v

Restore

Information Management Datashred Relocation Technology

2024
Full year results

Solid.
Progress.

Strategic highlights

Restore

- Good progress on our 2024 priorities of improving operating margin, maintaining high cash conversion and cash generation and unleashing the potential of the business units
- Integration of Digital and Records Management now largely complete, to form our new Information Management division, enhancing our customer offering, reducing cost and adding focus to our scanning activities
- Continued progress on our property consolidation programme, with the opening of two new box storage facilities (Markham Vale and Durham) set to replace 10 existing facilities
- Significant contract awards in the year including for the Department of Work and Pensions mailroom, one of the largest in the UK and complementary to our current mailroom contract with HMRC
- Fixed offtake price agreement with a large UK paper mill for approximately half of our recycled paper volume during 2025, the first such contract of significance within Datashred, which will significantly mitigate the impact of potential future volatility in paper prices
- Significant progress made against the Group's "Restoring our world" ESG strategy with our first Net Zero Transition Plan published today
- The Group is well positioned to deliver both organic and inorganic growth and to accelerate its growth strategy. As part of this, we have announced today the acquisition of Synertec, a leading document management business for outbound communications, in particular for the public sector, for an initial cash consideration of £22m

Divisional performance

We have reassessed our operating segments and are for the first time presenting our results as four divisions:

- **Information Management** revenue was impacted by a weak performance in the former Digital business. However, the physical storage element of the division continues to generate strong recurring revenues and along with improved pricing and tight cost control has delivered the higher operating margins in the division. The integration of Digital and Records Management is now largely complete
- **Datashred** has performed well, with an increased number of visits and average collections per vehicle per day. Both revenue and profit increased, despite a weaker H1 paper price
- **Harrow Green** experienced declines in both revenue and operating profit, due to a very tough office removals market, and against a strong comparator (2023 benefited from the largest laboratory move in Europe)
- **Technology** recovered to operate profitably after a loss-making 2023, driven by increased activity with our channel partners together with much improved operations

Financial overview

Focus on operating margin

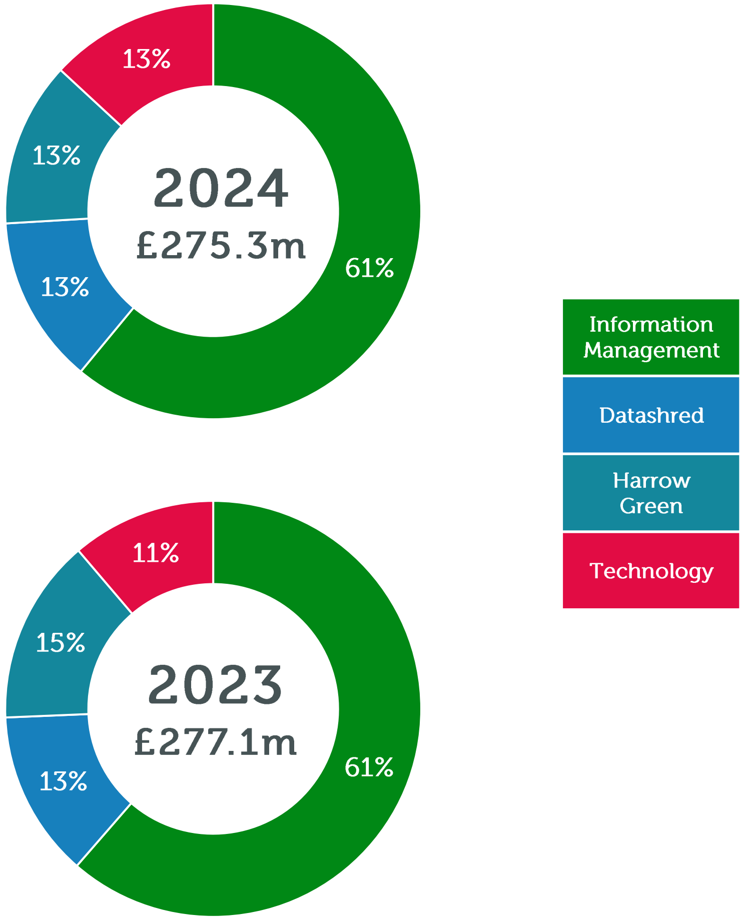
Restore

The following measures have been implemented to improve profitability, with the target of achieving 20% adjusted operating margin in the medium term

