

Half Year Results 2020



Records



Digital



Datashred



Relocation



Technology

Highlights-Resilient performance, activity & new business increasing



-16%

£89.5m

Revenue



-45%

6.5p

Adjusted basic
earnings per share



-44%

£10.0m

Adjusted profit
before tax



- £14.6m

£73.9m

Net Debt

Financial Highlights

- Resilient and profitable performance despite impact of COVID-19 in Q2
- Effective management response to adapt cost to changing activity levels
- Strength of high proportion of fixed income providing solid financial base
- Net debt reduced by £14.6m in H1, fourth consecutive period of reduction
- Balance Sheet capacity for future requirements

Business Highlights

- Strong start to the year (Jan/Feb) with Q1 Revenue up 2% yoy
- Activity levels stabilised in late April/May and increased sharply in June
- Records Management storage revenues up 1.5% yoy
- Strong result with Net Box flat and winning new contracts
- Datashred sites continued to operate with activity levels down c.50% at peak restrictions
- Digital strong result excluding the exam summer sessions
- Harrow Green resilient, London strong in June
- Technology revenue up in H1 but impacted with less collection
- Expecting H2 profit to be higher than H1

Leading through COVID-19

SAFETY: We continued to operate all sites safely in line with COVID-19 Secure guidelines

ACTIVITY: We experienced the peak impact in April with the UK wide restrictions, May activity increased gradually with a marked increase in June which has continued into July

PEOPLE: Peak furlough of staff at 47% and end of July we are below 32% furloughed with further staff expected to return in August with increasing activity across all businesses

COST: Management response well executed with rapid adjustment to cost gearing to activity levels

CASH: Cash collection was strong with very little bad debt experienced

WINNING: We continued to win new business during Q2 with existing and new customers

TRANSFORM: During Q2 with lower activity levels we redirected resources to improve the business ready to bounce-back:

- Investments in IT (automation/efficiency projects and new digital/portal developments)

- New product - ie. Scan on Demand, Digital Mailroom and a Homeshred Service

ACQUISITIONS: We have seen the pipeline of acquisition opportunities increasing in early July and expect this to increase markedly as the furlough period comes to an end

An essential service during the pandemic

Restore delivers essential services directly to the health sector to fight COVID-19 and the essential services to keep the economy functioning

Business Support

- Keeping customer records flowing to keep their business functioning (ie. Health, Utility, Financial Svcs etc)
- Distribution of IT equipment to critical services
- Maintained services to over 60 NHS trusts as they fight the virus
- Provide services to Nightingale hospitals throughout the UK
- Setup new digital services to ensure business continuity (ie. Land Registry scan on demand)
- Provide logistics and people for the distribution of PPE
- Helped clear hospitals of records to help with social distancing and local PPE storage
- Provide recycled paper to UK paper mills to produce various PPE/Medical supplies

See how we can help the NHS [here](#)

Charitable Support

- Providing boxes, transport and people for essential food delivery
- Provide free of charge paper/admin products to various hospitals
- Employee donations to food banks
- Donation of 1000's of learning related books to charities

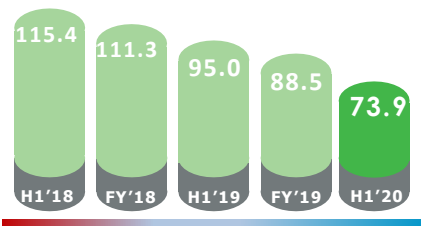


Financial Review

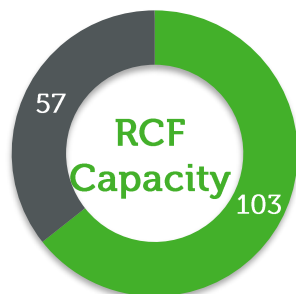
Financial Highlights

Adjusted Profit

£10.0m



4th period of net debt reduction



Utilised Headroom

- Resilient and profitable
- Strong cashflow
- Very low cash exceptional costs
- Consistent net debt reduction
- Balance sheet capacity

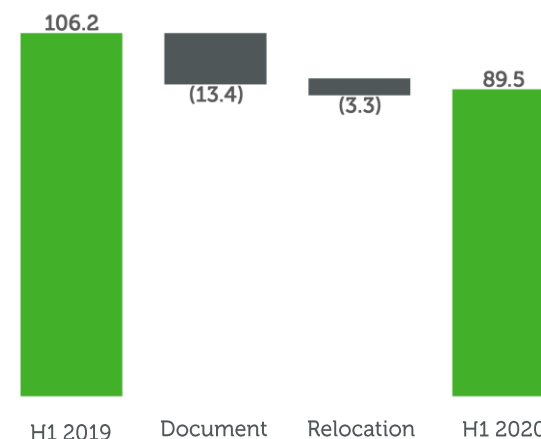
Consolidated Income Statement

	H1 2020	H1 2019	Change
Revenue (£'m)	89.5	106.2	(16%)
Adjusted PBT (£'m)*	10.0	18.0	(44%)
Statutory PBT (£'m)	(3.1)	12.0	(126%)
EBITDA*	27.4	34.7	(21%)
Average number of shares (m)	124.9	124.0	+1%
Adjusted EPS (p)	6.5	11.8	(45%)

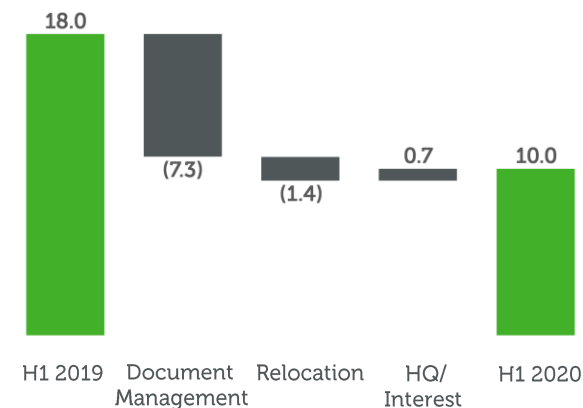
* Stated before amortisation of intangible assets, exceptional items and impairment of intangible assets and investments

- Q1 strong start with revenue growth of 2%
- Q2 impact of COVID-19 varied across business
 - c.50% of revenue unaffected as fixed storage/annuity/guaranteed income
 - Activity based services, although largely contracted and ordinarily recurring, experienced peak impact in April, alleviating in May and significantly improving in June
- Swift action to flex cost illustrating management capability and business model strength
- Group profitable throughout Q1 and Q2 with double digit margins and strong EBITDA

Revenue £'m



Adjusted PBT £'m



Adjusting profit items

£m	H1 2020	H1 2019	Change
Exceptional items	(0.4)	(2.0)	+80%
Amortisation of intangible assets and software	(4.1)	(4.0)	(2%)
Impairment of intangible assets	(7.0)	-	-
Write down in investment value	(1.6)	-	-
Total adjusting items	(13.1)	(6.0)	(118%)

- Operational Exceptional items very low in the absence of acquisitions. Charge of £0.4m in period mainly relates to tax costs arising on the exercise of legacy share options
- Non-cash intangible asset impairment of 2.7% post COVID-19 with resulting charge to the income statement of £7.0m
- Non cash investment write down (100%) due to management review of a legacy 40% interest in a non-core business

Document Management

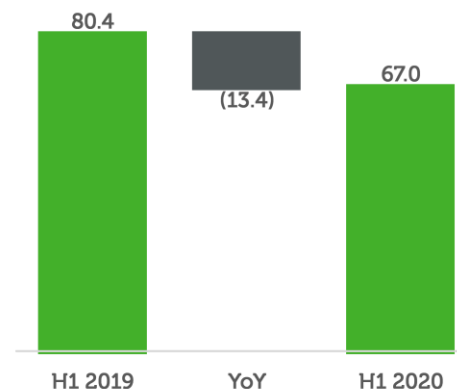
Revenue (£'m)	H1 2020	H1 2019	Change
Restore Records Management	43.7	47.8	(8.5%)
Restore Datashred	14.4	21.0	(31%)
Restore Digital	8.9	11.6	(23%)
	67.0	80.4	(17%)

