

Interim results for the six months to 30 June 2023

Project delivery delays unwind in the first half of 2023, business transformation accelerates.

Maintel Holdings Plc, a leading provider of cloud and managed communication services, is pleased to announce its unaudited interim results for the six months to 30 June 2023.

Key Financial Information

Unaudited results for 6 months ended 30 June:	2023	2022	Increase/ (decrease)
Group revenue (£'m)	47.5	46.7	1.7%
Gross profit (£'m)	16.0	15.3	4.6%
Adjusted EBITDA	3.7	3.6	2.8%
(Loss)before tax (£'m)	(2.9)	(0.5)	480.0%
Adjusted profit before tax ^[4] (£'m)	2.0	2.4	(20.8)
Basic (loss)/ earnings per share (p)	(19.1)	(1.8)	(961.1)%
Adjusted earnings per share ^[2] (p)	2.6	11.1	(76.6)%
Net cash debt ^[3] (£'m)	21.4	19.4	10.3%
Contracted cloud seats	181,000	160,000	13.1%

Highlights

- Group revenue was £47.5m, up 1.7% (2022: £46.7m) with recurring revenue representing 75.1% of total revenue (2022: 73.7%).
- Revenue has increased year-on-year following the easing of supply chain shortages and the continued successful unwinding of our contracted order book built up during 2022.
- Significant progress in implementing the first phase of the business's turnaround plan and moving to a more efficient operating model. The Company continues to focus on shifting from generalist to specialist communications solution designer and provider, allowing us to add more value to our customers through identifying joint value creation.
- In turn recurring revenue grew by 3.3% compared to the same period in 2022, faster than project revenue (-4.0%), increasing from 73.7% to 75.1%. We continue to grow secured, contracted and regular revenues through our cloud communications, network and security managed service products which have performed well through the pandemic and still have good prospects for future growth.
- Revenues from Cloud and software customers increased as a proportion of total Group revenue to 48.8% (H1 2022: 42.4%) which is important to the business's market position as a digital communications specialist.
- Gross profit increased to £16.0m (2022: £15.3m) with gross margin increasing to 33.6% (H1 2022: 32.8%). This increase flows from improved commercial relationships with our vendors and focus and in turn being more successful in securing higher value contracts within our customer base.
- Adjusted EBITDA has increased by 2.8% to £3.7m (H1 2022: £3.6m).
- Basic loss per share at 19.1p (H1 2022: loss per share at 1.8p), flows from one-off restructuring costs (£1.9m) which pay back within one year, plus increased interest charges (FY23: £1.0m, FY22: £0.4m) arising from rising SONIA interest rates.

- The business's net debt⁽³⁾ increased to £21.4m, (2022: £19.4m) owing almost exclusively to restructuring exceptional costs and increased debt servicing charges. The benefits of restructuring will be realised quickly and permanently.

Operational highlights

- H1 has been a period of focus on the turnaround plan and implementation of new ways of working which will have sustainable and progressive benefits.
- The product and sales teams are now fully aligned on the design and provision of specialist digital communications, a strategic pivot from our historic focus on being a generalist telecoms provider. Our sales force has been realigned to support and deliver this strategic pivot.
- New working practices have been established which are already yielding results, such as the acceleration of project implementation due to closer engagement with our customer base, shortening the timescale from win to bill, which will improve free cash generation in H2 2023.
- We are actively revisiting and exiting loss-making contracts and have won a number of new high value contracts such as Kingfisher Group, Harrods, Vanquis Banking Group, Angus Council, Northampton General Hospital NHS Trust and The Leeds Teaching Hospital. Major new and existing customer contract awards exceed £25m total contract value (TCV), of which over £17m will be recurring revenue.
- Continued progress in cloud and managed services has delivered a 13.1% increase in contracted cloud seats to 181,000 at the half year-end (H1 2022: 160,000).
- Our sales order pipeline amounts to £32.0m. Following the 2022 delay in project roll-out, we have been able to accelerate service to our customers in H1 2023, shortening the time from project to recurring revenue into H2 2023 and 2024.
- The sales team has delivered above target results despite all the changes in H1 and made significant progress signing deals in the private sector.
- However, the implementation of new procurement framework change with a 3 to 5 year cycle has led to a slow-down in public sector tenders.
- Having secured our place on the new framework agreement, activity is now returning to normal levels.
- The Company expects to release annualised P&L improvements of c.£11.0m (combining both revenue benefits and cost savings, as an exit run rate from the end of December 2023), of which £3.0m fall into H1. Part of the benefits will be re-invested in future growth, such as R&D, to generate operational scalability.

