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HALF-YEAR REPORT

REACT GROUP PLC
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React Group PLC
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REACT Group plc

("REACT", the "Group" or the "Company")

Half Year Results FY 2023

REACT Group plc (AIM:REAT.L), the leading specialist cleaning, hygiene and decontamination company announces its unaudited results for the six-month period ended 31 March 2023.

Financial Summary

	HY 2023	HY 2022
Revenue *(£'000)*	9,320	5,125
Gross profit *(£'000)*	2,484	1,156
Gross profit margin	*26.7%*	*22.6%*
Adjusted EBITDA *(£'000)**	927	162
Adjusted profit before amortisation of acquired intangible assets and exceptional items *(£'000)**	773	88
Net loss for the period *(£'000)*	(86)	(92)
Adjusted earnings per share (basic) *(pence)*	0.07	0.02
Adjusted earnings per share (diluted) *(pence)*	0.07	0.01
Net debt (excluding lease liabilities) *(£'000)*	257	43

**These measures are explained and reconciled in the Alternative Performance Measures section in Note 5 below.*

Highlights (including post period highlights):

· Revenue increased by 82% to £9,320k (2022: £5,125k)

· Adjusted EBITDA up materially to £927k (2022: £162k)

· Gross margins up at 27% from 23% in H1 2022

· £800k multi-year contract win to provide services, through a coordinated programme from all three segments of the business to a large fast-service restaurant chain across c. 350 sites in the UK

· £500k 18-month contract with a sizeable Midlands-based school alongside numerous contract renewals which include another school worth around £540k over three years and an annual contract with an NHS Trust worth almost £200k

· Improved mix of recurring revenue as well as higher margins provides the business with greater visibility and a more dependable revenue stream

Commenting on the results Shaun Doak, Chief Executive Officer of REACT, said:

"We are delighted to report a strong trading performance for the business with revenue and profit at record levels. All three divisions have traded well in the period and this momentum has continued into the second half.

"The Group has benefitted from notable customer wins including an £800k contract to provide services, through a coordinated programme from all three segments of the business to a large fast-service food chain across all its sites in the UK. This major contract win illustrates how strategic acquisitions provide significant cross-selling opportunities for the Group once successfully integrated.

"The enhanced mix of recurring revenue and increased margins provides the business with greater visibility and a more dependable revenue stream. This combined with the strength of our pipeline for the remainder of the year provides the Board with cautious optimism and reinforces its confidence in achieving full-year results in line with market expectations.

"On behalf of the Board, I would once again like to thank all my colleagues for their ongoing support, commitment, tenacity and quality of work."

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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"). Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

RESULTS SUMMARY & STRATEGY

Strategy

The REACT business performed strongly during the six months to 31 March 2023, trading in the period has been robust and the positive contract win momentum has continued with good sales growth across all three divisions of the business.

The Group achieved record revenue and profit growth during the six-month period. The combination of growing recurring revenue as well as higher margins provides the business with greater visibility and a more dependable revenue stream. Recurring revenue is key to our strategy and the contract maintenance segment of the business typically allows customers to purchase our services over a contracted period of several years. Within these contracts, price increases are implemented at certain points to mitigate wage-inflation pressures. The Group has benefitted from its ability to cross sell other business services into existing and new customers. Evidence of this is the recent contract win, with an estimated value of £800k in the current financial year, to provide services, through a coordinated programme from all three segments of the business to a large fast-service food restaurant across all its sites in the UK. This positive contract win momentum has continued, with good sales growth in all three divisions of the business across the six-month period.

In May last year, the Group acquired LaddersFree, one of the largest commercial window cleaning businesses in the UK. The business has been integrated well and its revenues have grown by over 25% in its first year as part of the Group. This has been achieved despite the gloom on the UK high street resulting in customer site closures and economic pressures over the last year. The Board is looking to scale the business whilst professionalising its operating systems. LaddersFree continues to be awarded contracts to provide services for retailers, restaurants, hotels and car dealerships amongst others. The division continues to attract higher margin contracts helping to deliver a considerable contribution to Group profits.

