

16 March 2023

Restore plc
("Restore" or the "Group" or "Company")

Full Year 2022 Audited Results

Achieving continued growth and demonstrating strength

Restore plc (AIM: RST), the UK's leading provider of digital and information management and secure lifecycle services, is pleased to provide its audited results for the year ended 31 December 2022.

Restore achieved another year of revenue and profit growth, with revenue up 19.1% to £279.0 million, adjusted EBITDA up 9.8% to £81.5 million, adjusted profit before tax increasing 7.6% to £41.0 million and statutory profit before tax increasing 1.3% to £23.3 million.

SUMMARY OF RESULTS

Continuing operations	2022	2021	Change
Revenue	£279.0m	£234.3m	+19.1%
Statutory profit before tax	£23.3m	£23.0m	+1.3%
Adjusted profit before tax ¹	£41.0m	£38.1m	+7.6%
Adjusted EBITDA ²	£81.5m	£74.2m	+9.8%
Net debt ³	£103.5m	£100.8m	+2.7%
Adjusted basic earnings per share ⁴	24.3p	23.2p	+4.7%
Statutory basic earnings per share	12.3p	8.7p	+41.4%
Dividend per share	7.4p	7.2p	+2.8%

BUSINESS AND STRATEGIC HIGHLIGHTS

- Strong organic and acquisitive growth despite challenging macroeconomic conditions, demonstrating resilient nature of the business and excellent service delivery.
 - Records Management net box growth of 1.6% (2021: 1.3%) in line with long term growth strategy increasing boxes under management to 22.4 million boxes with utilisation increasing from c.89% to c.97% at the end of 2022
 - Strong sales performance including significant storage and service contract wins with BBC Heritage (c.£22 million over 10 years) and Department for Work and Pensions (c.£1 million per year)
 - Digital achieved exceptional performance through a number of large government contracts and expansion of revenues in long term business process outsourcing and cloud storage
 - Technology grew strongly albeit behind plan due to short term market conditions and with positive operational cost management
 - Datashred and Harrow Green performing in line with plan, with growing service visits in Datashred, and Harrow Green progressing in Life Science sector and commercial storage markets in line with strategy
- Price increases were implemented across all business units during 2022, however cost increased at a slightly faster rate due to inflation. With the cost actions in Q4 2022 and the pricing changes in early 2023, we expect this impact to be broadly neutral in 2023
- Five acquisitions successfully completed for total consideration of £12.3 million net of cash during 2022 delivering c.£10 million of additional annualised revenues.

FINANCIAL HIGHLIGHTS

- Revenue increased 19.1% to £279.0 million (2021: £234.3 million), with organic growth (+11%) and acquisitions (+8%) with resulting adjusted EBITDA growing to £81.5 million (2021: £74.2 million)
- Adjusted profit before tax increased 7.6% to £41.0 million (2021: £38.1 million) as a result of strong performances in Records Management and Digital offset by increased interest rate impact of £2.4 million for the year
- Statutory profit before tax of £23.3 million (2021: £23.0 million) showed a small increase and reflective of higher amortisation on prior year acquisitions, interest rate increases, property exit charges and strategic IT programme costs
- Adjusted basic earnings per share increased 4.7% to 24.3 pence (2021: 23.2 pence) with statutory earnings per share up 41.4% to 12.3 pence (2021: 8.7 pence)
- Good cash conversion⁵ of 82% (2021: 104%), with resulting net debt³ at period end of £103.5 million and leverage⁶ ratio of 1.7x (2021: 1.8x), despite five acquisitions, well within the Group's target range of 1.5-2.0x. The Group retains substantial headroom across its borrowing facilities
- Proposed increased final dividend of 4.8 pence taking total dividend for the year to 31 December 2022 to 7.4 pence (2021: 7.2 pence).

OUTLOOK

The Group has started 2023 with good momentum following contracts wins, cost reduction actions and pricing changes implemented in H2 2022 and early 2023.

- **Box Growth:** Records Management anticipate that net box numbers will continue to grow strongly and within the guided range of 1% to 2% for FY23
- **Pricing:** Annual price rises for a significant proportion of the Group's revenues were successfully implemented from 1 January 2023, with further pricing to be introduced during H1 for the remainder. We expect that pricing and cost actions will at least offset the inflationary cost pressures
- **Cost:** As previously announced, the Group is making good progress on cost reductions
- **Acquisition:** Whilst the acquisition pipeline for FY23 remains strong, the focus in H1 will be on executing price rises, cost management and organic contract wins

Whilst the macro-economic environment and inflationary environment continues to be uncertain, the Group has plans in place to more than overcome these challenges and trading since the start of the year has been in line with the Board's expectations.

CHARLES BLIGH, CEO, commented:

"Restore achieved another year of strong revenue growth and finished the year in a strong position in each of our markets. In a challenging environment, our performance demonstrates the underlying resilience of our markets and the essential nature of the services we deliver to organisations.

Going forward, whilst the macro-economic outlook remains uncertain, our markets remain attractive, and our essential services are needed more than ever to help customers reduce their costs while delivering improvements in security and data management. Our focus in H1 is on the basics in the business from price increases, cost reduction plans and consistent service delivery. We have significant acquisition opportunities which we expect will be back end loaded this year going into 2024. Overall, we are confident that FY23 will be another year of good progress."

1) Calculated as statutory profit before tax and adjusting items (reconciled below Consolidated statement of comprehensive income)

2) Calculated as earnings before interest, taxation, depreciation, amortisation and adjusting items (reconciled below Consolidated statement of comprehensive income)

3) Calculated as external borrowings less cash, excluding the effects of lease obligations under IFRS16 (reconciled in note 10)

4) Calculated as adjusted profit before tax with a standard tax charge applied, divided by the weighted average number of shares in issue (reconciled in note 5)

5) Calculated as free cashflow divided by net operating profit. Note for 2021, free cashflows have been normalised for the impact of VAT deferrals (£7.3m).

Free cashflow calculated as cash generated from operations less income taxes paid, capital expenditure and lease payments, but before adjusting items (excluding amortisation).

6) Calculated as pre-IFRS16 Adjusted EBITDA before share-based payments divided by net debt, including a pro-forma adjustment to EBITDA for acquisitions in line with financial debt covenants.

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Chair's Introduction

I am pleased to report a further year of strategic progress in the development and expansion of Restore.

The business has once again shown its resilient characteristics during a difficult economic period and despite the challenges of 2022, the Group has posted a strong financial result for the year to 31 December 2022 and enters 2023 with excellent momentum and strong plans for further growth.

The Board was pleased to welcome Lisa Fretwell as Non-Executive Director to the team in April. Lisa brings extensive experience of overseeing data-based businesses together with deep understanding of risk management and ESG and chairs both the Risk Committee and recently established ESG Committee.

As the Board and I look ahead, we remain confident that despite the macro uncertainty, the business has clear plans and will continue to deliver on its strategy for growth through organic expansion, acquisition for capability and margin enhancement through efficiency and scale.

Finally, I would like to thank the whole team for the successes achieved throughout the past financial year and their steadfast determination in addressing the challenges that arose and their commitment towards continuing to build our business in 2023.

2022 Performance

Restore has delivered strong revenue and profit growth in 2022 with a 19.1% increase in revenues to £279.0 million and a 7.6% increase in adjusted profit before tax to £41.0 million. On a statutory basis, profit before tax was a healthy £23.3 million, a small increase on 2021.

Strong, recurring organic revenue expansion was a key feature of the Group's performance in 2022 with five acquisitions completed in the year, for consideration of £12.3 million net of cash, providing increased capability in Restore Technology and further scale to Restore Records Management and Restore Harrow Green.

Inflationary cost pressures were significant and whilst we anticipated interest rate increases, the pace of rate increase was faster than we expected. As such, whilst we are pleased with the solid profit growth in 2022, this has been affected by these pressures and looking ahead to 2023, management have a number of plans to continue to mitigate these challenges and to drive further profitability gains.

As a result of the improved profits of the Group, adjusted earnings per share increased to 24.3 pence for the year, an increase of 4.7% compared to the 23.2 pence achieved for 2021.

The Group continues to demonstrate its highly cash generative nature and the closing leverage of 1.7x provides plenty of capacity to continue to invest in 2023.

Strategic progress

Restore continues to make good progress in its strategy to significantly grow the revenues and profits of the business through organic expansion, strategic acquisition and margin improvement through further efficiency investments and increased scale.

Organic progress was especially strong in 2022 with another year of reliable increase in the Group's boxes under management to over 22 million boxes, a number of substantial contract wins across the different businesses and the benefits from expanding the Group's product capability, especially in Restore Digital and Restore Technology.

I am especially pleased with the BBC heritage storage and services contract win (Restore Records Management and Restore Harrow Green), evolution of contracts with the Department for Work and Pensions (Restore Records Management) and HMRC (Restore Digital) and the cross-Group BT technology decommissioning solution. These wins are illustrative of the increasing capability of the Group and the growing demand for the critical solutions and services we provide.

