Impala Bidco Ltd

Unaudited Financial Statements
Period: Q2 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.

Impero

The Highlights

1. Impero ended H1 2023 with bookings totalling £8M ACV and £11.9M TCV. While this is down by 9.6% (ACV) on H1 2022, a number of significant deals drifted to July – a month which saw high growth. A large one-off corporate deal in June 2022 also skewed the YoY comparison which, when removed, leaves a flat growth profile for the quarter.

2. Education sales in Q2 saw a continued trend of high growth in EMEA with a 41% increase in TCV for the quarter, driven by the launch of ContentKeeper in this market.

3. By the end of H1, Impero's Web Filter product, obtained through the ContentKeeper acquisition, accounted for £4.5M of total ACV (56% of sales bookings).

4. The Marketing team generated 4,796 MQLs during H1, exceeding their target by over 100%. The team has consistently produced growth month-over-month (MOM) throughout H1.

5. Q2 development work on the core Backdrop platform focused on the separation of concern capturing technology, into its own standalone product, branded 'Safeguard'.

6. Impero's Wellbeing solution saw the introduction of Machine Learning technology for false positive reduction and capture labelling.

7. Classroom received a number of feature updates and performance enhancements as well as the macOS client launch to Beta.

8. ContentKeeper Web Filter received security improvements and feature enhancements in the 194.21 targeted release.

9. Version 13.01 of Impero Connect provided a new integration with Intel vPro™ technology via the Impero Connect Portal, as well as several fixes for the Connect Windows Host.

10. Restatement of FY22 financials was successfully completed with ability to report future bond reports on a timely basis with new ERP implementation project commencing in Q3.

11. Increase in H1 trading revenue of £0.1M from £11.8M in H1'22 to £11.9M in H1'23, representing 1% year-on-year growth, with a recurring revenue increase of £0.8M (9% growth), offset by a reduction in non-recurring revenue. Recurring revenue as a percentage of trading revenue has increased from 79% to 85%.

12. On an adjusted proforma TTM basis, the Net Interest Bearing Debt leverage ratio is 10.6x adjusted EBITDA. If the cash balance is adjusted for the impact of exceptional cash spend the ratio is 9.9x adjusted EBITDA.

13. Cost saving initiatives commenced and have delivered annualised savings of £1.9M as at the end of August, and are expected to deliver annualised cost savings of £4.2M by the end of the year.

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

A Note From Justin (CEO)

Q2 saw us hit the busy selling season in education, with a focus on closing out sales before the end of the school year. Q2 was a strong period for sales with bookings totaling £8M ACV. Our forecasts saw us set to exceed 2022 performance for the period, but with a few large deals drifting into July, at the last minute we fell just short. This shortfall was made up in July and we have stringent tracking in place to monitor and analyze those deals where close dates are pushed out. It's also worth noting that June 2022 was a record month for the combined business with some large new business customers onboarded. These deals can skew the YoY comparisons so we tend to step back and view bookings over a wider reporting period when managing sales performance internally.

The growth in EMEA Education sales, that we reported in Q1, has continued to increase with Q2 performance up by 41% (TCV) on prior year. It's great to see this trajectory as the EMEA sales strategy falls into place and the launch of the ContentKeeper Web Filtering solution continues to have a positive impact on the region. We are starting to build case studies with the region's early adopters for the ContentKeeper Web Filter and the feedback is phenomenal. It is testament to the impact of the product that these customers are helping us to promote the solution through webinars and web content.

Our Americas Education team are responsible for the highest proportion of sales across the business with a Q2 performance of £3.4M ACV and £5.7M TCV. This was broadly aligned to previous year's Q2 performance in the segment, with the growth for this selling season pushed out into July. We are also seeing an increase in the number of US Web Filter deals that require a parental portal (to enable parental interaction with content blocking and tracking on devices). In response, this has been prioritised on our roadmap and we aim to have a first version available in Q4.

