RNS Number : 6295L
RA International Group PLC
07 September 2023

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RA INTERNATIONAL GROUP PLC
("**RA International**", "**RA**" or the "**Company**")

Interim Results for the six months to 30 June 2023

RA International Group plc (AIM: RAI), a specialist provider of complex and integrated remote site services to organisations globally, is pleased to announce its unaudited interim results for the six months ended 30 June 2023.

HIGHLIGHTS

- Revenue of USD 30.4m (H2 22: USD 33.7m, H1 22: USD 29.2m) and underlying EBITDA of USD 0.3m (H2 22: USD 0.6m, H1 22: USD nil), in line with market expectations for the interim period ended 30 June 2023.

    - New contracts, together with uplifts and extensions to existing contracts, totalling USD 18m including two contracts with western Governments clients, highlighting our position as a trusted, global partner offering a comprehensive, flexible, and mission critical support.

    - Order book of USD 71m at 30 June 2023 (H2 22: USD 83m, H1 22: USD 96m), excluding framework agreements, provides good forward visibility with a number of large tenders in progress with western Governments despite the continued low level of tendering of larger, long-term contracts in the Humanitarian sector.

- Progress made in recovering value from the cancelled Palma Project, with USD 0.6m net income and cash inflow in H1 23 and further recovery from impaired assets expected to be realised in H2 23.

- Cash of USD 12.2m on 30 June 2023 increased by USD 4.7m from the prior period (H2 22: USD 7.5m, H1 22: USD 9.2m), resulting from USD 6.1m of net cash inflows from operations, offset by USD 1.4m of cash outflows from financing activities.

	6 months ended 30 June 2023 USD'm	*6 months ended 31 December 2022 USD'm*	*6 months ended 30 June 2022 USD'm*
Revenue	**30.4**	33.7	29.2
Gross profit	**3.6**	2.2	3.0
Gross profit margin	**11.8%**	6.5%	10.3%
Underlying EBITDA[1]	**0.3**	0.6	—
Underlying EBITDA margin	**1.0%**	1.8%	(0.2%)
Loss before tax	**(2.5)**	(9.6)	(3.4)
Loss before tax margin	**(8.2%)**	(28.4%)	(11.7%)
Basic EPS (cents)	**(1.4)**	(5.6)	(2.0)
Net debt (end of period) [2]	**(1.8)**	(6.5)	(4.3)

Soraya Narfeldt, CEO of RA International, commented:

"RA is emerging from two and a half very difficult years. Our focus for FY23 has been to stabilise the financial position and trading performance of the Group. This has seen a marked improvement through cost control, cash collections, unwinding of impaired assets, as well as new and renegotiated contracts addressing inflationary pressures.

Against this backdrop, we remain cautious on our financial performance for the current financial year and continue to expect the business to remain broadly breakeven at the underlying EBITDA level. We will continue to focus on restoring profitability, strengthening our liquidity position, and building our pipeline.

We have a number of tenders in place with Government and Humanitarian clients, including the expected imminent announcement of a framework agreement for HM Government's Conflict, Stability and Security Fund ("CSSF"). While we have no control of the timing or value of future contracts, we can reasonably expect an improvement in contract award run-rate. In the meantime, we are seeing an increase in contract extensions and, in some cases, working with clients on a short-term basis whilst we finalise negotiations on longer-term contracts, establishing a solid foundation for future growth."

Notes to summary table of financial results:

[1] *Underlying EBITDA is calculated by adding depreciation, non-underlying items, and share based payment expense to operating profit.*

[2] *Net debt represents cash less overdraft balances, term loans and notes outstanding.*

Enquiries:

RA International Group plc Soraya Narfeldt, Chief Executive Officer Lars Narfeldt, Chief Operating Officer Dave Marshall, Interim Chief Financial Officer	Via Strand Hanson
Strand Hanson Limited (Nominated & Financial Adviser and Broker) Ritchie Balmer / James Spinney / David Asquith	+44 (0) 20 7409 3494

Background to the Company

RA International is a leading provider of services to remote locations. The Company offers its services through three channels: construction, integrated facilities management and supply chain, and services two main client groups: humanitarian and development agencies and western Government organisations focusing on overseas projects. It has a strong customer base, largely comprising UN agencies, UK and US Government departments and global corporations.

The Company provides comprehensive, flexible, mission critical support to its clients enabling them to focus on the delivery of their respective businesses and services. Focusing on integrity and values alongside making on-going investment in its people, locations and operations has over time created a reliable and trusted brand within its sector.

CHIEF EXECUTIVE OFFICER'S REVIEW

We are making good progress in executing on our priorities

As outlined in our last results inMay 2023 we are focused on strengthening the underlying business, focusing on short-term and strategic priorities. Our main objectives are to restore profitability, improve the Company's liquidity position, and to build a stronger pipeline, by leveraging the significant opportunities we have with UK and US Government clients. We are making good progress across all areas.

Financial review - improved trading performance and stabilising financial position

Revenue of USD 30.4m was broadly in line with prior periods (H2 22:USD 33.7m, H1 22: USD 29.2m).

Supply Chain revenue included USD 2.9m relating to a contract for the sale of prefabricated camp facility units held in Turkey. Excluding this transaction, Supply Chain revenue showed modest growth of 6.4% from H2 22. The decrease in Construction revenue is reflective of the successful conclusion of substantial contracts with the UN and Cherokee Nation. IFM revenue grew 11.7% from the prior period due to increased occupancy at our Somalia facility, with revenue expected to grow further in H2.

Revenue by service channel:

	6 months ended 30 June 2023 USD'm	*6 months ended 31 December 2022 USD'm*	*6 months Ended 30 June 2022 USD'm*
Integrated facilities management	**15.8**	14.2	13.3
Construction	**6.7**	14.9	6.4
Supply chain	**7.9**	4.7	9.5

30.4	33.7	29.2

Gross margin in H1 23 was 11.8% (H2 22: 6.5%, H1 22: 10.3%) showing an increase period on period as a result of a number of long-term, fixed price contracts being completed in prior periods. These contracts were priced before the recent global inflationary impact. Whilst the effects of inflation are still being felt by the Group, recently priced and awarded contracts are showing improved margins, and the Group has been successful in negotiating increases on a number of long-term contracts to offset the impact of the current economic climate.

In our efforts to restore profitability, strict cost controls are being maintained with administrative costs of USD 5.7m decreasing from the prior period (H2 22: USD 6.2m, H1 22: USD 5.5m). We expect further savings to be realised in H2 23.

Underlying EBITDA was USD 0.3m (H2 22: USD 0.6m, H1 22: nil). The loss before tax for the period reduced to USD 2.5m (H2 22: loss USD 9.6m, H1 22: loss USD 3.4m).

Cash of USD 12.2m at 30 June 2023 shows an increase of USD 4.7m from the prior period (H2 22: USD 7.5m, H1 22: USD 9.2m), resulting from USD 6.1m of net cash inflow from operations (H2 22: USD 0.9m, H1 22: outflow USD 2.5m), offset by USD 1.4m of cash outflows from financing activities. Cash inflows from operations include USD 5.2m from working capital, demonstrating strong collections and unwinding of balances during the first half of the year, as well as a settlement with the Palma Project client which saw a net income and cash inflow of USD 0.6m.

Net assets at 30 June 2023 were USD 22.5m (H2 22: USD 24.9m, H1 22: USD 34.1m), decreasing from 2022-year end in line with the net loss generated in the period.

Basic loss per share was 1.4 cents in the current period (H2 22: Loss 5.6 cents, H1 22: Loss 2.0 cents) and is equal to diluted earnings per share for the current period.

Contract awards, order book and building our pipeline with western Governments

Our position with US and UK Governments goes from strength to strength, with two contracts awarded during the period: a GBP 3.3m contract with the UK's Foreign, Commonwealth and Development Office to provide construction services relating to the refurbishment of the British High Commission in Botswana and three task orders to work at the US Navy's base on Diego Garcia with an aggregate value of USD 8.2 million.

These wins highlight our position as a trusted, global primary contractor to western Government clients, alongside the strength of our offering combining comprehensive, flexible, mission critical support. Revenues from western Governments now accounts for over 50% of the business.

The order book of USD 71m at 30 June 2023, provides good forward visibility (H2 22: USD 83m, H1 22: USD 96m). Although this is lower than reported at the start of the year, we are not overly concerned given the number of tenders for large long-term contracts we are pursuing, the considerable progress we are making with western Government opportunities, and that it excludes framework agreements.