The Board and I chose to reduce the level of acquisition investment in the year compared with 2021, as the Group explored a number of strategic options and assessed the economic situation. That said, we are delighted with the five acquisitions made during the year and especially the purchase of 'Ultratec', a hard drive business that adds significant and class leading capability in hard drive erasure and restoration.

Margin expansion was more challenging in 2022 due to cost inflation, although Restore Datashred and Restore Digital both made significant progress as a result of scale benefits and as operational improvement plans took effect. Pricing is a key focus area as we look ahead to ensure hard won efficiency benefits and the benefits of scale are not lost.

Health and Safety

Health and Safety remains the first item for Board discussion, always, and I am pleased with the sustained focus across the business on ensuring Restore remains a safe place to work.

With the Group's operational management processes now well evolved, the Health and Safety Committee has started to focus on a number of strategic objectives including culture, communications, systems and training enhancement and during 2022, a number of awareness campaigns were run and a major initiative to enhance virtual training resources was also completed.

Management's relentless approach to continuous improvement is commended and I extend my gratitude to the health and safety and management team for their diligence and evolution of focus as the business continues to expand.

Finally, during the year, the Board and I visited several sites across Restore Technology, Restore Digital and Restore Records Management where we were pleased to see the business operating effectively and safely.

Dividends

Your Board is recommending a final dividend of 4.8 pence, payable on 7 July 2023. This brings the total dividend for the year to 7.4 pence (2021: 7.2 pence).

Chief Executive Officer's Statement

I am pleased to report a further year of revenue growth, up 19.1% leading to another year of record profit delivery. Business activity increased during the year and despite the economic and political challenges, the business has shown excellent organic revenue growth of 11% with acquisition related growth of 8%.

After ending 2021 strongly and even with COVID-19 restrictions in Q1 2022, the business continued to see expansion with activity levels rising across the Group. With the activity in the economy improving, the leadership team had to adapt very quickly to the rising inflation and economic changes brought about by the war in Ukraine and the political/economic volatility that ensued in H2. I have said many times during the last few years that Restore's business model has both highly resilient and growth qualities. We saw this demonstrated in 2020 and 2021 as we emerged from the pandemic even stronger than before, and we showed the growth qualities of the markets we are in as we won small and large contracts to drive organic growth.

Health and Safety

Health and Safety is the first priority across the Group, and I am pleased with the year-on-year improvement in our operational safety. During the year we continued substantial investment in our people, facilities, and technologies to enable improved operational safety at the sites and in operating the fleet, as well as improving our reporting and monitoring systems.

We have continued to conduct our programme of internal and external audits across all of our operations and continually make improvements in policies and procedures. In addition, we carry out regular risk assessments to stand-back, learn and plan for more improvement in 2023. As the Board and I look ahead, our focus is continued expansion of technology enabled improvement and on enhancing further the culture of preventative safety across the Group, both of which are built upon the strong foundation that has been put in place.

Results

Our financial performance was strong in 2022 with adjusted EBITDA increasing +9.8% to £81.5 million, and despite the headwind of rapidly increasing interest costs in the year we delivered a record adjusted profit before tax of £41.0 million, up +7.6% on 2021, and delivered a statutory profit before tax of £23.3 million, up +1.3% on 2021. Factoring in the prior year equity raise and the impact of this on the weighted average number of shares in issue in 2022 compared to 2021, we achieved good adjusted basic EPS growth of +4.7% to 24.3 pence per year, with statutory basic EPS increasing +41.4% to 12.3 pence per share.

I did highlight throughout the year that as we enter high inflation periods the cost base of the company increases at a slightly faster rate than our ability to take further actions to reduce cost and also increase pricing. Therefore this result, strong as it was, reflects the time lag between fast rising inflation and pricing.

On a positive note, a function of the highly contracted nature of the revenues is that they have the facility to apply in-contract price changes with a high proportion using backward looking CPI/RPI mechanisms. As such, as inflation abates we will see cost and price effects first neutralise and then move to a tailwind as cost pressure falls but price amendment remains at the higher rate due the lag effect of backward-looking price mechanisms.

Going into 2023, the net effect of pricing and inflation is anticipated to be neutral to positive on profit, assuming inflation reduces as expected.

Cash management in our growing company is a core discipline and the team executed strongly on all aspects of cash management. We finished the year with net debt at year end of £103.5 million delivering an improved leverage ratio of 1.7x. With the substantial cash generation capability of the Group combined with future profitable growth and the bank facilities we have, there is significant capacity to pursue highly accretive and strategic acquisitions when they arise.

For the first time in early 2021 we published our 'Growth with Quality' strategic growth targets which show the medium-term balanced goals including profit growth, Return On Invested Capital (ROIC), Cash Conversion and Carbon Emissions and I am delighted we continue to deliver against these targets. Investors can be re-assured we are focused on driving significant growth in our fragmented markets but also growth with higher quality contracted and largely recurring profits which fundamentally generates cash to re-invest back into the business to drive above average returns for shareholders.

Customers

As previously highlighted, of the 19.1% revenue growth, organic growth was 11% and acquisition related growth was 8%. The organic revenue growth was largely driven by winning new contracts from customers and taking market share versus inflation related top line growth. I am very pleased with the improving quality of sales experience and execution across the whole sales team and at the same time I know there is more we can do to drive more pipeline and improve our win rates.

We had some notable large wins in the year, specifically in Records Management with the BBC Heritage contract worth c.£22 million over ten years, which is the largest contract win in the Group's history, and the DWP contract which will deliver over £1 million per year. Across the Group there were over 3,400 new customers in the year which is an increase of 18% (vs prior year new customer increases) which shows we can win market share with our excellent reputation for delivery and competitive pricing. In addition to attracting new customers to the Group we are driving a cross-selling programme which I sponsor with the Managing Directors and Sales Directors in each business unit. The activity associated with cross-selling is gaining more momentum in the business which all contributes to the organic growth in the business. There are many activities which drive cross-selling from the large to small customers, but one activity is referrals. Any employee can refer any opportunity which can deliver an incentive to them and in 2022 there were 1,000 referrals.

Acquisitions

We completed five acquisitions in the year with three smaller bolt-on acquisitions in Restore Records Management, one acquisition in Restore Technology with Illustrate, and one acquisition in Restore Harrow Green. The total

one acquisition in Restore Technology with Oratec, and one acquisition in Restore Narrow Creek. The total consideration of the acquisitions net of cash was £12.3 million.

People

With another year of record revenues driving higher activity levels, we end the year with an increasing number of employees across our 91 UK sites and we are immensely proud to be a strong regional employer across the length and breadth of the UK.

The number of permanent employees at the end of 2022 was 2,881, which is an increase of 4.4% compared to 2,760 at the end of 2021, and our average agency workforce was 324 FTE for the year. We invested in training and development across the business from operations to sales and we have started for the first time in the company history, training of our management and leadership talent with the new 'Leading at Restore' programme. After significant changes in the top c.60 leaders in the business over the last 2 years, we have recruited into the business another 6 senior hires in sales, marketing and operations, with further leaders being awarded promotions during the year as we grow and build the team to deliver on the significant growth plans.

I am also delighted that in 2022 we committed to and signed the Armed Forces Charter to support our veterans and reservists and our target is to become a Gold member over the coming years.

Investing for Growth

We continued to invest in our facilities in 2022 to support growth. In Restore Records Management we commissioned a new warehouse in Heywood which will have a 1 million box capacity, and we are well advanced on discussions to add further capacity with further warehouses. In Restore Datashred we upgraded our Welsh shredding centre in Bedwas.

We delivered in the year improvements to the digital infrastructure of the Group and also made progress on operating systems which will be implemented in 2023. Notably two business units (Restore Datashred and Restore Technology) will be replacing their ERP systems during 2023 on the back of development and testing in 2022 to drive significant benefits for customers and efficiencies in the business. The finance function is also undertaking a major transformation with consolidation to one technology platform. We have invested in further IT tools and security measures to improve our Cyber Defences and I am delighted we have renewed our CyberEssentials Plus certification.

We have improved our physical assets security in 2022 with the commissioning of a new Physical Security Operations Centre to consolidate the 24/7 monitoring of our sites which will also include our mobile assets in the future (vans/trucks). We have plans over the next 2 years to invest even further to improve our security posture which will ensure we lead in our markets.

Delivering Significant Growth

Our strategy is to deliver significant growth, over and above market growth levels, through organic market share gains, accretive and cash generative acquisitions and delivering margin growth using our scale advantage. The medium-term goal is to scale towards £450-500 million in revenues and therefore increase Group adjusted EBITDA to c.£150 million. 2022 adjusted EBITDA was £81.5 million and 2019 adjusted EBITDA was £70.0 million, meaning the business has experienced 16.4% growth in adjusted EBITDA over that 3-year period.

