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Vianet Group PLC
11 June 2024

Vianet Group plc

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

Unaudited Final Results for the year ended 31 March 2024

Good momentum with strong prospects

Dividend confirmed

Vianet Group plc (AIM: VNET), the leader in delivering actionable data and business insights through an integrated ecosystem of hardware devices, software platforms and smart insights portals, is pleased to announce its unaudited results for the year ended 31 March 2024.

Financial Highlights

- **Revenue** for FY2024 increased by 7.6% to **£15.18m** (FY2023: £14.12m).
- **Recurring revenue** increased further to £12.94m (FY2023 £12.52m), accounting for **85% of total revenue** (FY2023: 89%), with hardware sales up 40% to £2.24m (FY2023: £1.60m).
- **Gross Margin** has improved by 3.5% to **68.7%** (FY2023: 66.4%).
- **Adjusted EBITA** (pre-exceptional and share-based payments) has risen 11.6% to **£3.47m** (FY2023: £3.11m), ahead of market expectations as of H1 2024.
- **Profit before tax** £0.78m (FY2023: £0.45m)
- **Basic earnings per share** rose to 2.72p (FY2023: 0.56p)
- **A proposed final dividend of 0.75p,** up 50% from prior year
- **Normalised profit to cash conversion** was 104.3% of EBITDA
- **Net debt** has been significantly reduced by 54.9% to **£1.52m** (FY2023: £3.37m).
- **Year-end cash** reserves have risen to **£1.82m** (FY2023: £0.07m).

Commenting, James Dickson, Chairman of Vianet Group plc, said:

I am especially pleased with this set of results as it showcases the Company's proactive measures, along with the dedication of our staff. This has resulted in excellent financial results and strong sales momentum. The combined challenges of supply chain pressures, the 3G switch off and geopolitical uncertainties have been successfully navigated. I am confident that Vianet will drive continued sales and profit growth from its core markets, whilst also achieving expansion of our footprint into wider markets. Smart Machine's unattended retail division is experiencing significant growth, with key contract extensions and rollouts driving new connected devices. The Smart Zones hospitality division continues to secure new business and contract renewals while leveraging market data to drive customer profitability.

The current financial year has started strongly, and the Company is well-positioned to enter new vertical markets and continue to drive its strong subscription revenue and earnings growth.

Divisional & Operational highlights

<u>Smart Machines unattended retail division</u>

- Adjusted operating profit increased 22.2% to £2.46m (FY2023: £2.01m).
- Added 8,900 new connected machines (FY2023: 6,554) despite sector distraction of planning related to the UK-wide 3G switch-off.
- Key long-term contract wins and renewals with Baxter Storey, The Vending People, Compass, and both Rontec and Wilcomatic in the fuel forecourt market.

<u>Smart Zones hospitality division</u>

- Acquisition of trade and assets of US-based Beverage Metrics Inc (BMI)
- Revenue increased 5.5% to £8.62m (FY2023: £8.16m) with operating profit up 3.9% to £3.94m (FY2023: £3.79m) despite absorbing c £0.5m of post-acquisition cost associated with BMI.
- Net installation base solid at c 9,640 (FY2023: 9,758) as ongoing investment and a pipeline of new installations offset a slowing rate of hospitality sector closures

offset a slowing rate of hospitality sector closures.

- We had several contract extensions, including Stonegate, and post-year-end contract renewals, including Heineken.

- Ends -

James Dickson, Chairman & CEO, and Mark Foster CFO will provide a live presentation relating to financial results for the year ended 31 March 2024 via the Investor Meet Company platform on 11th June 2024 at 10:30 am GMT.

The presentation is open to all existing and potential shareholders. Questions can be submitted pre-event via your Investor Meet Company dashboard up until 9 am the day before the meeting or at any time during the live presentation.

Investors can sign up to Investor Meet Company for free and add to meet Vianet Group via:

https://www.investormeetcompany.com/vianet-group-plc/register-investor

Investors who already follow Vianet Group plc on the Investor Meet Company platform will automatically be invited.

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CHAIRMAN'S STATEMENT

Introduction

I am delighted to report that the Group has continued to build positive sales and commercial momentum in FY2024. We are exceptionally well placed to capitalise on the opportunities in the UK and USA hospitality markets, unattended retail in the UK and Europe, and the adjacent fuel forecourt market.

Sales grew c.8% to £15.2m (FY2023: £14.1m), delivering an adjusted operating profit of £3.47m (FY2023 £3.11m), representing c.12% year-on-year growth. We have maintained a rigorous drive to grow the top line and maximise the business's profitability, enabling progressive dividend payments. This is a testament to the team's hard work.

Progress from the unattended retail and hospitality divisions has been particularly strong, marked by key initiatives bringing in new customers, strengthening existing relationships and expanding our service offering. The initial delay in customers adapting to the 3G network switch-off was more than offset as demand rebounded in Q4. The sharp acceleration in 4G LTE systems upgrades, preventing connectivity issues on payment devices, has resulted in numerous new contracts, enhancing our installation pipeline well into FY2025.

