2023 Half Year Results

Overview

- **Solid revenue performance in the first half**
  - H1 2023 broadly flat on H1 2022
  - Good performance in Records Management, Digital recurring income streams and Harrow Green
  - Offset by weaker performance in Technology and non-recurring contracts in Digital
- **Adjusted PBT* down 28%**
  - Lower activity in Technology, mix impact in Digital and higher interest costs
- **Non-cash impairment of £32.5m relating to Datashred**
  - Resulting in a statutory loss before tax
- **Interim dividend of 1.85p (H1 22: 2.6p)**
- **Leverage* of 1.8x with substantial borrowing headroom**
  - Net debt* reduction of 5% during H1
- **FY adjusted profit expectations unchanged from July reset**
  - Quality of income underpinned by core storage and recurring revenue profile
  - Continued focus on costs.

*See appendix glossary

Business unit performance

Records Management

- Price increases successfully implemented
- Net box growth of 0.4%
- BBC and Department for Work and Pensions contracts commenced on time

Digital

- Income from recurring outsourcing, storage and data support services in line with expectations
- Non-recurring contracts down

Technology

- Revenue from secure destruction and end user device services on track
- Recycled asset sales continued to show weak volume and quality
- Latest hardware market data indicating continuation of trend into H2

Datashred

- Increased activity levels and continued focus on operational efficiency
- Significant reduction in recycled paper prices since period end

Harrow Green

- Performing in line with expectations.

Financial Overview

Consolidated Income Statement

Restore plc

Income Statement Summary	H1 2023	H1 2022**	Change
Revenue (£'m)	139.6	140.3	-0%
Adjusted EBITDA* (£'m)	38.3	40.3	-5%
Adjusted profit before tax* (£'m)	15.1	20.9	-28%
Statutory (loss)/profit before tax (£'m)	(25.9)	14.1	-284%
Adjusted basic earnings per share* (p)	8.4	12.4	-32%
Statuary basic (loss)/ earnings per share (p)	(20.5)	7.5	-373%
Dividend per share (p)	1.85	2.6	-29%

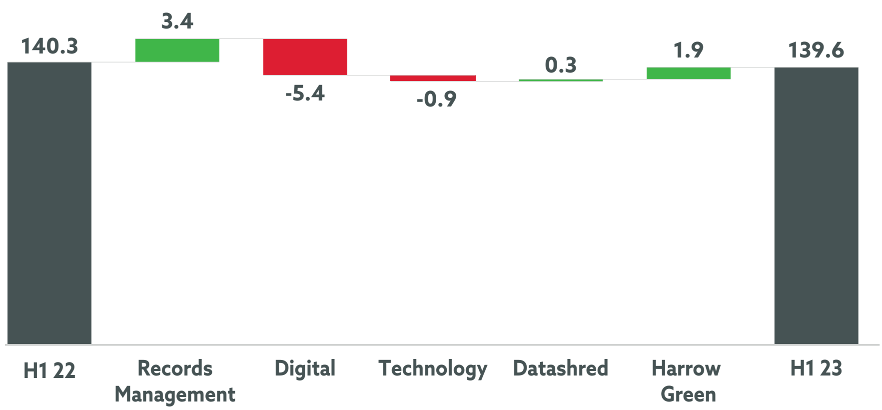
- Revenue broadly flat YoY with growth in storage and recurring service income, but contraction in non-recurring streams and trading income
- Adjusted EBITDA* down 5% due to weak asset quality in Technology and effect of non-recurring contracts in Digital
- Adjusted PBT* down 28% after additional effect of higher interest costs
- Statutory loss before tax of -£25.9m (H1 22: £14.1m) after non-cash impairment charge of £32.5m relating to Datashred
- Adjusted basic EPS* of 8.4p and statutory basic loss per share of -20.5p
- Continued focus on cost savings for FY23
  - Cost savings of c.£5m
  - Consolidation of sites in Technology and Digital
- Cost mitigation steps
  - Fixing a proportion of energy costs
  - Fixed rate interest instruments to provide certainty
- Interim dividend of 1.85p sees ratio maintained.

