



Interim Results

6 months ended 30 Sept 2023

Lucy Dimes CEO & Scott Cunningham CFO

December 2023

Agenda

- 1 Introduction
- 2 Overview of the period
- 3 Financial Review
- 4 Strategic update
- 5 Summary & Outlook



Introduction

iomart at a glance



Secure hybrid cloud computing
& managed services business, based in the UK



Cloud services (90% group revenue) &
Web hosting & domains (10% group revenue)



c.500 highly skilled technical experts in the UK & a
small operation in the USA



12 UK data centres connected with 2500km private
network infrastructure & 25 global points of presence



Proactive & proven M&A strategy
with 23 acquisitions in the past 14 years



£116m turnover (FY23) & robust margins



Delivering hybrid managed cloud, data
management and security, modern workplace and
domain hosting services



94% recurring revenues with strong cash generation



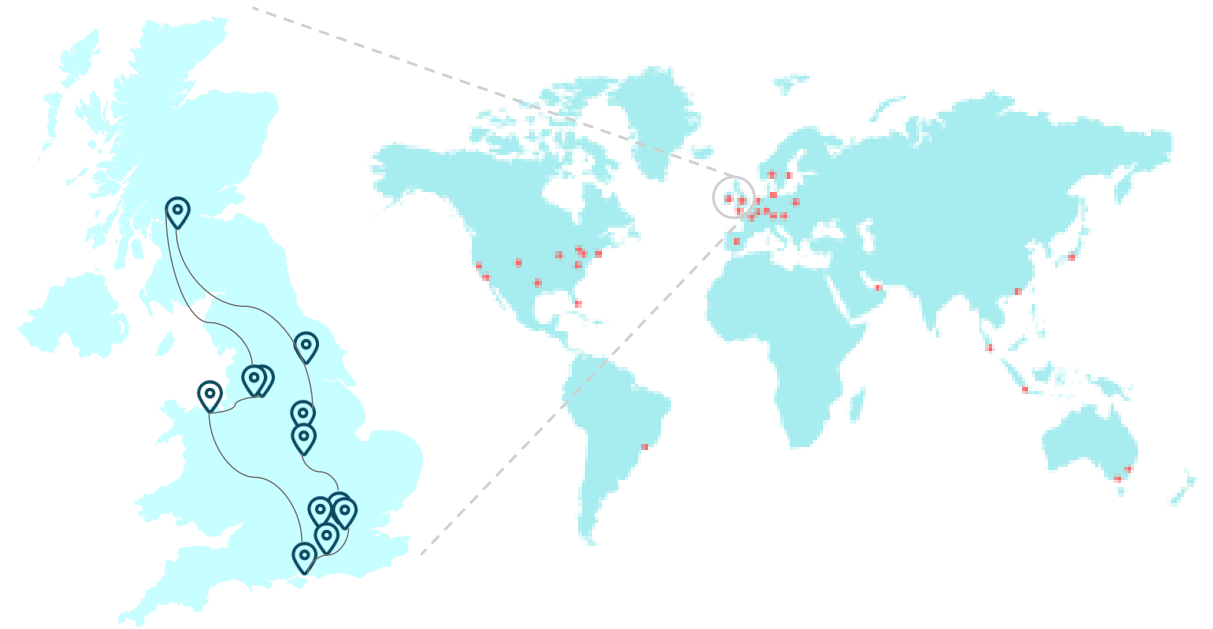
Two decades of experience delivering 24/7 managed
services to organisations headquartered in the UK