Group	Revitalisation of businesses through decentralisation
	Right sizing of head office including support functions
	Active treasury management and leverage reduction
Information Management	Linking of contract pricing to RPI/CPI
	Property consolidation
	Integration of Digital and Records Management
Datashred	Focus on operational efficiencies and gaining market share
Harrow Green	Development of specialisms in life sciences and heritage
Technology	Refocus on high quality customers and those outsourcing IT lifecycle services

Highlights

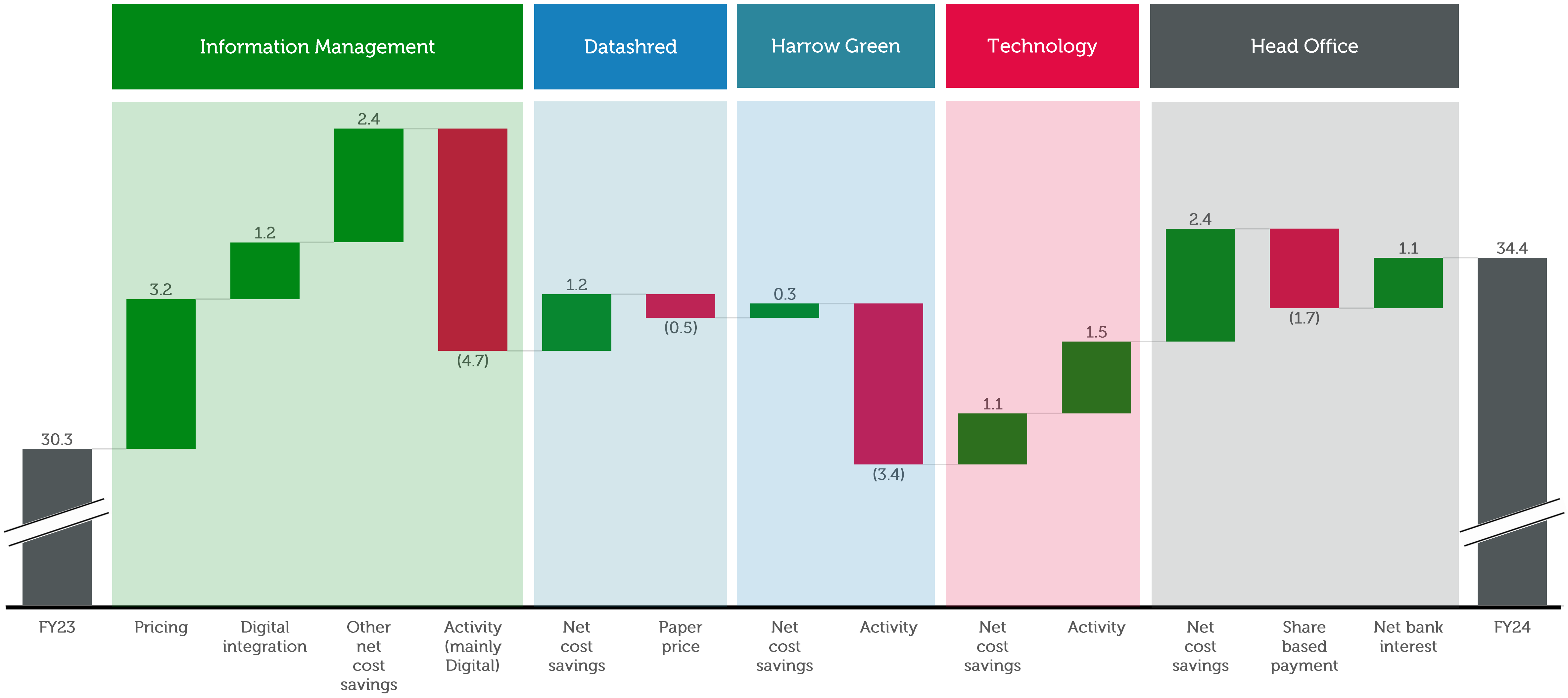
- Revenues of £275.3m (FY23: £277.1m)
- Adjusted operating profit* up 10% to £48.8m (FY23: £44.3m), increasing adjusted operating margin* by 170bps to 17.7%
- Adjusted PBT* up 14% to £34.4m (FY23: £30.3m)
- Statutory profit before tax of £17.9m (FY23: loss before tax of £29.0m)
- Adjusted basic EPS* up 12% to 19.0p (FY23: 17.0p)
- Final dividend of 3.8p (FY23: 3.35p); total dividend up 12% to 5.8p (FY23: 5.2p)
- Cash conversion* of 107% (FY23: 110%)
- Net debt* of £89.0m (FY23: £97.8m)