It has now been over two years (March 2021) since the Group acquired Fidelis Contract Services ("Fidelis"), a contract cleaning and facilities maintenance business. Fidelis had a slightly slower start to H1, this then improved greatly reporting record revenues over the latter stages of the six-month period. Fidelis has been awarded a £500k 18-month contract with a sizeable Midlands-based school and alongside this, numerous contract renewals which include another school worth around £540k over three years and an annual contract with an NHS Trust worth almost £200k.

The Fidelis business is now generating twice as much revenue as it was in the 12-months prior to acquisition, demonstrating not only its strategic value to the Group but also the manner in which the Company has been able to integrate and grow the business, adding a more scalable management team and more sophisticated systems to support its continuing growth ambitions.

The REACT business, which primarily provides a solution to emergency and specialist cleaning situations, both through long-term framework agreements and on an ad-hoc basis, has had a buoyant period of business as its bespoke services remain in demand. Margins remain a focus of this division as these continue to rise as a result of a changing mix of business.

People

The Group performs bespoke training and development projects and, as a consequence, has been able to develop the roles of a number of important personnel and promote internally. As an aspiring expanding Group, it continues to take efforts to invest in its people to promote greater performance and job satisfaction of all employees.

Due to the nature of REACT's service delivery department, this is undertaken by people who are considered experts in their field, supported by a dedicated customer-centric team, who have now fully adapted to working conditions since all COVID restrictions have been lifted. The strong financials reported in H1 are bolstered by the efforts of the entire team and each individual has played a crucial role in our collective achievements.

I would like to take this opportunity to extend our gratitude and appreciation to our esteemed colleagues for their unwavering dedication and hard work. It is through their collective efforts and commitment that we have achieved our targets during this period and reached new heights.

Outlook

Trading in the second half of the year has continued well building on the momentum of the first half. The enhanced mix of recurring revenue and increased margins provides the business with greater visibility and a more dependable revenue stream. This combined with the strength of our pipeline for the remainder of the year provides the Board with cautious optimism and reinforces its confidence in achieving full-year results in line with market expectations.

Shaun Doak
Chief Executive Officer
29 June 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 31 March 2023

	Note	*Unaudited* **6 months ended 31 March 2023 £'000**	*Unaudited* **6 months ended 31 March 2022 £'000**	*Audited* **Year ended 30 September 2022 £'000**
Continuing Operations				
Revenue		9,320	5,125	13,671
Cost of Sales		(6,836)	(3,969)	(10,414)
Gross Profit		2,484	1,156	3,257
Administrative expenses		(2,499)	(1,241)	(3,768)
Adjusted operating profit before amortisation of acquired intangible assets and exceptional items		*844*	*91*	*775*
Amortisation of acquired intangible assets		*(821)*	*(147)*	*(743)*
Exceptional costs		*(38)*	*(29)*	*(543)*
Operating loss		(15)	(85)	(511)
Finance cost		(71)	(3)	(56)
Corporation tax charge		-	(4)	(134)
Loss for the period		(86)	(92)	(701)
Other comprehensive Income		-	-	-
Loss for the financial period attributable to equity holders of the company		(86)	(92)	(701)
Basic and diluted profit per share	4			
Basic loss per share		**(0.01)p**	**(0.02)p**	**(0.09)p**
Diluted loss per share		**(0.01)p**	**(0.02)p**	**(0.09)p**
Adjusted basic earnings per share		**0.07p**	**0.02p**	**0.08p**
Adjusted diluted earnings per share		**0.07p**	**0.01p**	**0.07p**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	*Unaudited* **As at 31 March 2023 £'000**	*Unaudited* **As at 31 March 2022 £'000**	*Audited* **As at 30 September 2022 £'000**
Assets				
Non-current assets				
Intangibles - Goodwill		4,209	1,854	4,209
Intangibles - Other		4,859	881	5,680
Property, plant and equipment		185	168	203
Right-of-use assets		73	68	100
Deferred tax asset		244	240	244
		9,570	3,211	10,436
Current assets				
Stock		11	10	11
Trade and other receivables		4,301	2,305	4,254
Cash and cash equivalents		650	(43)	979
		4,962	2,272	5,244
Total assets		14,532	5,483	15,680
Equity				
Shareholders' Equity				
Called-up equity share capital		2,644	1,270	2,624
Share premium account		10,910	6,028	10,905
Reverse acquisition reserve		(5,726)	(5,726)	(5,726)
Capital redemption reserve		3,337	3,337	3,337
Merger relief reserve		1,328	1,328	1,328
Share based payments		68	33	44
Accumulated losses		(4,259)	(3,564)	(4,173)
Total Equity		8,302	2,706	8,339
Liabilities				
Current liabilities				
Trade and other payables		4,176	2,309	4,230
Loans and other borrowings		161	-	161
Lease liabilities within one year		50	46	57
Corporation tax		195	-	271
		4,582	2,355	4,719
Non-current liabilities				
Loans and other borrowings		746	-	808
Lease liabilities after one year		34	30	53
Other creditors		868	392	1,761
		1,648	422	2,622
Total liabilities		6,230	2,777	7,341
Total Liabilities and Equity		14,532	5,483	15,680