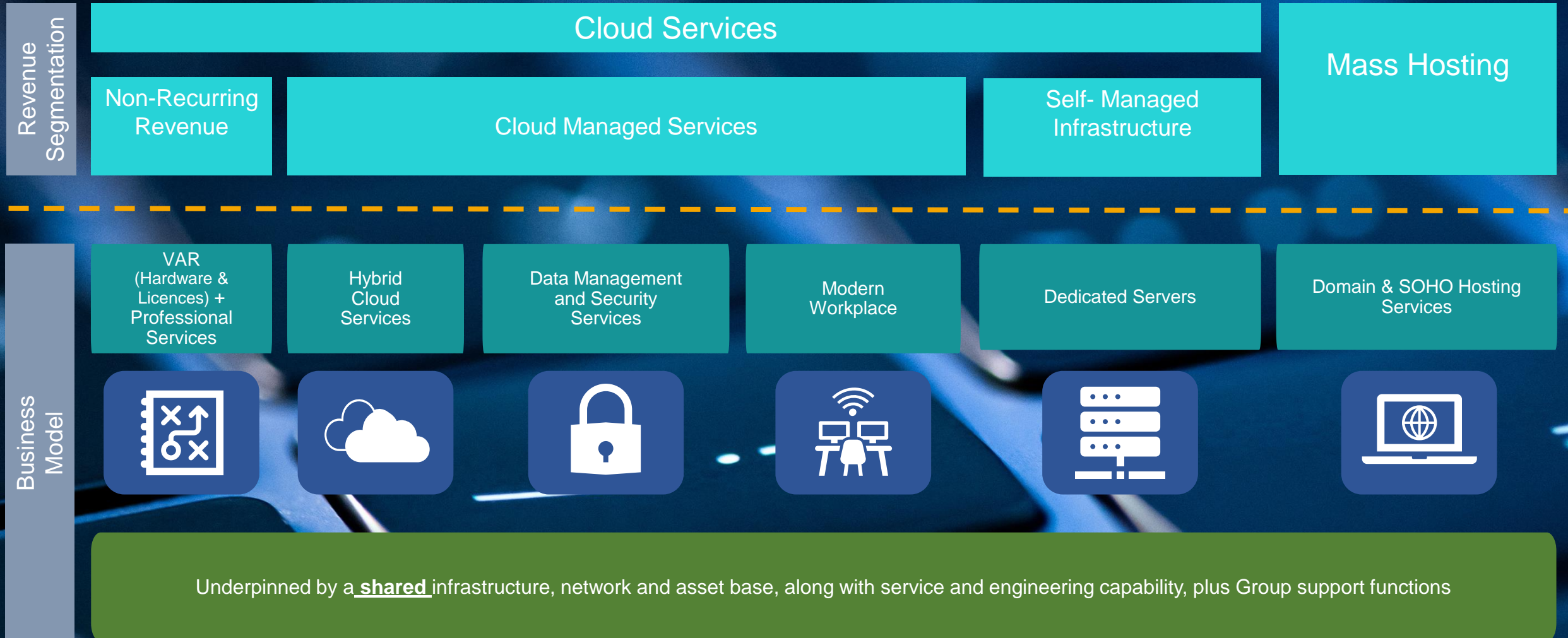
Listed on the AIM Market of the London Stock
Exchange

One of the largest data centre networks in the UK connected by 2500km of resilient fibre network and 25 global points of presence

- We **control the environment**, the processes and the end to end service
- We **prioritise our customers** rather than being in the queue for a 3rd party technician
- We **control our costs**, investments, capacity availability and capability upgrades
- We **own the assets** on our balance sheet
- We provide the platform as a service, **giving certainty and predictability** of costs, availability, **capacity and functionality** to our customers, enabling them to focus on their business and strategic outcomes



Service Portfolio



A group of six people are seen from behind, looking out a large window at a city skyline. The scene is brightly lit, suggesting daytime. The people are dressed in casual to business-casual attire. One person in the center is pointing towards the view. On the right, a woman is holding a tablet computer. The overall atmosphere is one of professional collaboration and observation.

Overview of the period

H1 Review: Delivering on our Strategy

DELIVERING GROWTH

- Revenue growth of 18%, stable EBITDA margins
- Continued growth in focus portfolio areas, new logos and customer white space
- Successful embedding of Concepta into Sales Operating Model, deepening & broadening channel coverage and strength
- Completion of Extrinsicica acquisition to create step change in Microsoft capability for existing and new customers

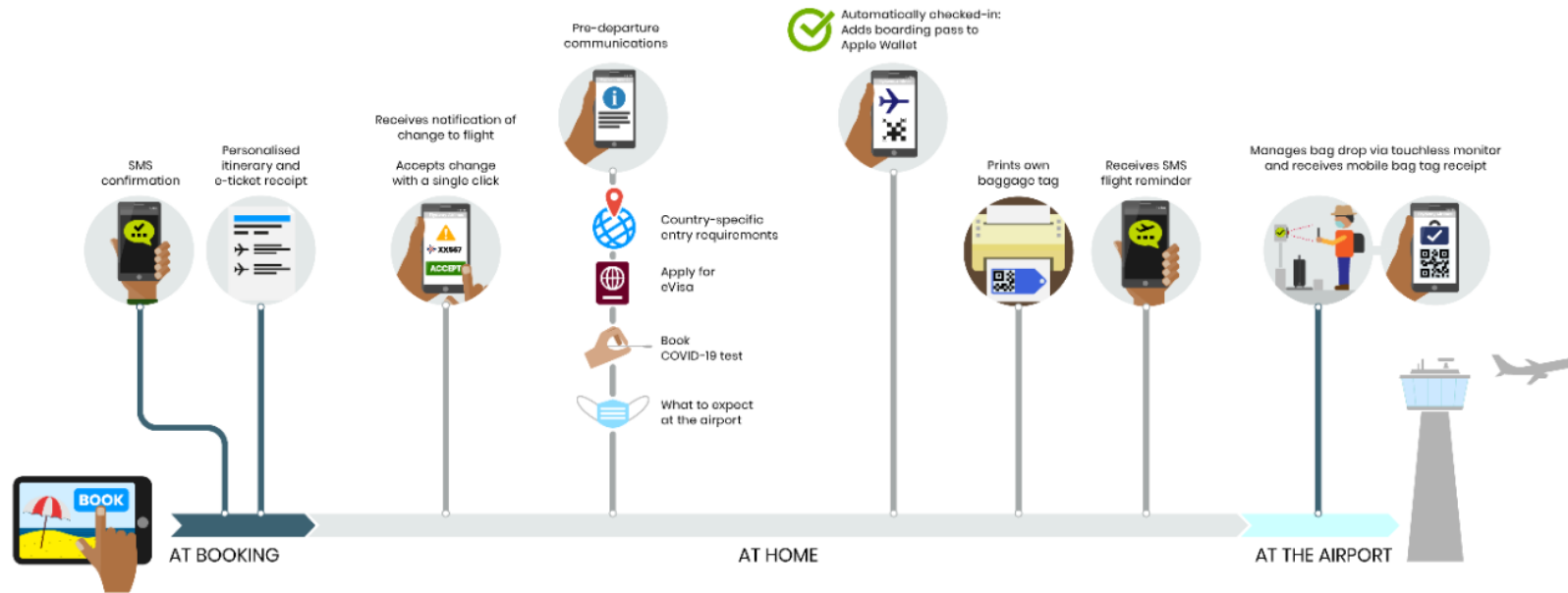
ENHANCING ORGANISATIONAL CAPABILITIES

- Sales and marketing capability creating momentum in order bookings and pipeline
- Appointed Chief Technology Officer to enhance portfolio and technology roadmap alignment
- Moved to modern Head Office, city centre location. Look and feel to be mirrored in Manchester and London offices
- Continued delivery of ESG strategy

DEEPENING SKILLS AND CAPABILITIES

- Enhancing engineering design, build and run expertise to deliver digital transformation needs for SME customer base
- Creating multi-channel routes to market – VAR, Indirect and Partnership, Desk and Face to Face sales and GTM channels
- Progressing our strategy to offer an ICT 'one-stop-shop', as IT and Connectivity markets and providers continue to converge to offer more integrated solution