Product development saw some notable releases across the product suite in Q2, including the 194.21 release of the ContentKeeper Web Filter and version 13.1 of remote access solution, Connect. Both releases bring vital updates to two core segments of our customer base. Across the Backdrop platform and its product suite, the development teams have delivered some exciting new features in the Q2 sprints. The introduction of Machine Learning into our Wellbeing solution is already making a notable improvement in the reduction of false positives, allowing educators and safeguarding staff to focus on the genuinely concerning online activity that is flagged.

There were some significant changes to the technical organisation structure in Q2 with the announcement of CTO, Mark Riley's retirement. Mark joined Impero as part of the ContentKeeper acquisition, having been one of the business' founders. Mark brought a wealth of experience and knowledge to the business and we wish him all the best in his next chapter. Following this announcement, Camelia Filip has been appointed Interim CTO, with responsibility for the technical roadmap and management of the development teams, reporting into me. Also reporting into me on the technical side of the business, following Mark's departure, will be Marek Kierdelewicz (responsible for Infrastructure and Architecture) and Rex Corkin, VP of Operations.

CFO, Ian Kelly, continues to have a positive impact on the business with improvements across Financial reporting and business process. Having stabilised the finance team, appointing a permanent Group Financial Controller and Head of FP&A, Ian kicked off an ERP project in Q3, with plans to have implemented Netsuite by the end of the year. This will further improve the timeliness and accuracy of business reporting, and remove manual steps in the 'order to invoicing' process. The project comes as the CRM migration project reaches completion, with ContentKeeper sales staff moving from Zendesk Sell to Microsoft Dynamics. This marks the final piece in our global Sales Team integration, post-acquisition.

The Financials

1. H1 Financial Commentary

- Increase in trading revenue of £0.1M from £11.8M in H1'22 to £11.9M in H1'23, representing 1% year-on-year growth, with a recurring revenue increase of £0.8M (9% growth), offset by reduction in non-recurring revenue.
- Recurring revenue as a percentage of trading revenue has increased from 79% to 85%.
- TTM Trading Revenue of £24.7M with adjusted EBITDA of £1.7M.
- Pro forma adjusted EBITDA of £2.8M.
- Adjusted EBITDA of £0.4M for H1'23, whilst it has decreased by £0.3M vs H1'22, reflects an increase in OpEx costs and an investment in the finance team, systems and processes.
- Exchange rate gain of £1M in FY23 v £3.8M in FY22, driven primarily by a revaluation of £375M SEK Bond with SEK/USD exchange rate fluctuations.

Impero

2. Consolidated Income Statement (Unaudited IFRS)

	Q2 23 £'000	Q2 22 £'000	H1 23 £'000	H1 22 £'000	TTM June 23 £'000
Revenue	5,904	5,873	11,283	10,571	23,203
Cost of sales	(1,351)	(1,299)	(2,472)	(2,403)	(5,188)
Gross profit	4,553	4,574	8,811	8,168	18,015
Administrative expenses	(4,279)	(4,315)	(9,069)	(8,761)	(17,819)
Exceptional costs	(429)	(147)	(1,045)	(4,062)	(1,737)
Ebitda	(155)	112	(1,303)	(4,655)	(1,541)
Depreciation & amortisation	(2,064)	(2,069)	(4,128)	(4,138)	(8,265)
Finance costs	(996)	(824)	(1,961)	(1,630)	(3,825)
Exchange rate variance	1,203	3,147	979	3,812	1,676
Loss before tax	(2,012)	366	(6,413)	(6,611)	(11,955)
Tax	200	240	400	480	878
Loss after tax	(1,812)	606	(6,013)	(6,131)	(11,077)

Revenue					
Revenue	5,904	5,873	11,283	10,571	23,203
Reversal of unwind of deferred revenue haircut*	299	591	639	1,272	1,467
Trading revenue**	**6,203**	**6,464**	**11,922**	**11,843**	**24,670**
Recurring revenue	5,037	4,774	10,181	9,363	20,831
Non-recurring revenue	1,166	1,690	1,741	2,480	3,839
Total	**6,203**	**6,464**	**11,922**	**11,843**	**24,670**

Ebitda to adjusted ebitda bridge					
Ebitda	(155)	112	(1,303)	(4,655)	(1,541)
Exceptionals	429	147	1,045	4,062	1,737
Reversal of unwind of deferred revenue haircut*	299	591	639	1,272	1,467
Adjusted Ebitda***	**573**	**850**	**381**	**679**	**1,663**