In addition, recent contract wins illustrate the successful expansion of our business into new industry verticals and our ability to react swiftly to a changing dynamic. We are building on these opportunities with key players in the manufacturing and retail sectors of the forecourt industry.

Strategic Developments

Vianet has made significant strategic developments in the past year. One of the key highlights is the acquisition and subsequent integration of Beverage Metrics Inc. in May 2023. This has allowed Vianet to accelerate its product roadmap in the hospitality sector by 18 months and expand its presence in the US market. Through the integration of Beverage Metrics' comprehensive inventory platform and Vianet's draught beer management solution, the Company has created a compelling beverage management and inventory offering. Together with the recent product integration with Fintech we are providing customers with a complete procure and pay solution.

Pilot testing of the integrated solution with leading brands in the US has yielded encouraging results. This success has reinforced the potential for Vianet to increase its installation footprint in the US and UK throughout FY2025 and beyond.

Our focus on customer engagement has received positive feedback, demonstrating our commitment to Vianet Americas. We have recently showcased the solution, sharing a stand with Fintech at the National Restaurant Association show in Chicago in May. The integrated offering was well received, providing valuable exposure and generating promising sales leads.

Vianet has also renewed and won several contracts in the UK for the Beverage Metrics beer module, establishing a solid foundation for revenue growth in FY2025.

Furthermore, Vianet completed its refinancing and transitioned to HSBC in August 2023. This has resulted in lower finance costs, reflecting the strength of the business and its ability to secure favourable financial arrangements.

These strategic developments have positioned the Company for continued growth and success in the hospitality sector, both in the US and the UK.

Dividend

The high levels of customer engagement and commercial momentum provide confidence that the Group will benefit from solid revenue growth and high levels of cash generation in FY2025.

Despite uncertainties over inflationary and interest rate pressures, the new HSBC facility offers flexibility to support ongoing investment in the business. The Board recognises the significance of dividends for shareholders and supports a progressive dividend policy, including the reinstatement of an interim dividend at the earliest opportunity. For the full-year dividend, the Board proposes 0.75p per share, payable on 2 August 2024 to shareholders on the register on 21 June 2024.

Board and Staff

The Board has agreed that I shall remain as acting CEO to build on the success of FY2024, maintain our strong sales momentum, and develop our strategic options. I am committed to realising significant growth in shareholder value.

The Board regularly evaluates its composition and effectiveness to ensure a balanced mix of experience and independence, supporting our business and growth ambitions. The operational structure of the Group continues to evolve, and I am pleased to report further development of the management team. They are highly motivated and focused on delivery, providing a strong succession pathway.

Our exceptional people consistently demonstrate enthusiasm, commitment, and openness, underpinning the Group's excellent reputation among customers, suppliers, and stakeholders.

I take considerable pride and am incredibly grateful for the unwavering commitment of our executive team, employees, and Board members in continuing to drive the Group's success.

Conclusion and Outlook

FY2024 saw increased sales, profit, cash generation & a reduction in net debt. However, what really stands out is the excellent customer engagement and momentum generated by our innovative solutions, partnerships, and commercial initiatives. This provides a platform for the Company's future growth.

We empower customers to transform their business performance, fostering deeper relationships and creating substantial sales opportunities. We enable customers to do more with less to unlock excellent returns on their investment.

The Group is on track to deliver strong earnings growth across both divisions and maximise the opportunities in adjacent new verticals through FY2025 and beyond.

- Smart Machines leads the industry with its comprehensive product suite, strengthened by new SmartVend releases. We have a robust pipeline of opportunities for telemetry, contactless sales and data management. This is based on the strength of our commercial proposition, footprint extension in existing long-term contracts with blue-chip customers, and a strong presence in UK and European markets, where further contract wins reinforce our progress.
- The partnership with Suresite Group Ltd has bolstered our position in the fast-growing 'unattended' contactless payments sector. Combining our hardware and end-to-end solution with Suresite's market-leading acquiring services is unique. We can now offer a competitive, user-friendly, and highly secure payments solution that future-proofs any unattended or automated retail business. It caters to various applications, from charging points and unmanned car washes to air and vacuum stations.
- Our proactive approach to the MNO 3G switch-off and transition to 4G LTE will continue to pay dividends. Customers are upgrading to new, predominantly 5-year contracts to achieve full estate connectivity with the resulting productivity and sales gains.
- The integration and successful launch of Beverage Metrics has boosted our UK hospitality growth and is a significant step forward in developing a profitable footprint in the USA. There is a growing pipeline of new installations in the UK, and our US operations are on track to deliver good sales traction as it moves towards breakeven through FY2025.
- Our investments in technology and commercial activity have attracted strong interest from the unattended retail and fuel forecourt sectors, and further breakthroughs are expected in FY2025. Investment in cloud infrastructure and mobile technology will drive revenues in both Smart Machines and Smart Zones. This will enable scalability, flexibility, and speed, which are crucial for supporting rapid growth in existing and new verticals.

