

SysGroup Plc

Full Year Results

Year to 31 March 2024



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Strategic & Organisational Highlights

- Heejae Chae acquired 14% share interest and was appointed Executive Chairman
- Repositioned as technology partner for Small Medium Businesses (“SMBs”) in their AI and digital transformation
- Replaced 11 senior leaders (including CEO and CFO) with 6 new talents
- Recruited an AI team of software engineers with extensive experience in ML and data architecture and a team of cloud experts
- Rebuilding of go-to-market organisation
- Refreshed the Board with seasoned professionals with extensive and relevant experience
- Achieved AWS Select Tier Service Partner status (Level 2)
- Announced a strategic partnership with Softcat to become their designated outsource partner for AI/ML offerings



Post Balance Sheet Highlights

- Raised £11.2M in oversubscribed equity placing to fund an internal transformation project, strengthen the balance sheet to provide for ongoing working capital requirements and liquidity for acquisitions
- Closed second largest contract in SysGroup's history, totalling £2.2M over three years
- Invested in additional R&D resources, including offshore capabilities in India and Eastern Europe
- Progressed to AWS Advanced Tier Service Partners stratus (Level 3) qualifying for fundings and joint sales and marketing
- Authorised as one of only two UK Zscaler Managed Security Service Partners



Income statement

- Revenue grew 5% to £22.7m (FY23: £21.6m) driven by growth in H2 in cybersecurity
- Recurring revenue as a % of total revenue increased to 76% (FY23: 75%)
- Gross margin declined to 46% (FY23: 50%) due to unmitigated supplier cost increases combined with a change in product mix
- Adjusted EBITDA¹ £2.0m (FY23: £3.1m) driven by substantial investment in people and systems to support our new growth strategy, coupled with gross margin decrease
- Statutory loss before tax of £(6.6)m (FY23: £(0.2)m) driven in part by £1.8m exceptional costs (FY23: £0.4m) including upgrade of the leadership team, and £3.7m impairment of historic acquisitions (FY23: £nil), as part of the implementation of the new strategy

	FY24	FY23*
	£'000	£'000
Revenue	22,714	21,648
Gross margin	10,395	10,902
<i>Gross margin %</i>	<i>45.8%</i>	<i>50.4%</i>
Overheads	(8,387)	(7,768)
Adjusted EBITDA¹	2,008	3,134
<i>Adjusted EBITDA¹ %</i>	<i>8.8%</i>	<i>14.5%</i>
Depreciation	(570)	(625)
Amortisation of intangibles	(1,696)	(1,739)
Impairment of Intangibles	(3,718)	-
Exceptional items	(1,826)	(408)
Share based payments	(194)	(178)
Finance costs	(574)	(483)
PBT	(6,570)	(299)
Tax	670	98
Retained profit	(5,900)	(201)

1. Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation of intangible assets, exceptional items, and share based payments.

* Includes restatement of cost of sales. See 2024 Financial Statements for details.

Statement of Financial Position

- Total net assets are £18.5m (FY23: £24.2m).
- Cash balances of £1.9m and Bank loan of £(4.7)m (FY23: £4.2m and £(4.7)m respectively) – see next slide for detail.
- Working capital gross trade debtor balance of £1.6m (FY23: £1.7m) despite the increase in trading revenue.
- Prepayments of £2.3m (FY23: £3.1m restated) and Contract liabilities balance of £2.9m (FY23: £4.0m): both decreased due to the working capital model of the Truststream business where customers/suppliers are invoiced/invoice annually in advance
- Contingent consideration of £1.8m (FY23: £1.9m) relates to the Year 2 Earnout payment in respect of the Truststream acquisition in 2022, payable in H1 FY25
- Treasury reserve of £1.0m (FY23: 0.2m) increase is following the purchase by the Company of shares sold by the former CEO, which are now held by the Company as Treasury shares.

