)
Profit for the year attributable to the equity holders of the Company	3,792	(1,680)	2,112
Foreign exchange differences on translation of foreign operations	10,520	(479)	10,041
Tax relating to these items	(1,805)	1,805	–
Other comprehensive income for the year, net of tax	8,715	1,326	10,041
Basic earnings per share (in pence)	3.2	(1.4)	1.8
Diluted earnings per share (in pence)	3.1	(1.4)	1.7
Consolidated Statement of Financial Position and Consolidated Statement of Changes in Equity			
Deferred tax liabilities	(50,141)	(1,473)	(51,614)
Current tax assets	826	582	1,408
Current tax liabilities	(1,162)	537	(625)
Foreign currency translation reserves	9,573	(2,745)	6,828
Retained losses	(33,483)	2,391	(31,092)

2. Significant judgements and key sources of estimation uncertainty

The preparation of the Group's Condensed Consolidated Interim Financial Statements requires the use of certain judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the most recent annual financial statements for the year ended 30 September 2022 except for the judgements outlined below which are no longer applicable.

The significant judgements disclosed in the most recent annual financial statements for the year ended 30 September 2022 no longer applicable are:

- LiveAuctioneers consideration
- Functional currency of subsidiaries

There are no new significant judgements or estimates during the period.

3. Alternative performance measures

The Group uses a number of alternative performance measures ("APMs") in addition to those measures reported in accordance with United Kingdom adopted International Accounting Standards ("UK-adopted IAS"). Such APMs are not defined terms under UK-adopted IAS and are not intended to be a substitute for any UK-adopted IAS measure. The Directors believe that the APMs are important when assessing the ongoing financial and operating performance of the Group and do not consider them to be more important than, or superior to, their equivalent IAS. The APMs improve the comparability of information between reporting periods by adjusting for factors such as one-off items and the timing of acquisitions.

The APMs are used internally in the management of the Group's business performance, budgeting and forecasting, and for determining Executive Directors' remuneration and that of other management throughout the business. The APMs are also presented externally to meet investors' requirements for further clarity and transparency of the Group's financial performance. Where items of income or expense are being excluded in an APM, these are included elsewhere in our reported financial information as they represent actual income or costs of the Group.

Net finance costs and income tax for the six months ended 31 March 2022 have been restated as detailed in note 1.

Adjusted EBITDA

Adjusted EBITDA is the measure used by the Directors to assess the trading performance of the Group's businesses and is the measure of segment profit.

Adjusted EBITDA represents profit/(loss) before taxation, finance costs, depreciation and amortisation, share-based payment expense and exceptional operating items. Adjusted EBITDA at segment level is consistently defined but excludes central administration costs including Directors' salaries.

The following table provides a reconciliation from profit before tax to adjusted EBITDA:

	Unaudited six months ended 31 March 2023 £000	Restated Unaudited six months ended 31 March 2022 £000	Audited Year ended 30 September 2022 £000
Profit before tax	763	3,732	9,279
Adjustments for:			
Net finance costs (note 6)	9,078	5,451	7,538
Amortisation of acquired intangible assets (note 10)	13,748	12,855	26,591
Amortisation of internally generated software (note 10)	1,612	1,725	4,118
Depreciation of property, plant and equipment	165	135	280
Depreciation of right of use assets	475	467	920
Share-based payment expense	3,918	2,450	5,226
Exceptional operating items	1,746	–	–
Adjusted EBITDA	31,505	26,815	53,952

The following table provides the calculation of adjusted EBITDA margin which represents adjusted EBITDA divided by revenue:

	Unaudited six months ended 31 March 2023 £000	Unaudited six months ended 31 March 2022 £000	Audited Year ended 30 September 2022 £000
Reported revenue (note 4,5)	67,311	57,738	119,846
Adjusted EBITDA	31,505	26,815	53,952
Adjusted EBITDA margin	47%	46%	45%

The basis for treating these items as adjusting is as follows:

Share-based payment expense

The Group has issued share awards to employees and Directors: at the time of IPO; for the acquisition of LiveAuctioneers; and operates several employee share schemes. The share-based payment expense is a significant non-cash charge driven by a valuation model which references the Group's share price. As the Group is still early in its life cycle as a newly listed business the expense is distortive in the short term and is not representative of the cash performance of the business. In addition, as the share-based payment expense includes significant charges related to the IPO and LiveAuctioneers acquisition, it is not representative of the Group's steady state operational performance.

Exceptional operating items

The Group applies judgement in identifying significant items of income and expenditure that are disclosed separately from other administrative expenses as exceptional where, in the judgement of the Directors, they need to be disclosed separately by virtue of their nature or size in order to obtain a clear and consistent presentation of the Group's ongoing business performance. Such items could include, but may not be limited to, costs associated with business combinations, gains and losses on the disposal of businesses, significant reorganisation or restructuring costs and impairment of goodwill and acquired intangible assets. Any item classified as an exceptional item will be significant and not attributable to ongoing operations and will be subject to specific quantitative and qualitative thresholds set by and approved by the Directors prior to being classified as exceptional.

