



Half Yearly Results 2023

6 months ended 30 September 2023

5 December 2023

iomart Group plc
(“iomart” or the “Group” or the “Company”)
Half Yearly Results

Continued momentum in the execution of its growth strategy

iomart (AIM: IOM), the cloud computing company, is pleased to report its consolidated half yearly results for the six months ended 30 September 2023 (H1 2024).

FINANCIAL HIGHLIGHTS

	H1 2024	H1 2023	Change
Revenue	£62.0m	£52.6m	+18%
% of recurring revenue ¹	94%	94%	-
Adjusted EBITDA ²	£18.6m	£17.8m	+5%
Adjusted profit before tax ³	£7.6m	£7.4m	+3%
Profit before tax	£4.4m	£4.9m	-10%
Adjusted diluted EPS ⁴	5.2p	5.2p	-
Basic EPS	3.1p	3.5p	-11%
Cash generation from operations	£16.8m	£14.5m	+16%
Interim dividend per share	1.94p	1.94p	-

- Revenue grew 18%, with strong levels of recurring revenues maintained (94%¹ of Group revenues). The Concepta and Extrinsicca acquisitions provided £6.0m of additional revenue in the period
- Cloud managed services revenue, the largest component of the Group, increased strongly, by 27% to £37.0m (H1 2023: £29.2m), from a combination of modest organic growth, price adjustments from last year's energy cost increases, plus approximately £4.3m contribution from the latest two acquisitions
- Group EBITDA margin performance of 30.0% is a reduction from H1 2023 of 33.8% but it is slightly ahead of H2 2023 of 29.1%. This trend in margin performance reflects the change in revenue mix and specific timing of inflationary price adjustments during the last financial year
- Our energy hedging strategy is giving the Company and customers good cost certainty
- £0.8m higher interest expense in the period, due to rise in bank interest rates, means adjusted profit before tax in the period of £7.6m showed a more modest 3% growth
- Cash conversion ratio⁶ of 90% is higher than the prior period (H1 2023: 81%) which had included the timing impact of some vendor payments overlapping period ends
- Net debt of £48.0m (31 March 2023: £39.8m), comfortable at 1.3 times annualised EBITDA⁵

OPERATIONAL HIGHLIGHTS

- Focus on sales and marketing resulted in improving order bookings and pipeline development
- Acquisitions of Concepta and Extrinsicca have enhanced the Group's routes to market and depth of skills, improving iomart's overall customer proposition
- Acquisition of Accesspoint Technologies post period end, providing deep legal industry expertise and a highly capable team with a strong reputation
- Appointment of experienced CTO, providing increased focus on our technical platforms, product management, infrastructure and networks
- Move of head office to a modern city centre location in Glasgow, providing greater ability for the retention and attraction of talented team members
- Committed to solar panel installation on our Maidenhead data centre which will provide c.300kw peak power yield being around 15% of the total average site power use
- Two new independent non-executive Directors appointed to the Board, bringing relevant commercial and industry experience

OUTLOOK

- Ongoing sales channel and services initiatives combined with contributions from recent acquisitions will allow our full year results to demonstrate continued year on year momentum
- Current trading is in line with the Board's expectations

STATUTORY EQUIVALENTS

A full reconciliation between adjusted and statutory profit before tax is contained within this statement. The largest item is the consistent add back of the non-cash amortisation of acquired intangible assets. The largest variance, period on period, is a £0.5m exceptional non-recurring charge recorded within administration costs related to the change in CEO during the month of September.

Lucy Dimes, CEO commented,

"I'm pleased to report on another period of progress at iomart. We continue to build on our existing strong foundations as a well-established and trusted service provider within the private cloud space, at the same time as extending our service offering across the wider and higher growth hybrid cloud market.

We see great opportunity ahead. For the UK to thrive as an economic powerhouse, its businesses will need to increase efficiency, operate at pace and adapt – leveraging cloud, data and digital technologies. Our blend of both IT and connectivity skills combined with our secure, scalable, resilient cloud and network infrastructure uniquely positions us to support the ambitions of our customer base, giving us confidence in our ability to participate successfully in the growing cloud sector."

Notes:

¹ Recurring revenue, as disclosed in note 2, is the revenue that repeats either under long-term contractual arrangement or on a rolling basis by predictable customer habit. % of recurring revenue is defined as Recurring Revenue (as disclosed in note 2) / Revenue (as disclosed in the consolidated statement of comprehensive income).

² Throughout this statement adjusted EBITDA, as disclosed in the consolidated interim statement of comprehensive income, is earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges, acquisition costs and exceptional non-recurring costs. Throughout this statement acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.

³ Throughout this statement adjusted profit before tax, as disclosed on page 7, is profit before tax, amortisation charges on acquired intangible assets, share based payment charges, acquisition costs and exceptional non-recurring costs.

⁴ Throughout this statement adjusted diluted earnings per share, as disclosed in note 3, is earnings per share before amortisation charges on acquired intangible assets, share based payment charges, acquisition costs, exceptional non-recurring costs and the taxation effect of these.

⁵ Annualised EBITDA is the last 12 months of EBITDA for the period ended 30 September 2023.

⁶ Cash conversion is calculated as cash flow from operations, as disclosed in the consolidated interim statement of cash flows, divided by adjusted EBITDA defined above. The 12-month basis aggregates the second half of the year to 31 March 2023 and the current 6 month reported period on the same basis of calculation.

This interim announcement contains forward-looking statements, which have been made by the Directors in good faith based on the information available to them up to the time of the approval of this report and such information should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

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About iomart Group plc

iomart Group plc (AIM: IOM) is a cloud computing and IT managed services business providing hybrid cloud infrastructure, data management, protection and cyber security services, and digital workplace capability. Our mission is simple: to make our customers unstoppable by enabling them to connect, secure and scale anywhere, anytime. From our portfolio of data centres we own and operate across the UK to connected sites around the world, our 480-strong team can design and deploy the right cloud solution for our customers.

For further information about the Group, please visit www.iomart.com

Chief Executive's Statement

Introduction

I am pleased to be presenting our half year results for the first time as iomart's CEO. We have continued to make positive progress against our strategy to build on our existing strong foundations as a well-established and trusted service provider within the private cloud space, at the same time as extending our service offering across the wider and higher growth hybrid cloud market.

The results demonstrate an encouraging level of recurring revenues and successful execution of our M&A strategy, delivering revenues up 18% on the prior period to £62.0m, and an adjusted EBITDA of £18.6m. We achieved continued strong cash flow, which even after £9.3m of M&A related cash outflows, sees us close the period with a comfortable level of leverage with net debt of £48.0m. The increase in interest rates means that the growth in our profitability was held back somewhat due to the £0.8m higher interest expense in the period. Our adjusted profit before tax in the period of £7.6m was a modest 3% growth on the prior period.

The external environment for us was relatively more stable than in the year to 31 March 2023, primarily due to lower volatility in the wholesale energy markets. Our business model over the last few years has been regularly challenged, be that by Covid or the Energy Crisis, and we have consistently proven the resilience of the team and business. It is this foundation which gives us strong confidence on our ability to expand our offering around the growing hybrid cloud market.

We were pleased to continue with M&A activity, in line with our strategic plans, with the completion of the acquisition of Extrinsic Global Holdings Limited ("Extrinsic") on 5 June 2023, extending the Group's products, skills and capabilities within the Microsoft Azure environment.

Subsequent to the period end, on 4 December 2023, we completed our second acquisition of the financial year, acquiring the entire issued share capital of Accesspoint Group Holdings Limited ("Accesspoint"), the holding company of Accesspoint Technologies Limited. Accesspoint provides a suite of managed and hosted services, including infrastructure hosting, software licensing, security management, business continuity services and communications provisioning, focused solely on the legal sector.