Customer Case Study



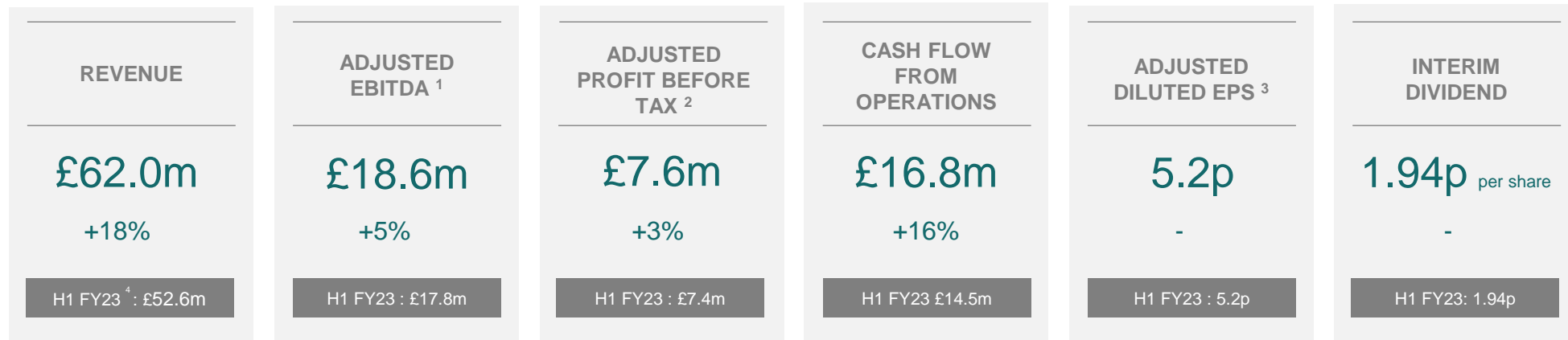
- **Customer Context:** Brighton based company providing passenger information for some of the world's largest airlines
- **Customer Requirements:** Enable burstable and scalable resources without having heavy capex expenditure, expand into Middle East, maximize IaC (Infrastructure as Code) to react to ever changing market and customer demands
- **iomart Approach:** An example of our new joint sales engagement model combining iomart's Customer Engagement skills and Extrinsic Global's Microsoft Azure capabilities
- **Solution:** Azure readiness assessment completed in 5 weeks followed by recommendation of migration from 1 x Europe and 1 x US DC to Azure Managed Service Solution with 3 different investment/opex options. Total contract value c. £0.8m
- **Why iomart?:** Extrinsic Global has provided us with the capability and track record combined with iomart investment enabling a 'fast start', cost of service options and transparency
- **Future Growth:** By providing demonstrable value add through the engagement process, iomart (with Extrinsic) is now positioned as trusted Cloud Solutions Provider

Financial Review



Financial overview H1 FY24

- Revenue up 18%, underpinned by strong levels of recurring revenues (94% of Group revenue)
- The Concepta & Extrinsicacquisitions - positive £6.0m of additional revenue to the Group
- Underlying margins stable, reflecting the revenue mix & specific timing of inflationary price adjustments last year
- £0.8m higher interest rates moderates adjusted profit before tax growth
- Consistently strong levels of cash generation, comfortable levels of debt



¹Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation (EBITDA) before share based payment charges, acquisition costs and exceptional non-recurring costs. Throughout this document acquisition costs are defined as acquisition related costs and non-recurring acquisition integration costs.