Margin

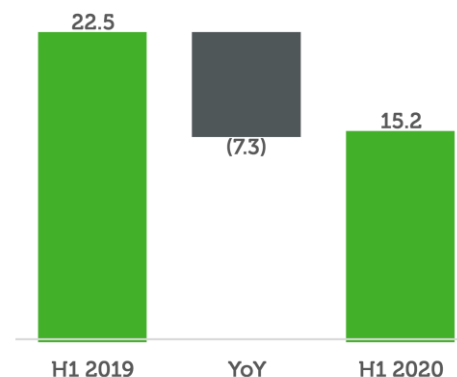
Operating profit (£m)	15.2	22.5	(33%)
Operating Margin %	22.7%	28.0%	(533 bps)

- Restore Records Management robust with storage income unaffected and Net Box movement flat for H1 although service income down in Q2
- Restore Datashred achieved a solid start in Q1 with activity levels affected by COVID-19 in Q2. Peak impact in April with steady recovery in May and June
- Restore Digital cancellation of exam scanning in June although underlying revenue flat year on year
- Flexible operating model ensured profitable outcome in both Q1 and Q2
- Good operating margin reflects resilience of Records Management, stable result in Restore Digital with dilution from Restore Datashred during a challenging Q2

Revenue £'m



Operating Profit £'m

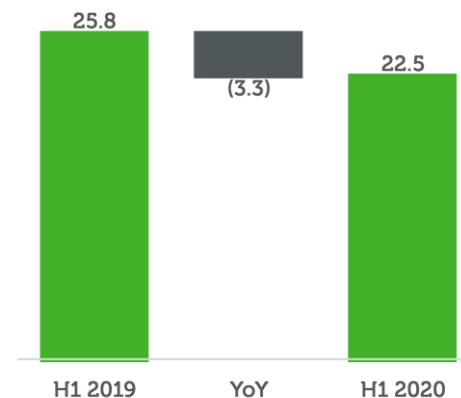


Relocation

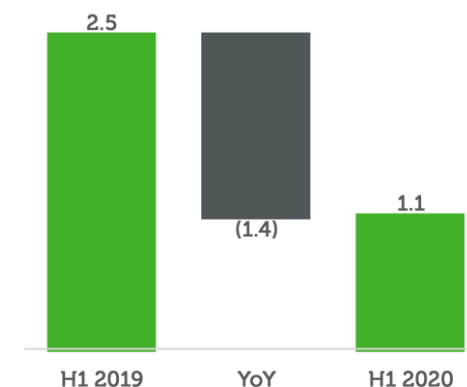
Revenue (£'m)	H1 2020	H1 2019	Change
Restore Harrow Green	15.0	19.7	(24%)
Restore Technology	7.5	6.1	+23%
	22.5	25.8	(13%)
Operating profit (£m)	1.1	2.5	(56%)
Operating margin	4.7%	9.6%	(495 bps)

- Restore Harrow Green growing in Q1 with COVID-19 impacting Q2. April activity levels significantly reduced although May and June showing strong recovery.
- Restore Technology delivered significant expansion in Q1 although COVID-19 affecting asset collections in Q2. Proportion of recycling income deferred rather than lost and online sales performing extremely well
- Profitable across Q1 and Q2 with businesses demonstrating ability to decrease or increase capacity quickly

