RNS Number : 6264O
Redcentric PLC
16 May 2024

Redcentric plc

("Redcentric" or the "Company")

Trading Update

Redcentric plc (AIM: RCN), a leading UK IT managed services provider offering cloud, cyber security, connectivity and communication solutions to mid-market and enterprise customers, is pleased to announce the following update for the financial year ended 31 March 2024 ("**FY24**").

PROVISIONAL RESULTS FOR THE YEAR ENDED 31 MARCH 2024 (FY24)

We are pleased to announce the following provisional results for FY24:

	FY24 (£m)	**FY23 (£m)**	**Change**
Revenue	163.1	141.7	+15.1%
Recurring Revenue	149.1	128.5	+16.0%
Recurring Revenue %	*91.4%*	*90.7%*	*+0.7%*
Adjusted EBITDA*	28.4	24.5	+15.9%
Adjusted net debt	41.9	35.6	+17.7%

**Adjusted EBITDA is EBITDA excluding exceptional items, share-based payments and associated National Insurance*

These results reflect the benefits of the first full year of trading contribution from the 4D Data Centres and two Sungard asset acquisitions made in FY23. They also reflect the delays in implementing the new cooling infrastructure at the London Technology Centre ("LTC") and the closure costs of the Harrogate data centre both of which will benefit performance in FY25.

OPERATIONAL HIGHLIGHTS

- Following the acquisition of VMware by Broadcom, Redcentric has been selected as one of only seven UK strategic partners. Initial sales engagement with customers has been encouraging with several new logos signing contracts during March and April 2024.

- All the original integration programmes were completed by the year end with annualised costs savings of £22m being achieved, in line with previous announcements. We now operate fully integrated systems, utilising single Enterprise Resource Planning, HR and customer service systems.

- Whilst all of the planned electricity conservation measures were completed by the year end, the installation of the LTC cooling infrastructure was delayed by four-and-a-half-months as a result of having to decontaminate the cooling system water prior to the installation of the new plant. The plant was eventually installed in November 2023 and was fully commissioned by the end of January 2024. The new system is performing well with ongoing savings achieved to date slightly higher than our original expectations.

- Adjusted Net Debt at the year-end was £41.9m up from £35.6m. On 26 March 2024 the company agreed with its banking syndicate to extend the current banking facilities by one year under the same terms as the original agreement. The facilities are now due to expire on 25 April 2026.

CURRENT TRADING AND OUTLOOK

- The electricity conservation measures are expected to generate year on year volume savings of £2.8m, this, combined with significantly reduced electricity commodity prices from 1 April 2024 is expected to reduce electricity charges by £8.1m and will result in FY25 fully reflecting the benefit of the acquisitions made during FY22 and FY23.

- The closure and decommissioning of the Harrogate data centre was completed at the end of March 2024 in line with our project plan and expectations. Whilst most of the customers were successfully migrated to our Elland data centre, four of the larger customers unexpectedly decided to cancel their contracts. The annualised revenue and profit from these customers totalled £2.6m and £1.3m respectively, which will result in reduced associated revenues and profits of £2.0 and £1.0m respectively in FY25, however, this loss will be partly offset by reduced annual running costs resulting from the closure.

- The focus for FY25 will be to continue driving organic recurring revenue growth of at least 5% and leveraging operational gearing to deliver improved profit margins.

Peter Brotherton, Chief Executive Officer, commented:

"FY24 was a very productive year with all the original integration programmes completed, generating cost savings either in line or slightly ahead of our expectations.

The electricity conservation measures were implemented later than expected but are now yielding very significant savings which are slightly ahead of our original run rate expectations. These volume savings, combined with secured *savings which are slightly ahead of our original run rate expectations. These volume savings, combined with secured lower electricity prices from 1 April 2024 are expected to reduce electricity costs by £8.1m in FY25.*

Looking forwards, our key tasks for FY25 will be to continue to drive organic growth and focus on delivering productivity gains to drive improved margin and cashflow performance."

Enquiries:

Redcentric plc	+44 (0)800 983 2522
Peter Brotherton, Chief Executive Officer	
David Senior, Chief Financial Officer	
Cavendish Capital Markets Limited - Nomad and Broker	+44 (0)20 7220 0500
Marc Milmo / Simon Hicks / Charlie Beeson (Corporate Finance)	
Andrew Burdis / Sunila de Silva (ECM)	

The information contained within this announcement is deemed to constitute inside information as stipulated under the retained EU law version of the Market Abuse Regulation (EU) No. 596/2014 (the "UK MAR") which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. The information is disclosed in accordance with the Company's obligations under Article 17 of the UK MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain.