Impero

# Impala Bidco Ltd

Unaudited Financial Statements
Period: Q1 2024

# 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. In late March 2024 Impero replaced its former management team with an experienced new team across all functions including the appointments of Toby Hartman as CEO and Adrian Muniz as CFO. Toby and Adrian are both seasoned industry executives with outstanding histories in leading private equity backed technology businesses to very successful exits. Prior to joining Impero, they also collaborated very effectively as Operating Partners with Investcorp Technology Partners, the majority shareholder of Impero.

2. Adjusted EBITDA of £0.1m for Q1 2024 versus (£0.2m) loss for Q1 2023, primarily driven by a reduction in admin costs of £0.9m, mostly people costs, offset by a reduction in trading revenue of £0.7m. Pro forma adjusted EBITDA of £0.1m.

3. Total trading revenue for Q1 2024 has decreased by 12% year-on-year, from £5.7m to £5.0m, with tougher trading conditions affecting recurring revenue which has declined £0.6m (12%). Non-recurring revenue declined £0.1m year on year driven primarily by a drive to improve the recurring revenue mix. The quality of revenue remains stable at 90% recurring revenue.

4. Impero ended Q1 2024 with bookings totalling £3.1m ACV, an increase of 6% driven by Recurring bookings.

5. By the end of Q1 2024, Impero's Filter product accounted for 61% of ARR.

6. The new ERP has gone live in Q2 2024. Although it will take time to maximize utilization, this will be a vital tool for improving the robustness of financial information used for decision making.

7. In Q1 2024, Impero agreed with bondholders to a standstill on the payment of interest due on its existing SEK 375m bonds and subsequently agreed to amend the terms of bonds via a Written Procedure, with interest being treated on a payment in kind ('PIK') basis, increasing the working capital available to the group.

8. In Feb-24 a £5m subordinated loan was provided to the group by its immediate parent with interest accruing on a PIK basis, increasing the cash in the business available for investment in product development.

# A Note From the CEO

I'm delighted to use this opportunity in my first Introductory Note to introduce myself to Impero's stakeholders and also reflect on the recent successes we have had even within the first two months of new leadership.

I have been a software focused CEO (more than 5 times so far) in my career to date and with significant experience in the Education Technology and Cybersecurity space. I have led 3 businesses to successful exits. I am immensely proud to take the reins at Impero, a business whose entire ethos is centred around the confluence of cybersecurity, edtech, and keeping children safe, and I am very excited about the challenges ahead. Impero serves several distinct dynamic markets, and we have only just started to tap the deep well of value that sits ahead of us.

Since stepping into the role, alongside a revitalized and invigorated leadership team, our focus has been to focus immediately on revenue and EBITDA growth – Impero's potential remains untapped, but it is our priority to change that.

The EdTech, Cybersecurity and Remote Control markets we play in all have very healthy growth rates and we know the demand for our mission critical utilities and applications is unquestionably high. While we have seen healthy competition in some of our SaaS EdTech products (though we continue to win our fair share), our core products in Cybersecurity and Remote Control have strong competitive differentiators and have proven USPs, marked by a blue-chip customer base and low levels of churn.

To address the headwinds we saw throughout 2023, we have put in place remediation efforts from "Day 1" which cover the entirety of the organization.

We want to have category leading products in all the markets we serve. Because of that we are significantly ramping resources to accelerate new product development across all product lines.

We have also started to change our GTM, and through these changes we will be significantly more persuasive and visible in the market going forward. We will also make it much easier for our channel partners, resellers and distributors to do business with us.

We are currently dissecting every aspect of the business and will be much better equipped than ever before to deliver on the value proposition that we all believe in.

Because we have grand plans, we have implemented a PMO (project management office) to efficiently manage all our initiatives and to focus on relentless performance-based execution.

The employees have responded very well to this new chapter. We feel very bullish that we will be able to deliver and begin to deliver on Impero's promise.

