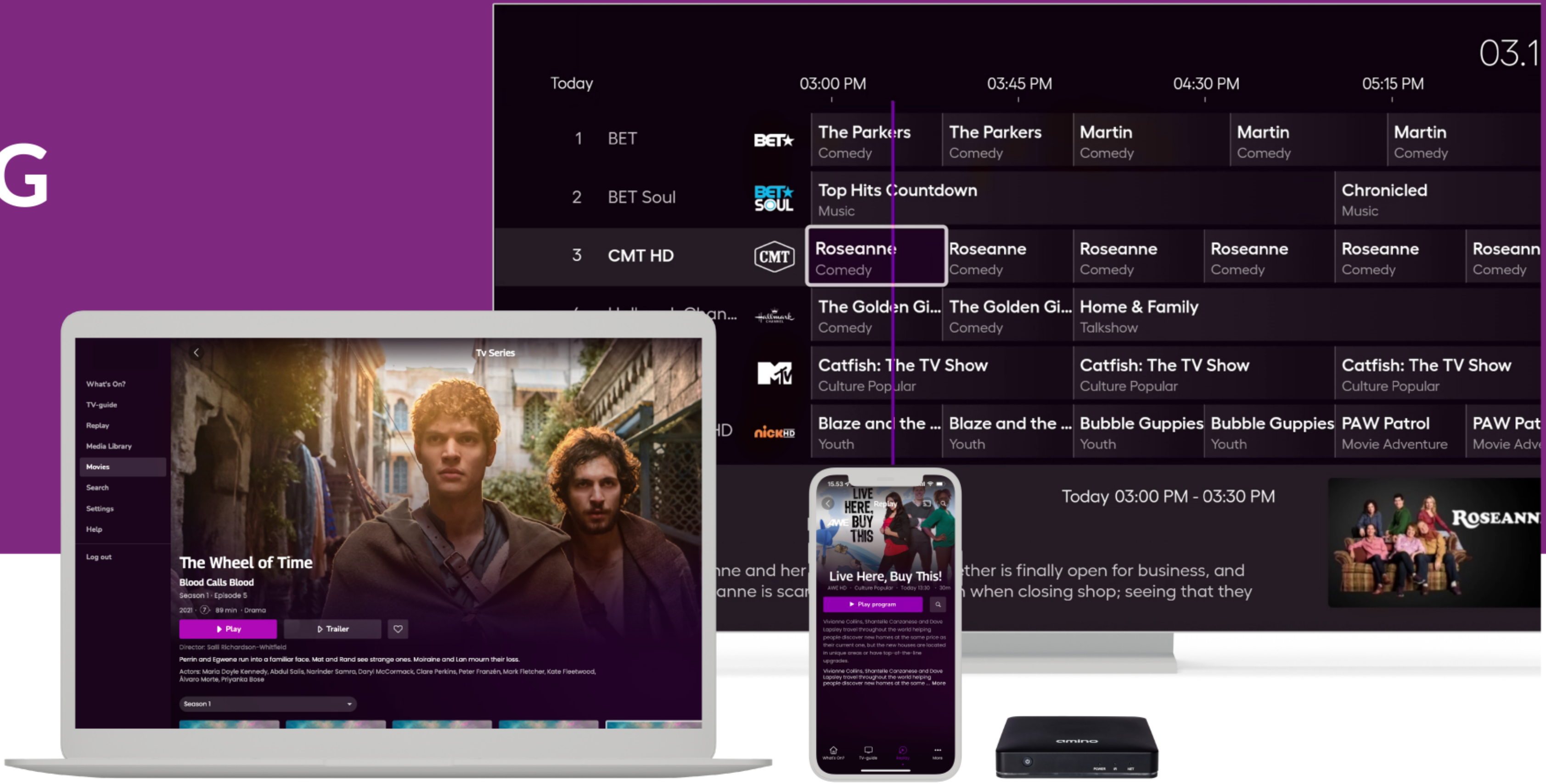
Aferian plc

POWERING THE GROWTH OF STREAMING

FY22 Results



May 2023

Agenda

- 2022 Overview
- Financial & Operational Review
- Post period end update & Outlook
- Questions