Strategy

We see great opportunity ahead. For the UK to thrive as an economic powerhouse, its businesses will need to increase efficiency, operate at pace and be able to adapt in order to stay ahead of the pack leveraging cloud, data and digital technologies both for their internal productivity, and as a means to develop, launch and grow their offerings. We have the skills and infrastructure to provide this. The continued huge growth in demand for cloud computing is a persistent underlying growth driver, which we are focused on harnessing through a clear strategy.

Our growth strategy is underpinned by our deep private cloud infrastructure heritage and solid existing core business, which continues to operate in a growth market, delivering market leading profitability and strong cash generation. To accelerate our organic growth, our roadmap sees us focused on extending our capabilities and skills into closely aligned product and services areas. As well as being complementary to our existing experience, skills and customer base these are also areas exposed to the higher growth of the wider IT sector. The new services can be categorised into three broad groupings of hybrid cloud, data management and security services plus, modern workplace.

We were delighted to welcome David Gammie to the Group as CTO in the period who brings a wealth of experience to the role. Following a successful career for a number of large consultancy businesses, he spent time in CIO roles in industry, with his most recent role leading the infrastructure and cloud elements at a UK managed services provider.

We have a successful track record of sourcing complementary acquisitions and we expect to continue to identify such acquisitions to expand the customer base, to acquire new skillsets, and to extend our go-to-market channels. The IT managed service sector remains highly fragmented and our strong balance sheet and existing bank facilities puts us in a good position to supplement our organic growth with a disciplined M&A programme.

The acquisition of Extrinsicica on 5 June 2023 was a significant strategic step providing iomart with deep Microsoft Azure expertise. While we had made some good progress organically in this area, this acquisition accelerates our capabilities and customer references within the Microsoft public cloud domain. This ensures we can confidently offer both existing and new customers strong skills and know-how across the three infrastructure delivery modes of on-premise, private cloud or public cloud or, in what we see as the growing trend in the market, a combination of the three in the form of hybrid cloud.

Market

With the insatiable growth in data requirements from across all industries, the demand for the three core cloud building blocks of compute power, storage and connectivity continues to expand. The concept of "Cloud" computing is now globally recognised with the complexity of available options continuing to grow. Within any digital transformation project, the management and security of data is paramount, especially given the ever increasing security threat landscape. Many organisations are increasingly outsourcing these requirements to experts, who can help them navigate a constantly evolving and complex technical landscape, providing high levels of reliability, customer support, flexibility and technical knowledge. Areas in which we excel.

Many customers are looking for a single point of accountability for all their cloud needs and iomart is well positioned to provide this service going forward particularly for medium to large enterprises.

We are seeing that macroeconomic uncertainty is translating into greater scrutiny by customers, which is generally resulting in extended decision making timeframes. For iomart that has materialised in the period in some lower non-recurring activity such as hardware refreshes or consultancy projects and, while we have seen continued momentum in order levels from existing customers, we have seen a slightly lower order level from new customers as digital transformation projects continue to be delayed. Our long-standing financial stability provides a point of differentiation in these cautious times, giving comfort to potential customers.

Acquisitions

Extrinsicica

We completed the acquisition of Extrinsicica on 5 June 2023 for an initial consideration of £4.0m, with a potential further £0.4m in cash payable on the achievement of certain key customer targets during the calendar year. Of the initial consideration, £2m was satisfied by the issue of 1,562,500 new ordinary shares in iomart. The balance of £2.0m was paid in cash. We also repaid £3.7m of debt acquired on completion. A further £4.0m to £7.0m of contingent earn-out payments was included in the share purchase agreement based on the profitability for the 12 months ending 31 March 2024. Given the ongoing macroeconomic uncertainty impacting the timing of certain customer projects, the Board does not currently expect that any additional earn-out payment will be triggered. Prior to our acquisition, Extrinsicica generated revenues of £7.4m, being year on year growth of c.40%, and EBITDA of £0.1m (unaudited).

Accesspoint

Subsequent to the period end, we completed the acquisition of Accesspoint on 4 December 2023. Based in North East London, Accesspoint is an IT hosting partner focused on the UK legal industry since 2009. Accesspoint provides a suite of managed and hosted services including infrastructure hosting, software licensing, security management, business continuity services and communications provisioning. The acquisition provides iomart with deep industry expertise and a highly capable team with a strong reputation within the legal sector. The addition of the new customer base when combined with iomart's existing legal customers consolidates iomart's position in a key sector.

The initial consideration of £4.5m was paid in cash on completion on a debt and cash free basis, with a potential further £0.5m in cash payable on the achievement of certain post-acquisition milestones. The acquisition also includes up to a further £1.4m contingent earn-out payment based on the profitability of Accesspoint for the 12 months ending 31 August 2024. The initial consideration was financed through a combination of existing bank facilities and cash on the Company's balance sheet. For the year ended 31 August 2023, Accesspoint generated revenues of £3.8m and adjusted EBITDA of £0.8m (unaudited).

Board Changes

We were pleased to welcome two new independent non-executive Directors to the Board in the period, Annette Nabavi on 25 May 2023 and Adrian Chamberlain on 1 June 2023. Adrian has been appointed as the senior independent Director. Annette and Adrian both bring considerable experience in the technology services sector. Following six years on the Board, Richard Masters, non-executive Director did not stand for re-election and left the Board at the AGM in September.

On 18 September 2023, after three years in role, Reece Donovan stepped down as Chief Executive Officer and I replaced him, on a full time basis. The Nomination Committee is undertaking a search for an independent Chair, with the intention for the search to be completed by the Company's financial year end announcement. Until that point I will continue to act as Chair.

The changes made to the Board during the period bring different and very relevant commercial skills and experience to the Board, and will be extremely valuable in helping guide and drive the execution of our growth strategy.

Operational Review*

Cloud Services

Cloud Services revenues increased by £9.5m (20%) to £55.8m (H1 2023: £46.3m). This included £6.0m of additional revenue from the positive impact of our M&A activities over the last 12 months. Cloud Services EBITDA (before share-based payments, acquisition costs, exceptional items and central group overheads) was £18.2m being 32.6% of cloud services revenue (H1 2023: £17.0m (36.7% of cloud services revenue)). The increase of £1.2m in absolute Cloud Services EBITDA is a combination of many moving parts, including the contribution from owning Concepta for the full period. Margin performance of 32.6% in the current period is a reduction from H1 2023 of 36.7% but it is slightly ahead of H2 2023 of 31.3%. This trend in margin performance reflects the change in revenue mix and specific timing of inflationary price adjustments during the last financial year. Energy costs in the first half are £3.4m higher than the equivalent period last year. Given our energy hedging strategy and the timing of energy cost increases during the prior year, the second half will not experience such high energy cost base period on period variances, nor the resulting impact on revenue.

The following is the disaggregation of Cloud Services revenues of £55.8m (H1 2023: £46.3m):

	6 months to 30 September 2023 £'000	6 months to 30 September 2022 £'000 (restated, note 1)	Year to 31 March 2023 £'000 (restated, note 1)
Disaggregation of Cloud Services revenue			
Cloud managed services	37,022	29,220	64,115
Self-managed infrastructure	14,730	13,891	29,617
Non-recurring revenue	4,026	3,219	9,359
	55,778	46,330	103,091

Cloud managed services (recurring revenue)

Cloud managed services includes the provision of fully managed, complex, bespoke and resilient solutions involving private, public and hybrid cloud infrastructure. We anticipate this will be the highest growth area for iomart due to the market drivers described above.

Cloud managed services revenue increased strongly, by 27% to £37.0m (H1 2023: £29.2m). This was a combination of modest organic growth, approximately £4.3m contribution from the latest two acquisitions and the price adjustments for last year's energy cost increases taking place. A significant number of moving parts have arisen in the last 18 months within our pricing and renewal profiles. The energy price adjustments are now, in some cases, over 12 months ago, meaning they have become structurally consumed into our renewals or new business pricing. This is also the case for our competitors.

Self-managed infrastructure (recurring revenue)

We have a large customer base, across a number of brands, the largest by far being our Rapidswitch brand, who wish to source compute power and connectivity mainly through the provision of dedicated servers and self-manage these directly. Our own regional data centre estate and fibre network positions us well to offer such infrastructure as a service. It is generally recognised that this activity is a lower growth area within the cloud market but continues to offer a cost competitive solution for many use cases and for customers who have retained their own IT skills.

In the first half of this financial year, the self-managed infrastructure revenue of £14.7m represented an increase of £0.8m in comparison to the first half of last year. This is a combination of a reduction in the number of our long tail of smaller customers, offset by the energy price rises passed onto customers, plus encouragingly some higher new order bookings. We will continue to allocate resources to ensure we provide this customer base with resilient, cost effective and increasingly automated solutions.

Our UK owned infrastructure is an important part of the delivery of our recurring revenue services, a differentiator in the market and allows more of the value add to be retained by iomart. We have a well maintained data centre estate and this is core to our resilient private cloud services in the UK. We have 12 UK data centres, with Maidenhead and London Central being our two larger sites accounting for around half of our capacity, with the other 10 spread across the regions offering infrastructure with close proximity to customers. During the period, the larger areas of spend on our own infrastructure included £1.4m upgrade to fibre network equipment, £0.6m upgrade to our Nottingham data centre plus £0.8m investment to fully outfit the new Glasgow office. The Board committed to the installation of solar panels on our Maidenhead data centre which provides c.300kw of peak power yield to the site being around 15% of the total average site power usage. Installation will be completed in the second half. In the period we successfully achieved the triannual recertification from our UKAS accredited certification body which covered five ISO standards, notably 9001, 20000, 270001, 22301 and 14001.

Non-recurring revenue

Non-recurring revenue of £4.0m (H1 2023: £3.2m) relates primarily to on premise product reselling via our Cristie Data and now the Pavilion IT brand, plus consultancy projects. Often these non-recurring activities provide a useful initial introduction to the wider iomart Group and evolve customers into a higher level of recurring services. The Concepta acquisition in August 2022 included the Pavilion IT brand which is mainly involved in reselling activity. With a full period of trading (as opposed to only 6 weeks) it added £1.5m additional non-recurring revenue, meaning that, if you exclude the acquisition, the underlying reduction in non-recurring revenue was £0.7m. We have seen in the last 18 months that some of our customer base has slowed down its hardware refresh activity. To address this changing market we have recently decided to fully consolidate Cristie Data into iomart which will be completed during the second half. Cristie Data's heritage is data management which will be enhanced in a fully integrated operation and give a higher probability of transitioning customers over time to iomart's core recurring services.

Easyspace

The Easyspace segment has performed well during the period, delivering stable revenues and improved EBITDA (before share based payments, acquisition costs and central group overheads) of £6.3m (H1 2023: £6.2m) and £3.2m (H1 2023: £3.1m), respectively.

The global domain name and mass market hosting sector continues to grow, supported by the increasing importance of an internet presence and ecommerce for all areas of the economy, including the small and micro business community represented within our Easyspace division. A smaller number of large global operators increasingly dominates this sector, and we recognised a long time ago that the marketing spends required to compete for new business in this specific area was not the best use of iomart's resources. However, we do ensure our customer base of around 60,000 customers are well served with a good range of products and importantly a high level of customer service. This level of attention is ensuring strong renewal rates by customers.

*During the period we moved the financial reporting of the brand Simple Servers which has annual revenues of around £0.8m across c.800 customers into this business unit, see note 1 for the financial impact of the reclassification on the prior periods. This customer base was sourced from an acquisition in 2017. The nature of the services provided and the profile of the customer base are aligned better with the mass market hosting sector which we address in the Easyspace division.

Financial Performance

Revenue

Overall revenue from our operations increased significantly by 18% to £62.0m (H1 2023: £52.6m) with a consistent high level of recurring revenue at 94% (H1 2023: 94%). We remain focussed on retaining our recurring revenue business model with the combination of multi-year contracts and payments in advance providing us with good revenue visibility. Our Cloud Services segment revenues increased by 20% to £55.8m (H1 2023: £46.3m). Our Easyspace segment has performed well over the period, with revenues for the first half stable at £6.3m (H1 2023: £6.2m).

Gross Profit

The gross profit in the period improved to £34.5m (H1 2023: £31.2m) with the gross profit as a percentage of revenue of 55.6%, as expected being a reduction from prior period (H1 2023: 59.4% of revenue) but more consistent with the second half of last year reflecting the heavy impact and specific timing from pass through of energy costs and to a lesser extent the recent corporate acquisitions. Our key vendor relationships have remained stable in the period with general cost increases across most areas of our supply chain due to the general inflationary environment. Our hedging strategy on energy costs means we have seen stability in the costs and have a good level of certainty in the medium term.

Adjusted EBITDA

The Group's adjusted EBITDA increased by 5% to £18.6m (H1 2023: £17.8m) which in EBITDA margin terms translates to 30.0% (H1 2023: 33.8%). The lower margin percentage versus the first half of last year was expected given the timing of the energy cost impact and represents a slight improvement on the level delivered in the second half of last year. Administration expenses (before depreciation, amortisation, share based payment charges, acquisition costs and exceptional non-recurring costs) of £15.9m are £2.5m higher than the previous period due to the inclusion of staff plus overhead costs from the Concepta and Extrinsicica acquisitions. Outside of the acquisitions, we have seen a period of relatively stable overall headcount numbers and other overhead costs.

Cloud Services saw a 7% increase in its adjusted EBITDA to £18.2m (H1 2023: £17.0m), giving a margin of 32.6% (H1 2023: 36.7%). Adjusted EBITDA for Easyspace was consistent at £3.2m (H1 2023: £3.1m) and EBITDA margin at 50.6% (H1 2023: 50.4%).

Group overheads, which are not allocated to segments, include the cost of the Board, all the running costs of the headquarters in Glasgow, and Group led functions such as human resources, marketing, finance and design. Group overheads saw an increase of £0.3m to £2.7m (H1 2023: £2.4m) driven by staff related increases for central functions plus the move of our head office to a modern city centre location in Glasgow, providing greater ability for the retention and attraction of talented new team members.

Adjusted profit before tax

Depreciation charges of £7.7m (H1 2023: £8.0m) have decreased slightly in absolute terms which also means it is down as a percentage of our recurring revenue in the period to 13.3% (H1 2023: 16.2%). This reduction in depreciation charge as a percentage of recurring revenue is a reflection of recent acquisitions and also some of the mix of the business which is less capital intensive, or in the case of Extrinsicica, has no associated owned infrastructure with Microsoft Azure public cloud being consumed in the customer solution. The charge for the amortisation of intangible assets, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets"), has increased slightly to £1.3m (H1 2023: £1.2m) due to the specific historic timing of investments made.

Net finance costs have increased to £2.0m (H1 2023: £1.2m) reflecting the increase in our borrowing cost from the rise in bank rates.

After deducting the charges for depreciation, amortisation, excluding the amortisation of acquired intangible assets, and finance costs from the adjusted EBITDA, the adjusted profit before tax for the period increased by £0.2m to £7.6m (H1 2023: £7.4m) representing an adjusted profit before tax margin of 12.2% (H1 2023: 14.1%). The overall profit benefit of £1.0m from growth in the adjusted EBITDA and lower depreciation charge has been mainly offset by the higher bank interest rates in the period.

Profit before tax

The measure of adjusted profit before tax is a non-statutory measure, which is commonly used to analyse the performance of companies where M&A activity forms a significant part of their activities.