The Company maintains a strong contracted recurring revenue, which is higher quality subscription rather than transaction-based and expects to generate solid operating cash flow. The Board remains confident in the Group's long-term growth strategy to achieve earnings growth and expand future strategic options. While cash management is a priority, the Board's primary focus is on driving sales growth and seizing exciting growth opportunities.

James Dickson

Chairman

11 June 2024

STRATEGIC REPORT

The year to March 2024 was building on the growth momentum from the previous year and solidifying our position in the market. We have successfully navigated both the global semiconductor chip supply problems and 3G switch-off distractions to make sound progress in a high-inflation economy. We are pleased to have exceeded the market expectations as at the time of our H1 2024 results in key measures such as revenue, EBITA and EBITDA, cash generation and net debt.

Our core operations provide connectivity to assets, enabling the collection of operational data and the production of actionable analytics and insights to help customers transform their business performance. In a world increasingly reliant on the Internet of Things and AI (Artificial Intelligence), we are at the forefront of our industry, not only in providing solutions for today but developing tools for the future. Vianet's leading-edge contactless payment capability supports customer sales growth from unattended retail machines and the business is well placed to strengthen its position in this rapidly developing area. There are further contactless and data opportunities on assets in marketplaces such as fuel forecourts, where we saw a breakthrough with two announced orders totalling c1,800 units.

Our well-invested cloud-based platform now supports much greater flexibility of data point connection and data connectivity to the extent that it is possible to connect a range of business-critical third-party devices, enabling entry to new vertical markets beyond those we currently supply. Through collaboration with customers and partners, such as Suresite and Vendekin, in unattended retail, we can identify compelling end-to-end solutions to address business opportunities. This combination of capabilities will enable us to drive sustained business growth over the coming years.

Whilst FY2024 has had its global challenges, the Group has made excellent progress executing key elements of our growth plan, including securing new and renewed customer contracts over several years, successfully launching SmartVend and our new market data insights, and establishing 'strategic go-to-market' partnerships. Our contactless payment and telemetry solutions have strengthened customer relationships and helped secure new business in existing new verticals, such as retail & fuel forecourts.

The acquisition of the trade and assets of BMI in May 2023, combined with our draught beer monitoring solution, established a comprehensive beverage management platform that is unrivalled in our view. The combined US operations will require initial investment during FY2025, but the acquisition has accelerated our hospitality-related development roadmap, enabling profitable expansion of our footprint in the USA and UK beyond our legacy leased and tenanted customers.

As outlined in our September interim results, our H1 financial position was strengthened by a £927,774 tax refund and a new refinancing agreement with HSBC, enhancing our liquidity and supporting our growth ambitions.

OPERATING REVIEW

Smart Machines - Unattended Retail Division

Investment in sales and marketing, including a new CRM system, resulted in solid business gains, including 73 new customer contract wins, providing a healthy pipeline to underpin our growth plans.

Turnover was up 10.3% at £6.56m (FY2023: £5.95m), with operating profit up 22.4% at £2.46m (FY2023: £2.01m).

The number of connected unattended retail machines was 8,900 (FY2023: 6,554). Post machine rationalisation, the total machines grew 6.5% to 36,093 at the year-end (FY2023: 33,900).

The division made good progress despite the challenges of the MNO 3G switch-off, being a short-term distraction to vending operators developing plans to upgrade machines from 3G to 4G LTE. Whilst this dampened short-term demand, Vianet proactively supported our customers, and we saw a Q4 FY2024 acceleration of demand and associated new long-term contracts.

The division's recurring revenues grew 2% YOY by £0.09m and now represent c 74% of turnover (FY2023: 80%). As we have reported previously, this measure will flex dependant on the number of new capex hardware sales compared to rental-based sales. Regardless, this is a healthy level of recurring revenue that has grown incrementally year-on-year and will continue to do so.

As has been widely reported in the press, the trend toward non-cash transactions is growing significantly, with contactless payments giving a fast, easy, and secure transaction in a world where fewer people carry cash. Contactless payment solutions drive increased machine utilisation and sales for our customers, who benefit from the reduced cost of cash handling, improved cash flow and assured payment.

We believe that there is a continued significant opportunity to drive growth in the unattended retail market by delivering market-leading analytics and insight into premium coffee and unattended retail snack & can channels from new device connections and the rollout of contactless payment capability, as well as other market verticals such as fuel forecourts where we have seen a breakthrough during the year.

The market opportunity for the Group is significant, even when limited to the immediately addressable market of over 300,000 vending machines in the UK alone. It is estimated that the wider addressable market in mainland Europe is nearer 3 million devices, and there are 15 million machines worldwide, of which only c.30% have any form of connectivity.