The exceptional operating items are detailed below:

	Unaudited six months ended 31 March 2023 £000	Unaudited six months ended 31 March 2022 £000	Audited Year ended 30 September 2022 £000
Acquisition costs	(1,746)	–	–
Exceptional operating items	(1,746)	–	–

For the six months ended 31 March 2023, the Group's exceptional costs were in respect of the costs relating to the acquisition of ESN on 6 February 2023.

There were no exceptional operating items for the six months ended 31 March 2022 and year ended 30 September 2022.

The business has undertaken focused acquisitive activity which has been strategically implemented to increase income, service range and critical mass of the Group. Acquisition costs comprise legal, professional, other consultancy expenditure incurred and retention bonuses for ESN employees payable one year after completion. The retention bonus is subject to service conditions and is accrued over the period. The net cash outflow related to exceptional operating items in the period is £1.3m (31 March 2022: £4.0m, 30 September 2022: £4.0m).

Adjusted earnings and adjusted diluted earnings per share

Adjusted earnings excludes share-based payment expense, exceptional items (operating and finance), amortisation of acquired intangible assets, and any related tax effects.

The following table provides a reconciliation from profit/(loss) after tax to adjusted earnings:

	Unaudited six months ended 31 March 2023 £000	Restated Unaudited six months ended 31 March 2022 £000	Audited Year ended 30 September 2022 £000
Profit/(loss) attributable to equity shareholders of the Company	11,923	2,112	(6,127)
Adjustments for:			
Amortisation of acquired intangible assets	13,748	12,855	26,591
Exceptional finance items	3,756	2,060	(221)
Share-based payment expense	3,918	2,450	5,226
Exceptional operating items	1,746	–	–
Deferred tax on unrealised foreign exchange differences	(7,573)	1,474	15,899
Tax on adjusted items	(7,866)	(4,633)	(5,254)
Adjusted earnings	19,652	16,318	36,114
	Unaudited six months ended 31 March 2023	Unaudited six months ended 31 March 2022	Audited Year ended 30 September 2022
	Number	Number	Number
Weighted average number of shares (note 8)	120,824,823	120,205,794	120,364,831
Diluted weighted average number of shares (note 8)	122,686,044	122,194,936	122,441,916
			p
Adjusted diluted earnings per share (in pence)	16.0	13.4	29.5

The basis for treating these items not already defined above as adjusting is as follows:

Amortisation of acquired intangible assets acquired through business combinations

The amortisation of acquired intangibles arises from the purchase consideration of a number of separate acquisitions. These acquisitions are portfolio investment decisions that took place at different times and are items in the Consolidated Statement of Financial Position that relate to M&A activity rather than the trading performance of the business.

Exceptional finance items

Exceptional finance items include foreign exchange differences arising on the revaluation of the foreign currency loans, intercompany and restricted cash, movements in contingent consideration and costs incurred on the early repayment of loan costs. These exceptional finance items are excluded from adjusted earnings to provide readers with helpful additional information on the performance of the business across periods because it is consistent with how the business performance is reported and assessed by the Board.

Deferred tax on unrealised foreign exchange differences

In calculating the adjusted tax rate, the Group excludes the potential future impact of the deferred tax effects on unrealised foreign exchange differences arising on intercompany. The unrealised foreign exchange differences were not recognised in the Group's profit for the year due to differences in the functional currency basis under tax and accounting rules for the US holding entities.

Tax on adjusted items

Tax on adjusted items includes the tax effect of acquired intangible amortisation, exceptional (operating and finance items) and share-based payment expense. In calculating the adjusted tax rate, the Group excludes the potential future impact of the deferred tax effects on deductible goodwill and intangible amortisation (other than internally generated software), as management provides users of its Group accounts a view of the tax charge based on the current status of such items. Deferred tax would only crystallise on a sale of the relevant businesses, which is not anticipated at the current time, and such a sale, being an exceptional item, would result in an exceptional tax impact.

Organic revenue

The Group has made certain acquisitions that have affected the comparability of the Group's results. Previously the Group had reported proforma revenue and proforma revenue growth which included acquisitions as if they had occurred at the start of the comparative period, with the comparative period being presented on a constant currency basis using the current year exchange rates. It was deemed by management more appropriate to present organic revenue and organic revenue growth at HY 23 given the size of the ESN acquisition. Organic revenue shows the current period results excluding the acquisition of ESN on 6 February 2023. Organic revenue is shown on a constant currency basis using average exchange rates for the current financial period applied to the comparative period and is used to eliminate the effects of fluctuations in assessing performance. Refer to the Glossary for the full definition.