* See appendix for glossary

Adjusted PBT up 14%

Restore



Divisions – Information Management

Restore

	2024	2023	Change
Revenue (£'m)	167.9	170.1	(1%)
Adjusting operating profit* (£'m)	45.8	40.9	12%
Adjusted operating margin* (%)	27.3%	24.0%	330bps

KPI's			
Boxes under management ('m)	22	22	-
Cloud hosted documents ('m)	786	769	2%
Staff	1,340	1,579	(15%)
Sites	54	60	(6)

- **A strong performance in physical records management,** underpinned by the recurring revenue base of blue-chip and Government customers with broadly stable box numbers and inflation-linked price rises
- **Property consolidation** underway, with the exit of c.10 sites and relocation of c.2 million boxes. Markham Vale now half full and the new Durham site being racked out
- **Scanning revenue declined,** principally due to weak operational execution leading to reductions in bulk scanning activity. However, the contracted and recurring nature of large Government mailrooms such as HMRC provide a stable base of revenues
- **New mailroom contract** secured with the Department of Work and Pensions, which will start later in 2025. This will largely offset the loss of a public sector bulk scanning contract which ended in December 2024

* See appendix for glossary

Divisions – Datashred

Restore

	2024	2023	Change
Revenue (£'m)	36.0	35.9	-
Adjusting operating profit* (£'m)	3.7	3.1	18%
Adjusted operating margin* (%)	10.3%	8.6%	170bps

KPI's			
Tonnes of paper recycled ('000)	52	52	-
Staff	307	304	1%
Sites	9	9	-

- **Highly contracted service revenues with a good proportion of recurring customers** result in predictable revenue streams from Datashred. Both the number of visits and average collections per vehicle per day increased, resulting in a 2% increase in service revenue
- **Paper sales make up around a quarter of revenue, where the price has been less predictable.** Pricing was weak in H2 2023 and through to H1 2024, against a comparator significantly higher than the longer-term average, creating a revenue headwind. However, prices normalised in the second half of 2024 resulting in an average selling price for recycled paper in 2024 of £175 per tonne (2023: £185 per tonne)
- **Half of paper volumes are hedged for 2025,** with a new contract with a large UK paper mill for 25,000 tonnes agreed at a fixed price to increase predictability and quality of earnings

* See appendix for glossary

Divisions – Harrow Green

Restore

	2024	2023	Change
Revenue (£'m)	35.3	40.0	(12%)
Adjusting operating profit* (£'m)	1.9	4.5	(58%)
Adjusted operating margin* (%)	5.4%	11.3%	(590bps)

KPI's			
Desks relocated ('000)	349	413	(15%)
Staff	344	397	(13%)
Sites	8	7	1

- **A very slow office relocations market in 2024** resulted in a significant decline in activity, with businesses delaying relocation decisions during a General Election year followed by uncertainty around the Autumn Statement
- **2023 was a strong comparator,** boosted by the delivery of a significant contract with a large multinational pharmaceutical firm
- **Cost cutting measures** partially mitigated the impact on profits, although margin fell sharply to 5.4%

* See appendix for glossary

Divisions – Technology

Restore

	2024	2023	Change
Revenue (£'m)	36.1	31.1	16%
Adjusting operating profit/(loss)* (£'m)	1.8	(1.4)	231%
Adjusted operating margin* (%)	5.0%	(4.5%)	950bps

KPI's			
Assets processed ('m)	1.5	1.9	(21%)
Staff	345	360	(4%)
Sites	6	6	-

- **Significant recovery in sales** resulting from a combination of focus on higher quality customers (in particular our channel partners including the value-added resellers), and also due to the global IT sector normalising after the COVID induced cycle
- **Outsourcing IT lifecycle services** continues to show signs of growth, in particular for large public sector customers who have hybrid working arrangements
- **Much improved operations** combined with a recovery in sales has driven improved profitability, although more is needed to reach the Group's medium-term target

