IOMART

Half Yearly Results 2024

6 months ended 30th September 2024

27 November 2024

iomart Group plc
(“iomart” or the “Group” or the “Company”)
Half Yearly Results

iomart (AIM: IOM), the cloud computing company, reports its consolidated half yearly results for the six months ended 30 September 2024 (H1 2025).

FINANCIAL HIGHLIGHTS

	H1 2025	**H1 2024**	**Change**
Revenue	£62.0m	£62.0m	-
% of recurring revenue[1]	91%	94%	-3%
Adjusted EBITDA[2]	£17.0m	£18.6m	-9%
Adjusted EBIT[3]	£6.6m	£9.6m	-32%
Adjusted profit before tax[4]	£4.3m	£7.6m	-44%
Adjusted diluted EPS[5]	2.6p	5.2p	-50%
Profit before tax	£1.0m	£4.4m	-77%
Basic EPS	0.3p	3.1p	-90%
Cash generation from operations	£11.1m	£16.8m	-34%
Interim dividend per share	1.3p	1.94p	-33%
Net debt[9]	£48.1m	£48.0m	-

- The financial results announced today are in line with the pre-close trading update published on 1 October 2024, reflecting a challenging H1. The transformational acquisition of Atech post period end has materially strengthened iomart’s offerings, credentials and capabilities and the Board reiterates confidence in the Group’s FY25 outlook and future prospects.
- Positive momentum in order bookings continued, with order bookings in the half year at record levels, being around 30% ahead of H1 2024
- Revenue was constant half year on half year, having benefitted from £3.7m of revenue relating to prior year acquisitions, negated by a lower level of renewals and timing of order billings. The Atech acquisition, completed after the period end, strengthens our ability to improve the level of renewals and to increase new business wins
- New Broadcom license arrangement has resulted in a short-term negative impact of £0.7m on Adjusted EBIT (being £1.4m new intangible amortisation charge, net of the £0.7m previous opex cost). This, combined with changes in the revenue mix, also influenced by prior period acquisitions, and the relatively fixed infrastructure costs, had a notable impact on H1 profitability
- Cost optimisation programme mobilised, targeting over £1m of annualised gross cost benefits by end of FY25. Further synergies and efficiencies continuing to be identified
- Adjusted EBITDA conversion to cash ratio[7] in the period of 68% (H1 2024: 90%), reflecting the timing of several large vendor payments. The equivalent EBITDA conversion ratio on a last 12 month basis was 87%, in line with the Group’s more typical levels
- Period-end net debt of £48.1m (H1 2024: £48.0m), increasing to £105.1m following the post period end acquisition of Atech, a comfortable net debt to proforma adjusted EBITDA ratio of 2.6 times. Excluding leases under IFRS 16, net debt following the Atech acquisition, would be £86.8m

STRATEGIC HIGHLIGHTS

Key achievements under our Bigger, Better, Bolder strategy:

- Streamlining of the internal operating model is progressing to plan, with all sales, product management, marketing and customer deployment/management under single leaders. This combined with operational excellence programmes has led to a significant uplift in delivery performance being achieved over the past 12 months. Cost efficiencies are also now materialising, some of which is being reinvested in additional customer success roles such as a new Technical Account Management team
- £57m acquisition of Atech Support Limited (“Atech”) completed which significantly widens and deepens our credentials, expertise and delivery capability across Microsoft Azure, Modern Workplace and Security and accelerates progress towards becoming the UK’s leading secure cloud services provider

- Significant strengthening of three Strategic Global Technology Partnerships, namely Microsoft, Broadcom VMware and Commvault, with joint go-to-market and innovation/R&D programmes being developed
- Strengthening of Board and governance independence completed with the appointment of Richard Last as Chair of the Board, with effect from 12 June 2024, bringing a wealth of experience in various roles in successful communications and technology companies

OUTLOOK

- With robust order bookings, enhanced customer service, a significantly improved product portfolio, and the successful execution of cost efficiency measures, we are well-positioned for a stronger second half but remains challenging for customer retention in our core business
- Atech integration progressing to plan with growth continuing post-acquisition, reinforcing confidence in both the value of the business and its value to the enlarged Group
- The growing demand for cloud computing and cyber security solutions, increasing complexity of the technical landscape, and need for a trusted and highly accredited partner with a strong delivery track record, give the Board confidence in the outlook for the medium-term prospects for the Group

Lucy Dimes, CEO commented,

"The Atech acquisition is a key step in delivering our Bigger, Better, Bolder strategy. The strength of the combined business, our order bookings momentum and the transformation and efficiency programmes we have put in place, mean we have entered the second half of the year in a considerably strengthened position.

Our enlarged Group and combined skills will allow us to compete more robustly with enhanced services, greater scale and references across the growth areas of our industry. Through the combined power of Atech and iomart, we now have the accreditations, credentials and capabilities to convert a greater proportion of our sales pipeline, as well as unlock increased cross-sale opportunities.

The growing demand for cloud computing and cyber security solutions, increasing complexity of the technical landscape, and accompanying need for a trusted and highly accredited partner with a strong delivery track record, give the Board confidence in the outlook for the Group and our ability to become the UK's leading secure hybrid cloud provider."

STATUTORY EQUIVALENTS

A full reconciliation between adjusted and statutory profit before tax is contained within this statement. The largest item is the consistent add back of the non-cash amortisation of acquired intangible assets. The largest variance, period on period, is a £0.6m in exceptional costs driven by accrued advisory fees on the Atech acquisition.

Notes:

[1] Recurring revenue, as disclosed in note 2, is the revenue that repeats either under long-term contractual arrangement or on a rolling basis by predictable customer habit. % of recurring revenue is defined as Recurring Revenue (as disclosed in note 2) / Revenue (as disclosed in the consolidated interim statement of comprehensive income).

[2] Throughout this statement adjusted EBITDA, as disclosed in the consolidated interim statement of comprehensive income, is earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges, acquisition costs and exceptional non-recurring costs. Throughout this statement acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.

[3] Throughout this statement adjusted EBIT is earnings before interest and tax (EBIT) before amortisation charges on acquired intangible assets, share-based payment charges, acquisition costs and exceptional non-recurring costs. Throughout these financial statements acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.

[4] Throughout this statement adjusted profit before tax, as disclosed on page 9, is profit before tax, amortisation charges on acquired intangible assets, share based payment charges, acquisition costs and exceptional non-recurring costs.

[5] Throughout this statement adjusted diluted earnings per share, as disclosed in note 3, is earnings per share before amortisation charges on acquired intangible assets, share based payment charges, acquisition costs, exceptional non-recurring costs and the taxation effect of these.

[6] Annualised EBITDA is the last 12 months of EBITDA for the period ended 30 September 2024.

[7] Cash conversion ratio is calculated as cash flow from operations, as disclosed in the consolidated interim statement of cash flows, divided by adjusted EBITDA defined above. The 12-month basis aggregates the second half of the year to 31 March 2024 and the current 6 month reported period on the same basis of calculation.

[8] Proforma Adjusted Atech EBITDA means earnings before interest, tax, depreciation, amortisation, acquisition related costs, non-recurring items and other costs particular to Atech's current ownership structure.

[9] Net debt is disclosed on page 11 and is the total of bank revolver loan, lease liabilities and cash and cash equivalents. This includes £18.3m of lease liabilities at 30 September 2024.

This interim announcement contains forward-looking statements, which have been made by the Directors in good faith based on the information available to them up to the time of the approval of this report and such information should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying such forward-looking information.

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About iomart Group plc

iomart Group plc (AIM: IOM) is one of the UK's leading provider of secure cloud managed services, simplifying the complexities of modern technology for businesses. Our team of 650+ experts deliver cutting-edge solutions in cloud infrastructure, modern workplace management, and managed security services that enable our customers to innovate, protect, and scale their businesses.

We proudly hold one of the UK's most extensive sets of Microsoft credentials, including Azure Expert MSP, five Solution Partner Designations, and membership in Microsoft's Intelligent Security Association (MISA). As well as being a top-tier Broadcom Pinnacle Partner for VMware Cloud. Which means we can bring the latest technologies in hybrid cloud, data protection, and cyber resiliency to meet the evolving needs of our customers.

For further information about the Group, please visit www.iomart.com.

Chief Executive's Statement

Introduction

The financial results announced today are in line with our pre-close trading update published on 1 October 2024. For the first half of the year we have experienced flat revenue performance of £62.0m (H1 2024: £62.0m), of which 91% was recurring revenue (H1 2024: 94%). Adjusted EBITDA[2] and adjusted profit before tax[4] decreased to £17.0m (H1 2024: £18.6m) and £4.3m (H1 FY24: £7.6m), respectively. The acquisition of Atech, being after the period end, has no impact on the financial reporting in the first half of the year.

As previously announced, while the financial performance this year was always expected to be H2 weighted, these results are behind our original plans, due to lower renewal rates and the timing of order billings. We are actively addressing these areas and implementing targeted initiatives to support stronger retention. The acquisition of Atech will strengthen our ability to retain customers and accelerate customer acquisitions to close in on this gap.

The programme of work to streamline our operating model, drive best practice and improve the differentiation of our product and service offerings is progressing well. We continue to build further momentum in order bookings and pipeline generation, with order bookings in the first half at record levels.

We have mobilised a cost optimisation programme, targeting over £1m of annualised gross cost benefits by end of FY25. Further synergies and efficiencies continue to be identified.

We are confident these actions and progress achieved, alongside the transformational acquisition of Atech post period end, set us firmly on the path to growth.

Acquisition of Atech

The completion of the £57m acquisition of Kookaburra Topco Limited ("Kookaburra"), the holding company of Atech Support Limited ("Atech" or the "Acquisition") is a significant milestone for iomart in our 'Bigger, Better, Bolder' strategy. This accelerates and plays directly into our vision to be the UK's leading secure public, private and hybrid cloud services provider.

Atech is one of the UK's most highly accredited Microsoft Solutions Partners and the combination of the two businesses creates a powerful extended set of offerings for mid-market customers, cementing the Group's position as a leading 'Microsoft First' solutions provider in the UK. This means our revenue portfolio is now more heavily weighted to the highest growth areas of the cloud computing market: modern workplace, public cloud Azure infrastructure and security managed services.

Atech has one of the strongest sets of Microsoft credentials in the UK market, including Azure Expert MSP, five Solution Partner Designations (Azure Infrastructure, Security, Data & AI, Modern Work and Digital and Application Innovation), plus eleven Specialisations, membership of Microsoft's exclusive Intelligent Security Association ('MISA') and participation in Microsoft's Copilot jump-start programme. Earlier this year, Atech was recognised as a finalist at Microsoft's Security Trailblazer's Awards.

At the time of announcing the acquisition, we reported last 12 months unaudited trading results to 30 June 2024 for Atech of revenues of £32.2m and Proforma Adjusted EBITDA[8] of £3.3m. We are pleased to report that in the 3 months prior to acquisition, Atech continued to grow, resulting in an LTM to 30 September 2024 of £34.4m (unaudited), of which 73% is recurring in nature, and Proforma Adjusted EBITDA[8] of £4.1m (unaudited), demonstrating continued and consistent demand for their services and reinforcing our confidence in the value of the business.

Mobilising This Powerful Combination

Cloud managed services within iomart has been our focus for development and M&A activity over the last four years, and prior to the Atech acquisition, accounted for 68% of Group revenue, combined recurring and non-recurring. Following the Atech acquisition, on a proforma basis, the equivalent weighting is increased to 75%. Importantly the enlarged offering is now more appropriately balanced, increasing from approximately 17% to 30% of activities of that segment now within the Microsoft product suite, the highest growth area of the market. Non-recurring revenue on a proforma basis has increased to 14% of total revenue, reflecting the higher level of professional services undertaken by Atech, especially within the growth area of security.

We have mobilised a 100 day plan to combine our businesses, to leverage the 'best of both' in terms of capabilities and processes. As previously announced, the absence of an earn-out mechanism means there are no hinderances to the immediate integration of the organisations, ensuring we start to secure the full benefits of the combination from an early stage.

Our initial priorities have been to combine our brand and market positioning and bring our technical and sales teams together. The launch branding has been positioned as "Atech x iomart, a powerful combination" with a focus on articulating our significantly enhanced capabilities across the full spectrum of cloud services to both existing and potential customers. We are consolidating the Atech, iomart and Extrinsica technical teams into a single centre of excellence with deep Microsoft Azure expertise, combining the strengths of all our highly accredited people with numerous certifications and specialisations including the coveted Microsoft Azure Expert MSP accreditation acquired in September 2024. And finally, we are combining our sales teams, sales specialists, pre-sales and technical architect resources to widen and deepen customer coverage and sector expertise.

Delivering on Bigger, Better, Bolder

The Atech acquisition is a key step in delivering our Bigger, Better, Bolder strategy and moves us considerably closer to our goal of becoming the UK's leading secure cloud services provider.

The Bigger, Better, Bolder mantra has also landed positively with our teams internally. The wider iomart team has embraced the ambitious agenda we have set and we have made excellent progress so far in FY25 in driving best practices across the business and strengthening capabilities to establish the best possible ingredients for success in every part of the business.

Notable H1 highlights have been:

Improving Sales Effectiveness
Our sales organisation is well established and good progress has continued in the first half in optimising and strengthening resources, account coverage, sales specialists and channel/partner coverage, resulting in continued order booking growth which is now at record levels. During the period all functions and activity from historic acquisitions of Cristie Data, Pavilion IT and Oriium has been fully embedded into the group operating model, as one combined team, with systems and tools integration progressing well.

Market Leading Partnerships
We have now established, and are developing, three significant strategic partnerships for the Group: Microsoft (public cloud/modern workplace/security), Broadcom VMware (private cloud) and Commvault (data protection). These Partners are recognised as global technology leaders in clearly defined areas of our product and service offerings. We now have exceptional pedigree, engineering skills and credentials across their associated technologies and capabilities with joint go-to-market and innovation/R&D programmes being developed.

ITIL (Information Technology Infrastructure Library) Aligned Delivery Excellence
With the over-riding objectives of streamlining our operating model, significant progress has been made in implementing ITIL-aligned, best practice customer success methodologies and an enhanced resource and training strategy, including iomart's first ever apprenticeship programme for 1st Line Service. This approach has delivered a step change improvement in our service delivery and customer management, consolidated teams from 14 different locations, delivered efficiency savings that we have reinvested into a larger service management team, and led to us adding dedicated Technical Account Management for some key accounts.

H2 focus

Looking ahead, our key areas of focus underpinning the 'Bigger, Better, Bolder' strategy will be:

- Brand and market positioning of Atech x iomart and sales enablement to capitalise fully on the revenue growth opportunities of the combination, including cross selling opportunities to our significant existing customer bases

- Continued push to a streamlined operating model to drive efficiencies and best practise

- Identify and progress cost synergies and revenue growth opportunities resulting from the acquisition of Atech to drive the most competitive cost base for the business and establish compelling customer propositions into high growth market segments such as security/cyber

We operate in a structurally growing market

With the insatiable growth in data requirements and processing power across all industries, the demand for the three core cloud building blocks of compute power, storage and connectivity continue to expand. The concept of Cloud computing is now globally recognised with the complexity of available options continuing to grow. For any digital transforming organisation, and with the ever-increasing cyber security threat landscape, the need for full-stack integrated services across cloud management, data protection and cyber security is paramount. With resource and skills scarcity, SMEs are increasingly having to outsource these requirements to experts, who can help them navigate a constantly evolving and complex technical landscape, providing high levels of reliability, customer support, flexibility, and technical knowledge - areas in which we excel.

We do not expect any of the above structural growth drivers to diminish over the long-term and indeed AI is anticipated to fuel another wave of growth, both in public and private cloud. While public cloud adoption continues to accelerate this is balanced with a growing trend of repatriation of critical workloads back to private cloud, driven by increased regulatory focus on business resilience and data sovereignty governance. iomart is well positioned to meet these hybrid cloud needs.

Board Changes

Richard Last joined the Company on 12 June 2024 as independent non-executive Chair. Richard is a seasoned board director with extensive experience across quoted and private companies in the technology services sector. He brings a wealth of experience in various roles in successful communications and technology companies and is a great asset as we drive forward the execution of our growth strategy.

Current trading and outlook

With robust order bookings, enhanced customer service, a significantly improved product portfolio, and the first stages of cost efficiency measures activated, we are well positioned for a stronger second half but it remains a challenging environment for customer retention in our core business. Atech integration is progressing to plan, and growth has continued, reinforcing our confidence in the value of the business and its value to the enlarged Group.

The underlying drivers for cloud computing are strong. The increasing complexity of the technical landscape means the demand from customers looking for a trusted and experienced service partner will continue to expand, especially within our SME target market. Through the combined power of Atech and iomart, we now have the accreditations, credentials and capabilities to convert a greater proportion of these opportunities in our sales pipeline and improve customer retention levels.

The growing demand for cloud computing and cyber security solutions, increasing complexity of the technical landscape, and need for a trusted and highly accredited partner with a strong delivery track record, give the Board confidence in the outlook for the medium-term prospects for the Group.

Lucy Dimes
Chief Executive Officer
27 November 2024

Chief Financial Officer's Review

As anticipated and previously flagged, H1 figures were impacted by the new Broadcom license arrangement which resulted in a short-term negative impact of £0.7m on Adjusted EBIT (being £1.4m new intangible amortisation charge, net of the £0.7m previous opex cost), and reduced levels of recurring revenue, reflecting H2 prior year trading. Trading results were further impacted by the timing of some order billings and the continuation of lower customer renewals which has negated the positive contribution from recent acquisitions and an uplift in orders. Given iomart's relatively fixed cost base in some areas, including depreciation, amortisation, and interest expense, this has had a notable impact on H1 profitability.

Action has been taken to address some of the profitability trends, including cost efficiency and integration programmes which will benefit H2 and onwards. These programmes will now be assessed within the context of the enlarged Group following the transformational Atech acquisition, with the strengthened product portfolio enhancing customer acquisition and retention, enabling economies of scale and access to an established captive offshore operation in India.

Financial impact of Atech acquisition

The acquisition of Atech has four clear financial benefits to the Group. Firstly, the proportion of Group revenues derived from the growth areas of cloud managed services has considerably increased. Secondly, it is anticipated that renewal levels within our existing customer base will stabilise, as there is now a clear pathway to remain with iomart while adopting elements of the public cloud. Thirdly, we have gained access to a high quality offshore operation, and finally, capex requirements as a proportion of revenue has decreased, providing greater scalability within the Group.

In her CEO Statement, Lucy has described the increased strategic strength of the combined business, bringing the potential to stabilise our existing business, and for both organisations to grow faster, together.

With continued high levels of recurring revenues, strong cash generation, healthy profit margins and a suite of in demand cloud offerings, the future for iomart Group now looks considerably improved.

Operational Review by Segment

Cloud Services

Cloud Services revenues increased marginally to £56.0m (H1 2024: £55.8m). This included £3.7m of additional revenue from the positive impact of our M&A activities in the prior year; split £2.8m recurring revenue and £0.9m non-recurring revenue. Cloud Services EBITDA (before share-based payments, acquisition costs, exceptional non-recurring costs and central group overheads) was £16.3m being 29.2% of cloud services revenue (H1 2024: £18.2m, 32.6% of cloud services revenue).

The trend in margin performance over the last three years has had many moving parts, including changes in revenue mix, timing of inflationary price adjustments and during FY22 and FY23 the well documented energy crisis. In the current period, revenue mix remains a feature, with lower margin revenue associated with complex managed cloud services increasing while higher margin self-managed infrastructure revenue decreases. This mix shift towards cloud does come with proportionately lower capex requirements.

The following is the disaggregation of Cloud Services revenues of £56.0m (H1 2024: £55.8m). Cloud Services shares the data centre estate and fibre network infrastructure and associated support teams as an important part of the delivery of our recurring revenue services.

Disaggregation of Cloud Services revenue	**6 months to 30 September 2024 £'000**	**6 months to 30 September 2023 £'000**	**Year to 31 March 2024 £'000**
Cloud managed services	38,253	37,022	75,212
Self-managed infrastructure	12,394	14,730	28,429
Non-recurring revenue	5,312	4,026	10,937
	55,959	**55,778**	**114,578**

Cloud managed services (recurring revenue)

Cloud managed services includes the provision of fully managed, complex, bespoke and resilient solutions involving private, public and hybrid cloud infrastructure. We anticipate this will be the highest growth area for iomart due to the market drivers described above and while this increasing proportion of revenue from cloud managed services will reduce the overall group margin it brings us higher growth and gives us a much bigger total addressable market to serve.

Cloud managed services revenue increased by 3% to £38.3m (H1 2024: £37.0m). This was a combination of 4% underlying organic reduction and approximately £2.8m contribution from the two FY24 acquisitions. The underlying reduction from the prior year is a feature of some specific timing of order billings, with the balance from a lower starting monthly recurring value, reflecting H2 prior year trading plus a lower renewal level in the current period.

Self-managed infrastructure (recurring revenue)

We have a large customer base, who wish to source compute power and connectivity mainly through the provision of dedicated servers and self-manage these directly. This area of the cloud market is lower growth and the most susceptible to a move to public cloud infrastructure as the customers have retained their own technical IT skills and an infrastructure only service is more transactional.

In the first half of this financial year, the self-managed infrastructure revenue of £12.4m represented a reduction of £2.3m in comparison to the first half of last year or a £1.3m reduction on H2. We continue to secure new orders in this area but revenue reduction from the long tail of the customer base, has continued without any improvement from the prior period. The largest impact of this is within the customer base of the smaller historic acquisitions in this area, with the larger Rapidswitch customer base proving to be more resilient. During this year we are seeking to migrate the remaining customers from the smaller brands to more core group platforms. This will provide customers with a more resilient and enhanced customer service experience, at the same time as improving our own operational efficiency.

Non-recurring revenue

Non-recurring revenue of £5.3m (H1 2024: £4.0m) relates primarily to hardware and software reselling plus professional services. Often these non-recurring activities provide a useful initial introduction to the wider iomart Group and evolve customers into a higher level of recurring services. The revenue increase in the period is a combination of around £0.9m from acquisition, with the balance being 10% organic growth.

During the period we have completed the final steps of the full integration of two historic acquisitions which had undertaken a higher proportion of non-recurring activities being Cristie Data and Pavilion IT. The brands have been retired and customers and delivery operations transferred to the core iomart operating model.

Easyspace

The Easyspace segment has performed well during the period, delivering reasonably stable revenues and EBITDA (before share based payments, acquisition costs and central Group overheads) of £6.0m (H1 2024: £6.3m) and £3.0m (H1 2024: £3.2m), respectively. This stability and predictability have been a feature of this business unit over the last few years.

The global domain name and mass market hosting sector continues to grow, supported by the increasing importance of an internet presence and ecommerce for all areas of the economy, including the small and micro business community represented within our Easyspace division. A smaller number of large global operators increasingly dominates this sector, and we recognised a long time ago that the marketing expenditure required to compete for new business in this specific area was not the best use of iomart's resources. However, we do ensure our customer base are well-served with a good range of products and importantly a high level of customer service. This level of attention is ensuring strong renewal rates by customers.

Financial Review

Revenue

Overall revenue from our operations remained flat at £62.0m (H1 2024: £62.0m) with a high level of recurring revenue at 91% (H1 2024: 94%). We remain focused on retaining our recurring revenue business model with the combination of multi-year contracts and payments in advance providing us with good revenue visibility.

While the Atech acquisition will reduce the percentage somewhat going forward due to a higher proportion of consultancy activity as they support customers in their digital migrations and security positioning, the enlarged group's recurring revenue is anticipated to remain at over 85% of Group revenue. In the last 12 months to 30 September 2024, Atech reported 73% of revenues as recurring in nature.

Gross Profit

The gross profit in the period reduced to £33.4m (H1 2024: £34.5m) with the gross profit as a percentage of revenue of 53.9%, as expected being a reduction from prior period (H1 2024: 55.6% of revenue). Our key vendor relationships have remained stable in the period with any cost increases following more general inflationary trends. Our energy hedging strategy, which we entered into around the end of the calendar year 2022, means have seen stability in the period although at levels above current spot market rates. New hedging arrangements will commence from April 2025 onwards. The specific revenue mix is dilutive on gross margin, with specifically H1 this year being impacted by the full period impact of the 5 June 2023 Extrinsica acquisition, overall higher content of Microsoft licence consumption in our customer solutions and also higher non-recurring reselling activity. As outlined below, offsetting some of these factors is the change in classification on software expenses following the new commercial arrangements with Broadcom VMware which is favourable to gross margin.

