

Impala Bidco Ltd

Unaudited Financial Statements

Period: Q4 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.

The Highlights

1. Impero saw a strong end to 2022 with sales bookings totalling £17.7M Annual Contract Value (“ACV”) and £25.5M Total Contract Value (“TCV”). This represents 20% growth in TCV on the previous year.
2. In Q4 alone, ACV totalled £3.5M, with a TCV of £4.6M, continuing a strong sales performance, most notably in the US which accounted for 66% of TCV in the period.
3. Impero was shortlisted for a prestigious Bett Award at the end of 2022, under the category ‘Company of the Year’ – the awards ceremony will take place March 29th, where the winner will be announced.
4. Impero’s Filter product, obtained through the acquisition of ContentKeeper, was in high demand throughout 2022, accounting for £9.1M of total ACV (51% of ACV sales bookings) and £15.6M of total TCV (61% of TCV sales bookings).
 - In Q4 alone, Impero sold £2.4M (TCV) of its Filter product, accounting for 52% of sales in the quarter.
 - Key wins for Impero’s Filter solution in Q4 included two large US school districts, with a combined TCV of \$0.5M USD.
 - Ahead of the launch of Filter in the UK, sales teams have been raising interest and, by the end of 2022, had already built £0.5M in pre-launch pipeline for the product. Filter is planned to be released in the UK at the Bett show in London, March 2023.
5. Q4 delivered a strategic deal in the Corporate segment for Impero Connect, developing a bespoke enhancement to its cloud delivery for Intel, worth \$0.25M and opening new doors for the solution.
6. New business demand continued into Q4 with 258 new deployment requests (both POC and full installations) across the product range, despite schools typically slowing down ahead of the holiday break.
7. Q4 saw a new release of the core web Filter product, and updates to Windows, ChromeOS, iOS, and Android device clients, which included significant enhancements to performance and security. These included changes needed to support the launch of the ContentKeeper Filter in the UK.
8. Q4 saw significant enhancements to Backdrop (the platform behind Classroom and Wellbeing products) with updates to the core web-based application and Windows, ChromeOS, Android, and iOS device clients. These have improved performance and ensured ongoing compatibility with changes in device operating systems.
9. Extensive work was carried out in Q4 to prepare for a 2023 data migration cost-saving initiative. This involved an expansion of existing data centers and the design and project planning for two new UK data centers built in January 2023.
10. FY22 revenue amounted to £24.5M, representing growth of 92% and with recurring revenue of 84%.
11. FY22 adjusted EBITDA amounted to £1.9M, an increase of £1.4M from FY21 and growth of 310%.

12. On a pro forma TTM basis, the Net Interest Bearing Debt leverage ratio is 8.58x adjusted EBITDA. If the cash balance is adjusted for the impact of exceptional cash spend in FY22, the ratio becomes 6.7x adjusted EBITDA.
13. Impero's accounting basis was converted to IFRS for FY22. The main adjustments are presented in the financials.
14. The group continues to be resilient despite predictions of a recession in the UK and US during 2023, due (amongst other things) to its longstanding customer relationships, criticality of its products, and the recurring nature of its revenues.

A Note From Justin (CEO)



2022 has been a strong year for Impero, with notable growth in sales bookings, as well as significant development to core products. 2022 was about realising the ContentKeeper acquisition strategy, by driving synergy savings across the two businesses, pushing high value enterprise sales in the K12 filtering space and cross-selling Impero's Classroom solution into the existing ContentKeeper customer base. I'm happy to say that the business has delivered on this, with a 20% growth in TCV bookings, when compared to the combined value of the separate entities in the previous year.

US sales accounted for 70% of Impero's 2022 bookings, as we leveraged the ContentKeeper customer base and its established US sales operation. In Q4, we had key wins with two large US school districts, who we were delighted to onboard as new Filter customers, for a combined total contract value of \$0.5M USD. With a staggering YoY increase of +62% in new business sales, ContentKeeper's success is a testament to its cutting-edge technology and a validated market fit. Additionally, being a part of the broader Impero organization has provided unprecedented opportunities for growth and development, ensuring that the ContentKeeper technology remains at the forefront of innovation in its field.

Impero finished 2022 with new business bookings in EMEA slightly down on previous year, finishing on £4.5M (TCV). In the UK, the Department for Education announced detailed plans to move all schools into Multi-Academy Trusts (MATs) by 2030 and as a result, Impero saw a notable shift in the nature of software requirements and, in many cases, a postponement of school budgets as school groups merged. Impero's product roadmap is focused on the changing nature of Edtech in the UK, with a greater emphasis on reporting and multi-layered management that will address market needs in 2023. We have also had feedback from pilot schools that the ContentKeeper filter is superior to anything on the market today, and the sales teams have been building pipeline ahead of the launch in Spring 2023. At the end of Q4, we appointed a new Sales Director for the EMEA region, Richard Gardner. Richard comes with a wealth of experience in the EdTech space that will see him hit the ground running. With Richard's appointment, along with market-driven product enhancements and the launch of Impero's Filter solution in the UK, we anticipate a strong EMEA sales performance in 2023.

