

31 August 2023

## AFERIAN PLC

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

### HALF YEAR RESULTS

- Improving quality of Group earnings and enhanced revenue visibility.
- Continued strong demand in 24i division in fast growing video streaming market.
- Amino division refocused on higher quality, higher margin streaming devices.
- Confident in full year outturn with high percentage of contracted revenue and a well-developed pipeline.

Aferian plc (LSE AIM: AFRN), the B2B video streaming solutions company, announces its unaudited results for the six months ended 31 May 2023 (“H1 2023”), which demonstrate a performance in line with the trading update announced on 28 June 2023.

#### Donald McGarva, Chief Executive Officer of Aferian plc, said:

*“This has been a very busy and challenging half for Aferian. The restructuring of our cost base in 24i and Amino is generating significant annualised cost savings and providing a stronger platform on which to build and grow. Demand in our 24i division has remained strong as we continue our strategic focus on growing software and services revenue in the fast-growing video streaming market.*

*To align ourselves better with our customers’ changing needs, our Amino business has been refocused to concentrate on higher quality, higher margin streaming and device management opportunities and we have seen good initial customer engagement in the Pay TV and digital signage markets. We have continued to progress our strategy to improve the quality of our earnings and enhance revenue visibility in the first half, against what is for everyone, a challenging macroeconomic environment. Our higher margin software and services revenue was up 17% year on year, and we closed the period with exit run rate ARR up 19%.*

*Following the successful completion of our \$4.0m equity raise in July, we have the resources to focus on driving forward our advantage and growth in the video streaming market. With 90% of revenue contracted for the full year and a well-developed pipeline of well qualified prospects, we remain confident in the full year outcome and Aferian’s positioning to capitalise on long-term opportunities in the fast-growing video streaming market.”*

#### Financial Key Figures

Periods ended 31 May	H1 2023	H1 2022	Change
US\$m unless otherwise stated	Unaudited	Unaudited	
Total revenue	23.3	44.5	(48%)
- Devices	9.4	32.5	(71%)
- Software and services	14.0	12.0	17%
Exit run rate Annual Recurring Revenue (“ARR”) <sup>(1)</sup>	18.8	15.8	19%
Statutory operating loss	(8.0)	(0.6)	N/A
Statutory operating cash flow before tax – H1 2022 restated <sup>(5)</sup>	(12.3)	4.9	N/A
Statutory basic earnings per share (US cents)	(10.20)	(1.76)	(480%)
Adjusted operating (loss)/profit <sup>(2)</sup>	(4.2)	2.4	N/A
Adjusted operating cash flow before tax <sup>(4)</sup>	(7.0)	6.7	N/A
Adjusted basic earnings per share (US cents) <sup>(3)</sup>	(6.40)	1.50	N/A
Net (debt)/cash	(12.9)	7.8	N/A
Interim dividend per share (GBP pence)	-	1.0	N/A

#### Notes

1. Exit Annualised Recurring Revenue (ARR) is annual run-rate recurring revenue as at 31 May 2023.
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. Adjusted operating cash flow before tax is a non-GAAP measure and excludes cash paid/received in respect of exceptional items.
5. H1 2022 restated see note 8.
6. Constant currency basis calculated using the closing FX rate for H1 2022 in both years

#### Financial Highlights

- Further momentum demonstrated in improving the quality of earnings and enhancing Group revenue visibility:

- Higher margin software & services revenue of \$14.0m, up 17% year-on-year.
- Recurring revenue of \$9.5m, up 16% in H1 2023 compared to H1 2022.
- Exit run rate ARR of \$18.8m, up 19% year-on-year (constant currency(6) basis: 20%).
- Adjusted operating loss of \$4.2m, (H1 2022: profit \$2.4m) is due to the reduction in Amino device revenues.
- Management actions taken in February and June 2023 have reduced the Group's annualised cost base, including capital expenditure, by a total of c\$8m.
- Additional cost reduction actions are underway and expected to be completed in early September 2023.
- The Group's inventory balance at 31 May 2023 was \$8.6m (30 November 2022: \$9.2m).
- Net debt at 31 May 2023 was \$12.9m (31 November 2022: \$4.0m net cash). This is expected to reduce over the remainder of the current financial year as Amino inventory levels reduce further. The Group remains in compliance with its loan facilities covenants.
- Post period end, on 25 July 2022, the Group successfully raised \$4.0m through an equity placing to be used for general working capital. This replaced the need for further drawdown of the Group's existing shareholder loan facility (currently £1.25m) from Kestrel. The undrawn element £2.125m expired on 31 July 2023.
- No interim dividend payment (H1 2022: 1.0 pence / 1.26 US cents).

## Strategic & Operational Highlights

- **24i – focussed on streaming video experiences.**
  - 24i continues to win new customers and grow recurring revenue driven by continued strong demand for streaming video solutions. The division is prioritising profitability and cash generation over nominal growth.
  - The business launched two significant platform enhancements in March 2023:
    - 24i Broadcaster Studio, a new pre-packaged solution targeting broadcasters who go direct-to-consumer with streaming apps as part of a wider strategy to capitalise on growth in ad-funded streaming.
    - Three new tiered packages of 24iQ, our data-driven SaaS personalisation platform, enabling customers of all sizes to drive greater engagement and end user churn.
  - Partnership with global Free Ad-supported Streaming TV ('FAST') experts, Amagi, announced in March 2023, is already delivering results with the first joint Amagi and 24i customers launching their 24i-based streaming apps post period end.
- **Amino – connecting Pay TV to streaming services.**
  - The poor trading conditions at Amino caused by customer de-stocking at a time of rising interest rates has also resulted in a higher than planned inventory balance of \$8.6m as at 31 May 2023. The Amino inventory balance is expected to reduce back towards November FY21 levels (which were \$2.6m) in H1 2024.
  - We have refocused the division on higher quality, higher margin Pay TV and digital signage streaming devices incorporating the Group's software and Amino's SaaS device management platform.
  - Digital signage devices were deployed into a number of international airports in India during the period.
  - Sports betting brand, Paddy Power, is now using Amino digital signage devices throughout its shops in the UK and Ireland to improve the customer experience and reduce costs.

## Current Trading and Outlook

Trading remains in line with the trading and outlook communicated in our trading statement on 28 June 2023. For the full year ending 30 November 2023, 91% of expected revenues are contracted. The remaining 9% is covered by a well-developed sales pipeline. Combined with the cost reduction actions taken above, this provides the Board with confidence in the expected outturn for the full year in which the Group is expected to generate a positive material EBITDA.

The Board anticipates full year software and services revenue growth of c.10% to 15% in the current financial year. As we move in to FY2024, the 24i business and management team is re-orientating its focus to deliver enhanced profitability and cash generation.