Adjusted EBITDA

The Group's adjusted EBITDA reduced by 9% to £17.0m (H1 2024: £18.6m) which in EBITDA margin terms translates to 27.4% (H1 2024: 30%). The lower margin percentage is a function of the gross margin profile, the high fixed cost base nature of our private cloud business activity and the administration expenses (before depreciation, amortisation, share based payment charges, acquisition costs and exceptional non-recurring costs) of £16.5m being £0.6m higher than the previous period due to the inclusion of staff plus overhead costs from the Extrinsica and Accesspoint acquisitions, partially mitigated by some reductions in the core overhead base. Outside of the acquisitions, we have seen a period of relatively stable overall headcount numbers and other overhead costs.

A further unique feature to the current period is the change in income statement classification on software expenses following the new commercial arrangements with Broadcom VMware plus the overall higher cost imposed. Due to the long-term commitments made, these software costs are capitalised and reported as intangible asset amortisation, replacing the previous license consumption cost of sales classification. In the first half of the year the amortisation charge for this matter has increased by £1.4m, replacing a consumption based cost of sales value of around £0.7m.

Cloud Services saw a 10% decrease in its adjusted EBITDA to £16.3m (H1 2024: £18.2m), giving a margin of 29.2% (H1 2024: 32.6%). Adjusted EBITDA for Easyspace was consistent at £3.1m (H1 2024: £3.2m) and EBITDA margin at 51.0% (H1 2024: 50.6%).

Group overheads, which are not allocated to segments, include the cost of the Board, all the running costs of the headquarters in Glasgow, and Group led functions such as human resources, marketing, finance and design. Group overheads saw a reduction of £0.3m to £2.4m (H1 2024: £2.7m) with no material individual variances on prior period.

Adjusted EBIT

The Group depreciation charge of £7.4m (H1 2024: £7.7m) fell by £0.3m in the period which as a percentage of recurring revenue is 13.1% (H1 2024: 13.3%). This is the third year in a row in which we have seen this percentage value drop. The Group charge for amortisation of intangibles, excluding amortisation of intangible assets resulting from acquisitions ("amortisation of acquired intangible assets"), of £3.0m (H1 2024: £1.3m) is higher primarily due to Broadcom VMware software license arrangements. The Group's adjusted EBIT decreased by £3.0m to £6.6m (H1 2024: £9.6m) which in adjusted EBIT margin terms translates to 10.6% (H1 2024: 15.5%). The actions taken to address some of the profitability trends experienced, including cost efficiency and integration programmes are very much focussed on seeing recovery of this metric in H2.

Adjusted profit before tax

Net finance costs have increased to £2.3m (H1 2024: £2.0m) reflecting the increase in our borrowing cost from the rise in bank rates. After deducting the charges for depreciation, amortisation, excluding the amortisation of acquired intangible assets, and finance costs from the adjusted EBITDA, the adjusted profit before tax for the period decreased by £3.3m to £4.3m (H1 2024: £7.6m) representing an adjusted profit before tax margin of 6.9% (H1 2024: 12.2%).

Profit before tax

The measure of adjusted profit before tax is a non-statutory measure, which is commonly used to analyse the performance of companies where M&A activity forms a significant part of their activities.

A reconciliation of adjusted profit before tax to reported profit before tax is shown below:

Reconciliation of adjusted profit before tax to profit before tax	6 months to 30 September 2024 £'000	6 months to 30 September 2023 £'000	Year to 31 March 2024 £'000
Adjusted profit before tax	**4,265**	**7,581**	**14,956**
Less: Share based payments	(514)	(206)	(517)
Less: Amortisation of acquired intangible assets	(1,613)	(1,982)	(4,226)
Less: Acquisition costs	(1,151)	(538)	(1,010)
Less: Administrative costs – exceptional non-recurring costs	-	(462)	(462)
Profit before tax	**987**	**4,393**	**8,741**

The larger adjusting items in the current period are:

- non-cash charges for the amortisation of acquired intangible assets of £1.6m (H1 2024: £2.0m), decreasing by £0.4m due to the timing of the historic acquisitions and profile of the amortisation of intangible assets established for customer relationships; and
- acquisition costs of £1.2m (H1 2024: £0.5m) including accruals for professional fees on the Atech acquisition of £0.6m paid following completion on the 1 October 2024.

After deducting the charges for share based payments, the amortisation of acquired intangible assets, acquisition costs and exceptional non-recurring costs, the reported profit before tax is £1.0m (H1 2024: £4.4m).

Taxation and profit for the period

There is a tax charge in the period of £0.6m (H1 2024: £1.0m), which comprises a current taxation charge of £0.7m (H1 2024: £1.1m), and a deferred taxation credit of £0.1m (H1 2024: credit of £0.1m). The adjusted effective tax rate, after adjusting for share based payments and acquisition costs, is 28% (H1 2024: 23%). After deducting the tax charge from the profit before tax, the Group has recorded a profit for the period from total operations of £0.4m (H1 2024: £3.4m).

Earnings per share

Adjusted diluted earnings per share, which is based on profit for the period attributed to ordinary shareholders before share based payment charges, amortisation of acquired intangible assets, acquisition costs and the tax effect of these items, was 2.6p (H1 2024: 5.2p).

The measure of adjusted diluted earnings per share as described above is a non-statutory measure that is commonly used to analyse the performance of companies where M&A activity forms a significant part of their activities. Basic earnings per share from continuing operations was 0.3p (H1 2024: 3.1p). The calculation of both adjusted diluted earnings per share and basic earnings per share is included at note 3.

Cash flow

The Group generated cash from operations (before cash flow on exceptional acquisition costs) in the period of £11.6m (H1 2024: £16.8m) with an adjusted EBITDA conversion to cash ratio[7] in the period of 68% (H1 2024: 90%). The first half year typically has a lower conversion ratio. In the current period this has been exaggerated due the exact timing of payments to six larger vendors which overlapped the opening and closing period ends with an impact of around £2.5m being 15% of H1 EBITDA. To emphasise some of this timing aspect, the equivalent EBITDA conversion ratio on a last 12 month basis was 87%. Cash payments for corporation tax in the period were £1.0m (H1 2024: £0.8m), resulting in net cash flow from operating activities in the period of £10.0m (H1 2024: £16.0m).

Expenditure on investing activities of £8.5m (H1 2024: £12.8m) was incurred in the period. £4.0m (H1 2024: £5.3m) was incurred on the acquisition of property, plant and equipment, principally to provide specific services to our customers (prior period included £1.4m to upgrade fibre network equipment), £1.2m (H1 2024: £0.9m) incurred in respect of development costs and £2.6m (H1 2024: £1.4m) paid in relation to software license arrangements during the period. The increase in software licenses paid being the first year instalment on the Broadcom VMware five year partnership commitments. In the current period, M&A related payments were limited to £0.7m being the smaller contingent consideration payments on the Extrinsica and Accesspoint acquisitions. The only remaining contingent consideration at 30 September 2024 was a £1.4m of earn-out payment due on the Accesspoint acquisition which was paid in full, subsequent to the period end.

During the first half of the year, excluding any Atech timing funding only related items, net cash used in financing activities was £7.1m (H1 2024: £6.4m). All shares issued in the current period under share options were issued at nominal value. In the current period we repaid £2.2m of lease liabilities (H1 2024: £2.8m), paid £1.5m (H1 2024: £1.4m) of finance charges and made a dividend payment of £3.4m (H1 2024: £3.9m). In the prior period we made a £5.5m drawdown on the revolving credit facility solely to support the acquisition related payments in that period and we repaid £3.7m of bank debt acquired from Extrinsica on completion. As a result, cash and cash equivalent balances at the end of the period, excluding any Atech timing funding only related items, were at a similar level to prior period at £10.2m (30 September 2023: £10.7m).

On the day prior to completion of the Atech acquisition (30 September 2024) we drew down £57m from the revolving credit facility, with the cash being held by our lawyer for the closure of the Atech acquisition on the 1 October 2024. This one transaction was recorded within the 30 September 2024 balance sheet with all other Atech acquisition matters, including completion, being a subsequent event. This situation resulted in our cash balance on 30 September 2024 being £67.2m in the reported balance sheet.

Subsequent Event - Acquisition of Atech on 1 October 2024

The purchase price for the acquisition of Atech was £57m, on a cash free, normalised working capital and debt free basis under a locked box completion mechanism. The purchase price included £19.6m of debt repayments and working capital adjustments at completion, with the balance paid to the previous shareholders. The full purchase price was financed through a combination of existing bank facilities and cash on the Company's balance sheet. There is no deferred or contingent consideration.

