Impala Bidco Ltd

Unaudited Financial Statements
Period: Q3 2023

Overview

Impero 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 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 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 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 acquired Safeguarding Monitor, a developer of applications to help schools, colleges and multi-academy trusts meet their safeguarding responsibilities. On February 4th, 2021, Impero 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 acquired ContentKeeper, again creating additional whitespace opportunities, strengthening the US footprint, and securing a best-in-class web filtering solution.

The Highlights

1. Impero ended Q3 2023 with bookings totalling £13M ACV and £19M TCV. ACV is down by 2.3% (ACV) on Q3 2022.

2. Sales in Q3 saw a continued trend of high growth in EMEA Education with a 41.8% increase in TCV on prior year, for the quarter.

3. By the end of Q3, Impero's Web Filter product, obtained through the ContentKeeper acquisition, accounted for £7.3M of total ACV (56% of sales bookings).

4. YTD new business saw growth of 3% with a particularly strong Q3 showing growth of 19%.

5. In Q3 we completed the migration of ContentKeeper sales teams from Zendesk Sell into Microsoft Dynamics, enabling a single sales process and improved business reporting.

6. Development of the ContentKeeper Web Filter was focused on device extensions in Q3, with enhancements to ChromeOS Express, quick app detection and remote proxy support.

7. Core developments were made to the Backdrop platform (that delivers Classroom, Wellbeing and Safeguard) including; improvements to Azure AD and Groupcall data integrations, default staff grouping and IP fencing. Support for macOS was also introduced to the Platform in Q3, a high priority item on the product roadmap.

8. In Q3 all major operating systems received an update to the Backdrop extension to ensure continued and improved support compatibility.

9. Corporate solution, Connect saw the release of a new host (version 13.01) and the integration of the Intel Open AMT cloud toolkit into its portal.

10. New ERP implementation project commenced in Q3 and on track to complete in Q1 FY24.

11. Increase in YTD recurring revenue from £14.7M YTD Sep FY22 to £15.2M (4% growth). Non-recurring revenue has decreased for the same period from £3.7m to £2.4M, driven primarily by a drive to improve the recurring revenue mix and automated processes around customer onboarding implemented to help drive annualized cost savings. Total trading revenue has decreased by -4% from £18.3M to £17.7M. Recurring revenue has increased from 80% to 86%. Further measures are in place to reduce dependency on and volume of hardware needed.

12. On an adjusted proforma TTM basis, the Net Interest Bearing Debt leverage ratio is 11.9x adjusted EBITDA. If the cash balance is adjusted for the impact of exceptional cash spend the ratio is 11.2x adjusted EBITDA.

13. Cost saving initiatives commenced and have delivered annualised savings of £2.7M as at the end of Sep-23, and are expected to deliver annualised cost savings of £3.7M by the end of the year with £4.2M by April 2024.

14. The group continues to be resilient despite market predictions of a recession in the UK and US during 2023.

A Note From Justin (CEO)

Q3 was a strong quarter as we closed the gap on previous year and reached £13M in ACV bookings. This year we saw a number of deals drift from Q2 to Q3, which changed the quarterly sales profile slightly, balancing out by the end of Q3. Our top two renewals in Q3 provided a combined ACV of £300k (£600k TCV) and our top three new business customers had a combined ACV over £150K across the quarter. New business was a really positive story in Q3 with growth of 19% on prior year. September alone saw 34% growth in new business, with sales teams focused on customer acquisition to drive growth in ARR.

EMEA Education continued a solid performance into Q3 with growth of 11.8% in ACV, and 41.8% growth in TCV. The ContentKeeper Web Filtering solution, introduced to the UK market in March 2023, continues to drive sales across multi-academy trusts, with its granular reporting and cross-platform support proving sought after features in the sector.

Our Sales and Marketing teams have worked hard this year to maintain a healthy pipeline across core products and markets. We currently have a weighted pipeline coverage of £5.3M through to the end of 2023, and over £60M (ACV) in overall open opportunity for the business as we near 2024. We continue to monitor and analyse pipeline on a weekly and monthly basis, tracking movement and conversion rates, to continually improve sales forecasting.

While sales bookings and pipeline remain strong, we have identified higher than average churn on one of our legacy products this year. Several mitigation projects have been put in place to address this and, on the flipside, we are seeing an uptick in customers returning to this particular solution. We continue to monitor the performance of our core and legacy products, aligning migration strategies and roadmap priorities, to address any impact on revenue.

Our product development team have had a busy Q3, with core enhancements to both platform and device extension, across the product suite. As we look ahead, there are some key product development priorities that stand out, driven by both market demand and business efficiency. We are working towards a Q4 1st release of our Parental Portal for the US Education Market, following 12 months in development. The Parental Portal will provide parents with control of internet restrictions when devices are at home and allow them to monitor student online behaviour on the device at any time. Over the last 18 months we have seen increased demand, from the US education sector, for a parent portal of this nature, bundled alongside the purchase of a school's web filtering solution. In response to this shift in buyer behaviour, we have prioritised our Parental Portal on the roadmap and have ongoing conversations with customers who are providing feedback and insight in the specific requirements of this 1st release.

