Calligo

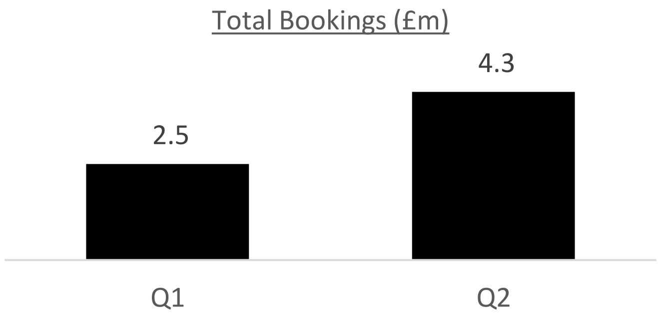
Interim Report

April 1 to June 30, 2022

Calligo Interim Report (Unaudited)

CEO Q2 and FY22 Outlook

The second quarter of FY22 continues the great sales start to the year for Calligo with another strong bookings quarter at nearly double the total bookings of Q1. We finalised our investment in additional sales and marketing capacity with the full global team now in place, the last member hired being our new Vice President of Sales (EMEA) who started on 3rd May. Our sales pipeline continues to grow strongly, during Q2 we have added an additional 175 new opportunities worth £18.5m.



We also continue to improve the overall quality of earnings as we completed our move away from low margin product sales and services and, whilst it does have a short-term impact on our numbers, the underlining operational position of the business is improving rapidly.

We met our key quarter KPIs and targets operationally and broadly met our revenue target, however our profits missed the target due to a slightly different revenue mix. Q3 has already got off to an excellent start with July breaking our monthly sales bookings record as well as being 5 times greater than July 2021. We continue to be confident in delivering a strong exit run rate for revenue and EBITDA in December 2022. This will be underpinned by the new contract signings and the continuing operational efficiencies gained from the client and service rationalisations completed during the first half of 2022.

Financial Discussion

Q2 FY22 revenues were marginally below last year driven mainly by our client rationalisation process, especially in Ireland and Canada. Revenue excluding Ireland and Canada increased 7.6% year-on-year. Q2 FY22 costs increased by 17.7% year-on-year reflecting accelerated investments in growth particularly additional sales and technical staff expenses. Adj. EBITDA in Q2 FY22 was £0.5m at a margin of 6.4%.

Funds from operations was £0.2m. Net inflow into working capital was £0.2m driven principally by improved debtor days. Capex was £0.3m in the quarter, the majority of which was enhancements to our security infrastructure required to support our services to clients. Exceptional costs include £0.15m for staff restructure costs and £0.12m for the non-cash amortisation of the bond arrangement fee which is being amortised over the term of the bond. Net debt on 30 June 2022 was £31.1m implying a net leverage ratio of 9.5x based on an Adjusted EBITDA for the last twelve months of £3.3m. As stated previously, we expect the net leverage ratio to decrease materially towards the end of the year.

Consolidated Statement of Comprehensive Income

£ '000	Notes	*(Unaudited)* 2022 Q2	*(Unaudited)*[1] 2021 Q2	*(Audited)* FY 21
Recurring Revenues		5,944	6,398	24,208
Non-Recurring Revenues		2,176	1,740	5,918
Total Revenue		**8,120**	**8,138**	**30,126**
Cost of Sales[2]		(4,874)	(4,797)	(17,273)
Gross Profit		**3,246**	**3,341**	**12,853**
Employee Expenses		(1,986)	(1,494)	(5,703)
Marketing		(108)	(155)	(603)
IT		(154)	(213)	(868)
Establishment		(361)	(340)	(1,293)
Legal & Professional		(136)	(127)	(586)
Other		(92)	(82)	(324)
Total Expenses		**(2,837)**	**(2,411)**	**(9,377)**
EBITDA		**409**	**930**	**3,476**

Memo: Adj. EBITDA				
EBITDA		409	930	3,476
Management Adjustments	1	108	237	830
Adj. EBITDA		**517**	**1,167**	**4,306**

Depreciation & Amortisation		(1,822)	(2,231)	(8,277)
Operating Income		**(1,413)**	**(1,301)**	**(4,801)**
Interest Expense and Similar Charges		(943)	(785)	(2,420)
Foreign Exchange Gain / (Loss)		380	(123)	1,235
Exceptionals	2	(354)	(275)	(4,238)
Loss on Disposal		(2)	(15)	(40)
Tax Charge		(38)	(33)	19
Net Income		**(2,370)**	**(2,532)**	**(10,245)**
Foreign Exchange Differences on Retranslation		(215)	27	(21)
Total Comprehensive Income		**(2,585)**	**(2,505)**	**(10,266)**

