AFERIAN PLC

(“Aferian”, the “Company” or the “Group”)

HALF YEAR RESULTS

Aferian plc (LSE AIM: AFRN), the B2B video streaming solutions company, announces its unaudited results for the six months ended 31 May 2022 (“H1 2022”), which demonstrate a performance in line with the trading update announced on 14 June 2022.

Donald McGarva, Chief Executive Officer of Aferian plc said:

“Eighteen months into the execution of our 2025 strategy, I am pleased to see the steady drumbeat of progress towards our goals showing through in our performance. Our strategy of driving our business towards higher quality, increasingly visible revenue streams is galvanising our team, focusing our efforts and – most importantly – delivering results. We step into the second half of this year with an Annual Recurring Revenue some 14% higher than this time last year. This is an achievement of which all our colleagues should be proud.

“Now, nearly three months into Q3, we continue to have confidence in our second half prospects. We are seeing improved availability of components in the second half, unwinding delays seen in H1. With the acquisition of The Filter now complete we have an even more compelling offering for our customers. The increasing quality of engagement we are able to have with current and prospective customers underpins my view that Aferian is well positioned to not only benefit from global growth in streaming, but also shape the way this dynamic market evolves for years to come.”

Financial Key Figures
Periods ended 31 May

$m unless otherwise stated	**H1 2022**	H1 2021	Change
Revenue	**44.5**	45.3	(2%)
Exit run rate Annual Recurring Revenue (“ARR”) (1)	**15.8**	13.8	14%
Statutory operating (loss)/profit	**(0.6)**	1.9	(132%)
Statutory basic earnings per share (US cents)	**(1.76)**	1.16	-
Adjusted operating profit (2)	**2.4**	5.1	(53%)
Adjusted basic earnings per share (US cents) (3)	**1.50**	5.05	(70%)
Net cash (4)	**7.8**	10.1	(23%)
Interim dividend per share (GBP pence)	**1.0**	1.0	-%

Notes
1. Exit Annual Recurring Revenue (ARR) is annual run-rate recurring revenue as at 31 May 2022.
2. Adjusted operating profit is a non-GAAP measure and excludes amortisation of acquired intangibles, exceptional items, and share-based payment charges.
3. Adjusted basic earnings per share is a non-GAAP measure and excludes amortisation of acquired intangibles, exceptional items, share-based payment charges and non-recurring finance income and expense.
4. Net cash is cash and cash equivalents less loans and bank borrowings.

Financial Highlights

- Further momentum demonstrated in improving the quality and visibility of Group earnings:
  - Higher margin software & services revenue of $12.0m, up 21% in H1 2022 compared to H1 2021.
  - Recurring revenue of $8.2m, up 49% in H1 2022 compared to H1 2021.
  - Exit run rate ARR of $15.8m, up 14% in H1 2022 compared to H1 2021 (constant currency basis: 26%).
- As previously announced in June 2022 device revenues were negatively impacted in H1 by delays in product shipments because of COVID-related supply chain issues, but we are confident that the order book and improved availability of components will drive higher revenues in H2.
- Adjusted operating profit of $2.4m, down 53% in H1 2022 compared to H1 2021 due to delay of device revenues into H2.
- Significant increase in adjusted cashflow from operating activities before tax from $4.0m to $6.7m, an increase of 68%
- A strong balance sheet, providing capacity for organic and M&A-related investments, and a banking facility of up to $100m in place and undrawn.

Strategic & Operational Highlights

- Market dynamics continue to support Aferian's growth ambitions and strategic positioning.
- Customer offering further enhanced by the acquisition and integration of The Filter:
  - Brings new customers, new capabilities for existing customers – and powered the launch of 24iQ: our new personalisation and content recommendations service.
- Continued to innovate in product modularity and capability:
  - **24i**: Relaunched our streaming platform under the name 24i Mod Studio, alongside launching 24i OTT Studio and 24i Pay TV Studio: two proprietary off-the-shelf solutions containing all the technology capabilities required to launch a streaming service in a matter of weeks for Tier 3 and Tier 4 customers.
  - **Amino**: More than 116 customers have now deployed our SaaS device software management platform, with the number of devices managed growing by 48% year-on-year.
- Supported customers with critical, innovative rollouts and deployments:
  - **24i**: Supported Waoo in Denmark and Telenor Sweden with their rollouts of advanced new streaming services based on devices using Google's popular Android TV operating system.
  - **Amino**: PCCW publicly launched its new generation of Now TV streaming services powered by Amino software, facilitating the integration of Netflix and other third-party streaming content alongside its own.

Current Trading and Outlook

Trading since the period-end has reinforced the Board's full year confidence, as expressed in our 14 June 2022 Trading Update. The Group remains in a strong position both financially and operationally. With a solid H2 order book, availability of components much improved since H1, delayed orders from H1 now shipped and H2 production weighted to Q3 to mitigate any potential, additional supply chain issues, the Board expects to deliver a much improved second half performance. Therefore, subject to continuing availability of components and shipment levels, the Board remains confident in achieving results in line with its expectations for the year ending 30 November 2022.

For further information please contact:

Aferian plc Donald McGarva, Chief Executive Officer Mark Carlisle, Chief Financial Officer	+44 (0)1223 598197
Investec plc (NOMAD and Broker) David Anderson / Patrick Robb / Nick Prowting / Cameron MacRitchie	+44 (0)20 7597 5970
FTI Consulting LLP (Financial communications) Matt Dixon / Tom Blundell	+44 (0)20 3727 1000

About Aferian plc

Aferian plc (AIM: AFRN) is a B2B video streaming solutions company. Our end-to-end solutions bring live and on-demand video to every kind of screen. We create the forward-thinking solutions that our customers need to drive subscriber engagement, audience satisfaction, and revenue growth.

It is our belief that successful media companies and services will be those that are most consumer-centric, data driven and flexible to change. We focus on innovating technologies that enable our customers stay ahead of evolving viewer demand by providing smarter, more cost-effective ways of delivering end-to-end modern TV and video experiences to consumers. By anticipating technological and behavioural audience trends, our software solutions empower our customers to heighten viewer enjoyment, drive growth in audience share and ultimately, their profitability.

Aferian plc has two operating companies: 24i, which focusses on streaming video experiences, and Amino, which connects Pay TV to streaming services. Our two complementary companies combine their products and services to create solutions which ensure that people can consume TV and video how and when they want it. Our solutions deliver modern TV and video experiences every day to millions of viewers globally, via our growing global customer base of over 500 service providers.

Aferian plc is traded on the London Stock Exchange Alternative Investment Market (AIM: symbol AFRN). Headquartered in Cambridge, UK, the company has over 350 staff located in 11 offices, including major European cities as Amsterdam, Helsinki, Copenhagen, and Brno, as well as in San Francisco and Hong Kong. For more information, please visit www.aferian.com.

Chief Executive Officer's review

2025 Strategy: moving with – and shaping – our markets

During the first half of this current financial year, we have made further, meaningful progress towards our goals of delivering improved quality of earnings from our operations and enhanced visibility of the revenues we seek to generate.

Our work is helped by the fact that Aferian continues to operate in the growing video streaming market. This is aligned with our view that consumers expect to be able to watch the video content they love, anywhere, anytime on any device. This market remains a growing, dynamic and exciting space with Aferian well-placed to help Pay TV operators, streaming services and content owners capture value from these behavioural shifts.