Revenue £'m

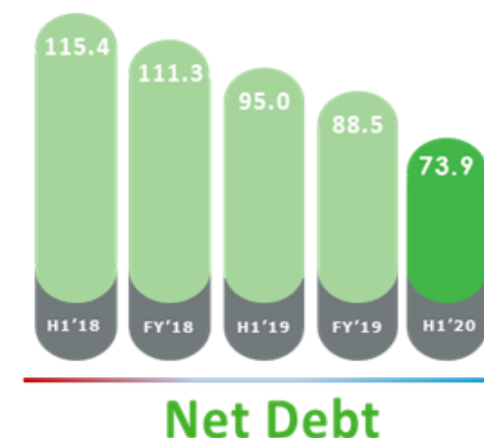


Operating Profit £'m

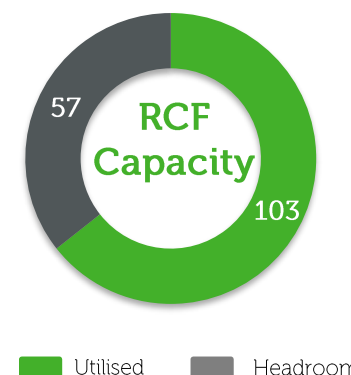


Balance Sheet and Capacity

	H1 2020	H1 2019
Non-current assets	432.4	454.1
Trade and other current assets	41.4	52.5
Cash and cash equivalents	28.4	20.0
Current Assets	69.8	72.5
Trade and other current liabilities	36.4	49.4
Financial Liabilities – borrowings	-	0.7
IFRS 16 Liabilities	17.3	16.9
Current liabilities	53.7	67.0
Financial liabilities – borrowings	102.3	114.3
IFRS 16 Liabilities	113.7	116.6
Deferred tax and other financial liabilities	18.4	17.4
Non-current liabilities	234.4	248.3
Net assets	214.1	211.3
Shareholders equity	214.1	211.3



- Net debt reduced by £14.6m in H1, the fourth consecutive period of debt reduction
- Strong balance sheet with debt to equity ratio of 1.35x (2019: 1.49x)
- Quality syndicate behind credit facility of £160m, expiring March 2023
- High level of cash maintained through period as precautionary measure
- No trade debt issues



Cash Flow

	H1 2020 £'m	H1 2019 £'m
Net cash flows from operating activities	36.4	37.6
Finance costs	(4.4)	(4.2)
Taxation	(5.3)	(3.3)
Capex	(3.6)	(4.8)
Acquisitions	-	(1.9)
Principal element of lease payments	(8.3)	(7.3)
Dividend	-	-
Other	(0.2)	0.2
Net cash flow in period	14.6	16.3
Closing Cash	28.4	19.3

- Strong operating cash inflow of £36.4m with working capital tailwind as debt unwinds (+£7.8M)
- Tax cost increased due to revised payment schedule and scale increase of business in 2019
- Capex and acquisitions reduced although maintenance and digital investment continuing
- High cash position retained through period as precautionary measure



Business Review

Our Business Model is showing its true strength

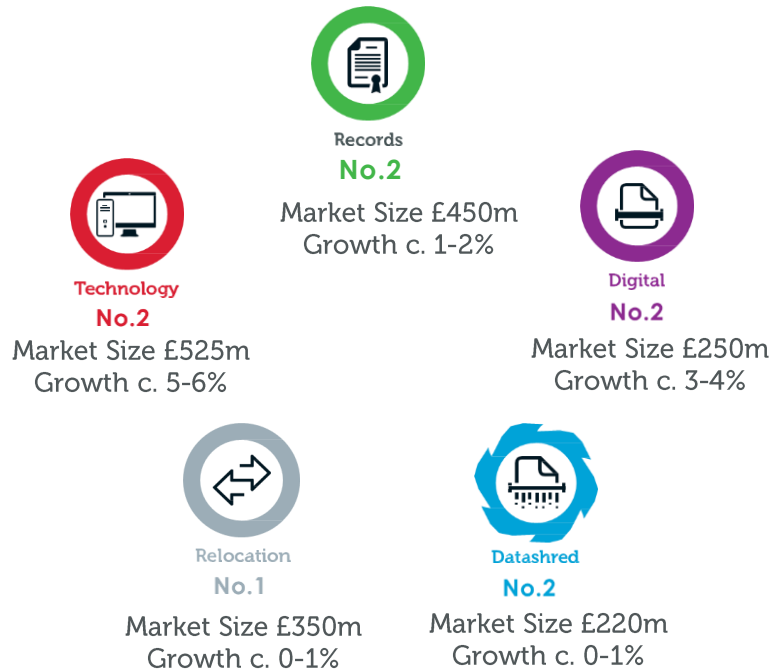
- Predictable recurring revenue streams
- Significantly cash generative business model and strong balance sheet
- Flexible cost base
- Regarded as an essential service by our customers with increasing customer satisfaction
'You continued to operate when we needed you most'
- Operate in robust sectors Public Sector, Financial Svcs, Utilities, Pharmaceutical, Legal
- Industry trends last 25 years – physical to digital transformation, flexible ways of working, data security and environmental focus are the challenges that Restore solves for customers
- If COVID-19 accelerates these trends, coupled with an immediate need to reduce costs, we will be well placed to help customers and grow substantially