*See appendix glossary

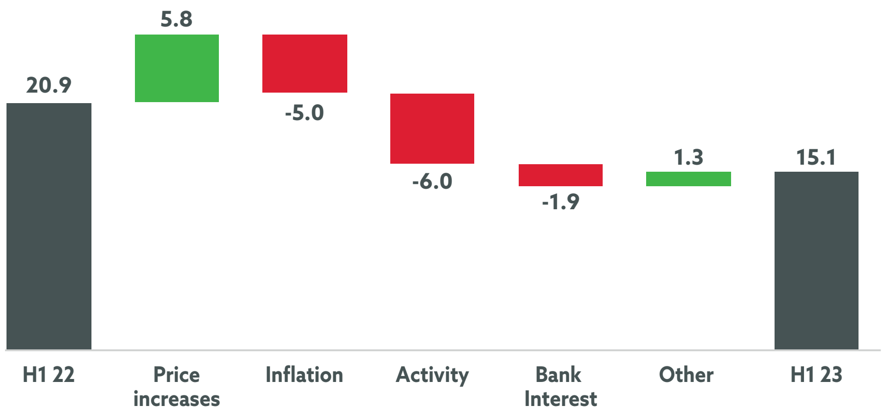
**£0.3m of bank refinancing charges were treated as adjusting items in deriving adjusted profit before tax and adjusted basic EPS at H1 22, but have been restated consistent with the presentation at FY22

Revenue and Adjusted PBT Bridges

Revenue Bridge (£'m)



Adjusted PBT Bridge (£'m)



- **Revenue broadly flat YoY**
  - Good performance in Records Management, principally from pricing
  - Effect of non-recurring contracts in Digital
  - Lower recycled asset sales affecting Technology
  - Increased activity levels in Datashred
  - Strong revenue growth in Harrow Green despite large MoD relocations contract in comparative
- **£15.1m adjusted PBT decreased -28% YoY**
  - Increasing profits in Records Management offset by headwinds of non-recurring contracts in Digital and lower activity in Technology, resulting in an adjusted operating profit margin of 15.5% (H1 22: 18.4%)
  - Price increases offsetting c.5% inflation across people, property, and energy cost which represent c.70% of the Group's cost base
  - Incremental bank interest cost from higher interest rates (-£1.9m).

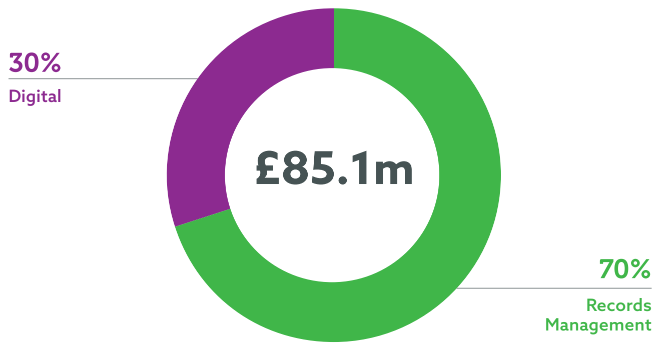
Divisions – Digital and Information Management

Revenue	H1 2023	H1 2022	Change
Records Management (£'m)	59.3	55.9	+6%
Digital (£'m)	25.8	31.2	-17%
	85.1	**87.1**	**-2%**