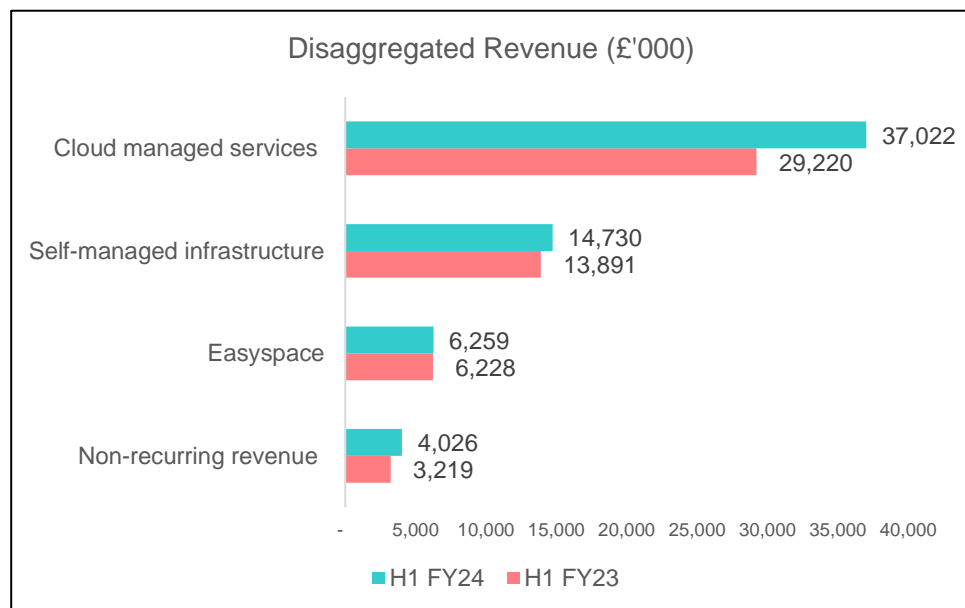
²Adjusted profit before tax is profit before tax, amortisation charges on acquired intangible assets, share based payment charges, acquisition costs and exceptional non-recurring costs.

³Adjusted diluted earnings per share 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.

⁴H1 FY24 – six months to 30 September 2023, H1 FY23 – six months to 30 September 2022, FY23 – year ended 31 March 2023

Group income statement

	Sept-23 £'000	Sept-22 £'000
Revenue	62,037	52,557
Adjusted EBITDA	18,598	17,794
Adjusted EBITDA Margin	30.0%	33.8%



Revenue: increase of 18% (+£9.5m)

Cloud Services segment revenue £55.8m (H1 FY23: £46.3m)

- **Cloud Managed Services** increase of £7.8m: organic growth, including the price adjustments for last year's energy cost increases, plus £4.3m from the latest two acquisitions
- **Self-managed infrastructure** increase of £0.8m: combination of a reduction in the number of our long tail of smaller customers, offset by the energy price rises passed onto customers in prior year, plus some higher new order bookings
- **Non-Recurring** revenue increase of £0.8m: Concepta acquisition (mainly Pavilion IT brand) revenue contribution of £1.5m, offset by £0.7m lower reselling activity within existing business

Easyspace £6.3m (H1 FY23: £6.2m), performed well

Adj. EBITDA: increase of 5% (+£0.8m)

Cloud Services segment adj. EBITDA of £18.2m (H1 FY23: £17.0m) being 32.6% of revenue (H1 FY23: 36.7%). Overall costs base and margins stable (FY23 H2 margins 31.6%)

Easyspace segment adj. EBITDA of £3.2m (H1 FY23: £3.1m) being 50.6% of revenue (H1 FY23: 50.4%)

Group overheads increased by £0.4m; increase in staff related increases in central functions and the office move

Overall Group EBITDA 30.0% (H1 FY23: 33.8%): total administrative costs (excluding exceptionals) £2.5m higher than prior period, driven by overhead costs from the Concepta and Extrinsic acquisitions