A reconciliation of adjusted profit before tax to reported profit before tax is shown below:

	6 months to 30 September 2023 £'000	6 months to 30 September 2022 £'000	Year to 31 March 2023 £'000
Reconciliation of adjusted profit before tax to profit before tax			
Adjusted profit before tax	7,581	7,360	14,820
Less: Share based payments	(206)	(418)	(696)
Less: Amortisation of acquired intangible assets	(1,982)	(1,748)	(3,880)
Less: Acquisition costs	(538)	(252)	(922)
Less: Administrative costs – exceptional non-recurring costs	(462)	-	-
Less: Cost of sales – exceptional non-recurring costs	-	-	(820)
Profit before tax	4,393	4,942	8,502

The larger adjusting items in the current period are:

- non-cash charges for the amortisation of acquired intangible assets of £2.0m (H1 2023: £1.7m). Acquired intangible assets have increased by £0.3m due to the recent acquisitions and introduction of new intangible assets around customer relationships;
- acquisition costs of £0.5m (H1 2023: £0.3m); and
- £0.5m exceptional non-recurring charge recorded within administration costs related to the change in CEO during the month of September.

After deducting the charges for share based payments, the amortisation of acquired intangible assets, acquisition costs and exceptional non-recurring costs, the reported profit before tax is £4.4m (H1 2023: £4.9m).

Taxation and profit for the period

There is a tax charge in the period of £1.0m (H1 2023: £1.1m), which comprises a current taxation charge of £1.1m (H1 2023: £1.0m), and a deferred taxation credit of £0.1m (H1 2023: charge of £0.1m). The headline effective tax rate is 22.0% (H1 2023: 22.6%). The increase to a 25% UK corporation tax rate, effective from 1 April 2023, has been applied to corporation tax at 30 September 2023. The tax charge in the year is the net result of the higher corporation tax rate, the positive effect of the “full expensing relief” available for capital investments and lower taxable income.

After deducting the tax charge from the profit before tax, the Group has recorded a profit for the period from total operations of £3.4m (H1 2023: £3.8m).

Earnings per share

Adjusted diluted earnings per share, which is based on profit for the period attributed to ordinary shareholders before share based payment charges, amortisation of acquired intangible assets, acquisition costs and the tax effect of these items, was 5.2p (H1 2023: 5.2p).

The measure of adjusted diluted earnings per share as described above is a non-statutory measure that is commonly used to analyse the performance of companies where M&A activity forms a significant part of their activities. Basic earnings per share from continuing operations was 3.1p (H1 2023: 3.5p). The calculation of both adjusted diluted earnings per share and basic earnings per share is included at note 3.

Cash flow

The Group generated cash from operations in the period of £16.8m (H1 2023: £14.5m) with an adjusted EBITDA conversion to cash ratio in the period of 90% (H1 2023: 81%). The first half year typically has a lower conversion ratio and in the prior period there was a small number of larger vendor payments which overlapped the period end causing the ratio in this period to be below 90%. Cash payments for corporation taxation in the period were £0.8m (H1 2023: limited to only £6,000), resulting in net cash flow from operating activities in the period of £16.0m (H1 2023: £14.5m).

Expenditure on investing activities of £12.8m (H1 2023: £13.8m) was incurred in the period. £5.3m (H1 2023: £3.1m) was incurred on the acquisition of property, plant and equipment, principally to provide specific services to our customers and £1.4m to upgrade fibre network equipment. We incurred £0.9m (H1 2023: £0.6m) in respect of development costs during the period. In early June 2023 we paid the initial equity consideration on the Extrinsica acquisition which combined with the cash acquired, resulted in a £1.2m net cash outflow. In addition, in September 2023 we paid in cash the full value of the £4.0m earn-out consideration on the Concepta acquisition. The prior period included the initial equity consideration on the Concepta acquisition plus professional fees which, combined with the cash acquired, resulted in a £10.0m net outflow.

During the first half of the year, net cash used in financing activities was £6.4m (H1 2023: £1.7m generated). All shares issued in the current period under share options were issued at nominal value. In the current period we made a £5.5m (H1 2023: £10.4m) drawdown on the revolving credit facility solely to support the acquisition related payments. We repaid £3.7m of bank debt acquired from Extrinsica on completion (H1 2023: £1.5m on Concepta acquisition). In the current period we repaid £2.8m of lease liabilities (H1 2023: £2.5m), paid £1.4m (H1 2023: £0.7m) of finance charges and made a dividend payment of £3.9m (H1 2023: £4.0m). As a result, cash and cash equivalent balances at the end of the period were £10.7m (30 September 2023: £17.8m).

Net Debt

The net debt position of the Group at the end of the period was £48.0m, compared to £39.8m at 31 March 2023, with the increase driven by the payment of the initial consideration (including repayment of debt acquired) for the Extrinsica acquisition and the earn-out payment on the Concepta acquisition. Our multiple of the last 12 months of adjusted EBITDA to net debt is 1.3 times which remains a comfortable level of leverage.

The analysis of the net debt is shown below:

	30 September 2023 £'000	30 September 2022 £'000	31 March 2023 £'000
Bank revolver loan	39,900	44,400	34,400
Lease liabilities	18,757	21,196	19,180
Less: cash and cash equivalents	(10,673)	(17,770)	(13,818)
Net Debt	47,984	47,826	39,762

We have a £100m Revolving Credit Facility ("RCF") provided by a four-bank group consisting of HSBC, Royal Bank of Scotland, Bank of Ireland and Clydesdale Bank with a maturity date of 30 June 2026. The facility also benefits from a £50m Accordion Facility. The RCF has a borrowing cost at the Group's current leverage levels of 180 basis points over SONIA.

Dividend

We have a dividend policy where the maximum pay-out is 50% of adjusted diluted earnings per share. Given the high recurring revenue nature of the Group, the level of operating cash that we have delivered and comfortable level of indebtedness within the Group, we have applied the maximum pay-out ratio in our assessment of the appropriate level of interim dividend to be made. Therefore, the Board has approved an interim dividend of 1.94p per share (H1 2023: 1.94p) payable on 26 January 2024 to shareholders on the register on 5 January 2024, with an ex-dividend date of 4 January 2024. This interim dividend represents a pay-out ratio of 38% (H1 2023: 37%) of the adjusted diluted earnings per share for the period.

Current trading and outlook

Ongoing initiatives to improve sales channel effectiveness and service delivery will continue to be implemented, which along with the positive contribution from our most recent acquisitions, will allow our full year results to demonstrate continued year on year momentum. Current trading is in line with the Board's expectations.

iomart continues to be very well positioned to support customers in their digital transformation journeys including the complex multi-year process of migrating to a modern multi-cloud based infrastructure and becoming data driven businesses. Our blend of both IT and connectivity skills combined with our secure, scalable, resilient cloud and network infrastructure uniquely positions us to support the ambitions of our customer base. These factors combined with our strong technology vendor partnerships, 20+ years' experience and financial stability give us confidence that we will participate successfully in the growing cloud sector.

A handwritten signature in black ink, appearing to read 'LD', with a long horizontal flourish extending to the right.

Lucy Dimes
Chief Executive Officer
5 December 2023

Consolidated Interim Statement of Comprehensive Income
Six months ended 30 September 2023

		Unaudited 6 months to 30 September 2023 £'000	Unaudited 6 months to 30 September 2022 £'000	Audited Year to 31 March 2023 £'000
Revenue		62,037	52,557	115,638
Cost of sales		(27,550)	(21,355)	(52,080)
Gross profit		34,487	31,202	63,558
Administrative expenses		(28,068)	(25,047)	(52,141)
Operating profit		6,419	6,155	11,417
Analysed as:				
Earnings before interest, tax, depreciation, amortisation, acquisition costs, exceptional non-recurring costs and share based payments		18,598	17,794	36,161
Share based payments		(206)	(418)	(696)
Acquisition costs	4	(538)	(252)	(922)
Administrative expenses – exceptional non-recurring costs	4	(462)	-	-
Cost of sales – exceptional non-recurring costs		-	-	(820)
Depreciation	9	(7,713)	(7,980)	(15,861)
Amortisation – acquired intangible assets	8	(1,982)	(1,748)	(3,880)
Amortisation – other intangible assets	8	(1,278)	(1,241)	(2,565)
Finance costs	5	(2,026)	(1,213)	(2,915)
Profit before taxation		4,393	4,942	8,502
Taxation	6	(968)	(1,119)	(1,507)
Profit for the period/year		3,425	3,823	6,995
Other comprehensive income				
Currency translation differences		11	166	60
Other comprehensive income for the period/year		11	166	60
Total comprehensive income for the period/year attributable to equity holders of the parent		3,436	3,989	7,055
Basic and diluted earnings per share				
Basic earnings per share	3	3.1p	3.5p	6.4 p
Diluted earnings per share	3	3.0p	3.4p	6.2 p

