

Norman Broadbent plc
("Norman Broadbent" or the "Company" or the "Group")

Interim results for the six months ended 30 June 2023

Norman Broadbent plc (AIM: NBB), a leading London quoted Executive Search and Interim Management firm offering a diversified portfolio of integrated Leadership Acquisition & Advisory Services, is pleased to announce its unaudited interim results for the six months ended 30 June 2023 ("H1 2023").

Financial Highlights

- Revenue growth of 54% to £6.1m (H1 2022: £3.9m).
- Underlying¹ EBITDA of £0.27m up almost 400% (H1 2022: £0.06m).
 - Reflects the improvements made in the culture, brand, headcount growth and quality and seniority of mandates secured.
- Profit after tax of £8,000 (H1 2022: loss after tax £72,000). First profitable H1 since 2019.
- Net cash generated by operating activities of £0.05m (H1 2022: net cash used (£0.50m)).
- Repaid £0.2m of Convertible Loan Notes ("CLNs") in May 2023.
 - The balance of £0.2m is expected to be repaid before the second anniversary of issue.

Operational Highlights

- Net fee income ("NFI") up 58% to £5.2m (H1 2022: £3.3m).
 - Q2 2023 NFI increased by 50% to £2.7m (Q2 2022: £1.8m).
 - Executive Search NFI grew by 58% to £4.1m (H1 2022: £2.6m).
 - Interim Management NFI was up 43% to £1.0m (H1 2022: £0.7m).
 - £1.0m of NFI generated in June 2023 alone the highest achieved under the new management team to date in a single month
- Average new search fee value increased by 43% and average NFI per fee earner up 13% compared to H1 2022.
- 35% growth in fee earner headcount since 30 June 2022 with additional high-quality hires in train for H2 2023.
- Implementation of improved technology platforms in 2023 with new finance system, HR platform and expense management tool, all of which will provide improved management information and support accelerated growth.

¹ Underlying EBITDA excludes share based payment charges

Kevin Davidson, CEO of Norman Broadbent, said: "I am delighted to be announcing such strong results which demonstrate the quality and dedication of the team and the culture of excellence which we have established together over the past couple of years. This platform has enabled us to retain and hire exceptional talent in a market which continues to be extremely competitive.

We have strengthened the business in all areas with economies of scale and efficiency improvements beginning to benefit the bottom line. Having delivered a profit after tax for the first time since H1 2019, the substantial carried forward tax losses of over £14m begin to be of significant value as we expect to deliver sustainable and accelerated growth in the years ahead.

Despite a challenging market, we look forward with confidence and excitement about what can be achieved again at Norman Broadbent. Looking ahead, we remain conscious of the macro-economic environment, but continue to see a strong pipeline of opportunities giving us confidence as we head into H2. I thank everyone in the team for their continued dedication, our clients for choosing to work with us and our investors for their continued support."

For further information, please contact:

Norman Broadbent plc

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Copies of this announcement are available on the Company's website at www.normanbroadbent.com.

CEO's Statement

Norman Broadbent has delivered considerable growth in headcount, capability and capacity in H1 2023 whilst also generating positive EBITDA. With NFI up 58% and underlying EBITDA up almost 400%, we are delighted to have delivered the Company's best results for some time.

New hires continue to establish themselves rapidly and H1 2023 has seen us deepen our capabilities and reach across our key sectors and corporate functions, including Industrial, Investor, Digital & Technology, Life-Sciences, Finance and Change & Transformation. As we enter H2 2023, the Company has already secured an additional fee earner to accelerate the development of our Board Practice. There are other fee generating hires in process and we remain disciplined in terms of quality and cultural alignment on all prospective recruits.

In H1 2023, the Company placed leaders across the UK and Europe, the US, South America, the Middle East and Asia. It has purposefully developed its international client base and brand over the past two years and it is very pleasing to see that 29% of H1 2023's NFI was generated from international assignments (H1 2022: 24%). This international spread of business enables the Company to capitalise fully on global key accounts, secure the most senior mandates, mitigate risk and open multiple fronts for continued growth. The Board does not declare the payment of an interim dividend (2022: nil pence).

As it has scaled, the Company has also focused heavily on processes, systems and team development to ensure efficiency and consistency. This, coupled with the rapidly rising quality and seniority of mandates, has enabled the Company to grow NFI in an increasingly accretive way as efficiencies are realised within the research and support teams.