Donald McGarva
Group Chief Executive Officer

Mark Carlisle
Group Chief Financial Officer

Software-led progress against KPIs – ARR up 23%

Total revenue	Software & services revenue	Exit run rate annual recurring revenue (ARR)
(2%) **$91.1m** FY 21: $92.9m	**+8%** **$24.1m*** FY 21: $22.4m	**+23%** **$18.7m*** FY 21: $15.2m

% of software & services revenue recurring	Adjusted EBITDA	Adjusted operating cash flow
+9bps **67%** FY 21: 58%	**(21%)** **$14.6m** FY20: $18.4m	**(46%)** **$8.9m** FY 21: $16.7m

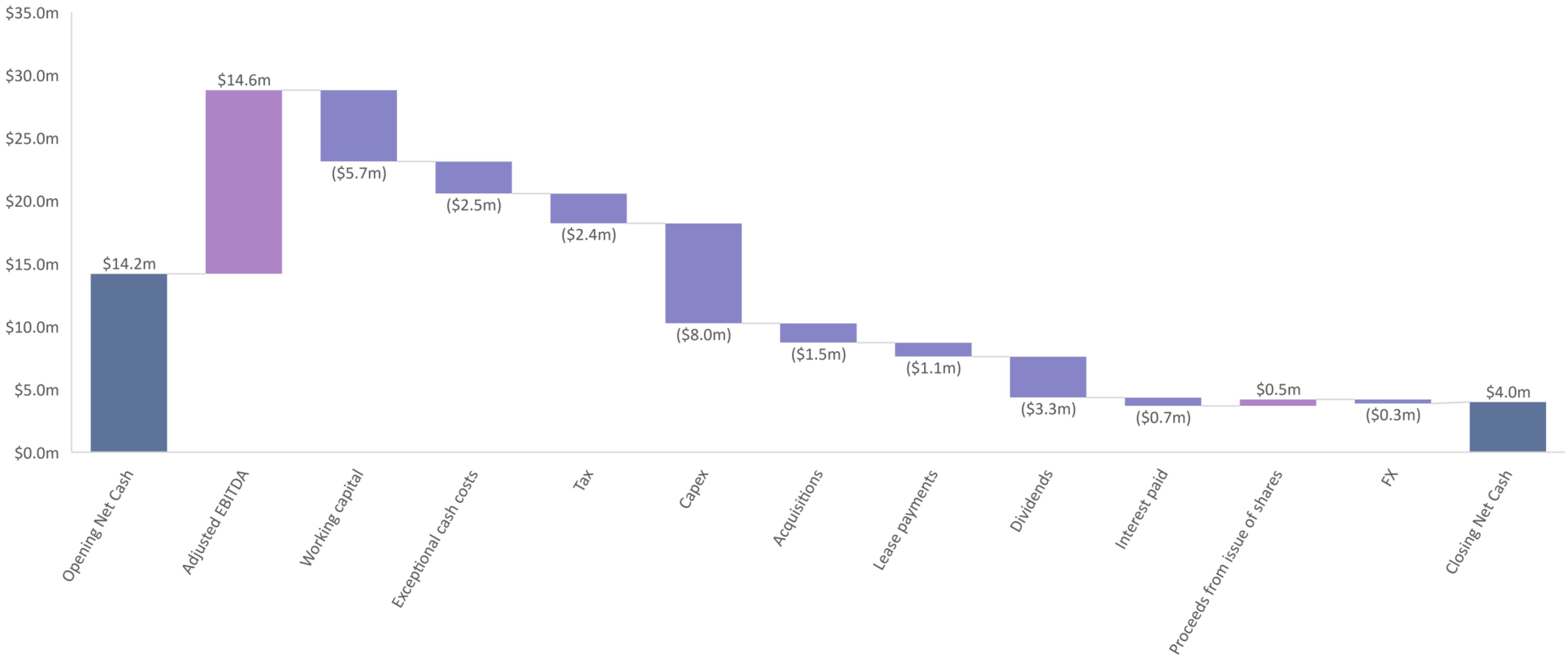
*negatively impacted by €/$ FX rate

Income statement summary

$m	**FY22**	**FY21**	**Var**
Revenue	91.1	92.9	(1.8)
Cost of sales	(49.1)	(48.0)	(1.1)
Gross profit	**42.0**	**44.9**	**(2.9)**
Margin %	*46%*	*48%*	*-2%*
Operating costs	(27.4)	(26.5)	(0.9)
Adjusted EBITDA	**14.6**	**18.4**	**(3.8)**
Margin %	*16%*	*20%*	*-4%*
Depreciation and amortisation	(7.1)	(6.6)	(0.5)
Adjusted operating profit	**7.5**	**11.8**	**(4.2)**
Margin %	*8%*	*13%*	*-2%*
Impairment of goodwill	(12.5)	0.0	(12.5)
Exceptional items	(6.7)	(1.5)	(5.2)
Share-based payments	(0.4)	(1.1)	0.7
Amortisation of acquired intangibles	(4.6)	(4.0)	(0.6)
Net interest	(0.3)	(0.4)	0.1
Profit before tax	**(16.9)**	**4.8**	**(21.7)**
Tax	(0.5)	0.6	(1.1)
Profit after tax	**(17.4)**	**5.4**	**(22.8)**

- Device revenues decreased by $3.4m year-on-year and as a result total revenue decreased by 2% to $91.1m
- Gross margin down 2% due to decrease in higher margin device revenues.
- Adjusted EBITDA down $3.8m mainly driven by device revenues reduction
- Amortisation of acquired intangibles up $0.6m due to Nordija acquisition.
- The tax charge of $0.5m (2021: $0. 6m credit) comprises $2.0m (2021: $2.8m) current tax charge, offset by $0.8m release (2021: $0.1m) of uncertain tax provision, and $0.7m (2021: $3.4m) net deferred tax recognised.
- The Group has carried out an impairment review of the Amino software and devices CGU and recognized $12.5m impairment loss on goodwill in the year.