Devices revenue in H2 2023 is expected to be higher than H1 2023 and this recovery is expected to continue in FY 2024 as inventory levels within the supply chain continue to normalise.

24i

Demand for 24i's video streaming platform remains strong. Investments previously made in sales and marketing have delivered results. The 24i management team, under its new leadership, is focused on growing revenue and ARR at double digit percentages in FY2023, whilst ensuring targeted R&D investment and improved customer

project scoping and pricing to increase profitability in the second half of the financial year. This will ensure a better balance between nominal revenue growth and profitability / cash generation in the future.

## Amino

The device market is forecast to continue to grow, however, the market has evolved with low-cost manufacturers meeting the needs of many pay TV operators who, whilst needing to upgrade their services to incorporate video streaming, remain focused on cost reduction. Therefore, to better align with these changing customer needs and to target enhanced profitability, Amino's focus will be on delivering value through:

- delivering higher quality, higher margin pay TV streaming devices which can also be bundled with the Group's Software-as-a-Service ("SaaS") device management platform, Engage. This SaaS device management platform is also integrated with third party devices and sold on a standalone basis; and
- driving growth in its digital signage business selling into large integrators and via distributors.

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### **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 225 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](http://www.aferian.com).

## Chief Executive Officer's Review

The Group has continued to make progress in improving the quality of its earnings and enhancing revenue visibility as it executes on its strategy to grow software and services revenue in the fast-growing video streaming market. Exit run rate Annual Recurring Revenue ("ARR") increased to \$18.8m representing 19% growth year-on-year. Software and services revenue for the period also increased to \$14.0m, an increase of 17% versus the prior year.

Sales of streaming devices, however, were significantly lower than the prior period at \$9.4m, representing a decrease of 71% year-on-year. Whilst the video streaming device market continues to grow, the number of devices shipped in the period was impacted by customers de-stocking in response to reduced lead-times after building up stocks to weather post-COVID supply chain challenges. This downturn in Amino revenues has had a significant impact on Group results for the period.

Consequently, Group revenue in the period was \$23.3m, a decrease of 48% versus the prior year. As a result, we took proactive steps to reduce the Group's cost base in both 24i and Amino in February 2023 and, post period end in June 2023, we took further action to reduce costs in the Amino business. Together these actions have generated c\$8m of annualised cost savings for the Group. We have also identified additional savings in 24i through a targeted cost-reduction programme which is due to complete in early September 2023.

On 31 May 2023, Aferian secured additional cash funding by way of a shareholder loan facility of up to £3.25m from our largest shareholder, Kestrel Partners LLP, of which £1.25m was drawn as at 31 May 2023. On 25 July 2023, the Group successfully raised \$4.0m (before expenses) through an issue of equity share capital to be used for general working capital purposes, replacing the need for further drawdown of the full shareholder loan facility from Kestrel, of which the undrawn element of £2.125m expired on 31 July 2023. These funds provide additional headroom in respect of the covenants in the Group's existing bank facility.

We believe that the actions taken to reduce our cost base and the additional cash funding provides the Group with a stronger platform on which to build and grow. With adequate headroom already secured over our banking covenants, we believe we now have the resources to drive forward our advantage in the video streaming market, which continues to grow at pace as streaming increasingly becomes the most popular way to consume video.

As trading improves, we expect the Group's inventory levels to reduce and cash generation to improve in the second half of the year, reducing our net debt position.

## H1 2023 Key Performance Indicators

Our key performance indicators demonstrate growth in software & services revenue (up 17%) and exit ARR (up 19%).

	H1 2023	H1 2022	Change
	\$m	\$m	%
Total revenue	23.3	44.5	(48%)
Software & services revenues	14.0	12.0	17%
Exit run rate Annual Recurring Revenue ("ARR") at 31 May	18.8	15.8	19%
Adjusted operating cashflow before tax	(7.0)	6.7	N/A
Net customer revenue retention rate on recurring revenue*	110%	113%	

\*Net customer revenue retention rate on recurring revenue based on a constant currency basis

The executive management team remain focused on reducing inventory levels and improving cash flows whilst improving the returns generated by investments already made in the 24i division.

## A fast-growing video streaming sector

The prospects for the video streaming sector in which both 24i and Amino operate remain positive. The media and entertainment sector is continuing its migration from traditional broadcast distribution models such as cable and satellite to streaming as the preferred mode of video delivery. Evidence of this trend can be seen in the success of new services from traditional broadcasters like ITV, which saw a 49% increase in overall streaming hours in the first quarter of 2023\* following the launch of its ITVX service. It is also evident among Pay TV operators such as Sky which signalled a significant shift away from expensive satellite distribution with the launch in October 2022 of its first "dish-less" product\*\*. Sky Stream features around 150 TV channels and on-demand content via the internet to a palm-sized streaming device in the home.

Aferian has been at the forefront of this type of content delivery for over 25 years and the continued transition to streaming demonstrates a growing market opportunity for Amino's devices and 24i's end-to-end video streaming solutions. Most recently, post-period end, Virgin Media used its 24i integrated solution to launch and monetise a

new line-up of themed Free Ad-supported Streaming TV ('FAST') channels on Virgin TV. 24i worked in partnership with Amagi, the global leader in cloud-based SaaS technology for broadcast and connected TV. An initial selection of 14 channels have been rolled-out to Virgin Media's V6, TV 360 and Stream set-top boxes (STBs), allowing subscribers to instantly access an extended range of attractive content, monetised through advertising.

While subscriber churn at household names such as Netflix and Disney have driven some media headlines, the overall sector remains buoyant. In April 2023, Statista forecast that revenue from internet-based video services operating without the need for a cable or satellite subscription (known in the industry as "over the top TV" or "OTT") will reach 235 billion US dollars\*\*\* by 2028, nearly double the figure reported in 2021.

Although cost-of-living pressures will inevitably make our customers look harder at their cost base and the prices they charge their consumers for subscriptions, we believe this presents an opportunity for Aferian. Our cost-effective, off-the-shelf solutions and managed services represent an excellent alternative for video service providers who want to continue delivering great consumer experiences but are re-assessing the value of their current custom-built solutions and/or the cost of employing in-house streaming expertise.

Many streaming service providers, including Netflix and Amazon Prime Video, have diversified beyond subscription business models into advertising-funded packages in response to rising competition from the proliferation of smaller streaming services and worldwide cost of living concerns. 24i has capitalised on this shift with the addition of advertising-related capabilities to its end-to-end video streaming platform\*\*\*\*.