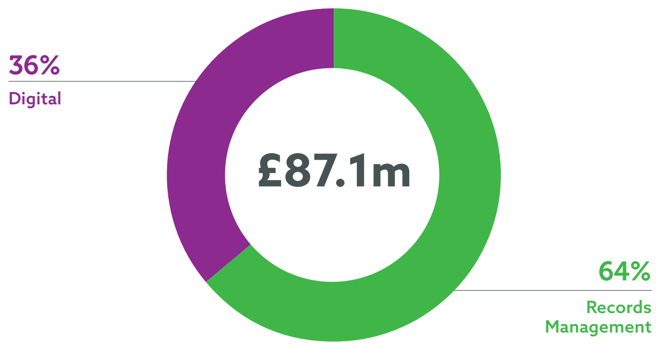
Margin			
Adjusting operating margin* (£'m)	20.9	24.6	-15%
Adjusted operating margin %	24.6%	28.2%	-360bps

- Records Management storage revenue, which represents over 70% of business unit's income, up 10% with small decline in other services
- Digital revenue reflects £5.3m non-recurring contracts in H1 22 benefiting the prior year with some softening of bulk scanning towards end of period
- Operating margin reflects impact of lower profits in Digital as a result of the business unit's exceptional performance in 2022. Margins in Records Management flat year on year with pricing offsetting inflation.

Revenue mix H1 2023



Revenue mix H1 2022



*See appendix glossary

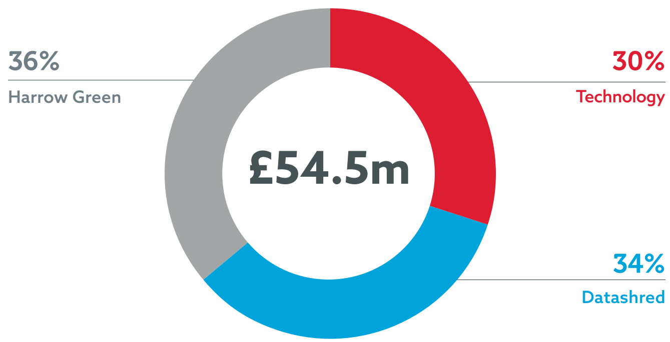
Divisions – Secure Lifecycle Services

Revenue	H1 2023	H1 2022	Change
Technology (£'m)	16.3	17.2	-5%
Datashred (£'m)	18.6	18.3	+2%
Harrow Green (£'m)	19.6	17.7	+11%
	54.5	**53.2**	**+2%**

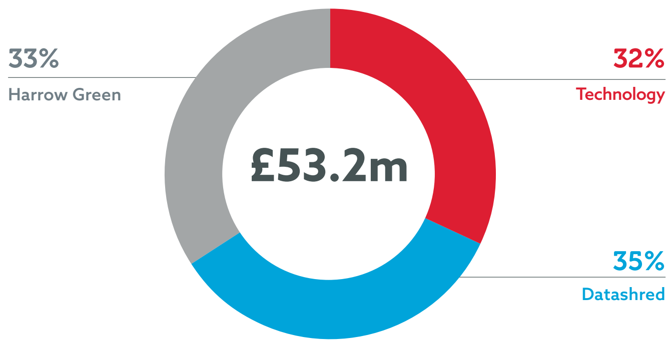
Margin			
Adjusted operating margin* (£'m)	3.3	5.6	-41%
Adjusted operating margin %	6.1%	10.5%	-440bps

- Activity in Harrow Green expanded, particularly in London, offset by a decline in IT asset quality in Technology
- In Technology, the IT recycling sector continued to see reduced IT hardware investment by customers, with latest market reports indicating this trend is likely to continue into H2
- Datashred revenue expanded despite weaker paper price at end of Q2 with significant fall in pricing post the period end from an average of over £200/tonne in H1 to £165 per tonne in July
- Operating profit in Datashred and Harrow Green in line with expectations with the division margin down overall year on year due to lower volume and asset quality in Technology.