The Company announces that its nominated adviser and broker finnCap Ltd, has changed its name to Cavendish Capital Markets Limited, following a merger.

Commenting on the Group's results, Carol Thompson, Executive Chairman/Chief Executive Officer said:

"2023 is proving a stimulating and positive year for the business. The outcome of the first half giving greater clarity on where Maintel sits in its market and future strategic imperatives. From that perspective the team feels strong and well equipped to move forward at pace, delivering consistently high levels of service to clients and doubling down in high growth areas where we have historically seen success.

Remote and hybrid working have meant that technology providers have had to evolve faster than any time in the last 10 years and Maintel is well placed to support the new hybrid working and cloud centric environment within which our products sit perfectly. In order to help our customers support this new way of working and ensure collaboration, cooperation and productivity are not lost, Maintel assumes the hybrid working environment as a medium-term feature and are working hard on our new product innovations to service customers who find themselves trying to find ways of making the "new normal" work for them. The business made a strategic move into unified communications, secure connectivity and customer experience solutions prior to the pandemic but due to supply chain issues and slowdown in procurement cycles, the business's success was constrained. These issues are resolved and we are now capitalising on our early adoption and working with our vendors on developing next generation efficiency and effectiveness models for our customers. Known for being design experts and vendor agnostic, we are able to create the optimal environment for our clients, safe in the knowledge we are highly regarded by global providers such as Avaya, Cisco, Genesys, Mitel, RingCentral and Unify. We aim to add new vendors to that list where the technology gives our customers the edge both in terms of productivity and cost.

We are clear on our strategy, product, IP investment and customer engagement model. The remainder of the financial year and beyond is about executing on that strategy, building on the positive trading momentum continuing into H2 2023 from H1. Adjusted EBITDA is tracking ahead of management's expectation and Maintel's strong order book and focused sales strategy underpins management's confidence in the remainder of the year and now anticipates achieving adjusted EBITDA for the financial year ahead of initial management expectations, whilst total net debt is forecasted slightly higher to support further investment in restructuring and the normalisation of the working capital.

The search for a new permanent CEO continues, along with a new senior independent non-executive director.

Whilst the dual role is in place, I continue to be supported by John Booth as Deputy Chairman. During H1 we welcomed Clare Bates to the board as Chair of the Remuneration Committee and she brings significant expertise, experience and balance to the board. We are delighted to have her as part of the team.

Notes

[1] Adjusted EBITDA is EBITDA of £1.6m (H1 2022: £3.2m), adjusted for exceptional items (including one-off restructuring costs) and share based payments (note 5).

[2] Adjusted earnings per share is basic (loss) per share of (19.1)p (H1 2022: loss per share of (1.8)p), adjusted for intangibles amortisation, exceptional items and share based payments (note 4). The weighted average number of shares in the period was 14.4m (H1 2022: 14.4m).

[3] Interest bearing debt (excluding issue costs of debt and IFRS 16 debt) minus cash.

[4] Adjusted (loss) before tax of £1.9m (H1 2022: 2.4m) is basic (loss) before tax, adjusted for intangibles amortisation, exceptional items and share based payments.

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014

C Thompson
Executive Chairman

19 September 2023

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Business review

Results for the six month period to 30 June 2023

Group revenue increased by 1.7% to £47.5m (H1 2022: £46.7m).

Recurring revenue grew by 3.3% compared to the same period in 2022, faster than project revenue (-4.0%), increasing from 73.7% to 75.1%, as a percentage of total revenue.

Our managed services and technology division declined marginally in revenue by 2.1% to £24.5m (2022: £25.0m), with the managed service support base stable year on year at £25.6m (annualised base figure), predominantly due to contract losses and erosion stabilising, following price increases on renewals, and on-premise customers transitioning to managed cloud services. Technology division revenues decreased by 3.9% to £11.8m, in comparison to a particularly strong equivalent period in 2022 (2022: £12.3m) aided by the project delivery of orders closed in FY22, as well as licences associated with new SD-WAN sales, hardware for cloud deployments and licences for existing system expansions. The £11.8m revenue delivered in the first half of the current financial year represents strong progress compared to £8.6m generated in the second half of 2022.