# The Financials

## 1. Q1 Financial Commentary

- Total trading revenue for Q1 2024 has decreased by 12% year-on-year, from £5.7m to £5.0m, due to tougher trading conditions affecting recurring revenue which has declined £0.6m (12%). Non-recurring revenue declined £0.1m year on year driven primarily by a drive to improve the recurring revenue mix.
  - The quality of revenue remains stable at 90% recurring revenue, with further measures in place to reduce dependency on and volume of hardware needed.
- Q1 2024 pro forma adjusted EBITDA of £0.1m. On an adjusted proforma TTM basis, the Net Interest Bearing Debt leverage ratio is 10.1x adjusted EBITDA. If the cash balance is adjusted for the impact of exceptional cash spend the ratio is 9.5x adjusted EBITDA.
- Adjusted EBITDA of £0.1m for Q1 2024 versus (£0.2m) loss for Q1 2023, primarily driven by a reduction in admin costs of £0.9m, mostly people costs, offset by a reduction in trading revenue of £0.7m.
- Exceptional costs the quarter of £0.2m are £0.4m lower than prior year, driven by reduced spend on finance contractors and projects.
- Exchange rate gain of £1.6m Q1 2024 vs loss of £0.2m in Q1 2023, driven primarily by a revaluation of the 375m SEK Bond with SEK/USD exchange rate fluctuations.

## 2. Consolidated Income Statement (Unaudited IFRS)

| | Q1 2024 £'000 | Q1 2023 £'000 | TTM Mar-24 £'000 |
|---|---|---|---|
| Revenue | 4,834 | 5,379 | 20,765 |
| Cost of sales | (1,002) | (1,121) | (4,998) |
| Gross profit | 3,832 | 4,258 | 15,767 |
| Administrative expenses | (3,915) | (4,790) | (15,390) |
| Exceptional costs | (198) | (616) | (1,607) |
| Ebitda | (281) | (1,148) | (1,230) |
| Depreciation & amortisation | (2,154) | (2,064) | (8,784) |
| Finance costs | (1,157) | (965) | (4,484) |
| Exchange rate variance | 1,627 | (224) | 949 |
| Loss before tax | (1,965) | (4,401) | (13,549) |
| Tax | - | 200 | 599 |
| Loss after tax | (1,965) | (4,201) | (12,950) |

| *Revenue* | | | |
|---|---|---|---|
| Revenue | 4,834 | 5,379 | 20,765 |
| Reversal of unwind of deferred revenue haircut* | 175 | 340 | 913 |
| **Trading revenue**** | **5,009** | **5,719** | **21,678** |
| Recurring revenue | 4,507 | 5,144 | 18,685 |
| Non-recurring revenue | 502 | 575 | 2,993 |
| **Total** | **5,009** | **5,719** | **21,678** |

| *Ebitda to adjusted ebitda bridge* | | | |
|---|---|---|---|
| Ebitda | (281) | (1,148) | (1,230) |
| Exceptionals | 198 | 616 | 1,607 |
| Reversal of unwind of deferred revenue haircut* | 175 | 340 | 913 |
| **Adjusted Ebitda***** | **92** | **(192)** | **1,290** |

| *Exceptionals* | | | |
|---|---|---|---|
| M&A costs | - | - | - |
| Bond implentation/consent costs | 86 | - | 184 |
| Finance projects | 96 | 477 | 983 |
| Restructuring costs | - | 86 | 39 |
| Other | 16 | 53 | 400 |
| **Total** | **198** | **616** | **1,606** |

