



Investment Case

Restore has a stable, secure, high-margin Records Management business in its Digital and Information Management division which is consistently cash generative. Our other businesses are in closely related markets serving a similar customer base.

These businesses are at an earlier stage of maturity but have similar strengths of recurring revenues and market leadership. The Group, which underperformed in 2023, has the opportunity to sharply increase adjusted operating margins over the next two years, with further strong opportunities for growth over the medium to long term.

Core elements of Restore

Predictable and persistent demand

- › Our services are vital to organisations' day-to-day operations but cannot be performed effectively or efficiently in-house.
- › Our services (with the possible exception of Harrow Green) have predictable revenue streams with over 90% of 2024 revenue visible.
- › Long-term demand for our services is stable and evident.

Leadership in markets where scale is highly beneficial

- › All of our operations benefit from scale in terms of operational efficiency.
- › Given the critical nature of our services, customers are reassured by contracting with a market leader.
- › Most of our operations require significant capital support at various stages of their development to ensure they are providing the highest level of service, taking advantage of the latest technological developments.
- › National coverage is necessary for a significant percentage of our larger customers, which very few of our competitors can offer.

Markets with high barriers to entry

- › All of our markets require an established operation and customer base to gain a meaningful foothold.
- › Most of our markets increasingly involve significant regulation, requiring companies to hold multiple industry certifications.
- › Establishing a business of scale in our markets requires several years to establish trustworthiness with customers.
- › We have historically grown our businesses through acquisition such that there are few opportunities for a small competitor or new entrant to undertake a similar exercise.

Long-established customer relationships

- › Business-to-business services, particularly in business-critical services, are generally based on long-term relationships between individuals at several different touch points between the customer and supplier. These range from original sales contacts, customer service relationships to simple driver-to-site contacts. These establish ties which are not easily broken without creating service and other problems.
- › The average period over which we store a box is in excess of 15 years and overall customer churn is negligible in our Records Management business.
- › Similarly in Datashred, the average customer life is over seven years.
- › In most of our services, we are usually active with a customer on a daily or weekly basis.
- › Given the service delivery complexity, almost all of our customers are unlikely to move absent consistent service failures, significant pricing disparity or supplier consolidation. On the latter, our scale tends to mean we benefit from customers consolidating suppliers.

Appropriate financing structure with strong cash generation

- › The financial strength of Records Management ensures a steady stream of cash generation.
- › We have a strong balance sheet and highly supportive lenders.
- › We have a high rate of cash conversion.
- › All of our businesses are well-invested. In the immediate future the largest area of capital investment will be in the regular updating of our vehicle fleet, followed by investment in new Records Management sites where the return on investment from reduced box storage costs will be seen in the medium term.

Experienced management and colleagues

- › The vast majority of our divisional leadership teams are specialists in their individual businesses.
 - › Most of the managers across our businesses have joined the industry in an operational capacity.
 - › We operate in markets where most of our operatives have worked in their industries for the bulk of their working lives.
 - › We believe that our market standing in all of our operations primarily reflects the quality and dedication of our people.
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Opportunities for growth

Digital and Information Management

Records Management

- › Organic revenue growth from pricing, additional services and projects and winning unvetted new business from the public sector.
- › Improve margins through cost optimisation and property management to achieve lower storage costs per box.
- › Some opportunity for further bolt-on acquisitions from exiting competitors.

Digital

- › Grow higher margin activities such as digital mailrooms, online storage and dedicated sites.
- › Collaborate with Records Management on customers who need to adjust their physical/digital balance of held data.
- › Increase capacity utilisation through greater visibility of large-scale scanning contracts.
- › Reduce overheads as a percentage of revenues through identifying and rationalising central costs related to lower margin activities.
- › Move out of marginal activities.

Secure Lifecycle Services

Technology

- › Focus on customers who prioritise security and responsible behaviour, who will pay appropriately for our high-end service and generate good quality equipment for re-sale.
- › Develop our lifecycle services, particularly working with channel partner IT sellers who want to offer full lifecycle services to their customers but lack the capability to supply this themselves.
- › Improve our sales capability to address the above two markets.
- › Upskill our on-floor workforce to identify high-value items for re-sale.
- › Leverage our trade knowledge to maximise re-sale values.
- › Exit the low-margin, low-quality recycling market.

Datashred

- › Rationalise central resource to increase ratio of operational staff to support staff.
- › Migrate lower volume customers to less costly account management support.
- › Increasingly share collection sites with other Group companies to reduce rent costs.
- › Expand shredding services to non-paper customers.
- › Build strong relations with paper buyers to mitigate major swings in paper pricing, facilitating steadier customer pricing than our competitors and more predictable earnings.
- › Collect more non-confidential wastepaper.
- › Look for opportunities to acquire competitors struggling from recent weakness in paper re-sale prices as part of market consolidation.

Harrow Green

- › Maintain market pre-eminence and price premium based on reputation for excellent service on complex relocations.
- › Continue to leverage specialist skills particularly in life sciences and heritage sectors.
- › Invest in additional services such as current investment in a biobank at our Cambridge facility.

Central

- › Focus on cost optimisation and efficiencies.
 - › Add value to operations through high-level analysis and benchmarking.
 - › Reduce finance costs through rationalising surplus borrowing capability and proactive short-term cash management.
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