Impala Bidco Ltd

Unaudited Financial Statements
Period: Q3 2024

Overview

Impero (d/b/a Ativion) 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 (d/b/a Ativion) is headquartered in Nottingham (UK) with offices in Portland (USA), Canberra (Australia) and Bucharest (Romania).

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 (d/b/a Ativion) 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 (d/b/a Ativion) 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 (d/b/a Ativion) acquired Safeguarding Monitor, a developer of applications to help schools, colleges and multi-academy trusts meet their safeguarding responsibilities. On February 4th, 2021, Impero (d/b/a Ativion) 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 (d/b/a Ativion) acquired ContentKeeper, again creating additional whitespace opportunities, strengthening the US footprint, and securing a best-in-class web filtering solution.

The Highlights

1. The Revenue mix of recurring versus non-recurring revenue has improved in Q3 2024 making up a composition of 91% compared to 88% in the prior year, Q3 2023. The TTM Revenue mix remains stable at 89% recurring versus 11% non-recurring.

2. Ativion ended Q3 2024 with bookings totalling £4.39m ACV versus £4.92m ACV in Q3 2023. Impero’s Web Filter product accounted for 56% of Q3 2024 bookings. The composition of bookings improved year-on-year with Q3 2024 bookings comprised of 87% recurring products versus 85% recurring products in Q3 2023.

3. In October-24 Ativion welcomed Marc Palombo as the new Vice President of Sales, bringing over 20 years of proven success in revenue growth, international sales, and strategic leadership across renowned companies. With deep expertise in Managed Service Providers (MSPs) and partner/reseller channels, Marc’s track record demonstrates a strong ability to drive market expansion and execute winning go-to-market strategies. Under his leadership, we are confident in achieving our revenue goals and accelerating our growth trajectory.

4. In November-24 a £2.31m subordinated loan was provided to the group from our existing shareholders with interest accruing on a PIK basis, increasing the cash in the business available for investment in product development.

A Note From the CEO

We are excited to share our transformative updates and milestones as we continue to execute on our vision and drive value for our customers, partners, and stakeholders.

Rebranding for the Future
In a bold and strategic move, Impero has rebranded as Ativion, reflecting our renewed commitment to innovation, growth, and customer success. As highlighted by our Chief Commercial Officer, Stephen Stolfi, this rebrand underscores our dedication to delivering robust solutions for safeguarding children, ensuring secure access to critical assets, and meeting the evolving needs of schools, governments, and corporations. By leveraging the strong foundation of our flagship solutions, ContentKeeper and Netop, we are well-positioned to deliver unmatched value and impact.

World-Class Leadership to Drive Growth
We are thrilled to continuously welcome new talent in the organization to strengthen the team. To highlight just one example, Marc Palombo joined us Vice President of Sales. With over 20 years of proven success in revenue growth, strategic leadership, and expertise in Managed Service Providers and partner/reseller channels, Marc exemplifies the type of talent we continue to attract.

Continued Strength in Recurring Revenue
Ativion's recurring revenue base remains a cornerstone of our stability and growth. In Q3 2024, recurring revenue made up 91% of our total revenue mix, an improvement from 88% in Q3 2023, with TTM recurring revenue holding strong at 89%. This sustained growth in recurring revenue demonstrates our commitment to building long-term relationships with customers and delivering value-driven solutions.

Strong Momentum in Bookings
Q3 2024 bookings totaled £4.39m in Annual Contract Value (ACV), with recurring products comprising 87% of bookings—a marked improvement from 85% in Q3 2023. Our Web Filter product continues to lead the way, accounting for 56% of Q3 bookings. This positive composition of bookings reflects our focus on recurring, sustainable revenue streams.

Accelerating Innovation Through Strategic Investment
With the support of a £2.31m subordinated loan from our existing shareholders in November 2024, we are investing significantly in product development to fuel our innovation engine. Our new product development initiatives are progressing as planned, and early feedback from alpha testers has been overwhelmingly positive. We are confident this product will set a new benchmark in functionality and performance, surpassing our traditional competitors.

Looking Ahead
As we move forward, Ativion is well-equipped to capitalize on the opportunities ahead. We remain steadfast in our mission to deliver exceptional solutions and drive meaningful impact for our customers and partners. Our focus on innovation, operational excellence, and leadership ensures that we are building a future of sustained growth and success.

Thank you for your continued trust and support as we embark on this exciting journey together.

The Financials

1. Q3 Financial Commentary

- Total trading revenue for Q3 2024 has decreased by 7% year-on-year, from £5.76m to £5.35m, due to deliberate removal of unprofitable customers and general trading conditions. Non-recurring revenue declined £0.22m (32%) year-on-year as expected due to strategic initiatives undertaken by management to improve the value proposition and conversion of perpetual to subscription-based.
    - The quality of revenue remains stable at 91% recurring revenue in Q3 2024 compared to 88% recurring revenue in Q3 2023.
- Gross margins continue to trend in a positive direction, improving to 80% in Q3 2024 compared to 73% year-on-year. This positive performance is primarily due to a year-on-year decrease in the cost of sales of £0.48m.
- Administrative expenses saw an increase from £3.97m in Q3 2023 to £4.66m in Q3 2024. This is due to accelerating new product development across all product lines and a modest increase in headcount related cost.
- Adjusted EBITDA for Q3 2024 is negative £0.34m compared to positive £0.29m for Q3 2023. This year-on-year change is primarily driven by a decrease in revenue of £0.41m.
- Exceptional costs for the quarter of £0.72m are £0.16m higher than the prior year, driven primarily by an increase in restructuring costs and a decrease in finance project costs. This comes as management continues to realign strategic focus to enhance the efficiency and profitability of the core business.