Vianet's contactless payment solution is supported by leading industry partners Elavon, Worldpay and NMI and is enhanced by establishing our PCI Master Merchant service. This allows us to speed up the onboarding of customers for payment capability and provide a more cost-effective reconciliation and payment service.

Contactless payment remains a compelling solution in a market where traditional cash-only payments have long inhibited vending-related usage, consumption, and customer experience. The evolution and growth of contactless payment solutions, QR code technology and the insight from our telemetry firmware will materially change this dynamic and attract more consumers to the vending vertical.

In summary, the growth prospects for the Smart Machines business are positive, and there is a clear line of sight toward significant growth in this sector over the coming 2-3 years.

Smart Zones - Hospitality Division

The Hospitality division's recovery continued strongly. Revenues rose by 5.5% at £8.62m (FY2023: £8.16m), with profit being up 4.0% at £3.94m (FY2023: £3.79m).

Sales held strong with 260 (FY2023: 259) new site installations, 3 new contract wins, and 8 contract renewals as customers' needs and demand for data and insights grew.

Our UK estate had 454 (FY2023: 603) pub closures and 260 new installations (FY2023: 259), resulting in a net 194 site reduction (FY2023: 344), representing 43% less than last year, taking our installed base to c 9,650. Whilst it is difficult to predict the pace of closure rates and new openings, with our plans and opportunities, this is now a sustainable leased and tenanted level to deliver growth.

The trade and asset acquisition from BMI will accelerate our penetration of the UK hospitality sector beyond our current leased and tenanted footprint and, more importantly, help unlock the significant marketplace that exists in hospitality venues in the USA and support commercial traction during FY2025 and beyond.

We see an increased appetite for market data insights building on the customer engagement of the last two years with the launch of BMI and the Smart Insights portal. This is particularly relevant for the provision of retail data for brewers. Through our relationship with the Oxford Partnership, we deliver ground-breaking insights that support consumer-level decision-making for beer brands. We expect to show further growth in this exciting area in FY2025.

Adding our compliance service and data insight analytics to the BMI assets is resulting in a heightened emphasis on improving operational and retail performance. This strategic approach drives value from pubs, especially those under private equity ownership, by maximising their return potential.

Vianet Americas Inc ("VAI")

VAI reported losses at pre-amortisation and exceptional items of £387k (FY2023: £150k loss), impacted by the acquisition costs and integration of BMI principally due to staff and licence costs.

The acquisition included customers, an established inventory operating platform, software IP, patents for barcode 3D scanning and advanced technology for point-of-sale data integration.

The combination of Vianet's SmartDraught draught beer management solution with BMI's inventory platform provides a comprehensive one-stop drinks management solution which enables operators to reduce costs, improve productivity and maximise sales, driving improved profitability across the entire drinks category. SmartDraught integration with the inventory platform will allow Vianet to provide brewers with a more cost-effective and competitive brand monitoring and market insight solution.

Alongside recent investment in our draught beverage monitoring solution, this acquisition positions Vianet's hospitality operations firmly on the path to growth in the UK and to establishing a profitable footprint in the USA, where we benefit from direct access to a considerable number of national retail chains.

The opportunity for the Company in the US, the world's largest single-operator market, remains significant, with several conversations and commercial opportunities at advanced stages. While the combined US operations will require investment and are expected to be loss-making during FY2025, we anticipate monthly losses to have narrowed significantly by year-end and remain committed to establishing a significant US profit centre.

Overall, the Board remains confident that the Smart Zones division will see growth and deliver enhanced turnover, profit, and cash conversion to the Group.

R&D Investment

R&D investment is vital to maintaining the Group's market position, and thus, we have continued to invest in delivering our product roadmap and operational capabilities.

- SmartVend vending management software service module was released in Q3 FY2023, and following the finance module in FY2024, customer migrations should be completed during FY2025.
- SmartDraught hardware and software development, including BMI, has resulted in enhanced features and reduced the cost of both hardware and support.
- SmartInsight market insight portal developed and launched.
- Speed and latency of our solutions have improved with incremental hardware development to adapt existing technology for new verticals.

Further product enhancements, migration of all customers to SmartVend, leverage of BMI products and services, and securing new market verticals for telemetry and contactless payments on a cloud-based platform will further boost our services to customers in existing and new verticals.

services to customers in existing and new verticals.

The Board believes the investment in data capture technology, our core data management capability, and management software platforms will continue to deliver growth and enhance the quality and visibility of our recurring revenue streams.

Looking forward

Vianet has an exciting outlook with excellent momentum to take advantage of opportunities in remote asset management, contactless payment and market data insights both in our core and new markets, and the end-to-end product suite with BMI is enabling growth in our hospitality operations.

