Impala Bidco Ltd

Unaudited Financial Statements
Period: Q2 2024

Overview

Impero (d/b/a Ativion) is a global cybersecurity provider of cloud-based, on-premise and hybrid, wellbeing and learner monitoring SaaS and filtering solutions into the education and corporate marketplaces. Designed to protect and save children in the school environment, as well as to improve the delivery of education and technology throughout a school, Impero's products can be purchased standalone or combined to meet the customer's needs. These solutions enable schools to keep students safe in an increasingly threatening world, improve the teaching environment and maximize efficiency for school network managers. The product suite, and its benefits, segue into the corporate market with ease, providing security features which exceed even the most stringent security and compliance standards. IT and HR managers can utilise the solution to great effect, whether monitoring and supporting employees with wellness or managing hardware.

Impero (d/b/a Ativion) is headquartered in Nottingham (UK) with offices in Anaheim and Portland (USA), Canberra (Australia), Bucharest (Romania) and Copenhagen (Denmark).

The Group is one of the leading players in UK secondary schools, serving more than 1,400 secondary schools across the country, and has a significant footprint in the US. Globally, Impero has approximately 6,500 customers in 110 different countries and the software is used by c.2,500 School Districts and 50 percent of the Fortune 100 companies.

Impero (d/b/a Ativion) was founded in 2002 to provide network management software to IT technicians in schools and has since been dedicated to solving complex problems with simple solutions for educational establishments across the globe. From 2015, Impero (d/b/a Ativion) evolved its product set to include classroom management and online safety monitoring software solutions.

In recent years, Impero has been strengthening its footprint in the US. In 2018, Impero (d/b/a Ativion) acquired Safeguarding Monitor, a developer of applications to help schools, colleges and multi-academy trusts meet their safeguarding responsibilities. On February 4th, 2021, Impero (d/b/a Ativion) completed the acquisition of Netop, creating additional whitespace opportunities and providing a strong foothold in the corporate sector, primarily in financial services and retail. In January 2022, Impero (d/b/a Ativion) acquired ContentKeeper, again creating additional whitespace opportunities, strengthening the US footprint, and securing a best-in-class web filtering solution.

The Highlights

1. Impero has rebranded as Ativion (a doing-business-as). Per Stephen Stolfi, Chief Commercial Officer, “This rebrand is a bold step forward, signaling our unwavering dedication to growth and support for our customers and partners. Schools and teachers need robust solutions to safeguard children, and governments and corporations require ultra-secure remote access to critical assets. By listening to our customers and investing in our products—building on the solid foundation of ContentKeeper and Netop—we’re set to deliver unparalleled value and impact.”

2. In late March 2024 Ativion replaced its former management team with an experienced new team across all functions including the appointments of Toby Hartman as CEO and Adrian Muniz as CFO. Toby and Adrian are both seasoned industry executives with outstanding histories in leading private equity backed technology businesses to very successful exits. The new leadership team have made an immediate impact by aligning the strategic focus of Ativion to improve operational efficiency and profitability with a longer-term focus on strengthening customer relationships to improve retention and improve the value proposition to bolster bookings performance.

3. The Revenue mix of recurring versus non-recurring revenue has improved in Q2 2024 making up a composition of 89% compared to 81% in the prior year, Q2 2023. The TTM Revenue mix remains stable at 88% recurring versus 12% non-recurring.

4. Ativion ended Q2 2024 with bookings totalling £4.04m ACV versus £5.1m ACV in Q2 2023. Impero’s Web Filter product accounted for 67% of Q2 2024 bookings. The composition of bookings improved year-on-year with Q2 2024 bookings comprised of 84% recurring products versus 74% recurring products in Q2 2023.

5. The new ERP system went live during Q2 2024. Once integration efforts are completed, this new ERP system will improve the overall efficiency of Ativion’s accounting and reporting functions.

6. In June-24 a £2.36m subordinated loan was provided to the group by its immediate parent with interest accruing on a PIK basis, increasing the cash in the business available for investment in product development.

A Note From the CEO

We have just completed our first full quarter with our new management team, and I am filled with optimism about the direction Ativion is heading. This year has been transformative, marked by strategic decisions that have positioned us for sustainable growth and long-term success.

One of the most significant milestones we have achieved is completing our rebranding from Impero to Ativion, officially marking a new chapter in our company's journey. The feedback to the Ativion launch has been overwhelmingly positive, and we are rolling out the brand in phases as we expand our product offerings and capabilities.

We've also made tremendous strides in other areas. We recently passed ISO certification, and I'm proud to announce that we have won two recognized HR awards, further validating our commitment to excellence. Additionally, we secured a major nationwide contract with the UK government and are finalists in large procurements in the US, Europe, and APAC, driven by our upcoming new product capabilities. We've renewed our most critical partners and customers, setting the stage for continued success.