The following table provides a reconciliation of proforma revenue from reported results:

	Unaudited six months ended 31 March 2023 £000	Unaudited six months ended 31 March 2022 £000
Reported revenue	67,311	57,738
Acquisition related adjustment	(1,251)	–
Constant currency adjustment	–	5,438
Organic revenue	66,060	63,176
Increase in organic revenue %	5%	

Adjusted net debt

Adjusted net debt comprises external borrowings net of arrangement fees, cash and cash equivalents and allows management to monitor the indebtedness of the Group. Adjusted net debt excludes lease liabilities and restricted cash (see note 11).

Cash at bank in note 11 has been updated to exclude cash held by the Trustee of the Group's Employee Benefit Trust. This results in a restatement for the year ended 30 September 2022 and the six months ended 31 March 2022 (see note 11). This change in policy provides users with more reliable information about the nature of the Group's cash and cash equivalents.

	Unaudited 31 March 2023 £000	Restated Unaudited 31 March 2022 £000	Restated Audited 30 September 2022 £000
Cash at bank (note 11)	5,217	32,817	49,427
Current loans and borrowings (note 12)	–	(14,276)	(30,983)
Non-current loans and borrowings (note 12)	(137,604)	(140,643)	(149,862)
Total loans and borrowings	(137,604)	(154,919)	(180,845)
Adjusted net debt	(132,387)	(122,102)	(131,418)

Adjusted free cash flow and adjusted free cash flow conversion

Free cash flow represents cash flow from operations less additions to internally generated software and property, plant and equipment. Internally generated software includes development costs in relation to software that are capitalised when the related projects meet the recognition criteria under IFRS for an internally generated intangible asset. Movement in working capital is adjusted for balances relating to exceptional items. The Group monitors its operational efficiency with reference to operational cash conversion, defined as free cash flow as a percentage of adjusted EBITDA.

The Group uses adjusted cash flow measures for the same purpose as adjusted profit measures, in order to assist readers of the accounts in understanding the operational performance of the Group. The two measures used are free cash flow and free cash flow conversion. A reported free cash flow and cash conversion rate has not been provided as it would not give a fair indication of the Group's free cash flow and conversion performance given the high value of exceptional items.

	Unaudited six months ended 31 March 2023 £000	Unaudited six months ended 31 March 2022 £000	Audited Year ended 30 September 2022 £000
Adjusted EBITDA	31,505	26,815	53,952
Cash generated from operations	24,633	22,060	49,409
Adjustments for:			
Exceptional operating items	1,746	–	–
Working capital from exceptional and other items	(452)	3,962	4,983
Additions to internally generated software (note 10)	(3,885)	(1,621)	(4,209)
Additions to property, plant and equipment	(248)	(130)	(270)
Adjusted free cash flow	21,794	24,271	49,913
Adjusted free cash flow conversion (%)	69%	91%	93%

4. Operating segments

The operating segments reflect the Group's management and internal reporting structure, which is used to assess both the performance of the business and to allocate resources within the Group. The assessment of performance and allocation of resources is focused on the category of customer for each type of activity.

The Board has determined an operating management structure aligned around the four core activities of the Group. ESN which was acquired in the period, has been allocated to the Arts and Antiques segment. This is on the basis that ESN traditionally includes items sold on Arts and Antique platforms and the purpose of the acquisition was to expand its Arts and Antiques segment into an attractive adjacent channel for the resale of second-hand items.

The four operating segments are as follows:

- Art & Antiques ("A&A") auction revenues: focused on offering auction houses that specialise in the sale of arts and antiques access to the platforms the-saleroom.com, liveauctioneers.com, lot-tissimo.com and EstateSales.NET. A significant part of the Group's services is provision of a platform as a marketplace for the A&A auction houses to sell their goods. The segment also generates earnings through additional services such as listing subscriptions, marketing income and the liveauctioneers.com payments platform. The Group contracts with customers predominantly under service agreements, where the number of auctions to be held and the service offering differs from client to client.
- Industrial & Commercial ("I&C") auction revenues: focused on offering auction houses that specialise in the sale of industrial and commercial goods and machinery access to the platforms BidSpotter.com, BidSpotter.co.uk and proxibid.com, as well as i-bidder.com for consumer surplus and retail returns. A significant part of the Group's services is provision of the platform as a marketplace for the I&C auction houses to sell their goods. The segment also generates earnings through additional services such as marketing income. The Group contracts with customers predominantly under service agreements, where the number of auctions to be held and the service offering differs from client to client.
- Auction Services: includes revenues from the Group's auction house back-office products with Auction Mobility and other white label products including Wavebid.com.
- Content: focused on the Antiques Trade Gazette paper and online magazine. The business focuses on two streams of income: selling subscriptions to the Gazette and selling advertising space within the paper and online. The Directors have disclosed information required by IFRS 8 for the Content segment despite the segment not meeting the reporting threshold.

There are no undisclosed or other operating segments.

An analysis of the results for the period by reportable segment is as follows:

	Unaudited six months ended 31 March 2023					
	A&A £000	I&C £000	Auction Services £000	Content £000	Centrally allocated costs £000	Total £000
Revenue	31,839	29,746	4,192	1,534	–	67,311
Adjusted EBITDA (see note 3 for definition and reconciliation)	26,162	25,492	2,769	538	(23,456)	31,505
Amortisation of intangible assets (note 10)	(9,778)	(4,888)	(694)	–	–	(15,360)
Depreciation of property, plant and equipment	(89)	(74)	(2)	–	–	(165)
Depreciation of right of use assets	(287)	(150)	(5)	(33)	–	(475)
Share-based payment expense	(1,171)	(395)	(38)	–	(2,314)	(3,918)
Exceptional operating items (note 3)	(1,746)	–	–	–	–	(1,746)
Operating profit/(loss)	13,091	19,985	2,030	505	(25,770)	9,841
Net finance costs (note 6)	–	–	–	–	(9,078)	(9,078)
Profit/(loss) before tax	13,091	19,985	2,030	505	(34,848)	763

Unaudited six months ended 31 March 2022 (restated)

	A&A £000	I&C £000	Auction Services £000	Content £000	Centrally allocated costs £000	Total £000
Revenue	26,948	25,132	4,060	1,598	–	57,738
Adjusted EBITDA (see note 3 for definition and reconciliation)	22,124	21,965	2,899	559	(20,732)	26,815
Amortisation of intangible assets (note 10)	(8,526)	(5,453)	(601)	–	–	(14,580)
Depreciation of property, plant and equipment	(40)	(87)	(3)	(5)	–	(135)
Depreciation of right of use assets	(236)	(199)	(8)	(24)	–	(467)
Share-based payment expense	(768)	(416)	(1,205)	(61)	–	(2,450)
Operating profit/(loss)	12,554	15,810	1,082	469	(20,732)	9,183
Net finance costs (note 6)	–	–	–	–	(5,451)	(5,451)
Profit/(loss) before tax	12,554	15,810	1,082	469	(26,183)	3,732

Audited year ended 30 September 2022

	A&A £000	I&C £000	Auction Services £000	Content £000	Centrally allocated costs £000	Total £000
Revenue	55,279	52,775	8,636	3,156	–	119,846
Adjusted EBITDA (see note 3 for definition and reconciliation)	45,777	45,629	6,090	1,089	(44,633)	53,952
Amortisation of intangible assets (note 10)	(18,504)	(10,931)	(1,274)	–	–	(30,709)
Depreciation of property, plant and equipment	(87)	(176)	(6)	(11)	–	(280)
Depreciation of right of use assets	(475)	(381)	(13)	(51)	–	(920)
Share-based payment expense	(1,848)	(893)	(3)	–	(2,482)	(5,226)
Operating profit/(loss)	24,863	33,248	4,794	1,027	(47,115)	16,817
Net finance costs (note 6)	–	–	–	–	(7,538)	(7,538)
Profit/(loss) before tax	24,863	33,248	4,794	1,027	(54,653)	9,279

Segment assets which exclude deferred tax assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

	Unaudited 31 March 2023		Unaudited 31 March 2022		Audited 30 September 2022	
	Total non-current assets £000	Additions to non-current assets £000	Total non-current assets £0	Additions to non-current assets £000	Total non-current assets £00	Additions to non-current assets £000
A&A	485,388	35,351	465,211	412,569	506,484	395,683
I&C	187,109	2,614	167,875	39,402	199,504	58,829
Auction Services	28,209	265	27,490	76	31,704	201
Content	58	–	108	6	91	15
	700,764	38,230	660,684	452,053	737,783	454,728

The Group has taken advantage of paragraph 23 of IFRS 8 “Operating Segments” and does not provide segmental analysis of net assets as this information is not used by the Directors in operational decision making or monitoring of business performance.

5. Revenue

	Unaudited six months ended 31 March 2023 £000	Unaudited six months ended 31 March 2022 £000	Audited Year ended 30 September 2022 £000
<i>Product and customer types</i>			
A&A	31,839	26,948	55,279
I&C	29,746	25,132	52,775
Auction Services	4,192	4,060	8,636
Content	1,534	1,598	3,156
	67,311	57,738	119,846
<i>Primary geographical markets</i>			
United Kingdom	9,717	9,402	18,539
North America	55,511	46,422	97,765
Germany	2,083	1,914	3,542
	67,311	57,738	119,846
<i>Timing of transfer of goods and services</i>			
Point in time	62,042	53,033	110,539
Over time	5,269	4,705	9,307
	67,311	57,738	119,846

Due to the nature of the Group's business, it is not materially affected by seasonal or cyclical trading.