As consumer viewing habits change, video streaming consumption is currently growing by c.13% per annum*, which is further evidenced in the UK by recent reports of record usage of the BBC iPlayer streaming service**. At the same time, audiences watch streaming video services across an ever-increasing range of devices, enabled by the ongoing growth in global penetration of high-speed broadband. As this happens, our customers, Pay TV operators and streaming service providers, are continuing to invest in and adapt their offerings to meet consumer demand, refreshing and optimising their services in order to provide the features and functionality that consumers desire. In a market dictated by consumer choice, new video streaming services are also continually launching with a long tail of niche content that enables them to capture additional revenue share.

This is the backdrop against which Aferian operates. More importantly, this is a market Aferian is helping to shape. Our products & services, augmented by the continuing service development and M&A enhancements we have invested in this year, are allowing Pay TV operators, streaming services and content owners to improve and re-align their own offerings and drive value from the innovative new services our technologies make possible.

Continued progress towards delivering improved quality of earnings

Supported by these trends, the Group has continued to make strong progress in the first half of 2022 toward improving the quality and visibility of its earnings. This progress is particularly encouraging, given it has been made against a backdrop of challenging conditions in the global supply chain and currency headwinds caused by the decrease of the value of the Euro against the US Dollar.

Aferian reported an exit run rate ARR of $15.8m for H1 2022 (H1 2021: $13.8m) representing 14% growth or 26% on constant currency basis (using exchange rates as at 31 May 2021). Higher margin software and services revenues were $12.0m in H1 2022 (H1 2021: $9.9m), representing a half-on-half increase of 21%, or 28% on a constant currency basis.

As reported in our 14 June 2022 trading update, device revenues in the first half were $32.5m: a decrease of 8% year-on-year. Our ability to supply streaming devices to customers in the period was impacted by supply chain challenges, including shipping and production delays, caused principally by COVID-19 related manufacturing shutdowns in China. However, to mitigate against further potential delays, second half device production has been weighted into Q3. The Board expects device revenues to be higher in the second half of the year, supported by the order book.

Consequently, Group revenue for the first half stood at $44.5m (H1 2021: $45.3m).

H1 2022 Key Performance Indicators

Our key performance indicators demonstrate continued strategic progress during the first half, reporting growth in software & services revenue (up 21%) and exit ARR (up 14%).

	H1 2022 $m	H1 2021 $m
Software & services revenues	**12.0**	9.9
Device revenues	**32.5**	35.4
Total revenue	**44.5**	45.3
ARR at 31 May ("Exit ARR")	**15.8**	13.8
Adjusted operating cashflow before tax	**6.7**	4.0
Net customer revenue retention rate on recurring revenue**	**113%**	120%

*Source: Boston Consulting Group

**Source: https://www.csimagazine.com/csi/BBC-iPlayer-streams-off-to-best-start-to-the-year.php

***on a constant currency basis

M&A

In April 2022, we acquired The Filter, a UK data science specialist business, for an initial consideration of $1.5m and a deferred consideration payable in October 2023 of $0.3m. Additional consideration of $1.8m (capped at $3.2m), is expected to be paid subject to Exit ARR targets being met over a two-year period. Amid intense competition for viewers in the streaming market, our customers are increasingly looking to make use of the data collected by their video streaming applications to help them offer consumers more highly personalised and engaging experiences. The Filter's advanced machine learning algorithms and managed services can be sold either as an integrated or standalone solution to new or existing customers. This represents an excellent opportunity for us to expand our customer base and is a clear example of how we are actively shaping and driving the growth markets we operate in.

The acquisition of The Filter immediately added high quality customers to the Group including BBC Studios-owned UK TV Play, German streaming service Joyn, and EPIX, a North American Video on Demand service owned by MGM/Amazon. It has also brought an incredibly talented and engaged new team with it. The rapid integration of The Filter's complementary technologies into 24i has already enabled us to launch a new managed personalisation and recommendations service called 24iQ in May.

Aferian's M&A strategy continues to include the acquisition of emerging technologies that add value to our customers by solving more of the key challenges they face in meeting consumer needs. In addition, the Group seeks further acquisitions that will enable us to scale up and to expand into new geographies and market verticals.

People and culture

As the majority of our employees return to some degree of normality with the opportunity for office working and face-to-face meetings and events, ongoing COVID-19 restrictions have made it a particularly difficult first half for our team in Hong Kong. Hybrid working, of course, brings its own challenges, but its many benefits are yet to be fully experienced by our Hong Kong colleagues. We pay tribute to them for their resilience and determination in dealing with continuing lockdowns and thank them for their commitment to delivering on the Group's priorities, despite the significant difficulties affecting their personal and working lives. We also offer our ongoing support and gratitude to our small but valued team of developers based in Ukraine who have largely continued to work uninterrupted under the most extraordinarily difficult circumstances since the start of the war in February.

Operational review

24i

24i offers a robust technology platform that enables both media and entertainment companies and Pay TV operators to stream their TV and video programming to any type of screen and to build audience engagement. 24i has a 13-year market-leading position and works with customers like NPO, Telenor, Pure Flix and Broadway HD.

In the first half, 24i has seen a period of significant investment in the future, with the acquisition of The Filter, the rebranding of its core streaming platform and ongoing product development to drive further growth.

24i continues to focus on building recurring revenues in line the with Group's overall strategy. At the period end, 24i reported a half-on-half increase of 13% in exit ARR (constant currency: 26%). This growth predominately came from existing customers with a net retention rate ("NRR") of 117% (H1 2021: 128%) on a constant currency basis.

In December 2021, we relaunched our streaming platform under the new name 24i Mod Studio. The new identity is designed to reflect the modularity and flexibility of the 24i offering.

Alongside the name change, we launched pre-packaged, productised solutions for two of our key target markets – content owners and Pay TV operators. 24i OTT Studio and 24i Pay TV Studio are off-the-shelf solutions containing all the technology that a customer in these markets would need to launch a streaming service in a matter of weeks.

During the period we supported two existing Pay TV customers, Waoo in Denmark and Telenor Sweden, to rollout new consumer services that include attractive third-party streaming services alongside their own Pay TV offering on a single, managed device. This helps the operators to cement their role at the centre of household viewing and is an emerging trend in the Pay TV market.

We also completed a significant project to fully implement geo-redundancy for our customer, Delta, in the Netherlands, enabling them to offer a more robust and resilient service to their growing subscriber base. In addition, our team implemented KPN's video streaming service in the Netherlands on Amazon Fire TV devices, adding to our previous work to make the KPN service available on Smart TVs from Samsung and LG, as well as those TVs that use the Android TV operating system.

Our teams are now working hard to finalise development of our fully managed and hosted "TV as a Service" offering which is due to launch to the market in September 2022. This cloud-based solution will enable Pay TV operators to go to market more quickly with a fully featured TV offering. 24i has integrated its solutions with market-leading partners into a fully hosted and managed end-to-end solution, enabling operators to enjoy a single point of contact for all elements of their best-of-breed TV streaming infrastructure.

Amino

Amino provides streaming devices powered by its own software that are integrated into a Pay TV operator's technology ecosystem to enable them to offer the advanced streaming services demanded by today's consumers. The same devices and software also enable advertisers and businesses to display their content on the growing population of different digital video displays in use in our public spaces. Amino has a 25-year heritage in streaming video with customers like PCCW, Cincinnati Bell, T-Mobile Netherlands and Entel.