Net Debt

The analysis of the net debt is shown below:

	30 September 2024 £'000	30 September 2023 £'000	31 March 2024 £'000
Bank revolver loan	97,000	39,900	40,000
Lease liabilities	18,282	18,756	18,091
Less: cash and cash equivalents	(67,212)	(10,673)	(15,755)
Net Debt	**48,070**	**47,983**	**42,336**

As noted earlier on 30 September 2024 we had the unusual situation of holding £67.2m of cash and cash equivalents which included the £57m of drawn funds for the Atech acquisition. Excluding this transaction, cash and cash equivalents were £10.2m and bank revolver loan would have been £40m, being the same value as at 31 March 2024. This transaction does not change the closing net debt position of £48.1m, which represented a 1.3 times multiple of the last 12 months of adjusted EBITDA to net debt.

Following the 1 October 2024 acquisition of Atech, the Group's net debt position increased to £105.1m. This is around 2.6 times annualised enlarged Group proforma Adjusted EBITDA, well within our bank facility terms and a comfortable level, given the Group's recurring revenue business model and strong cash generation. Excluding leases under IFRS 16, net debt following the Atech acquisition would be £86.8m.

At the end of September 2024 we increased our Revolving Credit Bank Facility, provided by a four-bank group consisting of HSBC, Royal Bank of Scotland, Bank of Ireland and Clydesdale Bank, from £100m to £125m to provide additional undrawn sums for the Group. This facility expires on 30 June 2026 and now has a borrowing cost at the Group's current leverage levels of 250 basis points over SONIA.

Dividend

We have a dividend policy where the maximum pay-out is 50% of adjusted diluted earnings per share. Given the high recurring revenue nature of the Group, good visibility on cash flow requirements and comfortable level of indebtedness within the Group, we have applied the maximum pay-out ratio in our assessment of the appropriate level of interim dividend to be made. Therefore, the Board has approved an interim dividend of 1.3p per share (H1 2024: 1.94p) payable on 31 January 2025 to shareholders on the register on 10 January 2025, with an ex-dividend date of 9 January 2025.

Scott Cunningham
Chief Financial Officer
27 November 2024

Consolidated Interim Statement of Comprehensive Income
Six months ended 30 September 2024

	Note	**Unaudited 6 months to 30 September 2024 £'000**	**Unaudited 6 months to 30 September 2023 £'000**	**Audited Year to 31 March 2024 £'000**
Revenue		61,950	62,037	127,049
Cost of sales		(28,553)	(27,550)	(57,469)
Gross profit		**33,397**	**34,487**	**69,580**
Administrative expenses		(30,123)	(28,068)	(56,552)
Operating profit		**3,274**	**6,419**	**13,028**
Analysed as:				
Earnings before interest, tax, depreciation, amortisation, acquisition costs, exceptional non-recurring costs and share based payments		**16,952**	**18,598**	**37,728**
Share based payments		(514)	(206)	(517)
Acquisition costs	4	(1,151)	(538)	(1,010)
Administrative expenses – exceptional non-recurring costs	4	-	(462)	(462)
Depreciation	8	(7,432)	(7,713)	(15,715)
Amortisation – acquired intangible assets	7	(1,613)	(1,982)	(4,226)
Amortisation – other intangible assets	7	(2,968)	(1,278)	(2,770)
Finance costs (net)	5	(2,287)	(2,026)	(4,287)
Profit before taxation		**987**	**4,393**	**8,741**
Taxation	6	(603)	(968)	(2,300)
Profit for the period/year		**384**	**3,425**	**6,441**
Other comprehensive income				
Currency translation differences		(65)	11	(25)
Other comprehensive income for the period/year		**(65)**	**11**	**(25)**
Total comprehensive income for the period/year attributable to equity holders of the parent		**319**	**3, 436**	**6,416**
Basic and diluted earnings per share				
Basic earnings per share	3	0.3 p	3.1p	5.8 p
Diluted earnings per share	3	0.3 p	3.0p	5.6 p

Consolidated Interim Statement of Financial Position
As at 30 September 2024

	Note	Unaudited 30 September 2024 £'000	Unaudited 30 September 2023 £'000	Audited 31 March 2024 £'000
ASSETS				
Non-current assets				
Intangible assets – goodwill	7	109,821	104,293	109,821
Intangible assets – other	7	28,332	15,460	15,231
Trade and other receivables		111	111	111
Property, plant and equipment	8	61,302	65,833	63,492
		199,566	**185,697**	**188,655**
Current assets				
Cash and cash equivalents	9	67,212	10,673	15,755
Trade and other receivables		27,615	25,381	26,460
Current tax asset		-	704	-
		94,827	**36,758**	**42,215**
Total assets		**294,393**	**222,455**	**230,870**
LIABILITIES				
Non-current liabilities				
Trade and other payables		(13,783)	(3,330)	(2,834)
Non-current borrowings	10	(112,722)	(56,274)	(55,582)
Provisions for other liabilities and charges		(2,985)	(2,946)	(3,052)
Deferred tax liability		(4,771)	(3,936)	(4,884)
		(134,261)	**(66,486)**	**(66,352)**
Current liabilities				
Contingent consideration due on acquisitions		(1,400)	(360)	(2,080)
Trade and other payables		(35,058)	(30,950)	(35,728)
Current borrowings	10	(2,560)	(2,383)	(2,509)
Current tax liability		(254)	-	(804)
		(39,272)	**(33,693)**	**(41,121)**
Total liabilities		**(173,533)**	**(100,179)**	**(107,473)**
Net assets		**120,860**	**122,276**	**123,397**
EQUITY				
Share capital		1,126	1,122	1,124
Own shares		(70)	(70)	(70)
Capital redemption reserve		1,200	1,200	1,200
Share premium		22,500	22,495	22,500
Merger reserve		6,967	6,967	6,967
Foreign currency translation reserve		(44)	57	21
Retained earnings		89,181	90,505	91,655
Total equity		**120,860**	**122,276**	**123,397**

Consolidated Interim Statement of Cash Flows
Six months ended 30 September 2024

	Unaudited 6 months to 30 September 2024 £'000	Unaudited 6 months to 30 September 2023 £'000	Audited Year to 31 March 2024 £'000
Profit before tax	**987**	**4,393**	**8,741**
Finance costs – net	2,287	2,026	4,287
Depreciation	7,432	7,713	15,764
Amortisation	4,581	3,260	6,996
Share based payments	514	206	517
Exceptional acquisition costs – accrued	643	-	-
Research and development tax credit	(224)	-	(364)
Unrealised foreign exchange (gain)/loss	(340)	-	-
Movement in trade receivables	47	1,928	1,620
Movement in trade payables	(4,877)	(2,702)	(914)
Cash flow from operations	**11,050**	**16,824**	**36,647**
Taxation paid	(1,036)	(813)	(710)
Net cash flow from operating activities	**10,014**	**16,011**	**35,937**
Cash flow from investing activities			
Purchase of property, plant and equipment	(4,049)	(5,346)	(9,513)
Development costs	(1,217)	(860)	(2,178)
Purchase of intangible assets	(2,559)	(1,358)	(113)
Payment for acquisition of subsidiary net of cash acquired	-	(1,225)	(5,710)
Payment of contingent consideration	(680)	(4,000)	(4,180)
Net cash used in investing activities	**(8,505)**	**(12,789)**	**(21,694)**
Cash flow from financing activities			
Issue of shares	2	16	7
Drawdown of bank loans	57,000	5,500	7,600
Repayment of bank loans	-	-	(2,000)
Repayment of lease liabilities	(2,189)	(2,792)	(5,017)
Repayment of debt acquired on acquisition	-	(3,728)	(3,728)
Finance costs paid (net)	(1,493)	(1,441)	(3,069)
Dividends paid	(3,372)	(3,922)	(6,099)
Net cash generated from/(used in) financing activities	**49,948**	**(6,367)**	**(12,306)**
Net increase/(decrease) in cash and cash equivalents	**51,457**	**(3,145)**	**1,937**
Cash and cash equivalents at the beginning of the period	15,755	13,818	13,818
Cash and cash equivalents at the end of the period	**67,212**	**10,673**	**15,755**

Consolidated Interim Statement of Changes in Equity
Six months ended 30 September 2024