	FY24 31 Mar 24 £'000	FY23* 31 Mar 23 £'000
Intangible assets and goodwill	22,656	27,961
Fixed assets	1,846	1,966
Non-current assets	24,502	29,927
Trade debtors	1,577	1,706
Prepayments and other receivables	2,426	3,107
Cash	1,943	4,186
Current assets	5,946	8,999
Trade and other payables	4,813	3,861
Lease liabilities	204	182
Contract liabilities	2,635	3,633
Contingent consideration	1,751	806
Current liabilities	9,403	8,482
Lease liabilities	400	621
Contract liabilities	143	383
Contingent consideration	-	1,875
Provisions	148	191
Deferred tax	849	1,434
Bank loan	4,738	4,705
Non-current liabilities	6,278	9,209
Net assets	14,767	21,235
Share capital	515	494
Treasury reserve	(984)	(201)
Other reserves	12,380	12,285
Retained earnings	2,856	8,657
Equity	14,767	21,235

Cashflow & Net Debt

- Gross cash balance of £1.9m (FY23: £4.2m). Cash balances have been utilised in satisfaction of:
 - (i) £0.9m in the Truststream Year 1 earn-out (contingent consideration)
 - (ii) £1.50m in settlement of the former CEO's contractual departure terms including the Company's purchase of 2,076,394 ordinary SysGroup shares (now held in treasury) following the exercise of share options and immediate sale of those shares.
- Net debt² of £3.4m (FY23: £1.3m); increase due to payments above
- Cash generated from operations of £2.2m (HY23: £3.4m) with strong cash conversion of 111% (HY23: 109%).

1. Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation of intangible assets, exceptional items, and share based payments.

2. Net (debt) represents cash balances less bank loans and lease liabilities (excluding contingent consideration)

	FY24	FY23
	£'000	£'000
Cashflow from operations	1,104	3,020
Tax	(439)	(303)
Net cashflow from operating activities	665	2,717
Payments to acquire tangible & intangible assets	(559)	(415)
Acquisitions net of cash acquired	-	(5,389)
Cashflow before financing	(559)	(5,804)
Contingent consideration payment	(885)	-
Net bank loan drawdown		3,918
Purchase of treasury shares	(762)	-
Other financing	(702)	(778)
Net cashflow	(2,243)	53
Opening cash balance	4,186	4,133
Closing cash balance	1,943	4,186
Net Debt	£'000	£'000
Cash balances	1,942	4,186
Bank loans	(4,738)	(4,705)
Lease liabilities	(604)	(803)
Net (debt)/cash²	(3,400)	(1,322)
Contingent consideration	(1,751)	(2,681)
Net (debt)/cash including contingent consideration	(5,151)	(4,003)
Cashflow from operations	1,104	3,020
Adjustments: Acquisition/integration/restructuring	1,117	408
Cash generated from operations	2,221	3,428
Adjusted EBITDA ¹	2,008	3,134
Cash conversion	111%	109%

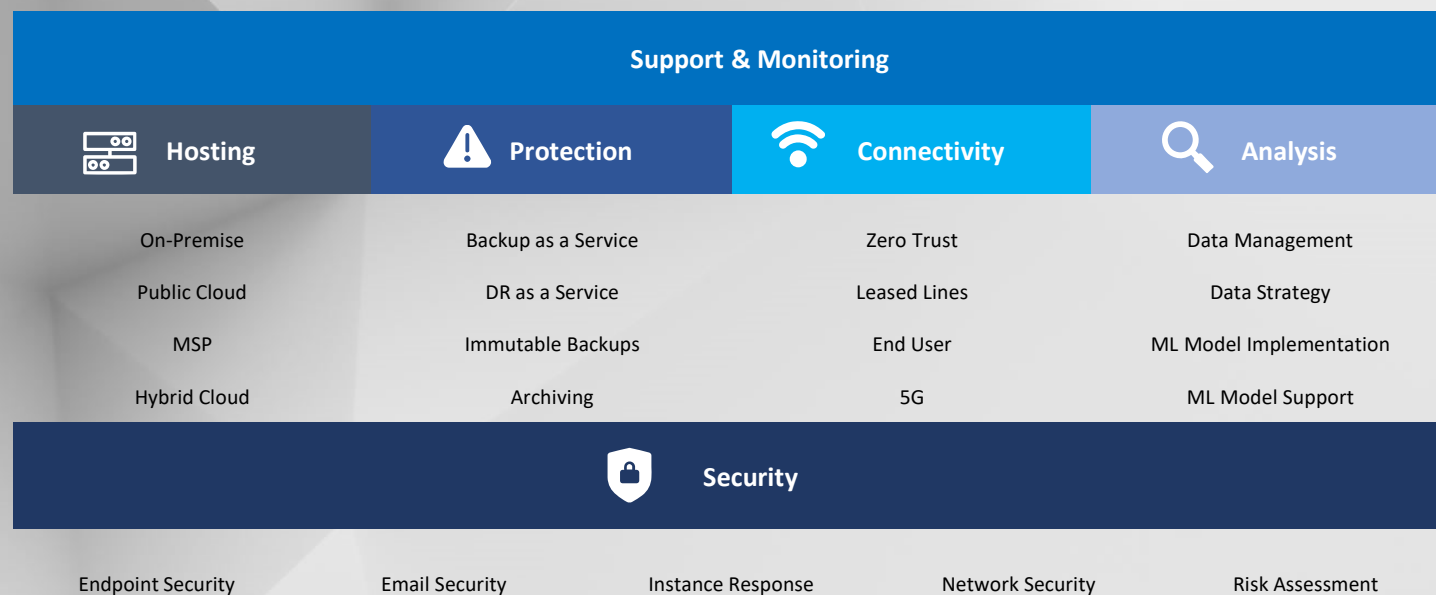
Product portfolio and service definition