Group income statement

	Sept-23	Sept-22
	£'000	£'000
Revenue	62,037	52,557
Adjusted EBITDA	18,598	17,794
<i>Adjusted EBITDA margin %</i>	<i>30.0%</i>	<i>33.8%</i>
Depreciation	(7,713)	(7,980)
Amortisation – other intangibles	(1,278)	(1,241)
Finance costs (net)	(2,026)	(1,213)
Adjusted pre-tax profit	7,581	7,360
<i>Adjusted pre-tax profit margin %</i>	<i>12.2%</i>	<i>14.0%</i>
Adjusted items		
- Amortisation of acquired intangible assets	(1,982)	(1,748)
- Share based payments	(206)	(418)
- Acquisition costs	(538)	(252)
- Exceptional non-recurring costs	(462)	-
Pre-tax profit	4,393	4,942
Taxation charge	(968)	(1,119)
<i>Effective tax rate %</i>	<i>22.0%</i>	<i>22.6%</i>
Profit after tax	3,425	3,823

Adj. PBT: Overall increase of 3% (£0.2m)

- Depreciation charge reduced by £0.3m, 13% of recurring revenue (H1 FY23: 16%)
- Amortisation of intangible assets in line with prior period
- Net finance costs £0.8m higher which offsets EBITDA benefit and lower depreciation

Adjusted Items

- Standard adjustment items consistent with historic treatment
- Exceptional non-recurring administrative expenses £0.5m - change of CEO in September 2023

Taxation

- Effective tax rate at 22% (H1 FY23: 22.6%). Generally, iomart likely to follow UK headline rates

Cash flow and net debt

	Sept-23	Sept-22
	£'000	£'000
Adjusted EBITDA	18,598	17,794
Operating cash flow	16,824	14,473
Taxation	(813)	(6)
Cash paid on tangible & intangible assets	(7,564)	(3,788)
Payment of contingent consideration	(4,000)	-
Payment for acquisition of subsidiary net of cash	(1,225)	(9,963)
Repayment of debt acquired on acquisition	(3,728)	(1,508)
Payments under lease liabilities	(2,792)	(2,509)
Net drawdown/(repayment) of RCF bank loans	5,500	10,400
Finance costs	(1,425)	(704)
Dividends paid	(3,922)	(3,957)
Net cash (outflow)/inflow	(3,145)	2,438
Funding	Sept-23	Sept-22
Bank revolver loan	(39,900)	(44,400)
Lease liabilities	(18,756)	(21,196)
Add: cash	10,673	17,770
Net Debt	(47,983)	(47,826)

Operating cash flow

- EBITDA conversion rate of 90% (H1 FY23: 81%), first half of year typically has a lower conversion ratio
- Long history of strong EBITDA to operating cash flow conversion

Investments

- Capex spend in current period includes £1.4m on UK fibre network, £0.6m on planned upgrade of Nottingham DC, plus £0.8m to fit out the new Glasgow Office HQ
- M&A aggregated cash flow items of £5.0m - initial consideration & debt repayment on acquisition of Extrinsicca
- £4.0m of earn-out consideration paid on Concepta

Net Debt

- Net debt £48.0m at 30 September 2023 (H1 FY23: £47.8m), remains a comfortable 1.3x adjusted EBITDA (H1 FY23: 1.3x)
- RCF borrowing costs are 1.8% margin over SONIA rate
- Current bank facility expires 30 June 2026

M&A - Extrinsicica Global

Extrinsicica Global (EXG)

- Microsoft Azure skills, established customer references and track record
- EXG is a Microsoft Solutions Partner Specialising in Azure infrastructures and Digital and App innovation, Data platforms in Azure and DevOps.
- One of the first 25 Microsoft partners globally to be accredited as an Azure Cloud Solution Provider

Extrinsicica Global ("EXG") - Deal Financials

- Completed 5 June 2023
- Initial consideration of £4.0m (satisfied £2m in cash and £2m in iomart shares). Potential additional cash consideration £0.3m on short-term key customer target. £3.7m of acquired debt repaid
- Consideration shares subject to 12-month lock in
- SPA included contingent £4.0m to £7.0m of earn-out payment (year to March 24). No payment expected
- Historic pre-acquisition financials: c. £7.4m revenue and c.£0.1m EBITDA (unaudited)

