

28 July 2022

Restore plc
("Restore" or the "Group" or "Company")

Half Year Results 2022

Strategy delivering organic momentum and acquisition expansion

Restore plc (AIM: RST), the UK's leading provider of digital and information management and secure lifecycle services, is pleased to announce its unaudited results for the six months ended 30 June 2022 ("H1" or "the period").

OVERVIEW

Restore continued to deliver strategic progress with substantial revenue growth of 32% in the first half, driven by strong organic momentum (+19%) and the successful integration of acquisitions made in 2021 and H1 2022 (+13%).

Digital and Information Management achieved revenue growth of 41% as a result of strategic contract wins in the last 18 months and excellent operational delivery in H1. Secure Lifecycle Services grew revenue by 20% with Technology growing strongly (+40%) and Datashred also performing well (+33%). The Group also successfully managed inflationary cost pressures during the period through proportionate price rises, whilst driving cost reductions across the Group.

With strong organic momentum, three further acquisitions completed in H1 and substantial financial capacity to make further acquisitions, the Group continues to grow capability and scale and management remain confident of delivering its stated objective to reach annual revenues of £450 million and double EBITDA to £150m in the medium term.

FINANCIAL SUMMARY	H1 2022	H1 2021	Change
Revenue	£140.3m	£106.1m	+32%
Adjusted Profit Before Tax*	£21.2m	£15.6m	+36%
Statutory Profit Before Tax	£14.1m	£8.9m	+58%
Adjusted EBITDA*	£40.3m	£33.2m	+21%
Net Debt	£103.5m	£91.6m	+13%
Adjusted* Earnings Per Share**	12.6p	9.8p	+29%
Statutory Earnings Per Share	7.5p	1.5p	+400%
Dividend per share	2.6p	2.5p	+4%

*stated before exceptional items and amortisation

**calculated using a standard tax charge

HIGHLIGHTS

Strong business momentum and organic expansion resulting from high customer satisfaction and innovation

- Increasing demand and activity continuing from 2021
- Major contract wins in Digital and Information Management
- Substantial evolution of the Group's product range in Digital and Technology businesses
- 'Restoring our World', ESG strategy on track

Excellent progress in acquisition strategy

- Successful integration of prior year acquisitions, all on track or ahead of plan
- Two bolt-on investments in Records Management for £0.7m during H1
- Strategic acquisition of Ultratec for an enterprise value of £9.3m in May
- Well developed pipeline of acquisition opportunities

Substantial financial growth

- Revenue of £140.3m (+32%) from organic growth (+19%) and acquisitions (+13%)
- Strong profit delivery of £21.2m (+36%) with price and productivity mitigation of cost pressures
- Adjusted EPS of 12.6p (+29%)
- Annualised run rate revenue increased to c.£280m per annum

Strong cash management with leverage reduced to 1.7x as at 30 June 2022, with substantial headroom for further investment.

Interim dividend declared of 2.6p per share (2021:2.5p).

Management remain confident the Group will deliver strong growth for FY22.

Growth strategy on track to double EBITDA to £150m.

OUTLOOK

The Board is pleased with the Group's strategic progress during H1 and the delivery of sustained organic momentum and successful integration of acquisitions made during the last 18 months.

Management remain confident that the Group will deliver strong growth for FY22, with activity levels increasing and pricing adjustments offsetting cost increases. However, rising interest rates are leading to higher finance charges and it is anticipated that interest costs will be £1.0 million to £2.0 million greater than planned for the year.

Looking further ahead, the critical services that the Group provides in digital transformation, information management and secure lifecycle services are in high demand and Restore is in a strong position to capitalise on its market leading positions. The Group's strategy to grow through organic expansion, strategic acquisition and margin improvement remains on track to deliver a larger, responsible and highly profitable business in the medium term.

CHARLES BLIGH, CEO, commented:

"I am delighted with the growth achieved in the first half which demonstrates that our strategy and execution is on track. Across the Group we are seeing increasing sales activity and significant customer contract wins. Our staffing levels have grown substantially in the last 6 months in order to support delivery and I want to thank the whole team for doing such a great job and ensuring customer experience continues to be at the heart of what we do.

In addition to our confidence in future organic growth, we have a well developed pipeline of acquisition opportunities and, with our strong balance sheet, we are looking forward to completing further investments in H2 and continuing to deliver great results for our shareholders and customers."

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BUSINESS PERFORMANCE

The Group achieved a strong performance in H1, with revenue up 32% vs the same period in 2021 and importantly showing sequential improvement with an increase of 13% in Q2 over Q1.

Restore has a clear, high growth strategy, with ambitious but achievable strategic growth objectives. The financial performance of the business is clearly showing delivery against the stated growth pillars of organic expansion, strategic acquisitions and margin enhancement through scale and productivity, despite the headwinds resulting from the global pandemic and macro-economic uncertainty.

Digital and Information Management

Our Digital and Information Management division comprises Restore Records Management and Restore Digital.

For the period, the division achieved an adjusted operating profit of £24.6m (H1 2021: £18.8m) on turnover of £87.1m (H1 2021: £61.9m).

Restore Records Management – Revenue £55.9m up 17% YoY (H1 2021: £47.7m)

Revenue increased strongly at +17% YoY driven by organic growth of 11% and acquisition related growth of 6%.

