Impero

Impala Bidco Ltd

Unaudited Financial Statements
Period: Q1 2023

Overview

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 ended Q1 2023 with bookings totalling £2.9M ACV and £4.0M TCV. While down by 14% on previous year as a quarter (ACV), March showed good growth in bookings.

2. Education sales in Q1 saw growth of 20% in EMEA compared with Q1 2022, with the Americas falling short of previous year due to the timing of some large multi-year deals booked in 2022.

3. Impero’s Web Filter product, obtained in the ContentKeeper acquisition, accounted for £1.1M of total ACV (37% of sales bookings).

4. The top three new business wins for Impero’s ContentKeeper Web Filter solution, in Q1, had a combined total contract value over $0.5M USD.

5. The ContentKeeper Web Filter solution was launched to the UK market at the Bett show in March 2023. The show generated 400 leads for the product worth £475k.

6. The Marketing team generated 2,801 qualified leads in Q1, worth £3.9M in pipeline value, and representing 18% increase on Q1 performance in 2022.

7. The datacenter migration project was completed in Q1, with the build of two new data centers and plans to move a number of systems and products over from public to private cloud infrastructure.

8. Key enhancements were made to Backdrop in Q1, including the use of Machine Learning and keyword reviews, to reduce false positives in Wellbeing, and improvement to the ‘Single Device View’ and thumbnail technology in Classroom.

9. Impero released a version of Classroom in German and made significant progress towards a Dutch version.

10. Development work on the ContentKeeper Web Filter included regional support required for the UK launch, deployment automation work, general enhancements and security upgrades.

11. Q1 FY23 delivered trading revenue of £5.7M, versus prior year of £5.4M and 6% growth.

12. Recurring revenue increased by £0.5M, from £4.6M to £5.1M, reflecting growth of 12%.

13. TTM pro-forma adjusted EBITDA of £2.4M.

14. On a proforma TTM basis, the Net Interest Bearing Debt leverage ratio is 12.3x adjusted EBITDA. If the cash balance is adjusted for the impact of exceptional cash spend the ratio is 11.7x adjusted EBITDA.

15. Cost saving initiatives commenced to deliver an annualized cost savings of £4.2M.

16. The group continues to be resilient despite predictions of a recession in the UK and US during 2023.

A Note From Justin (CEO)

Q1 is typically the slowest month for Impero, with US school budgets not yet released and the Education market focused on vendor research, ahead of the peak buying season in Q2. This is a busy time for sales and marketing, building up pipeline and qualifying opportunities that could be closed in the year. Impero attended a number of large tradeshows in Q1 including FetC in Florida, TCEA in Texas and the world's largest EdTech show, Bett in London. By the end of Q1 pipeline sat at £13.14M ACV, and £18.83 TCV, for new business alone.

Sales bookings were slightly down on previous year in January and February due to the timing of some large multi-year renewals in 2022 and a drop in the corporate business, due to a number of binary deals being pushed back into Q2. However, March saw growth of 1.7% ACV and 12.4% TCV, a trend that since extended into April. Due to the impact of timing on large multi-year deals, as a business we view whole quarter sales numbers as our main performance indicator, as opposed to focusing too hard on the month-to-month comparisons.

Education sales in EMEA stood out in Q1 with growth of 20% TCV. Where this segment was down in our last bond report, the combination of a new Sales Director for the region, the launch of ContentKeeper's Web Filter into the market and a focused marketing approach, have come to fruition in 2023. As the first deals start to close for ContentKeeper's Web Filter solution in the UK, we're seeing the average deal size in the region, as well as enthusiasm amongst the sales team, increasing.

The product development team continues to deliver on the product roadmap priorities, with some notable enhancements to Backdrop (the platform behind Classroom and Wellbeing). Working with specialists in the field, the product development team have combined Machine Learning with an extensive keyword review to reduce the number of captures customers need to review, as part of Wellbeing's online safety solution. This greatly improves user experience and ultimately the speed at which educators can intervene in safeguarding concerns. Listening to feedback from the customer base, Classroom has improved some of its core screen monitoring functionality, as well as work on German and Dutch versions of the product, to meet the needs of growth markets. Development on ContentKeeper's Web Filter has been focused on the needs of the UK market ahead of launch, as well as automation work to speed up product deployments.