\* <https://www.digitaleurope.com/2023/06/09/itv-measures-success-of-itv-after-six-months/>

\*\* <https://www.broadbandtvnews.com/2022/10/19/sky-stream-launches-in-the-uk/>

\*\*\* <https://www.statista.com/statistics/260179/over-the-top-revenue-worldwide/>

\*\*\*\* <https://www.24i.com/articles/24i-unveils-latest-advancements-to-expand-the-reach-of-fast-and-linear-channels-for-broadcasters-and-to-make-personalized-video-experiences-accessible-to-everyone>

## Operational Review

### 24i

24i's robust, end-to-end SaaS video streaming platform enables all kinds of video content owners and distributors to monetise their content investments by quickly launching and efficiently managing attractive streaming services on all consumer devices, from mobile phones and tablets to Smart TVs and the managed devices provided by pay TV operators. With 14 years of experience in the market, 24i's customers include NPO, Telenor, Pure Flix and Broadway HD.

In the first half of 2023, 24i's revenues were \$11.1m, an increase of \$1.8m on H1 2022.

In March 2023, 24i unveiled two significant enhancements to its streaming platform resulting from recent investment in research and development. 24i Broadcaster Studio is a new pre-packaged solution targeting the specific needs of broadcasters who want to go direct-to-consumer (D2C) with streaming applications, rather than relying on Pay TV operators for carriage.

At the same time, we announced three new tiered packages of 24iQ, our data-driven SaaS personalisation platform. Two tiers are pre-integrated with the wider 24i streaming platform, enabling companies of all sizes to rapidly take advantage of the personalisation trend to drive user engagement and tackle churn. A third, enterprise tier enables larger broadcasters, pay TV operators and streaming services to get a more bespoke, managed service tailored to their specific personalisation needs.

The launch of 24i Broadcaster Studio is part of a wider strategy to capitalise on the growth in ad-funded streaming, and in particular what's known as Free Ad supported Streaming TV ('FAST') channels. Today, thousands of these streaming-only TV channels are available on aggregation platforms worldwide. In March 2023, we announced a partnership with global FAST experts, Amagi, in which 24i can support the owners of these channels to quickly launch their own streaming apps, build a direct relationship with their consumers and develop new monetisation strategies. Post period end, the first joint Amagi and 24i customer, US food and travel video streaming network Tastemade, launched their 24i-based apps followed shortly thereafter by Virgin Media.

Other customer project wins in the period include Israeli Public Broadcaster, KAN, which used 24i's application framework and SaaS content management platform to launch a series of new Smart TV streaming applications with sophisticated new features such as personalisation in December 2022 to coincide with the FIFA World Cup. The 24i-powered app was downloaded more than 380,000 times during the tournament alone.

Demand for 24i's video streaming platform remains strong. Investments previously made in sales and marketing have delivered results. The 24i management team, under its new leadership, is focused on growing revenue and

ARR at double digit percentages in FY2023, whilst ensuring targeted R&D investment and improved customer project scoping and pricing to increase profitability in the second half of the financial year. This will ensure a better balance between nominal revenue growth and profitability / cash generation in the future.

## **Amino**

Amino's managed video streaming devices and SaaS management platform enable Pay TV operators to bring their live and on-demand content to every connected household with the quality of service and level of support that consumers demand for their big-screen viewing experience.

In the first half of 2023 Amino's revenues were \$12.1m, a reduction of \$23.1m on H1 2022. This was due to customers delaying device orders to temporarily reduce working capital and defer capital expenditure. We expect this trend to continue in 2023, albeit that we expect Amino's revenue to be higher in the second half of the financial year. Having taken the decision in Q2 2022 to invest in raw materials and finished goods to reduce supply chain risks associate with the COVID pandemic, inventory in Amino at 31 May 2023 was \$8.6m, \$4.6m higher than at 31 May 2022. As lead times reduce, we have taken the decision to also reduce inventory and we expect inventory levels to reduce back towards November FY21 levels (which were \$2.6m) in H1 2024.

With Pay TV operators looking to maximise their own cost efficiencies, Amino's SaaS device management platform continues to gain traction in the market. This platform has now been deployed by over 120 Pay TV operators who use it to remotely maintain and upgrade devices located in consumer homes, ensuring they maintain a high level of service quality whilst also reducing customer support costs. Unlike previous generations of satellite and cable TV set-top-boxes, streaming devices can be posted to customers, self-installed and remotely managed, providing a major cost saving compared to the old model of an engineer home visit installation for every customer.

We have also continued to see progress in the deployment of our digital signage devices. These are used to stream information and entertainment content to digital displays in a wide range of settings, from betting shops and stadiums to healthcare facilities, retail outlets, transportation hubs and government facilities. Our devices have now been deployed into a number of international Airports in India. Paddy Power is also migrating its services from legacy satellite delivery to next gen low latency IP video delivery using Amino digital signage devices throughout its shops in the UK and Ireland. Improved quality and reduced latency not only improve the customer experience, but also reduces Paddy Power's costs with Amino's platform providing secure remote device management and control across their widely distributed network.

The video streaming device market is forecast to continue to grow, however, the market has evolved with low-cost manufacturers meeting the needs of many pay TV operators who, whilst needing to upgrade their services to incorporate video streaming, remain focused on cost reduction. Therefore, to enhance profitability, Amino's focus will be on delivering value to its customers through:

- delivering higher quality, higher margin pay TV streaming devices which can also be bundled with the Group's Software-as-a-Service ("SaaS") device management platform, Engage. This SaaS device management platform is also integrated with third party devices and sold on a standalone basis; and
- driving growth in its digital signage business selling into large integrators and via distributors.

## **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>. In April 2023, we were delighted to be awarded a prestigious Sustainability Leadership Award at the National Association of Broadcasters annual conference in the US. Amino was honoured in the medium-sized company category in recognition of the company's outstanding innovations in media technology that promote conservation and reusability of natural resources and foster economic and social development. The award recognised Amino for taking critical steps to transform its business in line with a sustainable future and aligned with the UN's Sustainability Development Goals (SDG).

During the first half of the year, we have seen excellent engagement from staff across both 24i and Amino in our "Do The Right Thing" initiative which encourages staff to suggest new ways in which we can promote sustainability, diversity and good governance across the Group. Ideas that have been adopted include a bike plan proposed by an employee in Amsterdam which will provide funding to employees to help them buy a bicycle suitable for commuting.

In May 2023, we commenced an Employee Wellbeing campaign that challenges the teams in our global offices to devise activities that promote better physical, mental, social and financial wellbeing. Our first cohort of Mental Health First Aiders have completed their training and we have begun a programme to promote more inclusivity and diversity

in our recruitment and onboarding processes. A programme of activities focused on physical wellbeing has included trials of walking meetings, charity run sponsorship, guided stretching sessions and a 60-day walking challenge.