The number of contracted seats on our ICON and public cloud platforms increased by 13.1% to 181,000 with revenue from cloud and software customers now totalling £23.1m, 48.80% of Group revenue. The Group's cloud portfolio continues to be enhanced by both public and private cloud solutions, and revenue from cloud subscriptions and associated managed services grew 19.8% to £7.0m. The continued revenue benefit from the additional contracted seats will be realised in 2023 and beyond as these projects continue to be delivered.

With regard to cost management, to date the business has delivered annualised exit run-rate P&L improvements totalling £11.0m, of which £3.0m impacted the period reported.

The cash conversion of the business was impacted in the period by the exceptional costs associated with the cost restructure of the business, the increased debt servicing charge and to a lesser extent the normalisation of working capital. These exceptional cash flows pay back within one year and are complete as at the end of H1.

Adjusted EBITDA⁽¹⁾ increased by 2.8% mainly reflecting the revenue dynamic in the first half of the year as well as the impact of the restructuring programme.

The Group incurred a loss before tax of £2.9m (H1 2022: loss of £0.5m) and loss per share of 19.1p (H1 2022: loss per share of 1.8p). This includes a net exceptional charge of £1.9m (H1 2022: £0.3m) (refer note 7) and intangibles amortisation of £2.8m (H1 2022: £2.6m).

Adjusted earnings per share (EPS) decreased by 76.6% to 2.6p (H1 2022: 11.1p) based on a weighted average number of shares in the period of 14.4m (H1 2022: 14.3m).

	6 months to 30 June 2023	6 months to 30 June 2022	Increase/ (decrease)
	£000	£000	
Revenue	47,461	46,746	1.7%
(Loss) before tax	(2,928)	(575)	
Add back intangibles amortisation	2,842	2,651	
Exceptional items (note 7)	1,946	261	
Share based remuneration	124	71	
Adjusted profit before tax	1,984	2,408	(17.6)%
Interest	974	398	
Depreciation	757	808	
Adjusted EBITDA ^[1]	3,715	3,614	2.8%
Basic (loss) per share	(19.1)p	(1.8)p	(961.1)%
Diluted	(19.1)p	(1.8)p	(961.1)%
Adjusted (loss) per share ^[2]	2.6p	11.1p	(76.6)%
Diluted adjusted (loss) per share	2.6p	11.1p	(76.6)%

Review of operations

Maintel is a Managed Services Provider, with a focus on three core areas, Unified Comms and Collaboration, Customer Experience and Secure Connectivity. Our vision is to help every organisation to thrive through the application of technology with a human touch. We see technology as the enabler, not the outcome. Success for us is delivering tangible business benefits for our customers, whether that be through increasing productivity, velocity, or collaboration, strengthening their relationships with their own customers, helping them grow, protecting them from cyber threats, reducing downtime or saving cost.

The ways in which we can help our customers thrive are many and varied, and our exceptional people apply the human touch to ensure that our customer's journey with us is a true partnership and that we deliver on our promises. This approach allows us to apply a common blueprint across everything we do, allowing us to cover a diverse range of technology but with a common and consistent customer experience.

Elements of cloud services revenues are currently accounted for in both the managed services and technology division (under the technology revenue line) and the network services division.

The following table shows the performance of the three operating segments of the Group.

	6 months to 30 June 2023	6 months to 30 June 2022	(Decrease) / increase
Revenue analysis	£000	£000	
Managed services related	12,674	12,730	(0.4)%
Technology ^(a)	11,801	12,279	(3.9)%
Managed services and technology division	24,475	25,009	(2.1)%
Network services division	20,892	19,504	7.1%
Mobile division	2,094	2,233	(6.2)%
Total Group	47,461	46,746	1.5%

(a)Technology includes revenues from hardware, software, professional services and other sales.

Managed services and technology division

The managed services and technology division contains two distinct revenue lines:

- **Managed services:** all support and managed service recurring revenues for hardware and software located on customer premises. This combines both legacy PBX and Contact Centre systems, which are in a managed decline across the sector as organisations migrate to more effective and efficient cloud solutions, with areas of technology such as Local Area Networking (LAN), WIFI and security, which are still very much current and developing technology areas and therefore enduring sources of revenue.
- **Technology:** all non-recurring revenues from hardware, software, professional and consultancy services and other non-recurring sales.