***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)

| | Mar-24 £'000 | Dec-23 £'000 | Mar-23 £'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible assets | 100,111 | 99,060 | 105,654 |
| Property, plant and equipment | 2,424 | 2,684 | 3,435 |
| | 102,536 | 101,743 | 109,088 |
| **Current assets** | | | |
| Inventories | 1,862 | 1,752 | 1,706 |
| Trade and other receivables | 4,677 | 5,416 | 7,464 |
| Cash and cash equivalents | 4,084 | 1,693 | 658 |
| | 10,623 | 8,861 | 9,828 |
| **Current liabilities** | | | |
| Trade and other payables | (6,198) | (7,162) | (7,534) |
| Contract liabilities ST | (12,046) | (11,929) | (10,977) |
| Lease liabilities ST | (459) | (551) | (526) |
| | (18,704) | (19,642) | (19,037) |
| **Non-current liabilities** | | | |
| Contract liabilities LT | (7,368) | (7,609) | (6,121) |
| Lease liabilities LT | (467) | (461) | (786) |
| Bond principal | (27,832) | (29,217) | (29,309) |
| Other loans | (9,206) | (5,275) | (1,372) |
| Accrued interest | (2,116) | (1,239) | (843) |
| Loan arrangement fees | 175 | 233 | 408 |
| Deferred tax liabilities | (11,853) | (12,171) | (13,146) |
| | (58,667) | (55,739) | (51,169) |
| **Net assets** | **35,787** | **35,224** | **48,710** |
| **Equity** | | | |
| Share capital | 2,235 | 2,235 | 2,235 |
| Share premium | 41,920 | 41,920 | 41,920 |
| Retained earnings | (8,367) | (8,931) | 4,556 |
| **Total equity** | **35,787** | **35,224** | **48,710** |

- Year on year, trade and other receivables decreased by £2.8m, with £2.1m due to reduced trade debtors as a result of reduced sales for Q1 2024 vs 2023 combined with an improved collections efficiency, with overdue invoices at Mar-24 £1.1m lower than prior year.
- Increase in cash of £3.4m since Mar-23 with £8.9m of financing, including £5m received in Feb-24, offset by £2.7m of bond loan interest paid and £1.7m of deferred consideration payments as well as the movement of operational cashflows.
- Other loans – in addition to the April 2023 working capital facility agreement totalling SEK 25m SEK (c.USD 2.5m) and July 2023 USD 2.5m shareholder loan, and in Feb-24 a further £5m loan was provided by 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 accruing towards the ending debt balance (PIK interest).

## 4. Consolidated Cashflow Statement (Unaudited)

| | Q1 2024 £'000 | Q1 2023 £'000 | TTM Mar-24 £'000 |
|---|---|---|---|
| Ebitda | (281) | (1,148) | (1,230) |
| | | | |
| Movement in WC | (303) | (2,442) | 2,039 |
| Tax receipts/(payments) | (318) | 108 | 444 |
| Lease payments | (115) | (132) | (522) |
| **Operational cashflow** | **(1,016)** | **(3,614)** | **731** |
| | | | |
| **Investing** | | | |
| Purchase of tangibles/intangibles | (350) | (1,057) | (1,896) |
| Acquisition of subsidiary net of cash | - | - | - |
| | **(350)** | **(1,057)** | **(1,896)** |
| | | | |
| **Financing** | | | |
| Loans drawn/(repaid) | 5,000 | - | 8,933 |
| Cash on merger | - | - | - |
| (Deferred consideration)/Capital raised | (1,243) | - | (1,676) |
| Interest paid | - | (799) | (2,664) |
| | **3,757** | **(799)** | **4,592** |
| | | | |
| Opening | 1,693 | 6,127 | 658 |
| Cashflow | 2,391 | (5,470) | 3,427 |
| **Closing** | **4,084** | **658** | **4,084** |

## 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<br>Tollhouse Hill<br>Nottingham<br>NG1 5FS<br>United Kingdom |
| Company Registration Number: | 10878303 |
| Financial Year: | January 1 – December 31 |
| Website: | www.imperosoftware.com |
| Board of Directors: | Philip Walters, Chairman (resigned 30th April 2024)<br>Julian Bennet<br>Joe Ross (resigned 31st March 2024)<br>Justin Reilly (resigned 25th March 2024)<br>Gilbert Kamieniecky<br>Richard Cremona (resigned 31st March 2024<br>Richard Fuller (resigned 31st March 2024) |
| Auditors: | Mazars<br>6 Dominus Way<br>Meridian Business Park<br>Leicester<br>LE19 1RP<br>United Kingdom |