

Impala Bidco Ltd

Unaudited Financial Statements

Period: Q3 2022

Overview

Impala Bondco Plc is a UK company created for the purpose of raising a public bond in order to drive further strategic acquisition and growth within the Group known as Impero Group, which is constructed of Impala Bidco Ltd and its subsidiaries.

Impero is a global cybersecurity provider of cloud-based, on-premise and hybrid, wellbeing and learner monitoring SaaS and filtering solutions into the education and corporate marketplaces. Designed to protect and save children in the school environment, as well as to improve the delivery of education and technology throughout a school, Impero's products can be purchased standalone or combined to meet the customer's needs. These solutions enable schools to keep students safe in an increasingly threatening world, improve the teaching environment and maximize efficiency for school network managers. The product suite, and its benefits, segue into the corporate market with ease, providing security features which exceed even the most stringent security and compliance standards. IT and HR managers can utilise the solution to great effect, whether monitoring and supporting employees with wellness or managing hardware.

Impero is headquartered in Nottingham (UK) with offices in Anaheim and Portland (USA), Canberra (Australia), Bucharest (Romania) and Copenhagen (Denmark).

The Group is one of the leading players in UK secondary schools, serving more than 1,400 secondary schools across the country, and has a significant footprint in the US. Globally, Impero has approximately 6,500 customers in 110 different countries and the software is used by c.2,500 School Districts and 50 percent of the Fortune 100 companies.

Impero was founded in 2002 to provide network management software to IT technicians in schools and has since been dedicated to solving complex problems with simple solutions for educational establishments across the globe. From 2015, Impero evolved its product set to include classroom management and online safety monitoring software solutions.

In recent years, Impero has been strengthening its footprint in the US. In 2018, Impero acquired Safeguarding Monitor, a developer of applications to help schools, colleges and multi-academy trusts meet their safeguarding responsibilities. On February 4th, 2021, Impero completed the acquisition of Netop, creating additional whitespace opportunities and providing a strong foothold in the corporate sector, primarily in financial services and retail. In January 2022, Impero acquired ContentKeeper, again creating additional whitespace opportunities, strengthening the US footprint, and securing a best-in-class web filtering solution.

Q3 Highlights:

1. Impero's Filter product (gained through the ContentKeeper acquisition) has achieved the relevant approvals in the UK for market entry. Impero will be bringing to market a consolidated platform of offline and online safeguarding tools, including Filter, during Q1 2023.
2. Impero was awarded first place in the Education Software Provider category at the Education Investor Awards 2022, held in the UK.
3. PF Q3 total bookings have shown growth of 21% ACV and 34% TCV across the Group, driven by strong growth in the Education segment (up 27% ACV and 40% TCV versus Prior Year). Deployments of the Filter product in the US are up 67% on prior year.
4. Geographically, bookings performance in Americas Education continues to be strong across the Group, up 34% ACV and 50% TCV on prior year.
5. The group continues to be resilient despite predictions of a recession in the UK and US during 2023.
6. On a TTM basis, the Net Interest Bearing Debt leverage ratio is 6.92x adj. EBITDA which has improved from previous quarter (6.99x), due to stronger cash position and increased EBITDA
7. The third installment of Bond interest payment was paid in July.
8. Bond prospectus submitted in Q3 and subsequently successfully listed on the corporate bond list on Nasdaq Stockholm.
9. Conversion from UK GAAP to IFRS, as required by the terms of Bond has been completed following analysis of circa 34,000 sales invoices.
10. £22m ARR at end of Q3 sees growth in year between January to September YTD 2022 of 16%.

Q3 Financial Commentary

Renewals of existing customer agreements continue to show positive momentum at an increase of 22% from PY. Revenue for YTD Sep 2022 came in at £18.6m (up 121% YoY), with trailing twelve-month revenue of £ 22.2m (note, TTM only includes ContentKeeper for YTD Sep 2022).

The outcome of the YTD Sept 2022 operations is an EBITDA performance of £1.7m, with trailing twelve-month (TTM only includes ContentKeeper for YTD Sep FY22) EBITDA of £2.4m.

Impact of IFRS conversion from UK GAAP

Conversion to IFRS has seen an initial slight reduction in revenue in 2022; but the conversion has also resulted in a significant increase of deferred revenue in balance sheet (£5m increase) which will be released appropriately to the P&L in future periods.

TTM Proforma Performance (£m)

The slight decrease in Proforma TTM EBITDA performance of £3.53m in Q2 to £3.20m in Q3 is due to conversion from GAAP to IFRS accounting which has seen a reduction in 2022 revenue (as described above) as well as catchup in Q3 of 2022 costs aligning across the Group to accrual-based accounting. Some of this reduction has been offset against a positive effect due to capitalization under IFRS.

Operational Opportunities

UK/EMEA Education has not grown at the same pace as Americas Education. In order to correct this, Impero has two initiatives underway. Starting in Q2 2022 the Product team has been working to translate Classroom into German, Dutch, and Japanese in order to take advantage of existing reseller relationships in DACH, Benelux and Japan regions. Secondly, the business has been working on the introduction of the ContentKeeper Filter into the UK. Both initiatives are targeting launch in Q1 2023.

The seasonality of the corporate arm of the business, and the historical perpetual nature of its licences, can lead to lumpy bookings – this will be mitigated over time with a greater percentage of trade being migrated to SaaS. The migration will be phased to mitigate impact on revenue, but this will positively impact recurring revenues steadily over time. Product development is underway to support this.

Lack of automation in business systems is currently resulting in immature processes and therefore, manual consolidation is needed across the eighteen entities within the Group. The process of transitioning over to one system (Business Central) is well underway with a target completion date of Q1 2023.

In parallel, Impero will be initially looking at closing some of the smaller entities for corporate simplification as part of ongoing synergies and will also look at operational synergies for the wider group.

Other Comments

The Group now reports under IFRS, having transitioned successfully from UK GAAP during Q3.

As the Group continues to grow, we have invested in our internal infrastructure. Where there are one-time implementation fees these have been treated as non- recurring items.

Through the acquisition of Netop, there were significant synergies identified and realised. These were largely headcount costs relating to duplicated roles and activities between Impero and Netop. Due to the nature of the ContentKeeper product, the current focus is to drive revenue synergies. The Group continually evaluates the cost base and has identified efficiencies which will begin to be realised in H2 of FY22, but largely in FY23. During Q3, Impero has identified significant savings that can be made on hosting costs that will be achieved over the next 12 months.

Consolidated Profit and Loss (Unaudited IFRS)

	YTD Sep 2022 £'000	YTD Sep 2021 £'000	TTM* to 30-Sep-22 £'000
Turnover	18,629	8,404	22,179
Cost of Sales	(3,422)	(1,228)	(3,851)
Gross Profit	15,207	7,176	18,328
Administrative Expenses	(13,461)	(8,671)	(15,888)
EBITDA	1,746	(1,494)	2,440
Exceptional Costs	(4,976)	(1,941)	(5,528)
Depreciation and Amortisation	(2,047)	(1,171)	3,822
Interest Payable and Similar Expenses	(1,737)	(113)	(3,040)
Loss before Taxation	(7,014)	(4,718)	(2,306)
Tax on Loss	(93)	(20)	(247)
Loss for the Financial Period	(7,107)	(4,738)	(2,552)

Notes to the Profit and Loss

- YTD Revenue of £18.6m split on average 80/20 towards recurring revenue
- Positive Quarter on Quarter revenue growth in 2022 – Q1 £5.7m, Q2 £6.3m and £6.6m in Q3
- Slight reduction of H1 Revenue under IFRS of £240k
- Increase in administrative expenses is driven by
 - Increase in both marketing and travel expenses as the business continues to BAU post COVID
 - True-up of costs relating to prior periods in 2022 and cleansing/reconciliation of balance sheet
- Exceptional Costs increase in Q3 mainly relates to acquisition related invoice of £1.3m costs that should have been accrued and recognized in Q1
- Positive TTM depreciation relates to 2021 audit adjustment of £6.5m impairment write-back for Netop Business Solutions relating to prior years write down

*Includes ContentKeeper only for YTD 2022.

Consolidated Balance Sheet (Unaudited IFRS)

	Sep-2022 £'000
Fixed Assets	
Intangible Asses	76,048
Tangible Assets	1,024
	<hr/> 77,071
Current Assets	
Debtors	18,053
Cash at Bank and In Hand	8,232
	<hr/> 26,285
Creditors	(15,473)
Other Loans	(1,202)
Net Interest Bearing Debt	(32,658)
Deferred Income	(28,302)
	<hr/>
Net Assets	<u>25,722</u>
Capital and Reserves	
Called Up Share Capital	1,714
Share Premium Account	42,440
Reserves	(18,433)
	<hr/>
Total Shareholders' Funds	<u>25,722</u>

Notes to the Balance Sheet

- Strong Cash position due to high sales in H1 and better debt collection
- Interest payments made in January, April and July are reflected in the cash balance
- Movement in Intangible includes ContentKeeper Goodwill as well as Development costs in line with IFRS conversion
- Increase in creditors is due to fair value adjustment of Deferred tax £9,868m for ContentKeeper
- Deferred Income includes fair value adjustment of £4.572m for ContentKeeper. Actual deferred income to be released is £32.8m
- Share Capital/Premium increase due to both issuance of Shares in Q3 and ContentKeeper acquisition
- Movement in Reserves in quarter relate to IFRS conversion for both revenue and development costs as well as normal trading results

Consolidated Cashflow Statement (Unaudited)

	Sept YTD
	£'000
Operating Results	(7,107)
Adjustments for:	
Amortisation and Depreciation	2,047
Taxation	93
Changes in Working Capital	4,745
Finance Costs	1,737
	0
Cashflow from Operating Activities	1,516
Loans	(1,103)
Interest Paid	(1,199)
Net Cash used in Financing Activities	(2,302)
Purchase of Tangible Assets/ Intangibles	(2,307)
Net Cash used in Investing Activities	(2,307)
Net Increase/Decrease in Cash	(3,094)
Cash and Cash Equivalents at beginning of period	11,326
Cash and Cash Equivalents at the end of the period	8,231

Notes to the Cash Flow Statement

- Three interest payments made in January, April and July reflected in Cash Flow
- Vendor Loan Note of 9.5m DKK => £1,103k paid in Q3 also reflected in Cash Flow

Accounting Policies and Notes to the Financial Statements

Impala Bidco Ltd is registered and incorporated in the United Kingdom. The registered office is Seventh Floor, East West, Tollhouse Hill, Nottingham, NG1 5FS. The Group consists of Impala Bidco Ltd (the “parent company”) and all its subsidiaries, of which Impala Bondco plc is one. The operations of the Group comprise of the development and provision of software to provide safe learning environments for learners globally.

These financial statements are the first published consolidation financial statements of the Group prepared in alignment with International Financial Reporting Standards (“IFRS”) in conformity with the requirements of the Companies Act 2006.

The financial statements were previously prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland.

Some of the IFRS recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from FRS 102. Consequently, the business has amended certain accounting policies to comply with IFRS.

Company Information

Name: Impala Bidco Ltd

Address: Seventh Floor, East West
Tollhouse Hill
Nottingham
NG1 5FS
United Kingdom

Company Registration: 10878303

Financial Year: January 1 – December 31

Website: www.imperosoftware.com

Board of Directors: Philip Walters, Chairman
Julian Bennet
Joe Ross
Justin Reilly
Gilbert Kamieniecky
Richard Cremona
Kerstin Sundberg

Auditors: Mazars
6 Dominus Way
Meridian Business Park
Leicester
LE19 1RP
United Kingdom