Activity levels increased YoY and are now above pre-covid levels. Within this activity, BAU service levels (normal pickups and file deliveries) are down on pre-covid levels which was expected given part of the period was impacted by covid ways of working but this was more than offset by the increase in projects with customers. The contract with DWP (Department for Work and Pensions) to audit and consolidate c.27million files started on the 1 April 2022 and is on track to be completed at the end of this year.

Our insight from customers in the last six months is consistent with pre-covid research that customers are still looking for long term storage while they look to transform their businesses. They find it difficult to know where to start in the digital transformation and are looking to Restore to help them to effectively use their highly valuable and long-term data held in a physical form with new data held in a digital form.

Positive organic net box growth was achieved plus additional box growth of 78k boxes through two 'pick and lift' storage acquisitions. Restore is winning new business in the market with c.140 new customers in H1 2022, which is three times the pre-covid levels seen in 2019, clearly showing successful and strong sales execution from the team. Of these new c.140 accounts, 70% are customers with un-vended boxes. New Box intake and Organic growth were up substantially from H1 2021 and destructions are back to pre-covid levels while perm-out (where a customer permanently checks out a box) have decreased vs pre-covid levels. Restore started the year with 22m boxes in storage and we are expecting the full year organic box growth to be between 1-2% plus acquisition related increases in box storage driving strong revenue growth.

The storage utilisation rate of 91% reflects the addition of new capacity (in H2 2021) which will cater for our organic growth over the next 18 months plus ongoing consolidation of the property estate. The Group emptied three sites with over 320k boxes moved in H1 and is progressing the exit from a further three sites with over 500k boxes into existing, larger facilities. We are currently working through further additional lease and warehouse expansion opportunities to underpin the growth and consolidation strategy including a planning application to significantly extend our freehold site in Sittingbourne.

The pipeline of acquisitions continues to develop and we have started H2 2022 strongly with a number of customer awards for large projects.

Restore Digital – Revenue £31.2m up 120% YoY (H1 2021: £14.2m)

As a result of the transformation of Restore Digital (scale and scope of services) over the last two years, the business showed exceptional revenue growth of 120%, and delivered turnover of £31.2m for the period. This increase comprised of organic growth of 65% from strong project revenues and underlying sales growth, and acquisition related growth of 55% as a result of the EDM acquisition in April 2021.

Strong growth in H1 2022 was underpinned by a substantial contract award from HMRC, a successful Public Sector Government contract delivered in partnership with APS Group, and the return of the examination scanning activities for RM Education. To deliver these contracts, over 500 staff were successfully onboarded during H1. As Restore Digital exits the period, staffing levels are 26% higher than H1 2021.

Last year's acquisition of EDM Group has extended the breadth of services and the newly combined business has achieved three significant pipeline additions to digital mailroom services during the period. Integration of these businesses has progressed according to plan and is delivering substantial synergies in line with expectations. To support further growth plans, the Leadership Team has recently been strengthened by the addition of senior Finance and Service Delivery Directors.

Restore Digital won 226 deals in the period and total contract value increased by 11% compared with H1 2021. This included two significant public sector digitisation contracts. Our organic growth strategy is underpinned by a significant pipeline (600 deals) of business, with over 17% of the pipeline consisting of strategically important complex digital transformation projects. Our sales focus continues to be on high volume complex contracts in regulated sectors where customers value the high quality and security of Restore's services. Customer retention levels are excellent and three of our top ten customers signed contract extensions in the period.

Further opportunity for growth is available through acquisitions with a number of opportunities under consideration.

Secure Lifecycle Services

Our Secure Lifecycle Services division comprises Restore Technology, which is now the market leader in IT Lifecycle Services, Restore Datashred, a leading National shredding business, and Restore Harrow Green, the UK's market leader in office and commercial relocations.

For the period the division achieved an operating profit of £5.6m up 19% (H1 2021: £4.7m) on turnover of £53.2m up 20% (H1 2021: £44.2m).

Restore Technology – Revenue £17.2m up 40% YoY (H1 2021: £12.3m)

Revenue significantly increased by 40% supported by strong organic growth of 14% and acquisition related growth of 26%. Restore Technology saw continued strong demand for IT investment which requires customers to decommission older equipment in both the office environment but also from the upgrade of data centres and data networks. Although a significant proportion of our services involve end of life activity, we are building out our capability selectively in the pre and mid-life services area and in H1 2022 pre & mid-life revenue was up 50% with a strong pipeline of deals for the next 12 months.

With the transformed scale (we are four times larger compared with three years ago) and increased breadth of capability, Restore Technology is now competing for and winning much larger and longer projects and also strengthening strategic partnerships. In H1 2022 a selection of the wins include a large IT infrastructure contractor (£1.0m), an IT support and solutions consultancy (£0.6m), a large investment bank for destruction work (£0.5m) and a large telco contract renewal (£1.0m).

A strategic focus is building a strong channel (indirect business) with IT Vendors and Resellers and Network vendors and resellers and we are delighted with the growing pipeline of business from this investment in people, capability and focus.

Feedback from customers shows a growing emphasis from direct clients on assurance and governance as clients seek more transparency around ESG (specifically supply chain risk, secure erasure of data and disposal of assets). Many large clients require completion of complex and detailed submissions with greater assurance in bids and tenders which is a favourable trend for the Group given our leading market position and credentials.

Restore Technology is also seeing significant interest to offer its lifecycle services to partners to extend their services propositions and it was pleasing to see large public sector clients won recently in partnership with our channel as a result.