Recurring Revenues / Total Revenue %	73.2%	78.6%	80.4%
Gross Profit Margin %	40.0%	41.1%	42.7%
Adj. EBITDA Margin %	6.4%	14.3%	14.3%

[1] *Q2 21 is audited as part of the FY 21 audit but not in isolation.*
[2] *FY 21 includes direct labour costs of £7.9m which have been reported within employment costs in the audited financial statements. Gross margin in the audited financial statements for FY 21 is 68.5%.*

Consolidated Statement of Cash Flows

£ '000	Notes	*(Unaudited)* 2022 Q2
EBITDA		409
Provision for Unrealised Foreign Exchange Movements		150
Exceptionals Paid		(354)
Tax Paid		(31)
Funds From Operations		**174**
Movements in Debtors		142
Movements in Creditors		18
Change in Working Capital		**160**
Cash Flow From Operations		**334**
Investments		(329)
Cash Flow From Investments		**(329)**
Net Movement in Leases		(206)
Interest Paid		(947)
Cash Flow From Financing		**(1,153)**
Net Change in Cash		**(1,148)**
Opening Cash		13,060
Closing Cash		11,912

Consolidated Statement of Financial Position

£ '000	Notes	*(Unaudited)* 30-June-22	*(Audited)* 31-Dec-21
Intangible Fixed Assets		16,145	18,995
Tangible Fixed Assets		3,803	3,700
Fixed Assets		**19,948**	**22,695**
Trade Debtors		3,879	3,865
Other Debtors & Prepayments		1,109	619
Cash & Cash Equivalents	3	11,912	15,495
Current Assets		**16,900**	**19,979**
Total Assets		**36,848**	**42,674**
Trade Creditors (Less Than One Year)		1,697	2,209
Other Creditors & Accruals		1,952	1,928
Deferred Income (Short-Term)		492	539
Taxation		292	162
Leases (Short-Term)		825	999
Current Liabilities		**5,258**	**5,837**
Net Current Assets		**11,642**	**14,142**
Trade Creditors (More Than One Year)		–	–
Deferred Income (Long-Term)		–	–
Leases (Long-Term)		407	714
Senior Debt	3	41,744	40,518
Other Long-Term Liabilities		–	–
Long-Term Liabilities		**42,151**	**41,232**
Total Liabilities		**47,409**	**47,069**
Net Assets		**(10,561)**	**(4,395)**
Share Capital & Premium		24,457	24,457
Retained Earnings		(36,099)	(29,933)
Other Reserves		1,081	1,081
Shareholders' (Deficits) / Funds		**(10,561)**	**(4,395)**

Note 1: Bridge from EBITDA to Adj. EBITDA

£ '000	2022 Q2	2021 Q2	FY 21
EBITDA	**409**	**930**	**3,476**
Various Quality of Earnings Adjustments	108	153	464
Managed Churn of Unprofitable Clients	-	84	250
Full Period Contributions from Acquisitions	-	-	116
Adjustments	**108**	**237**	**830**
Adj. EBITDA	**517**	**1,167**	**4,306**

Adj. EBITDA presents managements view on EBITDA adjusted for distortions on underlying profitability. Various Quality of Earnings Adjustments refers mainly to adjustments identified as part of the senior bond capital raising process and consists of adjustments for office rents, duplicate customer success functions and certain other cost savings. Managed Churn of Unprofitable Clients refers to management policy to discontinue service to sub-scale customers with a high cost-to-serve. Full Period Contributions from Acquisitions shows the contributions from acquisitions as if they had been part of the group for the full relevant period.

Note 2: Exceptionals

£ '000	2022 Q2	2021 Q2	FY 21
Restructuring Expenses	155	98	904
Bond Issuance Expenses & Debt Raise Costs	13	-	1,052
Bond Arrangement Fees (Amortised)	122	-	-
M&A Transaction Costs	63	89	1,344
Management Exceptionals	-	88	938
Other	1	-	-
Total	**354**	**275**	**4,238**

Management Exceptionals refers to management's view on non-recurring costs in addition to statutory exceptionals. Management Exceptionals for fiscal year 2021 of £938 thousand consists of certain non-recurring costs (£591 thousand), reversion of non-recurring provisions for bad debt and legal expenses (£321 thousand) and reversal of non-cash share option expenses (£26 thousand).

Note 3: Net Leverage Ratio

£ '000	30-June-22
Senior Debt (Net of Unamortised Prepayment Fee)	41,744
Add: Short & Long-Term Leases	1,232
Less: Cash in Escrow	(8,654)
Less: Unrestricted Cash	(3,258)
Net Debt	**31,064**
Last Twelve Months Adj. EBITDA	3,272
Net Leverage Ratio	**9.5x**