With these and prior results we have demonstrated that we can grow above the market when the wider economy is growing and also when there is uncertainty as shown during the pandemic periods. We also know that in the coming years, with perhaps slower economic growth, we can still continue to grow, because in simple terms, we deliver essential services which saves money for medium to large private/public sector organisations. We also deliver services that customers cannot do themselves at the same scale, service level and cost. During low to negative economic growth periods, organisations are looking to save money and they can outsource more to us and reduce their costs. Therefore, we are confident in our ability to continue to grow with strong sales and delivery execution. We do not take this for granted which is why we invest in service innovation and customer experience to have the best customer satisfaction, trust, and certainty of delivery for our customers leading to repeat business and cross-selling opportunities.

Looking at the wider market trends in the UK and around the world the forces which drive growth in our markets are:

- 1) Digitisation
- 2) Security of Data
- 3) Flexible working, and
- 4) Sustainable working in a low carbon economy.

These are forces which have been persistent for the last 20-40 years and we see these forces only growing in intensity and size in the future, which underpins our confidence in the growth of our markets. The services we provide favour providers with scale which drives down unit costs and therefore being either a number one or number two provider in the markets we operate in is key to our success going forward.

ESG

We announced our new ESG Strategy in Q4 2021 called 'Restoring our World' and I have been pleased with the enthusiasm and focus of the whole Restore team to drive the changes we need. We have actions and targets for the areas that matter for our business to make an impact, in particular in the area of carbon emissions. We have bold targets of Net Zero by 2035 for Scope 1 & 2 emissions and 50% reduction in our Scope 3 emissions by 2030. As a result of rising activity levels in the business, in 2022 we did increase our overall Scope 1, 2 & 3 emissions by 3.5%. However, over the same period revenue increased 19.1%. Therefore, as a result, our carbon emissions per £1m of revenue decreased by 12.5% which is positive, with emissions per employee similarly decreasing by 12.5%, also showing we are making a difference in the business. We have plans to drive the transition to electric vehicle which is a large part of our current emissions, and we are also looking to do much more with our supplier base to reduce emissions into the business.

Digital and Information Management

Our Digital and Information Management division comprises Restore Records Management and Restore Digital. For 2022 revenue was £168.2 million, up 21.6% on 2021 with adjusted operating profit of £47.4 million, up £11.5% on 2021.

Restore Records Management

Restore Records Management delivered strong growth of 12.1% in revenue during 2022 with total revenue of £113.7 million, which includes organic revenue growth of 8.9%. Total net box growth was 1.6% including good organic growth at 1.2% (vs 1.3% in 2021 vs 0.9% in 2020).

It was a record year of customer wins which underpinned the 1.6% net box growth in 2022 and indeed underpins the growth we expect in 2023. As I previously mentioned, we won the largest contract in the Group's history with the BBC for c.£22 million and also a large contract with the Department for Work and Pensions of c.£1 million per year in revenues. Both wins will result in the transfer of documents/items from facilities managed by the BBC/DWP which demonstrates there is still a substantial amount of opportunity for unended storage to grow the market. In addition to these larger wins, we experienced a record number of new customers with 286 new customer wins in 2022 which is a 36% increase on 2021. Going into 2023 we have a strong pipeline of potential new customers to power the organic growth going forward. We have over 60% of our 2023 new box target already confirmed.

Storage revenues grew by 8% during the year and service revenue grew by 21% to £32 million because of an increase in project revenues primarily in the public sector. We believe customer activity levels have normalised after COVID-19 and we are seeing an increase in discussions in activity around projects to manage their inventories which were postponed during 2020/2021 because of COVID-19.

We implemented price changes throughout the year with CPI or RPI increases (backward facing) as applicable depending on the contractual terms. Given the rapid inflation increase from May to December, the price increases did not fully cover cost increases causing tailwinds in the business, but in 2023 we expect much higher increases with the full impact of the high inflation kicking in to offset the cost increases. We are also seeing our competition implementing significant price increases in the market.

We made three bolt-on acquisitions in Restore Records Management during the year with a total value of £0.7 million with all the boxes transferred to existing facilities.

We have an 8-10 year strategy to rationalise sub scale or high cost sites as and when leases expire and in 2022, we closed four sites with a total box count of 270k and have other sites in the process of being consolidated.

As a result of the new net wins, acquisitions, and rationalisation of sites we ended the year with an occupancy rate (utilisation of the available capacity) of 97% which is a very substantial increase from the start of the year which was 89%. This occupancy rate is higher than we would like, as it drives extra costs and can constrain growth. It has resulted from the fast pace of client wins and as such we are actively looking to accelerate further expansion plans and our search for new sites to cater for the growth we see in the immediate term but also over the next 10 years. We expect over the next 10 years boxes under management to grow from c.22 million to over 25 million based on organic growth and in addition further expansion will be needed for acquisitions.

We continue to deliver for customers and our reputation on Trustpilot with over 405 reviews shows 4.5 stars and an 'Excellent' rating which also complements our internal customer satisfaction surveys and account reviews. Having said this, to make the experience even better, we are investing in our portals and technology for our warehouse and drivers. These should not only improve the customer experience but deliver improvements in productivity in our facilities. We are taking the learnings in our Restore Datashred business and using these to improve the planning for service deliveries to drive route density efficiency as we scale the business.

The short and long term customer trends in the market are positive which underpins our confidence in organic growth. The market is still fragmented which means there is significant acquisition opportunity to further improve the scale of the business. Combining this growth and the productivity improvements we know exists and cost reductions as we rationalise various sites across the UK, means we are confident in the ability to significantly grow revenue and deliver significant profit growth over the short to medium term.

Restore Digital

Restore Digital revenues continued to increase substantially with revenues up 47.7% to £54.5 million, driven by excellent organic revenue growth of 25.0% with acquisition related growth of 22.7%.

Over the last 3 years the business has transformed from a c.£20 million revenue business with a focus on large scale scanning to be a multi service business with over £50 million in revenues. The revenues are much higher quality, longer term contracted in nature, and more in the high growth areas of cloud, consulting and business process outsourcing. We are leading the markets we operate in but with overall 16% market share in growing markets we have substantial room to grow.

With strong execution and improved market leadership we are seeing good win rates with customers and we are now bidding and winning contracts we would not be considered for in the past, therefore opening up further growth potential. Although we enjoy winning large scale 3-12 month projects, the market dynamics mean our teams are increasingly focused on customer engagement, which have longer term (multi year) annuity services, which involve our cloud and software offerings combined into a Business Process Outsourcing service.

Restore Digital won a significant contract with HMRC to digitise a large archive of records held on microfilm and microfiche. The records date back to the 1960's and are accessed daily by HMRC for historic employment queries by the public. Requiring a complex IT setup due to the volume of data, Restore Digital are scanning c.6.5M images per day using industry leading microfilm / fiche scanners which will be used for over 12 months until late summer 2023.

Restore Digital has also partnered with Softcat to support Digital Transformation, addressing the complex, customer-specific requirements within the wider NHS. The first contract win was with a Northern England NHS where Restore Digital was chosen as a preferred partner of Softcat to provide digitisation and data hosting services to the Trust (contract value of c. £900k). These services will help the Trust meet the technical challenge of linking complex systems together, putting in the right infrastructure, standards, and security measures with the emergence of new digital systems and services, such as; Cloud, Robotic Process Automation and Artificial Intelligence.

With increased scale, the team also delivered strong productivity improvements in the year and combined with the larger mix of higher profit services, the business improved margins year over year. We did experience higher staff costs, as expected with the higher inflation in the year, but this was also partly offset with a relentless focus on costs and driving efficiency with technology investments to drive long term productivity improvements. We have not been constrained by availability of people to support growth and the regional nature of our operation spreads this load across the UK.

The long term trends for Restore Digital are very positive as we have described in the last few years. Over the last 10 years customers are seeing increasing ways to monetise the data (of which a substantial amount is in paper records) they have in their organisation, and we see this trend continuing for the next 20+ years. Customers are looking to drive new revenue streams with the creation of new products or services or looking for insight to drive operational efficiency with new IT investments. Ensuring you have customer data from the past (largely in physical form) and the future is important and customers are looking to their physical and digital records suppliers to help them unlock these benefits. Our focus is to help customers in a physical document environment to a hybrid of physical/digital records and workflow processes to a pure digital workflow. We are uniquely placed with both a physical records business and a scale digital business to help customers navigate this often complex and long term issue which can drive significant profits for our customers.

Changes in the workplace are favourable with services like Digital Mailroom which remove the need for customers to have onsite mailroom employees and this also enhances their ability to change their property portfolios. Hybrid working increases the need to be more digital and we offer a complete physical to digital service, and with our consulting, cloud and software assets we help customers in this journey. The services we provide come with attractive financial profiles for Restore Digital comprising a mixture of project and multi year contracted revenues.