We also have some major developments to Classroom and Wellbeing on the Backdrop platform. These will address both backend processes for better implementation and delivery, as well as customer led-feature requests that are tracked and evaluated regularly. We continue to feed into our machine learning model, reducing the number of false positives flagged by Wellbeing, and improving the management overhead when using the solution. One major change also underway, involves the redesign of Backdrop's data structure, in readiness for the release of Insight. Insight will provide detailed analytics to schools and school groups and, using Impero's wealth of data, will help predict student outcomes and enable earlier intervention into safeguarding risks.

With strong sales and high demand to trial new products and features, there has been a noticeable impact on operations this quarter. As schools returned from the summer break, we started to build a backlog of deployment requests, meaning a longer implementation timeframe than we would like. We are tackling this in a number of ways in the short-term, including process improvement and cross-skilling the team. However, most noticeably we are investing in better automation around product deployments so that customers can become as self-sufficient as possible through onboarding, providing them the flexibility to work to their own timelines.

Work continues to enhance our internal systems with the completion of the Sell migration to Dynamics in Q3. This was a key remaining milestone in the ContentKeeper integration story, enabling the amalgamation of sales process across the business, and delivering a cost saving, through system consolidation. The Netsuite project kicked off in Q3 and is well underway to replace a number of legacy finance systems with our new, purpose-configured and fully integrated ERP. This will address a number of reporting challenges highlighted over the last twelve months and will speed up financial processes and reporting significantly in 2024.

We continue to deliver on our target cost savings initiatives and are on track to achieve £3.7M by the end of FY23, and £4.2M by April FY24.

The Financials

1. Q3 Financial Commentary

- Increase in YTD recurring revenue from £14.7M YTD Sep FY22 to £15.2M (4% growth). Non recurring revenue has decreased for the same period from £3.7m to £2.4M, driven primarily by a drive to improve the recurring revenue mix and automated processes around customer onboarding implemented to help drive annualized cost savings. As a result of the decrease in non-recurring revenue, total trading revenue has decreased by -4% from £18.3M to £17.7M.

- Quality of revenue is improving, with recurring revenue increasing from 80% to 86% as a percentage of total revenue. Further measures are in place to reduce dependency on and volume of hardware needed.

- TTM Trading Revenue of £23.9M with adjusted EBITDA of £1.1M.

- TTM adjusted pro forma EBITDA of £2.5M.

- YTD Sep-23 Pro forma adjusted EBITDA of £1.5M

- Adjusted EBITDA of £0.7M for YTD Sep FY23 versus £1.5M for YTD Sep-22 primarily driven by reduction in trading revenue.

- Exchange rate gain of £1.3M YTD Sep-23 vs £6.4M in FY22, driven primarily by a revaluation of the 375M SEK Bond with SEK/USD exchange rate fluctuations.

2. Consolidated Income Statement (Unaudited IFRS)

	Q3 23 £'000	Q3 22 £'000	YTD Sep-23 £'000	YTD Sep-22 £'000	TTM Sep-23 £'000
Revenue	5,520	6,028	16,806	16,600	22,695
Cost of sales	(1,499)	(1,304)	(3,971)	(3,708)	(5,385)
Gross profit	4,021	4,724	12,835	12,892	17,310
Administrative expenses	(3,966)	(4,310)	(13,033)	(13,070)	(17,473)
Exceptional costs	(556)	(49)	(1,601)	(4,111)	(2,245)
Ebitda	(501)	365	(1,800)	(4,289)	(2,408)
Depreciation & amortisation	(2,393)	(2,059)	(6,520)	(6,197)	(8,599)
Finance costs	(1,073)	(898)	(3,033)	(2,528)	(4,000)
Exchange rate variance	348	2,599	1,328	6,411	(575)
Loss before tax	(3,619)	7	(10,026)	(6,603)	(15,582)
Tax	200	240	599	719	838
Loss after tax	(3,419)	247	(9,427)	(5,884)	(14,744)

Revenue					
Revenue	5,520	6,028	16,806	16,600	22,695
Reversal of unwind of deferred revenue haircut*	237	452	875	1,724	1,252
Trading revenue**	**5,757**	**6,480**	**17,681**	**18,324**	**23,947**
Recurring revenue	5,059	5,298	15,241	14,662	20,592
Non-recurring revenue	698	1,182	2,440	3,662	3,355
Total	**5,757**	**6,480**	**17,681**	**18,324**	**23,947**