During the period Amino revenues fell by 7% to $35.2m, because of production delays caused by COVID-19 related lockdowns in China which impacted the availability of components, device production and the onward supply chain. This resulted in approximately 10% fewer devices being shipped in H1 2022 compared to H1 2021. However, to mitigate any further impact of delays, we have weighted second half production of devices into Q3. Therefore, the Group expects device revenues to be higher in the second half of the year, supported by the order book. Amino continues to maintain its strong margins and cash generation, despite increased costs of raw materials.

The launch of the Now TV video streaming service by our customer PCCW in Hong Kong was an excellent example of how Amino's software makes it easy for Pay TV operators to add third party streaming offerings, such as Netflix, alongside their own content to remain competitive. Engage, our leading SaaS device software management, customer support and analytics solution, continued to grow strongly. More than 116 customers have now deployed Engage, an increase of 29% from the end of H1 2021. At the same time the number of active devices managed by the solution has grown by 48% year-on-year. This solution remains a significant differentiator for us in a competitive landscape. We also continue to invest in high levels of customer service and our Net Promotor Score averaged 88 during the period (FY 2021: 86).

As a result of R&D investment over the past 12 months, during the Period, we launched our new range of streaming devices, which utilise the Reference Design Kit (RDK) software stack. RDK is one of the fastest-growing Pay TV platforms in the world and is already used in millions of devices globally to power their next-generation of video and broadband services. The rise of RDK gives Pay TV operators a viable alternative to traditional Linux devices or the popular Android TV platform as a route to combining their content with third party streaming services. Shortly after the period end, Amino was accepted as an RDK "Preferred Plus" member, which evidences our commitment to helping to enhance the RDK stack through collaboration and contributions which speed up innovation and customer time to market.

In addition to the Pay TV market, Amino's streaming devices have long been used by a variety of enterprises to stream video over private networks such as in hospitals and hotels. Our marketing efforts aim to capitalise further on the fast-growing Digital Signage market which is worth an estimated $1.6bn globally according to research conducted by Mordor Intelligence in November 2021.

Environmental, Social and Governance ("ESG")

Today we have published an update to our ESG report. This can be found on our website at https://aferian.com/esg. Our approach to ESG uses the Japanese concept of Ikigai meaning "a reason for being" and which refers to having a meaningful direction or purpose in life. The ESG report provides an overview of our ongoing progress against our chosen six of the United Nations Sustainable Development Goals as well as the Sustainable Accounting Standards Board's ("SASB") Software and IT Services and Hardware sustainability accounting standards.

Board changes

There have been a number of changes to the Board composition since the publication of the Annual Report.

We are delighted to welcome Bruce Powell who joined the Group on 3 August 2022 as a Non-Executive Director and Chair of the Aferian Audit committee. Bruce brings more than 30 years of extensive board-level experience to the Group. He is currently Chairman of packaging companies Threadless Closures Ltd and Crateight Ltd, and of Holyport College. His previous roles include 18 years on the board of Kofax plc and serving as CFO for Imagination Technologies plc.

On 3 August 2022, Steve Oetegenn was appointed as an Executive Director of the Group as President of the Americas. Steve has been supporting the Aferian executive management team in a consultancy capacity since joining the Board as a Non-executive Director in January 2021. He has now taken on a leadership role to support the growth of Aferian in this key region. As a result, Steve has stepped down from his role as Non-Executive Director.

Joachim Bergman stepped down from his role of CEO of 24i in March 2022 and from the Board of Directors in April 2022. Joachim joined Aferian in September 2017 as SVP Cloud Services and we would like to thank him for the successful integration and growth achieved by 24i since its acquisition by Aferian in May 2019. As planned, the leadership of 24i successfully transitioned to Dr Neale Foster who joined 24i as their CEO in March 2022.

Erika Schraner stepped down as a Non-Executive Director and from her role as Chair of the Aferian Audit Committee on 29th July 2022. Since joining the Board in 2019, Erika has made a strong contribution to the Group, and we wish her well in the next phase of her career.

Following these changes, the Board comprises three Non-Executive Directors and three Executive Directors. The Group remains focussed on improving the diversity of its Board and carefully considers a broad range of candidates ahead of any appointment.

Current trading and outlook

Trading since the period-end has reinforced the Board's full year confidence, as expressed in our 14 June 2022 Trading Update. The Group remains in a strong position both financially and operationally. With a solid H2 order book, availability of components much improved since H1, delayed orders from H1 now shipped and H2 production weighted to Q3 to mitigate any potential, additional supply chain issues, the Board expects to deliver a much improved second half performance. Therefore, subject to continuing availability of components and shipment levels, the Board remains confident in achieving results in line with its expectations for the year ending 30 November 2022.

Donald McGarva

Chief Executive Officer

22 August 2022

Chief Financial Officer's review

As indicated in the trading update of 14 June 2022, the interim results show excellent progress in the 24i business. However, first half revenue of the Amino business has been impacted in the short term by delays in deliveries to customers because of COVID-related supply chain issues. Overall, the Group's financial results for the period ended 31 May 2022 demonstrate progress against the Group's financial objectives: to deliver improved quality of earnings and enhanced visibility of revenue.

High margin software & services revenues increased by 21% to $12.0m (H1 2021: $9.9m). Excluding the impact of the Nordija acquisition, software & services revenues increased organically by 7% (constant currency basis: 13%). The visibility of the Group's revenues increased due to higher software & services revenue and exit run rate ARR increasing to $15.8m (H1 2021: $13.8m), representing growth of 14% (constant currency basis: 26%).

Total Group revenues decreased by 2% to $44.5m (H1 2022: $45.3m). Excluding the impact of the Nordija acquisition in May 2021, revenue decreased by 5%. The decrease is due to lower device revenues in the Amino business as set out in the Chief Executive Officer's review above.

The Group's gross profit margin has been negatively impacted by the increased price of components. Most, but not all, of these increases have been reflected in price increases to customers. In addition, the Group has experienced increased headcount-related costs to retain and attract a skilled workforce given the current economic conditions with regards to labour costs. Notwithstanding the pressure on margins from these economic forces, the Group expects operating profit margins to be broadly in line with the previous year.

The Group continued to generate strong operating cash flows. Adjusted operating cashflow before tax and exceptional costs was $6.7m (H1 2021: $4.0m) representing an adjusted EBITDA cash conversion of 116% (H1 2021: 48%). The business continues to have negative working capital of $7.4m (H1 2021: $3.3m) and working capital movements can be materially impacted by the timing of cash flows arising from different payment terms given to larger customers. In addition, the Group is continuing to invest in inventory to increase the availability of components and mitigate against potential, additional supply chain delays. Operating cash flow before tax was $6.2m (H1 2021: $1.8m).

The Group had net cash of $7.8m as at 31 May 2022 (30 November 2021: $14.2m). Cash outflows during the period include the acquisition of The Filter, payment of the ordinary dividend and payment of bank facility fees. At the start of the period, the Group secured a new banking facility with Barclays Bank plc, Silicon Valley Bank, and Bank of Ireland. This increased facility of $50m, split evenly across the three-bank club, also includes a further $50m available by way of an accordion. The new facility has a three-year term to 23 December 2024 with options to extend by a further one or two years. The new facility remained undrawn as at 31 May 2022.