Services are predominantly provided across the UK, with some customers also having international footprints. The division also supplies and installs project-based technology, professional and consultancy services to our direct clients and through our partner relationships.

	6 months to 30 June 2023	6 months to 30 June 2022	Increase / (decrease)
	£000	£000	
Divisional revenue	24,475	25,009	(2.1)%
Divisional gross profit	6,525	6,610	(1.3)%
Gross margin (%)	26.6%	26.4%	

Revenue in this division decreased by 2.1% to £24.5m. Whilst the revenue from the legacy on premise managed service business remained relatively flat, with the expected churn in this space counteracted by new additions to the legacy estate (most notably an outsourcing contract from Atos), the Technology revenues declined by 3.9% as a result of the continued drive from upfront perpetual software license purchases, to subscription based licensing models and the mix of projects delivered in the period.

Network services division

The Network Services division is made up of three strategic revenue lines:

- **Cloud** – subscription and managed service revenues from cloud contracts
- **Data** – subscription, circuit, co-location and managed service revenues from Wide Area Network (WAN), SD-WAN, Internet access and managed security service contracts
- **Call traffic and line rental** – recurring revenues from both legacy voice and modern SIP Trunking contracts

	6 months to 30 June 2023	6 months to 30 June 2022	Increase / (decrease)
	£000	£000	
Call traffic	1,498	1,443	3.8%
Line rental	3,481	3,715	(6.3)%
Data connectivity services	8,742	8,116	7.7%
Cloud	6,959	6,006	15.9%
Other	212	224	(5.4)%
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Total division	20,892	19,504	7.1%
Division gross profit	8,437	7,918	6.6%
Gross margin (%)	40.4%	40.9%	

Network services revenue grew by 7.1% in the period, whilst the gross margin of the division contracted slightly to 40.4% (H1 2022: 40.9%). This reflects the positive contribution of the continued significant growth in cloud subscription revenues, up 15.9%, and a return to steady growth for data connectivity (up 7.7% vs a contraction of (1.7%) from H1 2021 to H1 2022), driven by our success in winning and rolling out large Software Defined Wide Area Network (SD_WAN) contracts since 2021 and the normalisation of the hardware supply chain we've seen in the first half of this year.

Calls and lines line rental revenue declined by 6.3%, driven by a continued migration away from the legacy PSTN services due to be turned off by BT at the end of 2025. This was partially counteracted by an increase in call traffic revenues (up 3.8%) driven by an increase in the volume of Inbound Calling services, predominantly from large Contact Centre deployments.

Maintel cloud services

Maintel has continued to grow its cloud services for both unified communications and contact centre applications – with 181,000 contracted cloud seats (up 13.1% on H1 2022) and revenues from cloud & software customers now at £23.1m, representing 48.6% of revenue (H1 2022: 42.4% of revenue). During the first half of 2023, we continued to make good progress in delivering our contracted cloud projects and have closed additional new key contracts for the future in both the Private and Public cloud spaces.

Mobile division

Maintel's mobile division generates revenue primarily from commissions received as part of its dealer agreements with O2 which scales in line with growth in partner revenues, in addition to value added services sold alongside mobile such as mobile fleet management and mobile device management.

	6 months to 30 June 2023 £000	6 months to 30 June 2022 £000	Decrease
Revenue	2,094	2,234	(6.2)%
Gross profit	1,002	823	21.7%
Gross margin (%)	47.8%	36.8%	
Number of customers	523	619	(15.5)%
Number of connections	28,671	27,341	4.8%

Revenue decreased by 6.2% to £2.1m (H1 2022: £2.2m) with gross profits at £1.0m (H1 2022: £0.8m), and higher margins of 47.8% compared to 36.8% in the prior period. The main contributing factor was the positive impact of bonuses earned in the year from our main partners.

O2 continues to be our core partner and route to market, bolstered by our Vodafone agreement and our newly established relationship with Three, which enhances our commercial offering as well as increasing our ability to serve our customers more effectively and efficiently. Lastly, our own ICON Mobilise wholesale offering is ideal for customers who require an agile solution that caters for unique billing, network, and commercial requirements.