- Total dividend for the year: GBP 0.01 per share, already paid as interim dividend

Cashflow bridge



- Good operating cash flow generation despite significant investment in inventory to mitigate global supply chain disruption during the period.
- Adjusted cashflow from operating activities before tax was $8.9m (2021: $16.7m) representing an adjusted EBITDA cash conversion of 61% (2021:91%)

24i Operational Highlights

- Launch of FokusOnTV, our TVaaS platform
  - Lead to partnership with Swisscom Broadcast and addition of 3 new customers to the service
  - Acquisition of the Filter and resulting launch of 24iQ, our data-driven recommendations managed service

- R&D for FY2023 product enhancements:
  - New out-of-the box solution for broadcasters
  - 24iQ-based recommendations functionality pre-integrated with other 24i products
  - Right-to-left text support for MENA market – used by new Israeli customer KAN for World Cup

$M	FY22	FY21	Growth
Software revenue	19.1	17.8	7%
Exit ARR	14.3	11.1	29%
Net retention rate	107%	117%	(10pp)
On a constant currency basis:			
Software revenue	20.8	17.8	17%
Exit ARR	15.6	11.1	40%

24i Financial Performance

24i

- Revenue and ARR increased by 17% and 40% on a constant currency basis respectively
- Gross margin % decreased by 6pp compared to the exceptional figure in prior year (result of a one-off, high-margin project in 2021)
- Investment in sales, marketing and resources for customer onboarding also impacted profit but is expected to pay off in 2023
- FY23 annualised cost savings achieved in February from efficiencies identified:
  - $1.6m operating costs
  - $1.0m capex
  - Cost of achieving savings: $0.5m

$M	FY22	FY21	Variance
Revenue	19.1	17.8	1.3
Cost of sales	(5.1)	(3.8)	(1.3)
Gross profit	14.0	14.0	0.0
Gross profit %	*73%*	*79%*	*(6pp)*
Operating costs	(13.4)	(12.8)	(0.6)
Adjusted EBITDA	0.7	1.2	(0.5)
Adjusted EBITDA %	*3%*	*7%*	*(6pp)*
Capex	5.8	5.8	-
Exit ARR	14.3	11.1	3.2

