27 July 2021

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

Half Year Results 2021

A larger, stronger business with accelerating growth momentum

Restore plc (AIM: RST), the UK's leading provider of integrated information and data management services, secure technology recycling, and commercial relocation solutions, is pleased to announce its unaudited results for the six months ended 30 June 2021 ("H1" or "the period").

OVERVIEW

The Group achieved a strong performance in H1 ahead of the Board's expectation, with adjusted profit before tax up 56%, sustained momentum in trading across the entire business and significant progress made on Restore's strategy to grow through organic expansion, strategic acquisition and margin enhancement through synergy and efficiency.

Activity levels increased steadily throughout the period and a number of major contract wins reaffirmed Restore's leading position and ability to grow market share still further. Four acquisitions were successfully completed during the period including the substantial acquisition of EDM, a Digital and Document Management business for £62.4 million which resulted in the significant expansion of Restore Digital and Restore Records Management, a bolt-on acquisition in Records Management and two acquisitions in Restore Technology, with all contributing to the successful H1 performance. The strong profit achievement was further supported by the realisation of cost and efficiency improvement initiatives, particularly in property and employee costs.

The combination of recovering activity in the wider economy, market share gains and focused acquisitions means that the Group is already emerging from the pandemic as a larger and stronger business, with enhanced positions in its key target growth markets. In addition, management's focus on operational effectiveness and financial discipline has also created a more efficient business that is well positioned for future expansion. As a result of this strategic progress, the financial scale of the business has increased with annualised run rate revenues expanding to c.£250 million based on performance in May and June 2021, some 16% higher than 2019 (taken as the pre COVID-19 benchmark) and profits showing an improving trend from Q1 into Q2.

BUSINESS HIGHLIGHTS

- Continued improvement in economic activity across Restore's key markets, with the majority of the business at, or above, pre COVID-19 activity levels
- Significant new market opportunities continue to open up for the Group supporting customers on their secure data and digitalisation transitions, together with an increasing focus on creating secure, flexible workspaces that have a lower impact on the environment
- Records Management revenue growth of 9% for H1 through sales wins, 'refuse to lose' approach to customer retention and two acquisitions delivering an overall 9.2% increase in net box assets under management by the end of the period
- Restore Digital performed well with strong organic growth and revenues doubling following the acquisition of EDM in April
- Restore Technology achieved significant strategic progress through capability and scale acquisitions, driving a substantial increase in Relocation division operating margin to 17.4% in H1 2021 from 4.9% in H1 2020.
- Further strengthening of Executive team with key appointments of Restore Technology Managing Director and Group Property Director
- £80.9 million in acquisitions during H1 (£71.1 million net of cash acquired) with healthy pipeline and over 25 ongoing discussions with several deals anticipated to be completed during H2.

FINANCIAL HIGHLIGHTS

- H1 Revenue of £106.1 million, up 19% on prior year and ahead of management expectations
- H1 Adjusted PBT of £15.6 million, up 56% on prior year with strong sequential momentum, being 18% higher than H2 2020
- Scale of business substantially increased with annualised run rate revenues in excess of £250 million (FY20 £182.7 million) based on performance in May and June 2021
- EBITDA increased from £13.8 million in Q1 to £19.4 million in Q2 and totalled £33.2 million for the half compared with £27.4 million for H1 2020
- Profitability improved strongly through the period, with an operating margin of 14.9% in Q1 improving to 21.3% for Q2 making 18.5% as a whole for H1 2021 which compares to 16.2% in H1 2020 and 21.5% in H1 2019
- Continued successful progress on efficiency with further site consolidation in Restore Technology and Records Management, staff cost ratios improved and new Group fuel contract implemented
- Leverage in line with expectation at 1.9x following successful equity raise of £40m to support acquisition of EDM and continued strong cash generation despite anticipated working capital investment to support growth
- Progressive dividend policy reinstated with interim dividend of 2.5 pence per share.

FINANCIAL SUMMARY	H1 2021	H1 2020	Change
Revenue	£106.1m	£89.5m	+19%
Adjusted Profit Before Tax*	£15.6m	£10.0m	+56%
Statutory Profit / (Loss) Before Tax**	£8.9m	£(3.1)m	+387%
Adjusted EBITDA*	£33.2m	£27.4m	+21%
Net Debt	£91.6m	£73.9m	+24%
Adjusted Earnings Per Share (FD)	9.4p	6.2p	+52%

* Stated before amortisation of intangible assets, exceptional items and asset impairments
** H1 2020 stated after non-cash impairment of £8.6m relating to intangible assets and investments

OUTLOOK

The Board was delighted with the H1 performance which was ahead of expectations and with the increasing economic activity across the UK we have seen demand significantly grow for our mission critical services and the Board is confident in Restore's future prospects, and the ability to deliver excellent shareholder value.

The business has seen economic activity across the UK increase progressively since the peak of the pandemic in Q2 2020 and assuming this trend continues with the successful vaccination and reopening of the UK, the Board would expect that underlying demand will continue to grow for our mission critical services in the second half of 2021.

We delivered significant growth and momentum in revenue and profitability between Q1 and Q2 and performance will further benefit from a full 6-month contribution from recent acquisitions, as well as additional income from new contract wins in H1, particularly a new Department for Work and Pensions ("DWP") contract which commenced in May. In Records Management, the Board's expectation is that organic growth of net boxes in storage will accelerate in H2 and grow between 1-2% for the year (2020: 0.9%) and that Digital and Technology revenues will continue to run at twice pre COVID-19 levels in H2.

The increase in the Group's scale is clearly visible with current annualised run rate revenues of £250 million, based on the performance in May and June 2021, and the trend of growth in quarterly EBITDA performance from Q1 to Q2. Looking ahead, the Group has a number of substantial opportunities for further growth including continued organic growth, strategic acquisitions and margin enhancement through synergy and efficiency.

As a result of this growth momentum and due to the cash generative nature of the Group, the balance sheet has substantial capacity to support further acquisition investment. Management are in active discussions with a large number of potential target companies representing aggregate revenues in excess of £75m. A number of these accretive opportunities are expected to be executed in H2 and although this is dependent on a number of factors, acquisition investment could be between £20 million and £30 million.

CHARLES BLIGH, CEO, commented:

"During H1 our top priority has been the safety and welfare of our customers and staff. These strong results demonstrate the commitment of our people to deliver the increasing demands from customers safely and as a result we have emerged larger, stronger and in a lot of ways, a much better business from before the pandemic.

The drive towards more flexible and sustainable ways of working in the public and private sectors are a significant positive for Restore and combining this with the ongoing focus on digitalisation, security of data and certainty of delivery means the demand for our mission critical services is growing.

Our current run rate revenue has expanded to £250 million, which is 16% more than pre COVID-19 and is set to continue to increase as a result of our clear growth strategy of strong organic expansion, strategic acquisitions and margin enhancement through synergy and efficiency. The strategic opportunity for Restore is compelling and the management team is committed to delivering a fast growing business that exceeds our customer's expectations and results in further excellent shareholder value creation."

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STRATEGIC UPDATE

Restore's strategy is to grow substantially through continuing to be UK's leading provider of integrated information and data management services, secure technology recycling, and commercial relocation solutions.

Operating nationally, in five distinct markets with a total size of c.£1.9 billion, Restore is the UK's most trusted partner in document storage and recycling, digital asset management, secure IT destruction and commercial asset relocation. Our business model is based on high levels of customers' satisfaction which is delivered alongside our considerable scale advantage, which drives down cost. In addition to this high level of customer satisfaction, Restore has high customer retention rates and this also provides the foundation to upsell further services from the wider Group.

The services provided to these markets are mission critical and during the recent pandemic, Restore was classified as an 'essential service' and was able to provide assurance to customers on continuity of their service, enabling their operations to continue to function effectively even through the periods of the most elevated disruption.

From a number 1 or number 2 position in each of its markets, Restore has grown its market share significantly from 11% to 13% over the past 12 months and has potential to expand further substantially, through organic growth and acquisition strategies.

Demand for the Group's services are being shaped and accelerated by customers' needs to provide secure, flexible and environmentally less impactful working environments. This necessitates a range of services from the secure management and storage of data, the digitalisation of historic records, the adaptation of office environments and the collection of a growing range of commercial waste streams. Restore is unique in being able to offer customers this full range of capability and the highest standards of customer service, responsiveness, and security.

To capitalise on this opportunity, Restore has a clear strategy to grow via organic expansion, strategic acquisition and margin enhancement through synergy and efficiency. During the first half of the year, significant progress has been made in each of these areas:

- Organic Growth – although difficult to separate revenue increases between underlying sales growth and rebound following the pandemic, it is clear all businesses are achieving increased momentum and 4 of the 5 business are already at pre COVID-19 levels of activity exiting the period. In Restore Digital, organic growth is strong at 19% in H1, excluding exam scanning and should benefit further from the expanded capability following the recent acquisition of EDM. The Technology market is very active, and the growing importance of data security and responsible disposal are very positive organic drivers.

- Acquisitions – the Board is delighted with four successful acquisitions in H1, with £80.9 million of capital deployed during H1 (£71.1 million net of cash acquired). In Technology, the integration of CDL and The Bookyard has added scale, geographic coverage and new product lines, including Apple capability. In Records Management we were pleased to complete the acquisition of 1BDM, a small bolt on acquisition that naturally fits into our scale and operational capability. With EDM acquired in April for £62.4 million (26% of the revenue in Records Management and 74% of the revenue in Digital), the Digital business has substantially increased its product capability and has greater scale from which to leverage efficiency. We reassert our previously communicated expectation that the acquisition of EDM will result in annual synergies of at least £2.0 million.

- Margin Expansion – during COVID-19 the business accelerated plans to restructure towards more digital processes and higher levels of productivity through process and measurement improvements. As a result of these changes the ratio of staff cost to revenue reduced from 44% in Q1 to 39% in Q2 and compares to a ratio of 41% for FY19, a pre COVID-19 benchmark. The Groups property strategy was further progressed with the consolidation of a site in Technology and agreement reached to enter a new lease for a high density 1m box facility at Heywood in Q4 (with the option to expand to 2.2m boxes).

Stronger platform for growth

In order to create a platform capable of sustaining above-market growth, whilst maintaining high and predictable returns, significant investment has been undertaken in the business over the last two years. The resulting infrastructure of the Group is significantly stronger than was the case three years ago, with notable evolutions in:

- Strategy – we have clearly defined a high growth strategy which balances organic growth, acquisitions in our fragmented markets and margin expansion through disciplined cost management.

- Health & Safety – our H&S posture is significantly improved with a new role created Head of Risk & Quality which reports into the Executive Committee. H&S is the first focus item in all Business Unit meetings and at the plc Board meeting to ensure this is the number one measure of performance in the business.

- Financials – the clarity and quality of our earnings and cash flows has improved with a significantly reduced level of exceptional charges. Executive share scheme costs are now included within the reported profit measure, rather than being classified as an exceptional item. Not all acquisitions carry exceptional cost but where synergies and restructuring play an important part of the deal value our estimate is exceptional items would on average be no more than 3-5% of the deal.

- Customer Satisfaction – with relentless and increasing focus, our customer satisfaction has improved from previously strong levels. Continuity of service throughout the pandemic strengthened trust and supports growing Restore's market share.

- People – significant improvement in the leadership of the business with 9 of 11 Executive Committee members and 69% of the top 62 leaders new into the Group or new in their roles.

Compelling investment case

The investment case for Restore is compelling and we have a clear strategy to continue to deliver and accelerate strong returns to shareholders.