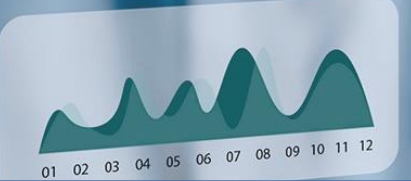
M&A - Accesspoint Technologies

Accesspoint Technologies

- Established in 2009 in North East London
- Solely focused on the UK legal industry clients
- Current services include: infrastructure hosting, software licensing, security management, business continuity services and communications provisioning
- Provides iomart with deep industry expertise and a highly capable team with a strong reputation within the legal sector. Growing customer base of around 55
- Combined with iomart's existing legal customers consolidates iomart's position in a key sector

Accesspoint Technologies - Deal Financials

- Completed 4 December 2023 (post period-end)
- Initial consideration of £4.5m paid in cash, with a potential further £0.5m in cash payable on the achievement of certain post-acquisition milestones
- The initial consideration will be financed through a combination of existing bank facilities and cash on the Company's balance sheet
- Acquisition also includes up to a further £1.4m contingent earn-out payment based on the profitability for the 12 months ending 31 August 2024
- Historic pre-acquisition financials: c. £3.8m revenue and adjusted EBITDA of c.£0.8m (unaudited)



Strategic Update



Market trends



Hybrid cloud continues to be the solution of choice

Many customers need a blend of private and public (hybrid) capability
A CSP enables the right workloads in the right place at the right time
Data sovereignty considerations are key for some



Cost smoothing and predictability is becoming the norm for IT spend

Customers are looking for predictability and certainty
An opex (as-a-service) value for money solution continues to be very relevant



Cyber Security is a growing 'plan for investment' for SME businesses

Boards and Risk Committees are increasingly focused on the risk of poorly managed and protected business critical data
Assessments, plans and budgets for cyber are increasingly 'in the plan' for forward looking businesses



Application modernisation and optimisation will be key

Applications' interoperability and optimisation with data sitting in the cloud is becoming a key source of competitive advantage and therefore a growing customer need



Integrated ICT Managed Services Outsourcing is coming of age

Customers want an MSP with technical expertise in IT as well as Connectivity
Access to hard-to-find expertise to complement small in-house teams is a high priority



Moving from data management to data security operations

Customers understand that data is critical to their business outcomes
Needs are expanding from Data Storage and Management (BaaS and DRaaS) to more robust and constant Security Protection Services



Is Generative AI relevant for our customers?

AI is starting to move from the 'hype' part of the innovation curve to broad sector wide applications beyond 'bots'
SMEs are mainly in a 'wait and see' mode

Renewed focus areas going forward



Sales Effectiveness

- Further refine sales model and new logo/business development approach
- Embed Extrinsica Azure cloud migration proposition and nurture Microsoft engagement
- Leverage our Oriium and Pavilion IT new channels to market
- Cristie Data integration



Service Excellence

- Improved ITIL industry standards alignment - deployment, incident and problem management
- Leverage internal devops team for Service Assurance tools streamlining and automation
- Focus on Top 20 customer service management and executive engagement



Platform & Portfolio Coherence

- Create greater brand and portfolio cohesion and clarity of USPs
- Accelerate IAAS portfolio strategy and focus
- Refresh Data Management, Protection & Cyber Security Services portfolio

A background image showing two business professionals in a modern office setting, looking out a large window at a cityscape. The scene is overlaid with a digital network of white lines and nodes, and various data icons like rectangles and circles. The lighting is bright, suggesting a sunrise or sunset.

Summary & Outlook

Confident Outlook



More relevant portfolio for our customers' needs

Improved foundations within the business on which to grow

Operating in active and long-term growing hybrid cloud market

Ongoing proactive and proven M&A strategy

Current Trading is in line with Board expectations

Confident in the outlook for the long-term prospects for the Group



**THANK
YOU**

Any Questions ?