6. Net finance costs

	Unaudited six months ended 31 March 2023 £000	Restated Unaudited six months ended 31 March 2022 £000	Audited Year ended 30 September 2022 £000
Foreign exchange gain	–	–	2,070
Interest income	73	1	57
Finance income	73	1	2,127
Interest on loans and borrowings	(5,090)	(3,094)	(7,214)
Amortisation of finance costs	(244)	(225)	(465)
Movements in contingent consideration	–	(1,860)	(1,849)
Movements in deferred consideration	(54)	–	–
Foreign exchange loss	(3,702)	(200)	–
Interest on lease liabilities	(61)	(73)	(137)
Finance cost	(9,151)	(5,452)	(9,665)
Net finance costs	(9,078)	(5,451)	(7,538)

7. Taxation

	Unaudited six months ended 31 March 2023 £000	Restated Unaudited six months ended 31 March 2022 £000	Audited Year ended 30 September 2022 £000
Current tax			
Current tax on profit/(loss) for the period	2,289	4,816	11,395
Adjustments in respect of prior years	–	–	(903)
Total current tax	2,289	4,816	10,492
Deferred tax			
Current year	(12,454)	(1,670)	6,328
Adjustments from change in tax rates	(1,047)	(1,608)	(564)
Adjustments in respect of prior years	52	82	(850)
Deferred tax	(13,449)	(3,196)	4,914
Tax (credit)/expense	(11,160)	1,620	15,406

The tax on the Group's profit/(loss) before tax differs from the theoretical amount that would arise using the standard tax rate applicable to the profits of the Group as follows:

	Unaudited six months ended 31 March 2023 £000	Restated Unaudited six months ended 31 March 2022 £000	Audited Year ended 30 September 2022 £000
Profit before tax	763	3,732	9,279
Tax at United Kingdom tax rate of 22% (2022: 19%)	168	709	1,763
Tax effect of:			
Expenses not deductible for tax purposes	105	197	–
Additional items deductible for tax purposes	–	–	(1,649)
Differences in overseas tax rates	393	(16)	(1,317)
Deferred tax on unrealised foreign exchange differences	(7,573)	1,474	15,899
Foreign exchange differences not (taxable)/deductible for tax purposes	(3,258)	782	3,027
Adjustments from change in tax rates	(1,047)	(1,608)	(564)
Adjustments in respect of prior years	52	82	(1,753)
Tax (credit)/expense	(11,160)	1,620	15,406

The total tax expense recognised based on management's best estimate of the effective tax rate for the full year, excluding changes to US blended tax rate, foreign exchange differences and exceptional operating items, is 21% (31 March 2022: 19%) applied to the profit before tax of the six-month period.

Deferred tax credit on unrealised foreign exchange differences of £7.6m (charge of - 31 March 2022: £1.5m, 30 September 2022: £15.9m) arises from US holding companies with pound sterling as their functional currency but under US tax rules remains US dollars. Per the US tax basis these holding companies included an unrealised foreign exchange loss of £30.0m on intra-group loans denominated in pound sterling totalling £295.6m (gain of - 31 March 2022: £5.9m, 30 September 2022: £61.9m). This deferred tax has arisen as under US tax rules foreign exchange differences are not taxable until they are realised.

Profit before tax includes foreign exchange gain of £12.9m from US holding companies on their US dollar denominated intra-group balances (loss of - 31 March 2022: £3.1m, 30 September 2022: £15.9m) which are not (taxable)/deductible for US tax purposes giving rise to a permanent difference of £3.3m (31 March 2022: £0.8m, 30 September 2022: £3.0m).

Adjustments from changes in tax rates are due to decreases in the blended US rate for state taxes apportionment. The UK Government announced an increase in the corporation tax rate from 19% to 25%, with an effective date of 1 April 2023, which was substantively enacted on 24 May 2021.

Tax recognised in other comprehensive income and equity:

	Unaudited six months ended 31 March 2023 £000	Restated Unaudited six months ended 31 March 2022 £000	Audited Year ended 30 September 2022 £000
Other comprehensive (loss)/income			
Current tax	(2,924)	–	3,074
Equity			
Deferred tax	–	32	(150)

Tax recognised in other comprehensive income includes income tax on the Group's net investment hedge. Deferred tax directly recognised in equity relates to share-based payments.

8. Earnings/(loss) per share

Basic earnings/(loss) per share per share is calculated by dividing the profit/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period, after excluding the weighted average number of non-vested ordinary shares.

Diluted earnings per share is calculated by dividing the profit/(loss) for the period attributable to ordinary shareholders by the weighted average number of ordinary shares including non-vested/non-exercised ordinary shares. During the period and prior period, the Group awarded conditional share awards to Directors and certain employees through an LTIP. For the year ended 30 September 2022, the non-vested/non-exercised ordinary shares are anti-dilutive given the loss for the period and are therefore excluded from the weighted average number of ordinary shares for the purpose of diluted earnings per share calculation.