**Consolidated Interim Statement of Financial Position
As at 30 September 2023**

		Unaudited 30 September 2023 £'000	Unaudited 30 September 2022 £'000	Audited 31 March 2023 £'000
ASSETS				
Non-current assets				
Intangible assets – goodwill	8	104,293	99,710	99,950
Intangible assets – other	8	15,460	15,153	12,981
Trade and other receivables		111	597	177
Property, plant and equipment	9	65,833	67,790	64,959
		185,697	183,250	178,067
Current assets				
Cash and cash equivalents		10,673	17,770	13,818
Trade and other receivables		25,381	23,708	25,804
Current tax asset		704	789	987
		36,758	42,267	40,609
Total assets		222,455	225,517	218,676
LIABILITIES				
Non-current liabilities				
Trade and other payables		(3,330)	(2,978)	(2,666)
Non-current borrowings	11	(56,274)	(62,030)	(50,203)
Provisions for other liabilities and charges		(2,946)	(2,626)	(2,755)
Deferred tax liability		(3,936)	(2,694)	(3,221)
		(66,486)	(70,328)	(58,845)
Current liabilities				
Contingent consideration due on acquisitions	7	(360)	(4,000)	(4,000)
Trade and other payables		(30,950)	(28,282)	(31,898)
Current borrowings	11	(2,383)	(3,566)	(3,377)
		(33,693)	(35,848)	(39,275)
Total liabilities		(100,179)	(106,176)	(98,120)
Net assets		122,276	119,341	120,556
EQUITY				
Share capital		1,122	1,101	1,106
Own shares		(70)	(70)	(70)
Capital redemption reserve		1,200	1,200	1,200
Share premium		22,495	22,495	22,495
Merger reserve		6,967	4,983	4,983
Foreign currency translation reserve		57	152	46
Retained earnings		90,505	89,480	90,796
Total equity		122,276	119,341	120,556

Consolidated Interim Statement of Cash Flows
Six months ended 30 September 2023

	Unaudited 6 months to 30 September 2023 £'000	Unaudited 6 months to 30 September 2022 £'000	Audited Year to 31 March 2023 £'000
Profit before tax	4,393	4,942	8,502
Finance costs – net	2,026	1,213	2,915
Depreciation	7,713	7,980	16,492
Amortisation	3,260	2,989	6,445
Share based payments	206	418	696
Professional fees on acquisition	-	232	-
Movement in trade receivables	1,928	(1,579)	(3,256)
Movement in trade payables	(2,702)	(1,722)	2,045
Cash flow from operations	16,824	14,473	33,839
Taxation paid	(813)	(6)	48
Net cash flow from operating activities	16,011	14,467	33,887
Cash flow from investing activities			
Purchase of property, plant and equipment	(5,346)	(3,130)	(8,918)
Development costs	(860)	(627)	(1,887)
Purchase of intangible assets	(1,358)	(31)	(44)
Payment for acquisition of subsidiary net of cash acquired	(1,225)	(9,963)	(10,307)
Payment of contingent consideration	(4,000)	-	-
Net cash used in investing activities	(12,789)	(13,751)	(21,156)
Cash flow from financing activities			
Issue of shares	16	-	5
Drawdown of bank loans	5,500	10,400	10,400
Repayment of bank loans	-	-	(10,000)
Repayment of lease liabilities	(2,792)	(2,509)	(4,902)
Repayment of debt acquired on acquisition	(3,728)	(1,508)	(1,508)
Finance costs paid	(1,441)	(704)	(1,900)
Refinancing costs paid	-	-	(249)
Dividends paid	(3,922)	(3,957)	(6,091)
Net cash (used in)/generated from financing activities	(6,367)	1,722	(14,245)
Net (decrease)/increase in cash and cash equivalents	(3,145)	2,438	(1,514)
Cash and cash equivalents at the beginning of the period	13,818	15,332	15,332
Cash and cash equivalents at the end of the period	10,673	17,770	13,818

Consolidated Interim Statement of Changes in Equity
Six months ended 30 September 2023

	Share capital £'000	Own shares £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2022	1,101	(70)	1,200	22,495	4,983	(14)	89,196	118,891
Profit in the period	-	-	-	-	-	-	3,823	3,823
Currency translation differences	-	-	-	-	-	166	-	166
Total comprehensive income	-	-	-	-	-	166	3,823	3,989
Dividends	-	-	-	-	-	-	(3,957)	(3,957)
Share based payments	-	-	-	-	-	-	418	418
Total transactions with owners	-	-	-	-	-	-	(3,539)	(3,539)
Balance at 30 September 2022 (unaudited)	1,101	(70)	1,200	22,495	4,983	152	89,480	119,341
Profit in the period	-	-	-	-	-	-	3,172	3,172
Currency translation differences	-	-	-	-	-	(106)	-	(106)
Total comprehensive income	-	-	-	-	-	(106)	3,172	3,066
Dividends	-	-	-	-	-	-	(2,134)	(2,134)
Share based payments	-	-	-	-	-	-	278	278
Issue of share capital	5	-	-	-	-	-	-	5
Total transactions with owners	5	-	-	-	-	-	(1,856)	(1,851)
Balance at 31 March 2023 (audited)	1,106	(70)	1,200	22,495	4,983	46	90,796	120,556
Profit in the period	-	-	-	-	-	-	3,425	3,425
Currency translation differences	-	-	-	-	-	11	-	11
Total comprehensive income	-	-	-	-	-	11	3,425	3,436
Dividends	-	-	-	-	-	-	(3,922)	(3,922)
Share based payments	-	-	-	-	-	-	206	206
Issue of share capital	16	-	-	-	1,984	-	-	2,000
Total transactions with owners	16	-	-	-	1,984	-	(3,716)	(1,716)
Balance at 30 September 2023 (unaudited)	1,122	(70)	1,200	22,495	6,967	57	90,505	122,276

Notes to the half yearly financial information

Six months ended 30 September 2023

1. Basis of preparation

The half yearly financial information does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2023 have been delivered to the Registrar of Companies and included an independent auditor's report, which was unqualified and did not contain a statement under section 493 of the Companies Act 2006.

The half yearly financial information has been prepared using the same accounting policies and estimation techniques as will be adopted in the Group financial statements for the year ending 31 March 2024. The Group financial statements for the year ended 31 March 2023 were prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006. These half yearly financial statements have been prepared on a consistent basis and format with the Group financial statements for the year ended 31 March 2023. The provisions of IAS 34 'Interim Financial Reporting' have not been applied in full.

Operating segments (note 2 only) – prior period reclassification

As noted in the Chief Executive's statement on page 6, during the period we moved the financial reporting of the brand SimpleServers into the Easyspace division as the nature of the services provided and the profile of the customer base are aligned better with the mass market hosting sector which we address in the Easyspace division. As a result, operating segment disclosures in note 2 in H1 2023 and year to 31 March 2023 (FY23) have been reclassified resulting in an increase in Easyspace revenue and adjusted EBITDA with the opposite impact in Self-managed infrastructure in Cloud Services (Revenue impact H1 2023: £436k, FY23: £864k, EBITDA impact H1 2023: £264k, FY23: £535k).

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Statement.

At the period end, the Group has access to a £100m multi option revolving credit facility that matures on 30 June 2026, which also benefits from a £50m Accordion Facility. The directors are of the opinion that the Group can operate within the current facility and comply with its banking covenants.

At the end of the half year, the Group had net debt of £48.0m (H1 2023: £47.8m). The Board is comfortable with the net debt position given the strong cash generation and considerable financial resources of the Group, together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks.

