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3 May 2023

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

Pre-close statement and Trading Update

Grafenia plc (AIM: GRA) announces the following pre close statement and trading update for the year ended 31 March 2023 ("FY23").

Since releasing our half year results on 24 November 2022, we have continued to focus on and invest in building the structure required to become a serial acquirer of vertical market software businesses. Becoming the permanent home for those businesses and their management talent.

Today, the Group looks a little different. This time last year, we existed solely in the graphics space. We owned a manufacturing hub in Manchester (Works Manchester), business stores, superstores and online print platforms, and we licenced our software around the world.

Two things have changed since then. We no longer own Works Manchester and Grafenia no longer exists solely in the graphics space. We do still own business stores, superstores and online print platforms and we continue to drive recurring revenues and product sales by licensing our software around the world through our Nettl Systems business unit.

Following the sale of Works Manchester, as well as continuing our push for organic growth, we have doubled down on our acquisition strategy with the aim of creating long term growth in shareholder value. Focussing on vertical market software businesses, we look for niche platforms, with low churn where the majority of sales are recurring in nature. Through our specialist M&A team, Software Circle, we've built a healthy deal flow and successfully acquired four software businesses that have met our criteria.

Grafenia is now home to a stable of five software business units across multiple sectors. In terms of sales, Nettl Systems currently remains the largest of those. Each business is run in a decentralised way by its own management team, supported by the Grafenia Board. Those businesses have been, in the main, acquired during the latter stages of the FY23.

In that time, we have successfully onboarded our newly acquired businesses and they are contributing to profitability. On behalf of the Board, we welcome our new team members to the Grafenia family and thank all of our teams and owners across the Group for making that onboarding a success.

Our Current Portfolio:

Business Unit	Sector	Date Acquired	Initial Consideration	Deferred Consideration	Unaudited Group Sales FY23
Nettl Systems	Graphics & Ecommerce	n/a	n/a	n/a	£9.5m
Vertical Plus	Ecommerce	01/10/22	£1.25m	£1.0m	£1.0m
Watermark	Document Management	07/12/22	£1.50m	£1.0m	£0.4m
CareDocs	Care Management	18/01/23	£2.98m	£0.52m	£0.5m
TopFloor	Property Management	17/02/23	£3.42m	£0.85m	£0.2m
		Total	£9.15m	£3.37m	£11.6m

We've grown again on the previous year. We expect to end the full year with sales from continuing operations in excess of £11.6m (2022: £8.2m). An increase of £3.4m (41%).

Approximately £9.5m (2022: £8.2m) of total sales, came from our Nettl Systems business. A 16% organic increase of £1.3m

£2.1m of total sales was generated by the four acquisitions acquired during the latter stages of FY23 as detailed in the above table. A 26% growth in sales by acquisition.

Sales from discontinued operations were approximately £0.9m (2022: £3.4m).

We expect our operating businesses to generate a positive EBITDA of £0.4m after central costs of £0.8m. Deducting the associated non-recurring deal costs involved in the acquisitions, the EBITDA overall is £0.1m (2022 £0.3m).

With the acquisitions we've added to the Group, on a run rate basis, annualised sales would be approximately £17m. We are currently considering raising additional funds to continue the execution of our acquisition strategy and the growth of the Group.

Cash at 31 March 2023 was £2.0m (2022: £1.5m). During the year we utilised our bond facility issuing £11.2m of Bonds, at nominal value raising £9.5m before expenses. We deployed £9.6m of capital. Net debt as at 31 March 2023 was £16.3m (2022:

nominal value, raising £2.5m before expenses. We deployed £2.6m of capital. Net debt as at 31 March 2023 was £10.5m (2022: £5.3m).

Leadership Team

Gavin Cockerill has successfully led the Group's repositioning as Acting CEO over the last 12 months. After an extensive board review, we are very pleased to announce that Gavin will lead the Group as CEO going forward.

Jan-Hendrik Mohr, Chairman of Grafenia, said:

"The board is very pleased with Gavin's leadership over the last year. We started with the idea of becoming the right home for vertical market software companies in the UK and Ireland. Gavin has combined the existing strengths of our rich legacy in Nettle Systems and applied that to our growing group of software companies."

Outlook

We're cautiously optimistic about the upcoming year. With a full year's trade from our newly acquired businesses, our goal of achieving EBITDA at 10-15% of sales, after central costs, is a realistic target. Our search for software businesses continues and our deal flow looks healthy. We will update the market with more detailed progress when releasing our final results for FY23 which is expected to be at the end of July.

For further information:

Grafenia plc

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