Our mission: To become partner of choice for Small Medium Businesses (SMBs) in their AI and digital transformation

Our strategy: to support the entire data infrastructure to achieve AI/ML readiness through our portfolio of technical capabilities

Our service definitions:

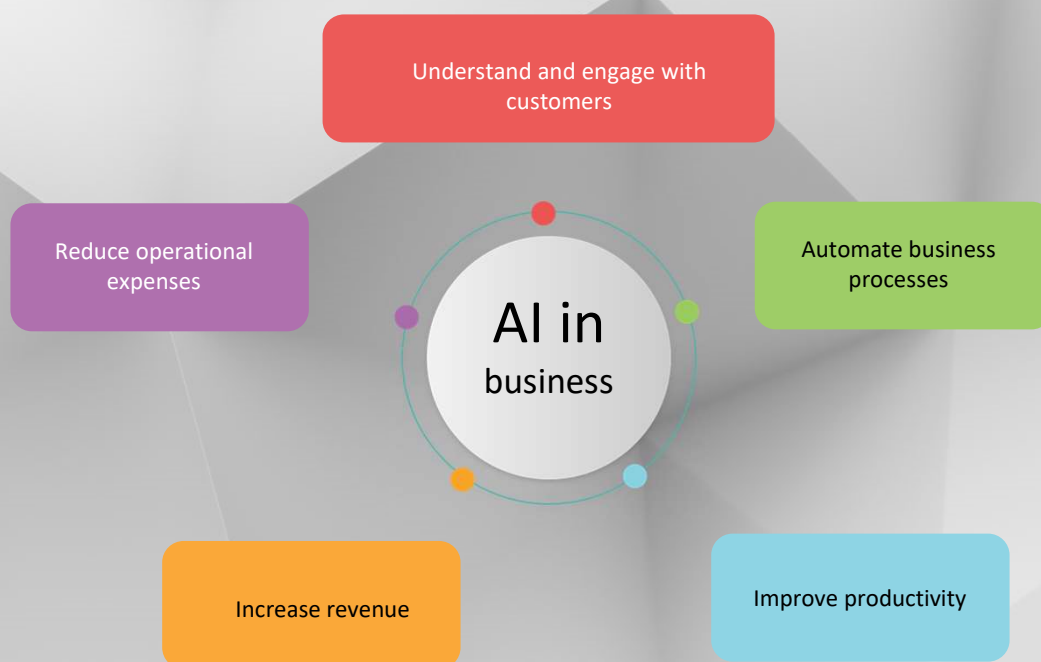


Technology Roadmap and Service Definition

➤ Our strategy is to:

- Provide end to end solution of data infrastructure and solutions
- Develop domain expertise across the defined technology stacks as a stand-alone or solution
- Become managed service provider
- Opinionated view of service definition to enable scalability and simplicity
- Partner with industry leading providers to minimise on-going capital investment.
- Focus on capabilities to migrate across various solutions and support and monitor wherever your data sits.