We continue to invest and transform the business as we grow. A new Operations Director and Marketing Director are due to join in early Q3 2022 to further strengthen the team. With a fleet of over 90 ICE vehicles (and growing), Restore Technology is working hard to drive adoption of new EV vehicles as we optimise the routing of the business. The Group is investing in a major upgrade of the IT platform to be completed in H1 2023 to support the expected significant growth in the business over the next few years.

Ultratec Ltd was acquired in May 2022 for an enterprise value of £9.3m. Ultratec is the pre-eminent Hard Disk lifecycle business in the UK with a unique capability from a product called Genesis which is a software and appliance for the erasure and importantly restoration of failed hard drives and also Nemesis, which has the same capability for network devices (switches and routers) which is a growing security concern for many organisations. We have a number of acquisitions in the pipeline to continue to build our scale and scope of services as the Group looks to double the size of Restore Technology over the medium term.

Restore Datashred – Revenue £18.3m up 33% YoY (H1 2021: £13.8m)

Revenue increased 33% YoY and vs H2 2021 revenue increased sequentially by 12% which shows the continual increase in activity levels and also stronger paper prices for recycled paper delivered to the paper mills.

Activity levels increased c.30% YoY which is very encouraging, although remain slightly lower (9%) than pre-covid levels. We expect continued growth as more people return to work and even with more work from home activity going forward, we believe the business will continue to grow as a result of growing data management requirements and that we are winning in the market.

The tonnage of paper collected is lower than pre-covid levels but paper pricing remains high with the average price per tonne at c.£230. It is extremely difficult to forecast paper pricing but in the short term we expect to sustain these pricing levels given the substitute of paper from virgin forests is less sustainable and less competitive as shipping prices around the world remaining high.

We continue to focus relentlessly on operational efficiency with route density (number of visits per vehicle per day) improved 19% YoY with mileage per visit down 21% which drove down fuel and maintenance costs of the fleet. Restore Datashred also introduced new online capability for new sales from existing customers which enables them to increase self service, improving customer experience and reducing costs. This additional functionality is part of a wider IT platform upgrade which will enable Restore Datashred to drive even greater optimisation of operations and deliver further customer experience benefits.

The NPS customer experience continued to improve from 71 to 74 over the last 12 months, and we are seeing excellent Trustpilot reviews from customers which is very encouraging given the significant improvements that have been made. With the future plans laid out and additional changes management have identified, we know there is further potential to improve.

Restore Harrow Green – Revenue £17.7m down 2% YoY (H1 2021: £18.1m)

Revenue was slightly lower at 2% YoY reflecting the loss of one contract with Defence DAS (MoD staff relocations) but activity levels overall remained stable. Restore Harrow Green saw good performances in its regional locations but the London relocation market remained soft with few large projects. This was mainly offset by many small/medium projects. We

have a number of large relocations that have been delayed due to slower building works in the last two years but indications from customers are they will resume these relocations over the next 12 months.

Pricing in the market is competitive and Restore Harrow Green has seen a number of large customers engage after having experienced poor delivery with competitors who had offered lower pricing during the pandemic. This recognition that certainty of delivery is the key priority, positions Restore Harrow Green strongly as the class leader in execution. With the labour market remaining tight we are seeing increased costs but with price increases and with a dedicated and well-established team, we are confident that as the larger project activity returns, we will be able to deliver for customers.

Proposal activity remains strong with companies looking at their real estate footprint/usage and starting to make decisions about what they change over the next several years. With a national presence and pre-eminence in the market for large and complex moves Restore Harrow Green is ideally placed over the next few years for the significant changes in real estate locations and mix of use for organisations.

Storage of items (largely large crate and pallet storage) has increased with revenues up 12% to £2.2m. We store items in nine locations across the UK with c.95% utilisation. This market will increase in size and we are investing strongly to increase our storage facilities.

We have invested heavily in specific high growth segments such as the R&D and Pharmaceuticals industry and as a result we are building key relationships and winning new types of contracts in the sector. We are expanding our facility in Cambridge and looking at further investments to meet the growth we are experiencing.

STRATEGIC UPDATE

To deliver the high growth strategy the Group is organised across two divisions.

In the Digital and Information Management Division the growth trends are strong with increasing demand for secure storage, flexible work practices and the ongoing digitisation by organisations to drive down costs and respond to changing demand. As the number two in the Records Management sector and as the number one Digital business Restore provides market leading solutions to customers to solve their need for physical, hybrid physical/digital or a pure digital service.

In Restore's Secure Lifecycle Services division, the market is also large and growing with very positive underlying trends based on organisations' requirements for assurance in securely destroying data (on paper or technology assets), and ESG trends in recycling and reusing IT assets as well as workplace transformation. We service these markets as the leading provider with Restore Datashred the number two national shredding business, Restore Technology the number one IT lifecycle/recycling business and Restore Harrow Green the number one commercial relocation and storage business servicing mid-market, enterprise and public sector customers.

Resilience with significant opportunity underpins our growth strategy

Restore's business model is highly resilient and this is particularly important in uncertain economic times. The Group delivers essential services to mid-market, FTSE100 businesses and public sector organisations, and their demand for our services is increasing as they grow or restructure. Our services cannot be delivered by in-house teams and we use the scale of our operations to drive down costs and provide savings to customers which is greatly valued in the currently uncertain economic backdrop.