The 24i team have also continued their support of Czechitas, a non-profit organisation in the Czech Republic which retrains women for careers in IT. Several cohorts of students have now undertaken workshops at our offices, and we have now expanded the partnership to provide mentorship opportunities with some of our staff.

### Current Trading and Outlook

Trading remains in line with the trading and outlook communicated in our trading statement on 28 June 2023. For the full year ended 30 November 2023, 91% of management's forecast Group revenues are contracted. The remaining 9% is covered by a well-developed sales pipeline. Combined with the cost reduction actions taken above, this provides the Board with confidence in the expected outturn for the full year in which the Group is expected to generate a positive material EBITDA.

### Chief Financial Officer's review

As indicated in the trading update of 28 June 2023, the interim results reflect management's strategic focus on profitable software and services revenue growth in the 24i division and on higher quality, higher margin streaming devices and device management software in the Amino division.

High margin software & services revenues increased by 17% to \$14.0m (H1 2022: \$12.0m). In addition, exit run rate ARR increased to \$18.8m (H1 2022: \$15.8m), representing growth of 19%. As forecast, device revenues in the first half are \$9.4m (H1 2022: \$32.5m), representing a decrease of 71% year-on-year. Consequently, Group revenue for the period is \$23.3m (H1 2022: \$44.5m).

Adjusted operating cashflow before tax was a \$7.0m outflow (H1 2022: \$6.7m inflow), primarily driven by the reduction in EBITDA as a result of the significant decrease in device revenue as well as a working capital outflow of \$6.9m primarily relating to payments for inventory built up in H2 2022. The Group's inventory balance at 31 May 2023 was \$8.6m (31 May 2022: \$4.0m). After \$4.1m payments for professional fees associated with the previously communicated aborted acquisition incurred in 2022 as well as \$1.1m restructuring costs resulting from the cost reduction actions taken by management in February 2023, operating cash flow before tax was a \$12.3m outflow (H1 2022: \$4.9m inflow).

As a result of these operating cash outflows, the Group had net debt of \$12.9m as at 31 May 2023 (30 November 2022: \$4.0m net cash).

The Group has a loan facility with Barclays Bank plc, Silicon Valley Bank, and Bank of Ireland, which has a committed term to 23 December 2024 with options to extend by a further one or two years. On 31 May 2023 the Group agreed to reduce the total amounts available under this facility from \$50 million to \$25.4 million. The Group had drawn \$17.5m of this facility at 31 May 2023 (30 November 2022: \$7.5m).

In addition, on 31 May 2023, the Group secured a shareholder loan facility of up to £3.25 million arranged by its largest shareholder, Kestrel Partners LLP, of which £1.25m was drawn as at 31 May 2023.

On 25 July 2023, the Group successfully raised \$4.0m (before expenses) through an equity placing to be used for general working capital purposes, replacing the need for further drawdown of the shareholder loan from Kestrel, of which the undrawn element £2.125m expired on 31 July 2023. These funds provide additional headroom in respect of the covenants in the Group's existing bank facility.

Net debt is expected to reduce over the remainder of the current financial year as inventory levels reduce.

### Revenue

	H1 2023 \$m	H1 2022 \$m	Change
<b>Software and services</b>			
Revenue			
Recurring	9.5	8.2	16%
Non-recurring	4.5	3.8	18%
Total revenue	14.0	12.0	17%
<b>Devices including integrated software</b>			

Revenue			
Non-recurring	<b>9.4</b>	32.5	(71%)
<b>Total</b>			
Revenue			
Recurring	<b>9.5</b>	8.2	16%
Non-recurring	<b>13.8</b>	36.3	(62%)
Total revenue	<b>23.3</b>	44.5	(48%)

At 31 May 2023, exit run rate ARR increased to \$18.8m (H1 2022: \$15.8m). On a constant currency basis exit run rate ARR at 31 May 2023 would have been \$18.9m. The increase in exit run rate ARR provides enhanced revenue visibility as the Group moves forward.

Higher margin software & services revenue increased by 17% to \$14.0m (H1 2022: \$12.0m), representing 60% of total revenues for the period (H1 2022: 27%), of which 68% was recurring (H1 2022: 68%). This demonstrates that the Group continues to make encouraging progress in executing on its strategy to grow software and services revenue in the fast-growing video streaming market.

Devices revenues, however, were significantly lower than the prior period at \$9.4m (H1 2022: \$32.5m), representing a decrease of 71% year on year. Whilst the video streaming device market continues to grow, the number of devices shipped in the period significantly reduced due to wider macro-economic impact, and customers de-stocking in response to reduced lead-times after building up stocks to weather post-COVID supply chain challenges.

#### Revenue and adjusted EBITDA

	Revenue		Adjusted EBITDA	
	H1 2023 \$m	H1 2022 \$m	H1 2023 \$m	H1 2022 \$m
24i	<b>11.3</b>	9.3	<b>1.4</b>	0.6
Amino	<b>12.1</b>	35.2	<b>(0.5)</b>	6.5
Central costs	-	-	<b>(1.0)</b>	(1.3)
<b>Total</b>	<b>23.3</b>	44.5	<b>(0.1)</b>	5.8

Adjusted EBITDA for the six months to 31 May 2023 was a loss of \$0.1m (H1 2022: \$5.8m profit). Adjusted EBITDA is reconciled below, and is calculated as operating profit before depreciation, interest, tax, amortisation, impairment of goodwill, exceptional items and employee share-based payment charges. This is consistent with the way the financial performance of the Group is presented to the Board. 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 2023 \$m	H1 2022 \$m
Software & services	<b>11.1</b>	9.3
Device revenues	<b>0.2</b>	-
Revenue	<b>11.3</b>	9.3
Adjusted cost of sales	<b>(3.2)</b>	(2.6)
Adjusted gross profit margin	<b>8.1</b>	6.7
<i>Adjusted gross profit margin %</i>	<b>72%</b>	72%
Adjusted operating costs	<b>(6.7)</b>	(6.1)
Adjusted EBITDA*	<b>1.4</b>	0.6
<i>Adjusted EBITDA margin %</i>	<b>12%</b>	6%



Capitalised development costs	<b>2.6</b>	3.2
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\*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 \$11.3m to \$14.2m in the last 12 months. This represents year-on-year growth of 26% (constant currency basis: 26%). The increased focus on exit run rate ARR aligns with the Group's software-led strategy.

The gross profit margin for the 24i segment has remained consistent with H1 2022 at 72%.

Furthermore, adjusted operating costs increased by \$0.6m during the period, mainly driven by investment made in additional resources for customer-onboarding as the business is growing. The 24i management team are focused on accelerating profitability in the second half of the financial year and beyond.

### Amino segment

	<b>H1 2023</b>	H1 2022
	<b>\$m</b>	\$m
Software & services	<b>2.9</b>	2.7
Devices including integrated software	<b>9.2</b>	32.5
Revenue	<b>12.1</b>	35.2
Adjusted cost of sales	<b>(7.1)</b>	(22.5)
Adjusted gross profit	<b>5.0</b>	12.7
<i>Adjusted gross profit margin %</i>	<b>40%</b>	36%
Adjusted operating costs	<b>(5.5)</b>	(6.2)
Adjusted EBITDA*	<b>(0.5)</b>	6.5
<i>Adjusted EBITDA margin %</i>	<b>(4%)</b>	18%
Capitalised development costs	<b>0.7</b>	1.0

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

Devices revenues were significantly lower than the prior period at \$9.2m (H1 2022: \$32.5m), representing a decrease of 72% year-on-year. Whilst the video streaming device market continues to grow, the number of devices shipped decreased significantly in the period due to wider macro-economic impact, and customers de-stocking in response to reduced lead-times after building up stocks to weather post-COVID supply chain challenges.

The Group has a core customer base in respect of device revenues, whereby repeat orders are placed by the same customers over multiple financial years. Taking the last three financial years, repeat orders from existing customers over that period has accounted for 93% (H1 2022: 91%) of total device revenue.

Devices revenue in H2 2023 is expected to be higher than H1 2023 and this recovery is expected to continue in FY 2024 as inventory levels continue to normalise within the supply chain. The Amino division will now focus on higher quality, higher margin streaming devices which can also be bundled with its SaaS device management platform. This SaaS device management platform is also integrated with third party devices and sold on a standalone basis. With encouraging initial traction, the Amino division will also look to continue to grow its digital signage business.

### Central costs

	<b>H1 2023</b>	H1 2022
	<b>\$m</b>	\$m
Adjusted operating costs and adjusted EBITDA	<b>(1.0)</b>	(1.3)

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 2023 \$m	H1 2022 \$m
Revenue	23.3	44.5
Adjusted cost of sales	(10.3)	(25.1)
Adjusted gross profit	13.0	19.4
<i>Adjusted gross profit margin %</i>	56%	44%
Customer support and professional services	(2.8)	(2.9)
Research and development expenses	(2.6)	(2.9)
SG&A	(7.7)	(7.8)
Total adjusted operating expenses	(13.1)	(13.6)
Adjusted EBITDA	(0.1)	5.8

## Research & development ('R&D') costs

The Group continues to invest in research and in the development of new products and spent \$5.9m on R&D activities (H1 2022: \$7.1m), of which \$3.2m (H1 2022: \$4.2m) was capitalised.

	H1 2023 \$m	% of revenue	H1 2022 \$m	% of revenue
Core engineering expenses	4.9	21%	6.1	14%
Product management – H1 2022 restated*	0.5	3%	0.6*	1%
R&D senior management	0.4	2%	0.4	1%
Total research and development costs	5.8	25%	7.1	16%
Less Capitalised development costs	(3.2)	-	(4.2)	-
<b>Net research and development expense</b>	<b>2.6</b>	<b>-</b>	<b>2.9</b>	<b>-</b>

\*Product management costs of \$0.3m in H1 2022 have been reclassified from core engineering expenses to be consistent with the classification methodology used in H1 2023.

Selling, general and administrative (SG&A) expenses have remained consistent with prior period at \$7.8m. The Group's spend on core engineering activities has decreased by \$1.2m in the period to \$4.9m (H1 2022: \$6.1m) with capitalised development costs also down \$1.0m to \$3.2m (H1 2022: \$4.2m). This is due to the actions taken by management in February 2023 which has reduced the Group's annualised operating cost base by c.\$2.9m and in turn the capital research and development spend by c.\$1.8m.

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

	H1 2023 \$m	H1 2022 \$m
<b>Adjusted EBITDA</b>	<b>(0.1)</b>	5.8
Exceptional items within operating expenses	(1.2)	(0.5)
Employee share-based payment charge	(0.3)	(0.3)
Depreciation and amortisation	(6.4)	(5.6)
<b>Operating loss</b>	<b>(8.0)</b>	(0.6)

## Exceptional items

Exceptional items for the period comprised:

- \$1.2m (H1 2022: \$0.3m) redundancy and associated restructuring costs; and
- \$nil (H1 2022: \$0.2m) acquisition and associated one-off legal costs.

## Depreciation and amortisation

Excluding amortisation of intangibles recognised on acquisition, depreciation and amortisation was \$4.1m (H1 2022: \$3.3m).

Amortisation of intangibles recognised on acquisitions was \$2.4m (H1 2022: \$2.2m). The increase of \$0.2m in the period relates to the acquisition of The Filter in April 2022.

## Taxation

The tax charge of \$0.0m (H1 2022: \$0.7m) comprises:

- \$0.3m (H1 2022: \$0.9m) current tax charge; and
- \$0.2m (H1 2022: \$0.2m) credit relating to the unwinding of deferred tax assets and liabilities recognised on acquisitions.

Loss after tax was \$8.7m loss (H1 2022: \$1.5m loss).

## Cash flow

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

	H1 2023 \$m	H1 2022 \$m
Adjusted operating cashflow before tax	(7.0)	6.7
Post-acquisition integration and associated restructuring costs	(1.2)	(0.3)
Acquisition and associated one-off legal costs	-	(0.2)
One-off refinancing costs – H1 2022 restated*	-	(1.3)
Acquisition costs for the aborted acquisition in prior year	(4.1)	-
Cash generated from operations before tax	(12.3)	4.9

\*Restated as a result of bank loan facility set up costs of \$1.3m being reclassified from interest paid within cash used in financing activities to movements on trade and other receivables within cash generated from operations before tax see note 8.

Adjusted cash flow from operations before tax was a \$7.0m outflow (H1 2022: \$6.7m inflow – restated), a decrease of 204% due to the reduction in EBITDA as a result of the significant decrease in device revenues, together with a working capital outflow of \$6.9m primarily relating to payments for inventory built up in H2 2022.

Cash generated from operations before tax was \$12.3m outflow (H1 2022: \$4.9m inflow), \$4.1m payments for professional fees associated with the aborted acquisition incurred in 2022 as well as \$1m restructuring and legal costs associated with the cost reduction actions taken by management in February 2023.

Tax payments, principally in respect of corporation tax, totalled \$0.3m during the period (H1 2022: \$1.9m), after \$0.2m tax rebate received for FY2021.

During the period, the Group spent \$nil (H1 2022: \$0.1m) on capital expenditure in respect of tangible fixed assets and capitalised \$3.3m of research and development costs (H1 2022: \$4.2m). The decrease of \$0.9m was mainly driven by the cost reduction actions taken in February 2023.

Interest paid in the period of \$0.5m (H1 2022: \$0.2m) includes bank loan and overdraft interest.

## **Financial position**

The Group had net debt of \$12.9m as at 31 May 2023 (30 November 2022: \$4.0m cash). On 31 May 2023 the Group agreed with its existing banking facility providers to reduce the total available loan facility from \$50 million to \$25.4 million. Of the total available loan facility of \$25.4m, \$17.5m was drawn at 31 May 2023 (30 November 2022: \$7.5m), \$0.1m is committed performance bond facilities, and the remaining \$7.8m loan facility is undrawn including \$5m undrawn overdraft facility. The bank loan facility has a committed term to 23 December 2024 with options to extend by a further one or two years. In addition, on 31 May 2023, the Group has secured a shareholder loan facility of up to £3.25 million arranged by its largest shareholder, Kestrel Partners LLP, of which £2.125m was un-drawn at 31 May 2023. Amounts drawn under this shareholder loan facility (including accrued interest) are (if not prepaid) repayable on 31 March 2025, unless extended at the Company's option to 31 March 2026 and 31 March 2027.

Net debt is expected to reduce over the remainder of the current financial year as inventory levels reduce. The Group remains in compliance with its loan facilities covenants.

At 31 May 2023, the Group had total equity of \$71.9m (30 November 2022: \$78.9m) and net current liabilities of \$8.5m (30 November 2022: \$1.4m).

## **Dividend**

The Board is not proposing an interim dividend (H1 2022: 1.0 GBP pence).

## **Going concern**

The Directors have considered it appropriate to prepare these consolidated interim financial statements on a going concern basis. The Directors assessment of going concern including is set out in note 2.

## **Principal risks and uncertainties**

The principal risks and uncertainties facing the Group remain consistent with the principal risks and uncertainties reported in Aferian's 2022 Annual Report.

## **Mark Carlisle**

Chief Financial Officer

31 August 2023

## Consolidated income statement

For the six months ended 31 May 2023

		Six months ended 31 May 2023 Unaudited	Six months ended 31 May 2022 Unaudited
	Notes	\$000s	\$000s
<b>Revenue</b>	3	<b>23,348</b>	44,517
Cost of sales		<b>(10,332)</b>	(25,106)
<b>Gross profit</b>		<b>13,016</b>	19,411
Operating expenses		<b>(21,000)</b>	(20,010)
<b>Operating loss</b>		<b>(7,984)</b>	(599)
<b>Adjusted operating (loss)/profit</b>		<b>(4,172)</b>	2,378
Share based payment charge		<b>(286)</b>	(310)
Exceptional items	6	<b>(1,151)</b>	(516)
Amortisation of acquired intangible assets		<b>(2,375)</b>	(2,151)
<b>Operating loss</b>		<b>(7,984)</b>	(599)
Finance expense		<b>(1,199)</b>	(223)
Finance income		<b>534</b>	11
<b>Net finance expense</b>		<b>(665)</b>	(212)
<b>Loss before tax</b>		<b>(8,649)</b>	(811)
Tax charge		<b>(43)</b>	(659)
<b>Loss after tax</b>		<b>(8,692)</b>	(1,470)
<b>Basic earnings per 1p ordinary share</b>	7	<b>(10.20c)</b>	(1.76c)
<b>Diluted earnings per 1p ordinary share</b>	7	<b>(10.20c)</b>	(1.78c)

**Consolidated statement of comprehensive income***For the six months ended 31 May 2023*

	<b>Six months ended 31 May 2023</b>	Six months ended 31 May 2022
	<b>Unaudited</b>	Unaudited
	<b>\$000s</b>	\$000s
<b>Loss for the period</b>	<b>(8,692)</b>	(1,470)
Foreign exchange difference arising on consolidation	<b>1,960</b>	(4,232)
<b>Other comprehensive income/(loss)</b>	<b>1,960</b>	(4,232)
<b>Total comprehensive loss for the period</b>	<b>(6,732)</b>	(5,702)

**Consolidated balance sheet**

As at 31 May 2023

		As at 31 May 2023 Unaudited \$000s	As at 30 November 2022 \$000s
<b>Assets</b>	<b>Notes</b>		
<b>Non-current assets</b>			
Property, plant and equipment		388	496
Right of use assets		1,818	2,276
Intangible assets		80,430	81,021
Other receivables		183	183
		<b>82,819</b>	<b>83,976</b>
<b>Current assets</b>			
Inventories		8,607	9,222
Trade and other receivables		13,457	19,846
Corporation tax receivable		205	654
Cash and cash equivalents		6,072	11,524
		<b>28,341</b>	<b>41,246</b>
<b>Total assets</b>		<b>111,160</b>	<b>125,222</b>
<b>Capital and reserves attributable to equity holders of the business</b>			
Called-up share capital		1,488	1,488
Share premium		39,870	39,768
Capital redemption reserve		12	12
Foreign exchange reserves		(6,762)	(8,722)
Merger reserve		42,750	42,750
Retained earnings		(4,952)	3,587
<b>Total equity</b>		<b>72,406</b>	<b>78,883</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		16,347	33,534
Lease liabilities		797	1,121
Corporation tax payable		-	505
Loans and borrowings	5	17,764	7,531
		<b>34,908</b>	<b>42,691</b>
<b>Non-current liabilities</b>			
Trade and other payables		355	1,070
Lease liabilities		1,034	1,177
Loans and borrowings	5	1,227	-
Provisions		289	288
Deferred tax liability		941	1,113
		<b>3,846</b>	<b>3,648</b>
<b>Total liabilities</b>		<b>38,754</b>	<b>46,339</b>
<b>Total equity and liabilities</b>		<b>111,160</b>	<b>125,222</b>

## Consolidated Cash Flow Statement

For the six months ended 31 May 2023

		<b>Six months ended 31 May 2023</b>	Six months ended 31 May 2022
		<b>Unaudited</b>	Unaudited Restated
	<b>Notes</b>	<b>\$000s</b>	<b>\$000s</b>
<b>Cash flows from operating activities</b>			
Cash generated from operations	8	<b>(12,254)</b>	6,229
Net corporation tax paid		<b>(268)</b>	(1,864)
<b>Net cash (used in)/generated from operating activities</b>		<b>(12,522)</b>	4,365
<b>Cash flows from investing activities</b>			
Expenditure on intangible assets		<b>(3,288)</b>	(4,156)
Payment of deferred consideration on acquisition		-	(503)
Purchase of property, plant and equipment		<b>(36)</b>	(124)
Interest received		<b>3</b>	-
Acquisition of subsidiary, net of cash acquired		-	(1,545)
<b>Net cash used in investing activities</b>		<b>(3,321)</b>	(6,328)
<b>Cash flows from financing activities</b>			
Interest paid		<b>(464)</b>	(1,531)
Lease liability repayments		<b>(639)</b>	(629)
Proceeds from borrowings		<b>15,813</b>	-
Repayment of borrowings		<b>(4,500)</b>	-
Dividends paid		-	(2,297)
<b>Net cash generated from/(used in) financing activities</b>		<b>10,210</b>	(4,457)
<b>Net decrease in cash and cash equivalents</b>		<b>(5,633)</b>	(6,420)
Cash and cash equivalents at start of the period		<b>11,524</b>	14,182
Effects of exchange rate fluctuations on cash held		<b>181</b>	-
<b>Cash and cash equivalents at end of period</b>		<b>6,072</b>	7,762