Summarised Financial Results:

The table below summarises the financial results for the Group:

	Six months to 30 Jun 2023 £000's (unaudited)	Six months to 30 Jun 2022 £000's (unaudited)	Year ended 31 Dec 2022 £000's (audited)
Revenue	6,057	3,936	8,697
Cost of sales	(879)	(640)	(1,350)
Gross profit (Net Fee Income)	5,178	3,296	7,347
Operating expenses	(4,907)	(3,241)	(7,254)
Underlying EBITDA¹	271	55	93
Share based payment charge	(82)	-	(131)
EBITDA	189	55	(38)
Depreciation and amortisation	(111)	(104)	(223)
Group operating profit/(loss) before tax	78	(49)	(261)
Net finance cost	(70)	(23)	(77)
Profit/(loss) before tax	8	(72)	(338)
Income tax expense	-	-	-
Profit/(loss) after tax	8	(72)	(338)

Financial Position

¹ Underlying EBITDA excludes share based payment charges

As at 30 June 2023, equity shareholders' funds were £0.76m (30 June 2022: £0.764m), with net current liabilities of £0.762m (30 June 2022: £0.646m). Cash and cash equivalents at 30 June 2023 amounted to £81,000 (30 June 2022: £64,000). Net debt (excluding lease liabilities) had improved to £1.2m (30 June 2022: £1.4m) reflecting partial repayment of the CLNs. Net debt post-lease liabilities at 30 June 2023 had reduced to £1.4m (30 June 2022: £1.8m).

Net cash inflow from operations was £52,000 (H1 2022: outflow of £495,000) and net cash inflow from financing activities amounted to £8,000 (H1 2022: inflow of £173,000).

Outlook

Despite the extremely challenging economic backdrop, Norman Broadbent has continued to deliver against its successful revitalisation and growth agenda, delivering rapid and sustainable profit growth.

As the Company continues to re-establish itself as a pre-eminent force in executive search and senior interim management across the UK and internationally, the Board is monitoring carefully the evolving macro-economic climate. The Board continues to believe that the Company is very well positioned in more stable and growing markets, notably across Industrials and, in particular, Energy, Power, Chemicals, Transport & Infrastructure, including Civil Aviation. All of these sectors continue to attract significant capital investment whilst also experiencing extreme imbalances in the supply of, and demand for, senior leadership talent. The Company is also effectively leveraging its functional expertise across these markets, particularly in Digital & Tech, Finance, HR and Change & Transformation.

With considerable forward momentum, the Board is confident of delivering strong results in H2 2023 and is increasingly confident about achieving its medium-term target of £1.25 million of EBITDA by 2025.

Kevin Davidson
Chief Executive
24 July 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2023

	Note	Six months ended 30 June 2023 (unaudited) £000	Six months ended 30 June 2022 (unaudited) £000	Year ended 31 December 2022 (unaudited) £000
Revenue	2	6,057	3,936	8,697
Cost of Sales		(879)	(640)	(1,350)
Gross profit (Net Fee Income)		5,178	3,296	7,347
Operating expenses		(5,100)	(3,345)	(7,608)
Operating profit / (loss) from continued operations		78	(49)	(261)
Net finance cost		(70)	(23)	(77)
Profit / (loss) on ordinary activities before income tax		8	(72)	(338)
Income tax expense			-	-
Total comprehensive profit / (loss) for the period		8	(72)	(338)
Profit/(loss) per share	3			
- Basic		0.01p	(0.12p)	(0.56p)
- Diluted		0.01p	(0.12p)	(0.56p)
Adjusted profit/(loss) per share				
- Basic		0.14p	(0.12p)	(0.34p)
- Diluted		0.14p	(0.12p)	(0.34p)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	As at 30 June 2023 (unaudited) £000	As at 30 June 2022 (unaudited) £000	As at 31 December 2022 (unaudited) £000
Non-current assets				
Intangible assets		1,363	1,363	1,363
Property, plant and equipment		301	472	402
Total non-current assets		1,664	1,835	1,765
Current assets				
Trade and other receivables		3,143	1,998	2,320
Cash and cash equivalents		81	64	50
Total current assets		3,224	2,062	2,370
Total assets		4,888	3,897	4,135
Current Liabilities				
Trade and other payables		2,609	1,260	2,006
Bank Loans and Loan Note	4	1,140	1,256	483
Lease liabilities		237	192	203

Total current liabilities		<u>3,986</u>	<u>2,708</u>	<u>2,692</u>
Net current liabilities		<u>(762)</u>	<u>(646)</u>	<u>(322)</u>
Non Current Liabilities				
Lease liabilities		9	242	155
Bank Loan and Loan Note	4	<u>133</u>	<u>183</u>	<u>618</u>
		<u>142</u>	<u>425</u>	<u>773</u>
Total liabilities		<u>4,128</u>	<u>3,133</u>	<u>3,465</u>
Total assets less total liabilities		<u>760</u>	<u>764</u>	<u>670</u>
Equity				
Issued share capital		6,345	6,334	6,345
Share premium account		14,110	14,080	14,110
Retained earnings		(19,695)	(19,650)	(19,785)
Total equity		<u>760</u>	<u>764</u>	<u>670</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2023

	Share Capital	Share Premium	Retained Earnings	Total Equity
	£000	£000	£000	£000
Balance at 1 January 2022	6,334	14,080	(19,578)	836
Loss for the period	-	-	(72)	(72)
Total comprehensive loss for the period	-	-	(72)	(72)
Balance at 30 June 2022 (unaudited)	6,334	14,080	(19,650)	764
Balance at 1 July 2022	6,334	14,080	(19,650)	764
Loss for the period	-	-	(266)	(266)
Total other comprehensive income	-	-	-	-
Total comprehensive loss for the period	-	-	(266)	(266)
Transactions with owners of the Company, recognised directly in equity				
Issue of ordinary shares	11	30	-	41
Credit to equity for share based payments	-	-	131	131
Total transactions with owners of the Company	11	30	131	172
Balance at 31 December 2022 (audited)	6,345	14,110	(19,785)	670
Balance at 1 January 2023	6,345	14,110	(19,785)	670
Profit for the period	-	-	8	8
Total comprehensive profit for the period	-	-	8	8
Transactions with owners of the Company, recognised directly in equity:				
Credit to equity for share based payments	-	-	82	82
Balance at 30 June 2023 (unaudited)	6,345	14,110	(19,695)	760

CONSOLIDATED STATEMENT OF CASH FLOW
For the six months ended 30 June 2023

	Note	Six months ended 30 June 2023 (unaudited) £000	Six months ended 30 June 2022 (unaudited) £000	Year ended 31 December 2022 (audited) £000
Net cash generated by / (used in) operating activities	(i)	52	(495)	(33)
Cash flows from investing activities and servicing of finance				
Net finance cost		(18)	(23)	(51)
Payments to acquire tangible fixed assets		(11)	(50)	(65)
Net cash generated by / (used in) investing activities		(29)	(73)	(116)
Cash flows from financing activities				
Repayment of borrowings		(257)	(22)	(32)
Proceeds from issue of capital		-	-	41
Increase / (decrease) in invoice discounting		386	(141)	(469)
New Loans received		-	400	400
Payment of finance lease liabilities		(121)	(64)	(200)
Net cash from financing activities		8	173	(260)
Net (decrease)/ increase in cash and cash equivalents		31	(395)	(409)
Net cash and cash equivalents at beginning of period		50	459	459
Effects of exchange rate changes on cash balances held in foreign currencies		-	-	-
Net cash and cash equivalents at end of period		81	64	50
Analysis of net funds (pre lease liabilities)				
Cash and cash equivalents		81	64	50
Borrowings due within one year		(1,140)	(1,256)	(483)
Borrowings due within more than one year		(133)	(183)	(618)
Net debt		(1,192)	(1,375)	(1,051)
Note (i)				
Reconciliation of operating profit to net cash from operating activities		Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)	Year ended 31 December 2022 (audited)
Operating profit / (loss) from continued operations		78	(49)	(261)
Depreciation/amortisation of property, plant and equipment		111	104	223
Share based payment charge		82	-	131
(Increase)/decrease in trade and other receivables		(823)	(83)	(405)
Increase/(decrease) in trade and other payables		604	(467)	279
Net cash generated by / (used in) operating activities		52	(495)	(33)

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

1.1 Basis of preparation

The financial information set out in these interim financial statements does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 December 2022, prepared under International Financial Reporting Standards (IFRS), have been filed with the Registrar of Companies. The auditor's report on those statements was unqualified.

The interim financial information for the six months ended 30 June 2023, has been prepared in accordance with the AIM Rules for Companies. The Group has not elected to apply IAS 34 'Interim Financial Reporting'. The principal accounting policies used in preparing the interim results are those the Group expects to apply in its financial statements for the year ending 31 December 2023 and are unchanged from those disclosed in the Group's Annual Report for the year ended 31 December 2022. The interim financial statements have not been audited.