- The launch of the SmartVend management platform in H2 2023 has been well received and will generate further operational efficiencies for our customers, with complex migrations expected to be completed in FY2025. This will further cement Smart Machines as the marketplace's leading end-to-end solution. The highly motivated sales and commercial team in Smart Machines are continuing to accelerate the conversion from the significant pipeline of opportunities from existing and new customers in the c 3 million machine UK and Europe vending machine market. New business gains resulted in 73 customers being onboarded, helping us deliver significant new machine sales.
- Smart Zones has a healthy sales pipeline in its core UK leased and tenanted sector driven primarily by our data capabilities. We expect new system sales in FY2025 to more than offset further pub closures. The combination of BMI's inventory platform and Vianet's draught beer monitoring creates a comprehensive and affordable beverage management solution which will also unlock opportunities for stock management, enhanced analytics, and insight. This will result in growth across all UK pub sectors, and we are already seeing enthusiastic engagement in the USA. Continued Private Equity pub company ownership is expected to drive greater focus on operating and retail performance, where we are well placed to deliver value for customers.
- Growing demand for connectivity solutions, data capture, insights, and payment systems are driving new sales in our core hospitality and unattended retail sectors. The recent announcement of our partnership with Suresite, a leading forecourt retail specialist with two core contract wins, and Vendekin QR payment specialists demonstrates our progress toward leveraging our existing technology to extend our growth in sectors such as catering and forecourt solutions where we anticipate good growth.

Whilst we are not immune from the global supply chain challenges or the inflationary economic backdrop, increasing demand for our highly relevant products will continue to drive growth, high-quality recurring revenue at 85%, cash generation and reducing net debt. Ongoing investment in product development and people is creating real momentum. The Group is confident that the team, products, and financial capabilities we have will continue delivering growth for the business.

The Board remains confident that momentum and sales will continue to build as we execute our long-term strategy and deliver sustainable earnings growth and profitability.

Finally, our high-calibre, energised team, robust strategy, and strong earnings visibility provide a natural platform for growth as we expand our IoT capability and deliver data and insight applications that help our customers make better decisions about their assets to transform business performance.

James Dickson

Chairman and Chief Executive

FINANCIAL REVIEW

Financial Performance

Group operating profit, pre-exceptional costs, amortisation and share -based payments was £3.47m (FY2023: £3.11m), c12% year-on-year growth. It is important to recognise these results are net of post-acquisition BMI people and licence costs of nearly £0.5m.

Proactive management delivered robust gross margins at c69% (FY2023: 66%), reflecting the strength of the margin-enhancing growing incremental recurring revenue footprint.

Revenue & Recurring Revenue

Turnover improved by 7.6% by £1.08m to £15.18m (FY2023: £14.12m), with Smart Machines continuing its growth curve and best result to date, in addition to Smart Zones growing revenue and profit.

Group contracted recurring revenue base remains very robust and has been strengthened by several new 3-5-year contracts, both from new customers and contract renewals.

Recurring revenue is measured by taking full-year revenue from service packs, licenses, rentals, and technology upgrades, as per Note 3.

Consolidated recurring revenue across the two divisions remained robust at 85% (FY2023: 89%) despite recent sales being more capex based, demonstrating the strength of a growing incremental recurring revenue footprint. Overall actual recurring revenue grew by 3.3% by £0.42m year on year, and it is set to continue.

The absolute recurring revenue increased year on year, with the average recurring revenue per connected device remaining flat at £284.02 (FY2023: £286.72), impacted only by the revenue mix.

remaining flat at £284.02 (FY2023: £286.72), impacted only by the revenue mix.

This KPI is measured by taking full year recurring revenue and dividing it by the total number of connected venues and machines at the year end.

Performance Summary

Profit before tax was £0.78m (FY2023: £0.45m), a material improvement from the low of the FY2021 pandemic year. For FY2023, we took the opportunity to seek a tax refund, which was received during FY2024, for historic accrued R&D losses. FY2024 shows a tax credit of £17k after all tax movements. The table below shows the performance of the Group.

	FY2024	FY2023	Change
Revenue	£15.18m	£14.12m	7.6%
Operating profit[a]	£3.47m	£3.11m	11.6%
Profit before tax	£0.78m	£0.45m	73.3%
EBITDA[b]	£4.01m	£3.62m	10.8%
Basic EPS	2.72p	0.56p	385.7%
Dividend per share	0.75p	0.5p	50.0%
Net debt [c]	£1.52m	£3.37m	54.9%

a) Pre-exceptional items, share-based payments and amortisation

b) Pre-exceptional items and share-based payments

c) Refer to note 26

Exceptionals

	FY2024 '£000	FY2023 '£000
People and office rationalisation	65	17
3G Network obsolescence costs	25	-
Corporate Activity and BMI acquisition costs	346	66
Recovered corporate costs	(350)	-
Bank Refinance costs	59	37
Other items	-	2
Total	145	122

Corporate activity and acquisition costs relate to fees paid to corporate advisors with respect to prospective acquisitions and corporate evaluations. During the year, the Company recovered costs associated with a previous historic matter that is the subject of a Confidentiality Agreement

Dividend

As noted in the Chairman's statement, the Board has proposed a final dividend payment of 0.75p per share (FY2023: 0.50p).