See how we can help customers restore their business post lockdown [here](#)

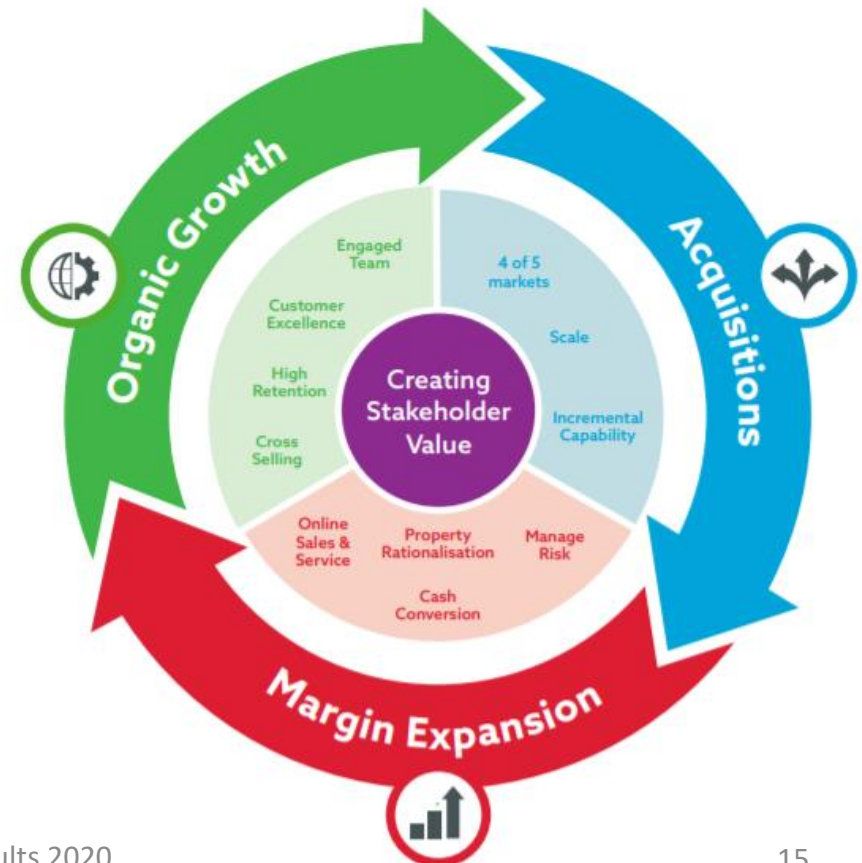
Our long term Growth Strategy is re-affirmed

1) Strong market position with room to grow

(Market £1.8bn, growing at c.3%pa and we have 11% share)



2) Disciplined strategy to deliver profitable growth and cash generation



Restore Records Management

- Overall revenue down 8.5% yoy (storage revenues up 1.5% yoy)
- Activity levels stabilised end of April and rising sharply in June
- Net box flat in H1 which is a strong result , FY outlook in growth
- Scan On Demand revenue increase with homeworking
- New customer wins of 165k boxes
- Continued strong pipeline of new sales
- Operating profit margin consistent to prior year
- Property rationalisation on track
- Rainham site operational in Q4 (>700k boxes)
- Capacity utilisation 97% with additional capacity in Rainham H2