Restore sees significant opportunity in all our markets to grow share organically and acquire in highly fragmented markets. We believe that continued organic growth is a foundation for shareholder value and this underpins our acquisition strategy. When acquiring businesses, a fundamental principle is to integrate the acquisitions quickly into each business unit in order to enhance customer experience and deliver synergies. As such, our acquisition model is generally to acquire businesses in full at the transaction date, subject to modest retentions for completion matters, and we avoid earn-out deals which prevent strategic integration.

Organic Growth

The foundation of the organic growth strategy is to deliver exceptional customer service at the right price using the scale of our business to drive down costs. By delivering for customers every day we have the opportunity to cross sell from the wider Group services and so the virtuous circle continues which further drives our growth. Our markets overall are growing at 3%+ and our plan is to grow at a minimum of 4% per annum although we are investing with a view to drive above this to 8%+ (before the effects of potentially higher inflation). Restore has delivered consistent growth giving confidence in the platform to reliably deliver and during the pandemic we continued to grow and win new customers which gives the Group assurance that we can continue this trend. We are also expanding heavily into high growth segments such as in our Digital and Technology business units.

Acquisition growth

We have a very strong M&A platform with a highly qualified and dedicated M&A team and the business unit management teams have the experience and structure to integrate acquisitions quickly. Restore operates in large and extremely fragmented markets where we look for companies that add scale to our business (which means there are significant synergies) and/or add extra capability to enhance our products and services and provide significant synergy benefits. All acquisitions are earnings accretive and with multiple opportunities in each market and, due to Restore's well-earned reputation as a trusted buyer, we can buy good quality business at fair prices with the sellers knowing we will complete a deal and successfully integrate the acquired asset.

Margin Expansion

The focus as Restore grows is to improve margins and we have a detailed plan to achieve this. With inflationary pressures costs are increasing but we have significant ability to pass these on to customers while being customer centric in how this is executed. At the same time we are using our scale to drive down costs and market test what we procure continually as one company with its total scale versus each of the five business units independently procuring services with lower buyer leverage. A hallmark of the Company and the leadership team's focus is very tight cost control.

A significant cost to the business is property where we operate in 95 sites. We have a clear plan to ensure we drive significant utilisation as we grow at the various operating sites and rationalise the number of properties over time. This is especially true in

Restore Records Management where in a select number of cases proximity is needed to deliver service levels but increasingly for low activity records we can store in lower cost and larger facilities. We currently have capacity for c.24m boxes and we are planning on this being 30m+ boxes in the medium to long term to meet growth objectives. We are adding larger capacity sites (as we consolidate from smaller sites) with higher eaves heights which will drive greater density and lower unit costs.

A main source of productivity is in the use of better technology and the significant information we know about customer activity and needs. This is enabling Restore to design more efficient routes, improve SLAs and develop the profile of services which is driving significant optimisation of the current operations, improve productivity and enhance customer experience.

Compelling investment case delivering shareholder value

Our strategy is to drive significant increases in profitability over the medium term and in the last three years we have demonstrated this through especially challenging times. In addition to this underlying growth momentum, we also have significant defensive qualities due to the critical nature of the services we provide, and the cash generative nature of our business model.

Our business model to deliver shareholder value is based on;

- Highly recurring and long term contracted revenues with high levels of customers satisfaction
- Delivery of essential services that are growing with outsourced services that in house teams cannot do at scale
- Attractive and growing operating margins with strong free cash conversion
- Competitive advantage through our scale leading to cost advantage
- Significant barriers to entry with scale and security
- Ambitious ESG Strategy 'Restoring our World'
- Leading position in growth markets
- Fragmented markets with significant acquisition opportunity
- Strong management team with demonstrated delivery of results.

FINANCIAL PERFORMANCE

Financial overview

Restore delivered a strong financial performance in the first half, with underlying organic expansion and accretive acquisitions contributing to high levels of revenue and profit growth.

The increasing scale and capability of the Group were strongly demonstrated in H1 with several major contract wins and expansion of recurring business resulting in high levels of organic momentum. Additionally, the Group continued to make strategic investments and deployed £9.5 million (net of cash acquired) during the period across the Records Management and Technology businesses. These acquisitions continue to increase the scale of the Digital and Information Management division and have added further capability to our Secure Lifecycle Services business.

As a result of these factors, the Group's annualised run rate revenues have increased to £280 million with further progress anticipated in H2.

An interim dividend of 2.6p per share (2021: 2.5p) has been declared and will be paid on 14 October 2022 to shareholders on the register at 16 September 2022.

Income Statement

Revenue for the first half was £140.3 million, an increase of 32% compared with the corresponding period in the prior year. This strong year on year growth reflects organic momentum of £20.1 million and acquisition related growth of £14.1 million.

The Group's organic expansion is the result of sustained box growth in Restore Records Management, together with the benefit from a number of large project wins in Digital and Records Management, emphasising the division's increased capability to provide complex project and business support services.

Acquisition expansion added further growth to Records Management, Digital and Technology and reflects the successful integration of the eight businesses acquired during 2021. The Digital and Technology businesses also saw strong market demand and continued to expand the variety of services they provide and their capability to meet customer requirements.

In the other businesses, Restore Datashred has seen its collection activity largely recover to pre-covid levels and although paper volume is lower, this was offset by higher prices for the bales of recycled paper it produces. Finally, Restore Harrow Green transitioned out from a large Defence DAS (MoD staff relocation) contract in H1 and largely offset lost revenue through increased activity elsewhere particularly in Life Sciences sector work and commercial storage income.