Revenue mix H1 2023



Revenue mix H1 2022



*See appendix glossary

Cash flow and Leverage

Restore plc

Cashflow	H1 2023 £'m	H1 2022 £'m	Change
Adjusted EBITDA	**38.3**	**40.3**	**-5%**
Adjusting items (excluding amortisation)	(2.2)	(0.9)	144%
Share-based payments	(0.7)	1.8	-139%
Working capital movements	(2.5)	(12.7)	-80%
Other	(0.4)	–	n/a
Cash generated from operations	**32.5**	**28.5**	**14%**
Income taxes	(4.8)	(2.8)	71%
Capital expenditure	(5.6)	(5.1)	10%
Lease principal payments	(10.3)	(9.2)	12%
Add back: adjusting items (excluding amortisation)	2.2	0.9	144%
Free cash flow*	**14.0**	**12.3**	**14%**
Finance costs**	(5.5)	(5.9)	-7%
Acquisitions (net of cash acquired)	(1.1)	(9.5)	-88%
Adjusting items (excluding amortisation)	(2.2)	(0.9)	144%
Other	(0.1)	–	n/a
(Repayment)/Drawdown of facility	(10.0)	1.0	-1100%
Net decrease in cash	**(4.9)**	**(3.0)**	**63%**

- Strong cash generation from operations increasing to £32.5m, with resulting free cashflow of £14.0m and cash conversion* of 84%
- Working capital requirement reduced due to lower revenue expansion compared with prior year
- Interest costs increased year on year although refinancing costs are lower at £0.8m and £1.7m in 2023 and 2022 respectively
- Acquisition spend of £1.1m relates to deferred and contingent consideration in respect of 2022 acquisitions
- Net debt* reduction of £5.6m during H1 to £97.9m (-5%)
- USPP of £25m (5 year term) introduced in Q1 with ongoing policy to additionally hedge £25m of floating debt
- Leverage of 1.8x at 30 June 2023, within the target range of 1.5x-2.0x, and ratios all well within covenants.

*See appendix glossary
**Includes £0.8m and £1.7m cash outflow in relation to refinancing in 2023 and 2022 respectively

Balance Sheet

Restore plc

Balance Sheet	H1 2023 £'m	H1 2022 £'m
Non-current assets	**469.6**	**507.9**
Trade and other current assets	69.3	74.9
Cash and cash equivalents	25.3	29.9
Current assets	**94.6**	**104.8**
Trade and other current liabilities	(51.6)	(59.7)
Financial liabilities – lease liabilities	(21.6)	(20.2)
Current liabilities	**(73.2)**	**(79.9)**
Financial liabilities – borrowings	(123.2)	(133.4)
Financial liabilities – lease liabilities	(83.5)	(87.4)
Deferred tax and provisions	(46.2)	(41.1)
Non-current liabilities	**(252.9)**	**(261.9)**
Net assets	238.1	270.9

- Non-cash impairment of intangible assets of £32.5m arising on the historic acquisition of Datashred from PHS reflects an increase in cost of capital and re-assessment of the long-term paper tonnage, paper pricing and service income levels in the business
- Strong balance sheet and key ratios remained consistent with prior periods
- Group continued to show cash generative nature with net debt* reduced to £97.9m (-5%)
- Substantial further financing capacity through unutilised RCF and shelf USPP
- Gearing ratio consistent YoY with a net debt to capital ratio of 0.4
- Debtor days broadly consistent YoY at 51 days (H1 2022: 48 days).

*See appendix glossary

Adjusting items

Restore plc

	H1 2023 £'m	H1 2022* £'m
Impairment of intangible assets	32.5	–
Amortisation of intangible assets	6.3	5.9
Acquisition related transaction/advisory costs	0.2	0.8
Restructuring and redundancy	1.0	0.1
Strategic IT reorganisation	1.0	–
Total adjusting items	41.0	6.8

- Non-cash impairment of £32.5m relating to historic acquisition of Datashred
- Amortisation increased £0.4m primarily as a result of prior year acquisition activity and the subsequent capitalisation and amortisation of value ascribed to customer contracts
- Reduced acquisition costs due to lower acquisition activity
- Restructuring and redundancy cost of £1.0m in H1 2023 principally due to Group-wide organisational restructuring programme but also to proportionately reduce capacity, resulting in a FY23 saving of c.£5m, which partly offset the impact of wage increases in the year
- Strategic IT reorganisation expense of £1.0m relates to the cost of consolidating various finance and operational systems.