The medium term strategy is to grow to more than £80 million in revenues through an organic growth plan. Acquisitions provide further opportunity to accelerate this plan and build a business of even greater scale and service offering. Over the last 3 years we have moved the business from a business with c.80% of the revenues from large scale scanning and this is now reduced to represent only around half of the business. The other half of the revenues are Cloud, Consulting, SaaS and Business Process Outsourcing which are higher margin in nature, often with long term contracts. Our intention is to focus on these higher margin services while maintaining our leadership position as the "go to" provider for large scale and complex scanning services.

Secure Lifecycle Services

Our Secure Lifecycle Services Division comprises Restore Technology, Restore Datashred and Restore Harrow Green. For 2022 revenue was £110.8 million, up 15.4% on 2021 with adjusted operating profit of £11.8 million, up 0.9% on 2021.

Restore Technology

Restore Technology continued to grow significantly based on organic growth and acquisition activity, both in-year and from the effect of prior year acquisitions. The business delivered revenue of £35.8 million (2021: £28.1 million) an increase of 27.4%, which we believe gives us a market share of approximately 6% showing the enormous opportunity to grow organically and with acquisitions to consolidate a fragmented market.

The medium term focus of the business is to increase our scale in end of life processing of IT equipment and to build out our ability to process Intel PC/Laptops, Apple Laptops, Servers, Networking equipment and all types of hard disk technologies. We made very good progress in 2022 which saw us increase our processing of assets by 14% to 1.6m (2021: 1.4m) across the 7 core operating sites and invest further in skills to process the different technologies described above.

In addition to recycling end of life assets, a significant number of customers in the private and public sector have the most stringent security and require us to completely destroy old IT assets. We are the most trusted and leading provider in the UK with the highest levels of certification. As a result we saw IT destruction revenues increase by 18.5% during the year which was largely driven by organic growth, and we expect this to continue going forward.

We also deliver important services in the pre and mid life of an IT asset to help customers configure and deploy IT equipment and update/change equipment during its life. Our pre and mid-life services grew by 34.6% during the year.

We did experience a slower increase in assets collected during the year than predicted as a result of the wider slow down in IT investment, after the significant increase in 2021. We had to quickly adjust our cost base, but the overall change was profit impacting during the year. However we exited the year with the right cost structure for the volume and we continue to invest in sales and marketing to drive market share gains to further increase volume in 2023.

Across all our services we derive our revenues from both direct customers and through the partner channel (IT Vendors, IT Resellers, Network vendors, Network Resellers, leasing companies etc). Three years ago, the revenues of the business were largely derived from direct customers which accounted for over c.90% of the revenues. Moving forward, we want to grow our direct customer base, but we want to significantly grow our partner channel, which will ensure we access more of the available market to underpin our growth. We have a dedicated Partner Sales team who are delivering excellent growth in the key channel partners in the UK market. We expect over the medium term to generate roughly the same revenues from direct and partner customers.

Our acquisition strategy continued with the acquisition of Ultratec in May of 2022. Ultratec brings on board over c. £7m of annualised revenue across three business streams. Its core business is the trading and handling of recovered hard drives. Ultratec has the largest stock holding of historic hard drives and customers from across the world use the

business for upgrades and replacements into their current and legacy platforms. Ultratec has a large customer base in the UK, which fully complements the Technology partner business.

Ultratec developed and patented a platform called Genesis that can recover hard drives that have failed during industry standard software wiping of data (i.e. Blancco, Youwipe). This offers a unique opportunity for Restore Technology as approximately 30% of hard drives fail when being wiped. Historically, these are then destroyed (to make safe the data they are storing) with minimal value but using the Ultratec Genesis platform, there is the opportunity to further recover over 80% of these failed drives, wipe them and then resell at the relevant market price. Ultratec also provides this Genesis platform on a rental model (SaaS model) to a number of international partners, and we see this highly contracted service offering as providing further growth opportunities for the business.

The Technology team continue to integrate the three companies acquired in 2021 (CDL, PRM Green and the Bookyard) into the existing national footprint. The Bookyard has been successfully relocated into a purpose-built Apple facility in the Runcorn location from which we see enormous opportunity to grow with Apple IT assets. This will form the hub for the majority of Apple assets processed across the wider business.

Restore Technology remains focused on driving both organic and acquisitive growth in an extremely fragmented market. The business offers our partners scale in IT Recycling services and the immediate ability to complement their own services and offer a full lifecycle into their customer base. In return Restore Technology gains quick traction into the in-situ customer bases at a reduced cost to on-board.

The long-term trends of using more IT assets in organisations coupled with the risk associated with security of data and environmental concerns for end-of-life assets means that building a large IT Recycling/Lifecycle business using scale to drive down costs presents a significant opportunity to grow shareholder value. We believe there is substantial opportunity to improve the margins of the business as we scale and drive productivity improvements. Given we are a leader in the market with only 6% market share, and with full national coverage with expertise across all technology types from Intel, Apple, and various hard drives, we see ample opportunity to grow.

Restore Datashred

Restore Datashred, a market leading secure shredding and paper recycling business had a strong year with revenue up 23.8% to £37.4 million (2021: £30.2 million) which was driven by a 19% increase in service visits for the year, recycled paper tonnage collected was up 11% and we also experienced strong paper prices throughout the year.

After the last COVID-19 restrictions were lifted in late Q1 22 we saw a steady increase in customer visits throughout the year. This demonstrates the continual re-activation of customers for the service driven by the post pandemic increase in workers in the various offices (large and small) and wider public sector organisations across the UK. We are now operating at c.8% below pandemic volumes which we believe has now stabilised and expect growth to come from growing the number of customers taking our service.

The market for recovered paper continued to improve from the paper mills across the UK and Europe. Their focus is improved quality of paper, and this favours our business given we have the highest quality recycled white paper. The average paper price throughout the year was £238 per tonne which was a 29% increase on 2021.

We are winning in the market with our consistently high levels of responsiveness and customer service backed by the national network giving customers a one stop shop. We increased the number of customers taking our service in 2022 by 10% versus pre pandemic levels. There were several key wins across the year with a sizeable new national telecommunications customer, where Restore Datashred, Restore Harrow Green and Restore Technology are providing an office closure program initially for 900 offices. This opportunity will continue into 2023. Additionally, as part of the push in digital marketing Restore Datashred onboarded over 2,812 customers that are new to the Group.

Operational efficiency is a relentless focus of the team, and we delivered further increases in productivity during the year based on better on the day execution and also using analytics and data to drive changes in operations. The team continued to focus on optimising our fleet with a mix of different vehicles from vans to small and large trucks to fit the profile of the work we do (onsite shredding vs offsite). We also moved and converted our destruction facility in Rugby to a collection facility in a shared location with Records Management, Coventry. All these changes have resulted in further productivity in the year, with the number of visits per driver, per day, increasing and the number of miles per visit down by c.15% (versus 2021). Combined, this delivers savings on fuel, maintenance and delivers overall cost reductions.

Customer satisfaction was again, excellent throughout the year with an increase in our Trustpilot score to 4.7/5, and we improved our market leading NPS score to 76 (2021: 72.5). Our digital transformation drive continues, with a focus on automation to streamline our processes, enhancing our customer experience. We launched additional Homeshred services which means we offer the most comprehensive, fully compliant, home worker solution in the market. We will be upgrading the core IT system (ERP) of the business in H1 2023 and from this we expect to improve the 'ease of use' for customers to service online and allow us to deliver further operational improvements on a growing customer base.

As a paper recycler, the environmental priority is a core part of what we do, but customers are asking for more, specifically Net Zero carbon solutions. It is relatively easy to provide a shredding service badged as Net Neutral using carbon offsets, but customers are challenging how we can deliver with Net Zero.

Onsite shredding has been a popular service in the last 20 years, but it does produce significant carbon with the engine constantly powering the shredder in the truck at a customer site. Contrast this with offsite shredding where we pickup 'bins' or 'sacks' of whole paper in normal box trucks, securely transport to our facilities where we are using renewable power in the shredding centre. We are leading in both services, but we are seeing growing requests from customers to deliver Net Zero vs Net Neutral, and this favours our business model with national scale offsite shredding facilities. To be fully Net Zero we need a wider variety of electric vehicles, and we are trialling Electric Vehicle and expect over the next 3-5 years this to be more popular than onsite diesel service.

In addition to the environmental concern the highest priority of our customers is the security of data with their shredding service, and we see both the security of data and environmental concerns to only grow in priority around

streaming services, and we see both the security of data and environmental concerns to only grow in priority around the board table of our customers.

Our strategy is to grow the business both organically and through acquisitions which increases our scale and over time to deliver a Net Zero service. I am delighted with the progress made by the team over the last few years and our focus is to continue to grow the customer base through organic expansion and driving down our costs with further scale effects. The wider market is very fragmented, and we believe there will be consolidation going forward and we are ideally situated to acquire businesses and incorporate them into the existing footprint of the business delivering strong synergies.

Restore Harrow Green

Restore Harrow Green delivered a solid year with stable revenues of £37.6 million (2021: £37.7 million). As previously announced the Ministry of Defence (DAS) contract ended in Q1 of 2022 and adjusting for this contract the business achieved underlying growth of 8% on prior year. The year was characterised by a lot of smaller to medium projects as customers reconfigured their office space to work in a post COVID-19 environment. We see this favourable trend continuing in 2023 and beyond. We did expect to see the larger projects which were postponed in 2020 and 2021 start to deliver in 2022 but with construction delays across the wider commercial market we have only now started the preparatory work and expect these larger projects to deliver in 2023 and 2024.

A strategic focus is to build our storage revenues and we delivered £4.4 million of storage revenues in 2022, up 7.3% (2021: £4.1 million) on prior year. We are now at 96% utilisation across our 9 sites, and we are in active discussions to add more capacity given the long run growth trend as customers seek more flexible working space and then store furniture/equipment to call on as needed.

We are delighted with the success in the Life Sciences/Pharmaceutical market. Revenues in this segment are £3.8 million which is a 450% increase on prior year. Our Cambridge facility opened in 2021 and is operating ahead of expectation with storage utilisation of over 90%.

As always, the team showed strong cost control and with our flexible labour model we could flex our resources to meet the demands of our customers. Increased utilisation of our assets helped drive further efficiencies and reduced our variable costs.

Although some larger projects moved into 2023/24, we did deliver some major projects such as the University of Manchester MECD relocation (the biggest undertaking of its type in the UK), University of Glasgow Arc Institute, Preston Museum Harris project, Salford University Science and Engineering relocation, HMRC clearance projects and supported the Commonwealth Games.

The uncertainty surrounding hybrid working deliberation, delays on construction projects and a lack of high grade ESG compliant properties also impacted on potential project works, however, as the year progressed, we saw an increase in major quoting opportunities across our core businesses. We also continued to maintain our high win rate when bidding for work. Examples include Apple, Credit Agricole, T Rowe Price, BT, EDF Energy, Skadden, Hogan Lovells, BPP, Burberry and Ted Baker. In addition, we successfully secured national agreements with HSBC, Emcor and BT which will generate a major revenue stream for Restore Harrow Green throughout 2023 and beyond. We were also successful in retaining key clients such as Anglia Ruskin University, Southwark Council and Kirklees Council.

Although our competitors have bid aggressively during the last few years, we continued to maintain high win rates demonstrating that our track record on delivering complex projects and the trust in our brand to stick to quoted pricing resulted in us securing several large opportunities, showing that clients still value excellent service and robust, accurate budgeting. The outlook for large projects is looking positive with a number of long-term projects in the pipeline which we estimate will have significant values (circa £800K+), and these are spread across both office relocation and specialist Pharma and heritage sectors. Most notably the BBC Archives relocation starting in Q2 2023 in conjunction with Restore Records Management.

Our acquisition focus in Restore Harrow Green is to look for bolt on opportunities which provide additional scope of services aligned to the business strategy. We are delighted in Q4 2022 to acquire CAMA Workspace for consideration net of cash of £2.6 million. CAMA Workspace was a family-run company providing premium corporate moves and services for more than 100 years, uniquely over 40% of the business was in long term storage with a total revenue of c.£2 million. In addition, a majority of the customers are not active customers across the wider business.

Over the next 12-24 months we expect increasing activity from larger projects deferred over the last three years, along with the constant growth of companies looking to downsize, upsize or regionalise their businesses across the UK to drive down costs and access the needed skills and staff.

Restore Harrow Green's strategy is to grow organically and expand into new customer segments that value certainty of delivery as demonstrated with our Life Sciences investment in Cambridge. Although the strategy is focused on organic growth, we will look at acquisition opportunities that may present themselves to strengthen our service proposition and target key customer segments. Restore Harrow Green has a pre-eminent customer list across all industries and public sector organisations which also supports additional cross-selling opportunities from the wider Group.

Outlook

Looking ahead we see strong demand for our essential services which saves our customers money. This is the major focus of our customers given the weak economic backdrop in the UK in the short term.

The trends in our market have been positive for the last 20 - 40 years. With market growth expected to continue and together with our high win rates, I have confidence in our ability to continue to drive strong organic growth in the future.

We are increasing prices as appropriate at CPI/RPI in most cases, and driving investments to improve our productivity, with a relentless focus on cost as we scale.

Although we do not envisage acquisitions in H1 2023 the pipeline for buying cash generative and EPS accretive businesses with strong returns based on synergies, is substantial. With pricing of assets becoming more balanced we see opportunity to grow with acquisitions later in 2023 and consistently over the medium term as outlined in our profit growth plans.

Over the medium term, the high growth strategy based on above market organic growth, accretive acquisitions, and margin growth as we scale gives us confidence in the goal to grow revenues from c.£280 million to between £450-500 million, and substantially increasing adjusted EBITDA to c.£150 million.

Trading since the start of the year has been in line with the Board's expectations.

Chief Financial Officer's Statement

I am pleased to report that Restore has delivered a further year of growth for the year ended 31 December 2022 with a 19.1% increase in revenues to £279.0 million, a 7.6% increase in adjusted profit before tax to £41.0 million and a small increase in statutory profit before tax to £23.3 million.

The strong revenue expansion is driven by organic growth of 11% with acquisition effects providing a further 8% growth. As a result, adjusted EBITDA, after the effects of IFRS16, increased 9.8% to £81.5 million with adjusted EBITDA before the effects of IFRS16, as used for covenant calculations, growing by 10.7% to £59.9 million.

The growth in profits is especially pleasing given the challenging economic conditions and this robust performance illustrates the resilient nature of Restore and its ability to adapt to changing conditions.

Five acquisitions were made during the year with Restore Technology acquiring Ultratec (Holdings) Limited, a hard drive recovery business for £9.0 million net of cash in May, three bolt on acquisitions in Restore Records Management for £0.7 million and a small acquisition of a commercial storage and logistics business, CAMA Workspace Ltd, by Restore Harrow Green for £2.6 million net of cash in October.

Good cash generation continues to be a key characteristic of the business with cash conversion of 82% for 2022 (2021: 104%) and leverage reduced to 1.7x at 31 December 2022 (2021: 1.8x).

The business exits 2022 in good condition and as we look ahead to 2023, we are focussed on pricing, cost and cash in the near term whilst continuing to develop our strategy for growth through organic expansion and strategic acquisitions for capability and scale.

Income statement and profit performance

The business increased in scale during 2022 and has delivered underlying organic growth whilst successfully integrating the acquisitions made in 2021 and 2022.

Restore Records Management achieved a further year of strong box growth of 1.6% with major contract wins for the Department of Work and Pensions and BBC Heritage providing the business with a solid platform for growth in 2023 and overall revenue growth of 12% for 2022.

Restore Digital had an outstanding year with revenue growth of 48%, benefitting from the successful integration of EDM, acquired in 2021, incremental contract wins and expansion with existing customers through deepening the level of service provision.

Restore Technology provided good revenue growth at 27% but this was lower than the high bar we set for the business with the asset supply side proving less of a tailwind than expected, largely due to production issues in new assets coming to market. That said, the downstream demand for refurbished assets remained very strong.

Restore Datashred visits increased in the year and with strong paper pricing, the business has enjoyed a good performance with revenue growth of 24%.

Restore Harrow Green has transitioned in 2022, filling the gap created through the loss of its sub-contracted work for Ministry of Defence relocations, into expansion in the regions and storage incomes with overall revenues flat year on year.

Adjusted operating margins remained strong at 18.6% (2021: 19.7%) with the benefit of increased scale but slight dilution due to an increased proportion of Restore Digital within the mix and a time lag between price increases and cost inflation.

The Group's adjusted profit before tax increased to £41.0 million for the year (2021: £38.1 million), an increase of 7.6%. The statutory profit before tax also increased to £23.3 million (2021: £23.0 million).

The increased profits reflect the strong organic and acquisition related revenue growth, offset by the significant year on year increase in interest cost from bank borrowings of £2.4 million that resulted from the rapid increase in interest rates.

	2022	2021	Organic	Acquisition	
	(£'m)	(£'m)	YoY	YoY	YoY
Revenue:			(£'m)	(£'m)	(£'m)
Restore Records Management	113.7	101.4	9.1	3.2	12.3
Restore Digital	54.5	36.9	9.2	8.4	17.6
Digital and Information Management	168.2	138.3	18.3	11.6	29.9
Restore Technology	35.8	28.1	1.4	6.3	7.7

Restore Datashred	37.4	30.2	6.5	0.7	7.2
Restore Harrow Green	37.6	37.7	(0.4)	0.3	(0.1)
Secure Lifecycle Services	110.8	96.0	7.5	7.3	14.8
Total	279.0	234.3	25.8	18.9	44.7

Adjusting items

Due to the nature of certain income or costs, the Directors believe that an alternative measure of profit before tax and earnings per share provides readers of the annual report with a useful representation of the Group's performance that should be considered together with statutory profit and earnings per share.