Revenue	H1 2022 £m	H1 2021 £m	Organic YoY %	Acquisition YoY %	YoY %
Restore Records Management	55.9	47.7	11%	6%	+17%
Restore Digital	31.2	14.2	65%	55%	+120%
Digital and Information Management	87.1	61.9	23%	18%	+41%
Restore Technology	17.2	12.3	14%	26%	+40%
Restore Datashred	18.3	13.8	32%	1%	+33%
Restore Harrow Green	17.7	18.1	-2%	-	-2%
Secure Lifecycle Services	53.2	44.2	13%	7%	+20%
Total	140.3	106.1	19%	13%	+32%

Adjusted profit before tax for the period was £21.2 million (2021: £15.6 million), an increase of 36% year on year. The profit growth reflects the substantial growth in activity and net effect of pricing and costs in the period.

	£m
H1 2021 Adjusted Profit Before Tax	15.6
Interest	(0.6)
Cost increases	(2.2)
Price increases	1.6
Non-cash accounting adjustments	(0.2)
Activity growth	7.0
H1 2022 Adjusted Profit Before Tax	21.2

With significant cost pressures across the UK and the Global economy, the Group has been active in managing pricing and costs in the first half. Operating margin of 18.4% is consistent with H1 2021 with the Digital and Information Management division margin down slightly from 30.4% to 28.2% as a result of dilution from the increased digital mix whilst Secure Lifecycle Services at 10.5% is broadly in line with H1 2021.

Prices to customers have been increased at higher than ordinary rates across the businesses in 2022. The benefit of price increases in H1 are estimated at +£1.6 million with cost increases estimated at £2.2 million to give a net effect on profit for H1 of -£0.6 million.

This gap reflects the time lag of pricing increases when compared with the more immediate impact of cost increases. Pricing remains a significant area of focus as management look ahead.

In terms of cost exposure, the main areas of cost for the Group are people, property and operation of the Group's fleet. As highlighted above, the business has a number of pricing levers to mitigate cost pressure in the short term and in the medium term the Group has a number of strategic initiatives to improve margin through productivity, scale, consolidation of property and transition of the fleet.

During H1, progress has continued to be made on these strategic objectives with property consolidation opportunities in the North West and South East, increasing yields from operating facilities in Restore Digital and Restore Technology and further increases in network efficiency in Restore Datashred.

On a statutory basis, profit before tax was £14.1 million (2021: £8.9 million). Statutory profit before tax is stated after taking into account charges for amortisation of £5.9 million (2021: £5.0 million) and exceptional items of £1.2 million (2021: £1.7m).

Adjusted basic earnings per share increased by 29% to 12.6 pence (2021: 9.8 pence) with statutory basic earnings per share increased to 7.5 pence (2021: 1.5 pence).

Adjusting items

Due to the one-off nature of exceptional costs and the non-cash nature of certain charges, the Directors believe that an adjusted measure of profit before tax and earnings per share provides shareholders with a useful representation of underlying earnings from the Group's business.

The adjusting items in arriving at the underlying adjusted profit before tax are as follows:

	H1 2022	H1 2021	Change
	£m	£m	
Exceptional items	0.9	1.7	-47%
Exceptional finance costs	0.3	-	-
Amortisation of intangible assets	5.9	5.0	+18%
Total adjusting items	7.1	6.7	+6%

Exceptional items incurred in H1 2022 are primarily acquisition related restructuring costs (£0.8 million), acquisition related transaction costs (£0.1 million) and non-cash incremental write-off of bank charges on refinancing of the RCF (£0.3 million).

Balance Sheet and Cashflow

The Balance Sheet as at 30 June 2022 remains strong, with key ratios across working capital and trade debt consistent with prior periods. The growth in scale of the business is shown in the increase in net assets to £270.9 million. (2021: £259.2 million).

The Group continues to generate strong operating cashflows which increased from £25.8 million in H1 2021 to £28.5 million for H1 2022 after increased working capital of £12.7 million (2021: £6.6 million) to support revenue growth.

After investment in acquisitions of £9.5 million (net of cash acquired) and increased finance charges, the Group net debt increased from £100.8 million at 31 December 2021 to £103.5 million. As a result of the business expansion, the resulting net debt to pro-forma EBITDA leverage has reduced from 1.8x at 31 December 2021 to 1.7x at 30 June 2022.

The Group refinanced in January 2022 and agreed a new credit facility, increasing its credit line to £200 million with improved terms and the potential to increase this by a further £50 million through the activation of an accordion agreement.

FINANCIAL STATEMENTS

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Note	Unaudited six months ended 30 June 2022 £'m	Unaudited six months ended 30 June 2021 £'m	Audited year ended 31 December 2021 £'m
Revenue - continuing operations	2	140.3	106.1	234.3
Cost of sales		(78.7)	(58.3)	(127.1)
Gross profit		61.6	47.8	107.2
Administrative expenses		(35.8)	(28.2)	(61.0)
Amortisation of intangible assets		(5.9)	(5.0)	(10.7)
Exceptional items	3	(0.9)	(1.7)	(4.4)
Operating profit		19.0	12.9	31.1
Finance costs		(4.6)	(4.0)	(8.1)
Exceptional finance costs	3	(0.3)	-	-
Profit before tax		14.1	8.9	23.0
Taxation	4	(3.8)	(6.9)	(11.5)
Profit after tax		10.3	2.0	11.5
Other comprehensive income		-	-	-
Profit and total comprehensive income for the period attributable to owners of the parent		10.3	2.0	11.5
Earnings per share attributable to owner of the parent (pence)				
Total				
- Basic	5	7.5p	1.5p	8.7p
- Diluted	5	7.3p	1.5p	8.4p