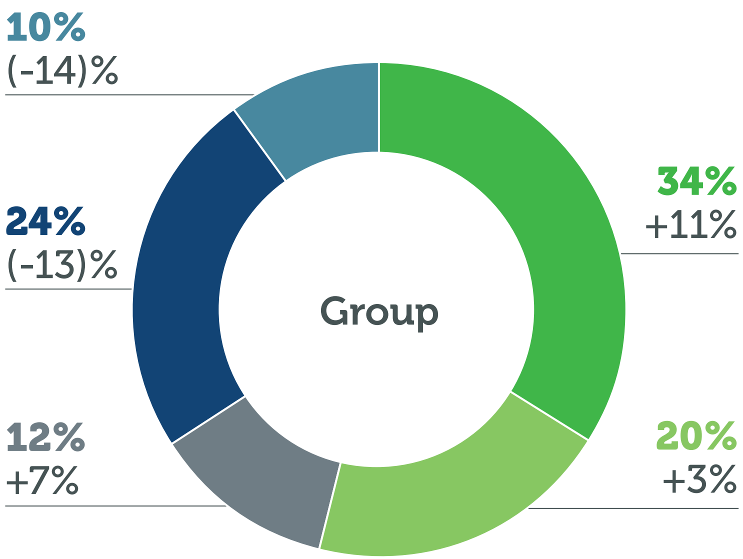
*£0.3m of bank refinancing charges were treated as adjusting items in deriving the Group's alternative performance measures at H1 22, but have been restated consistent with the presentation at FY22

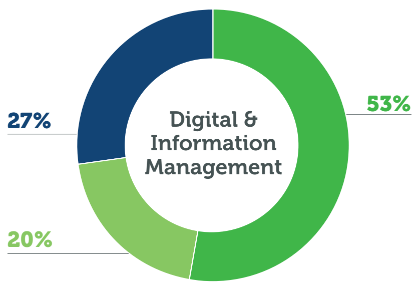
Business Overview and Revenues

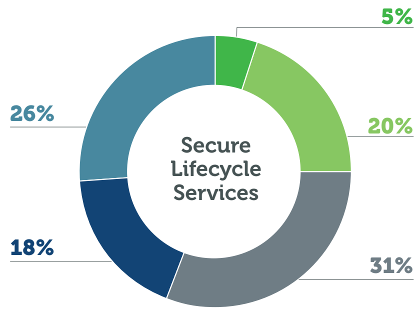
Strong and Experienced Leadership

Restore plc

Chair	**Sharon Baylay-Bell**	• Transition from Non-Executive Chair to Executive Chair on 4 July 2023 • Fully committed to business stability
CEO	**Jamie Hopkins**	• Full-time interim with immediate effect from 4 July 2023 • Previous CEO of Workspace Group plc (FTSE 250) • Proven track record in operations, capital markets, acquisitions and large scale change management
	Formal succession process	• Immediate from 4 July 2023
	Permanent CEO status	• Interviews
CFO	**Neil Ritchie**	• Handover and specific projects to 13 December 2023
	Mike Killick	• Full-time interim from 21 August 2023 • Previous CFO of Peacock Group plc and Thorntons plc, as well as various interim CFO roles • Strong track-record of delivering organic growth, M&A, cost reduction and margin enhancement programmes
	Formal succession process	• Immediate from 14 June 2023
	Permanent CFO status	• Long list







Revenue		Restore Records Management	Restore Digital	Restore Technology	Restore Datashred	Restore Harrow Green
Storage Income	Boxes, online hosting and pallets	✔	✔			✔
Recurring Services	Multi year service outsourcing and network contracts	✔	✔		✔	
Relocations	Relocation services					✔
Non-recurring services	Won in year, non-contracted repeat business	✔	✔	✔	✔	
Trading Income	Paper and IT asset remarketing			✔	✔	