Cash

Net cash generation pre-working capital movements was an inflow of £3.93m (2023: £4.45m, which includes an accrued tax rebate of c£0.92m. Normalised cash generation was £3.53m), 113.6% of pre-exceptional EBITA, and 104.2% of net EBITDA (97.9% of pre-exceptional EBITDA) - very healthy levels of profit to cash conversion.

Working capital was proactively managed, with a more normalised draw of £0.26m in the year as expected, which delivered a post-working capital generation inflow of £3.67m (2023: £2.04m).

We received a c.£922k tax rebate in the year, which meant cash generated overall post working capital was £4.59m.

The cash generated was principally used to invest in R&D technology spend (as noted in the Chairman's and Strategic review), new recurring revenue rental assets, new leased engineer vehicles alongside the impact of the bank facility refinance and move to HSBC. This resulted in an overall cash inflow of £2.92m (2023: £1.37m cash outflow) - a strong cash rebound generated from cash generative results, tax rebate and bank refinance to more flexible facilities.

At the year-end, the Group had gross cash of £1.82m (2023: £0.07m) and net debt of £1.52m (2023: £3.37m) - a significant step forward in the cash strength of the business.

The strong results and cash base on the business, together with the expected business progress outlined in the Chair and CEO report, serve to underline our belief in our business strategy and allow for our growth plans.

Divisional performance

<u>Smart Machines</u>

The Smart Machines division consists of telemetry insights and monitoring and contactless payment predominantly in the unattended vending retail and coffee sector, as well as ERP and mobile connectivity services.

	FY2024	FY2023
Turnover	£6.56m	£5.95m
Operating profit [a]	£2.46m	£2.01m
Profit before tax	£2.40m	£1.65m
New Telemetry machines	3,644	2,046

New Telemetry machines	[illegible]	[illegible]
New Contactless machines	5,256	4,508
YE net machine estate	c36,083	c33,900

a) Pre-exceptional items, share-based payments and amortisation on a continuing basis.

Recurring revenues were c 74% of turnover (2023: 80%), reflecting the mix of capex to recurring revenue, but with an underlying increase in recurring revenue growth of 2.2%.

Machine unit estate grew c6.4% year on year to an estate size of 36,083, with unit sales growth of c35.8% pre any customer estate refinement.

Average recurring revenue per machine unit was £133.95 (FY2023: £140.21), reflecting a growing footprint in larger customers who attract keener pricing, but absolute recurring revenue is increasing, nevertheless. As stated previously, this is an evolving growth story, with overall turnover and profit growth trends being driven by increased penetration of our contactless and telemetry solutions, and so these measures will flex each year.

Profit per device increased 14.8% to £68.16 (FY2023: £59.38), reflecting the footprint growth, associated recurring revenue and cost base. As a result, profit grew to £2.46m from £2.01m last year, representing a growth of c22.4%.

Smart Zones (Hospitality)

Currently, the Smart Zones division principally consists of the core beer monitoring and insight business services (including the US).

	FY2024	FY2023
Turnover	£8.62m	£8.16m
Operating profit[(a)]	£3.94m	£3.79m
Profit before tax	£2.76m	£2.97m
New site installations	260	259
YE net premises[(b)]	c. 9,638	c. 9,758

a) Pre-exceptional items, share-based payments and amortisation.

b) UK, USA, and Europe.

Turnover mix is shown below, with recurring revenue being 94% (2023: 95%).

Recurring revenue per device has improved to £840.52 (2023: £795.70), an increase of 5.6%.

Average operating profitability per venue is measured by taking full-year operating profit before amortisation, share-based payments and exceptional items and dividing it by the total number of venues at the year-end.

Average adjusted operating profit per venue in the year grew to £408.28 (2023: £388.30), 5.1% year-on-year growth.

The division performed well from robust recurring revenue streams, new venue sales and a declining rate of pub disposals, coupled with the addition of the venues and their revenue streams from the USA BMI acquisition, demonstrating both the customer engagement for the services we provided and the resilience of the revenue model. The net estate at the year-end was circa 9,640 sites (UK, USA & Europe) versus last year's c.9,760.

Smart Zones operating profit of £3.94m (2023: £3.79m), c4% growth despite the increased USA losses post-acquisition.

Taxation

The Group has continued to utilise available tax losses during the year resulting in no tax being paid (FY2023: £nil). The Group will continue to utilise the available tax losses carried forward into FY2025. The impact of tax movements in the year, including the tax rebate for prior year surrendered losses, contributed to an overall tax credit of £0.02m (FY2023 tax charge £0.29m), recognising the impact of the tax losses available and being utilised.

Earnings per share

Basic EPS was 2.72p (2023: 0.56p). This reflects the step forward in results.

Balance sheet and cash flow

The Group balance sheet remains strong, very capable of supporting our growth position and is further enhanced by the more flexible HSBC bank facility we now have.