	Share capital £'000	Own shares £'000	Capital redemption reserve £'000	Share premium account £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 April 2023	**1,106**	**(70)**	**1,200**	**22,495**	**4,983**	**46**	**90,796**	**120,556**
Profit in the period	-	-	-	-	-	-	3,425	**3,425**
Currency translation differences	-	-	-	-	-	11	-	**11**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**11**	**3,425**	**3,436**
Dividends	-	-	-	-	-	-	(3,922)	**(3,922)**
Share based payments	-	-	-	-	-	-	206	**206**
Issue of share capital	16	-	-	-	1,984	-	-	**2,000**
Total transactions with owners	**16**	**-**	**-**	**-**	**1,984**	**-**	**(3,716)**	**(1,716)**
Balance at 30 September 2023 (unaudited)	**1,122**	**(70)**	**1,200**	**22,495**	**6,967**	**57**	**90,505**	**122,276**
Profit in the period	-	-	-	-	-	-	3,016	**3,016**
Currency translation differences	-	-	-	-	-	(36)	-	**(36)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(36)**	**3,016**	**2,980**
Dividends	**-**	-	-	-	-	-	(2,177)	**(2,177)**
Share based payments	-	-	-	-	-	-	311	**311**
Issue of share capital	2	-	-	5	-	-	-	**7**
Total transactions with owners	**2**	**-**	**-**	**5**	**-**	**-**	**(1,866)**	**(1,859)**
Balance at 31 March 2024 (audited)	**1,124**	**(70)**	**1,200**	**22,500**	**6,967**	**21**	**91,655**	**123,397**
Profit in the period	-	-	-	-	-	-	384	**384**
Currency translation differences	-	-	-	-	-	(65)	-	**(65)**
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**(65)**	**384**	**319**
Dividends	-	-	-	-	-	-	(3,372)	**(3,372)**
Share based payments	-	-	-	-	-	-	514	**514**
Issue of share capital	2	-	-	-	-	-	-	**2**
Total transactions with owners	**2**	**-**	**-**	**-**	**-**	**-**	**(2,858)**	**(2,856)**
Balance at 30 September 2024 (unaudited)	**1,126**	**(70)**	**1,200**	**22,500**	**6,967**	**(44)**	**89,181**	**120,860**

Notes to the half yearly financial information
Six months ended 30 September 2024

1. Basis of preparation

The half yearly financial information does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2024 have been delivered to the Registrar of Companies and included an independent auditor's report, which was unqualified and did not contain a statement under section 493 of the Companies Act 2006.

The half yearly financial information has been prepared using the same accounting policies and estimation techniques as will be adopted in the Group financial statements for the year ending 31 March 2025. The Group financial statements for the year ended 31 March 2024 were prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006. These half yearly financial statements have been prepared on a consistent basis and format with the Group financial statements for the year ended 31 March 2024. The provisions of IAS 34 'Interim Financial Reporting' have not been applied in full.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chief Executive's Statement.

At the period end, the Group has access to a £125m multi option revolving credit facility that matures on 30 June 2026, which also benefits from a £25m Accordion Facility. The directors are of the opinion that the Group can operate within the current facility and comply with its banking covenants.

At the end of the half year, the Group had net debt of £48.1m (H1 2024: £48.0m). The Board is comfortable with the net debt position given the strong cash generation and considerable financial resources of the Group, together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. As a consequence, the directors believe that the Group is well placed to manage its business risks.

After making enquiries, the directors have a reasonable expectation that the Group will be able to meet its financial obligations and has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

2. Operating segments

Revenue by Operating Segment

	6 months to 30 September 2024	6 months to 30 September 2023	Year to 31 March 2024
	£'000	£'000	£'000
Easyspace	5,991	6,259	12,471
Cloud Services	55,959	55,778	114,578
	61,950	**62,037**	**127,049**

Cloud Services revenue during the period/year can be further disaggregated as follows:

	6 months to 30 September 2024	6 months to 30 September 2023	Year to 31 March 2024
	£'000	£'000	£'000
Cloud managed services	38,253	37,022	75,212
Self-managed infrastructure	12,394	14,730	28,429
Non-recurring revenue	5,312	4,026	10,937
	55,959	**55,778**	**114,578**

Geographical Information

In presenting the consolidated information on a geographical basis, revenue is based on the geographical location of customers. The United Kingdom is the place of domicile of the parent company, iomart Group plc. No individual country other than the United Kingdom contributes a material amount of revenue; therefore revenue from outside the United Kingdom has been shown as from Rest of the World.

Analysis of Revenue by Destination

	6 months to 30 September 2024	6 months to 30 September 2023	Year to 31 March 2024
	£'000	£'000	£'000
United Kingdom	54,765	52,845	107,864
Rest of the World	7,185	9,192	19,185
	61,950	**62,037**	**127,049**

Recurring and Non-Recurring Revenue

The amount of recurring and non-recurring revenue recognised during the year can be summarised as follows:

	6 months to 30 September 2024	6 months to 30 September 2023	Year to 31 March 2024
	£'000	£'000	£'000
Recurring – over time	56,638	58,011	116,112
Non-recurring – point in time	5,312	4,026	10,937
	61,950	**62,037**	**127,049**

Profit by Operating Segment

	6 months to 30 September 2024			6 months to 30 September 2023			Year to 31 March 2024		
	EBITDA before share based payments, acquisition costs & exceptional non-recurring costs £'000	Share based payments, acquisition costs, exceptional-non recurring costs, depreciation & amortisation £'000	Operating profit/(loss) £'000	EBITDA before share based payments, acquisition costs & exceptional non-recurring costs £'000	Share based payments, acquisition costs, exceptional non-recurring costs, depreciation & amortisation £'000	Operating profit/(loss) £'000	EBITDA before share based payments, acquisition costs & exceptional non-recurring costs £'000	Share based payments, acquisition costs, exceptional non-recurring costs, depreciation & amortisation £'000	Operating profit/(loss) £'000
Easyspace	3,054	(192)	2,862	3,167	(301)	2,866	6,161	(570)	5,591
Cloud Services	16,340	(11,821)	4,519	18,167	(10,672)	7,495	36,729	(22,141)	14,588
Group overheads	(2,442)	-	(2,442)	(2,736)	-	(2,736)	(5,162)	-	(5,162)
Administrative expenses – exceptional non-recurring costs	-	-	-	-	(462)	(462)	-	(462)	(462)
Share based payments	-	(514)	(514)	-	(206)	(206)	-	(517)	(517)
Acquisition costs	-	(1,151)	(1,151)	-	(538)	(538)	-	(1,010)	(1,010)
Profit before tax and interest	16,952	(13,678)	3,274	18,598	(12,179)	6,419	37,728	(24,700)	13,028
Group interest and tax			(2,890)			(2,994)			(6,587)
Profit for the period/year			**384**			**3,425**			**6,441**

Group overheads, share based payments, acquisition costs, interest and tax are not allocated to segments.

3. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, after deducting shares held by the Employee Benefit Trust. Diluted earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the total of the weighted average number of ordinary shares in issue during the year after adjusting for the dilutive potential ordinary shares relating to share options. The calculations of earnings per share are based on the following results:

	6 months to 30 September 2024 £'000	6 months to 30 September 2003 £'000	Year to 31 March 2024 £'000
Profit for the period/year and basic earnings attributed to ordinary shareholders	**384**	**3,425**	**6,441**
	No	**No**	**No**
Weighted average number of ordinary shares:	**000**	**000**	**000**
Called up, allotted and fully paid at start of period	112,341	110,422	110,422
Shares held by Employee Benefit Trust	(141)	(141)	(141)
Issued share capital in the period	52	1,016	1,391
Weighted average number of ordinary shares – basic	**112,252**	**111,297**	**111,672**
Dilutive impact of share options	1,271	2,496	2,710
Weighted average number of ordinary shares – diluted	**113,523**	**113,793**	**114,382**
Basic earnings per share	0.3 p	3.1 p	5.8 p
Diluted earnings per share	0.3 p	3.0 p	5.6 p

iomart Group plc assess the performance of the Group by adjusting earnings per share, calculated in accordance with IAS 33, to exclude certain non-trading items. The calculation of the earnings per ordinary share on a basis which excludes such items is based on the following adjusted earnings:

Adjusted earnings per share

	6 months to 30 September 2024 £'000	6 months to 30 September 2023 £'000	Year to 31 March 2024 £'000
Profit for the period/year and basic earnings attributed to ordinary shareholders	384	3,425	6,441
- Amortisation of acquired intangible assets	1,613	1,982	4,226
- Acquisition costs	1,151	538	1,010
- Administrative expenses – exceptional non-recurring costs	-	462	462
- Share based payments	514	206	517
- Tax impact of adjusted items	(659)	(716)	(1,421)
Adjusted profit for the period/year and adjusted basic earnings attributed to ordinary shareholders	**3,003**	**5,897**	**11,235**
Adjusted basic earnings per share	2.7 p	5.3 p	10.0 p
Adjusted diluted earnings per share	2.6 p	5.2 p	9.8 p

4. Acquisition costs and administrative expenses – exceptional non-recurring costs

	6 months to 30 September 2024 £'000	6 months to 30 September 2023 £'000	Year to 31 March 2024 £'000
Professional fees	(643)	(307)	(537)
Non-recurring acquisition integration costs and restructuring costs	(508)	(231)	(473)
Acquisition costs	**(1,151)**	**(538)**	**(1,010)**

	6 months to 30 September 2024 £'000	6 months to 30 September 2023 £'000	Year to 31 March 2024 £'000
Administrative expenses – exceptional non-recurring costs	**-**	**(462)**	**(462)**

In the prior period, the Group incurred £0.5m of administrative expenses - exceptional non-recurring costs in relation to the change of CEO during September 2023 which we consider to be material in nature and size.

5. Finance costs (net)

	6 months to 30 September 2024 £'000	6 months to 30 September 2023 £'000	Year to 31 March 2024 £'000
Finance income:			
Bank interest receivable	105	-	64
Finance costs:			
Bank loans	(1,761)	(1,588)	(3,366)
Lease finance costs	(466)	(379)	(854)
Other interest charges	(165)	(59)	(131)
Finance costs	**(2,392)**	**(2,026)**	**(4,351)**
Finance costs (net)	**(2,287)**	**(2,026)**	**(4,287)**

6. Taxation

	6 months to 30 September 2024 £'000	6 months to 30 September 2023 £'000	Year to 31 March 2024 £'000
Corporation Tax:			
Tax charge for the period/year	(715)	(1,104)	(2,536)
Adjustment relating to prior years	-	-	(130)
Total current taxation charge	(715)	(1,104)	(2,666)
Deferred Tax:			
Origination and reversal of temporary differences	112	136	380
Adjustment relating to prior periods	-	-	(21)
Effect of different statutory tax rates of overseas jurisdictions	-	-	7
Total deferred taxation credit/(charge)	112	136	366
Total taxation charge for the period/year	**(603)**	**(968)**	**(2,300)**

Deferred tax assets and liabilities at 30 September 2024 have been calculated based on the rate enacted at the reporting date of 25% (H1 2024: 25%).

7. Intangible assets

	Goodwill £'000	Acquired customer relationships £'000	Development costs £'000	Software £'000	Acquired beneficial contract £'000	Domain names & IP addresses £'000	Total £'000
Cost:							
At 1 April 2023	**99,950**	**61,809**	**15,302**	**11,028**	**86**	**336**	**188,511**
Acquired on acquisition of subsidiary	4,343	3,823	1,055	-	-	-	9,221
Additions in the period	-	-	860	-	-	-	860
Currency translation differences	-	11	-	9	-	-	20
Disposals	-	-	(112)	-	-	-	(112)
At 30 September 2023	**104,293**	**65,643**	**17,105**	**11,037**	**86**	**336**	**198,500**
Acquired on acquisition of subsidiary	5,528	1,980	-	97	-	-	7,605
Additions in the period	-	-	1,318	113	-	-	1,431
Currency translation differences	-	(27)	-	(21)	-	-	(48)
At 31 March 2024	**109,821**	**67,596**	**18,423**	**11,226**	**86**	**336**	**207,488**
Additions in the period	-	-	1,217	16,465	-	-	17,682
Currency translation differences	-	(46)	-	(35)	-	-	(81)
At 30 September 2024	**109,821**	**67,550**	**19,640**	**27,656**	**86**	**336**	**225,089**
Accumulated amortisation:							
At 1 April 2023	**-**	**(53,325)**	**(12,600)**	**(9,274)**	**(77)**	**(304)**	**(75,580)**
Charge for the period	-	(1,982)	(777)	(493)	(4)	(4)	(3,260)
Currency translation differences	-	(11)	-	(8)	-	-	(19)
Disposals	-	-	112	-	-	-	112
At 30 September 2023	**-**	**(55,318)**	**(13,265)**	**(9,775)**	**(81)**	**(308)**	**(78,747)**
Charge for the period	-	(2,244)	(1,115)	(371)	(2)	(4)	(3,736)
Currency translation differences	-	25	-	22	-	-	47
At 31 March 2024	**-**	**(57,537)**	**(14,380)**	**(10,124)**	**(83)**	**(312)**	**(82,436)**
Charge for the period	-	(1,613)	(1,043)	(1,919)	(2)	(4)	(4,581)
Currency translation differences	-	46	-	35	-	-	81
At 30 September 2024	**-**	**(59,104)**	**(15,423)**	**(12,008)**	**(85)**	**(316)**	**(86,936)**
Carrying amount:							
At 30 September 2024	**109,821**	**8,446**	**4,217**	**15,648**	**1**	**20**	**138,153**
At 31 March 2024	109,821	10,059	4,043	1,102	3	24	125,052
At 30 September 2023	104,293	10,325	3,840	1,262	5	28	119,753

Note 11 provides the movements in the period relating to IFRS 16 right-of-use assets included in the above table.

8. Property, plant and equipment

	Freehold property £'000	Leasehold property and improve-ments £'000	Datacentre equipment £'000	Computer equipment £'000	Office equipment £'000	Motor vehicles £'000	Total £'000
Cost:							
At 1 April 2023	**8,236**	**41,516**	**31,843**	**121,238**	**2,986**	**46**	**205,865**
Acquired on acquisition of subsidiary	-	6	-	31	7	-	44
Additions in the period	-	3,466	1,580	3,715	202	43	9,006
Disposals in the period	-	(462)	-	-	-	(5)	(467)
Currency translation differences	-	28	-	22	-	-	50
At 30 September 2023	**8,236**	**44,554**	**33,423**	**125,006**	**3,195**	**84**	**214,498**
Acquired on acquisition of subsidiary	-	10	-	314	18	-	342
Additions in the period	-	2,850	1,044	2,161	-	5	6,060
Disposals in the period	-	(1,667)	-	-	(119)	-	(1,786)
Currency translation differences	-	(77)	-	(189)	-	-	(266)
At 31 March 2024	**8,236**	**45,670**	**34,467**	**127,292**	**3,094**	**89**	**218,848**
Additions in the period	-	1,957	814	2,480	39	-	5,290
Disposals in the period	-	-	-	-	(3)	(4)	(7)
Currency translation differences	-	(163)	-	(333)	-	-	(496)
At 30 September 2024	**8,236**	**47,464**	**35,281**	**129,439**	**3,130**	**85**	**223,635**
Accumulated depreciation:							
At 1 April 2023	**(1,295)**	**(20,951)**	**(18,711)**	**(97,403)**	**(2,520)**	**(26)**	**(140,906)**
Charge for the period	(119)	(2,262)	(797)	(4,428)	(102)	(5)	(7,713)
Disposals in the period	-	-	-	-	-	5	5
Currency translation differences	-	(31)	-	(20)	-	-	(51)
At 30 September 2023	**(1,414)**	**(23,244)**	**(19,508)**	**(101,851)**	**(2,622)**	**(26)**	**(148,665)**
Charge for the period	(119)	(2,722)	(794)	(4,326)	(82)	(8)	(8,051)
Disposals in the period	-	1,117	-	-	-	-	1,117
Currency translation differences	-	72	-	171	-	-	243
At 31 March 2024	**(1,533)**	**(24,777)**	**(20,302)**	**(106,006)**	**(2,704)**	**(34)**	**(155,356)**
Charge for the period	(119)	(2,350)	(820)	(4,056)	(80)	(7)	(7,432)
Disposals in the period	-	-	-	-	1	4	5
Currency translation differences	-	132	-	318	-	-	450
At 30 September 2024	**(1,652)**	**(26,995)**	**(21,122)**	**(109,744)**	**(2,783)**	**(37)**	**(162,333)**
Carrying amount:							
At 30 September 2024	**6,584**	**20,469**	**14,159**	**19,695**	**347**	**48**	**61,302**
At 31 March 2024	6,703	20,893	14,165	21,286	390	55	63,492
At 30 September 2023	6,822	21,310	13,915	23,155	573	58	65,833

Note 11 provides the movements in the period relating to IFRS 16 right-of-use assets included in the above table.