Exceptionals					
M&A costs	-	-	-	2,827	-
Bond implementation costs	-	-	-	1,088	-
Finance projects	239	-	716	-	1,213
Restructuring costs	24	-	110	-	305
Other	166	147	219	147	219
Total	**429**	**147**	**1,045**	**4,062**	**1,737**

***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.

3. Consolidated Statement of Financial Position (Unaudited IFRS)

	Jun-23 £'000	Dec-22 £'000	Jun-22 £'000
Non-current assets			
Intangible assets	102,235	108,700	111,228
Property, plant and equipment	3,160	3,138	2,537
	105,395	111,838	113,764
Current assets			
Inventories	1,141	898	1,737
Trade and other receivables	9,722	8,229	9,828
Cash and cash equivalents	782	6,127	5,259
	11,645	15,254	16,824
Current liabilities			
Trade and other payables	(9,450)	(7,429)	(5,304)
Contract liabilities ST	(11,195)	(11,746)	(12,020)
Lease liabilities ST	(526)	(523)	(546)
	(21,171)	(19,698)	(17,870)
Non-current liabilities			
Contract liabilities LT	(5,326)	(7,856)	(5,744)
Lease liabilities LT	(694)	(880)	(1,028)
Bond principal	(27,362)	(29,729)	(30,210)
Other loans	(3,307)	(1,386)	(2,455)
Accrued interest	(859)	(747)	(661)
Loan arrangement fees	350	467	583
Deferred tax liabilities	(13,065)	(13,237)	(13,936)
	(50,264)	(53,368)	(53,451)
Net assets	**45,605**	**54,025**	**59,268**
Equity			
Share capital	2,235	2,235	2,235
Share premium	41,920	41,920	41,920
Retained earnings	1,451	9,871	15,113
Total equity	**45,605**	**54,025**	**59,268**

- Trade and other receivables increase from £8.2M in Dec-22 to £9.7M Jun-23 primarily due to higher billings and collections over the summer period (in line with June FY22).

- Trade and other payables increase of £2M from Dec-22 to Jun-23 due to tighter working capital management

- 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).

- Reduction in cash of £5.3M 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 £1.0M and Bond interest £1.7M. There is also some seasonality around cash with considerable billings and collections typically taking place over the summer period.

4. Consolidated Cashflow Statement (Unaudited)

	Q2 23 £'000	Q2 22 £'000	H1 23 £'000	H1 22 £'000	TTM June 23 £'000
Ebitda	(153)	113	(1,300)	(4,654)	(1,543)
Movement in WC	(353)	(3,097)	(2,796)	(1,304)	3,557
Tax receipts/(payments)	119	(195)	227	(295)	7
Lease payments	(132)	(136)	(263)	(272)	(525)
Operational cashflow	**(519)**	**(3,315)**	**(4,132)**	**(6,525)**	**1,496**
Investing					
Purchase of tangibles/intangibles	(484)	(525)	(1,541)	(1,077)	(3,761)
Acquisition of subsidiary net of cash	-	-	-	(38,379)	-
	(484)	**(525)**	**(1,541)**	**(39,456)**	**(3,761)**
Financing					
Loans drawn/(repaid)	1,989	-	1,989	-	919
Cash on merger	-	-	-	46,609	-
Capital raised	-	2,589	-	2,589	-
Interest paid	(862)	(683)	(1,661)	(1,366)	(3,131)
	1,127	**1,906**	**328**	**47,832**	**(2,212)**
Opening	658	7,193	6,127	3,408	5,259
Cashflow	124	(1,934)	(5,345)	1,851	(4,477)
Closing	**782**	**5,259**	**782**	**5,259**	**782**

5. FY22 Trading Results v Previously Reported

- We engaged a big 4 accounting firm to firm up FY22 and historical revenue figures. As part of this IFRS conversion exercise we also performed a thorough review of the quarterly P&Ls reported throughout the year, and whilst trading revenue and adjusted EBITDA were overall in line with reported year-end figures (see P&L above), there were timing inaccuracies in the quarterly bond reports that have now been corrected as part of this exercise (see table below).
- Trading revenue of £24,590K was broadly in line with trading revenue reported in the Q4 bond report of £24,539K. Trading revenue has increased by 92% from £12,808k in FY21 to £24,590k in FY22, primarily as a result of the acquisition of ContentKeeper Technologies PTY Ltd. On a like-for-like basis including a full year of revenue for FY21, revenue increased from £22,540k with growth of 9%. Trading revenue differs from reported revenue due to reported revenue including a deferred haircut reduction of £2.1M relating to acquisition accounting, which we need to account for under IFRS. Under US GAAP we would expect this haircut to be removed due to an amendment of the standard for FY23 reporting.

Revenue	**Audited**	**Previously reported**
Revenue	22,489	24,539
Reversal of unwind of deferred revenue haircut	2,101	
Trading revenue	**24,590**	**24,539**
Recurring revenue	20,013	20,613
Non-recurring revenue	4,577	3,926
Total	**24,590**	**24,539**

	Restated FY22 (FY Stats)				**Per Bond Reports FY22**				**Variance**			
	FY22				**FY22**				**FY22**			
	Q1 £K	**Q2 £K**	**Q3 £K**	**Q4 £K**	**Q1 £K**	**Q2 £K**	**Q3 £K**	**Q4 £K**	**Q1 £K**	**Q2 £K**	**Q3 £K**	**Q4 £K**
YTD View												
Trading revenue	5,379	11,844	18,324	24,590	5,807	12,243	18,629	24,539	(428)	(399)	(305)	51
COS	(1,104)	(2,404)	(3,708)	(5,121)	(456)	(1,784)	(3,422)	(4,903)	(648)	(620)	(286)	(218)
GP	4,275	9,440	14,616	19,469	5,351	10,459	15,207	19,636	(1,076)	(1,019)	(591)	(167)
Opex	(4,445)	(8,759)	(13,070)	(17,512)	(4,345)	(9,050)	(13,461)	(17,727)	(100)	291	391	215
Adjusted EBITDA	(170)	681	1,546	1,957	1,006	1,409	1,746	1,909	(1,176)	(728)	(200)	48
QTR View												
Trading revenue	5,379	6,464	6,480	6,266	5,807	6,436	6,386	5,910	(428)	28	94	356
COS	(1,104)	(1,299)	(1,304)	(1,413)	(456)	(1,328)	(1,638)	(1,481)	(648)	29	334	68
GP	4,275	5,165	5,176	4,853	5,351	5,108	4,748	4,429	(1,076)	57	428	424
Opex	(4,445)	(4,314)	(4,310)	(4,442)	(4,345)	(4,705)	(4,411)	(4,266)	(100)	391	101	(176)
Adjusted EBITDA	(170)	851	866	411	1,006	403	337	163	(1,176)	448	529	248

6. Statutory Financial Results FY22 v Previously Reported

Consolidated Income Statement (IFRS)	FY22	
	Audited £'000	Previously reported £'000
Revenue	22,489	24,539
Cost of sales	(5,121)	(4,903)
Gross profit	17,368	19,636
Administrative expenses	(17,511)	(17,727)
Exceptional costs	(4,754)	(5,166)
Ebitda	(4,897)	(3,257)
Depreciation & amortisation	(8,274)	(5,568)
Finance costs	(3,495)	(2,900)
Exchange rate variance	4,508	1,534
Loss before tax	(12,158)	(10,191)
Tax	958	(372)
Loss after tax	(11,200)	(10,563)

Revenue			
Revenue		22,489	24,539
Reversal of unwind of deferred revenue haircut		2,101	
Trading revenue		**24,590**	**24,539**
	Recurring revenue	20,013	20,613
	Non-recurring revenue	4,577	3,926
	Total	**24,590**	**24,539**

Ebitda to adjusted ebitda bridge		
Ebitda	(4,897)	(3,257)
Exceptionals	4,754	5,166
Reversal of unwind of deferred revenue haircut	2,101	-
Adjusted Ebitda	**1,958**	**1,909**

7. 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