The adjusting items in arriving at adjusted profit before tax are as follows:

	2022 £'m	2021 £'m
Amortisation	12.1	10.7
Acquisition transaction costs	1.4	1.2
Restructuring and redundancy	2.6	2.4
Property related costs	0.9	-
Strategic IT reorganisation	0.7	-
Other adjusting items	-	0.8
Total adjusting items	17.7	15.1

The £2.6 million increase in adjusting items is largely due to an increase in amortisation of £1.4 million principally arising on acquisitions, acquisition and restructuring costs incurred in the year, the settlement of an unusually high charge on the exit from a property and investment to deliver strategic IT programmes that due to the nature of cloud-based accounting are expensed as incurred. Investment of c.£4 million is planned across Finance, HR and other systems over 3 years with the in-year cost of these programmes £0.7 million in 2022.

Earnings Per Share (EPS)

Adjusted basic earnings per share are calculated by reference to the adjusted profit for the year, less a standard tax charge, to the weighted average number of shares in issue during the year.

Adjusted fully diluted earnings per share are calculated by reference of the adjusted profit for the year, less a standard tax charge, to the weighted average number of shares in issue and options granted over the shares of the Group.

	2022	2021
Weighted average number of shares in issue	136,761,738	132,932,784
Weighted average fully diluted number of shares in issue	138,025,803	137,669,498
Adjusted profit before tax (£'m)	41.0	38.1
Tax at 19.0% (£'m)	(7.8)	(7.2)
Adjusted profit after tax (£'m)	33.2	30.9
Adjusted basic earnings per share	24.3p	23.2p
Adjusted fully diluted earnings per share	24.1p	22.4p

The 4.7% increase in adjusted basic earnings per share to 24.3 pence (2021: 23.2 pence) results from a 7.6% increase in adjusted profit after tax and a 2.9% increase in the weighted average number of shares. Statutory basic EPS grew by 41.4% to 12.3 pence as a result of profit growth in the year and a non-cash deferred tax cost adjustment impacting the prior year as a result of the increase to UK corporation tax rate.

Financing and interest expense

Net debt closed the year at £103.5 million (2021: £100.8 million) with leverage reducing from 1.8x to 1.7x as a result of the increased adjusted EBITDA.

	31 December 2019	31 December 2020	31 December 2021	31 December 2022
Net debt (£'m)	88.5	66.1	100.8	103.5
Leverage	1.6x	1.8x	1.8x	1.7x

Interest expense relating to bank borrowings increased to £5.0 million due an increase in the average debt balance for the year as a whole and the increase in interest rates from 0.25% to 3.5% during the year. Non-cash interest arising on application of IFRS16 relating to leased assets, primarily property, reduced by £0.2m as a result of the lease liability reducing from £117.0 million at 31 December 2021 to £109.5 million at 31 December 2022.

	2022 £'m	2021 £'m
Interest on bank loans and overdrafts	5.0	2.6
Interest on finance lease liabilities	5.0	5.2
Amortisation of deferred finance costs	0.9	0.3

	2022	2021
Total finance costs	10.9	8.1

In order to improve investment capacity, Restore refinanced its rolling credit facility ("RCF") in early 2022, increasing borrowing capacity to £200 million and introducing new banks to the lending syndicate. Terms were substantially improved and documentation raised to investment grade quality. Subsequent to the year end, the new facility was extended by a further year to 30 April 2026.

During the year, the Group developed relationships with financing providers to introduce a variety of fixed interest rate instruments to create greater certainty over the cost of debt. This includes the potential for hedging mechanisms and access to the fixed rate loan markets.

Taxation

The tax charge for the period is £6.5 million (2021: £11.5 million). In the prior year, the tax charge included a non-cash tax charge of £6.2 million in relation to re-assessment of the deferred tax position of the Group following the announced increase to the UK corporate tax rate to 25%.

Cashflow

Cash generation continues to be a key characteristic of Restore and in 2022 the Group generated free cashflow before financing costs of £34.6 million (2021: £31.5 million).

Operating cash inflows increased by £5.3 million, whilst working capital requirements increased by £0.5 million to support revenue expansion with capex increased by £2.2 million. The resulting cash conversion was within target range at 82% (2021: 104%)

Statement of Financial Position

The Group's balance sheet continues to be in good health with key working capital ratios in line with previous years and further expansion of the net assets of the business due to the profitable nature of the Group's activities whilst balancing with returns to shareholders.

Working capital management remains a strength of the business with debt ageing consistent at 52 days and the current asset to current liability ratio consistent at 1.4x. Total equity has increased to £273.2 million (2021: £265.2 million).

The provision for estate dilapidations increased by £8.3 million, principally as a result of a review conducted at 31 December 2022 to reflect inflation in construction costs and reassessment of potential liability on sites where a lease exit is considered likely. The total provision following this reassessment is £17.1 million and is depreciated over the remaining term of the lease in accordance with the application of IFRS16.

The strength of the Statement of Financial Position is indicative of the overall good health of the business and provides substantial capacity to support future growth and investment requirements.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Note	Year ended 31 December 2022 £'m	Year ended 31 December 2021* £'m
Revenue - continuing operations	2	279.0	234.3
Cost of sales		(155.4)	(127.1)
Gross profit		123.6	107.2
Administrative expenses		(89.2)	(76.2)
Movement in trade receivables loss allowance		(0.2)	0.1
Operating profit		34.2	31.1
Finance costs		(10.9)	(8.1)
Profit before tax		23.3	23.0
Taxation	4	(6.5)	(11.5)
Profit after tax		16.8	11.5
Other comprehensive income		-	-
Total comprehensive income for the year from continuing operations and profit attributable to owners of the parent		16.8	11.5
Earnings per share attributable to owners			

Earnings per share attributable to owners of the parent (pence)

Total - basic	5	12.3p	8.7p
Total - diluted	5	12.2p	8.4p

*Prior year amounts have been re-presented in a format consistent with current year adjusting items.

The reconciliation between the statutory results shown above and the non-GAAP adjusted measures are shown below:

	Note	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Operating profit		34.2	31.1
Adjusting items - administrative expenses	3	5.6	4.4
Adjusting items - amortisation of intangible assets	3	12.1	10.7
Adjusted operating profit		51.9	46.2
Depreciation of property, plant and equipment and right of use assets		29.6	28.0
Adjusted EBITDA		81.5	74.2
Adjusted operating profit		51.9	46.2
Tax at 19.0%		(9.9)	(8.8)
NOPAT ('Net operating profit after tax')		42.0	37.4
Profit before tax		23.3	23.0
Adjusting items - administrative expenses	3	5.6	4.4
Adjusting items - amortisation of intangible assets	3	12.1	10.7
Adjusted profit before tax		41.0	38.1

Consolidated statement of financial position

At 31 December 2022

Company registered no. 05169780

	Note	31 December 2022 £'m	31 December 2021 £'m
ASSETS			
Non-current assets			
Intangible assets	8	331.9	327.2
Property, plant and equipment		79.7	78.8
Right of use assets		101.4	102.5
Deferred tax asset		-	5.9
		513.0	514.4
Current assets			
Inventories		2.0	1.4
Trade and other receivables		70.0	56.9
Cash and cash equivalents	10	30.2	32.9
		102.2	91.2
Total assets		615.2	605.6
LIABILITIES			
Current liabilities			
Trade and other payables		(49.2)	(45.5)
Financial liabilities - lease liabilities		(19.2)	(18.2)
Current tax liabilities		(1.6)	(1.5)
Provisions		(1.7)	(0.9)

(71.7) (66.1)

Non-current liabilities

Financial liabilities - borrowings	10	(133.7)	(133.7)
Financial liabilities - lease liabilities		(90.3)	(98.8)
Deferred tax liability		(30.9)	(33.9)
Provisions		(15.4)	(7.9)

(270.3) (274.3)

Total liabilities (342.0) (340.4)

Net assets 273.2 265.2

EQUITY

Share capital	6.8	6.8
Share premium account	187.9	187.9
Other reserves	6.9	7.0
Retained earnings	71.6	63.5

Total equity attributable to the owners of the parent 273.2 265.2

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Attributable to owners of the parent				
	Share capital £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Balance at 1 January 2021	6.3	150.3	6.0	56.0	218.6
Profit for the year				11.5	11.5
Total comprehensive income for the year	-	-	-	11.5	11.5
Transactions with owners					
Issue of shares during the year	0.5	39.5	-	-	40.0
Issue costs	-	(1.9)	-	-	(1.9)
Dividends	-	-	-	(3.4)	(3.4)
Share-based payments charge	-	-	2.2	-	2.2
Current tax on share-based payments	-	-	0.2	-	0.2
Deferred tax on share-based payments	-	-	0.6	-	0.6
Transfer*	-	-	(0.2)	0.2	-
Purchase of treasury shares	-	-	(2.6)	-	(2.6)
Disposal of treasury shares	-	-	0.8	(0.8)	-
Balance at 31 December 2021	6.8	187.9	7.0	63.5	265.2
Balance at 1 January 2022	6.8	187.9	7.0	63.5	265.2
Profit for the year	-	-	-	16.8	16.8
Total comprehensive income for the year	-	-	-	16.8	16.8
Transactions with owners					
Dividends	-	-	-	(9.9)	(9.9)
Share-based payments charge	-	-	1.7	-	1.7
Deferred tax on share-based payments	-	-	(0.7)	-	(0.7)
Transfer*	-	-	(2.1)	2.1	-
Purchase of treasury shares	-	-	(1.1)	-	(1.1)
Disposal of treasury shares	-	-	2.1	(0.9)	1.2
Balance at 31 December 2022	6.8	187.9	6.9	71.6	273.2

* In 2022 a net amount of £2.1 million (2021: £0.2 million) was reclassified from share-based payments reserve to retained earnings in respect of lapsed and exercised options.