22.5 million Boxes under management

920 Staff

52 Sites

Accreditations
Cyber Essentials Plus
ISO9001, 14001, 27001, 22301, 10008, PCI-DSS, FORS & HTA

No.2
UK Market Position

Strengths and successes

- High proportion of recurring revenue from storage income and services (c.80%)
- 6% increase in revenue from successful price increases
- 0.4% net box growth achieved in H1
- BBC contract (worth c.£20m over 10 years) commenced
- Strong customer retention
- 100 new customers onboarded in H1
- Won Public Sector Alliance Award "Innovation in Records Management"
- Trustpilot rating of 4.5 (★★★★★)

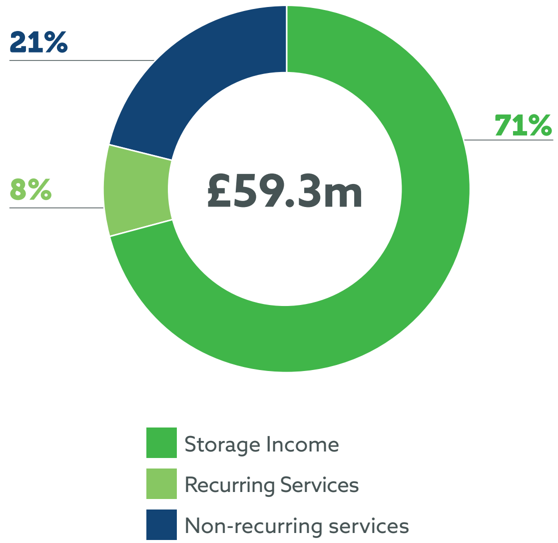
Challenges

- Slight fall in project activity
- Destruction activity impact on net box growth, but improves capacity

H2 focus

- Conversion of pipeline for new boxes and projects
- Further price increases
- Cost action with site exits and staff restructuring.

H1 2023 Revenue



Digital

Restore Digital

720m Cloud hosted documents

791 Staff

11 Sites

Accreditations

ISO 9001, 27001, 14001, 45001, 22301, BS10008, Cyber Essentials Plus, DCB0129 Compliant Systems

No.1
UK Market Position

Strengths and successes

- Over 60% of revenue is recurring
- Broader service offering since EDM acquisition in 2021
- Excluding non-recurring contracts, other services traded in line with expectations
- 233 new deals won and 10 key customer extensions secured

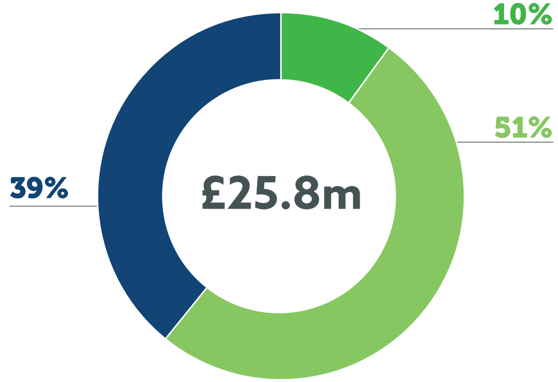
Challenges

- Variability in bulk scanning as customers seek to cut costs

H2 focus

- Focus on sales and timing of delivery
- Strong cost management
- Site closure and flexibility.