Revenue

	H1 2022 $m	H1 2021 $m	Change
Software and services			
Revenue			
Recurring	**8.2**	5.5	49%
Non-recurring	**3.8**	4.4	(14%)
Total revenue	**12.0**	9.9	21%
Devices including integrated software			
Revenue			
Non-recurring	**32.5**	35.4	(8%)
Total revenue	**32.5**	35.4	(8%)
Total			
Revenue			
Recurring	**8.2**	5.5	49%
Non-recurring	**36.3**	39.8	(9%)
Total revenue	**44.5**	45.3	(2%)

High margin software & services represent 27% of total revenues for the period (H1 2021: 22%), of which 68% was recurring (H1 2021: 56%).

Revenue and adjusted EBITDA

	Revenue		Adjusted EBITDA	
	H1 2022 $m	H1 2021 $m	**H1 2022 $m**	H1 2021 $m
24i	**9.3**	7.5	**0.6**	0.2
Amino	**35.2**	37.8	**6.5**	9.3
Central costs	**-**	-	**(1.3)**	(1.2)
Total	**44.5**	45.3	**5.8**	8.3

Adjusted EBITDA for the six months to 31 May 2022 was $5.8m (H1 2021: $8.3m). Adjusted EBITDA is reconciled below and is calculated as operating profit before depreciation, interest, tax, amortisation, exceptional items and employee share-based payment charges. In line with expected higher revenues in the second half of the year we expect EBITDA margin for the full year to be broadly in line with the prior year. This is consistent with the way the financial performance of the Group is presented to the Board and Chief Operating Decision Maker.

The Directors believe that this provides a more meaningful comparison of how the business is managed and measured on a day-to-day basis.

24i segment

	H1 2022 $m	H1 2021 $m
Software & services	**9.3**	7.5
Revenue	**9.3**	7.5
Adjusted cost of sales	**(2.6)**	(1.9)
Adjusted gross profit margin	**6.7**	5.6
Adjusted gross profit margin %	***72%***	*75%*
Adjusted operating costs	**(6.1)**	(5.4)
Adjusted EBITDA*	**0.6**	0.2
Adjusted EBITDA margin %	***6%***	*3%*
Capitalised development costs	**3.2**	2.6

*Adjusted EBITDA is a non-GAAP measure and excludes depreciation, amortisation, interest, tax, exceptional items and share based payment charges.

With the increased focus on improving visibility, ARR has grown from $10.0m to $11.3m in the last 12 months. This represents year-on-year growth of 13% (constant currency basis: 26%). The revenue increase in the period represents the inclusion of the results of Nordija A/S, acquired in May 2021. On an organic basis, revenue has increased by 5% (constant currency basis: 13%).

Amino segment

	H1 2022 $m	H1 2021 $m
Software & services	**2.7**	2.4
Devices including integrated software	**32.5**	35.4
Revenue	**35.2**	37.8
Adjusted cost of sales	**(22.5)**	(22.8)
Adjusted gross profit	**12.7**	15.0
Adjusted gross profit margin %	***36%***	*40%*
Adjusted operating costs	**(6.2)**	(5.7)
Adjusted EBITDA*	**6.5**	9.3
Adjusted EBITDA margin %	***18%***	*25%*
Capitalised development costs	**1.0**	0.9

*Adjusted EBITDA is a non-GAAP measure and excludes depreciation, amortisation, interest, tax, exceptional items and share based payment charges.

Device revenues decreased by 8% to $32.5m (H1 2021: $35.4m) caused by a reduction in the volumes of devices shipped in the period, which decreased by c10% year on year. A large proportion of component price increases, but not all, have been reflected in prices charged to customers. Gross profit margin has therefore reduced in the period compared to the prior year.

The Group retains a core customer base in respect of device revenues, whereby repeat orders are placed by the same customer over multiple financial periods. Taking the last three financial periods, repeat orders from existing customers over that period has accounted for 91% (H1 2021: 92%) of total device revenue. It is this loyal customer base, and continued product reliability, that will help to ensure full year expectations on device revenue are met.

Central costs

	H1 2022 $m	H1 2021 $m
Adjusted operating costs and adjusted EBITDA	**(1.3)**	(1.2)

Central costs comprise the costs of the Board, including executive directors, as well as costs associated with the Company's listing on the London Stock Exchange.

Adjusted EBITDA

	H1 2022 $m	H1 2021 $m
Revenue	**44.5**	45.3
Adjusted cost of sales	**(25.1)**	(24.7)
Adjusted gross profit	**19.4**	20.6
Adjusted gross profit margin %	***44%***	*45%*
Customer support and professional services	**(2.9)**	(2.9)
Research and development expenses	**(2.9)**	(2.9)
SG&A	**(7.8)**	(6.5)
Total adjusted operating expenses	**(13.6)**	(12.3)
Adjusted EBITDA	**5.8**	8.3

Research & development costs

The Group continues to invest in research and in the development of new products and spent $7.1m on R&D activities (H1 2021: $6.4m), of which $4.2m (H1 2021: $3.5m) was capitalised.

	H1 2022 $m	***% of revenue***	H1 2021 $m	*% of revenue*
Core engineering expenses	**6.4**	***14%***	5.7	*13%*
Product management	**0.3**	***1%***	0.3	*1%*
R&D senior management	**0.4**	***1%***	0.4	*1%*
Total research and development costs	**7.1**	***16%***	6.4	*15%*
Less Capitalised development costs	**(4.2)**	***-***	(3.5)	-
Net research and development expense	**2.9**	***-***	2.9	-

Selling, general and administrative (SG&A) expenses have increased by $1.3m in the period to $7.8m (H1 2021: $6.5m). This increase is due to the acquisition of Nordija and increased headcount-related costs to retain and attract a skilled workforce given the current economic conditions with regards to labour costs.

A reconciliation of Adjusted EBITDA to operating (loss)/profit is provided as follows:

	H1 2022 $m	H1 2021 $m
Adjusted EBITDA	**5.8**	8.3
Exceptional items:		
• within operating expenses	**(0.5)**	(1.4)
Employee share-based payment charge	**(0.3)**	(0.4)
Depreciation and amortisation	**(5.6)**	(4.6)
Operating (loss)/profit	**(0.6)**	1.9

Exceptional items

Exceptional items for the period comprised:

- $0.3m (H1 2021: $0.3m) 24i post-acquisition integration and associated restructuring costs;
- $0.2m (H1 2021: $0.8m) one-off costs in respect of acquisitions and legal costs, which includes costs associated with The Filter and Nordija acquisitions. The prior period included one-off costs in respect of acquisitions and legal costs, which includes costs associated with aborted acquisitions.
- $nil (H1 2021: $0.3m) contingent post-acquisition remuneration in respect of the acquisition of 24i Unit Media BV.

Depreciation and amortisation

Excluding amortisation of intangibles recognised on acquisition, depreciation and amortisation was $3.3m (H1 2021: $3.2m).

Amortisation of intangibles recognised on acquisitions was $2.2m (H1 2021: $1.4m). The increase of $0.8m in the period relates to the acquisition of Nordija A/S in May 2021 and The Filter in April 2022.

Taxation

The tax charge of $0.7m (H1 2021: $0.8m) comprises:

- $0.7m (H1 2021: $1.1m) current tax charge; and
- $nil (H1 2021: $0.3m) credit relating to the unwinding of deferred tax assets and liabilities recognised on acquisitions.