Amino Operational Highlights

- Supply chain challenges overcome, but economic headwinds impacting sales
- SaaS management platform saw 5% year-on-year growth in number of end-user devices managed
- Software capability enabled in 2022:
  - Vodafone Iceland upcycling
  - Expansion of SaaS device management platform into digital signage
- Investment in sales and marketing to grow Amino's presence in digital signage market
- New customer wins include a chain of betting shops around the UK & Ireland

$M	FY22	FY21	Growth
Device revenue	67.0	70.1	(4%)
Software revenue	5.0	5.0	(1%)
Total revenue	72.0	75.1	(4%)
Exit ARR	4.4	4.4	-

Amino Financial Performance

- Amino revenues decreased by 4% during the year to $72.0m, negatively impacted by:
  - delays in the supply chain in H1
  - customers delaying device orders as they seek to temporarily reduce working capital and capital expenditure
- Repeat orders from existing customers over that period has accounted for 93% (2021: 94%) of total device revenue.
- FY23 annualised cost savings achieved in February from efficiencies identified:
  - $1.3m operating costs
  - $0.8m capex
  - Cost of achieving savings: $0.3m
- Non-cash goodwill impairment charge of $12.5m

$M	FY22	FY21	Variance
Revenue	72.0	75.1	(3.1)
Cost of sales	(44.1)	(44.4)	0.3
Gross profit	27.9	30.7	(2.8)
Gross profit %	39%	41%	(2bps)
Operating costs	(12.1)	(11.0)	(1.1)
Adjusted EBITDA	15.8	19.7	(3.7)
Adjusted EBITDA %	22%	26%	(4bps)
Capex	2.0	2.3	(0.3)

Post period-end update

Banking covenants

- At date of annual report approval, the Group remained in compliance with its banking covenants
- As highlighted in March, discussions are ongoing regarding current facility arrangements.
- Detailed disclosure in respect of this has been included in the annual report (CFO report and Note 1)

Actions to reduce Group cost base

- Reduction in headcount in both 24i and Amino business
- Executive team elected to take a pay cut
- No bonus and Pay freeze for those on higher salaries
- Ending contractor agreements saved on redundancy costs
- Reviewing all property leases to downsize where possible

Board changes

- Steve Vaughan stepped down as Non-Executive Director on 27th April
- Max Royde appointed Non-Executive Director and appointed Chair of Audit Committee

Current Trading & Outlook

24i

- 24i leadership change in April 2023 to further improve performance, Donald McGarva stepping into CEO roleTh
- The Board expects to report growth in 24i division for H1 FY2023 over H1 FY2022
- Investment in R&D will reduce in 2023 now the initial phase of 24i video platform development is complete

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- Continuing macro-economic impact and shortening of lead times means device sales in H1 FY23 have been materially lower than initially anticipated
- Full-year revenue for FY23 expected to be significantly lower than FY22
- FY23 outcome still dependent on the receipt of expected orders that have been deferred or delayed
- Medium-term sales pipeline is strong
- Encouraging recent receipt of the first material order in seven months from a major US distributor

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- Group revenue and adjusted EBITDA for FY23 expected to be significantly below FY22
- Group is currently trading, and expects to finish FY23, in a net debt position
- Still expecting to generate a positive material EBITDA
- Board remains positive about the prospects for the Group
- Confidence that cost-reduction measures have not compromised core strengths

Priorities for 2023

1	2	3
Further organic growth of ARR and software revenue	Increase in operating margin for 24i division	Amino working capital reduction and free cash flow generation

Video streaming is now part of everyday life

It's easier than ever to watch video over the internet:

From familiar streaming giants

to less well-known niche services

On every device.....

....AND on digital signs in many public settings






But more screens = more complexity for companies who distribute the video

Our B2B video streaming solutions make it easy for companies to reach all these screens

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