We were delighted to welcome new CFO, Ian Kelly to the executive team in Q1. Ian joined during a busy period for Finance, and has hit the ground running as we kicked off a number of business initiatives to reduce our cost base and improve our financial controls. Cost reduction initiatives included a review of headcount to right-size the business, post the ContentKeeper acquisition resulting in a round of staff redundancies and a restructure to streamline business operations. Alongside this the data center migration project is providing increased operational savings each month. We expect to achieve annualized cost savings of £4.2M by the end of FY23.

Impero

Ian has also been focused on building out the permanent finance function, following a period of change for the team, with a number of interim staff members and interim leadership. By the end of Q2 we aim to have the senior finance management team appointed, considerably upskilling the function and providing stability in this core part of the business.

The Financials

1. Q1 Financial Commentary

- Q1 FY23 delivered trading revenue of £5.7M, versus £5.4M in Q1FY22, representing 6% year-on-year growth.
- Recurring revenue increased by £0.5M from £4.6M to £5.1M, reflecting growth of 12%.
- Recurring revenue as a % of trading revenue increased from 85% to 90%.
- Adjusted EBITDA loss of £0.2M is line with prior year.
- TTM adjusted revenue of £24.9M and adjusted EBITDA of £1.9M.
- TTM pro-forma adjusted EBITDA of £2.4M.

2. Consolidated Income Statement (Unaudited IFRS)

	Q1 23 £'000	Q1 22 £'000	TTM March 23 £'000
Revenue	5,379	4,698	23,170
Cost of sales	(1,121)	(1,104)	(5,138)
Gross profit	4,258	3,594	18,032
Administrative expenses	(4,790)	(4,446)	(17,854)
Exceptional costs	(616)	(3,915)	(1,455)
Ebitda	(1,148)	(4,767)	(1,277)
Depreciation & amortisation	(2,064)	(2,069)	(8,270)
Finance costs	(965)	(806)	(3,654)
Exchange rate variance	(224)	665	3,620
Loss before tax	(4,401)	(6,977)	(9,581)
Tax	200	240	918
Loss after tax	(4,201)	(6,737)	(8,663)

Revenue			
Revenue	5,379	4,698	23,170
Reversal of unwind of deferred revenue haircut*	340	681	1,760
Trading revenue**	**5,719**	**5,379**	**24,930**
Recurring revenue	5,144	4,589	20,568
Non-recurring revenue	575	790	4,362
Total	**5,719**	**5,379**	**24,930**

Ebitda to adjusted Ebitda bridge			
Ebitda	(1,148)	(4,767)	(1,277)
Exceptionals	616	3,915	1,455
Reversal of unwind of deferred revenue haircut*	340	681	1,760
Adjusted Ebitda***	**(192)**	**(171)**	**1,938**

Exceptionals			
M&A costs	-	2,827	-
Bond implementation costs	-	1,088	-
Finance projects	477	-	974
Restructuring costs	86	-	281
Other	53	-	200
Total	**616**	**3,915**	**1,455**

Deferred revenue haircut
Deferred revenue haircut is the fair value adjustment required to be recognised when accounting for business combinations under IFRS3, to discount the book value of deferred revenue acquired to remove the profit element relating to sales and marketing effort performed prior to the business combination, leaving an amount reflecting the fair valuation of the delivery element only.

****Trading revenue***
Trading revenue is calculated as reported revenue excluding the impact of deferred revenue haircut. This reflects the revenue that would be recognised in accordance with accounting standards had the acquired entity always been a part of the group and is the reflective continuing revenue of the combined group on a normalised basis.

*****Adjusted EBITDA***
Adjusted EBITDA is calculated as Earnings before net finance cost, tax, depreciation and amortisation, impairment, loss on disposal of assets, foreign exchange gain or loss, exceptional items and deferred revenue haircut.

Adjusted pro-forma EBITDA
Adjusted pro-forma EBITDA is calculated as adjusted EBITDA plus the impact of cost saving initiatives in the period as if they were in effect for the full period.