	USD'm
Opening order book as at 1 January 2023	83
New contracts, uplifts, and extensions	18
Contracted revenue delivered in H1 23	(30)
Closing order book at 30 June 2023	**71**

Post period-end events

In our efforts to pursue opportunities to recover value from Mozambique-related impaired assets, we have finalised agreements for the sale of two pockets of assets for a total of USD 5.0m with the cargo due to be shipped in Q4 2023; the proceeds will be realised in H2 23. These transactions reduce the storage cost burden going forward, with the beneficial effect of releasing resources to focus on other opportunities.

Strengthening our relationship with the UK Government, we recently announced a significant strategic contract with the Foreign, Commonwealth and Development Office ("FCDO") to deliver ambitions to tackle conflict and instability through the Conflict, Stability and Security Fund ("CSSF"). The contract is a two-year global framework agreement relating to Lot 3 of the CSSF fund, which has a total budget of GBP 375m, with an option to extend for a further two twelve-month periods with an additional budget of GBP 187m per annum allocated by the FCDO. Scoring the highest out of 27 awardees we look forward to participating in task orders and future work.

Whilst we cannot predict the value or nature of contracts to RA over the framework agreement period, specific elements of Lot 3 relevant to RA relate to the provision and delivery of operational and technical equipment to organisations in hostile environments in a human rights compliant manner. This includes providing advice on administrative, logistics and human resource reform to improve working practices. The contract builds our relationships with the UK MOD and FCDO further, following our success with the MOD OSCC last year and FCDO this year.

Summary and outlook

We remain committed to building a high-quality and de-risked pipeline through developing our relationships with western Government and Humanitarian clients, either as prime contractor or through a partnership approach where it makes more commercial sense. We have a number of tenders in our pipeline and have made considerable in-roads with US Government agencies in H2 already, which allow us to bid for the long-term contracts for which we are known in the Humanitarian sector. Although we cannot be certain of the number, value or timing of contract awards, we believe our differentiated and integrated offering is both competitive and attractive.

In the meantime, we are benefiting from contract extensions and uplifts, as well as increased occupancy in our permanent facilities. In some cases, we are providing rolling services to clients while long-term contract negotiations continue. The short-term nature of these contracts means the USD 71m order book is not reflective of our current operations.

In addition, we are currently in advanced discussions with parties interested in acquiring further parcels of assets which will lead to a further recovery of value, and which will conclude the sale of all impaired assets held in storage relating to the Palma Project. The sale of these assets will further improve our financial position and release our staff to pursue new business opportunities.

As stated in May 2023, we remain cautious on our financial performance for the current financial year and expect the business to remain broadly breakeven at the underlying EBITDA levels. We maintain our expectation that we will see a stronger run-rate of contact awards and continue to strengthen our relationships with target clients that will support our return to profitability.

Soraya Narfeldt
Chief Executive Officer
06 September 2023

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended30 June 2023

	Notes	***6 months ended 30 June 2023 USD'000***	*6 months ended 31 December 2022 USD'000*	*6 months ended 30 June 2022 USD'000*
Revenue		**30,357**	33,729	29,188
Direct costs		**(26,778)**	(31,541)	(26,176)
Gross profit		**3,579**	2,188	3,012
Administrative expenses		**(5,714)**	(6,181)	(5,514)
Underlying operating loss		**(2,135)**	(3,993)	(2,502)
Non-underlying items	4	**607**	(4,661)	444
Operating loss		**(1,528)**	(8,654)	(2,058)
Investment revenue		**106**	150	56
Finance costs		**(1,021)**	(1,072)	(1,419)
Loss before tax		**(2,443)**	(9,576)	(3,421)
Tax expense		**(7)**	(169)	—
Loss and total comprehensive income for the period		**(2,450)**	(9,745)	(3,421)
Basic earnings per share (cents)	5	**(1.4)**	(5.6)	(2.0)
Diluted earnings per share (cents)	5	**(1.4)**	(5.6)	(2.0)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

As at 30 June 2023	*As at 31 December 2022*	*As at 30 June 2022*

	Notes	***USD'000***	*USD'000*	*USD'000*
Assets				
Non-current assets				
Property, plant, and equipment		**17,810**	19,590	23,803
Right-of-use assets		**3,953**	4,421	4,904
		21,763	24,011	28,707
Current assets				
Inventories		**3,331**	5,154	8,638
Trade and other receivables		**12,306**	16,389	17,298
Cash and cash equivalents		**12,206**	7,514	9,174
		27,843	29,057	35,110
Total assets		**49,606**	53,068	63,817
Equity and liabilities				
Equity				
Share capital		**24,300**	24,300	24,300
Share premium		**18,254**	18,254	18,254
Merger reserve		**(17,803)**	(17,803)	(17,803)
Treasury shares		**—**	—	(981)
Share based payment reserve		**648**	574	448
Retained earnings		**(2,907)**	(457)	9,896
Total equity		**22,492**	24,868	34,114
Non-current liabilities				
Loan notes		**14,000**	14,000	12,000
Lease liabilities		**4,278**	4,556	4,825