Maintel's mobile go-to-market proposition will continue to focus on the mid-market and low-end enterprise segments where our portfolio is best suited. We continued to invest in this area during the period, with the launch of mobile usage threshold alarming within our ICON Portal digital customer engagement platform.

Administrative expenses

Administrative expenses mainly comprise costs related to the sales and marketing teams, the support functions and the managerial positions, as well as the associated growth generating investments and general costs. On a comparable basis, the total other administrative expenses, excluding depreciation, amounted to £12.6m for the period, slightly increased from £12.1m in H1 2022. The net £0.5m increase mainly reflects salary increases in line with inflation.

The overall headcount dropped by 6.3% or 31 FTEs and now stands at 465 (H1 2022: 496) as a result of the Group's programme of re-adapting to a scalable efficient business to facilitate our transition to a communications specialist.

Cash flow

The Group net debt (excluding IFRS 16 liabilities and issue costs of debt) of £21.4m at 30 June 2023, compared to £16.6m net debt at 31 December 2022.

	6 months to 30 June 2023 £000	6 months to 30 June 2022 £000
Cash (used in)/generated by operating activities	(1,898)	3,954
Taxation (paid)	-	(370)
Capital expenditure	(1,195)	(2,087)
Finance cost (net)	(849)	(471)
Issue costs of debt	-	(234)
Free cashflow	(3,942)	792
Payments in respect of prior period business combination	-	(311)
Proceeds from borrowings	2,500	22,500
Repayment of borrowings	(1,200)	(15,500)
Lease liability repayments	(644)	(517)
(Decrease)/ Increase in cash and cash equivalents	(3,286)	6,964
Cash and cash equivalents at start of period	6,136	(3,869)
Exchange differences	(24)	(5)
Cash and cash equivalents at end of period	2,826	3,090
Bank borrowings	(24,200)	(22,500)
Net debt excluding issue costs of debt	(21,374)	(19,410)
Adjusted EBITDA (note 5)	3,715	3,614

The Group generated -£1.9m of cash from operating activities compared to H1 2022 comparator of £3.9m.

Capital expenditure outlay of £1.2m in the period (H1 2023: £2.0m) was driven by our continued investment across Maintel's product and service portfolio.

No tax paid was paid in the first half of the financial year. In prior years payments have been made in relation to the Groups historical losses being fully utilised and taxable profits arising in the year ended 31 December 2022.

Dividends

In line with previous periods, the Board has made the decision to continue to pause dividend payments. As such, the Board will not declare an interim dividend for 2023 (H1 2022: Nil).

Outlook

The solid performance of our sales team year-to-date supports our expectations of a strong performance for the second half of 2023. The sales order book currently extends revenue potential beyond our original expectations. Private sector business secured in the early months of 2023 is now being delivered and supports strong project revenue streams. Whilst public sector contract awards in the first half of the year were awaiting the implementation of the new public framework, we expect an increase in tendering activity during H2 and into 2023 as investment continues in digital transformation across local government, health, housing and education sectors.

Leveraging the positive outcome of the first phase of the business transformation, the performance in the second half of the year will benefit from the full impact of the P&L improvement initiatives. Those benefits will be compounded with the implementation of the second phase of the transformation programme focussing on our property strategy, the delivery model and growth acceleration.

The Board therefore expects H2 2023 trading to show further momentum building on the period reported. Consequently, the Board is confident that Maintel will achieve full year adjusted EBITDA ahead of initial expectations for the financial year ending 31 December 2023. Total net debt is forecasted slightly higher to support further investment in restructuring and the normalisation of the working capital.

Although the Board does not feel it is timely to resume dividend payments, this will be kept under review as conditions further improve.