Q4 delivered strategic success in the corporate space, with a sale to Intel for our remote access solution, Impero Connect, worth \$240.5K (TCV). Intel has been collaborating with Impero for several years and, in Q4, Impero was chosen to conduct bespoke development work, porting Impero Connect's cloud modules into Intel's cloud infrastructure. This is testament to Impero's ability to meet Intel's rigorous security requirements and will enable Intel to manage Impero Connect within its own environment. By gaining access to a new market opportunity, Impero Connect can now offer cloud portability to all enterprise customers who wish to host and control their cloud infrastructure. This collaboration between two powerhouses represents a major step forward in the technology industry and promises to revolutionize the way businesses interact with the cloud.

During Q4, development teams focused on performance and security enhancements across the entire product portfolio. Additionally, we released several new features for our mobile applications, as a result of market feedback and requirements for the launch of the ContentKeeper filter in the UK.

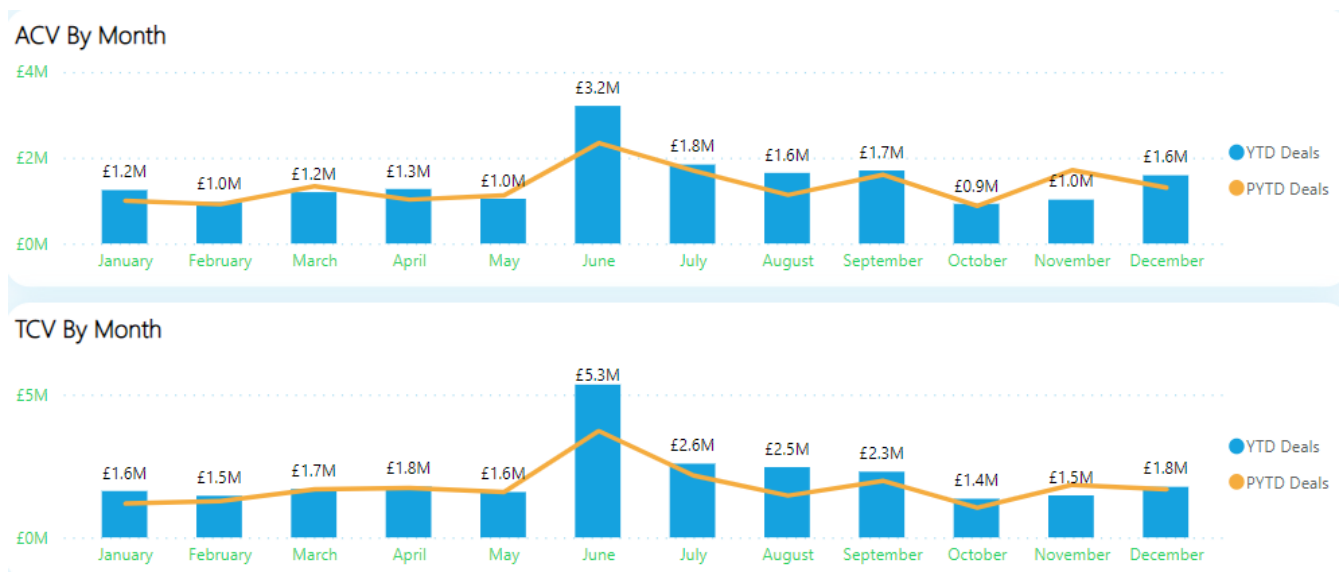
Work on the Data Center cost saving initiative kicked off in Q4, with the expansion of existing data centers in the US, and the design of two new ones to be built in Manchester and Slough, UK in January 2023. These data centers are set to deliver significant savings in 2023, as we migrate products from public to private cloud infrastructure.

Focused on streamlining the organization’s back office, following both the Netop and ContentKeeper acquisitions, Impero delivered a number of internal business transformation projects in Q4, designed to reduce cost, align processes and improve visibility of business performance. ContentKeeper and Impero operations teams were fully integrated by restructuring reporting lines, unifying processes, and migrating all customer accounts onto Zendesk as the single business service desk for support and deployments. In a drive to automate and digitalize all KPI monitoring across the business, a project was also completed to consolidate sales, operations, and product performance into a series of PowerBI reporting dashboards. This has now been rolled out across the business to enable faster and better-informed decision making.

All in all, we finished 2022 on a positive, with several initiatives underway to drive continued success into 2023 and beyond, including the commencement of cost savings initiatives, which will lead to annualised cost savings of several millions of pounds in FY24. We recently appointed a new group CFO, Ian Kelly, who will spearhead these initiatives and ensure our financial metrics support our ambitious plans for business growth moving forwards.