* See appendix for glossary

Cash generation continues to be strong

Restore

	2024 (£'m)	2023 (£'m)	Variance (£'m)
Adjusted EBITDA*	82.7	77.1	5.6
Adjusting items – excluding amortisation	(4.4)	(10.8)	6.4
Share-based payments	1.5	(0.7)	2.2
Working capital and other movements	(1.7)	1.3	(3.0)
Cash generated from operations	**78.1**	**66.9**	**11.2**
Income taxes	(5.1)	(6.3)	1.2
Capital expenditure	(15.2)	(10.3)	(4.9)
Lease principal payments	(23.9)	(20.7)	(3.2)
Add back: cash-effect of adjusting items	5.2	7.7	(2.5)
Free cash flow*	**39.1**	**37.3**	**1.8**
Proceeds from sale of PPE	0.1	-	0.1
Finance costs	(14.5)	(12.8)	(1.7)
Dividends paid	(7.3)	(9.1)	1.8
Acquisitions (net of cash acquired)	(0.5)	(1.7)	1.2
Cash-effect of adjusting items	(5.2)	(7.7)	2.5
Purchase of treasury shares	(2.6)	(0.5)	(2.1)
Debt financing cost	0.3	0.8	(0.5)
Net debt decrease	**9.4**	**6.3**	**3.1**
Amortisation of deferred financing cost (non-cash)	(0.6)	(0.6)	-
Opening net debt	(97.8)	(103.5)	5.7
Closing net debt	**(89.0)**	**(97.8)**	**8.8**
Free cash flow*	39.1	37.3	1.8
NOPAT*	36.6	33.9	2.7
Cash conversion (%)*	**107%**	**110%**	**(3%)**

- **Cash conversion*** of 107%, despite higher-than-normal capex
- **Working capital** outflow principally due to normalisation of creditors
- **Capex** includes £3.9m expansion of our freehold site in Sittingbourne and £2.4m for racking in our new Markham Vale and Durham facilities
- **Finance costs** comprise interest on bank loan and overdraft (£7.9m), interest on finance leases (£6.2m) and RCF extension fees
- £2.6m worth of treasury shares purchased by Employee Benefit Trust (EBT) to satisfy share option schemes
- £70m of RCF debt and £25m of USPP fixed rate notes outstanding at FY24; £52m of the RCF committed but undrawn

*See appendix glossary

Adjusting items reduced significantly

	2024 (£'m)	2023 (£'m)
Amortisation	12.1	12.2
Restructuring and redundancy costs	2.1	5.9
Property related costs	1.5	3.1
Strategic IT reorganisation	0.8	1.6
Asset impairments	-	36.3
Acquisition transaction costs	-	0.2
Total adjusting items	16.5	59.3
Cash adjusting items	5.2	7.7
Non-cash adjusting items	11.3	51.6

- **Restructuring and redundancy costs**: the integration of Digital and Records Management into our new Information Management division is now largely complete, with residual costs expected in H1 2025
- **Property-related costs**: includes box relocation and dual running costs for Markham Vale as part of the property consolidation strategy. This will continue throughout 2025 with the fit-out of the new Durham facility
- **Strategic IT reorganisation**: relates to the completion of the strategic finance system implementation programme

Capital allocation priorities

Restore

1 Invest for growth

- Invest in the business where it accelerates progress and will deliver attractive returns
- Target value accretive acquisitions in our core business or adjacent areas

2 Deliver shareholder returns

- Maintain a progressive dividend policy, with consistent dividend cover
- Consider return of surplus capital to shareholders in the form of share buybacks

3 Maintain a strong balance sheet with target leverage ratio over the medium term of 1.5 – 2.0 x net debt to adjusted EBITDA

Synertec acquisition

Acquisition of Synertec

Restore

The core elements of Synertec are consistent with the Group's activities and provide the opportunity to enhance the Group through inorganic growth

	Information Management	Datashred	Harrow Green	Technology
Predictable and persistent demand	✓	✓		✓
Leadership where scale is highly beneficial	✓	✓	✓	✓
Markets with high barriers to entry	✓	✓	✓	✓
Long established customer relationships	✓	✓	✓	✓
Opportunity to deliver above inflationary revenue growth	✓			✓

Information on Synertec

Restore

- Acquisition of Synertec for initial cash consideration of £22m, taking on c.£11m of Synertec debt plus deferred cash consideration based on future profits
- Synertec is a document management company which is a UK market leader in sending communications electronically or physically on behalf of major organisations, particularly NHS Trusts. It will be part of our Information Management division
- The business was founded in 1999. It is based near Taunton with three print facilities in Bristol, Milton Keynes and Warrington
- Revenues for the year to March 2025 are expected to be c.£70m, of which around 60% relates to postage costs which are passed on to customers. Operating profit for the year is forecast to be c.£5.5m
- Excluding the pass-through of postage costs, operating margins are expected to be c.20%
- Over 85% of revenues are derived from the public sector. Customer relationships are long established, predictable and recurring. Typically, contracts are won through an outsourcing of operations performed in-house. There are a large number of public sector bodies who perform these functions in-house, which presents an opportunity for significant growth
- The experienced management team, who were the majority shareholders, will remain with the business, with capped earnouts based on profits in year 3 (March 2028) and 4 (March 2029)