1.2 Basis of consolidation and business combinations

Group financial statements consolidate those of the Company and of the following subsidiary undertakings:

Principal Group investments:	Country of incorporation or registration and operation	Principal activities	Description and proportion of shares held by the Company
Norman Broadbent Executive Search Ltd	England and Wales	Executive Search	100 per cent ordinary shares
Norman Broadbent (Ireland) Ltd	Republic of Ireland	Dormant	100 per cent ordinary shares

2. SEGMENTAL ANALYSIS

Group revenues are primarily driven from UK operations. However, when revenue is derived from overseas business, the results are presented to the Board by geographic region to identify potential areas for growth or those posing potential risks to the Group.

i) Revenue by class of business:

	Revenue £'000		
	Six Months Ended 30 June 2023 (unaudited)	Six Months Ended 30 June 2022 (unaudited)	Year Ended 31 December 2022 (audited)
Search	4,062	2,555	5,666
Interim Management	1,776	1,378	2,920
Leadership consulting	219	3	111
Total	6,057	3,936	8,697

ii) Revenue and gross profit by geography:

	Revenue £'000			Gross Profit £'000		
	Six Months Ended 30 June 2023 (unaudited)	30 June 2022 (unaudited)	Year Ended 31 December 2022 (audited)	Six Months Ended 30 June 2023 (unaudited)	30 June 2022 (unaudited)	Year Ended 31 December 2022 (audited)
United Kingdom	4,513	3,159	6,660	3,652	2,519	5,627
Rest of World	1,544	777	2,037	1,526	777	1,720

Total	6,057	3,936	8,697	5,178	3,296	7,347
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3. PROFIT/(LOSS) PER ORDINARY SHARE

i) Basic profit/(loss) per share:

This is calculated by dividing the profit/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period:

	Six Months Ended 30 June 2023 (unaudited)	30 June 2022 (unaudited)	Year Ended 31 December 2022 (audited)
Profit/(loss) attributable to shareholders (£)	8,000	(72,000)	(338,000)
Weighted average number of ordinary shares	61,817,510	60,740,575	60,879,205

ii) Diluted profit/(loss) per share:

This is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive issues of ordinary shares. The Company has issued share options which are potentially dilutive. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual price of the Company's shares) based on the monetary value of the subscription rights attached to the outstanding options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June 2023 (unaudited)	Six months ended 30 June 2022 (unaudited)	Year ended 31 December 2022 (audited)
Profit/(loss) attributable to shareholders (£)	8,000	(72,000)	(338,000)
Weighted average no. of ordinary shares	61,817,510	60,740,757	60,879,205
Weighted average number of ordinary shares for diluted earnings per share	61,817,510	60,740,757	60,879,205

iii) Adjusted profit/(loss) per share

Adjusted profit/(loss) per share has also been calculated in addition to the basic and diluted loss per share and is based on losses adjusted to eliminate charges for share based payments. It has been calculated to allow shareholders to gain a clearer understanding of the trading performance of the Group.

	Six months ended 30 June 2023 (unaudited)			Six months ended 30 June 2022 (unaudited)			Year ended 31 December 2022 (audited)		
	£000	Basic pence per share	Diluted pence per share	£000	Basic pence per share	Diluted pence per share	£000	Basic pence per share	Diluted pence per share
Basic earnings									
Profit/(loss) after tax	8	0.01	0.01	(72)	(0.12)	(0.12)	(338)	(0.56)	(0.56)
Adjustment									
Share based payment charge	82	0.13	0.13	-	-	-	131	0.22	0.22
Adjusted earnings	90	0.14	0.14	(72)	(0.12)	(0.12)	(207)	(0.34)	(0.34)

4. BORROWINGS

	Six months ended	Six months ended	Year ended
	30 June	30 June	31 December
	2023	2022	2022
	(unaudited)	(unaudited)	(audited)
	£000	£000	£000
Invoice discounting facility (see note (a) below)	869	811	483
Loans (see note (b) below)	404	628	618
Total	1,273	1,439	1,101

(a) Invoice discounting facility

The Group operates an invoice discounting facility with Metro Bank. All Group invoices are raised through Norman Broadbent Executive Search Limited and as such Metrobank (SME Invoice Finance Limited) holds an all asset debenture for Norman Broadbent plc and Norman Broadbent Executive Search Limited. At as 30 June 2023, the outstanding balance on the facility of £0.9m was secured by trade receivables of £2.7m. Interest is charged on the drawn down funds at a rate of 2.4% above the bank base rate.

(b) Loans

In November 2020, the Group received a CBILS loan of £250,000 for a term of 6 years. Repayment of capital and interest began in January 2022, and the loan incurs interest at 4.75% above the Metro Bank UK base rate. Metro Bank holds an all asset fixed and floating charge over Norman Broadbent Executive Search Limited linked to this facility.

On 20 May 2022, a total of £400,000 nominal value of CLNs were issued to Downing Strategic Micro-Cap Investment Trust Plc and Moulton Goodies Limited, each of whom subscribed £200,000. On 19 May 2023, £200,000 nominal value of CLNs was repaid. Each of Downing Strategic Micro-Cap Investment Trust Plc and Moulton Goodies Limited holds £100,000 of CLNs of which up to 50% of the outstanding amount is convertible plus any compounded interest in accordance with the terms of the secured loan instrument and security provided by Norman Broadbent Executive Search Limited.