## Notes to the interim condensed consolidated unaudited financial information

Six months ended 31 May 2023

### 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 2022 Annual Report. The financial information for the six months ended 31 May 2023 and 31 May 2022 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 United Kingdom adopted international accounting standards ('IFRS'). The statutory Annual Report and Financial Statements for 2022 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 2022 was unmodified, drew attention to a material uncertainty related to going concern 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 2022 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2022 and will be adopted in the 2023 financial statements. There are deemed to be no new and amended standards and/or interpretations that will apply for the first time in the next annual financial statements that are expected to have a material impact on the Group.

#### *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 Group had net debt of \$12.9m as at 31 May 2023 (30 November 2022: \$4.0m cash) and a multicurrency working capital facility of \$25.4m, of which \$17.5m was drawn at 31 May 2023 (30 November 2022: \$7.5m). On 31 May 2023 the Group agreed with its existing banking facility providers to reduce the total available loan facility from \$50 million to \$25.4 million. At 31 May 2023, of the remaining \$7.9m facility \$0.1m is committed performance bond facilities with the remaining \$7.8m undrawn including \$5m undrawn overdraft. In addition, on 31 May 2023, the Group secured additional cash funding by way of a shareholder loan of up to £1.125 million from our largest shareholder, Kestrel Partners LLP.

On 25 July 2023, the Group successfully raised \$4.0m through an issue of equity share capital to be used for general working capital, replacing the need for further drawdown of the shareholder loan from Kestrel, of which the undrawn element £2.125m expired on 31 July 2023. These funds provide additional headroom in respect of the covenants in the Group's existing bank facility.

The Directors have reviewed the Group's going concern position taking account of its current business activities and forecast performance. The factors likely to affect its future development are set out in these consolidated interim financial statements. In carrying out the going concern assessment, the Directors have prepared a base case cash flow forecast for the next 12 months which includes 91% of forecast revenue being contracted for FY23. In addition, they have prepared a downside scenario, where lower forecast sales are achieved in addition to a significantly higher working capital requirement.

Overall, if the base case forecast is achieved, the Group will be able to operate within its existing working capital facilities. However, the recovery of Amino's revenues, continued growth in 24i and reduction in working capital expected in the second half of FY23 are key. The material cost reduction management actions taken since February 2023 mean that the Group is expected to generate a material positive EBITDA in the second half of FY23 even in the forecast downside scenario. However, failure to achieve the base case view of forecast sales and reduction in

working capital could result in the Group failing to comply with financial covenants associated with its existing bank facility, potentially resulting in the facilities being withdrawn.

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 these consolidated interim financial statements. Taking account of these matters, the Directors have concluded that the circumstances set forth above indicates the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. However, given the Group's current performance, the Directors have considered it appropriate to prepare these consolidated interim financial statements on a going concern basis and they do not include the adjustments that would be required if the Group were unable to continue as a going concern.

The Board of Directors approved this interim report on 31 August 2023.

### 3 Revenue

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

	<b>Six months ended 31 May 2023 Unaudited \$000s</b>	Six months ended 31 May 2022 Unaudited \$000s
North America	7,961	16,019
Latin America	1,652	6,027
Netherlands	6,449	13,540
Rest of EMEA	6,505	7,829
EMEA	12,954	21,369
Rest of the World	781	1,102
	<b>23,348</b>	44,517

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

	<b>Six months ended 31 May 2023 Unaudited \$000s</b>	Six months ended 31 May 2022 Unaudited \$000s
Devices incorporating integrated software and associated accessories	9,393	32,457
Software and services	13,955	12,060
	<b>23,348</b>	44,517

#### 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 video streaming devices and solutions, including licensing and support services (“Amino”);
- development and sale of the 24i end-to-end streaming platform and associated services. This includes the results of 24iQ (formerly called the Filter) and FokusOnTV (formerly called Nordija A/S); 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.

<b>2023</b>		<b>Amino \$000s</b>	<b>24i \$000s</b>	<b>Central costs \$000s</b>	<b>Total \$000s</b>
Revenue	Software and services	2,884	11,071	-	13,955
	Devices *	9,185	208	-	9,393
	<b>Total</b>	<b>12,069</b>	<b>11,279</b>	<b>-</b>	<b>23,348</b>
	% Recurring	20%	63%	-	41%
Adjusted cost of sales		(7,162)	(3,170)	-	(10,332)
Adjusted gross profit		4,907	8,109	-	13,016
Adjusted operating expenses		(5,477)	(6,693)	(957)	(13,127)
<b>Adjusted EBITDA</b>		<b>(570)</b>	<b>1,416</b>	<b>(957)</b>	<b>(111)</b>
Exceptional items within operating expenses					(1,151)
Share based payment charge					(286)
Depreciation, amortisation, and loss on disposal of fixed assets					(6,436)
<b>Operating loss</b>					<b>(7,984)</b>
Net finance expense					(665)
<b>Loss before tax</b>					<b>(8,649)</b>
Additions to non-current assets: Capitalised development costs		675	2,571	-	3,246

\* incorporating integrated Amino software and associated accessories.

#### 4 Segmental analysis (continued)

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)
<b>Adjusted EBITDA</b>		<b>6,485</b>	<b>643</b>	<b>(1,346)</b>	<b>5,782</b>
Exceptional items within operating expenses					(516)
Share based payment charge					(310)
Depreciation, amortisation, and loss on disposal of fixed assets					(5,555)
<b>Operating loss</b>					<b>(599)</b>
Net finance expense					(212)
<b>Loss before tax</b>					<b>(811)</b>
Additions to non-current assets:					
Capitalised development costs		998	3,158	-	4,156

\* incorporating integrated Amino software and associated accessories.

