

18 December 2023

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014 as retained as part of UK law by virtue of the European Union (Withdrawal) Act 2018 (as amended). Upon the publication of this announcement, this inside information is now considered to be in the public domain.

**RBG Holdings plc**  
("RBG", the "Group", or the "Company")

### **Trading Update**

RBG Holdings plc (AIM: RBGP), the legal and professional services group, today publishes a trading update for the twelve months ending 31 December 2023 ("FY 2023").

2023 has been a pivotal year for the Group. The new leadership team has taken action to reduce the Group's risk profile and refocus on its core business activities where the Board believes it can best maximise profits. These key actions include:

#### *Reduce Risk*

- the disposal of LionFish
- scaling back from unfunded Alternative Billing Arrangements ("ABAs") and no longer carrying investments in ABAs as assets on the balance sheet

#### *Increase Stability*

- appointment of a new Chief Financial Officer, Kevin McNair
- renewing banking facilities totalling £24.5m at interest rates deemed favourable by the Board

#### *Focus on Growth*

- the recruitment of seven new partners who have already started to gain traction in their specific markets and are generating new revenue streams

#### *Prudent Financial Management*

- suspension of the dividend policy
- a full root and branch review of all aspects of the accounting treatments of work in progress and debtors
- an increase in bad debt provisions

#### *Operational Management*

- implementation of new ERP management information system
- instruction of two agents on the Group's leasehold properties to consolidate its property portfolio

### **Trading**

#### *Legal Services*

In its results for the six months ended 30 June 2023, the Company announced that Legal Services performed broadly in line with the Board's expectations during H1 2023, despite the challenging economic conditions.

The second half of the financial year has historically been the stronger of the two halves, however activity levels during H2 2023 have been at similar levels to H1 2023 and there has not been the increase in revenue and profitability seen in previous years and that the Board had anticipated. In particular, Memery Crystal, has been impacted by the lack of activity in both Commercial Real Estate and Equity Capital

Markets with transactions that were forecast in Q4 2023 either being delayed into 2024 or cancelled altogether.

#### *Corporate Finance Advisory*

The Group's specialist sell-side corporate finance advisory business, Convex Capital, continues to have a strong pipeline of 18 deals. A number are in advanced stages of negotiations and had been forecast to complete in Q4, but transactions are taking significantly longer to complete in 2023 as a consequence of the current economic environment and weakness in the M&A market. Convex Capital completed three transactions this year delivering total fee income of £2.19m versus a previous Board expectation of £4.5m. Until recently, the Board had confidence over its expectation but it has now become clear that no more transactions will complete this side of the financial year end. The pipeline is positioned to deliver the delayed transactions in 2024.

### **Financial Performance**

#### *LionFish & ABA costs*

- Lionfish: the disposal resulted in a reported loss on disposal of £0.7m; an adverse cost ruling regarding a case prior to the disposal has subsequently incurred a settlement of £0.4m net of insurance.
- The change in accounting policy set out in the RNS of 27 July 2023 has resulted in disbursements of £0.72m being expensed during the period; these were incurred in respect of the final remaining large ABA - any successful outcome will be returned to the Group as revenue.

#### *Debtors & Work in Progress:*

- As part of the recent re-financing exercise undertaken during the second half of 2023 and concluded in December, management undertook a comprehensive review of the historic debtor book and the historic work in progress being carried on the balance sheet. Some was very historic in nature and the decision has been taken to write off £1.8m of debtors and work in progress. As this will be a change in accounting policies, it will require a restatement of the 2022 accounts.

#### *Legal & Professional fees:*

- Costs relating to employment cases under the previous leadership team have been incurred (principally in the second half) totalling £1.9m.
- In addition, a further c. £0.2m was incurred during H2 in the run-down of another ABA.

As a result of the various factors set out above, the Board now expects that revenue for FY 2023 will be slightly lower than market expectations at approximately £42m and adjusted EBITDA is expected to be approximately £4m<sup>1</sup>. The table below sets out comparable figures for FY 2022 and FY 2023. These figures do not include the impact of LionFish, a discontinued business, in either period.

<b>Revenue (£m)</b>	<b>H2 2023</b>	<b>H2 2022</b>	<b>FY 2023</b>	<b>FY 2022</b>
Legal services	19.4	23.8	39.7	44.5
Convex	1.5	1.1	2.2	5.3
<b>Total</b>	<b>20.9</b>	<b>24.9</b>	<b>41.9</b>	<b>49.8</b>
<b>Adjusted EBITDA (£m)</b>	<b>1.6</b>	<b>8.8</b>	<b>c. 4.0</b>	<b>15.8</b>

The Company recently announced that it had renewed and extended its existing borrowing facilities with its current lender, HSBC, under which the debt headroom was raised to £24.5m. The Company had a pre-IFRS 16 net debt position of £22.1m as at 15 December 2023. Under the Board's base case scenario which includes improved working capital management, the Company has sufficient cash headroom over the next 12 month period.

#### **Commenting on the Trading Update and Outlook for FY 2023, Marianne Ismail, Non-Executive Chair of RBG Holdings plc, said:**

"The Board recognises that FY 2023 has been a year of significant transition and a disappointing one for shareholders. Nonetheless, the Board is confident that the business is moving into FY 2024 on a significantly stronger footing than at the start of this year.

"I would like to thank the new management team for the bold decisions taken in tackling historical issues that have drained the business of management time, profit and working capital during 2023.

"The Group now has noticeably improved operating processes that will begin feeding through in terms of improved margins in 2024. Our new agreement with HSBC gives the team operational headroom to deleverage the business while it brings performance back up to acceptable levels.

"There are early signs of recovery in some of the key areas of legal services that were badly impacted in

2023 but we will be presenting a more conservative budget for 2024, with revenue and profit expected to be slightly higher than 2023, that is designed to demonstrate both clarity and profitability to investors and other key stakeholders.

"Continuing to improve the Group's operational efficiency, expand margins and generate cash are the key priorities for the Board and management team going forward. We will continue to review our costs in light of our revenues and the market conditions."

*The person responsible for the release of this announcement is Kevin McNair, Chief Financial Officer.*

<sup>1</sup>Adjusted for £11.4m of litigation write offs, £1.4m of legal and professional fees, £2.8m of Lionfish costs and £0.9m of other non-underlying costs

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**About RBG Holdings plc**

- Further information about RBG Holdings plc is available at: [www.rbgholdings.co.uk](http://www.rbgholdings.co.uk)
- Further information about Rosenblatt (founded in 1989) is available at: [www.rosenblatt.co.uk](http://www.rosenblatt.co.uk)
- Further information about Memery Crystal (founded in 1979) is available at: [www.memerycrystal.com](http://www.memerycrystal.com)
- Further information about Convex Capital (founded in 2010) is available at: [www.convexcap.com](http://www.convexcap.com)

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