We operate in attractive markets which are highly fragmented. These markets are all growing and although we have leading positions, we have only c.13% overall share and therefore have significant room to grow.

At the heart of the company is a dedication to customer satisfaction. This delivers significant benefits in terms of high levels of customer retention, recurring revenues and predicable cash generation. The premium quality of the customer base and a strong financial foundation provides a solid base from which management are building a high quality business with a sustainable growth plan.

The investment position is clear:

- Strong ESG credentials
- Leading positions in growth markets
- Long standing customer relationships with high levels of customer satisfaction/retention
- Business model based on high levels of long term contracted and recuring revenues
- Attractive operating margins and strong cashflows
- Fragmented markets with significant acquisition opportunities
- Track record in closing and integrating acquisitions with strong ROIC
- Competitive advantage through Restore's scale leading to cost advantages
- Significant barriers to entry
- Strong management team with demonstrated delivery of results.

BUSINESS PERFORMANCE

The Group achieved a strong performance in H1, with revenue up 19% vs the same period in 2020 and importantly showing sequential improvement with an increase of 20% in Q2 vs Q1. This reflects the increasing activity levels in the economy and the fact that our customers have adapted to COVID-19 restrictions and are demanding more services from us. Given our operational gearing, this increase in revenue each quarter has a significant beneficial impact on the profitability of the Group.

Document Management

Our Document Management division comprises Restore Records Management, Restore Datashred and Restore Digital.

For the period the division achieved an adjusted operating profit of £18.2m (H1 2020: £15.2m) on turnover of £75.7m (H1 2020: £67m).

Restore Records Management – Revenue £47.7m up 9% yoy (H1 2020: £43.7m)

With increasing activity levels and the contribution from acquisitions, revenue was up 9% on H1 2020 and 9% on H2 2020. Storage revenue increased 1% and Service revenue increased 31% compared with H2 2020, with increasing activity at our customers' operations despite many social restrictions remaining in place for all of H1 2021. Annualised run rate revenue for Records Management is now at £109 million which is 14% above pre COVID-19 levels based upon performance in May and June 2021.

Total box growth was 9.2% in H1, with a total capacity at the end of H1 of c.22.8m boxes. We maintained capacity utilisation at 94.7% and we have committed to a new site in Heywood with 1m box capacity with an option for a further 1.2m in 12 months' time to create a new site of c.2.2m boxes. This will allow room to grow organically and with acquisitions and provide capacity to enable the rationalisation of other sites to lower per box costs. We also accelerated the exit of the Paddock Wood site in H1.

We experienced strong and encouraging sales results in H1. We won, signed and started work with the Department for Work and Pensions (DWP) for a contract worth £9.5m over 20 months to manage the DWP Heywood site.

We contracted 98 new customers with a total of 95k boxes during H1. Within this result, 83 new customers with 29k boxes were previously unvendored, i.e. the records were stored on the customers' premises. These 83 customers were mostly in the private sector showing that downsizing and the move to flexible working and smaller offices will have a positive impact in Records Management. This is a trend we have seen increase over the last few years, where flexible working / office downsizing is driving more boxes into the market.

H2 has started strongly for the business, with four major wins from competitors, totalling 200k new boxes, including a new customer signing with 120k boxes.

Restore Digital – Revenue £14.2m up 60% yoy (H1 2020: £8.9m)

The Restore Digital business has been transformed in scale and capability through the combination of Restore Digital and the digital business of EDM (74% of EDM revenues). The combined business now has annualised run rate revenues of £46.3m based on performance in May and June 2021 and is the market leader in size and breadth of offering for customers. It will be a strong platform to grow further with organic growth and further acquisitions as outlined in the Capital Markets Day in November 2020.

The EDM business with two months of trading under Restore ownership has performed well and in line with our expectations. We have announced the merger of the two businesses and are in consultation with staff at this time but we reassert our expectation that the previously announced synergies of at least £2 million per year will be achieved.

Restore Digital revenues achieved strong growth in H1. The business had 2 months contribution from EDM, however on an organic basis the business increased by 19% vs H1 2020 and 19% vs H1 2019 (normalising for the Exam RM work).

The business unit won 226 customer contracts in the period, an increase of c.85% on H1 2020 and the contract value was a c.55% increase vs H1 2020. The pipeline of qualified deals is 50% greater compared with this time last year, showing the strength of the Restore Digital brand and improving market conditions. We continue to focus on highly regulated industry and wider industries that value the offline/online data they hold. We have six active bids into the NHS for the digitisation of patient records and with the combined relationships in EDM we are focusing on a further 30 NHS trusts over the next 18 months who have announced digitisation initiatives.

A focus of the enlarged business is winning Digital Mailroom contracts which are higher margins and long term contracted revenues. We have won 4 customers in H1 2021 with a focus on insurance, legal, financial services and utilities. A 2021 win has been with Monzo bank, one of the first online-only challenger banks in the UK. We have successfully rolled out a digital inbound and outbound omnichannel mailroom, and together we are looking to develop this further, including cheque processing.

Restore Datashred – Revenue £13.8m down 4% yoy (H1 2020: £14.4m)

As expected, Restore Datashred's revenue was lower year-on-year in H1 with the comparative period last year having almost 3 months of performance unaffected by COVID-19. A more relevant measure is the sequential quarterly improvement in trading with revenue increasing c.9% in Q2 vs Q1 and the number of customer visits increasing by c.5%. Paper volumes also increased c.3% from Q1 to Q2, demonstrating that companies are starting to reactivate office services with the reduction in restrictions.

Paper pricing continues to be stable with the exit rate of Q2 at roughly the same levels seen in H2 2020. There are a number of factors that change the supply/demand which drives the pricing, and we believe that overall, this will be stable throughout 2021 with some encouraging signs this may improve as we exit the year.