H1 2023 Revenue



- Storage Income
- Recurring Services
- Non-recurring services

Restore Technology

760k Assets processed

379 Staff

6 Sites

Accreditations
ISO 9001, 14001, 27001, 45001,
National Police clearance

No.1
UK Market Position

Strengths and successes

- Strong growth in secure destruction and 'in life' end user device services
- Consolidation of WEEE recycling activities
- Consolidation of operations from Dunsfold to existing sites to reduce capacity
- Channel partner strategy and blue chip customer base continues to progress

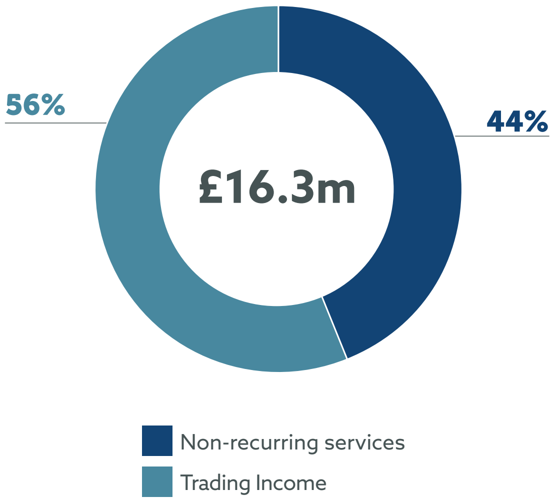
Challenges

- Reduced ITAD income from contraction of IT hardware investment
- Demand remains weak despite quoting activity improving

H2 focus

- Strategic direction required for ITAD
- Cost action including changes to shift patterns and headcount reductions.

H1 2023 Revenue



Datashred

c.25,000 tonnes recycled

326 Staff

11 Sites

4.7 Trust pilot

No.2
UK Market Position

Strengths and successes

- Service activity income increasing (72% of revenue)
- Operational efficiency successes with visits per day improving and mileage down
- NPS improved from 74 to 76 and excellent Trustpilot score of 4.7 (★★★★★)

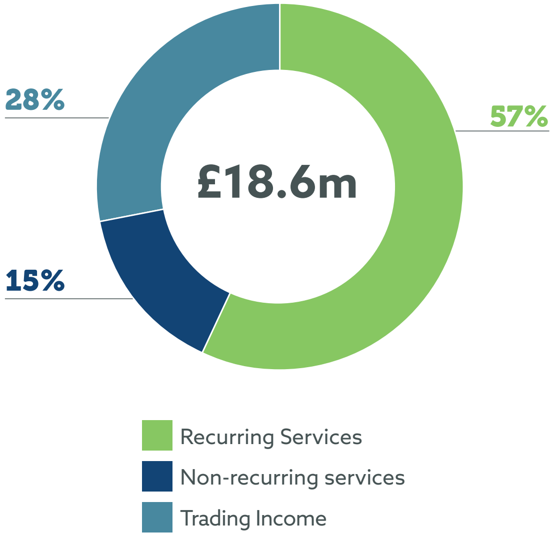
Challenges

- Customer churn increasing, but no longer-term trend emerging
- Decline in paper price in recent weeks

H2 focus

- Focus on new customers, ad hoc revenue and margin enhancement
- Assessment of market pricing dynamics.

H1 2023 Revenue



Harrow Green

186k Desks relocated in H1

330 Staff

9 Sites

113 Fleet size

No.1
UK Market Position

Strengths and successes

- Strong revenue growth despite large MoD relocation contract in comparative
- Growth in Life Sciences and Storage revenue
- London revenues up 28% with the Regions up 2%
- Successful price increases in storage and rates cards
- Full integration of CAMA Workspace (acquired in 2022)

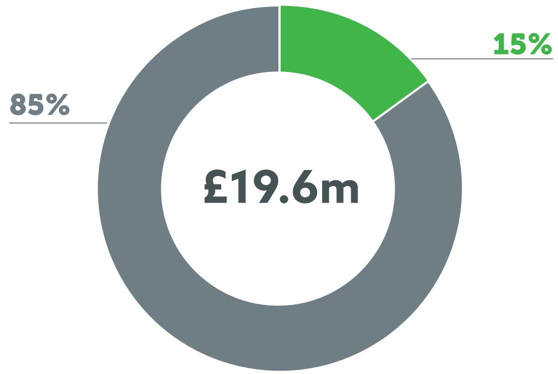
Challenges

- Delays on construction projects impacting timing of delivery

H2 focus

- Delivery of large, profitable Life Sciences contract
- Continued strong cost control
- Ability to flex resources to meet demand.