Consolidated statement of cash flows

For the year ended 31 December 2022

Year ended

	Note	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Cash generated from operating activities	9	65.2	59.9
Net finance costs		(11.4)	(7.0)
Income taxes paid		(6.0)	(5.2)
Net cash generated from operating activities		47.8	47.7
Cash flows from investing activities			
Purchase of property, plant and equipment and applications software		(11.0)	(8.8)
Purchase of subsidiary undertakings, net of cash acquired		(10.8)	(85.8)
Purchase of trade and assets		(0.7)	(0.9)
Cash flows used in investing activities		(22.5)	(95.5)
Cash flows from financing activities			
Net proceeds from share issue		-	38.1
Dividends paid		(9.9)	(3.4)
Purchase of treasury shares		(1.1)	(2.6)
Proceeds from disposal of treasury shares		1.2	-
Repayment of revolving credit facility		(145.8)	(65.0)
Drawdown of revolving credit facility		146.8	106.0
Lease principal repayments		(19.2)	(18.8)
Net cash (used in)/generated financing activities		(28.0)	54.3
Net (decrease)/increase in cash and cash equivalents		(2.7)	6.5
Cash and cash equivalents at start of year		32.9	26.4
Cash and cash equivalents at end of year		30.2	32.9

A reconciliation between the statutory results above and the non-GAAP free cashflows measure is shown below:

	Year ended 31 December 2022 £'m	Year ended 31 December 2021 £'m
Cash generated from operating activities	65.2	59.9
Income taxes paid	(6.0)	(5.2)
Purchase of property, plant and equipment and applications software	(11.0)	(8.8)
Lease principal repayments	(19.2)	(18.8)
Add back: Adjusting items - administrative expenses	5.6	4.4
Free cashflow	34.6	31.5

Notes to the preliminary financial information

For the year ended 31 December 2022

1. Basis of Preparation

The financial information in this preliminary announcement has been extracted from the audited consolidated financial statements for the year ended 31 December 2022 and does not constitute the statutory accounts for the Group. The audit opinion in respect of the audited consolidated financial statements for the year ended 31 December 2022 is unqualified.

The consolidated financial statements of Restore plc have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The consolidation financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities which are held at fair value. The accounting policies have been consistently applied, other than where new accounting standards have been adopted. The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The consolidated financial

statements are presented in pounds sterling and, unless stated otherwise, shown in pounds million to one decimal place.

2. Segmental Analysis

The vast majority of trading of the Group is undertaken within the United Kingdom. Segment assets include intangibles, property, plant and equipment, right of use assets, inventories, receivables and operating cash. Central assets include deferred tax and head office assets. Segment liabilities comprise operating liabilities. Central liabilities include income tax and deferred tax, corporate borrowings and head office liabilities. Capital expenditure comprises additions to computer software, property, plant and equipment and includes additions resulting from acquisitions through business combinations. Segment assets and liabilities are allocated between segments on an actual basis.

Revenue

The revenue from external customers was derived from the Group's principal activities primarily in the UK (where the Company is domiciled) as follows:

Revenue - Continuing operations	2022 £'m	2021 £'m
Restore Records Management	113.7	101.4
Restore Digital	54.5	36.9
Digital & Information Management	168.2	138.3
Restore Technology	35.8	28.1
Restore Datashred	37.4	30.2
Restore Harrow Green	37.6	37.7
Secure Lifecycle Services	110.8	96.0
Total Revenue	279.0	234.3

For the year ended 31 December 2022 no customers individually accounted for more than 3% (2021: 3%) of the Group's total revenue.

Segmental information:

Profit before tax	2021 £'m	2021* £'m
Digital & Information Management	44.8	41.9
Secure Lifecycle Services	11.0	9.5
Central	(7.6)	(6.8)
Adjusting items -Amortisation of intangible assets	(12.1)	(10.7)
Share-based payments charge (including related NI)	(1.9)	(2.8)
Operating profit	34.2	31.1
Finance costs	(10.9)	(8.1)
Profit before tax	23.3	23.0

The reconciliation between the statutory results shown above and the non-GAAP adjusted measures are shown below:

Digital & Information Management	2022 £'m	2021 £'m
Operating profit	44.8	41.9
Adjusting items	2.6	0.6
Adjusted operating profit	47.4	42.5

Secure Lifecycle Solutions	2022 £'m	2021 £'m
Operating profit	11.0	9.5
Adjusting items	0.8	2.2
Adjusted operating profit	11.8	11.7

*Prior year amounts have been re-presented in a format consistent with current year adjusting items

	Digital & Information Management £'m	Secure Lifecycle Services £'m	Central £'m	31 December 2022 Total £'m
Segment assets	446.3	158.3	10.6	615.2

Segment liabilities	115.4	63.7	162.9	342.0
Capital expenditure	8.4	2.2	0.4	11.0
Depreciation and amortisation	29.2	11.9	0.6	41.7

	Digital & Information Management £'m	Secure Lifecycle Services £'m	Central £'m	31 December 2021 Total £'m
Segment assets	341.2	255.5	8.9	605.6
Segment liabilities	154.1	57.3	129.0	340.4
Capital expenditure	5.7	2.7	0.4	8.8
Depreciation and amortisation	26.2	12.1	0.4	38.7

3. Adjusting items / Alternative Performance measures

Restore's strategy is to grow through organic expansion, strategic acquisitions and margin enhancement through efficiency and scale. To assess progress in delivery of this strategy, management believe it is useful to provide readers of the accounts with alternative performance measures ('APMs') that describe the performance of the Group before the effects of significant costs or income that are considered to be distorting due to their nature, and non-cash amortisation primarily arising from acquired intangible assets.

Adjustments made from statutory measures to adjusted measures are referred to as adjusting items within the financial statements and include amortisation, expenses associated with acquisitions and subsequent integration costs, costs associated with major restructuring programmes, and other significant costs that are considered to be distorting due to their nature when assessing the performance of the business.

The Group's adjusting items are set out below:

	2022 £'m	2021 £'m
Amortisation	12.1	10.7
Acquisition related transaction/advisory costs	1.4	1.2
Restructuring and redundancy	2.6	2.4
Property related costs	0.9	-
Strategic IT reorganisation	0.7	-
Other adjusting items	-	0.8
Total	17.7	15.1

4. Taxation

	2022 £'m	2021 £'m
Current tax		
UK corporation tax on profit for the year	6.0	6.8
Adjustment in respect of previous periods	0.1	-
Total current tax	6.1	6.8
Deferred tax		
Current year	0.3	4.7
Adjustment in respect of previous periods	0.1	-
Total deferred tax	0.4	4.7
Total tax charge	6.5	11.5

The charge for the year can be reconciled to the profit in the Consolidated statement of comprehensive income as follows:

	2022 £'m	2021 £'m
Profit before tax	23.3	23.0
Profit before tax multiplied by the rate of corporation tax of 19.0% (2021:19.0%)	4.4	4.4
Effects of:		
Expenses not deductible	1.3	0.9
Adjustment in respect of corporation tax for previous periods	0.1	-
Adjustment in respect of deferred tax for previous periods	0.1	-
Share-based payments	0.3	-
Effect of change in rate used for deferred tax	0.3	6.2
Tax charge	6.5	11.5

The tax charge for the year is higher than the profit before tax multiplied by the rate of corporation tax (2021: higher).

5. Earnings Per Ordinary Share

Basic earnings per share have been calculated on the profit for the year after taxation and the weighted average number of ordinary shares in issue during the year.