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 March 2023

	Unaudited **6 months ended 31 March 2023 £'000**	*Unaudited* **6 months ended 31 March 2022 £'000**	*Audited* **Year ended 30 September 2022 £'000**
Net cash inflow/(outflow) from operations	829	7	(773)
Cash flows from financing activities			
Proceeds of share issue	25	-	6,500
Expenses of share issue	-	-	(269)
Lease liability payments	(37)	(27)	(80)
Bank Loans	(62)	(50)	902
Interest paid	(71)	-	(56)
Net cash (outflow)/inflow from financing activities	(145)	(77)	6,997
Net cash from investing activities			
Disposal of fixed assets	-	-	20
Capital expenditure	(37)	(64)	(115)
Acquisition of subsidiary	(938)	(525)	(7,776)
Exceptional costs paid	(38)	(17)	(543)
Net cash outflow from investing activities	(1,013)	(606)	(8,414)
Net decrease in cash, cash equivalents and overdrafts	(329)	(676)	(2,190)
Cash, cash equivalents and overdrafts at beginning of period	979	633	633
Cash on acquisition of subsidiaries	-	-	2,536
Cash, cash equivalents and overdrafts at end of period	650	(43)	979

Analysis of cash, cash equivalents and overdrafts:

Cash at bank and in hand	1,379	214	1,529
Overdrafts	(729)	(257)	(550)
	650	(43)	979

Reconciliation of profit for the period to cash outflow from operations

	Unaudited **6 months ended 31 March 2023** £'000	*Unaudited* **6 months ended 31 March 2022** £'000	*Audited* **Year ended 30 September 2022** £'000
Loss for the period	(86)	(92)	(701)
Decrease/(increase) in stocks	-	2	1
(Increase)/decrease in receivables	(47)	(206)	(2,155)
Increase in payables	1	38	374
Depreciation and amortisation charges	904	219	921
Impairment charge	-	-	567
Finance costs	71	3	56
Tax charge/(credit)	-	4	134
Acquisition assets acquired (excluding cash)	-	-	119
Exceptional acquisition costs	38	29	(24)
Profit on disposal of fixed assets	-	-	(6)
Share based payment	24	10	21
Tax paid	(76)	-	(80)
Net cash inflow from operations	829	7	(773)

Consolidated Statement of Changes in Equity

For the six months ended 31 March 2023

	Share Capital £'000	Share Premium £'000	Merger Relief Reserve £'000	Capital Redemption Reserve £'000	Reverse Acquisition Reserve £'000	Share Based Payments Reserve £'000	Accumulated Deficit £'000	Total Equity £'000
At 30 September 2021	1,270	6,028	1,328	3,337	(5,726)	23	(3,472)	2,788
Share based payments	-	-	-	-	-	10	-	10
Loss for the period	-	-	-	-	-	-	(92)	(92)
At 31 March 2022	1,270	6,028	1,328	3,337	(5,726)	33	(3,564)	2,706
Issue of shares	1,354	4,877	-	-	-	-	-	6,231
Share based payments	-	-	-	-	-	11	-	11
Loss for the period	-	-	-	-	-	-	(609)	(609)
At 30 September 2022	2,624	10,905	1,328	3,337	(5,726)	44	(4,173)	8,339
Issue of shares	20	5	-	-	-	-	-	25
Share based payments	-	-	-	-	-	24	-	24
Loss for the period	-	-	-	-	-	-	(86)	(86)
At 31 March 2023	2,644	10,910	1,328	3,337	(5,726)	68	(4,259)	8,302

Notes to the interim financial statements

1. Basis of preparation

These consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and on a historical basis, using the accounting policies which are consistent with those set out in the Group's annual report and accounts for the year ended 30 September 2022. The interim financial information for the six months ended 31 March 2023, which complies with IAS 34 'Interim Financial Reporting' were approved by the Board of Directors on 29 June 2023.