H1 2023 Revenue



FY23 Outlook Summary

Restore plc

- The Board anticipates solid revenue performance for FY23 underpinned by core storage and recurring income
- Continuing challenges with non-recurring streams and trading income
- Actions being taken to reduce costs by c.£5m in 2023, whilst preserving capability and capacity
- Adjusted profit before tax of £31m on track for FY23
- Cash generation remains good with further net debt reduction anticipated
- Whilst economic backdrop remains uncertain, fundamentals of business remain strong
- Recurring revenues underpin the profitability and cash generation of the Group.

For more information please visit:

www.restoreplc.com

Please see these short videos below:

Restore plc

Restore Records Management

Restore Digital

Restore Technology

Restore Datashred

Restore Harrow Green

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Appendix

Glossary - Definitions

Restore plc

Term	Definition & calculation
Adjusted profit before tax ('Adjusted PBT')	Calculated as statutory profit before tax stated before adjusting items
Adjusted operating margin	Segmental operating profit before adjusting items
Adjusted basic earnings per share ('Adjusted EPS')	Calculated as adjusted profit before tax with a standard tax rate of 23.5% (2022: 19%) applied, divided by the weighted average number of shares in issue
Net debt	Calculated as external borrowings less cash, excluding the effects of lease obligations under IFRS16
Leverage	Calculated as pre-IFRS16 Adjusted EBITDA on a 12 month rolling basis adjusted for share-based payments, including a pro-forma adjustment for acquisitions in line with financial banking covenants
Free cashflow	Calculated as cash generated from operations less income taxes paid, capital expenditure and lease payments, but before adjusting items (excluding amortisation)
Net operating profit after tax ('NOPAT')	Calculated as adjusted operating profit with a standard tax charge of 23.5% applied (2022: 19%). Used for calculation of cash conversion
Cash conversion	Calculated as free cashflow divided by net operating profit after tax. Note for 2020 and 2021, free cashflows have been normalised for the impact of VAT deferrals
Adjusted EBITDA	Calculated as earnings before interest, taxation, depreciation, amortisation, impairment and adjusting items
Group return on invested capital ('ROIC')	Calculated as adjusted profit before tax, finance cost, IFRS 16 and share-based payments with a standard rate of tax applied. This is divided by invested capital, defined as the weighted average net debt and equity, excluding the impact of IFRS 16
Acquisition post-synergy return on invested capital ('ROIC')	Calculated using pre-IFRS16 earnings adjusted for management's expectations of post-acquisition synergies, divided by consideration net of cash and acquisition related adjusting items

IDC: "Global PC Shipments Continue to decline in second quarter of 2023 due to weak demand and shifting budgetary priorities"

Restore Technology

Top 5 Companies, Worldwide Traditional PC Shipments, Market Share, and Year-Over-Year Growth, Q2 2023
(Preliminary results, shipments are in millions of units)

Company	2023 Shipments	2Q23 Market Share	2Q22 Shipments	2Q22 Market Share	2Q23/2Q22 Growth
1. Lenovo	14.2	23.1%	17.4	24.5%	-18.4%
2. HP Inc.	13.4	21.8%	13.5	19.1%	-0.8%
3. Dell Technologies	10.3	16.8%	13.2	18.6%	-22.0%
4. Apple	5.3	8.6%	4.8	6.8%	10.3%
5. Acer Group	4.0	6.4%	4.9	6.9%	-19.2%
Others	14.4	23.3%	17.2	24.2%	-16.5%
Total	61.6	100.0%	71.1	100.0%	-13.4%

Source: IDC Quarterly Personal Computing Device Tracker, July 10, 2023

Global PC Shipments Continue to Decline in the Second Quarter of 2023 Due to Weak Demand and Shifting Budgetary Priorities, According to IDC Tracker