9. Analysis of change in net debt

	Cash and cash equivalents £'000	Bank loans £'000	Lease liabilities £'000	Total net debt £'000
At 1 April 2023	**13,818**	**(34,400)**	**(19,180)**	**(39,762)**
Additions to lease liabilities	-	-	(2,197)	(2,197)
Disposals from lease liabilities	-	-	476	476
New bank loans	-	(5,500)	-	(5,500)
Currency translation	-	-	16	16
Cash and cash equivalents cash outflow	(3,145)	-	-	(3,145)
Lease liabilities cash outflow	-	-	2,129	2,129
At 30 September 2023	**10,673**	**(39,900)**	**(18,756)**	**(47,983)**
Acquired on acquisition of subsidiary	-	(3,728)	-	(3,728)
Repayment of debt acquired on acquisition	-	3,728	-	3,728
Additions to lease liabilities	-	-	(1,951)	(1,951)
Disposals from lease liabilities	-	-	587	587
Drawdown of bank loans	-	(2,100)	-	(2,100)
Repayment of bank loans	-	2,000	-	2,000
Currency translation	-	-	(5)	(5)
Cash and cash equivalents cash inflow	5,082	-	-	5,082
Lease liabilities cash outflow	-	-	2,034	2,034
At 31 March 2024	**15,755**	**(40,000)**	**(18,091)**	**(42,336)**
Additions to lease liabilities	-	-	(1,933)	(1,933)
New bank loans**	-	(57,000)	-	(57,000)
Currency translation	-	-	19	19
Cash and cash equivalents cash inflow**	51,457	-	-	51,457
Lease liabilities cash outflow*	-	-	1,723	1,723
At 30 September 2024	**67,212**	**(97,000)**	**(18,282)**	**(48,070)**

* Lease liabilities cash outflow at 30 September 2024 is reconciled as £2,189,000 payments to lease provider as disclosed in the consolidated cash flow statement netted with lease interest of £466,000 (note 5).

**As disclosed in the post balance sheet event note 12, to fund the acquisition of Kookaburra Topco Limited on 1 October 2024, the Group drew down £57.0m from its revolving credit facility on 30 September 2024. The £57.0m cash is restricted cash and was held in trust with Pinsent Mason LLP and was used to fund the acquisition on 1 October 2024.

10. Borrowings

	30 September 2024 £'000	30 September 2023 £'000	31 March 2024 £'000
Current:			
Lease liabilities (note 11)	(2,560)	(2,383)	(2,509)
Total current borrowings	**(2,560)**	**(2,383)**	**(2,509)**
Non-current:			
Lease liabilities (note 11)	(15,722)	(16,374)	(15,582)
Bank loans	(97,000)	(39,900)	(40,000)
Total non-current borrowings	**(112,722)**	**(56,274)**	**(55,582)**
Total borrowings	**(115,282)**	**(58,657)**	**(58,091)**

At 31 March 2024, the Group had a £100m multi option revolving credit facility which has a maturity date of 30 June 2026 and benefits from a £50m Accordion facility. On 30 September 2024 the Group increased its revolving credit bank facility, which expires on 30 June 2026, from £100m to £125m, via the Accordion, to provide additional undrawn sums for the Group. The RCF and the Accordion Facility of £25m (if exercised) provide the Group with additional liquidity which will be used for general business purposes and to fund investments, in accordance with the Group's five-year strategic plan. Each draw down made under this facility can be for either 3 or 6 months and can either be repaid or continued at the end of the period. During the year, the Group made a drawdown of £57m (H1 2024: £5.5m).

Details of the Group’s lease liabilities are included in note 11.

11. Leases

The Group leases assets including buildings, fibre contracts, colocation and software contracts. Information about leases for which the Group is a lessee is presented below:

Right-of-use assets

	Leasehold property	Datacentre equipment	Software	Total
	£’000	**£’000**	**£’000**	**£’000**
Cost at 1 April 2023	**16,127**	**1,813**	**380**	**18,320**
Additions	2,197	-	-	2,197
Disposals	(462)	-	-	(462)
Currency translation differences	-	(21)	-	(21)
Depreciation charge	(1,078)	(725)	-	(1,803)
Amortisation charge	-	-	(143)	(143)
Net book value at 30 September 2023	**16,784**	**1,067**	**237**	**18,088**
Additions	183	1,890	-	2,073
Disposals	-	(550)	-	(550)
Currency translation differences	-	(2)	-	(2)
Depreciation charge	(1,052)	(1,078)	-	(2,130)
Amortisation charge	-	-	(142)	(142)
Net book value at 31 March 2024	**15,915**	**1,327**	**95**	**17,337**
Additions	-	1,933	-	1,933
Currency translation differences	-	(23)	-	(23)
Depreciation charge	(1,019)	(805)	-	(1,824)
Amortisation charge	-	-	(95)	(95)
Net book value at 30 September 2024	**14,896**	**2,432**	**-**	**17,328**

The right-of-use assets in relation to leasehold property and datacentre equipment are disclosed as non-current assets and are disclosed within property, plant and equipment at 30 September 2024 (note 8). The right-of-use assets in relation to software are disclosed as non-current assets and are disclosed within intangibles at 30 September 2024 (note 7).

Lease liabilities

Lease liabilities for right-of-use assets are presented in the statement of financial position within borrowings as follows:

	30 September 2024 £'000	30 September 2023 £'000	31 March 2024 £'000
Lease liabilities (current) (note 10)	(2,560)	(2,383)	(2,509)
Lease liabilities (non-current) (note 10)	(15,722)	(16,374)	(15,582)
Total lease liabilities	**(18,282)**	**(18,757)**	**(18,091)**

The maturity analysis of undiscounted lease liabilities is shown in the table below:

Amounts payable under leases:	30 September 2024 £'000	30 September 2023 £'000	31 March 2024 £'000
Within one year	(3,539)	(2,661)	(3,332)
Between two to five years	(10,139)	(9,532)	(9,294)
After more than five years	(8,433)	(10,935)	(9,477)
	(22,111)	(23,128)	(22,103)
Add: unearned interest	3,829	4,371	4,012
Total lease liabilities	**(18,282)**	**(18,757)**	**(18,091)**

12. Post balance sheet events

As announced on 1 October 2024, we acquired the entire issued share capital of Kookaburra Topco Limited ("Kookaburra"), the holding company of Atech Support Limited (together "Atech"). Atech is one the UK's most highly accredited Microsoft Solutions Partners and the combination of the two businesses creates a powerful extended set of offerings for mid-market customers, cementing the Group's position as a leading 'Microsoft First' solutions provider in the UK.

The initial consideration for the acquisition is £57.0m and was paid in cash on completion on a cash free, normalised working capital and debt free basis under a locked box completion mechanism. The purchase price includes £19.6m of debt repayments and working capital adjustments at completion, with the balance paid to the Kookaburra shareholders. The full purchase price will be financed through a combination of existing bank facilities and cash on the Company's statement of financial position (note 9).

Due to the proximity of the acquisition date to the financial statements being authorised for issue, IFRS 3 disclosures are not audited or presented.

13. Availability of half yearly reports

The Company's Interim Report for the six months ended 30 September 2024 will shortly be available to view on the Company's website (www.iomart.com).

INDEPENDENT REVIEW REPORT TO IOMART GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 which comprises the Consolidated Interim Statement of Comprehensive Income, the Consolidated Interim Statement of Financial Position, the Consolidated Interim Statement of Cash Flows, the Consolidated Interim Statement of Changes in Equity and related notes 1 to 13.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 is not prepared, in all material respects, in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements and the AIM Rules of the London Stock Exchange.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report have been prepared in accordance with the accounting policies the Group intends to use in preparing its next annual financial statements.

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the Directors

The directors are responsible for preparing the half-yearly financial report in accordance with the AIM rules of the London Stock Exchange.

In preparing the half-yearly financial report, the directors are responsible for assessing the Group’s ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors’ Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report
This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
27 November 2024

Iomart Group plc. 6 Atlantic Quay, 55 Robertson Street, Glasgow, G2 8JD