On behalf of the board

C Thompson
Executive Chairman

19 September 2023

Maintel Holdings Plc

Consolidated statement of comprehensive income (unaudited)

for the 6 months ended 30 June 2023

	Note	6 months to 30 June 2023 £000 (Unaudited)	6 months to 30 June 2022 £000 (Unaudited)
Revenue	2	47,461	46,746
Cost of sales		(31,497)	(31,395)
Gross profit		15,964	15,351
Other operating income	3	339	455
Administrative expenses			
Intangibles amortisation		(2,842)	(2,651)
Exceptional items	7	(1,946)	(261)
Share based payments		(124)	(71)
Other administrative expenses		(13,345)	(13,000)
		(18,257)	(15,982)
Operating (loss)		(1,954)	(177)
Net financial costs		(974)	(398)
(Loss) before taxation		(2,928)	(575)
Taxation credit		180	323
(Loss) for the period and attributable to owners of the parent		(2,748)	(252)
Other comprehensive income for the period			
Exchange differences on translation of foreign operations		(20)	9
Total comprehensive (loss) for the period attributable to the owners of the parent		(2,768)	(243)
(Loss) per share from continuing operations attributable to the ordinary equity holders of the parent			
Basic	4	(19.1)p	(1.8)p
Diluted	4	(19.1)p	(1.8)p

Maintel Holdings Plc

Consolidated statement of financial position (unaudited)

at 30 June 2023

		30 June 2023 £000 (Unaudited)	31 December 2022 £000 (Audited)
Non-current assets			
Intangible assets		51,267	52,989
Right-of-use assets		2,052	2,263
Property, plant and equipment		1,142	1,381
Trade and other receivables		-	90
		<u>54,461</u>	<u>56,723</u>
Current assets			
Inventories		3,123	2,594
Trade and other receivables		31,555	27,376
Income tax		68	-
Cash and cash equivalents		2,826	6,136
		<u>37,572</u>	<u>36,106</u>
Total assets		<u>92,033</u>	<u>92,829</u>
Current liabilities			
Trade and other payables		48,066	47,115
Lease liabilities		843	820
Borrowings	8	<u>2,257</u>	<u>22,726</u>
Total current liabilities		<u>51,166</u>	<u>70,661</u>
Non-current liabilities			
Other payables		326	370
Lease liabilities		1,219	1,452
Deferred tax liability		778	958
Borrowings	8	<u>21,800</u>	<u>-</u>
Total non-current liabilities		<u>24,123</u>	<u>2,780</u>
Total liabilities		<u>75,289</u>	<u>73,441</u>
Total net assets		<u>16,744</u>	<u>19,388</u>
Equity			
Issued share capital		144	144
Share premium		24,588	24,588
Other reserves		60	80
Retained earnings		<u>(8,048)</u>	<u>(5,424)</u>
Total equity		<u>16,744</u>	<u>19,388</u>

Maintel Holdings Plc

Consolidated statement of changes in equity (unaudited)

for the 6 months ended 30 June 2023

	Note	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	Total £000
At 31 December 2021		144	24,588	61	(1,244)	23,549
Loss for the period		-	-	-	(252)	(252)
Other comprehensive income:						
Foreign currency translation differences		-	-	9	-	9
Total comprehensive (loss) for the period		-	-	9	(252)	(243)
Share based payments		-	-	-	71	71
At 30 June 2022		144	24,588	70	(1,425)	23,377
(Loss) for the period		-	-	-	(4,109)	(4,109)
Other comprehensive income:						
Foreign currency translation differences		-	-	10	-	10
Total comprehensive loss for the period		-	-	10		10
Share based payments		-	-	-	110	110
At 31 December 2022		144	24,588	80	(5,424)	19,388
Loss for the period		-	-	-	(2,748)	(2,748)
Other comprehensive income:						
Foreign currency translation differences		-	-	(20)	-	(20)
Total comprehensive income for the period		-	-	(20)	-	(2,768)
Share based payments		-	-	-	124	124
At 30 June 2023		144	24,588	60	(8,048)	16,744

Maintel Holdings Plc

Consolidated statement of cash flows (unaudited)

for the 6 months ended 30 June 2023

	6 months to 30 June 2023 £000	6 months to 30 June 2022 £000
Operating activities		
(Loss) before taxation	(2,928)	(575)
Adjustments for:		
Intangibles amortisation	2,842	2,651
Share based payment charge	124	71
Depreciation of plant and equipment	314	330
Depreciation of right of use asset	443	478
Interest expense (net)	974	398
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Operating cash flows before changes in working capital	1,769	3,353
Increase in inventories	(529)	(583)
(Increase) / decrease in trade and other receivables	(4,045)	1,410
Increase / (decrease) in trade and other payables	907	(226)
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Cash generated from operating activities	(1,898)	3,954
Tax paid	-	(370)
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Net cash flows (used in) / generated from operating activities	(1,898)	3,584
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Investing activities		
Purchase of plant and equipment	(75)	(667)
Purchase of software	(1,120)	(1,420)
Purchase price in respect of prior period business combinations	-	(311)
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Net cash flows used in investing activities	(1,195)	(2,398)
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Maintel Holdings Plc