Ebitda to adjusted ebitda bridge					
Ebitda	(501)	365	(1,800)	(4,289)	(2,408)
Exceptionals	556	49	1,601	4,111	2,245
Reversal of unwind of deferred revenue haircut*	237	452	875	1,724	1,252
Adjusted Ebitda***	**292**	**866**	**677**	**1,546**	**1,089**

Exceptionals					
M&A costs	-	-	-	2,827	-
Bond implentation/consent costs	99	-	99	1,088	99
Finance projects	432	-	1,148	-	1,645
Restructuring costs	-	49	110	49	256
Other	25	-	245	147	245
Total	**556**	**49**	**1,601**	**4,111**	**2,245**

***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)

	Sep-23 £'000	Dec-22 £'000	Sep-22 £'000
Non-current assets			
Intangible assets	103,835	108,700	109,964
Property, plant and equipment	2,896	3,138	2,847
	106,731	111,838	112,811
Current assets			
Inventories	1,230	898	1,274
Trade and other receivables	8,126	8,229	10,840
Cash and cash equivalents	1,521	6,127	8,028
	10,878	15,254	20,142
Current liabilities			
Trade and other payables	(7,373)	(7,429)	(6,925)
Contract liabilities ST	(11,873)	(11,746)	(11,883)
Lease liabilities ST	(526)	(523)	(523)
	(19,773)	(19,698)	(19,331)
Non-current liabilities			
Contract liabilities LT	(7,251)	(7,856)	(10,307)
Lease liabilities LT	(593)	(880)	(967)
Bond principal	(28,150)	(29,729)	(30,291)
Other loans	(5,458)	(1,386)	(1,402)
Accrued interest	(991)	(747)	(762)
Loan arrangement fees	292	467	525
Deferred tax liabilities	(13,014)	(13,237)	(13,613)
	(55,164)	(53,368)	(56,817)
Net assets	**42,672**	**54,025**	**56,804**
Equity			
Share capital	2,235	2,235	2,235
Share premium	41,920	41,920	41,920
Retained earnings	(1,482)	9,871	12,650
Total equity	**42,672**	**54,025**	**56,804**

- Reduction in cash of £4.6M since Dec-22, due primarily to payments for inventory purchase of £2.9M, data centres £0.6M (to deliver annualised cost savings of £1.5M), R&D £1.5M, deferred consideration of £0.4M and bond interest of £2.6M, offset by £3.9M of funding.

- Other loans - On 17 April 2023 a working capital facility agreement totalling SEK 25M SEK (c.USD 2.5M) was put in place, and accrues interest at SOFR + 2.65%. On 7 July 2023 a further USD 2.5M was advanced in the form of a shareholder loan from the immediate parent entity Impala Holdings Limited. This loan is subordinated to the existing SEK bonds, and is only redeemable after the SEK bonds are fully discharged. The loan accrues interest at 15% per annum, with this interest accruing towards the ending debt balance (PIK interest).

4. Consolidated Cashflow Statement (Unaudited)

	Q3 2023 £'000	Q3 2022 £'000	YTD Sep-23 £'000	YTD Sep-22 £'000	TTM Sep-23 £'000
Ebitda	(500)	365	(1,800)	(4,289)	(2,407)
Movement in WC	1,223	5,499	(1,573)	4,195	(719)
Tax receipts/(payments)	-	(83)	227	(378)	91
Lease payments	(136)	(131)	(399)	(403)	(530)
Operational cashflow	**588**	**5,650**	**(3,545)**	**(875)**	**(3,566)**
Investing					
Purchase of tangibles/intangibles	(522)	(1,110)	(2,063)	(2,186)	(3,173)
Acquisition of subsidiary net of cash	-	-	-	(38,379)	-
	(522)	**(1,110)**	**(2,063)**	**(40,565)**	**(3,173)**
Financing					
Loans drawn/(repaid)	1,944	(1,070)	3,933	(1,070)	3,933
Cash on merger	-	-	-	46,609	-
(Deferred consideration)/Capital raised	(394)	-	(394)	2,589	(394)
Interest paid	(877)	(700)	(2,538)	(2,066)	(3,308)
	674	**(1,770)**	**1,001**	**46,062**	**232**
Opening	782	5,259	6,127	3,408	8,028
Cashflow	739	2,770	(4,606)	4,621	(6,507)
Closing	**1,521**	**8,028**	**1,521**	**8,028**	**1,521**

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:	10878303
Financial Year:	January 1 – December 31
Website:	www.imperosoftware.com
Board of Directors:	Philip Walters, Chairman Julian Bennet Joe Ross Justin Reilly Gilbert Kamieniecky Richard Cremona Kerstin Sundberg (Resigned 7th November 2023) Richard Fuller
Auditors:	Mazars 6 Dominus Way Meridian Business Park Leicester LE19 1RP United Kingdom