	Unaudited six months ended 31 March 2023 £000	Restated Unaudited six months ended 31 March 2022 £000	Audited Year ended 30 September 2022 £000
Profit/(loss) attributable to equity shareholders of the Company	11,923	2,112	(6,127)
	Number	Number	Number
Weighted average number of shares	120,824,823	120,205,794	120,364,831
Weighted average number of shares held by the Employee Benefit Trust	(135,521)	(26,501)	(61,741)
Weighted average number of shares	120,689,302	120,179,293	120,303,090
Dilutive share options	1,996,742	2,015,643	2,138,826
Diluted weighted average number of shares	122,686,044	122,194,936	122,441,916
	p	p	p
Basic earnings/(loss) per share	9.9	1.8	(5.1)
Diluted earnings/(loss) per share	9.7	1.7	(5.1)

9. Acquisition of Vintage Software LLC., trading as EstateSales.NET (“ESN”)

On 6 February 2023, the Group acquired 100% of the equity share capital of ESN. ESN provides a platform to facilitate estate sales across the US. Both corporate estate sale companies as well as private customers use ESN to advertise online the sale of millions of unique second-hand items sourced from a range of events including private home estate sales and business liquidations. The purpose of the acquisition was to further strengthen the Group’s presence in the US and expand its A&A segment into an attractive adjacent channel for the resale of second-hand items.

The maximum consideration payable is \$40m (£33.2m), with an initial cash payment of \$30.2m (£25.1m), deferred consideration of \$10m (£8.3m) payable after 12 months and a working capital adjustment of \$46,000 (£38,000).

Management calculated the fair value of the deferred consideration using the acquisition’s internal rate of return to discount the liability, resulting in a liability of \$9.6m (£7.9m). Exchange differences to reserves were recorded within foreign exchange differences on translation of foreign operations in the Condensed Consolidated Statement of Comprehensive Income or Loss. The unwinding of discount of £0.4m will be reported as a finance cost in the Condensed Consolidated Statement of Profit or Loss over the period of the earn-out.

Provisional purchase price allocation

Management assessed the fair value of the acquired assets and liabilities as part of the purchase price allocation (“PPA”). This has been prepared on a provisional basis and the fair values of the assets and liabilities is as set out below.

	Book value £000	Fair value adjustments £000	Provisional fair value £000
Acquired intangible assets – software	–	2,161	2,161
Acquired intangible assets – customer relationships	–	9,559	9,559
Acquired intangible assets – brand	229	2,406	2,635
Property, plant and equipment	161	–	161
Right of use assets	438	–	438
Cash and cash equivalents	155	–	155
Trade receivables and other receivables	41	–	41
Trade and other payables	(438)	–	(438)
Lease liabilities	(264)	–	(264)
Net assets on acquisition	322	14,126	14,448
Goodwill (note 10)			18,576
Total consideration			33,024
Consideration satisfied by:			
Initial cash consideration			25,092
Deferred consideration			7,932
			33,024
Net cash outflow arising on acquisition:			
Initial cash consideration			25,092
Less: cash and cash equivalent balances acquired			(155)
			24,937

Acquired intangible assets

Acquired intangible assets represent customer relationships, auction technology platform and brand for which amortisation of £0.4m has been charged for the six months ended 31 March 2023. The intangible assets will be amortised over their respective expected useful economic lives: customer relationships of two to seven years, auction technology platform of five years and brand of 15 years.

Deferred tax

Goodwill and acquired intangible assets of £32.5m are expected to be deductible for income tax purposes.

Goodwill

Goodwill arises as a result of the surplus of consideration over the fair value of the separately identifiable assets acquired. The main reason leading to the recognition of goodwill is the future economic benefits arising from assets which are not capable of being individually identified and separately recognised; these include the value of synergies expected to be realised post-acquisition, new customer relationships and the fair value of the assembled workforce within the business acquired.

Acquisition costs of £1.7m (31 March 2022: £nil, 30 September 2022: £nil) directly related to the business combination have been immediately expensed to the Condensed Consolidated Statement of Profit or Loss as part of administrative expenses and included within exceptional items (see note 3). Between 6 February 2023 and 31 March 2023, ESN contributed £1.3m to Group revenues and a profit before tax of £0.7m. If the acquisition had occurred on 1 October 2022, Group revenue would have been £69.5m and Group profit before tax would have been £1.9m.

10. Goodwill and other intangible assets

	Software £000	Customer relationships £000	Brand £000	Non- compete agreement £000	Total acquired intangible assets £000	Internally generated software £000	Goodwill £000	Total £000
1 October 2021	6,569	46,870	9,546	939	63,924	4,153	141,160	209,237
Acquisition of business	24,494	120,023	21,457	–	165,974	1,820	281,341	449,135
Additions	–	–	–	–	–	4,209	–	4,209
Amortisation	(6,118)	(17,436)	(2,736)	(301)	(26,591)	(4,118)	–	(30,709)
Exchange differences	5,029	25,943	5,016	154	36,142	962	66,477	103,581
30 September 2022	29,974	175,400	33,283	792	239,449	7,026	488,978	735,453
Acquisition of business (note 9)	2,161	9,559	2,635	–	14,355	–	18,576	32,931
Additions	–	–	–	–	–	3,885	–	3,885
Amortisation	(2,870)	(9,246)	(1,458)	(174)	(13,748)	(1,612)	–	(15,360)
Exchange differences	(2,837)	(14,459)	(2,833)	(70)	(20,199)	(421)	(38,469)	(59,089)
31 March 2023	26,428	161,254	31,627	548	219,857	8,878	469,085	697,820