(Loss)/profit after tax was $1.5m (H1 2021: $0.7m profit).

Cash flow

A reconciliation of adjusted operating cash flow before tax to cash generated from operations before tax is provided as follows:

	H1 2022 $m	H1 2021 $m
Adjusted operating cashflow before tax	**6.7**	4.0
Post-acquisition integration and associated restructuring costs	**(0.3)**	(0.3)
Acquisition and one-off legal costs	**(0.2)**	(0.1)
Aborted acquisition deposit	**-**	(1.8)
Cash generated from operations before tax	**6.2**	1.8

Adjusted cash flow from operations before tax was $6.7m (H1 2021: $4.0m), an increase of 68% due to a cash inflow of working capital of $0.1m (H1 2021: outflow of $3.6m).

Cash generated from operations before tax was $6.2m (H1 2021: $1.8m). The increase in the period of $4.4m can be attributable to the management of working capital, as noted above, as well as an outgoing of $1.8m in the prior year in relation to a deposit advanced for an aborted acquisition, that was subsequently repaid in H2 2021.

Tax payments, principally in respect of UK corporation tax, totalled $1.9m during the period (H1 2021: $2.8m). The prior period included a final payment of the previous tax year for the main UK trading subsidiary as that subsidiary transitioned to advanced tax payments.

During the period, the Group spent $0.1m (H1 2021: $0.1m) on capital expenditure in respect of tangible fixed assets and capitalised $4.2m of research and development costs (H1 2021: $3.5m). The increase of $0.7m is due to the acquisition of Nordija A/S.

Interest paid in the period of $1.5m (H1 2021: $0.6m) includes fees paid associated with the new bank facility. Deferred consideration payments totalling $0.5m (H1 2021: $nil) were made in the period in relation to the acquisition of Nordija A/S in line with the performance criteria which was satisfied.

The acquisition of The Filter included initial cash consideration of $1.5m.

A final dividend in respect of the year ended 30 November 2021 of $2.3m (H1 2021: $2.0m) was paid during the period.

Financial position

The Group had cash of $7.8m (30 November 2021: $14.2m). At 31 May 2022, the Group had $50.0m (30 November 2021: $15.0m) undrawn on its committed loan facility, which expires in December 2024. In addition, the loan facility includes a further $50m by way of an accordion.

At 31 May 2022, the Group had total equity of $96.3m (30 November 2021: $104.0m) and net current assets of $0.9m (30 November 2021: $9.2m). 63% of trade receivables were insured (30 November 2021: 51%) and debtor days were 24 days (30 November 2021: 23 days).

It remains the Group’s policy to obtain insurance and where this is not possible, due to the territory or customer involved, payment in advance is required to a level that limits exposure to the margin on the sale of devices.

Dividend

The Company's dividend policy is to deliver returns to shareholders via growth and income and reflecting the Company's growth ambitions. The policy of paying between 33-50% of adjusted EPS in dividend is expected to provide shareholders with a growing income stream whilst allowing the Company to invest in growth.

The Board intends to pay an interim dividend of 1.0 GBP pence per share (H1 2021: 1.0 GBP pence). This interim dividend will be payable on 15 September 2022, to shareholders on the register on 26 August 2022, with a corresponding ex-dividend date of 25 August 2022.

Going concern

In carrying out the going concern assessment, the Directors have considered a number of scenarios, taking account of the possible impacts of the pandemic, in relation to revenue forecasts for the next 12 months. The current global economic conditions continue to create uncertainty, and specific to the Group, recognising the strength and flexibility of the Group's software-led strategy, there are potential risks that the Group will be impacted by decisions further up our supply chain. This could lead to delays in contract negotiations and deferring or cancelling of anticipated sales, and that sales and settlement of existing debts are impacted too.

In reaching their going concern assessment, the Directors have considered the foreseeable future, a period extending at least 12 months from the date of approval of this interim financial report. This assessment has included consideration of the forecast performance of the business, as noted above, the payment of proposed dividends and deferred contingent consideration, and the cash and financing facilities available to the Group. In light of all of this analysis, the Directors are satisfied that, even if this downside scenario were to occur, the Group has sufficient cash resources over the period of at least 12 months from the date of approval of the interim consolidated financial statements. As such, the interim consolidated financial statements have been prepared on a going concern basis.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group remain consistent with the principal risks and uncertainties reported in Aferian's 2021 Annual Report. Despite the supply chain challenges seen in H1, the continued impact of COVID-19 on the Group continues to be less marked than for other organisations. However, the business continues to place appropriate focus and real time management on the working practices, health and wellbeing of our global workforce and the risk of delays to the global supply chain for components used in Amino branded devices.

The Group is exposed to multiple economies around the world. The Directors regularly assess the risks associated with the current changing economic climate and its likely impact on the Group's operations. Despite these risks, the business continues to operate in a growing global market and remains well set for the year ahead.

Mark Carlisle

Chief Financial Officer

22 August 2022

Consolidated income statement

For the six months ended 31 May 2022

	Notes	**Six months ended 31 May 2022 Unaudited $000s**	Six months ended 31 May 2021 Unaudited $000s
Revenue	3	**44,517**	45,286
Cost of sales		**(25,106)**	(24,667)
Gross profit		**19,411**	20,619
Operating expenses		**(20,010)**	(18,763)
Operating (loss)/profit		**(599)**	1,856
Adjusted operating profit		**2,378**	5,088
Share based payment charge		**(310)**	(394)
Exceptional items	5	**(516)**	(1,414)
Amortisation of acquired intangible assets		**(2,151)**	(1,424)
Operating (loss)/profit		**(599)**	1,856
Finance expense		**(223)**	(561)
Finance income		**11**	179
Net finance expense		**(212)**	(382)
(Loss)/profit before tax		**(811)**	1,474
Tax charge		**(659)**	(803)
(Loss)/profit after tax		**(1,470)**	671
(Loss)/profit for the period from continuing operations attributable to equity holders		**(1,470)**	888
Non-controlling interest		**-**	(217)
(Loss)/profit for the period		**(1,470)**	671
Basic earnings per 1p ordinary share	6	**(1.76c)**	1.16c
Diluted earnings per 1p ordinary share	6	**(1.78c)**	1.14c

Consolidated statement of comprehensive income

For the six months ended 31 May 2022

	Six months ended 31 May 2022	Six months ended 31 May 2021
	Unaudited	Unaudited
	$000s	$000s
(Loss)/profit for the period	**(1,470)**	671
Foreign exchange difference arising on consolidation	**(4,232)**	828
Other comprehensive (loss)/income	**(4,232)**	828
Total comprehensive (loss)/income for the period	**(5,702)**	1,499

Consolidated balance sheet

As at 31 May 2022

	Notes	As at 31 May 2022 Unaudited	As at 30 November 2021*
Assets		**$000s**	$000s
Non-current assets			
Property, plant and equipment		**580**	630
Right of use assets		**1,655**	1,910
Intangible assets	8	**97,190**	95,864
Other receivables		**231**	235
		99,656	98,639
Current assets			
Inventories		**3,986**	2,557
Trade and other receivables		**18,318**	21,936
Corporation tax receivable		**378**	113
Cash and cash equivalents		**7,762**	14,182
		30,444	38,788
Total assets		**130,100**	137,427
Capital and reserves attributable to equity holders of the business			
Called-up share capital		**1,484**	1,484
Share premium		**39,249**	39,249
Capital redemption reserve		**12**	12
Foreign exchange reserves		**(7,620)**	(3,388)
Merger reserve		**42,750**	42,750
Retained earnings		**20,376**	23,857
Total equity		**96,251**	103,964
Liabilities			
Current liabilities			
Trade and other payables		**29,249**	27,812
Lease liabilities		**315**	966
Corporation tax payable		**-**	774
		29,564	29,552

Consolidated balance sheet (continued)

As at 31 May 2022

	As at 31 May 2022 Unaudited	As at 30 November 2021*
	$000s	$000s
Non-current liabilities		
Trade and other payables	**432**	677
Lease liabilities	**1,414**	1,002
Provisions	**1,158**	1,163
Deferred tax liability	**1,281**	1,059
	4,285	3,911
Total liabilities	**33,849**	33,463
Total equity and liabilities	**130,100**	137,427

*See Note 9, regarding finalisation of FY21 acquisition fair value in accordance with IFRS 3

Consolidated Cash Flow Statement

For the six months ended 31 May 2022

	Notes	**Six months ended 31 May 2022**	Six months ended 31 May 2021
		Unaudited	Unaudited
	Notes	**$000s**	$000s
Cash flows from operating activities			
Cash generated from operations	7	**6,229**	1,816
Net corporation tax paid		**(1,864)**	(2,823)
Net cash generated from/(used in) operating activities		**4,365**	(1,007)
Cash flows from investing activities			
Expenditure on intangible assets		**(4,156)**	(3,504)
Payment of deferred consideration on acquisition		**(503)**	-
Purchase of property, plant and equipment		**(124)**	(136)
Acquisition of subsidiary, net of cash acquired	9	**(1,545)**	(4,901)
Net cash used in investing activities		**(6,328)**	(8,541)
Cash flows from financing activities			
Proceeds from exercise of employee share options		**-**	128
Proceeds from issue of new shares (net of expenses)		**-**	12,723
Interest paid		**(1,531)**	(51)
Lease liability repayments		**(629)**	(640)
Proceeds from borrowings		**-**	6,887
Dividends paid		**(2,297)**	(1,969)
Net cash (used in)/generated from financing activities		**(4,457)**	17,078
Net (decrease)/increase in cash and cash equivalents		**(6,420)**	7,530
Cash and cash equivalents at start of the period		**14,182**	9,476
Effects of exchange rate fluctuations on cash held		**-**	20
Cash and cash equivalents at end of period		**7,762**	17,026

Notes to the interim condensed consolidated financial information

Six months ended 31 May 2022

1 General information

Aferian plc ('the Company') and its subsidiaries (together 'the Group') specialise in the delivery of next generation video experiences over IP using its end-to-end solution. This comprises the 24i online video solution and Amino video streaming devices and associated operating and device management software.

The Company is a public limited company which is listed on the AIM market of the London Stock Exchange and is incorporated and domiciled in England and Wales.

2 Basis of preparation

These interim consolidated financial statements have been prepared using accounting policies based on United Kingdom adopted international accounting standards ('IFRS'). They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 30 November 2021 Annual Report. The financial information for the six months ended 31 May 2022 and 31 May 2021 does not constitute statutory accounts within the meaning of Section 434 (3) of the Companies Act 2006 and both periods are unaudited.

The annual financial statements of Aferian Plc ('the Group') were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ('IFRS'). The statutory Annual Report and Financial Statements for 2021 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 30 November 2021 was unmodified, did not draw attention to any matters by way of emphasis and did not contain a statement under 498(2) - (3) of the Companies Act 2006.

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 2021 annual financial statements.

Going Concern

The interim consolidated financial statements have been prepared on a going concern basis. The ability of the Group to continue as a going concern is contingent of the ongoing working capital facilities and wider viability of the Group. The Group meets its day-to-day working capital requirements through its cash balances, working capital facilities and wider working capital management.

The COVID-19 pandemic continues to impact the Group's supply chain operations, as well as employees throughout the Group having to continue to work remotely from home. From the outset, the Group implemented efficient and appropriate measures to limit the impact of COVID-19 on the results of the business and its future operations, and the Directors believe that the business continues to be able to navigate through the impact of COVID-19 due to the strength of its customer proposition, its balance sheet, its cash position and its available working capital. Where required, those measures are still in place today as the Group follows the relevant guidance set by authorities in the locations in which we operate.

The Group had cash resources of $7.8m as at 31 May 2022 (30 November 2021: $14.2m) and net current assets of $0.9m as at 31 May 2022 (30 November 2021: $9.2m).

The current global economic conditions continue to create uncertainty, and specific to the Group, recognising the strength and flexibility of the Group's software-led strategy, there are potential risks that the Group will be impacted by decisions further up its supply chain. This could lead to delays in contract negotiations and deferring or cancelling of anticipated sales, and those sales and settlement of existing debts are impacted too. The Group has a solid pipeline of repeat orders from existing customers and, together with the growth in exit run rate ARR at 31 May 2022, this provides enhanced visibility to future revenue forecasts and cash flows. In respect of this going concern assessment, the Directors have considered a number of scenarios, taking account of possible further impact from the pandemic on the business, as noted above. However, even in the material downside scenario, the Directors are satisfied that the Group has sufficient cash resources over the period and will be able to operate within its existing working capital facilities and meet its liabilities as they fall due. On that basis, the Directors therefore continue to adopt the going concern basis when preparing the

The Board of Directors approved this interim report on 22 August 2022.

3 Revenue

The geographical analysis of revenue from external customers generated by the identified operating segment is:

	Six months ended 31 May 2022 Unaudited $000s	Six months ended 31 May 2021 Unaudited $000s
North America	**16,019**	16,845
Latin America	**6,027**	7,077
Netherlands	**13,540**	15,589
Rest of EMEA	**7,829**	4,751
EMEA	**21,369**	20,340
Rest of the World	**1,102**	1,024
	44,517	45,286

The Group's revenue disaggregated by product is as follows:

	Six months ended 31 May 2022 Unaudited $000s	Six months ended 31 May 2021 Unaudited $000s
Devices incorporating integrated software and associated accessories	**32,457**	35,382
Software and services	**12,060**	9,904
	44,517	45,286

4 Segmental analysis

Operating segments are reported in a manner consistent with the internal reporting provided to the Aferian plc Chief Operating Decision Maker ("CODM") for the use in strategic decision making and monitoring of performance. The CODM has been identified as the Group Chief Executive and the Chief Financial Officer. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. Performance of the operating segments is based on adjusted EBITDA. Information provided to the CODM is measured in a manner consistent with that in the Financial Statements.

The Group reports three operating segments to the CODM:

- the development and sale of streaming devices and solutions, including licensing and support services ("Amino");
- development and sale of an end-to-end streaming platform and associated services. This includes the results of The Filter and Nordija A/S, acquisitions during the current and prior period respectively ("24i"); and
- central costs which comprise the costs of the Board, including the executive directors as well as costs associated with the Company's listing on the London Stock Exchange.

Revenues and costs by segment are shown below.

2022		**Amino $000s**	**24i $000s**	**Central costs $000s**	**Total $000s**
Revenue	Software and services	2,723	9,311	-	12,034
	Devices *	32,483	-	-	32,483
	Total	35,206	9,311	-	44,517
	% Recurring	7%	62%	-	19%
Adjusted cost of sales		(22,484)	(2,622)	-	(25,106)
Adjusted gross profit		12,722	6,689	-	19,411
Adjusted operating expenses		(6,237)	(6,046)	(1,346)	(13,629)
Adjusted EBITDA		**6,485**	**643**	**(1,346)**	**5,782**
Exceptional items	Operating expenses				(516)
Share based payment charge					(310)
Depreciation, amortisation, and loss on disposal of fixed assets					(5,555)
Operating loss					**(599)**
Net finance expense					(212)
Loss before tax					**(811)**
Additions to non-current assets: Capitalised development costs		998	3,158	-	4,156

* incorporating integrated Amino software and associated accessories.

4 Segmental analysis (continued)

2021		Amino $000s	24i $000s	Central costs $000s	Total $000s
Revenue	Software and services	2,433	7,471	-	9,904
	Devices *	35,382	-	-	35,382
	Total	37,815	7,471	-	45,286
	% Recurring	5%	47%	-	12%
Adjusted cost of sales		(22,781)	(1,886)	-	(24,667)
Adjusted gross profit		15,034	5,585	-	20,619
Adjusted operating expenses		(5,745)	(5,336)	(1,225)	(12,306)
Adjusted EBITDA		**9,289**	**249**	**(1,225)**	**8,313**
Exceptional items	Operating expenses				(1,414)
Share based payment charge					(394)
Depreciation, amortisation, and loss on disposal of fixed assets					(4,649)
Operating profit					**1,856**
Net finance expense					(382)
Profit before tax					**1,474**
Additions to non-current assets: Capitalised development costs		903	2,601	-	3,504

* incorporating integrated Amino software and associated accessories.

5 Exceptional items

Exceptional items included in operating (loss)/profit comprise the following charges:

	Six months ended 31 May 2022	Six months ended 31 May 2021
	Unaudited	Unaudited
	$000s	$000s
Post-acquisition integration and associated restructuring costs	**289**	305
Acquisition and one-off legal costs	**227**	362
Aborted acquisition costs	**-**	465
Expensed contingent post-acquisition remuneration in respect of the acquisition of 24i Unit Media BV	**-**	282
Subtotal operating expenses	**516**	1,414
Total exceptional items	**516**	1,414

Exceptional items within net finance expense comprise the following charges/(credits):

	Six months ended 31 May 2022	Six months ended 31 May 2021
	Unaudited	Unaudited
	$000s	$000s
Credit in relation to movement in contingent consideration	**-**	(179)
Subtotal finance income	**-**	**(179)**
Unwinding discount on put option liability regarding non-controlling interest of the 24i Group	**-**	218
Subtotal finance expense	**-**	**218**
Total exceptional items	**-**	**39**

Exceptional items are items which are material or non-recurring in nature and which are therefore presented separately from underlying operating expenses and income. Material costs may include: release of contingent consideration no longer payable, release of royalty costs recognised in prior years and subsequent renegotiated, redundancy and associated costs, legal and professional advisor fees in respect of acquisitions costs, contingent post acquisition remuneration payable and additions, aborted acquisition costs or releases to the provision for uncertain tax provisions. Material income comprises amounts outside the course of normal trading activities.

Furthermore, the Group considers the fair value movement in contingent consideration and the put option interest charge to be adjusting items within net finance expenses because they are non-cash and they do not relate to the day-to-day trading activities of the Group. They are treated as adjusting items below adjusted operating profit but not presented on the face of the consolidated income statement.

6 Earnings per share

	Six months ended 31 May 2022 Unaudited	Six months ended 31 May 2021 Unaudited
	$000s	$000s
(Loss)/profit attributable to shareholders	**(1,470)**	888
Exceptional items	**516**	1,414
Share-based payment charges	**310**	394
Finance income (see note 5)	**-**	(179)
Finance expense (see note 5)	**-**	218
Amortisation of acquired intangible assets	**2,151**	1,424
Tax effect thereon	**(256)**	(295)
Profit attributable to shareholders excluding exceptional items, share-based payments and amortisation of acquired intangibles and associated taxation	**1,251**	3,864
	Number	Number
Weighted average number of shares (Basic)	**83,439,943**	76,590,374
Weighted average number of shares (Diluted)	**82,832,009**	77,780,937
Basic earnings per share (cents)	**(1.76)**	1.16
Diluted earnings per share (cents)	**(1.78)**	1.14
Adjusted basic earnings per share (cents)	**1.50**	5.05
Adjusted diluted earnings per share (cents)	**1.51**	4.97

The calculation of basic earnings per share is based on profit after taxation and the weighted average number of ordinary shares of 1p each in issue during the period. The Company holds 1,488,254 (H1 2021: 1,778,725) of its own shares in treasury and these are excluded from the weighted average above. The basic weighted average number of shares also excludes 242 (H1 2021: 242) being the weighted average shares held by the EBT in the year.

The number of dilutive share options above represents the share options where the market price is greater than the exercise price of the Company’s ordinary shares.

7 Cash generated from operations

	Six months ended 31 May 2022 Unaudited $000s	Six months ended 31 May 2021 Unaudited $000s
(Loss)/profit before tax	**(811)**	1,474
Net finance expense	**212**	382
Amortisation charge	**4,768**	3,923
Depreciation of right of use assets	**502**	596
Depreciation of property, plant & equipment	**285**	130
Loss on disposal of property, plant & equipment	**5**	-
Share based payment charge	**310**	394
Exchange differences	**848**	304
(Increase)/decrease in inventories	**(1,429)**	84
Decrease/(increase) in trade and other receivables	**2,001**	(4,207)
(Decrease)/increase in provisions	**(5)**	9
(Decrease)/increase in trade and other payables	**(457)**	481
Aborted acquisition deposit	**-**	(1,754)
Cash generated from operations before tax	**6,229**	1,816

Adjusted operating cash flow before tax was $6.7m (H1 2021: $4.0m) and is reconciled to cash generated from operations before tax as follows:

	Six months ended 31 May 2022 Unaudited $000s	Six months ended 31 May 2021 Unaudited $000s
Adjusted operating cashflow before tax	**6,745**	3,986
Post-acquisition and restructuring costs	**(289)**	(312)
Acquisition and one-off legal costs	**(227)**	(104)
Aborted acquisition deposit	**-**	(1,754)
Cash generated from operations before tax	**6,229**	1,816

Adjusted cash generated from operations before tax is a non-GAAP measure and excludes cash from exceptional items.

7 Cash generated from operations (continued)

	Six months ended 31 May 2022	Six months ended 31 May 2021
	Unaudited	Unaudited
	$000s	$000s
Adjusted EBITDA	**5,782**	8,313
Adjusted operating cashflow conversion %	***116%***	*48%*
Exceptional items	**(516)**	(1,414)
Share based payment charge	**(310)**	(394)
EBITDA	**4,956**	6,505
Operating cashflow conversion %	***126%***	*28%*

Adjusted EBITDA is a non-GAAP measure and is defined as earnings before interest, taxation, depreciation, loss on disposal of property, plant and equipment, amortisation, exceptional items and share based payment charges.

8 Intangible assets

Movements in intangible assets comprised:

	$000
Intangible assets – as previously presented at 30 November 2021	96,234
Adjustment to initial estimated fair value on acquisition – intangible assets (note 9)	500
Adjustment to initial estimated fair value on acquisition – goodwill (note 9)	(390)
Amortisation charge on above fair value changes for year ended 30 November 2021 (note 9)	(480)
Intangible asset – as revised	95,864
Acquisition of subsidiary (note 9)	4,150
Additions	4,156
Amortisation	(4,768)
Movement in foreign exchange	(2,212)
Intangible assets – as at 31 May 2022	**97,190**

9 Acquisition of subsidiaries

On 4 April 2022, the Group acquired 100% of the issued share capital of Exabre Limited (trading as “The Filter”), a UK-headquartered AI-powered video recommendation service for consideration up to £4.0m ($5.2m).

The Filter’s technology will significantly accelerate the roadmap of 24i’s video streaming platform by adding enhanced analytics, recommendations and personalisation to its existing data analytics services. 24i will also market The Filter’s managed service solution to its existing OTT and Pay TV customers and prospects as a standalone service.

The acquisition represents a further supportive step along the Group’s 2025 strategy which addresses the convergence of streaming services and traditional Pay TV. It is also in line with the Company’s objective to acquire key and emerging technologies that add value to its platform’s capabilities.

The preliminary amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out below. A full review of identifiable assets will be completed and updated in the Group annual report to 30 November 2022.

	Estimated book value $000s	**Estimated fair value adjustment $000s**	**Estimated fair value $000s**
Identifiable intangible assets	-	2,728	2,728
Right of use assets	72	-	72
Property, plant and equipment	3	-	3
Current assets			
• Current trade and other receivables	320	-	320
• Cash and cash equivalent	4	-	4
Liabilities			
• Current trade and other payables	(259)	-	(259)
• Lease liability	(72)	-	(72)
• Deferred tax liability	-	(518)	(518)
Total identifiable assets and liabilities	68	2,210	2,278
Goodwill			1,422
Total consideration			**3,700**

Satisfied by:	**Fair value $000**
Initial consideration:	
• Cash	1,549
Deferred consideration:	
• Cash	317
Contingent consideration:	
• Cash	1,834
Total consideration transferred	**3,700**
Net cash outflow arising on acquisition	
Cash consideration	1,549
Less: cash and cash equivalent balances acquired	(4)
Net cash outflow on acquisition	**1,545**

9 Acquisition of subsidiaries (continued)

The estimated goodwill of $1.4m arising from the acquisition consists of expected growth in the provision of user personalisation managed services. None of the goodwill is expected to be deductible for income tax purposes.

Total consideration transferred includes £0.3m ($0.3m) of deferred cash consideration, payable in October 2023. Contingent consideration is payable, up to £2.5m ($3.2m), subject to achieving certain annual recurring revenue ("ARR") growth. The contingent consideration will be settled in cash and payable in two tranches, at the first and second anniversaries of the acquisition. The estimated value of contingent consideration is $1.8m and has been based on the latest ARR forecast.

Revenue of $0.1m and a loss of $0.1m between the date of acquisition and the balance sheet date has been included within the results to 31 May 2022.

Acquisition in the prior period – Nordija A/S

On 27 May 2021, the Group acquired 100% of the issued share capital of Nordija A/S, a Danish incorporated entity whose principal activities are as a streaming and Pay TV platform specialist, for €5.3m ($6.5m).

During the current period, and within the measurement period (which shall not exceed one year from the acquisition date, an additional intangible asset was identified which adjusted the provisional amounts recognised for this business combination. An intangible asset of $0.6m in relation to a contract asset has subsequently been recognised. This has resulted in the following remeasurements to the initial provisional estimated fair value adjustments:

- Increase to fair value of identifiable intangibles assets of $0.5m ($0.6m in relation to the contract asset, less $0.1m reduction to other identifiable intangible assets previously recognised);
- Increase to deferred tax liability of $0.1m in relation to the above adjustment; and
- Decrease to goodwill of $0.4m (previously reported goodwill of $3.3m)

During the measurement period, the Group shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained, as noted above, about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. These changes were identified within 12 months of the acquisition date. The updated fair value of identifiable assets and liabilities at the acquisition date is disclosed in the below table.

	Book value $000s	**Fair value adjustment as previously reported $000s**	**Adjustment to initial estimated fair value $'000**	**Fair value $000s**
Identifiable intangible assets	2,523	1,865	500	4,888
Right of use assets	468	-	-	468
Property, plant and equipment	115	-	-	115
Non-current trade and other receivables	41	-	-	41
Current assets				
• Current trade and other receivables	787	(90)	-	697
• Cash and cash equivalents	269	-	-	269
Liabilities				
• Current trade and other payables	(1,781)	(66)	-	(1,847)
• Lease liability	(468)	-	-	(468)
• Deferred tax liability	(252)	(410)	(110)	(772)
Total identifiable assets and liabilities	1,702	1,299	390	3,391
Goodwill				2,950
Total consideration				**6,341**

9 Acquisition of subsidiaries (continued)

The contract asset of $0.6m is to be amortised in line with the associated customer contract revenue recognition. Accordingly, $0.5m should have been recognised in the consolidated income statement for the year ended 30 November 2021 as amortisation on acquired intangibles. Furthermore, $0.1m of the incremental deferred tax liability recognised in relation to the contract asset should have been released in the consolidated income statement for the year ended 30 November 2021.

Satisfied by:	**Fair value $000**
Initial consideration:	
• Cash	5,018
• Equity instruments (315,511 ordinary shares of Aferian plc)	659
Contingent consideration:	
• Cash	144
• Equity instruments (292,030 ordinary shares of Aferian plc)	704
Total consideration before discounting	6,431
Fair value adjustment in relation to discounting contingent consideration	(90)
Total consideration transferred	**6,341**
Net cash outflow arising on acquisition	
Cash consideration	5,018
Less: cash and cash equivalent balances acquired	(269)
Net cash outflow on acquisition	**4,749**

The fair value of the financial assets included trade receivables with a fair value of $0.5m and a gross contractual value of $0.6m. The best estimate at acquisition date of the contract cash flows not to be collected is $0.1m.

The goodwill of $3.0m arising from the acquisition consists of expected growth in the sale of online video apps and solutions. None of the goodwill is expected to be deductible for income tax purposes.

Following successful completion of the targets to date associated with the contingent consideration, the Company paid an amount of €0.4m ($0.5m), of which €0.1m ($0.1m) was settled in cash, during the current period. The €0.3m ($0.4m) was settled by the issue of 222,430 new ordinary shares of 1p each in the capital of the Company (“Ordinary Shares”) at the price agreed at the date of the original acquisition of 148 pence per ordinary share. The remaining €0.1m ($0.2m) of contingent consideration is expected to be settled by 30 November 2022.

The costs of the acquisition were $0.4m. No revenue or profit between the date of acquisition and the balance sheet date has been included within the results to 31 May 2021 as the contribution was deemed to be immaterial. If the acquisition of Nordija had been completed on the first day of the financial period, Group revenues for the prior period would have been $47.3m and Group profit after tax would have been $0.9m.

10 Cautionary statement

This document contains certain forward-looking statements relating to the Group. The Group considers any statements that are not historical facts as “forward-looking statements”. They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the Group to differ materially from those contained in any forward-looking statement. These statements are made by the Directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.