- Q1 FY23 delivered trading revenue of £5.7M, versus £5.4M in Q1FY22, representing 6% growth.
- Recurring revenue increased by £0.5M from £4.6M to £5.1M reflecting growth of 12%.
- Adjusted EBITDA is flat year-on-year due to increase in OpEx costs of circa £0.3M, primarily driven by investment in the finance team and finance projects.
- Exceptional costs have reduced by £3.3M, primarily driven by £2.8M of M&A costs in Q1 FY22 (relating to the acquisition of ContentKeeper) and bond implementation costs of £1.1M.
- Exchange rate variance is primarily driven by SEK/GBP exchange rates with the bond loan balance being in SEK.

3. Consolidated Statement of Financial Position (Unaudited IFRS)

	Mar-23	Dec-22	Mar-22
	£'000	£'000	£'000
Non-current assets			
Intangible assets	105,654	108,700	112,492
Property, plant and equipment	3,435	3,138	2,821
	109,088	111,838	115,312
Current assets			
Inventories	1,706	898	2,286
Trade and other receivables	7,464	8,229	4,936
Cash and cash equivalents	658	6,127	7,193
	9,828	15,254	14,415
Current liabilities			
Trade and other payables	(7,534)	(7,429)	(7,879)
Contract liabilities ST	(10,977)	(11,746)	(12,157)
Lease liabilities ST	(526)	(523)	(543)
	(19,037)	(19,698)	(20,580)
Non-current liabilities			
Contract liabilities LT	(6,121)	(7,856)	(1,784)
Lease liabilities LT	(786)	(880)	(1,118)
Bond principal	(29,309)	(29,729)	(30,854)
Other loans	(1,372)	(1,386)	(2,406)
Accrued interest	(843)	(747)	(636)
Loan arrangement fees	408	467	642
Deferred tax liabilities	(13,146)	(13,237)	(14,371)
	(51,169)	(53,368)	(50,529)
Net assets	**48,710**	**54,025**	**58,619**
Equity			
Share capital	2,235	2,235	1,976
Share premium	41,920	41,920	39,589
Retained earnings	4,556	9,871	17,054
Total equity	**48,710**	**54,025**	**58,619**

- Reduction in cash of £5.5M since Dec 22, due primarily to inventory purchase of £2.0M, data centres £0.6M (to deliver annualised cost savings of £1.5M), R&D £0.5M and Bond interest £0.8m. There is also some seasonality around cash with considerable billings and collections typically taking place over the summer period.

- Other loans - On 17 April 2023 a working capital facility agreement totalling SEK 25M SEK (c.USD 2.5M) was put in place, and accrues interest at SOFR + 2.65%. On 7 July 2023 a further USD 2.5M was advanced in the form of a shareholder loan from the immediate parent entity Impala Holdings Limited. This loan is subordinated to the existing SEK bonds, and is only redeemable after the SEK bonds are fully discharged. The loan accrues interest at 15% per annum, with this interest accruing towards the ending debt balance (PIK interest).

4. Consolidated Cashflow Statement (Unaudited)

	Q1 23 £'000	Q1 22 £'000	TTM March 23 £'000
Ebitda	(1,148)	(4,766)	(1,278)
Movement in WC	(2,441)	1,790	816
Tax receipts/(payments)	108	(99)	(307)
Lease payments	(132)	(136)	(530)
Operational cashflow	**(3,613)**	**(3,211)**	**(1,299)**
Investing			
Purchase of tangibles/intangibles	(1,057)	(551)	(3,803)
Acquisition of subsidiary net of cash	-	(38,379)	-
	(1,057)	**(38,930)**	**(3,803)**
Financing			
Loans drawn/(repaid)	-	-	(1,070)
Cash on merger	-	46,609	-
Capital raised	-	-	2,589
Interest paid	(799)	(683)	(2,952)
	(799)	**45,926**	**(1,433)**
Opening	6,127	3,408	7,193
Cashflow	(5,469)	3,785	(6,535)
Closing	**658**	**7,193**	**658**

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 financial statements are prepared in alignment with International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006.

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