The Group generated operating cash flow pre-working capital of £3.93m (2023: £3.53m) being 12.46% growth year on year.

Post working capital draw of £0.26m but receipt of a £0.922m tax rebate, there was a net inflow of £4.59m (2023: £2.04m), working capital movement being more normalised in the year.

The cash generated was used to continue to invest in the Group's technology plans, service less onerous borrowings, and acquire rental assets alongside some vehicle fleet refreshment.

At the year-end, the Group had borrowings of £3.34m (2023: £3.44m) across an RCF (Revolving Credit Facility), term loan and mortgage, with net debt of £1.52m (2023: £3.37m).

Our resilient balance sheet and capacity to generate cash provides the Company with a solid base to build on the results of FY2024 to pursue the significant growth opportunities that have been identified.

Mark Foster

Chief Financial Officer

Business risk

The Board and senior management review business risk two to three times per year. The last year has seen an increased inflationary environment. The Directors had considered the areas of potential risk in assessing the Group's prospects. Based on their review and having considered a range of factors such as market conditions, stock supply and premium costs, inflation, financial plans, and new bank facilities, they believe that the business is of sound financial footing and has a forward looking sustainable operating future. They note that the business has achieved financial results ahead of market expectation as at H1 2024 and prior year, set against overall market confidence in liquidity and credit.

The Directors consider that material business risks are limited to:

- Inflation remaining for a further period.

- The potential for a cyber security breach where data security is compromised resulting in unauthorised access to information which is sensitive and/or proprietary to Vianet or its customers. This threat is in common with most technology businesses, however both short term and long-term mitigation plans continue to be in place. Payment Card Industry Data Security Standard (PCI DSS - Level 1) highest level of compliance has already been achieved to support the Group's contactless payment solutions and by May 2022 all on premise servers are in the cloud.

Going Concern

As is required, the Board has considered "Going Concern" and, coupled with a new more flexible finance facility with HSBC, concluded we have sufficient cash and reserves see us through the 12 months post the signing date of the statutory accounts, and beyond with associated committed bank facilities. Going Concern is covered in more detail in the Report of the Directors.

Key performance indicators

		Actual	**Actual**
	Target	**2024**	**2023**
Percentage of revenue from recurring income streams[1]	80%	85%	88%
Gross Margin[2]	70%	69%	66%
Employee Turnover[3]	2%	1.7%	3.8%

Notes to KPIs

[1] Percentage of revenue from recurring income streams = recurring income streams as a percentage of all income streams. Group trading companies aim to increase shareholder value through growth in revenue, linked to profitability (see Gross Margin below). Source data is taken from management information. The recurring contractual nature of the Company's income stream has led to continued improvement in performance versus target. The achievement of this target depends on the mix of new hardware sales versus on going recurring revenue.

[2] Gross Margin = Gross profit as a percentage of revenue. Group trading companies aim to generate sufficient profit for both distribution to shareholders and re-investment in the Company, as measured by Gross Margin.

[3] Employee Turnover = Gross trading companies aim to be seen as a good, attractive employer with positive values and career prospects, measured against internal People and Development reports. In addition to normal employee turnover, the figure also includes employees leaving as a result of business rationalisation activity.

Consolidated Statement of Comprehensive Income for the year ended 31 March 2024

	Note	Before Exceptional 2024 £000	Exceptional 2024 £000	Total 2024 £000	Before Exceptional 2023 £000	Exceptional 2023 £000	Total 2023 £000
Continuing operations							
Revenue		15,176	-	15,176	14,115	-	14,115
Cost of sales		(4,745)	-	(4,745)	(4,737)	-	(4,737)
Gross profit		10,431	-	10,431	9,378	-	9,378
Administration and other operating expenses		(6,962)	(145)	(7,107)	(6,273)	(122)	(6,395)

Operating profit pre amortisation and share based payments		**3,469**	**(145)**	**3,324**	**3,105**	**(122)**	**2,983**
Intangible asset amortisation		(2,164)	-	(2,164)	(2,254)	-	(2,254)
Share based payments		(100)	-	(100)	(71)	-	(71)
Total administrative expenses		(9,226)	(145)	(9,371)	(8,598)	(122)	(8,720)
Operating Profit		**1,205**	**(145)**	**1,060**	**780**	**(122)**	**658**
Net finance costs		(276)	-	(276)	(206)	-	(206)
Profit before tax		**929**	**(145)**	**784**	**574**	**(122)**	**452**
Income tax credit/(charge)	1	17	-	17	(291)	-	(291)
Profit and other comprehensive income for the year		**946**	**(145)**	**801**	**283**	**(122)**	**161**
Earnings per share							
Total							
- Basic	3			2.72p			0.56p
- Diluted	3			2.69p			0.56p