Our product roadmap is the most ambitious in our history. We are on track to leapfrog our competition in education, soon offering the newest and most scalable cloud and on-premise systems in the industry. We are expanding our offerings in the corporate cybersecurity space and investing significantly in our remote access solution. These initiatives are reinvigorating our partners, and we've strengthened our collaboration with them, including setting up a new PRM solution with Zift.

To support our growth, we've also changed our go-to-market strategy, expanding our partnerships with more MSPs, MSSPs, GSIs, resellers, and distributors across the education, cyber, and remote access ecosystems. Our pipeline continues to grow, thanks to our renewed presence at industry conferences and events globally, as well as a greatly improved web and social media presence.

Our focus has been on refining our operations to ensure that we are not just growing but growing smart. We've made the deliberate decision to remove non-profitable customers from our portfolio, a move that has allowed us to right size our cost base and sharpen our focus on the areas where we excel. This strategic shift will start yielding benefits immediately, driving efficiencies and allowing us to channel resources into what we do best.

The demand for our cybersecurity and remote control solutions has never been higher. In the wake of the recent CrowdStrike outage, there has been a surge in attention toward the critical need for robust cybersecurity measures. Ativion is uniquely positioned to meet this need, and we are already seeing a significant increase in interest from both existing and new clients. The potential for growth in this space is tremendous, and we are well-equipped to capitalize on this momentum.

As we look ahead, the future for Ativion is bright. The changes we have implemented are already showing positive results, and our conversion rates through the sales funnel are soaring. We are more visible and persuasive in the market than ever before, and our Project Management Office is ensuring that we execute our plans with precision and focus.

I'm incredibly proud of what our team has accomplished, and I'm confident that we're on the path to even greater success. Thank you for your continued trust and support as we move forward.

The Financials

1. Q2 Financial Commentary

- Total trading revenue for Q2 2024 has decreased by 13% year-on-year, from £6.2m to £5.4m, due to deliberate removal of unprofitable customers and general trading conditions. Non-recurring revenue declined £0.55m (47%) year-on-year as expected due to strategic initiatives undertaken by management to improve the value proposition of subscription-based offerings.
    - The quality of revenue remains stable at 89% recurring revenue compared to 81% recurring revenue in Q2 2024.
- Gross margins are trending in a positive direction, improving to 79% in Q2 2024 compared to 77% year-on-year. This positive performance is primarily due to a year-on-year decrease in the cost of sales of £0.25m.
- Administrative expenses saw a modest increase from £4.28m in Q2 2023 to £4.37m in Q2 2024. This is due to accelerating new product development across all product lines.
- Adjusted EBITDA for Q2 2024 is negative £0.06m compared to positive £0.57m for Q2 2023. This year-on-year change is primarily driven by a decrease in revenue of £0.65m.
- Exceptional costs for the quarter of £0.55m are £0.13m higher than the prior year, driven primarily by an increase in restructuring costs and a decrease in finance project costs. This comes as management has realigned strategic focus to enhance the efficiency and profitability of the core business.

2. Consolidated Income Statement (Unaudited IFRS)

	Q2 2024 £'000	Q2 2023 £'000	TTM Jun-24 £'000
Revenue	5,250	5,904	20,110
Cost of sales	(1,099)	(1,351)	(4,748)
Gross profit	4,151	4,553	15,363
Administrative expenses	(4,366)	(4,279)	(15,478)
Exceptional costs	(554)	(429)	(1,732)
Ebitda	(769)	(155)	(1,847)
Depreciation & amortisation	(2,079)	(2,064)	(8,799)
Finance costs	(1,396)	(996)	(4,884)
Exchange rate variance	(100)	1,203	(354)
Loss before tax	(4,344)	(2,012)	(15,884)
Tax	(1)	200	399
Loss after tax	(4,345)	(1,812)	(15,486)

Revenue			
Revenue	5,250	5,904	20,110
Reversal of unwind of deferred revenue haircut*	151	299	765
Trading revenue**	**5,401**	**6,203**	**20,876**
Recurring revenue	4,785	5,037	18,433
Non-recurring revenue	616	1,166	2,443
Total	**5,401**	**6,203**	**20,876**

Ebitda to adjusted ebitda bridge			
Ebitda	(769)	(155)	(1,847)
Exceptionals	554	429	1,732
Reversal of unwind of deferred revenue haircut*	151	299	765
Adjusted Ebitda***	**(64)**	**573**	**650**

Exceptionals			
M&A costs	-	-	-
Bond implentation/consent costs	-	-	184
Finance projects	66	239	810
Restructuring costs	489	24	504
Other	-	166	234
Total	**555**	**429**	**1,732**

Deferred revenue haircut
Deferred revenue haircut is the fair value adjustment required to be recognised when accounting for business combinations under IFRS3, to discount the book value of deferred revenue acquired to remove the profit element relating to sales and marketing effort performed prior to the business combination, leaving an amount reflecting the fair valuation of the delivery element only.

*****Trading revenue***
Trading revenue is calculated as reported revenue excluding the impact of deferred revenue haircut. This reflects the revenue that would be recognised in accordance with accounting standards had the acquired entity always been a part of the group and is the reflective continuing revenue of the combined group on a normalised basis.

******Adjusted EBITDA***
Adjusted EBITDA is calculated as Earnings before net finance cost, tax, depreciation and amortisation, impairment, loss on disposal of assets, foreign exchange gain or loss, exceptional items and deferred revenue haircut.

Adjusted pro-forma EBITDA
Adjusted pro-forma EBITDA is calculated as adjusted EBITDA plus the impact of cost saving initiatives in the period as if they were in effect for the full period

3. Consolidated Statement of Financial Position (Unaudited IFRS)

	Jun-24	Dec-23	Jun-23
	£'000	£'000	£'000
Non-current assets			
Intangible assets	98,186	99,060	102,235
Property, plant and equipment	2,411	2,684	3,160
	100,597	101,743	105,395
Current assets			
Inventories	1,895	1,752	1,141
Trade and other receivables	6,292	5,416	9,722
Cash and cash equivalents	3,530	1,693	782
	11,717	8,861	11,645
Current liabilities			
Trade and other payables	(6,477)	(7,162)	(9,450)
Contract liabilities ST	(12,490)	(11,929)	(11,195)
Lease liabilities ST	(459)	(551)	(526)
	(19,427)	(19,642)	(21,171)
Non-current liabilities			
Contract liabilities LT	(6,401)	(7,609)	(5,326)
Lease liabilities LT	(494)	(461)	(694)
Bond principal	(27,832)	(29,217)	(27,362)
Other loans	(11,308)	(5,275)	(3,307)
Accrued interest	(3,422)	(1,239)	(859)
Loan arrangement fees	117	233	350
Deferred tax liabilities	(11,853)	(12,171)	(13,065)
	(61,194)	(55,739)	(50,264)
Net assets	**31,694**	**35,224**	**45,605**
Equity			
Share capital	2,257	2,235	2,235
Share premium	41,920	41,920	41,920
Retained earnings	(12,483)	(8,931)	1,451
Total equity	**31,694**	**35,224**	**45,605**

- Year on year, trade and other receivables decreased by £3.43m, with £2.35m due to improved collections efficiency, with overdue invoices at June-24 £0.39m lower than prior year and a decrease in year-on-year bookings.
- Cash increased year-on-year by £2.75m from June-23 with £9.3m of financing, including £2.36m received in June-24, offset by £1.8m of bond loan interest paid as well as the movement of operational cashflows.
- Other loans – in addition to the April 2023 working capital facility agreement totaling SEK 25m SEK (c.USD 2.5m), July 2023 USD 2.5m shareholder loan, and the February 2024 £5m loan provided by Impala Holdings Limited, a loan of £2.36m was provided by Impala Holdings Limited in June-24 and is subordinated to the existing SEK bonds and is only redeemable after the SEK bonds are fully discharged. The loan accrues interest accruing towards the ending debt balance (PIK interest).

4. Consolidated Cashflow Statement (Unaudited)

	Q2 2024 £'000	Q2 2023 £'000	TTM Jun-24 £'000
Ebitda	(769)	(153)	(1,847)
Movement in WC	(1,742)	(354)	651
Tax receipts/(payments)	(17)	119	308
Lease payments	(107)	(132)	(497)
Operational cashflow	**(2,635)**	**(520)**	**(1,385)**
Investing			
Purchase of tangibles/intangibles	(299)	(484)	(1,711)
Acquisition of subsidiary net of cash	-	-	-
	(299)	**(484)**	**(1,711)**
Financing			
Loans drawn/(repaid)	2,358	1,989	9,303
Cash on merger	-	-	-
(Deferred consideration)/Capital raised	22	-	(1,655)
Interest paid	-	(862)	(1,803)
	2,380	**1,127**	**5,845**
Opening	4,084	658	782
Cashflow	(554)	123	2,749
Closing	**3,530**	**782**	**3,530**

5. Accounting Policies and Notes to the Financial Statements

Impala Bidco Ltd is registered and incorporated in the United Kingdom. The registered office is Seventh Floor, East West, Tollhouse Hill, Nottingham, NG1 5FS. The Group consists of Impala Bidco Ltd (the "parent company") and all its subsidiaries, of which Impala Bondco plc is one. The operations of the Group comprise of the development and provision of software to provide safe learning environments for learners globally.

These financial statements are prepared in alignment with International Financial Reporting Standards ("IFRS") in conformity with the requirements of the Companies Act 2006.

Company Information

Name:	Impala Bidco Ltd
Address:	Seventh Floor, East West Tollhouse Hill Nottingham NG1 5FS United Kingdom
Company Registration Number:	10878303
Financial Year:	January 1 – December 31
Website:	www.imperosoftware.com
Board of Directors:	Tobias Hartmann Julian Bennet Gilbert Kamieniecky Paul Kagan
Auditors:	Mazars 6 Dominus Way Meridian Business Park Leicester LE19 1RP United Kingdom