After making enquiries, the directors have a reasonable expectation that the Group will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2. Operating segments

Revenue by Operating Segment

	6 months to 30 September 2023 £'000	6 months to 30 September 2022 (restated, note 1) £'000	Year to 31 March 2023 (restated, note 1) £'000
Easyspace	6,259	6,228	12,548
Cloud Services	55,778	46,329	103,090
	62,037	52,557	115,638

Cloud Services revenue during the period/year can be further disaggregated as follows:

	6 months to 30 September 2023 £'000	6 months to 30 September 2022 (restated, note 1) £'000	Year to 31 March 2023 (restated, note 1) £'000
Cloud managed services	37,022	29,220	64,115
Self-managed infrastructure	14,730	13,891	29,617
Non-recurring revenue	4,026	3,219	9,359
	55,778	46,330	103,091

Geographical Information

In presenting the consolidated information on a geographical basis, revenue is based on the geographical location of customers. The United Kingdom is the place of domicile of the parent company, iomart Group plc. No individual country other than the United Kingdom contributes a material amount of revenue therefore revenue from outside the United Kingdom has been shown as from Rest of the World.

Analysis of Revenue by Destination

	6 months to 30 September 2023 £'000	6 months to 30 September 2022 £'000	Year to 31 March 2023 £'000
United Kingdom	52,845	45,147	99,961
Rest of the World	9,192	7,410	15,677
	62,037	52,557	115,638

Recurring and Non-Recurring Revenue

The amount of recurring and non-recurring revenue recognised during the year can be summarised as follows:

	6 months to 30 September 2023 £'000	6 months to 30 September 2022 £'000	Year to 31 March 2023 £'000
Recurring – over time	58,011	49,338	106,279
Non-recurring – point in time	4,026	3,219	9,359
	62,037	52,557	115,638

Profit by Operating Segment

	6 months to 30 September 2023			6 months to 30 September 2022 (restated, note 1)			Year to 31 March 2023 (restated, note 1)		
	EBITDA before share based payments, acquisition costs & exceptional non-recurring costs £'000	Share based payments, acquisition costs, exceptional non-recurring costs, depreciation & amortisation £'000	Operating profit/(loss) £'000	EBITDA before share based payments, acquisition costs & exceptional non-recurring costs £'000	Share based payments, acquisition costs, exceptional non-recurring costs, depreciation & amortisation £'000	Operating profit/(loss) £'000	EBITDA before share based payments, acquisition costs & exceptional non-recurring costs £'000	Share based payments, acquisition costs, exceptional non-recurring costs, depreciation & amortisation £'000	Operating profit/(loss) £'000
Easyspace	3,167	(301)	2,866	3,140	(184)	2,956	6,173	(698)	5,475
Cloud Services	18,167	(10,672)	7,495	17,012	(10,785)	6,227	34,796	(22,428)	12,368
Group overheads	(2,736)	-	(2,736)	(2,358)	-	(2,358)	(4,808)	-	(4,808)
Administrative expenses – exceptional non-recurring costs	-	(462)	(462)	-	(418)	(418)	-	(696)	(696)
Share based payments	-	(206)	(206)	-	(252)	(252)	-	(922)	(922)
Acquisition costs	-	(538)	(538)	-	(252)	(252)	-	(922)	(922)
Profit before tax and interest	18,598	(12,179)	6,419	17,794	(11,639)	6,155	36,161	(24,744)	11,417
Group interest and tax			(2,994)			(2,332)			(4,422)
Profit for the period/year			3,425			3,823			6,995

Group overheads, share based payments, acquisition costs, interest and tax are not allocated to segments.

3. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, after deducting shares held by the Employee Benefit Trust. Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the total of the weighted average number of ordinary shares in issue during the year after adjusting for the dilutive potential ordinary shares relating to share options. The calculations of earnings per share are based on the following results:

	6 months to 30 September 2023 £'000	6 months to 30 September 2022 £'000	Year to 31 March 2023 £'000
Profit for the period/year and basic earnings attributed to ordinary shareholders	3,425	3,823	6,995
	No	No	No
Weighted average number of ordinary shares:	000	000	000
Called up, allotted and fully paid at start of period	110,422	110,065	110,065
Shares held by Employee Benefit Trust	(141)	(141)	(141)
Issued share capital in the period	1,016	4	170
Weighted average number of ordinary shares – basic	111,297	109,928	110,094
Dilutive impact of share options	2,496	2,686	2,575
Weighted average number of ordinary shares – diluted	113,793	112,614	112,669
Basic earnings per share	3.1 p	3.5 p	6.4 p
Diluted earnings per share	3.0 p	3.4 p	6.2 p

iomart Group plc assess the performance of the Group by adjusting earnings per share, calculated in accordance with IAS 33, to exclude certain non-trading items. The calculation of the earnings per ordinary share on a basis which excludes such items is based on the following adjusted earnings:

Adjusted earnings per share

	6 months to 30 September 2023 £'000	6 months to 30 September 2022 £'000	Year to 31 March 2023 £'000
Profit for the period/year and basic earnings attributed to ordinary shareholders	3,425	3,823	6,995
- Amortisation of acquired intangible assets	1,982	1,748	3,880
- Acquisition costs	538	252	922
- Administrative expenses – exceptional non-recurring costs	462	-	-
- Share based payments	206	418	696
- Cost of sales – exceptional non-recurring costs	-	-	820
- Tax impact of adjusted items	(716)	(412)	(1,025)
Adjusted profit for the period/year and adjusted basic earnings attributed to ordinary shareholders	5,897	5,829	12,288
Adjusted basic earnings per share	5.3 p	5.3 p	11.2 p
Adjusted diluted earnings per share	5.2 p	5.2 p	10.9 p

4. Acquisition costs and administrative expenses – exceptional non-recurring costs

	6 months to 30 September 2023 £'000	6 months to 30 September 2022 £'000	Year to 31 March 2023 £'000
Professional fees	(307)	(232)	(236)
Non-recurring acquisition integration costs	(231)	(20)	(686)
Acquisition costs	(538)	(252)	(922)

	6 months to 30 September 2023 £'000	6 months to 30 September 2022 £'000	Year to 31 March 2023 £'000
Administrative expenses – exceptional non-recurring costs	(462)	-	-

In the current period, the Group incurred £0.5m (H1 2023: £nil) of administrative expenses - exceptional non-recurring costs in relation to the change of CEO during September which we consider to be material in nature and size.

5. Finance costs

	6 months to 30 September 2023 £'000	6 months to 30 September 2022 £'000	Year to 31 March 2023 £'000
Bank loans	(1,588)	(855)	(2,216)
Lease finance costs	(379)	(304)	(586)
Other interest charges	(59)	(54)	(113)
	(2,026)	(1,213)	(2,915)

6. Taxation

	6 months to 30 September 2023 £'000	6 months to 30 September 2022 £'000	Year to 31 March 2023 £'000
Corporation Tax:			
Tax charge for the period/year	(1,104)	(1,050)	(935)
Total current taxation charge	(1,104)	(1,050)	(935)
Deferred Tax:			
Origination and reversal of temporary differences	136	(58)	(597)
Adjustment relating to prior periods	-	-	36
Effect of different statutory tax rates of overseas jurisdictions	-	(11)	(11)
Total deferred taxation credit/(charge)	136	(69)	(572)
Total taxation charge for the period/year	(968)	(1,119)	(1,507)

Deferred tax assets and liabilities at 30 September 2023 have been calculated based on the rate enacted at the balance sheet date of 25% (H1 2023: 25%).

7. Acquisitions

Extrinsica Global Holdings Limited

On 5 June 2023, the Group acquired the entire issued share capital of Extrinsica Global Holdings Limited ("Extrinsica"), the holding company of Extrinsica Global Limited. Extrinsica is a Microsoft Azure Cloud solution services provider with offerings including managed Azure Cloud, Azure solution design and implementation services, support & optimisation services and licencing.