A highlight of the business last year and into H1 2021 have been the operational and sales improvements we delivered and we are starting to see benefits from these as activity increases.

In operations we have made a number of changes which add up to material productivity improvements which will be structural in nature as volume grows. Our route density which is a key measure of operational performance has improved c.19% vs pre COVID-19 levels with customer satisfaction improving during this period.

After restructuring the sales team in 2020 we have seen a 50% increase in revenue per head. We have also made substantial changes to the website and search rankings and coupled with improved social business marketing, our inbound queries have improved substantially. In H1 we added c.1,200 new customers. Order intake is at pre COVID-19 levels overall but slightly lower with the larger Facilities Management companies. London activity levels look particularly encouraging.

Overall, the Q2 revenues of Datashred are c.70% of pre COVID-19 levels and with the excellent cost and sales improvements in the team we have reduced overall costs in the business. This will provide a strong platform for the likely consolidation of the shredding market over the coming months and years which will generate strong profits for the Group.

Relocation & IT Recycling

Our Relocation division comprises Restore Harrow Green, the UK market leader in office relocation, and Restore Technology which is now the market leader in IT Lifecycle Services. IT Lifecycle Services is comprised of three specialist areas: 1) Recycling of IT equipment safely and securely; 2) Early life implementation of IT hardware and 3) IT Relocation – specialising in server and data centre relocation, as well as IT moves, equipment installation and deployment.

For the period the division achieved an operating profit of £5.3m (H1 2020: £1.1m) on turnover of £30.4m (H1 2020: £22.5m).

Restore Harrow Green – Revenue £18.1m up 21% yoy (H1 2020: £15.0m)

Restore Harrow Green performed well in H1 with increasing activity levels across the whole business with revenue up 21% vs H1 2020 and 8% vs H1 2019 (excluding pass through revenues) showing the bounce back of the business.

The whole business is performing above 2019 levels and sequentially we achieved a 12% increase in Q2 vs Q1 showing the significant levels of office relocation and organisational change occurring in the economy.

Our strategy is to expand our Life Sciences business significantly and in Q1 we opened our new storage and customer facility in Cambridge (first new branch opening in 7 years) which is showing very positive results and well on track to exceed the expectation for the year.

Sales activity, specifically, quoting for new work, is back to pre COVID-19 levels and rising. We have seen a c.20% increase in crate hire and recycling and a c.30% increase in Storage revenue in H1 2021 vs H1 2019. Our win rates continue to be strong and we were delighted to be awarded a significant project with The University of Exeter for c.£700k which will be delivered in H2 2021.

Restore Technology – Revenue £12.3m up 64% yoy (H1 2020: £7.5m)

Revenue is up 64% vs H1 2020 and grew very strongly as a result of three acquisitions made in the last 9 months and continued high levels of demand in the market with assets collected in H1 2021 increased by c.170% vs H1 2020 showing the strong recovery in the market.

Increasing our e-commerce revenue is a strategic priority and we are delivering against this plan. Annualised run rate e-commerce sales based on performance in May and June 2021 (including e-Bay) is £2.8 million which is 201% higher than FY 2020 and 416% more than FY 2019. This will have two significant beneficial impacts; The first is it drives up awareness of the Restore Technology brand and therefore improves demand with clients to increase collections and secondly, as we grow our own branded online website we will reduce our e-Bay reseller fees that absorb 12-15% of revenue through this channel.

Operational productivity continues to strengthen. Processing activity grew by 55% in H1 2021 compared with H1 2020. In 2021 we closed a small site and absorbed the work into a larger facility.

We are delighted with the two acquisitions in H1 2021 with Computer Disposals Ltd in January and The Bookyard in March 2021, which together are transformational for the business with the addition of scale and also Apple refurbishment capability. The integration of both businesses is progressing on plan.

We are seeing increasing demand for IT recycling with companies making significant investment in IT. Gartner predicts IT spending to increase 8.4% in 2021 (source Press Release 7 April 2021) This increase in IT spending has a direct correlation with the demand for IT recycling with companies looking to securely and environmentally recycle old equipment as the new equipment is installed.

A new Managing Director, Athena Ainsworth, was announced in H1 2021 and has already started in the business. We are delighted to welcome Athena to Restore as the new MD for Technology. Athena previously worked at IBM and joins us from Vodafone to lead and deliver on the planned and exciting growth prospects for this business.

Our sustained growth in the Technology business will continue to be a product of strong organic demand in the market and targeted acquisitions building our scale and scope of services. We have a number of active acquisition discussions with companies which will be accretive to earnings.

FINANCIAL PERFORMANCE

Financial overview

Restore delivered a strong financial performance for the 6 months to 30 June 2021, with a return to normal levels of activity across most of the business units during Q2 and the benefit of accretive acquisitions leading to an increase in the scale of the business. Revenues showed a sequential expansion from £48.3 million in Q1 growing to £57.8 million for Q2, with revenue performance in May and June annualising to a run rate of more than £250 million.

Restore Datashred performance lags the more general recovery across the Group whilst Records Management, Restore Technology and Restore Digital have all grown, particularly in Q2, and enter H2 2021 materially larger businesses. Restore Harrow Green has also performed satisfactorily with a high compare in the prior year revenue including pass through revenues relating to furniture and minimal cost plus.

Revenue	H1 2021 £m	H1 2020 £m	H1 2019 £m	H1 2021 % of H1 2020	H1 2021 % of H1 2019
Restore Records Management	47.7	43.7	47.8	109%	100%
Restore Datashred	13.8	14.4	21.0	96%	66%
Restore Digital	14.2	8.9	11.6	160%	122%
Restore Harrow Green	18.1	15.0	19.7	121%	92%*
Restore Technology	12.3	7.5	6.1	164%	202%
	106.1	**89.5**	**106.2**	**119%**	**100%**

*Note: Restore Harrow Green excluding pass through revenues delivered growth of 8% (ie 108%) in H1 2021 vs H1 2019

The Group made a number of acquisitions in the first half including CDL, an IT asset disposal and recycling company for £15.8 million in January and EDM, a records and digital information management business in April for £62.4 million.

Associated with the acquisition of EDM, the Group completed a successful equity placing of £40 million, before costs which was completed on 30 April 2021. As a result of the equity raise and together with continued strong operating cashflow, the Group's net debt of £91.6 million at the period end is in line with expectations and well within banking covenants.

Income Statement

Revenue for the first half was £106.1 million, +19% compared to the prior year and approximately in line with 2019. The Group's revenues have recovered from the pandemic with 2021 acquisitions contributing c.£9.3 million of additional revenue in H1 and offsetting the slower recovery in Restore Datashred and the cancellation of the summer exam scanning sessions.

Revenue by quarter	2021 £m	2020 £m	2019 £m	2021 % of 2020	2021 % of 2019
Q1	48.3	51.4	50.7	94%	95%
Q2	57.8	38.1	55.5	152%	104%
H1	**106.1**	**89.5**	**106.2**	**119%**	**100%**

The Group's adjusted profit before tax of £15.6 million for the period represents a solid recovery after the disruption of COVID-19 and is without any form of Government support. Profitability improved through the period, with operating margin of 14.9% in Q1 improving to 21.3% for Q2 making 18.5% for H1 2021 as a whole and compares to 16.2% achieved for H1 2020 and 21.5% achieved for H1 2019. Improvement to the margins in Restore Technology during the first half are particularly satisfying and follow the significant increase in scale of that Business Unit in the last six months following strategic acquisitions.

EBITDA (post IFRS16) has improved as a result of sales expansion and grew sequentially from £13.8 million in Q1 to £19.4 million in Q2 and totalled £33.2 million for the half compared with £27.4 for H1 2020.

The statutory profit before tax of £8.9 million showed strong growth over the prior year loss of £3.1 million as a result of the year on year growth in revenue and the prior year having been being impacted by non-cash investment and asset impairments of £8.6 million. The resulting statutory basic fully diluted earnings per share for H1 2021 was 1.5 pence and compares to a fully diluted basic loss of 3.8 pence per share for the same period in 2020. The statutory earnings per share are impacted by a non-cash deferred tax adjustment in the year which results from the planned increase in corporation tax from 2023.

Fully diluted adjusted earnings per share for the first half were 9.4 pence, an increase of 51.6% compared with 6.2 pence in H1 2020. The EPS reflects the improved profitability in 2021 and the increase in weighted average number of shares in the year.

Cost

Cost control across the business continues to be excellent with action across a number of strategic opportunities progressing well.

The exit of a further Restore Technology site in Portsmouth and its activity consolidation into our Bristol location has commenced and will deliver incremental operational improvements from H2.

In other cost areas, Restore has implemented a preferred supply arrangement for fuel with Shell which in addition to cost savings, provides telematics and carbon offset credits and represents a significant enhancement in the management of this key cost line.

On staff cost, headcount has increased during H1 in line with trading activity. However, as a result of efficiency and restructuring measures, the people cost to revenue ratio improved and was 39% for Q2 compared 41% for FY 2019, taken as a pre COVID-19 benchmark.

Financing

Underlying cashflow in the business continues to be strong and in the absence of acquisitions, the equity raise and exceptional costs, the Group's net debt would have reduced from £66.1 million at 31 December 2020 to £56.7 million at 30 June 2021.

Net operating cashflows were lower in H1 2021 compared to H1 2020 as expected with higher operating profits offset by the significant increase in working capital as a result of increasing sales. Despite this effect, the business has generated very positive operating cashflows of £19.6 million and continues to demonstrate its strongly cash generative nature.

In order to support the acquisition of EDM, an equity raise was successfully completed on 30 April 2021 and a total of 10,958,904 new ordinary shares of 5 pence each in the Company, representing approximately 8.7 percent of the existing issued share capital of the Company, were placed by Peel Hunt LLP at a price of 365 pence per Placing Share, raising gross proceeds of approximately £40 million. The placing price of 365 pence per Placing Share represented a discount of 5.2 % to the closing price of 385 pence on 29 April 2021.

The Group invested £80.9 million in acquisitions during H1 (£71.1 million net of cash acquired) and after the successful equity raise and other cashflows, net debt was £91.6 million at the period end.

The proforma rolling 12 month EBITDA for bank leverage purposes, which excludes the effect of IFRS16, was £49.3 million. As such, the corresponding leverage at 30 June 2021 was 1.9x (31 December 2020: 1.7x), well within the bank covenant operating parameters and headroom of the existing £160 million rolling credit facility.

Adjusted profit 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 2021	**H1 2020**	**Change**
	£m	**£m**	
Exceptional items	1.7	0.4	+325%
Amortisation of intangible assets and software	5.0	4.1	+22%
Impairment of intangible assets	-	7.0	n/a
Write down in investment value	-	1.6	n/a
Total adjusting items	**6.7**	**13.1**	**49%**

Exceptional items incurred in H1 2021 are primarily acquisition related restructuring costs (£0.5 million), acquisition related transaction costs (£0.9 million) and charges in relation to a legacy legal matter (£0.3 million).

Dividend

In recognition of the Group's continued strong trading momentum and its confidence in the H2 2021 and future outlook, the Board has re-instated its previous progressive dividend policy.

The Board has declared an interim dividend of 2.5p per share for FY2021 (2020: 0.0p). The dividend will be paid on 15 October to shareholders on the register at 17 September 2021.