The reconciliation between the statutory results shown above and the non-GAAP adjusted measures are shown below:

Operating profit – continuing operations		19.0	12.9	31.1
Adjustments for:				
Amortisation of intangible assets		5.9	5.0	10.7
Exceptional items	3	0.9	1.7	4.4
Adjustments		6.8	6.7	15.1
Adjusted operating profit		25.8	19.6	46.2
Depreciation of property, plant and equipment and right-of-use assets		14.5	13.6	28.0
Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items (EBITDA)		40.3	33.2	74.2
Profit before tax		14.1	8.9	23.0
Adjustments (as stated above)		6.8	6.7	15.1
Exceptional finance costs	3	0.3	-	-
Adjusted profit before tax		21.2	15.6	38.1

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Note	Unaudited 30 June 2022 £'m	Unaudited 30 June 2021 £'m	Audited 31 December 2021 £'m
ASSETS				
Non-current assets				
Intangible assets		330.7	320.6	327.2
Property, plant and equipment		78.6	74.0	78.8
Right-of-use assets		93.3	105.1	102.5
Deferred tax asset		5.3	4.5	5.9
		507.9	504.2	514.4
Current assets				
Inventories		2.3	1.2	1.4
Trade and other receivables		72.6	55.0	56.9
Corporation tax receivable		-	0.1	-
Cash and cash equivalents		29.9	22.0	32.9
		104.8	78.3	91.2
Total assets	2	612.7	582.5	605.6
LIABILITIES				
Current liabilities				
Trade and other payables		(55.7)	(48.8)	(45.5)
Financial liabilities – lease liabilities		(20.2)	(17.7)	(18.2)
Other financial liabilities		-	-	-
Current tax liabilities		(2.6)	-	(1.5)
Provisions		(1.4)	(1.1)	(0.9)
		(79.9)	(67.6)	(66.1)
Non-current liabilities				
Financial liabilities – borrowings	9	(133.4)	(113.6)	(133.7)
Financial liabilities – lease liabilities		(87.4)	(100.6)	(98.8)
Deferred tax liabilities		(33.2)	(34.4)	(33.9)
Provisions		(7.9)	(7.1)	(7.9)
		(261.9)	(255.7)	(274.3)
Total liabilities	2	(341.8)	(323.3)	(340.4)
Net assets		270.9	259.2	265.2
EQUITY				
Share capital		6.8	6.8	6.8
Share premium account		187.9	187.9	187.9
Other reserves		8.8	7.3	7.0
Retained earnings		67.4	57.2	63.5
Equity attributable to owners of parent		270.9	259.2	265.2

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the parent				Total equity £'m
	Share capital £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	
Balance at 1 January 2021 (audited)	6.3	150.3	6.0	56.0	218.6
Loss for the period	-	-	-	2.0	2.0
Total comprehensive loss for the period	-	-	-	2.0	2.0
Transactions with owners					
Issue of shares during the year	0.5	39.5	-	-	40.0
Issue costs	-	(1.9)	-	-	(1.9)
Share-based payments charge	-	-	0.9	-	0.9
Deferred tax on share-based payments	-	-	(0.3)	-	(0.3)
Purchase of treasury shares	-	-	(0.1)	-	(0.1)
Disposal of treasury shares	-	-	0.8	(0.8)	-
Balance at 30 June 2021 (unaudited)	6.8	187.9	7.3	57.2	259.2
Balance at 1 July 2021	6.8	187.9	7.3	57.2	259.2
Profit for the period	-	-	-	9.5	9.5
Total comprehensive income for the period	-	-	-	9.5	9.5
Transactions with owners					
Dividends	-	-	-	(3.4)	(3.4)
Share-based payments charge	-	-	1.3	-	1.3
Deferred tax on share-based payments	-	-	0.9	-	0.9
Current tax on share-based payments	-	-	0.2	-	0.2
Transfer*	-	-	(0.2)	0.2	-
Purchase of treasury shares	-	-	(2.5)	-	(2.5)
Balance at 31 December 2021 (audited)	6.8	187.9	7.0	63.5	265.2
Balance at 1 January 2022	6.8	187.9	7.0	63.5	265.2
Profit for the period	-	-	-	10.3	10.3
Total comprehensive income for the period	-	-	-	10.3	10.3
Transactions with owners					
Dividends	-	-	-	(6.4)	(6.4)
Share-based payments charge	-	-	1.8	-	1.8
Balance at 30 June 2022 (unaudited)	6.8	187.9	8.8	67.4	270.9

*In 2021 a net amount of £0.2m was reclassified from share-based payment reserve to retained earnings in respect of lapsed and exercised options.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Note	Unaudited six months ended 30 June 2022 £'m	Unaudited six months ended 30 June 2021 £'m	Audited year ended 31 December 2021 £'m
Cash generated from operations	7	28.5	25.8	59.9
Net finance costs*		(5.9)	(3.8)	(7.0)
Income taxes paid		(2.8)	(2.4)	(5.2)
Net cash generated from operating activities		19.8	19.6	47.7
Cash flows from investing activities				
Purchase of property, plant and equipment and applications software	2	(5.1)	(2.8)	(8.8)
Purchase of subsidiary, net of cash acquired	8	(8.8)	(71.1)	(85.8)
Purchase of trade and assets	8	(0.7)	-	(0.9)
Cash flows used in investing activities		(14.6)	(73.9)	(95.5)
Cash flows from financing activities				
Dividends paid		-	-	(3.4)
Net proceeds from share issue		-	38.1	38.1
Purchase of treasury shares		-	(0.1)	(2.6)
Repayment of revolving credit facility		-	(45.0)	(65.0)
Drawdown of revolving credit facility		1.0	66.0	106.0
Principal element of lease repayments		(9.2)	(9.1)	(18.8)
Net cash (used) / generated in financing activities		(8.2)	49.9	54.3
Net (decrease) / increase in cash and cash equivalents		(3.0)	(4.4)	6.5
Cash and cash equivalents at start of period		32.9	26.4	26.4
Cash and cash equivalents at the end of period	9	29.9	22.0	32.9

A reconciliation between the statutory results shown above and the non-GAAP free cashflow measure is shown below:

Net cash generated from operations		19.8	19.6	47.7
Less: Purchase of property, plant and equipment and application software		(5.1)	(2.8)	(8.8)
Less: Principal element of lease repayments		(9.2)	(9.1)	(18.8)
Add: Exceptional costs	3	0.9	1.7	4.4
Add: One-off refinancing cash outflow*	3	1.7	-	-
Free cashflow		8.1	9.4	24.5

*Net finance costs include a one-off cash outflow of £1.7m in relation to fees for the Group's refinancing in January 2022.

Notes to the Consolidated Interim report

For the six months ended 30 June 2022

1 Basis of Preparation

The half year report has been prepared in accordance with IAS 34, Interim Financial Reporting, adopting accounting policies that are consistent with those of the previous financial year and corresponding half year reporting period,

2 Segmental Analysis

The Group is organised into two main operating segments, Digital and Information Management and Secure Lifecycle Services and incurs central costs. The vast majority of trading of the Group is undertaken within the United Kingdom. Segment assets include intangibles, property, plant and equipment, right-of-use assets, inventories, receivables and operating cash. Central assets include deferred tax and head office assets. Segment liabilities comprise operating liabilities. Central liabilities include income tax and deferred tax, corporate borrowings and head office liabilities. Capital expenditure comprises additions to computer software, property, plant and equipment. Segment assets and liabilities are allocated between segments on an actual basis.

Revenue - Continuing operations	Unaudited 30 June 2022 £'m	Unaudited 30 June 2021 £'m	Audited 31 December 2021 £'m
Restore Records Management	55.9	47.7	101.4
Restore Digital	31.2	14.2	36.9
Digital and Information Management	87.1	61.9	138.3
Restore Technology	17.2	12.3	28.1
Restore Datashred	18.3	13.8	30.2
Restore Harrow Green	17.7	18.1	37.7
Secure Lifecycle Services	53.2	44.2	96.0
Total revenue	140.3	106.1	234.3

The revenue from external customers was derived from the Group's principal activities primarily in the UK (where the Company is domiciled).

Profit before tax	Unaudited 30 June 2022 £'m	Unaudited 30 June 2021 £'m	Audited 31 December 2021 £'m
Digital and Information Management	24.6	18.8	42.5
Secure Lifecycle Services	5.6	4.7	11.7
Head office	(2.6)	(2.7)	(5.2)
Amortisation of intangible assets	(5.9)	(5.0)	(10.7)
Share-based payment charge (including related NI)	(1.8)	(1.2)	(2.8)
Exceptional items	(0.9)	(1.7)	(4.4)
Operating profit	19.0	12.9	31.1
Finance costs	(4.6)	(4.0)	(8.1)
Exceptional finance costs	(0.3)	-	-
Profit before tax	14.1	8.9	23.0

Segmental information

	Digital and Information Management £'m	Secure Lifecycle Services £'m	Head Office £'m	Unaudited 30 June 2022 Total £'m
Segment assets	441.3	152.3	19.1	612.7
Segment liabilities	117.2	52.6	172.0	341.8
Capital expenditure	3.9	1.2	-	5.1
Depreciation and amortisation	14.2	6.1	0.1	20.4
				Unaudited 30 June 2021
Segment assets	444.9	125.0	12.6	582.5
Segment liabilities	76.8	37.8	208.7	323.3
Capital expenditure	2.0	0.6	0.2	2.8
Depreciation and amortisation	13.1	5.5	-	18.6
				Audited 31 December 2021
Segment assets	447.5	146.3	11.8	605.6
Segment liabilities	121.0	51.8	167.6	340.4
Capital expenditure	5.7	2.7	0.4	8.8
Depreciation and amortisation	26.2	12.1	0.4	38.7

3 Exceptional items

For the six months ended 30 June 2022, exceptional costs were £1.2m, including £0.8m acquisition related restructuring costs and £0.1m acquisition related transaction costs. Exceptional finance costs of £0.3m relate to the incremental deferred finance write-off costs recognised in the income statement from the Group extinguishing its £160m facility and replacing it with a new £200m revolving credit facility in January 2022.

For the six months ended 30 June 2021, exceptional costs were £1.7m, including £0.9m of acquisition related transaction costs, £0.5m of acquisition related restructuring costs and £0.3m in respect of a legacy legal liability.

For the year ended 31 December 2021, £4.4m of exceptional costs were incurred, comprising of £1.2m acquisition related costs, £2.4m acquisition related restructuring costs, and £0.8m other exceptional items.

4 Taxation

The current tax charge for the period to 30 June 2022 is anticipated to be £3.8m, based on the estimated effective tax rate for the Group.

5 Earnings per ordinary share

Basic earnings per share have been calculated on the profit for the period after taxation and the weighted average number of ordinary shares in issue during the period.

	Unaudited six months ended 30 June 2022 £'m	Unaudited six months ended 30 June 2021 £'m	Audited year ended 31 December 2021 £'m
Weighted average number of shares in issue	136,674,067	129,129,492	132,932,784
Total profit for the period	£10.3m	£2.0m	£11.5m
Total basic earnings per ordinary share	7.5p	1.5p	8.7p
Weighted average number of shares in issue	136,674,067	129,129,492	132,932,784
Share options	4,777,957	4,725,584	4,736,714
Weighted average fully diluted number of shares in issue	141,452,024	133,855,076	137,669,498
Total fully diluted earnings per share	7.3p	1.5p	8.4p

Adjusted earnings per share

The Directors believe that adjusted earnings per share provide a more appropriate representation of the underlying earnings derived from the Group's business. The adjusting items are shown in the table below:

	Unaudited six months ended 30 June 2022 £'m	Unaudited six months ended 30 June 2021 £'m	Audited year ended 31 December 2021 £'m
Continuing profit before tax	14.1	8.9	23.0
Adjustments:			
Amortisation of intangible assets	5.9	5.0	10.7
Exceptional items	0.9	1.7	4.4
Exceptional finance costs	0.3	-	-
Adjusted continuing profit for the period	21.2	15.6	38.1

The adjusted earnings per share, based on weighted average number of shares in issue during the period, 136.7m (2021: 129.1m) is calculated below:

	Unaudited six months ended 30 June 2022	Unaudited six months ended 30 June 2021	Audited year ended 31 December 2021
Adjusted profit before tax (£'m)	21.2	15.6	38.1
Tax at 19.0% (£'m)	(4.0)	(3.0)	(7.2)
Adjusted profit after tax (£'m)	17.2	12.6	30.9
Adjusted basic earnings per share	12.6p	9.8p	23.2p
Adjusted fully diluted earnings per share	12.2p	9.4p	22.4p

6 Dividends

In respect of the current period, the Directors declare an interim dividend of 2.6p per share (2021: £2.5p). The estimated dividend to be paid is £3.6m (2021: £3.4m) and will be paid to shareholder on 14 October 2022 to shareholders on the register on 16 September 2022.

7 Cash generated from operating activities

	Unaudited six months ended 30 June 2022 £'m	Unaudited six months ended 30 June 2021 £'m	Audited year ended 31 December 2021 £'m
Continuing operations			
Profit before tax	14.1	8.9	23.0
Depreciation of property, plant and equipment and right-of-use assets	14.5	13.6	28.0
Amortisation of intangible assets	5.9	5.0	10.7
Net finance costs (including exceptional finance costs)	4.9	4.0	8.1
Share-based payments charge	1.8	0.9	2.2
Increase in inventories	(0.1)	(0.1)	(0.3)
Increase in trade and other receivables	(14.8)	(5.9)	(7.8)
Increase / (decrease) in trade and other payables	2.2	(0.6)	(4.0)
Cash generated from operating activities	28.5	25.8	59.9

8 Business combinations

On 3 May 2022, the Group acquired 100% of the share capital of Ultratec (Holdings) Limited, together with its subsidiaries ("Ultratec"). Ultratec is a Technology business that provides secure data erasure and physical data destruction services, bespoke technology recycling solutions, hard drive parts supply and Data Centre focussed hardware maintenance services. As the Group is still in the process of establishing the fair value of the assets and liabilities acquired in respect of these acquisitions, the fair values presented in the interim results are provisional. These provisional fair values are set out below:

	Ultratec £'m
Intangibles – goodwill, customer relationships and other	10.2
Property, plant and equipment	0.5
Right of use assets	0.9
Inventories	0.8
Trade and other receivables	0.7
Cash and cash equivalents	2.3
Trade and other payables	(1.1)
Lease liabilities	(0.9)
Deferred tax liabilities	(1.7)
Provisions	(0.2)
Net assets acquired	11.5
Consideration	
Satisfied by:	
Cash to vendors	10.8
Deferred consideration	0.7
Total consideration	11.5

On 4 May 2022 and 20 May 2022, the Group acquired the trade and assets of Secure Records & Data Management Limited and UK Archive Limited respectively, which are both Records Management businesses. Total consideration of £0.7m was paid across both of these trade and asset purchases. Customer relationships of £0.7m were recognised on acquisition.

During the year, deferred consideration of £0.3m was paid in relation to the 2021 acquisition of The Document Warehouse (UK) Limited.

9 Financial liabilities - borrowings

	Unaudited 30 June 2022 £'m	Unaudited 30 June 2021 £'m	Audited 31 December 2021 £'m
Non-current			
Bank loans – secured	135.0	114.0	134.0
Deferred financing costs	(1.6)	(0.4)	(0.3)
	133.4	113.6	133.7

Analysis of net debt

Cash at bank and in hand	29.9	22.0	32.9
Bank loans due within one year	-	-	-
Bank loans due after one year	(133.4)	(113.6)	(133.7)
	(103.5)	(91.6)	(100.8)

ENDS