Strategic rationale for the acquisition

Restore

- Highly complementary operational fit with the Group’s current mailroom activities
- Customers map directly onto Restore’s customer base, broadening our offering to both Restore and Synertec customers
- Large number of public sector bodies who perform these functions in house, which represents significant growth opportunity
- Strongly recurring revenues and operating margins
- Attractive deployment of capital to accelerate growth
- Plays to Restore’s historic acquisition and integration skills
- Delivers attractive financial returns: immediately earnings enhancing

Outlook

Business outlook

Restore

- Recurring revenue streams supplemented by pricing, particularly in Information Management where price increases are CPI/RPI linked across the majority of customers
- Expected above inflationary growth for the Technology business as the trend to outsource lifecycle services continue
- New fixed price contract with a large UK paper mill for half of our recycled paper volume will significantly mitigate future volatility in Datashred revenue
- Weak but slightly improving commercial moves market in Harrow Green
- Synertec provides opportunity for above inflationary revenue growth over the medium term

Group outlook

Restore

- Trading since the start of the year has been good, and we anticipate all of our divisions to deliver an improvement in adjusted operating profit for the full year
- Leading market positions and recurring revenues continue to underpin the profitability and cash generation of the Group
- Continued focus on improving adjusted operating margins, with a view to driving towards the Group's 20% adjusted operating margin target
- Cash generation expected to be healthy
- New focus on value-accretive acquisitions in our core business or adjacent areas
- A platform for organic and inorganic growth

Appendices

FY25 modelling assumptions

Restore

Income statement

- Inflationary increases in box storage revenue continuing to underpin Group performance. Above inflationary growth in the Technology division
- Continued momentum across the businesses, driven by measures introduced to improve profitability
- As announced in November 2024, the annualised headwind from increased employer National Insurance Contributions ("NICs") and National Minimum Wage ("NMW") rates taking effect in April 2025 will be around £3m (of which £2.5 million relates to NICs, or around £1,000 per employee)
- Synertec annualised revenues of c.£70m with annualised operating profit of c.£5.5m. Additional interest charge on £22m consideration and c.£11m debt assumed.

Cashflow

- Continued strong cash generation and cash conversation rate no less than 80%
- Incremental in-year property-related capex for completion of racking in Markham Vale and Durham (c.£2m), along with box move costs (c.£1m). Dilapidations payments on property exits (c.£3m)
- Dividend cover maintained

Adjusting items

- Residual restructuring costs from the Digital integration (up to £3m in total, split between FY24 and FY25)
- Box relocation costs for our property consolidation within Information Management, as well as dual rent on our Durham site (together, £2m-£3m) with payback anticipated over 18-24 months
- Synertec deal costs up to c.£0.5m

Glossary

Restore

Term	Definition & calculation
Adjusted operating profit	Calculated as statutory operating profit before adjusting items
Net operating profit after tax ("NOPAT")	Calculated as adjusted operating profit with a standard tax charge applied. Adjusted Performance Measure ("APM") used for calculation of cash conversion
Adjusted EBITDA	Calculated as EBITDA before IFRS 16 and share-based payments. APM used for calculation of leverage, in line with the calculation of financial debt covenants
Adjusted profit before tax	Calculated as statutory profit before tax and adjusting items
Adjusted basic earnings per share	Calculated as adjusted profit before tax with a standard tax charge applied, divided by the weighted average number of shares in issue
Adjusted fully diluted earnings per share	Calculated as adjusted profit before tax with a standard tax charge applied, divided by the weighted average fully diluted number of shares in issue
Net debt	Calculated as external borrowings less cash, excluding the effects of lease obligations under IFRS 16
Leverage	Calculated as adjusted EBITDA divided by net debt, including a pro-forma adjustment to EBITDA for acquisitions in line with financial debt covenants
Free cashflow	Calculated as cash generated from operations less income taxes paid, capital expenditure and lease payments, but before the cash impact of adjusting items
Cash conversion	Calculated as free cashflow divided by NOPAT

Information Management Datashred Relocation Technology

For more information please visit:

www.restoreplc.com

7-10 Chandos Street, London, W1G 9DQ

T: 020 7409 2420

E: info@restoreplc.com