Customer Challenges We Solve

- 1) Reduce storage/property costs
- 2) Guaranteed response times
- 3) Improved compliance
- 4) Total data security

Video of Restore [Records Management](#)



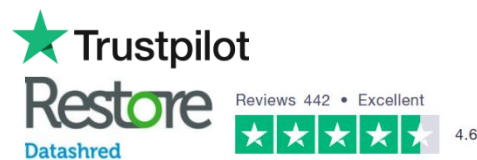
Restore Datashred

- Revenue down 31% yoy
- Activity levels in Jan/Feb inline with prior year
- Q2 activity levels impacted with lockdown
- Regional and London activity levels impacted equally
- All sites remained open during peak lockdown
- Paper pricing in Q2 increased by 35% (vs Q1)
- Q2 renewed 3 major contracts worth £3.6m pa
- Q2 we continued to win new business albeit at lower levels compared to prior year
- Maintaining capacity with customer reactivation increasing sharply in early June
- Acquisition opportunity accelerating

Customer Challenges We Solve

- 1) Eliminate data loss
- 2) Reduce risk of fines and brand damage
- 3) Reduce operating costs
- 4) Fully compliant and auditable
- 5) UK wide – one stop shop

Video of Restore [Datashred](#)



Restore Digital

- Revenue down 23% yoy
- Q2 impacted primarily with GCSE/A Level Exams cancelled for 2020
- Excluding this impact revenue was flat yoy
- Major wins - two medical digitisation contracts £1.5m
- Increase in Digital Mailroom sales
- June sale activity and pipeline back to near normal levels
- Changes in operating model to deliver improved productivity
- Small acquisition completed on 1st July

Customer Challenges We Solve

- 1) Decrease operating costs
- 2) Improved data quality and compliance
- 3) Combine physical and digital records in your digital journey
- 4) Help you respond to your customers quicker

Video of Restore [Digital](#)



Restore Harrow Green

- Revenue down 24% yoy (down 17% yoy net of passthrough)
- Strong start to the year with Jan/Feb growth of 7% yoy
- Reduced activity in late Mar/April with peak restrictions
- May activity increased helping customer re-configure to be COVID-19 Secure
- June back to near normal levels with London particularly strong
- Supporting over 25 NHS trusts in the fight against COVID-19
- Key wins in Q2 with 3 NEW clients total £1 m
- H2 significant opportunity to help customers change office environments/locations

Customer Challenges We Solve

- 1) Reduce costs
- 2) Reduce risks in relocation – we always deliver
- 3) UK wide – one stop shop

Video of Restore [Harrow Green](#)



Restore Technology

- Revenue growth of 23% yoy
- End of life collections significantly decreased in Q2
- Early life installs increased to help companies setup for home working and social distancing at work
- E-commerce sales increased >50% in H1
- Existing customer renewal of a £2m pa contract
- Significant progress building channel sales with 2 large new customers onboarded
 - Top 5 - Global IT Supplier
 - Large UK focussed IT Reseller
- Significant opportunity for acquisitions in a fragmented market

Customer Challenges We Solve

- 1) Eliminate data loss
- 2) Reduce risk of fines and brand damage
- 3) Reduce operating costs
- 4) Re-use assets
- 5) Fully compliant and auditable

Video of Restore [Technology](#)



Outlook

- Activity levels increasing sharply through June/July with restrictions easing
- We expect profit in H2 to be more than H1 profit
- Cash generation expected to remain strong
- Continued reduction in net debt
- Management maintaining funding headroom in the event of a slowdown in recovery or further lockdowns
- We have made structural changes in our cost base (people/sites) but capacity has been maintained consistent with a strong bounce-back
- Opportunity for acquisitions is returning in all of the markets in which we operate
- Dividends on hold however our intention is to restore dividends in 2021 in line with a recovery



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