Employees' end of service benefits	**1,089**	928	817
	19,367	19,484	17,642
Current liabilities			
Loan notes	**—**	**—**	1,502
Lease liabilities	**547**	650	896
Trade and other payables	**6,693**	6,974	8,931
Provisions	**507**	1,092	732
	7,747	8,716	12,061
Total liabilities	**27,114**	28,200	29,703
Total equity and liabilities	**49,606**	53,068	63,817

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended30 June 2023

						Share
		Share	*Share*	*Merger*	*Treasury*	*Pa*
		Capital	*Premium*	*Reserve*	*Shares*	*R*
	Notes	*USD'000*	*USD'000*	*USD'000*	*USD'000*	*U*
As at 1 January 2022		24,300	18,254	(17,803)	(1,199)	
Total comprehensive income for the period		—	—	—	—	
Share based		—	—	—	—	

payments					
Lapsed share options	—	—	—	—	
Issuance of treasury shares	—	—	—	218	
As at 30 June 2022	24,300	18,254	(17,803)	(981)	
Total comprehensive income for the period	—	—	—	—	
Share based payments	—	—	—	—	
Non-cash employee compensation	—	—	—	981	
As at 31 December 2022	24,300	18,254	(17,803)	—	
Total comprehensive income for the period	—	—	—	—	
Share based payments	—	—	—	—	
As at 30 June 2023	**24,300**	**18,254**	**(17,803)**	**—**	

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended30 June 2023

	Notes	***6 months ended 30 June 2023 USD'000***	*6 months ended 31 December 2022 USD'000*	*6 months ended 30 June 2022 USD'000*
Operating activities				
Operating loss		**(1,528)**	(8,654)	(2,058)
Adjustments for non-cash and other items:				
Depreciation on property, plant, and equipment		**2,312**	4,295	2,271
Loss/(profit) on disposal of property, plant, and equipment		**34**	17	(20)
Unrealised differences on translation of foreign balances		**(22)**	22	(57)
Provision for employees' end of service benefits		**273**	269	257
Share based payments		**74**	304	185
Non-underlying items	4	**—**	2,707	627
		1,143	(1,040)	1,205
Working capital adjustments:				
Inventories		**1,824**	1,580	487
Accounts receivable, deposits, and other receivables		**4,084**	882	(1,139)
Accounts payable and accruals		**(745)**	(1,548)	(1,814)
Cash flows from/(used in) operations		**6,306**	(126)	(1,261)
Tax paid		**(129)**	—	—
Employees' end of service benefits paid		**(112)**	(187)	(142)
Net cash flows from/(used in) operating activities		**6,065**	(313)	(1,403)
Investing activities				
Investment revenue received		**106**	150	56

Purchase of property, plant, and equipment	**(265)**	(368)	(250)
Proceeds from disposal of property, plant, and equipment	**166**	172	187
Net cash flows from/(used in) investing activities	**7**	(46)	(7)
Financing activities			
Repayment of borrowings	**—**	(11,500)	—
Proceeds from borrowings	**—**	11,998	3,502
Payment of lease liabilities	**(381)**	(515)	(319)
Finance costs paid	**(1,021)**	(1,262)	(1,229)
Proceeds from share options exercised	**—**	—	41
Net cash flows (used in)/from financing activities	**(1,402)**	(1,279)	1,995
Net increase/(decrease) in cash and cash equivalents	**4,670**	(1,638)	585
Cash and cash equivalents as at start of the period	**7,514**	9,174	8,532
Effect of foreign exchange on cash and cash equivalents	**22**	(22)	57
Cash and cash equivalents as at end of the period	**12,206**	7,514	9,174

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the six months ended30 June 2023

1 CORPORATE INFORMATION

The principal activity of RA International Group plc ("RAI" or the "Company") and its subsidiaries (together the "Group") is providing services in demanding and remote areas. These services include construction, integrated facilities management, and supply chain services. RAI was incorporated on 13 March 2018 as a public company in England and Wales under registration number 11252957. The address of its registered office is One Fleet Place London, EC4M 7WS office is One Fleet Place, London, EC4M 7WS.