During the current year, the Group incurred £307,000 of third party acquisition related costs in respect of this acquisition. These expenses are included in administrative expenses in the Group's consolidated statement of comprehensive income and in cash flow from investing activities for the period ended 30 September 2023.

The following table summarises the consideration to acquire Extrinsica, the amounts of identified assets acquired, and liabilities assumed at the acquisition date.

	£'000
Recognised amounts of net assets acquired and liabilities assumed:	
Cash and cash equivalents	628
Trade and other receivables	1,439
Property, plant and equipment	44
Intangible assets	4,879
Borrowings	(3,728)
Trade and other payables	(2,326)
Deferred tax liability	(851)
Identifiable net assets	85
Goodwill	4,343
Total consideration	4,428
Satisfied by:	
Cash – paid on acquisition	1,853
Deferred consideration included in trade and other payables	215
Shares – issued on acquisition	2,000
Contingent consideration	360
Total consideration to be transferred	4,428

The acquisition of Extrinsica was completed using a "completion accounts" mechanism, on a no cash, no debt, and normalised working capital basis.

The initial consideration for the acquisition was £4,028,000, with a potential further £360,000 in cash payable on the achievement of certain key customer targets during the year ended 31 March 2024, £180,000 of which has since been settled on 12 October 2023 with the remaining balance due in early 2024. Of the initial consideration, £175,000 was deferred pending finalisation of the completion accounts and £2,000,000 was satisfied by the issue of 1,562,500 new ordinary shares in iomart Group plc, which under the terms of the Sale and Purchase Agreement (SPA) are subject to a 12 month "lock in" provision and based on a fixed share price of £1.28, being the volume weighted average price for the 90 days prior to completion. This has resulted in an increase to share capital of £16,000 and an increase to the merger reserve of £1,984,000.

At the date of acquisition, Extrinsica had bank debt of £3,728,000 which was taken on by iomart and settled as part of the completion process.

In line with the SPA, the total consideration payable was adjusted based on the level of cash, debt and working capital shown in the agreed set of accounts (the Completion Accounts) made up to 31 May 2023. Following agreement of the Completion Accounts an additional payment of £40,000 was paid to the former shareholders of Extrinsica on 12 October 2023, alongside the £175,000 deferred consideration mentioned above.

The SPA included a provision requiring the Company to pay the former shareholders of Extrinsica a further £4,000,000 to £7,000,000 of contingent earn-out payments which are calculated based on Extrinsica's profitability for the 12 months ending 31 March 2024 ("the earn-out payment"). Of any earn-out payment that becomes due, £1,000,000 will be satisfied by the issue of iomart Group plc shares (the number of shares to be issued will be based on the same share price as the initial consideration).

The potential undiscounted amount of the earn-out payment that the Company could be required to pay is between £nil and £7,000,000. The amount of contingent earn-out consideration payable, which is recognised as of 30 September 2023, is £nil. The level of profitability for the earn-out payment was estimated taking into account actual performance to date and management's estimates of profitability for the remaining months to March 2024.

The goodwill arising on the acquisition of Extrinsica is attributable to the premium payable for a pre-existing, well positioned business specialising in Microsoft's Azure cloud platform, together with the benefits to the Group in merging the business with its existing infrastructure and the anticipated future revenue synergies from the combination. The goodwill is not expected to be deductible for tax purposes.

The trading name "Extrinsica" is not actively advertised or promoted. Extrinsica's standard terms and conditions restrict the ability of Extrinsica to sell, distribute or lease any personal information it holds on customers. As a consequence, there is no significant value in either the trade name/brand or customer lists acquired at the acquisition date and therefore no value has been attributed to either intangible asset.

Included in intangible assets is the fair value included in respect of the acquired customer relationships intangible asset of £3,824,000. To estimate the fair value of the customer relationships intangible asset, a discounted cash flow method, specifically the income approach, was used with reference to the directors' estimates of the level of revenue, which will be generated from them. A pre-tax discount rate of 14.11% was used for the valuation. Customer relationships are being amortised over an estimated useful life of 8 years.

Extrinsica earned revenue of £2,691,000 and generated losses, before allocation of group overheads, share based payments and tax, of £85,000 in the period since acquisition.

If Extrinsica had been part of the iomart group from 1 April 2023, revenue earned would have been £4,019,000 and loss after tax of £162,000 for the period ended 30 September 2023.

8. Intangible assets

	Goodwill £'000	Acquired customer relationships £'000	Development costs £'000	Software £'000	Acquired beneficial contract £'000	Domain names & IP addresses £'000	Total £'000
Cost:							
At 1 April 2022	86,479	57,299	13,256	10,945	86	336	168,401
Acquired on acquisition of subsidiary	13,231	4,462	159	-	-	-	17,852
Additions in the period	-	-	627	31	-	-	658
Currency translation differences	-	137	-	105	-	-	242
At 30 September 2022	99,710	61,898	14,042	11,081	86	336	187,153
Additions in the period	240	-	1,260	13	-	-	1,513
Currency translation differences	-	(89)	-	(66)	-	-	(155)
At 31 March 2023	99,950	61,809	15,302	11,028	86	336	188,511
Acquired on acquisition of subsidiary	4,343	3,823	1,055	-	-	-	9,221
Additions in the period	-	-	860	-	-	-	860
Currency translation differences	-	11	-	9	-	-	20
Disposals	-	-	(112)	-	-	-	(112)
At 30 September 2023	104,293	65,643	17,105	11,037	86	336	198,500
Accumulated amortisation:							
At 1 April 2022	-	(49,396)	(11,166)	(8,142)	(69)	(297)	(69,070)
Charge for the period	-	(1,748)	(655)	(578)	(4)	(4)	(2,989)
Currency translation differences	-	(138)	-	(93)	-	-	(231)
At 30 September 2022	-	(51,282)	(11,821)	(8,813)	(73)	(301)	(72,290)
Charge for the period	-	(2,132)	(779)	(538)	(4)	(3)	(3,456)
Currency translation differences	-	89	-	77	-	-	166
At 31 March 2023	-	(53,325)	(12,600)	(9,274)	(77)	(304)	(75,580)
Charge for the period	-	(1,982)	(777)	(493)	(4)	(4)	(3,260)
Currency translation differences	-	(11)	-	(8)	-	-	(19)
Disposals	-	-	112	-	-	-	112
At 30 September 2023	-	(55,318)	(13,265)	(9,775)	(81)	(308)	(78,747)
Carrying amount:							
At 30 September 2023	104,293	10,325	3,840	1,262	5	28	119,753
At 31 March 2023	99,950	8,484	2,702	1,754	9	32	112,931
At 30 September 2022	99,710	10,616	2,221	2,268	13	35	114,863

Note 12 provides the movements in the period relating to IFRS 16 right-of-use assets included in the above table.

