



Interim Report

July 1 to September 30, 2022



Calligo Interim Report (Unaudited)

CEO Q3 and FY22 Outlook

The third quarter of FY22 was a solid performance for Calligo with year-on-year revenue growth of 4.1% unadjusted (not taking into account the transformation project).

Our sales pipeline continues to perform well, as we also continue to improve the overall quality of earnings following the reduction of product sales and services while the underlining operational position of the business has improved with the business now very confident in delivering the strong exit run rate for revenue and EBITDA for 2023 predicted at the beginning of FY22. This will be underpinned with new contract signings, operational efficiencies gained from the client and service rationalisations completed during 2022 and an increase in our underlining gross margin across our entire service portfolio.

Financial Discussion

Q3 FY22 revenues were 4.1% ahead of last year driven principally by Insights revenue (up £0.5m or 32.2% year on year) and Cloud core/Azure revenue (up £0.3m or 8.7% year on year). Revenue from Managed Services and Product sales reduced in line with our expectations as the business continues to pivot to the data and cloud markets. Q3 FY22 costs increased by 19% year-on-year and were within planned levels. Adj. EBITDA in Q3 FY22 was £0.6m at a margin of 7.7%.

Funds from operations was £0.5m. Net outflow into working capital was £0.25m driven principally by supplier payments relating to a large software sale in June together with one off recruitment costs in USA & Canada. Capex was £0.8m in the quarter, £0.5m of which relates to new finance leases for IT equipment and the balance principally comprising of the acquisition of IP addresses in Canada and office refurbishment costs in the USA. Exceptional costs include £0.14m 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 September 2022 was £33.6m implying a net leverage ratio of 12.3x based on an Adjusted EBITDA for the last twelve months of £2.74m.

Since the end of Q3, Calligo repurchased bonds with a nominal amount of EUR 10.2m at an average price of 96.48% of the nominal amount of these bonds. Cash in escrow decreased by £8.6m to £26k.

Consolidated Statement of Comprehensive Income

£ '000	Notes	(Unaudited) 2022 Q3	(Unaudited) ¹ 2021 Q3	(Audited) FY 21
Recurring Revenues		6,037	5,964	24,208
Non-Recurring Revenues		1,688	1,455	5,918
Total Revenue		7,725	7,419	30,126
Cost of Sales ²		(4,393)	(4,146)	(17,273)
Gross Profit		3,332	3,273	12,853
Employee Expenses		(1,849)	(1,409)	(5,703)
Marketing		(129)	(123)	(603)
IT		(173)	(216)	(868)
Establishment		(377)	(352)	(1,293)
Legal & Professional		(162)	(128)	(586)
Other		(90)	(108)	(324)
Total Expenses		(2,780)	(2,336)	(9,377)
EBITDA		552	937	3,476
Memo: Adj. EBITDA				
EBITDA		552	937	3,476
Management Adjustments	1	40	182	830
Adj. EBITDA		592	1,119	4,306
Depreciation & Amortisation		(2,323)	(2,151)	(8,277)
Operating Income		(1,771)	(1,214)	(4,801)
Interest Expense and Similar Charges		(918)	(467)	(2,420)
Foreign Exchange Gain / (Loss)		58	86	1,235
Exceptionals	2	(357)	(617)	(4,238)
Loss on Disposal		12	(2)	(40)
Tax Charge		(44)	(54)	19
Net Income		(3,020)	(2,268)	(10,245)
Foreign Exchange Differences on Retranslation		(168)	(2)	(21)
Total Comprehensive Income		(3,188)	(2,270)	(10,266)
Recurring Revenues / Total Revenue %		78.1%	80.4%	80.4%
Gross Profit Margin %		43.1%	44.1%	42.7%
Adj. EBITDA Margin %		7.7%	15.1%	14.3%

¹ Q3 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	<i>(Unaudited)</i> 2022 Q3
EBITDA		552
Provision for Unrealised Foreign Exchange Movements		171
Exceptionals Paid		(234)
Tax		28
Funds From Operations		517
Movements in Debtors		40
Movements in Creditors		(294)
Change in Working Capital		(254)
Cash Flow From Operations		263
Investments		(779)
Cash Flow From Investments		(779)
Net Movement in Leases		152
Interest Paid		(987)
Cash Flow From Financing		(835)
Net Change in Cash		(1,351)
Opening Cash		11,912
Closing Cash		10,561

Consolidated Statement of Financial Position

£ '000	Notes	<i>(Unaudited)</i> 30-Sept-22	<i>(Audited)</i> 31-Dec-21
Intangible Fixed Assets		14,983	18,995
Tangible Fixed Assets		3,964	3,700
Fixed Assets		18,947	22,695
Trade Debtors		3,918	3,865
Other Debtors & Prepayments		1,208	619
Cash & Cash Equivalents	3	10,561	15,495
Current Assets		15,687	19,979
Total Assets		34,634	42,674
Trade Creditors (Less Than One Year)		1,504	2,209
Other Creditors & Accruals		1,923	1,928
Deferred Income (Short-Term)		385	539
Taxation		364	162
Leases (Short-Term)		996	999
Current Liabilities		5,172	5,837
Net Current Assets		10,515	14,142
Trade Creditors (More Than One Year)		–	–
Deferred Income (Long-Term)		–	–
Leases (Long-Term)		388	714
Senior Debt	3	42,823	40,518
Other Long-Term Liabilities		–	–
Long-Term Liabilities		43,211	41,232
Total Liabilities		48,383	47,069
Net Assets		(13,749)	(4,395)
Share Capital & Premium		24,457	24,457
Retained Earnings		(39,287)	(29,933)
Other Reserves		1,081	1,081
Shareholders' (Deficits) / Funds		(13,749)	(4,395)

Note 1: Bridge from EBITDA to Adj. EBITDA

£ '000	2022 Q3	2021 Q3	FY 21
EBITDA	552	937	3,476
Various Quality of Earnings Adjustments	40	99	464
Managed Churn of Unprofitable Clients	-	83	250
Full Period Contributions from Acquisitions	-	-	116
Adjustments	40	182	830
Adj. EBITDA	592	1,119	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 Q3	2021 Q3	FY 21
Restructuring Expenses	141	245	904
Bond Issuance Expenses & Debt Raise Costs	8	34	1,052
Bond Arrangement Fees (Amortised)	123	-	-
M&A Transaction Costs	59	156	1,344
Management Exceptionals	26	182	938
Total	357	617	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-Sept-22
Senior Debt (Net of Unamortised Prepayment Fee)	42,823
Add: Short & Long-Term Leases	1,384
Less: Cash in Escrow	(8,655)
Less: Unrestricted Cash	(1,906)
Net Debt	33,646
Last Twelve Months Adj. EBITDA	2,745
Net Leverage Ratio	12.3x