Sales Bookings – ACV/TCV vs Previous Year

With 77% of Impero’s sales coming from the global education space, there is a strong cyclical influence on performance throughout the year. US school budgets are released in June, which is when Impero hits its peak selling season, and where 2022 saw a significant spike in bookings compared to the previous year.



The Financials

1. Q4 Financial Commentary

- Q4 delivered revenue of £6.0M.
- As part of the year-end process, there have been several cost true-ups in Q4 relating to FY22.
- Impact of IFRS conversion:

Revenue:

- Conversion to IFRS from local GAAP was minimal. We have, however, seen an increase in deferred revenue for the year of £16.9M, driven by moving Netop from cash accounting to IFRS and the inclusion of a whole year's results for ContentKeeper, which was acquired on January 1st 2022.

Costs:

- The only significant impact on the FY22 OpEx cost base was the implementation of IFRS 16 which has resulted in increasing adjusted EBITDA by £0.6M.
- Acquisition accounting provisional figures are included but to be confirmed as part of the audit process - no impact to adjusted EBITDA is expected.
- £10M of historic goodwill amortization was reversed under IFRS.

2. Consolidated Profit and Loss (Unaudited IFRS)

	FY22	FY21
	£'000	£'000
Turnover	24,539	12,808
Cost of Sales	(4,903)	(1,661)
Gross Profit	19,635	11,147
Administrative Expenses	(17,727)	(10,681)
Adjusted EBITDA	1,909	466
Exceptional Costs	(5,166)	(3,573)
Depreciation and Amortisation	(5,568)	(4,557)
Interest Payable and Similar Expenses	(1,366)	(895)
Loss before Taxation	(10,191)	(8,559)
Tax on Loss	(372)	(417)
Loss for the Financial Period	(10,563)	(8,976)

NB: Adjusted EBITDA is EBITDA less FX costs and exceptional costs.

- FY22 includes a whole year's worth of ContentKeeper revenue and costs (ContentKeeper was acquired on January 1st 2022).
- FY22 revenue of £24.5M with 84% recurring revenue.
- An increase in adjusted EBITDA of £1.4M to £1.9M.
- Exceptional costs increased by £1.6M, driven by M&A activity and project costs.
- Interest payable, and similar expenses of £1.4M, includes interest of £2.9M on the bond notes, but is partially offset by FX rate movements.
- D&A of £5.6M for FY22 includes £1.3M of D&A on assets and capitalised R&D, and £4.3M on amortisation of acquired intangibles as part of acquisition accounting.

3. Consolidated Balance Sheet (Unaudited IFRS)

	Dec-2022 £000
Fixed Assets	
Intangible Assets	106,219
Tangible Assets	1,690
	107,909
Current Assets	
Inventory	894
Trade Debtors	3,126
Other Debtors	4,757
Cash at Bank and In Hand	6,127
	14,904
Creditors	(16,379)
Other Loans	(1,221)
Bond Note Principal	(29,728)
Accrued interest on Bond	(648)
Capitalised loan fees	394
Deferred Income	(20,125)
	(67,707)
Net Assets	55,106
Capital and Reserves	
Called Up Share Capital	1,714
Share Premium Account	42,440
Reserves	10,952
Total Shareholders' Funds	55,106

- Movement in intangible assets driven by acquisition accounting, to be agreed with auditors as part of FY22 audit.
- Decrease in Bond Note Principal in Q4 due to FX rate movements.
- Movement in reserves driven by acquisition accounting.

4. Consolidated Cashflow Statement (Unaudited)

	Dec-2022 £000
Operating Results	(10,563)
	(10,563)
Adjustments for:	
Amortisation and Depreciation	5,568
Taxation	372
Changes in Working Capital	6,529
Finance Costs	1,366
Taxation Paid	(499)
Cashflow from Operating Activities	2,773
Repayment of Loans	(1,103)
Interest Paid	(2,892)
Net Cash used in Financing Activities	(3,995)
Purchase of Tangible Assets/ Intangibles	(3,500)
Net Cash used in Investing Activities	(3,500)
Net Increase/Decrease in Cash	(4,722)
Cash and Cash Equivalents at beginning of period	11,326
Impact of FX on opening balances	(477)
Cash and Cash Equivalents at the end of the period	6,127

- The decrease in cash of £4.8M for the year also includes the impact of exceptional cash spend of circa £5.2M.
- Interest paid of £2.9M reflects 4 bond note quarterly interest payments.
- Purchase of Tangible Assets/Intangibles of £3.5M driven by R&D Costs of £1.9M and Data Centre costs of £1.0M.

5. 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 FY22 financial statements are the first full year published consolidated financial statements of the Group prepared in alignment with International Financial Reporting Standards (“IFRS”) in conformity with the requirements of the Companies Act 2006. FY21 comparison will be restated to IFRS from FRS 102 for the audited accounts to follow later in the year.

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
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Financial Year:	January 1 – December 31
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