9. Property, plant and equipment

	Freehold property £'000	Leasehold property and improvements £'000	Datacentre equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:							
At 1 April 2022	8,236	40,424	30,524	114,268	2,840	23	196,315
Acquired on acquisition of subsidiary	-	300	872	1	30	-	1,203
Additions in the period	-	481	468	2,456	40	-	3,445
Currency translation differences	-	350	-	861	-	-	1,211
At 30 September 2022	8,236	41,555	31,864	117,586	2,910	23	202,174
Additions in the period	-	488	1,381	4,135	76	23	6,103
Disposals in the period	-	(309)	(1,402)	-	-	-	(1,711)
Currency translation differences	-	(218)	-	(483)	-	-	(701)
At 31 March 2023	8,236	41,516	31,843	121,238	2,986	46	205,865
Acquired on acquisition of subsidiary	-	6	-	31	7	-	44
Additions in the period	-	3,466	1,580	3,715	202	43	9,006
Disposals in the period	-	(462)	-	-	-	(5)	(467)
Currency translation differences	-	28	-	22	-	-	50
At 30 September 2023	8,236	44,554	33,423	125,006	3,195	84	214,498
Accumulated depreciation:							
At 1 April 2022	(1,054)	(16,214)	(18,041)	(87,750)	(2,340)	(23)	(125,422)
Charge for the period	(121)	(2,252)	(723)	(4,796)	(88)	-	(7,980)
Currency translation differences	-	(260)	-	(722)	-	-	(982)
At 30 September 2022	(1,175)	(18,726)	(18,764)	(93,268)	(2,428)	(23)	(134,384)
Charge for the period	(120)	(2,411)	(1,349)	(4,537)	(92)	(3)	(8,512)
Disposals in the period	-	-	1,402	-	-	-	1,402
Currency translation differences	-	186	-	402	-	-	588
At 31 March 2023	(1,295)	(20,951)	(18,711)	(97,403)	(2,520)	(26)	(140,906)
Charge for the period	(119)	(2,262)	(797)	(4,428)	(102)	(5)	(7,713)
Disposals in the period	-	-	-	-	-	5	5
Currency translation differences	-	(31)	-	(20)	-	-	(51)
At 30 September 2023	(1,414)	(23,244)	(19,508)	(101,851)	(2,622)	(26)	(148,665)
Carrying amount:							
At 30 September 2023	6,822	21,310	13,915	23,155	573	58	65,833
At 31 March 2023	6,941	20,565	13,132	23,835	466	20	64,959
At 30 September 2022	7,061	22,829	13,100	24,318	482	-	67,790

Note 12 provides the movements in the period relating to IFRS 16 right-of-use assets included in the above table.

10. Analysis of change in net debt

	Cash and cash equivalents £'000	Bank loans £'000	Lease liabilities £'000	Total net debt £'000
At 1 April 2022	15,332	(34,000)	(22,623)	(41,291)
Acquired on acquisition of subsidiary	-	-	(235)	(235)
Additions to lease liabilities	-	-	(269)	(269)
New bank loans	-	(10,400)	-	(10,400)
Currency translation	-	-	(104)	(104)
Cash and cash equivalents cash inflow	2,438	-	-	2,438
Lease liabilities cash outflow	-	-	2,035	2,035
At 30 September 2022	17,770	(44,400)	(21,196)	(47,826)
Additions to lease liabilities	-	-	(397)	(397)
Disposals from lease liabilities	-	-	449	449
Repayment of bank loans	-	10,000	-	10,000
Currency translation	-	-	71	71
Cash and cash equivalents cash outflow	(3,952)	-	-	(3,952)
Lease liabilities cash outflow	-	-	1,893	1,893
At 31 March 2023	13,818	(34,400)	(19,180)	(39,762)
Additions to lease liabilities	-	-	(2,197)	(2,197)
Disposals from lease liabilities	-	-	476	476
New bank loans	-	(5,500)	-	(5,500)
Currency translation	-	-	16	16
Cash and cash equivalents cash outflow	(3,145)	-	-	(3,145)
Lease liabilities cash outflow	-	-	2,129	2,129
At 30 September 2023	10,673	(39,900)	(18,756)	(47,983)

11. Borrowings

	30 September 2023 £'000	30 September 2022 £'000	31 March 2023 £'000
Current:			
Lease liabilities (note 12)	(2,383)	(3,566)	(3,377)
Total current borrowings	(2,383)	(3,566)	(3,377)
Non-current:			
Lease liabilities (note 12)	(16,374)	(17,630)	(15,803)
Bank loans	(39,900)	(44,400)	(34,400)
Total non-current borrowings	(56,274)	(62,030)	(50,203)
Total borrowings	(58,657)	(65,596)	(53,580)

At 30 September 2023, the Group has a £100m multi option revolving credit facility which has a maturity date of 30 June 2026 and benefits from a £50m Accordion facility. The RCF and the Accordion Facility (if exercised) provide the Group with additional liquidity which will be used for general business purposes and to fund investments, in accordance with the Group's five-year strategic plan. Each draw down made under this facility can be for either 3 or 6 months and can either be repaid or continued at the end of the period. During the year, the Group made a drawdown of £5.5m (H1 2023: £10.4m).

Details of the Group's lease liabilities are included in note 12.

12. Leases

The Group leases assets including buildings, fibre contracts, colocation and software contracts. Information about leases for which the Group is a lessee is presented below:

Right-of-use assets

	Leasehold property	Datacentre equipment	Software	Total
	£'000	£'000	£'000	£'000
Cost at 1 April 2022	18,187	2,809	665	21,661
Acquired on acquisition of subsidiary	123	112	-	235
Additions	-	269	-	269
Currency translation differences	-	106	-	106
Depreciation charge	(1,052)	(740)	-	(1,792)
Amortisation charge	-	-	(143)	(143)
Net book value at 30 September 2022	17,258	2,556	522	20,336
Additions	269	128	-	397
Disposals	(309)	-	-	(309)
Currency translation differences	7	(76)	-	(69)
Depreciation charge	(1,098)	(795)	-	(1,893)
Amortisation charge	-	-	(142)	(142)
Net book value at 31 March 2023	16,127	1,813	380	18,320
Additions	2,197	-	-	2,197
Disposals	(462)	-	-	(462)
Currency translation differences	-	(21)	-	(21)
Depreciation charge	(1,078)	(725)	-	(1,803)
Amortisation charge	-	-	(143)	(143)
Net book value at 30 September 2023	16,784	1,067	237	18,088

The right-of-use assets in relation to leasehold property and datacentre equipment are disclosed as non-current assets and are disclosed within property, plant and equipment at 30 September 2023 (note 9). The right-of-use assets in relation to software are disclosed as non-current assets and are disclosed within intangibles at 30 September 2023 (note 8).

Lease liabilities

Lease liabilities for right-of-use assets are presented in the balance sheet within borrowings as follows:

	30 September 2023 £'000	30 September 2022 £'000	31 March 2023 £'000
Lease liabilities (current) (note 11)	(2,383)	(3,566)	(3,377)
Lease liabilities (non-current) (note 11)	(16,374)	(17,630)	(15,803)
Total lease liabilities	(18,757)	(21,196)	(19,180)

The maturity analysis of undiscounted lease liabilities is shown in the table below:

Amounts payable under leases:	30 September 2023 £'000	30 September 2022 £'000	31 March 2023 £'000
Within one year	(2,661)	(4,252)	(3,880)
Between two to five years	(9,532)	(9,330)	(8,239)
After more than five years	(10,935)	(10,685)	(9,780)
	(23,128)	(24,267)	(21,899)
Add: unearned interest	4,371	3,071	2,719
Total lease liabilities	(18,757)	(21,196)	(19,180)

13. Post balance sheet events

Subsequent to the period end, we completed the acquisition of Accesspoint on 4 December 2023. The initial consideration of £4.5m was paid in cash on completion on a debt and cash free basis, with a potential further £0.5m in cash payable on the achievement of certain post-acquisition milestones. The acquisition also includes up to a further £1.4m contingent earn-out payment based on the profitability of Accesspoint for the 12 months ending 31 August 2024. The initial consideration was financed through a combination of existing bank facilities and cash on the Company's balance sheet.

14. Availability of half yearly reports

The Company's Interim Report for the six months ended 30 September 2023 will shortly be available to view on the Company's website (www.iomart.com).

INDEPENDENT REVIEW REPORT TO iOMART 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 30 September 2023 which comprises the Consolidated Interim Statement of Comprehensive Income, the Consolidated Interim Statement of Financial Position, the Consolidated Interim Statement of Cash Flows, the Consolidated Interim Statement of Changes in Equity and related notes 1 to 14.

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 30 September 2023 is not prepared, in all material respects, in accordance with the accounting policies the group intends to use in preparing its next annual financial statements and the AIM Rules of the London Stock Exchange.

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 have been prepared in accordance with the accounting policies the group intends to use in preparing its next annual financial statements.

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 AIM rules of the London Stock Exchange.

In preparing the half-yearly financial report, the directors are responsible for assessing the group'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.

Auditors' 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
Glasgow, United Kingdom
5 December 2023



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