The unaudited interim financial information for the six months ended 31 March 2023 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 30 September 2022 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.

2. Principal Accounting Policies

The principal accounting policies adopted are consistent with those of the annual financial statements for the year ended 30 September 2022.

3. Segmental Reporting

In the opinion of the Directors, the Group has one class of business, being that of specialist cleaning and decontamination services. Although the Group operates in only one geographic segment, which is the UK, it has also analysed the sources of its business into the segments of Contract Maintenance, Contract Reactive or Ad Hoc work.

	Unaudited 6 months ended 31 March 2023				**Unaudited 6 months ended 31 March 2022**			
	Contract Maintenance Work £'000	**Contract Reactive Work £'000**	**Ad Hoc Work £'000**	**Total £'000**	**Contract Maintenance Work £'000**	**Contract Reactive Work £'000**	**Ad Hoc Work £'000**	**Total £'000**
Revenue	6,807	1,181	1,332	9,320	3,268	933	924	5,125
Gross profit	1,883	296	305	2,484	520	281	355	1,156
Profit before amortisation and exceptional items	689	36	48	773	38	20	26	84
Total Assets	13,213	450	869	14,532	2,466	1,334	1,683	5,483
Total Liabilities	(5,665)	(193)	(372)	(6,230)	(1,249)	(675)	(853)	(2,777)

4. Earnings per Share (basic and adjusted)

The calculations of earnings per share (basic and adjusted) are based on the net loss and adjusted profit before amortisation of acquired intangible assets and exceptional items* respectively and the ordinary shares in issue during the period.

	Unaudited **6 months ended 31 March 2023** £'000	*Unaudited* **6 months ended 31 March 2022** £'000	*Audited* **Year ended 30 September 2022** £'000
Net Loss for period	(86)	(88)	(701)
Adjustments:			
Amortisation on acquired intangible assets	821	147	743
Exceptionals	38	29	543
Adjusted profit before amortisation of acquired intangible assets and exceptional items	773	88	585
	Number	**Number**	**Number**
Weighted average shares in issue for basic earnings per share	1,055,369,702	508,006,026	718,622,464
Weighted average dilutive share options and warrants	91,750,707	62,247,272	62,247,272
Average number of shares used for dilutive earnings per share	1,147,120,409	570,253,298	780,869,736
	pence	pence	pence
Basic loss per share	(0.01)p	(0.02)p	(0.09)p
Diluted loss per share	(0.01)p	(0.02)p	(0.09)p
Adjusted basic earnings per share	0.07p	0.02p	0.08p
Adjusted diluted earnings per share	0.07p	0.02p	0.07p

**These measures are explained and reconciled in the Alternative Performance Measures section in Note 5 below.*

5. Alternative Performance Measures

The Board monitors performance principally through adjusted comparative performance measures. Adjusted profit and earnings per share measures exclude certain items including amortisation of acquired intangible assets and exceptional items. The Board believes that these alternative measures provide a clearer understanding of the Group's underlying trading performance, as they exclude one-off and non-cash items.

They key measures used as APMs are reconciled below:

	HY 2023 £'000	**HY 2022** £'000
Loss before tax as per Statement of Comprehensive Income	(86)	(88)
Amortisation of acquired intangible assets	821	147
Exceptional items	38	29
Adjusted profit before amortisation of acquired intangible assets and exceptional items	**773**	**88**
Interest	71	2
Depreciation	83	72
Adjusted EBITDA	**927**	**162**

Copies of this Interim Report are available from the Company Secretary, Holly House, Shady Lane, Birmingham B44 9ER and on the Company's website www.reactsc.co.uk/react-group-plc

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