FINANCIAL STATEMENTS

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2021

	Note	Unaudited six months ended 30 June 2021 £'m	Unaudited six months ended 30 June 2020 £'m	Audited year ended 31 December 2020 £'m
Revenue - continuing operations	2	106.1	89.5	182.7
Cost of sales		(58.3)	(53.3)	(105.9)
Gross profit		47.8	36.2	76.8
Administrative expenses		(28.2)	(21.7)	(45.1)
Amortisation of intangible assets		(5.0)	(4.1)	(8.3)
Impairment of intangible assets		-	(7.0)	(7.0)
Impairment of investment		-	(1.6)	(1.6)
Exceptional items	3	(1.7)	(0.4)	(2.3)
Operating profit		12.9	1.4	12.5
Finance costs		(4.0)	(4.5)	(8.5)
Profit/(loss) before tax		8.9	(3.1)	4.0
Taxation	4	(6.9)	(1.8)	(3.8)
Profit/(loss) after tax		2.0	(4.9)	0.2
Other comprehensive income		-	-	-
Profit/(loss) and total comprehensive income/(loss) for the period attributable to owners of the parent		2.0	(4.9)	0.2
Earnings/(loss) per share attributable to owner of the parent (pence)				
Total				
- Basic	5	1.5p	(3.9p)	0.2p
- Diluted	5	1.5p	(3.8p)	0.2p
Continuing Operations				
- Basic	5	1.5p	(3.9p)	0.2p
- Diluted	5	1.5p	(3.8p)	0.2p

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

Operating profit – continuing operations		12.9	1.4	12.5
Adjustments for:				
Amortisation of intangible assets	5	5.0	4.1	8.3
Impairment of intangible assets	5	-	7.0	7.0
Impairment of investment	5	-	1.6	1.6
Exceptional items	5	1.7	0.4	2.3
Adjustments		6.7	13.1	19.2
Adjusted operating profit		19.6	14.5	31.7
Depreciation of property, plant and equipment and right-of-use assets		13.6	12.9	25.7
Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items (EBITDA)		33.2	27.4	57.4
Profit/(loss) before tax		8.9	(3.1)	4.0
Adjustments (as stated above)		6.7	13.1	19.2
Adjusted profit before tax		15.6	10.0	23.2

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Note	Unaudited 30 June 2021 £'m	Unaudited 30 June 2020 £'m	Audited 31 December 2020 £'m
ASSETS				
Non-current assets				
Intangible assets		320.6	246.8	247.4
Property, plant and equipment		74.0	71.0	70.6
Right-of-use assets		105.1	111.1	107.1
Deferred tax asset		4.5	3.5	3.4
		504.2	432.4	428.5
Current assets				
Inventories		1.2	1.1	0.9
Trade and other receivables		55.0	40.3	41.2
Corporation tax receivable		0.1	-	0.3
Cash and cash equivalents		22.0	28.4	26.4
		78.3	69.8	68.8
Total assets		582.5	502.2	497.3
LIABILITIES				
Current liabilities				
Trade and other payables		(48.8)	(35.9)	(38.8)
Financial liabilities – lease liabilities		(17.7)	(16.9)	(16.7)
Other financial liabilities		-	(0.1)	-
Current tax liabilities		-	(0.4)	-
Provisions		(1.1)	(0.4)	(0.4)
		(67.6)	(53.7)	(55.9)
Non-current liabilities				
Financial liabilities – borrowings	9	(113.6)	(102.3)	(92.5)
Financial liabilities – lease liabilities		(100.6)	(107.2)	(104.0)
Deferred tax liabilities		(34.4)	(18.4)	(19.8)
Provisions		(7.1)	(6.5)	(6.5)
		(255.7)	(234.4)	(222.8)
Total liabilities		(323.3)	(288.1)	(278.7)
Net assets		259.2	214.1	218.6
EQUITY				
Share capital		6.8	6.2	6.3
Share premium account		187.9	150.3	150.3
Other reserves		7.3	6.4	6.0
Retained earnings		57.2	51.2	56.0
Equity attributable to owners of parent		259.2	214.1	218.6

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2021

	Attributable to owners of the parent				
	Share capital £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Balance at 1 January 2020	6.2	150.3	6.1	55.9	218.5
Loss for the period	-	-	-	(4.9)	(4.9)
Total comprehensive loss for the period	-	-	-	(4.9)	(4.9)
Transactions with owners					
Transfers	-	-	(0.2)	0.2	-
Share-based payments charge	-	-	0.9	-	0.9
Deferred tax on share-based payments	-	-	(0.4)	-	(0.4)
Balance at 30 June 2020 (unaudited)	6.2	150.3	6.4	51.2	214.1
Balance at 1 July 2020	6.2	150.3	6.4	51.2	214.1
Profit for the period	-	-	-	5.1	5.1
Total comprehensive income for the period	-	-	-	5.1	5.1
Transactions with owners					
Issue of shares	0.1	-	-	(0.1)	-
Transfers	-	-	0.2	(0.2)	-
Share-based payments charge	-	-	0.3	-	0.3
Deferred tax on share- based payments	-	-	(0.9)	-	(0.9)
Current tax on share-based payments	-	-	0.8	-	0.8
Treasury share transactions	-	-	(0.8)	-	(0.8)
Balance at 31 December 2020 (audited)	6.3	150.3	6.0	56.0	218.6
Balance at 1 January 2021	6.3	150.3	6.0	56.0	218.6
Profit for the period	-	-	-	2.0	2.0
Total comprehensive income for the period	-	-	-	2.0	2.0
Transactions with owners					
Issue of shares	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)
Transfers*	-	-	0.8	(0.8)	-
Balance at 30 June 2021 (unaudited)	6.8	187.9	7.3	57.2	259.2