Service definition: AI/Data managed services



Our capabilities

- Data engineering
- Data science (model development)
- ML Engineering (MLOps)
- Systems Integration (SI)
- Machine Learning Workload Hosting and Retraining

Our strategy is to become managed service provider of AI by providing a platform solution to model, train and maintain our customers' AI environment

Service definition: Hosting

Data Hosting refers to the storage and management of digital data on computing infrastructure. We work collaboratively with our customers to understand where the most appropriate location is to host their applications and data. All data has to be hosted somewhere.

On premise infrastructure solution

Self-managed or outsourced

Infrastructure as a Service (SysCloud)

As- a Service Model: Consumption-Based
Simplified IT Operations: Managed for you
Co-Location Solutions

Hybrid IT Environment: Integration with Public Cloud

Migration to Public Cloud



Service definition: Protection

Data Protection, is a comprehensive approach to safeguarding an organisation's data from loss or corruption. This service combines traditional backup methodologies with disaster recovery capabilities, often delivered through cloud-based solutions.

Backup

Backups can be performed on-premises, in the cloud, or through a hybrid approach combining both.

Disaster recovery

Disaster recovery focuses on restoring IT systems and infrastructure after a disruptive event, such as natural disasters, cyberattacks, hardware failures, or human error.

As a service (aaS)

BaaS and DRaaS are offered as cloud-based services, allowing businesses to offload the responsibility of managing backups and disaster recovery to third-party providers.



Service definition: Connectivity

Data Connectivity refers to the methods and technologies used to establish reliable connections between devices, networks, or systems to facilitate data transfer. As the amount of data grown the need for good connectivity will become key.

Zero Trust

Zero Trust is a security concept that assumes no entity, whether inside or outside the network perimeter, can be trusted.

Leased Lines

Leased lines are dedicated telecommunications lines that provide point-to-point connections between two locations.

SD-WAN

Is a technology that simplifies and optimises wide area network management through software-defined networking principles.

5G

Is the fifth generation of cellular network technology, offering faster speeds, lower latency, and greater capacity for wireless communication



Service definition: Security

Cybersecurity is the practice of protecting computer systems, networks, and data from digital attacks, unauthorised access, and other cyber threats. It encompasses various technologies, processes, and practices designed to safeguard information assets and prevent security breaches.

Endpoint Security

Endpoint security focuses on protecting individual devices, such as computers, laptops, smartphones, and tablets, from cyber threats.

Email security

Email security involves protecting email communication systems from cyber threats, such as spam, phishing, malware, and email fraud.

Network security

Network security focuses on protecting computer networks and network infrastructure from cyber threats and unauthorised access.



Partnerships

Achieving higher partner status provides access to:

Increased discounts off RRP

Making us more cost competitive

Deal Registration

A program providing additional discount to one partner, per opportunity, making us further competitive.

Technical training

Helps to empower both Technical and Sales staff

Marketing funding

Access to vendor events or lead generation teams to help drive pipeline

Customer funding programs

To help a customer launch a proof of concept

Highlights

AWS Advanced Partner

Achieved Level 3 status from Level 0 within a year

Zscaler Managed Security Service Partner

One of only 2 in the UK

Softcat Specialist Partner

Chosen partner for AI/ML, CyberArk and Zscaler

Watchguard Platinum Partner

One of only 2 in the UK



SysGroup - to become partner of choice for Small Medium Businesses (SMBs) in their AI and digital transformation

- Our goal is to guide SMBs through the complex AI value chain and support their transformation journey from start to finish
- New management and board appointments driving the business forward
- Delivery re-organised under six pillars of technical capability, with supporting senior hires now in place
- £11.2 million fundraising provides a strong balance sheet to accelerate growth and innovation
- Invested in additional R&D resources, including offshore capabilities in India and Eastern Europe
- Implementing transformation of SysGroup to demonstrate the benefits of AI, serving as a live case study of best practices for our customers and to achieve significant productivity gains
- M&A strategy to further bolster technical capability and enhance customer base
- As with any innovation, whilst outlook is bright, adoption will not be straight line and will follow a J-curve as growth follows