Consolidated statement of cash flows (continued) (unaudited)

for the 6 months ended 30 June 2023

	6 months to 30 June 2023 £000	6 months to 30 June 2022 £000
Financing activities		
Proceeds from borrowings	2,500	22,500
Repayment of borrowings	(1,200)	(15,500)
Lease liability repayments	(644)	(517)
Interest paid	(849)	(471)
Issue costs of debt	-	(234)
	<hr/>	<hr/>
Net cash flows generated from financing activities	(193)	5,778
	<hr/>	<hr/>
Net (decrease) / increase in cash and cash equivalents	(3,286)	6,964
	<hr/>	<hr/>
Cash and cash equivalents at start of period	6,136	(3,869)
Exchange differences	(24)	(5)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	2,826	3,090
	<hr/>	<hr/>

Notes to the interim financial information

1. Basis of preparation

The financial information in these unaudited interim results is that of the holding company and all its subsidiaries (the Group). The financial information for the half-years ended 30 June 2023 and 30 June 2022 does not comprise statutory financial information within the meaning of s434 of the Companies Act 2006 and is unaudited. It has been prepared in accordance with the recognition and measurement requirements of UK adopted International Accounting Standards (IAS) but does not include all the disclosures that would be required under IAS. The accounting policies adopted in the interim financial statements are consistent with those adopted in the last annual report for financial year 2022 and those applicable for the year ended 31 December 2023.

2. Segmental information

For management reporting purposes and operationally, the Group consists of three business segments: (i) telecommunications managed service and technology sales, (ii) telecommunications network services, and (iii) mobile services. Each segment applies its respective resources across inter-related revenue streams which are reviewed by management collectively under these headings. The businesses of each segment and a further analysis of revenue are described under their respective headings in the business review.

The chief operating decision maker has been identified as the board, which assesses the performance of the operating segments based on revenue and gross profit.

Six months to 30 June 2023 (unaudited)

	Managed service and technology £000	Network services £000	Mobile £000	Total £000
Revenue	24,475	20,892	2,094	47,461
Gross profit	6,525	8,437	1,002	15,964
Other operating income				339
Other administrative expenses				(13,345)
Share based payments				(124)
Intangibles amortisation				(2,842)
Exceptional items				(1,946)
Operating (loss)				(1,954)
Interest (net)				(974)
(Loss) before taxation				(2,928)
Income tax credit				180
(Loss) after taxation				(2,748)

Further analysis of revenue streams is shown in the business review.

The board does not regularly review the aggregate assets and liabilities of its segments and accordingly, an analysis of these is not provided.

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter- company £000	Total £000
Intangibles amortisation	-	-	-	2,842	2,842
Exceptional items	-	-	-	1,946	1,946

Six months to 30 June 2022 (unaudited)

	Managed service and technology £000	Network services £000	Mobile £000	Total £000
Revenue	25,009	19,504	2,233	46,746
Gross profit	6,610	7,918	823	15,351
Other operating income				455
Other administrative expenses				(13,000)
Share based payments				(71)
Intangibles amortisation				(2,651)
Exceptional items				(261)
Operating (loss)				(177)
Interest (net)				(398)
(Loss) before taxation				(575)
Income tax credit				323
(Loss) after taxation				(252)

Further analysis of revenue streams is shown in the business review.

The board does not regularly review the aggregate assets and liabilities of its segments and accordingly, an analysis of these is not provided.

	Managed service and technology £000	Network services £000	Mobile £000	Central/ inter- company £000	Total £000
Intangibles amortisation	-	-	-	2,651	2,651
Exceptional items	107	-	-	154	261

3. Other operating income

	6 months to 30 June 2023 £000 (unaudited)	6 months to 30 June 2022 £000 (unaudited)
Other operating income	<u>339</u>	<u>455</u>

Other operating income of £0.3m in the period relates to monies associated with the recovery of research and development expenditure credits (H1 2022: £0.5m).