* An amount of £0.8m was reclassified from the treasury reserve to retained earnings in respect of exercised options settled out of the Group's Employee Benefit Trust.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Note	Unaudited six months ended 30 June 2021 £'m	Unaudited six months ended 30 June 2020 £'m	Audited year ended 31 December 2020 £'m
Net cash generated from operations	7	25.8	36.4	66.9
Net finance costs		(3.8)	(4.4)	(8.0)
Income taxes paid		(2.4)	(5.3)	(7.2)
Net cash generated from operating activities		19.6	26.7	51.7
Cash flows from investing activities				
Purchase of property, plant and equipment and applications software	2	(2.8)	(3.6)	(7.3)
Purchase of subsidiary, net of cash acquired		(71.1)	-	(3.4)
Purchase of trade and assets		-	-	(0.3)
Cash flows used in investing activities		(73.9)	(3.6)	(11.0)
Cash flows from financing activities				
Dividends paid		-	-	-
Net proceeds from share issue		38.1	-	-
Purchase of treasury shares		(0.1)	-	(0.8)
Repayment of revolving credit facility		(45.0)	(3.0)	(13.0)
Drawdown of revolving credit facility		66.0	-	-
Principal element of lease repayments		(9.1)	(8.3)	(17.1)
Net cash used in financing activities		49.9	(11.3)	(30.9)
Net (decrease) / increase in cash and cash equivalents		(4.4)	11.8	9.8
Cash and cash equivalents at start of period		26.4	16.6	16.6
Cash and cash equivalents at the end of period	9	22.0	28.4	26.4
Cash and cash equivalents shown above comprise:				
Cash at bank		22.0	28.4	26.4
Bank overdraft		-	-	-
	9	22.0	28.4	26.4

Notes to the Consolidated Interim report
For the six months ended 30 June 2021

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, Document Management and Relocation and incurs central costs. Services per segment operate as described in the business review. The vast majority of trading of the Group is undertaken within the United Kingdom. Segment assets include intangibles, property, plant and equipment, 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 and includes additions resulting from acquisitions through business combinations. Segment assets and liabilities are allocated between segments on an actual basis.

Revenue - Continuing operations	Unaudited 30 June 2021 £'m	Unaudited 30 June 2020 £'m	Audited 31 December 2020 £'m
Restore Records Management	47.7	43.7	87.6
Restore Datashred	13.8	14.4	28.0
Restore Digital	14.2	8.9	18.5
Document Management division	75.7	67.0	134.1
Restore Harrow Green	18.1	15.0	33.3
Restore Technology	12.3	7.5	15.3
Relocation division	30.4	22.5	48.6
Total revenue	106.1	89.5	182.7

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 2021 £'m	Unaudited 30 June 2020 £'m	Audited 31 December 2020 £'m
Document Management division	18.2	15.2	33.2
Relocation division	5.3	1.1	4.0
Central costs	(2.7)	(2.0)	(4.5)
Amortisation of intangible assets	(5.0)	(4.1)	(8.3)
Impairment of intangible assets	-	(7.0)	(7.0)
Impairment of investment	-	(1.6)	(1.6)
Share based payment charge (including related NI)	(1.2)	0.2	(1.0)
Exceptional items	(1.7)	(0.4)	(2.3)
Operating profit	12.9	1.4	12.5
Finance costs	(4.0)	(4.5)	(8.5)
Profit/(loss) before tax	8.9	(3.1)	4.0

Segmental information

	Document Management £'m	Relocation £'m	Central costs £'m	Unaudited 30 June 2021 Total £'m
Segment assets	484.4	85.5	12.6	582.5
Segment liabilities	100.9	13.7	208.7	323.3
Capital expenditure	2.2	0.4	0.2	2.8
Depreciation and amortisation	15.9	2.7	-	18.6
				Unaudited 30 June 2020
Segment assets	417.5	69.5	15.2	502.2
Segment liabilities	159.1	31.2	97.8	288.1
Capital expenditure	3.3	0.3	-	3.6
Depreciation and amortisation	15.0	2.0	-	17.0
				Audited 31 December 2020
Segment assets	427.4	56.3	13.6	497.3
Segment liabilities	160.0	31.6	87.1	278.7
Capital expenditure	6.6	0.5	0.2	7.3
Depreciation and amortisation	29.6	4.3	0.1	34.0

3 Exceptional items

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 (2020: exceptional costs £0.4m, including restructuring costs of £0.1m and £0.3m relating to the employer's national insurance on the exercise of legacy share options).

The legal liability charge in the period is the final adjustment to the penalty relating to an incident at the Crayford shredding site in 2018 with the final HSE fine of £0.6 million. The current management have since made a number of changes to H&S across the business.

In the year ended 31 December 2020, £2.3m of exceptional costs were incurred, comprising acquisition related costs (£0.2m), redundancy and site consolidation costs (£1.3m), employer's national insurance on the exercise of legacy share options (£0.3m), legacy legal liability costs (£0.3m), and corporate restructure costs (£0.2m).

4 Taxation

The current tax charge for the period to 30 June 2021 is anticipated to be £2.7m. Following the announcement on 3 March 2021 of a change in the UK corporation tax rate to 25% in 2023, which has now been substantively enacted, we have re-assessed the deferred tax position of the Group which has resulted in an additional charge of £4.2m being recognised in the income statement.