2 BASIS OF PREPARATION

The financial information set out in these condensed consolidated interim financial statements does not constitute the Group's statutory accounts within the meaning of section 434 of the Companies Act 2006.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34, 'Interim Financial Reporting'. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of RAI for the year ended 31 December 2022. The unaudited financial information has been prepared using the same accounting policies and methods of computation as the Annual Report for the year ended 31 December 2022. The same accounting policies and methods of computation will be used to prepare the Annual Report for the year ending 31 December 2023. The financial statements of the Group are prepared in accordance with IFRS.

3 SEGMENT INFORMATION

For management purposes, the Group is organised into one segment based on its products and services, which is the provision of services in demanding and remote areas. Accordingly, the Group only has one reportable segment. The Group's Chief Operating Decision Maker ("CODM") monitors the operating results of the business as a single unit for the purpose of making decisions about resource allocation and assessing performance. The CODM is considered to be the Board of Directors.

Operating segments

Revenue, operating results, assets, and liabilities presented in the financial statements relate to the provision of services in demanding and remote areas.

Revenue by service channel:

	6 months ended 30 June 2023 USD'000	*6 months ended 31 December 2022 USD'000*	*6 months ended 30 June 2022 USD'000*
Integrated facilities management	**15,817**	14,154	13,257
Construction	**6,637**	14,861	6,415
Supply chain	**7,903**	4,714	9,516
	30,357	33,729	29,188

Revenue by recognition timing:

	6 months ended 30 June 2023 USD'000	*6 months ended 31 December 2022 USD'000*	*6 months ended 30 June 2022 USD'000*
Revenue recognised over time	**21,989**	29,241	18,919
Revenue recognised at a point in time	**8,368**	4,488	10,269
	30,357	33,729	29,188

Geographic segment

The Group primarily operates in Africa and the CODM considers Africa and Other to be the only geographic segments of the Group. The below geography split is based on the location of project implementation.

Revenue by geographic area of project implementation:

	6 months ended 30 June 2023 USD'000	*6 months ended 31 December 2022 USD'000*	*6 months ended 30 June 2022 USD'000*
Africa	**26,835**	33,133	27,879
Other	**3,522**	596	1,309
	30,357	33,729	29,188

Non-current assets by geographic area:

	As at 30 June 2023 USD'000	*As at 31 December 2022 USD'000*	*As at 30 June 2022 USD'000*
Africa	**20,103**	22,223	26,489
Other	**1,660**	1,788	2,218
	21,763	24,011	28,707

Revenue split by customer:

	6 months ended 30 June 2023 %	*6 months ended 31 December 2022 %*	*6 months ended 30 June 2022 %*
Customer A	**21**	17	20
Customer F	**13**	12	12
Customer I	**10**	13	10
Customer J	**10**	—	—
Customer H	**10**	7	8
Customer D	**9**	9	8
Customer K	**5**	2	—
Customer E	**—**	9	11
Customer B	**—**	11	9
Other	**22**	20	22
	100	100	100

4 NON-UNDERLYING ITEMS

	6 months ended 30 June 2023 USD'000	*6 months ended 31 December 2022 USD'000*	*6 months ended 30 June 2022 USD'000*
Restructuring costs	**—**	2,742	760
Palma Project, Mozambique	**(607)**	1,919	(1,204)
	(607)	4,661	(444)

Palma Project, Mozambique
In H1 23, the Group reached a settlement for lost revenue due to delayed occupation of the completed elements of the camp in Palma, Mozambique before the attack in March 2021. As a result, a USD 607,000 net income has been recorded in the period.

5 EARNINGS PER SHARE

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	6 months ended 30 June 2023	*6 months ended 31 December 2022*	*6 months ended 30 June 2022*
Loss for the period (USD'000)	**(2,450)**	(9,745)	(3,421)
Basic weighted average number of ordinary shares	**173,575,741**	173,377,448	171,813,566
Effect of employee share options	**312,545**	728,394	1,077,434
Diluted weighted average number of shares	**173,888,286**	174,105,842	172,891,000
Basic earnings per share (cents)	**(1.4)**	(5.6)	(2.0)
Diluted earnings per share (cents)	**(1.4)**	(5.6)	(2.0)

6 APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the Board of Directors on 06 September 2023.

— Ends —

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