## 5 Loans and borrowings

	<b>As at 31 May 2023 Unaudited \$000s</b>	As at 30 November 2022 \$000s
<b>Current</b>		
Bank loans (secured)	17,764	7,531
<b>Non-current</b>		
Shareholder loans (unsecured)	1,227	-
<b>Total borrowings</b>	<b>18,991</b>	<b>7,531</b>

There is no difference between the book value and the fair value of the bank loan. The bank loan is denominated in USD and the rate at which the loan interest is payable is between 2.1% and 2.75% above bank reference rate depending on the gross leverage cover ratio. The bank loan is secured by a fixed and floating charge over all assets of the Group. On 31 May 2023 the Group agreed to reduce the total amounts available under the bank loan facility from \$50 million to \$25.4 million. The Group had drawn \$17.5m of this facility at 31 May 2023 (30 November 2022: \$7.5m), which is included in current liabilities together with the accrual interests on the loan.

On 31 May 2023, the Group secured a shareholder loan facility of up to £3.25 million arranged by its largest shareholder, Kestrel Partners LLP, of which £1.25m was drawn as at 31 May 2023. The Group has the option, until 31 July 2023, to draw the remaining £2.125 million. Amounts drawn under this facility (including accrued interest) are (if not prepaid) repayable on 31 March 2025, unless extended at the Group's option to 31 March 2026 and 31 March 2027. Following the initial drawing of £1.125 million of the Shareholder Loan, Warrants over 4.5 million ordinary shares are issuable to the Lender, Kestrel Partners LLP, representing approximately 5.2% of Group's issued share capital. Full exercise of the Warrants over 4.5 million ordinary shares issuable in connection with the initial £1.125 million drawing of the shareholder loan would result in cash proceeds of £765,000 payable to Aferian and full exercise of all Warrants issuable in connection with the shareholder loan if it were fully drawn would result in cash proceeds of £2.21 million payable to the Group.

The Shareholder loan constitutes a form of convertible debt which is accounted for as a compound instrument under IAS 32. The fair value of the shareholder loan liability component is recognised as non-current liability as the loan is repayable on 31 March 2025, and calculated based on the present value of the contractual stream of future cash flows discounted at the market rate of interest that would have been applied to an instrument of comparable credit quality with substantially the same cash flows, on the same terms, but without the conversion option. The residual shareholder loan book value is recognised as the equity component.

## 6 Exceptional items

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

	<b>Six months ended 31 May 2023</b>	Six months ended 31 May 2022
	<b>Unaudited</b>	Unaudited
	<b>\$000s</b>	\$000s
Post-acquisition integration and associated restructuring costs	<b>1,151</b>	289
Acquisition and associated one-off legal costs	-	227
Subtotal operating expenses	<b>1,151</b>	516
<b>Total exceptional items</b>	<b>1,151</b>	516

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

	<b>Six months ended 31 May 2023</b>	Six months ended 31 May 2022
	<b>Unaudited</b>	Unaudited
	<b>\$000s</b>	\$000s
Credit in relation to movement in contingent consideration	<b>(530)</b>	-
<b>Subtotal finance income</b>	<b>(530)</b>	-
Unwinding discount on contingent consideration	<b>198</b>	-
<b>Subtotal finance expense</b>	<b>198</b>	-
<b>Total exceptional items</b>	<b>(332)</b>	-

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 unwinding of the discount on contingent consideration 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.

## 7 Earnings per share

	<b>Six months ended 31 May 2023</b>	Six months ended 31 May 2022
	<b>Unaudited</b>	Unaudited Restated
	<b>\$000s</b>	\$000s
Loss attributable to shareholders	<b>(8,692)</b>	(1,470)
Exceptional items	<b>1,151</b>	516
Share-based payment charges	<b>286</b>	310
Finance income (see note 5)	<b>(530)</b>	-
Finance expense (see note 5)	<b>198</b>	-
Amortisation of acquired intangible assets	<b>2,375</b>	2,151
Tax effect thereon	<b>(243)</b>	(256)
Profit attributable to shareholders excluding exceptional items, share-based payments and amortisation of acquired intangibles and associated taxation	<b>(5,455)</b>	1,251
	<b>Number</b>	Number
Weighted average number of shares (Basic)	<b>85,211,865</b>	83,439,943
Weighted average number of shares (Diluted)	<b>86,340,346</b>	84,890,085
Basic earnings per share (cents)	<b>(10.20)</b>	(1.76)
Diluted earnings per share (cents)	<b>(10.20)</b>	(1.76)
Adjusted basic earnings per share (cents)	<b>(6.40)</b>	1.50
Adjusted diluted earnings per share (cents)	<b>(6.40)</b>	1.47

The weighted average number of shares (Diluted) has been restated from 82,832,009 to 84,890,085 for 31 May 2022 due to the calculation previously including proceeds from options which were deemed to not be dilutive as at 31 May 2022. As a result, adjusted diluted earnings per share has been restated for the period 6 months period ending 31 May 2022 from \$1.51 to \$1.47.

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 1,482,502 (H1 2022: 1,488,254) 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 2022: 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.

## 8 Cash generated from operations

	Six months ended 31 May 2023 Unaudited	Six months ended 31 May 2022 Unaudited Restated
	\$000s	\$000s
Loss for the period	(8,692)	(1,470)
Tax expense	43	659
Net finance expense	665	212
Amortisation charge	5,658	4,768
Depreciation charge	778	787
Loss on disposal of property, plant & equipment	-	5
Share based payment charge	286	310
Exchange differences	10	848
Decrease/(increase) in inventories	615	(1,429)
Decrease in trade and other receivables	6,307	628
Decrease in provisions	-	(5)
Decrease in trade and other payables	(17,924)	(457)
<b>Cash (used in)/generated from operations before tax</b>	<b>(12,254)</b>	<b>4,856</b>

The movement in trade and other receivables has been restated for H1 2022 to now include a \$1.3m cash outflow relating to bank loan set-up costs that was previously classified as interest paid within cash used in financing activities. As a result, cash generated from operations before tax has been restated from \$6.2m to \$4.9m.

Adjusted operating cash flow before tax was \$7.0m outflow (H1 2022: \$6.7m inflow) and is reconciled to cash generated from operations before tax as follows:

	Six months ended 31 May 2023 Unaudited	Six months ended 31 May 2022 Unaudited Restated
	\$000s	\$000s
Adjusted operating cashflow before tax	(7,003)	6,745
Redundancy and associated costs	(1,151)	(289)
Acquisition and one-off legal costs	-	(227)
Bank loan facility set up costs	-	(1,373)*
Aborted acquisition costs	(4,100)	-
<b>Cash generated from operations before tax</b>	<b>(12,254)</b>	<b>4,856</b>

\*Restated as a result of bank loan facility set up costs of \$1.3m being reclassified from interest paid within cash used in financing activities to movements on trade and other receivables within cash generated from operations before tax.

Adjusted cash generated from operations before tax is a non-GAAP measure and excludes cash from exceptional and one of items relating to bank loan facility set up costs that are considered non-trading in nature.



## **9 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.