	Software £000	Customer relationships £000	Brand £000	Non- compete agreement £000	Total acquired intangible assets £000	Internally generated software £000	Goodwill £000	Total £000
1 October 2021	6,569	46,870	9,546	939	63,924	4,153	141,160	209,237
Acquisition of business	24,494	120,023	21,457	–	165,974	1,820	281,461	449,255
Additions	–	–	–	–	–	1,621	–	1,621
Amortisation	(3,003)	(8,403)	(1,293)	(156)	(12,855)	(1,725)	–	(14,580)
Exchange differences	647	3,213	628	25	4,513	81	8,082	12,676
31 March 2022	28,707	161,703	30,338	808	221,556	5,950	430,703	658,209

At 31 March 2023, management have considered if any impairment indicators exist and concluded no impairment is required. As at 30 September 2022, both the A&A and Auction Services cash generating units had limited headroom and were sensitive to a movement in any one of the key assumptions. Management performed a sensitivity analysis based on reasonably possible scenarios including increasing the discount rates and reducing the CAGR on the future forecast cash flows, both of which are feasible given the current future uncertainty of macro-economics. At 31 March 2023, management considers these scenarios as disclosed in the Group's most recent Annual Report and Accounts for the year ended 30 September 2022 to still be applicable.

11. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand. The carrying amount of these assets approximates to their fair value.

	Unaudited 31 March 2023 £000	Restated Unaudited 31 March 2022 £000	Restated Audited 30 September 2022 £000
Cash at bank	5,217	32,817	49,427
Restricted cash	2,405	2,402	2,390
	7,622	35,219	51,817

Restricted consists of cash held by the Trustee of the Group's Employee Benefit Trust relating to share awards for employees. These funds are not available to circulate within the Group on demand.

Cash at bank excludes cash held by the Trustee of the Group's Employee Benefit Trust. This results in a restatement for the year ended 30 September 2022 and the six months ended 31 March 2022. This change in policy provides users with more reliable information about the nature of the Group's cash and cash equivalents.

12. Loans and borrowings

The carrying amount of loan and borrowings classified as financial liabilities at amortised cost approximates to their fair value.

	Unaudited 31 March 2023 £000	Unaudited 31 March 2022 £000	Audited 30 September 2022 £000
Current			
Senior Term Facility	–	14,276	30,983
	–	14,276	30,983
Non-current			
Senior Term Facility	120,019	140,643	149,862
Revolving Credit Facility	17,585	–	–
	137,604	140,643	149,862
	137,604	154,919	180,845

The Group entered into a Senior Facilities Agreement on 17 June 2021 which included:

- A senior term loan facility (the "Senior Term Facility") for \$204.0m for the acquisition of LiveAuctioneers. The Senior Term Facility was drawn down in full on 30 September 2021 prior to completion of the acquisition of LiveAuctioneers on 1 October 2021. During the six months ended 31 March 2023, a prepayment of \$53.7m (£48.0m) was paid on the Senior Term Facility. In the absence of any other prepayments, the next scheduled repayment would be \$7.4m on 30 June 2024. The loan will be due for repayment on 17 June 2026.
- A multi-currency revolving credit working capital facility (the "Revolving Credit Facility") for \$49.0m. Any sums outstanding under the Revolving Credit Facility will be due for repayment on 17 June 2025, subject to the optionality of a further 12-month extension. On 1 February 2023, \$26.3m (£21.3m) was drawn down to partly fund the acquisition of ESN (see note 9), of which \$4.6m (£3.8m) has been repaid during the six months ended 31 March 2023.
- The Senior Facilities Agreement contains an adjusted net leverage covenant which tests the ratio of adjusted net debt against adjusted EBITDA and an interest cover ratio which tests the ratio of adjusted EBITDA against net finance charges, in each case as at the last date of each financial quarter, commencing with the financial quarter ending 30 September 2021. The Group has complied with the financial covenants of its borrowing facilities during the six months ended 31 March 2023.

13. Deferred taxation

The movement in net deferred tax liabilities is as follows:

	Total £000
1 October 2021	(8,894)
Acquisition of business	(42,152)
Amount charged to Condensed Consolidated Statement of Profit or Loss	(4,914)
Amount charged to equity	(150)
Exchange differences	(8,508)
30 September 2022	(64,618)
Amount credited to Condensed Consolidated Statement of Profit or Loss	13,449
Exchange differences	3,542
31 March 2023	(47,627)

The net deferred tax liabilities include deferred tax asset of £nil at 31 March 2023 (31 March 2022: £nil; 30 September 2022: £nil).