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 2021	Unaudited six months ended 30 June 2020	Audited year ended 31 December 2020
Weighted average number of shares in issue	129,129,492	124,872,300	125,214,737
Total profit/(loss) for the period	£2.0m	(£4.9m)	£0.2m
Total basic earnings/(loss) per ordinary share	1.5p	(3.9p)	0.2p
Weighted average number of shares in issue	129,129,492	124,872,300	125,214,737
Share options	4,725,584	4,957,992	3,543,950
Weighted average fully diluted number of shares in issue	133,855,076	129,830,292	128,758,687
Total fully diluted earnings/(loss) per share	1.5p	(3.8p)	0.2p
Continuing profit/(loss) for the period	£2.0m	(£4.9m)	£0.2m
Continuing basic earnings/(loss) per share	1.5p	(3.9p)	0.2p
Continuing fully diluted earnings/(loss) per share	1.5p	(3.8p)	0.2p

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 2021 £'m	Unaudited six months ended 30 June 2020 £'m	Audited year ended 31 December 2020 £'m
Continuing profit/(loss) before tax	8.9	(3.1)	4.0
Adjustments:			
Amortisation of intangible assets	5.0	4.1	8.3
Impairment of intangible assets	-	7.0	7.0
Impairment of investment	-	1.6	1.6
Exceptional items	1.7	0.4	2.3
Adjusted continuing profit for the period	15.6	10.0	23.2

The adjusted earnings per share, based on weighted average number of shares in issue during the period, 129.1m (2020: 124.9m) is calculated below:

	Unaudited Six months ended 30 June 2021	Unaudited Six months ended 30 June 2020	Audited Year ended 31 December 2020
Adjusted profit before tax (£'m)	15.6	10.0	23.2
Tax at 19.0% (£'m)	(3.0)	(1.9)	(4.4)
Adjusted profit after tax (£'m)	12.6	8.1	18.8
Adjusted basic earnings per share	9.8p	6.5p	15.0p
Adjusted fully diluted earnings per share	9.4p	6.2p	14.6p

6 Dividends

In respect of the current period, the Directors propose an interim dividend of 2.5p per share (2020: £nil). The estimated dividend to be paid is £3.4m (2020: £nil).

7 Cash inflow from operations

	Unaudited six months ended 30 June 2021 £'m	Unaudited six months ended 30 June 2020 £'m	Audited year ended 31 December 2020 £'m
Continuing operations			
Profit/(loss) before tax	8.9	(3.1)	4.0
Depreciation of property, plant and equipment and right-of-use assets	13.6	12.9	25.7
Amortisation of intangible assets	5.0	4.1	8.3
Impairment of intangible assets	-	7.0	7.0
Impairment of investment	-	1.6	1.6
Net finance costs	4.0	4.5	8.5
Share-based payments charge/(credit)	0.9	(0.2)	1.2
Gain on disposal of property, plant and equipment and right-of-use assets	-	-	(0.1)
(Increase)/decrease in inventories	(0.1)	0.3	0.5
(Increase)/decrease in trade and other receivables	(5.9)	7.8	7.8
(Decrease)/increase in trade and other payables	(0.6)	1.5	2.4
Net cash generated from operating activities	25.8	36.4	66.9

8 Business combinations

On 8 January 2021, the Group acquired 100% of the share capital of Computer Disposals Ltd ("CDL"), a Technology business, which provides leading IT recycling and asset disposition (ITAD) services.

On 1 March 2021, the Group acquired 100% of the share capital of The Bookyard Ltd ("The Bookyard"), a Technology business, which provides leading Apple recycling and spare parts services.

On 15 April 2021, the Group acquired 100% of the share capital of Big Data Management Ltd ("1 Big Data"), a leading high-quality Records Management business.

On 30 April 2021, the Group acquired 100% of Rainbow HoldCo Limited, which trades as EDM Group Limited ("EDM"). This acquisition is additive to the Group's core Records Management business and transformational for its growing Digital business.

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 below are provisional.

	CDL £'m	The Bookyard £'m	1 Big Data £'m	EDM £'m
Intangibles – goodwill, customer relationships and other	12.3	0.6	2.3	62.2
Right of use assets	0.4	-	-	5.7
Property, plant and equipment and right-of-use assets	1.3	-	-	4.4
Deferred tax assets	-	-	-	0.3
Stock	-	0.2	-	-
Trade and other receivables	0.5	-	0.1	6.0
Cash	4.7	0.1	-	4.8
Trade and other payables	(1.7)	(0.1)	(0.1)	(7.8)
Corporation tax	(0.2)	-	-	0.3
Deferred tax liabilities	(1.1)	-	(0.4)	(7.9)
Provisions	-	-	-	(0.7)
Lease liabilities	(0.4)	-	-	(4.9)
Net assets acquired	15.8	0.8	1.9	62.4
Consideration	15.8	0.8	1.9	62.4
Satisfied by:				
Cash to vendors	15.3	0.8	1.8	62.4
Deferred consideration	0.5	-	0.1	-
Total consideration	15.8	0.8	1.9	62.4

9 Financial liabilities - borrowings

	Unaudited 30 June 2021 £'m	Unaudited 30 June 2020 £'m	Audited 31 December 2020 £'m
Current			
Bank loans and overdrafts	-	-	-
Deferred financing costs	-	-	-
	-	-	-
Non-current			
Bank loans – secured	114.0	103.0	93.0
Deferred financing costs	(0.4)	(0.7)	(0.5)
	113.6	102.3	92.5

Analysis of net debt

Cash at bank and in hand	22.0	28.4	26.4
Bank loans due within one year	-	-	-
Bank loans due after one year	(113.6)	(102.3)	(92.5)
	(91.6)	(73.9)	(66.1)

10 Post balance sheet events

On 22 July 2021, Marlowe plc (Marlowe) announced a possible non-binding offer for the Group. Prior to this, the Group had received two unsolicited, highly conditional, non-binding proposals from Marlowe, both of which were unanimously rejected by the Board given that it significantly undervalued the Group considering its current and future prospects. In addition, it was concluded that the structure of the proposals was not in the best interest of the Group's shareholders, given the low cash element. The Board remains highly confident in Restore's standalone prospects through its clearly articulated strategy to generate significant shareholder value through sustained organic growth, material margin improvement through scale, synergy and operational efficiency and the substantial acquisition opportunities that exist in the markets in which it operates. Marlowe now has until 19th August to put forward a firm offer for Restore or walk away/confirm it has no intention to make a firm offer. There can be no certainty either that an offer will be made nor as to the terms of any offer, if made. For further details, refer to the Group's Statement re possible offer, which is publicly available on the Group's website.