4. Earnings per share

Earnings per share and adjusted earnings per share is calculated by dividing the (loss) / profit after tax for the period by the weighted average number of shares in issue for the period. These figures being prepared as follows:

	6 months to 30 June 2023 £000 (unaudited)	6 months to 30 June 2022 £000 (unaudited)
Earnings used in basic and diluted EPS, being (loss) after tax	(2,748)	(252)
Adjustments:		
Amortisation of intangibles on business combinations	1,893	2,099
Exceptional items (note 7)	1,946	261
Tax relating to above adjustments	(842)	(607)
Share based payments	124	71
Interest charge on deferred consideration	-	18
Adjusted earnings used in adjusted EPS	<u>373</u>	<u>1,590</u>

The adjustments above have been made to provide a clearer picture of the trading performance of the Group.

	6 months to 30 June 2023 Number £000	6 months to 30 June 2022 Number £000
Weighted average number of ordinary shares of 1p each	14,362	14,362
Potentially dilutive shares	-	19
	<u>14,362</u>	<u>14,362</u>
<i>(Loss) per share</i>		
Basic	(19.1)p	(1.8)p
Diluted	(19.1)p	(1.8)p
Adjusted – basic after the adjustments in the table above	2.6p	11.1p
Adjusted – diluted after the adjustments in the table above	<u>2.6p</u>	<u>11.1p</u>

In calculating adjusted diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The Group has one category of potentially dilutive ordinary share, being those share options granted to employees where the exercise price is less than the average price of the Company's ordinary shares during the period.

5. Earnings before interest, tax, depreciation and amortisation (EBITDA)

The following table shows the calculation of EBITDA and adjusted EBITDA:

	6 months to 30 June 2023 £000 (unaudited)	6 months to 30 June 2022 £000 (unaudited)
(Loss) before tax	(2,928)	(575)
Net interest payable	974	398
Depreciation of property, plant and equipment	314	330
Depreciation of right of use asset	443	478
Amortisation of intangibles	2,842	2,651
	<hr/>	
EBITDA	1,645	3,282
Share based payments	124	71
Exceptional items (note 7)	1,946	261
	<hr/>	
Adjusted EBITDA	3,715	3,614
	<hr/>	

6. Dividends

The directors have decided not to declare an interim dividend for 2023 (2022: nil).

7. Exceptional items

	6 months to 30 June 2023 £000 (unaudited)	6 months to 30 June 2022 £000 (unaudited)
Staff restructuring and other employee related costs	965	153
Costs relating to business transformation	606	-
Fees relating to revised credit facilities agreement	375	154
Gain on disposal of the managed print services business	-	(16)
(Income) relating to onerous lease provision	-	(30)
	<hr/>	
	1,946	261
	<hr/>	

8. Borrowings

	30 June 2023 £000 (unaudited)	31 December 2022 £000 (audited)
Current bank loan - secured	2,257	5,226
Current RCF – secured		17,500
	2,257	22,726
Non- Current bank loan – secured	1,800	-
Non – Current RCF – secured	20,000	-
	21,800	-
	24,057	22,726

In the previous year, the Company signed a new agreement with HSBC Bank plc ("HSBC") to replace the previous facility. The new facility with HSBC consists of a revolving credit facility ("RCF") of £20m with a £6m term loan on a reducing basis. The maturity date of the agreement is 3 years from the signing date. The term loan is being repaid in equal monthly instalments, starting in October 2022. The principal balance of the term loan at 30 June 2023 was £4.2m and of the RCF was £20.0m.

Interest on the borrowings is the aggregate of the applicable margin and SONIA for Pound Sterling / SOFR for US Dollar / EURIBOR for Euros.

Covenants based on EBITDA to Net Finance Charges and Total Net Debt to EBITDA are tested on a quarterly basis.

The current bank borrowings above are stated net of unamortised issue costs of debt of £0.2m (31 December 2022: £0.1m).

The facilities are secured by a fixed and floating charge over the assets of the Company and its subsidiaries. Interest is payable on amounts drawn on the revolving credit facility and loan facility at a covenant-dependent tiered rate of 2.60 % to 3.25% per annum over SONIA, with a reduced rate payable on the undrawn facility.

The Directors consider that there is no material difference between the book value and fair value of the loan.

9. Post balance sheet events

There have been no events subsequent to the reporting date which would have a material impact on the interim financial result.