2. Consolidated Income Statement (Unaudited IFRS)

	Q3 2024 £'000	Q3 2023 £'000	TTM Sept-24 £'000
Revenue	5,249	5,520	19,839
Cost of sales	(1,024)	(1,499)	(4,272)
Gross profit	4,225	4,021	15,567
GP%	80%	73%	78%
Administrative expenses	(4,717)	(3,966)	(16,230)
Exceptional costs	(715)	(556)	(1,891)
Ebitda	(1,206)	(500)	(2,553)
Depreciation & amortisation	(2,063)	(2,393)	(8,470)
Finance costs	(1,359)	(1,073)	(5,170)
Exchange rate variance	329	348	(374)
Loss before tax	(4,300)	(3,618)	(16,567)
Tax	(1)	200	198
Loss after tax	(4,301)	(3,418)	(16,369)

Revenue			
Revenue	5,249	5,520	19,839
Reversal of unwind of deferred revenue haircut*	99	237	628
Trading revenue**	**5,348**	**5,757**	**20,466**
Recurring revenue	4,872	5,059	18,246
Non-recurring revenue	476	698	2,220
Total	**5,348**	**5,757**	**20,466**

Ebitda to adjusted ebitda bridge			
Ebitda	(1,206)	(500)	(2,553)
Exceptionals	715	556	1,891
Reversal of unwind of deferred revenue haircut*	99	237	628
Adjusted Ebitda***	**(392)**	**293**	**(35)**

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)

	Sep-24	Dec-23	Sep-23
	£'000	£'000	£'000
Non-current assets			
Intangible assets	95,858	99,060	103,835
Property, plant and equipment	2,361	2,684	2,896
	98,219	101,743	106,731
Current assets			
Inventories	2,482	1,752	1,230
Trade and other receivables	5,322	5,416	8,126
Cash and cash equivalents	3,321	1,693	1,521
	11,125	8,861	10,878
Current liabilities			
Trade and other payables	(7,571)	(7,162)	(7,373)
Contract liabilities ST	(13,181)	(11,929)	(11,873)
Lease liabilities ST	(459)	(551)	(526)
	(21,212)	(19,642)	(19,773)
Non-current liabilities			
Contract liabilities LT	(5,429)	(7,609)	(7,251)
Lease liabilities LT	(521)	(461)	(593)
Bond principal	(27,589)	(29,217)	(28,150)
Other loans	(11,322)	(5,275)	(5,458)
Accrued interest	(4,696)	(1,239)	(991)
Loan arrangement fees	58	233	292
Deferred tax liabilities	(11,853)	(12,171)	(13,014)
	(61,352)	(55,739)	(55,164)
Net assets	**26,780**	**35,224**	**42,672**
Equity			
Share capital	2,259	2,235	2,235
Share premium	41,920	41,920	41,920
Retained earnings	(17,399)	(8,931)	(1,482)
Total equity	**26,780**	**35,224**	**42,672**

- Year on year, trade and other receivables decreased by £2.80m, with £2.22m due to improved collections efficiency, with overdue invoices on Sept-24 coming in £1.37m lower than prior year, and a decrease in year-on-year bookings.
- Cash increased year-on-year by £1.80m from Sept-23 with £7.36m of financing, offset by £0.93m of bond loan interest and £1.26m of deferred consideration paid as well as the movement of operational cashflows.
- Other loans – in addition to the April 2023 working capital facility agreement totaling SEK 25m SEK (c.USD 2.5m), July 2023 USD 2.5m shareholder loan, and the February 2024 £5m loan provided by Impala Holdings Limited, a loan of £2.36m was provided by Impala Holdings Limited in June-24 and 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)

	Q3 2024 £'000	Q2 2023 £'000	TTM Sept-24 £'000
Ebitda	(1,208)	(500)	(2,556)
Movement in WC	1,294	1,223	723
Tax receipts/(payments)	95	-	403
Lease payments	(115)	(136)	(476)
Operational cashflow	**66**	**588**	**(1,906)**
Investing			
Purchase of tangibles/intangibles	(279)	(522)	(1,468)
Acquisition of subsidiary net of cash	-	-	-
	(279)	**(522)**	**(1,468)**
Financing			
Loans drawn/(repaid)	-	1,944	7,358
Cash on merger	-	-	-
(Deferred consideration)/Capital raised	2	(394)	(1,258)
Interest paid	-	(877)	(926)
	2	**674**	**5,174**
Opening	3,530	782	1,521
Cashflow	(210)	739	1,800
Closing	**3,321**	**1,521**	**3,321**

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 Number:	10878303
Financial Year:	January 1 – December 31
Website:	www.imperosoftware.com
Board of Directors:	Tobias Hartmann Gilbert Kamieniecky Paul Kagan