	2022	2021
Weighted average number of shares in issue	136,761,738	132,932,784
Total profit for the year	£16.8m	£11.5m
Total basic earnings per ordinary share	12.3p	8.7p
Weighted average number of shares in issue	136,761,738	132,932,784
Share options	1,264,065	4,736,714
Weighted average fully diluted number of shares in issue	138,025,803	137,669,498
Total fully diluted earnings per share	12.2p	8.4p

Adjusted earnings per share

The Directors believe that the adjusted earnings per share provide a comparable view of earnings derived from the Group's alternative performance measures. The adjusting items are shown in the table below:

	2022 £'m	2021 £'m
Profit before tax	23.3	23.0
Adjusting items - administrative expenses	5.6	4.4
Adjusting items - amortisation of intangible assets	12.1	10.7
Adjusted profit before tax	41.0	38.1

The adjusted earnings per share and adjusted fully diluted earnings per share, based on the weighted average number of shares in issue during the year of 136.8 million (2021: 132.9 million) and weighted average fully diluted number of shares in issue during the year of 138.0 million (2021: 137.7 million) respectively, are calculated below using a standard tax charge:

	2022 £'m	2021 £'m
Adjusted profit before tax (£'m)	41.0	38.1
Tax at 19.0% (£'m)	(7.8)	(7.2)
Adjusted profit after tax (£'m)	33.2	30.9
Adjusted basic earnings per share	24.3p	23.2p
Adjusted fully diluted earnings per share	24.1p	22.4p

6. Dividends

The directors recommend a final dividend of 4.8p per share for the year ended 31 December 2022 (2021: 4.7p per share) to give a full year dividend of 7.4p per share (2021: 7.2p). An interim dividend of 2.6p was paid during the year (2021: 2.5p).

7. Business Combinations

The Group's strategy seeks to target the substantial acquisition opportunities that exist in all of the markets in which it operates, whilst applying strict investment discipline. The Group has completed five acquisitions during the year.

On 3 May 2022, the Group acquired 100% of the share capital of Ultratec (Holdings) Limited, together with its subsidiaries ("Ultratec"). Ultratec is a Technology business that provides secure data erasure and physical data destruction services, bespoke technology recycling solutions, hard drive parts supply and data centre focussed hardware maintenance services.

On 31 October 2022, the Group acquired 100% of the share capital of CAMA Group Limited, together with its subsidiaries ("CAMA"). CAMA is a commercial relocation and storage business which also provides an asset management portal. The portal provides on-line tracking and retrieval for all assets held on behalf of customers.

On 4 May 2022, 20 May 2022 and 31 October 2022, the Company acquired the trade and assets of Secure Records & Data Management Limited ("SRDM"), UK Archive Limited and Millbank Document Storage Limited ("Millbank") respectively, which are all Records Management businesses.

As the Group is still in the process of establishing the fair value of the assets and liabilities acquired, the fair values presented below are provisional.

	Ultratec £m	CAMA £'m	SRDM £'m	Archive £'m	Millbank £'m	Total £'m
Intangibles - customer relationships	6.7	1.7	0.5	0.1	0.1	9.1
Intangibles - software	0.2	-	-	-	-	0.2
Property, plant, and equipment	0.4	-	-	-	-	0.4
Right-of-use Assets	0.9	-	-	-	-	0.9
Inventories	0.3	-	-	-	-	0.3
Trade and other receivables	0.8	0.4	-	-	-	1.2
Cash and cash equivalents	2.3	0.1	-	-	-	2.4
Trade and other payables	(1.0)	(0.3)	-	-	-	(1.3)
Financial Liabilities - lease liabilities	(0.9)	-	-	-	-	(0.9)
Provisions	(0.2)	-	-	-	-	(0.2)
Deferred taxation	(1.7)	(0.4)	(0.2)	-	-	(2.3)
Net assets acquired	7.8	1.5	0.3	0.1	0.1	9.8
Goodwill	3.5	1.2	0.2	-	-	4.9
Consideration	11.3	2.7	0.5	0.1	0.1	14.7
Satisfied by:						
Cash to Vendors	11.2	1.5	0.5	0.1	0.1	13.4
Deferred / contingent consideration	0.1	1.2	-	-	-	1.3
Total consideration	11.3	2.7	0.5	0.1	0.1	14.7

The fair value of acquired receivables is £1.2 million, which is equivalent to the gross contractual amount of acquired receivables due. The loss allowance recognised on acquisition is not considered to be material.

Acquired intangibles are valued based on future cash flows equivalent to the expected useful life of the asset. The present value is most sensitive to the expected useful life. A halving of expected useful life decreases the value of customer relationships acquired by £2.7 million.

The Goodwill arising across the acquisitions primarily represents the potential synergies and cross-selling to the Group's existing operations; an extension of the Group's national coverage, increasing the Group's market share; access to new markets; and the skilled workforce and knowledge acquired.

A significant portion of contingent consideration is payable based on revenue milestones. The potential amount payable is between £nil and £1.0 million. The fair value of the contingent consideration of £1.0 million recognised was based on the maximum expected future cash flow payable. The amount is undiscounted and payable with 6 months of completion. The remaining deferred consideration is payable based on completion dates.

During the year, deferred consideration of £0.5 million was paid, in relation to prior year acquisitions of Euro-Recycling Limited and The Document Warehouse Limited (2021: £1.3 million).

Post-acquisition results

The table below gives the revenue and profit for the acquisitions completed in the year and included in the consolidated results.

	2022 £'m	2021 £'m
Revenue	5.5	30.0
Profit before tax since acquisition included in the Consolidated statement of comprehensive income	0.5	6.3

If the acquisitions had been completed on the first day of the financial year, Group revenue would have been £283.3 million and Group continuing profit before tax would have been £23.9 million. The acquisitions made during the year were to further extend national coverage, increase customers and sites and increase the Group's market share in its Records Management, Technology and Harrow Green businesses.

8. Intangible Assets

	Goodwill £'m	Customer relationships £'m	Trade names £'m	Applications software £'m	Total £'m
Cost					
1 January 2021	165.8	128.1	4.3	7.2	305.4
Arising on acquisition of subsidiaries	46.7	39.9	-	1.1	87.7
Arising on acquisition of trade and assets	-	0.8	-	-	0.8
Additions - external	-	-	-	2.0	2.0

31 December 2021	212.5	168.8	4.3	10.3	395.9
Arising on acquisition of subsidiaries	4.7	8.4	-	0.2	13.3
Arising on acquisition of trade and assets	0.2	0.7	-	-	0.9
Fair Value Adjustment	1.7	-	-	-	1.7
Additions - external	-	-	-	0.9	0.9
Disposals	-	-	-	(0.7)	(0.7)
31 December 2022	219.1	177.9	4.3	10.7	412.0
Accumulation amortisation and impairment					
1 January 2021	17.6	33.5	2.5	4.4	58.0
Charge for the year	-	9.1	0.3	1.3	10.7
31 December 2021	17.6	42.6	2.8	5.7	68.7
Charge for the year	-	10.4	0.2	1.5	12.1
Disposals	-	-	-	(0.7)	(0.7)
31 December 2022	17.6	53.0	3.0	6.5	80.1
Carrying amount					
31 December 2022	201.5	124.9	1.3	4.2	331.9
31 December 2021	194.9	126.2	1.5	4.6	327.2

Amortisation is charged to profit or loss as an administrative expense. Of the £1.7 million fair value adjustment, £1.3 million relates to provisions and £0.4 million relates to accruals.

9. Cash generated from operating activities

Continuing operations	2022 £'m	2021 £'m
Profit before tax	23.3	23.0
Depreciation of property, plant and equipment and right-of-use assets	29.6	28.0
Amortisation of intangible assets	12.1	10.7
Net finance costs	10.9	8.1
Share-based payments charge	1.9	2.2
Increase in inventories	(0.3)	(0.3)
Increase in trade and other receivables	(11.9)	(7.8)
Decrease in trade and other payables	(0.4)	(4.0)
Net cash generated from operating activities	65.2	59.9

10. Financial Liabilities - Borrowings

	2022 £'m	2021 £'m
Non-current		
Bank loans - secured	135.0	134.0
Deferred financing costs	(1.3)	(0.3)
	133.7	133.7

On 18 January 2022, the Group extinguished its financing arrangement in place at 31 December 2021, and replaced it with a new £200 million revolving credit facility.

At 31 December 2022, the bank debt was due to Barclays Bank plc, National Westminster Bank plc, Clydesdale Bank plc, The Governor and Company of the Bank of Ireland, Bank of China Limited and Citibank.

Under the bank facility the Group was required to meet quarterly covenant tests in respect of interest cover and leverage. All covenant tests were met during the year.

Analysis of net debt	2022 £'m	2021 £'m
Cash at bank and in hand	30.2	32.9
Bank loans due within one year	-	-
Bank loans due after one year	(133.7)	(133.7)
Net debt	(103.5)	(100.8)

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