14. Share capital

	Unaudited 31 March 2023 £000	Unaudited 31 March 2022 £000	Audited 30 September 2022 £000
Allotted, called up and fully paid			
121,133,406 ordinary shares at 0.01p each (31 March 2022: 120,519,793, 30 September 2022: 120,525,304)	12	12	12
	12	12	12

The movements in share capital, share premium and other reserve are set out below:

	Number of shares	Share capital £000	Share premium £000	Other reserve £000
1 October 2022	120,525,304	12	235,903	238,385
Share options exercised	608,102	–	47	–
31 March 2023	121,133,406	12	235,950	238,385

During the period, 608,102 ordinary shares of 0.01p each with an aggregate nominal value of £61 were issued for options that vested for a cash consideration of £47,000. These included management rollover options and restricted stock units granted for the LiveAuctioneers acquisition in FY22, Long-term Incentive Plan Awards (“LTIP Awards”) and shares issued to the Trust for LTIP Awards that have vested in the period.

15. Related party transactions

During the six months ended 31 March 2023, the Group paid two months’ rent of \$20,000 (£17,000) to McQuade Enterprises LLC, a company owned by the previous owners of ESN. There were other no related party transactions. The Group’s related party transactions for FY 22 are disclosed in the Group’s 2022 Annual Report. There have been no material changes in the related party transactions described in the last annual report except as detailed above.

16. Events after the balance sheet date

There were no events after the balance sheet date.

Responsibility Statement

The Directors confirm that to the best of our knowledge:

- these Condensed Consolidated Interim Financial Statements have been prepared in accordance with United Kingdom adopted International Accounting Standard 34 “Interim Financial Reporting”,
- the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events and their impact during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties’ transactions and changes therein).

By order of the Board,

John-Paul Savant
Chief Executive Officer

Tom Hargreaves
Chief Financial Officer

17 May 2023

17 May 2023

Glossary

A&A	Art & Antiques
Auction Mobility	Auction Mobility LLC
Bidder sessions	web sessions on the Group's marketplaces online within a given time frame
BidSpotter	the Group's marketplace operated via the www.BidSpotter.co.uk and www.BidSpotter.com domain
EBITDA	earnings before interest, taxes, depreciation and amortisation
ESN	the Group's marketplace operated via the www.EstateSales.NET domain
GMV	gross merchandise value, representing the total final sale value of all lots sold via winning bids placed on the marketplaces or the platform, on a proforma basis, excluding additional fees (such as online fees and auctioneers' commissions) and sales of retail jewellery (being new, or nearly new, jewellery)
i-bidder	the Group's marketplace operated by the www.i-bidder.com domain
I&C	Industrial & Commercial
LiveAuctioneers	the Group's marketplace operated via the www.liveauctioneers.com domain
Lot-tissimo	the Group's marketplace operated via the www.lot-tissimo.com domain
LTIP Awards	the Company's Long Term Incentive Plan
Marketplaces	the online auction marketplaces operated by the Group
Conversion rate	represents GMV as a percentage of THV; previously called "online share"
Organic revenue	The Group has made certain acquisitions that have affected the comparability of the Group's results. Previously the Group had reported proforma revenue and proforma revenue growth which included acquisitions as if they had occurred at the start of the comparative period, with the comparative period being presented on a constant currency basis using the current year exchange rates. It was deemed by management more appropriate to present organic revenue and organic revenue growth at HY23 given the size of the ESN acquisition. Organic revenue shows the current period results excluding the acquisition of ESN on 6 February 2023. Organic revenue is shown on a constant currency basis using average exchange rates for the current financial period applied to the comparative period and are used to eliminate the effects of fluctuations in assessing performance.
Proxibid	the Group's marketplace operated via the www.proxibid.com domain
The Saleroom	the Group's marketplace operated via the www.the-saleroom.com domain
Take rate	represents the Group's marketplace revenue, excluding EstateSales.NET, as a percentage of GMV. Marketplace revenue is the Group's reported revenue excluding Content and Auction Services revenue
THV	total hammer value, representing the total final sale value of all lots listed on the marketplaces or the platform, on a proforma basis, excluding additional fees (such as online fees and auctioneers' commissions) and sales of retail jewellery (being new, or nearly new, jewellery)
Timed auctions	auctions which are held entirely online (with no in-room or telephone bidders) and where lots are only made available to online bidders for a specific, pre-determined timeframe

Independent Review Report to Auction Technology Group plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2023 which comprises the Condensed Consolidated Statement of Profit or Loss, Condensed Consolidated Other Comprehensive Income or Loss, the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cash Flow and related notes 1 to 16.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the basis for conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the Directors

The Directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our conclusion relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the basis for conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the Company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, UK
17 May 2023