Consolidated Balance Sheet at 31 March 2024

	2024	2023
	£000	£000
Assets		
Non-current assets		
Goodwill	17,856	17,856
Other intangible assets	5,884	5,425
Property, plant and equipment	3,327	3,370
Total non-current assets	27,067	26,651
Current assets		
Inventories	2,185	2,275
Trade and other receivables	3,873	3,781
Cash and cash equivalents	1,822	69
	7,880	6,125
Total assets	34,947	32,776
Equity and liabilities		
Liabilities		
Current liabilities		
Trade and other payables	3,061	2,348
Leases	123	70
Borrowings	177	1,925
	3,361	4,343
Non-current liabilities		
Leases	157	122
Borrowings	3,159	1,517

Deferred tax liability	810	827
Contingent consideration	268	-
	4,394	2,466
Equity attributable to owners of the parent		
Share capital	2,940	2,880
Share premium account	11,748	11,711
Capital redemption reserve	32	15
Share based payment reserve	583	563
Merger reserve	818	310
Retained profit	11,071	10,488
Total equity	27,192	25,967
Total equity and liabilities	34,947	32,776

Consolidated Statement of Changes in Equity for the year ended 31 March 2024

	Share capital	Share premium account	Share based payment reserve	Merger reserve	Capital Redemption Reserve	Retained profit	Total
At 1 April 2022	2,880	11,711	499	310	15	10,320	25,735
Share based payments	-	-	71	-	-	-	71
Share option forfeitures	-	-	(7)	-	-	7	-
Transactions with owners	-	-	64	-	-	7	71
Profit and total comprehensive income for the year	-	-	-	-		161	161
Total comprehensive income less owners transactions	-	-	64	-	-	168	232
At 31 March 2023	2,880	11,711	563	310	15	10,488	25,967
At 1 April 2023	2,880	11,711	563	310	15	10,488	25,967
Share based payments	-	-	100	-	-	-	100
Share option forfeitures	-	-	(80)	-	-	80	-
Dividends	-	-	-	-	-	(148)	(148)
Share capital issued	77	37	-	508	-	-	622
Shares cancelled	(17)				17	(150)	(150)
Transactions with owners	60	37	20	508	17	(218)	424
Profit and total comprehensive income for the year	-	-	-	-	-	801	801
Total comprehensive income less owners transactions	60	37	20	508	17	583	1,225
At 31 March 2024	2,940	11,748	583	818	32	11,071	27,192

Consolidated Cash Flow Statement for the year ended 31 March 2024

	Note	2024 £000	2023 £000
Cash flows from operating activities			
Profit for the year		801	161
Adjustments for			
Net interest payable		276	206
Income tax (credit)/charge		(17)	291

Amortisation of intangible assets	2,164	2,254
Depreciation	544	519
Loss on impairment of property, plant and equipment and businesses	61	24
Tax receivable	-	922
Share based payments	100	71
Operating cash flows before changes in working capital and provisions	**3,929**	**4,448**
Change in inventories	91	(702)
Change in receivables	(996)	(1,091)
Change in payables	646	(618)
	(259)	(2,411)
Cash generated from operations	**3,670**	**2,037**
Income Taxes refunded	922	-
Net cash generated from operating activities	**4,592**	**2,037**
Cash flows from investing activities		
Purchases of property, plant and equipment	(577)	(651)
Capitalisation of development costs	(1,724)	(1,699)
Purchases of intangible assets	(8)	(4)
Proceeds from disposal of property, plant and equipment	-	-
Net cash used in investing activities	**(2,309)**	**(2,354)**
Cash flows from financing activities		
Net interest payable	(276)	(206)
Repayment of leases	(84)	(65)
Issue of share capital	44	-
New leases	190	231
Cancellation of shares	(150)	-
Payment of contingent consideration	-	(16)
Dividends paid	(148)	-
New borrowings	3,440	-
Repayments of borrowings	(2,378)	(992)
Net cash received/(used) in financing activities	**638**	**(1,048)**
Net increase/(decrease) in cash and cash equivalents	2,921	(1,365)
Cash and cash equivalents at beginning of year	(1,099)	266
Cash and cash equivalents at end of year	**1,822**	**(1,099)**

Notes to the financial statements

1. Taxation

Analysis of tax (credit)/charge in year

	2024	2023
	£000	£000
Current tax credit		
- Amounts in respect of the current year	-	-
- Amounts in respect of prior periods	-	(922)
	-	(922)
Deferred tax (credit)/ charge:		
- Amounts in respect of the current year	(82)	1,213
- Amounts in respect of prior periods	65	-
Income tax (credit)/charge	(17)	291

Reconciliation of effective tax rate

Reconciliation of effective tax rate

The tax for the 2024 year is higher (2023: was lower) than the standard rate of corporation tax in the UK (2024: 25% and 2023: 19%). The differences are explained below:

	2024	2023
	£000	£000
Profit before taxation		
- Continuing operations	784	452
Profit before taxation multiplied by rate of corporation tax in the UK of 25% (2023: 19%)	196	86
Effects of:		
Other expenses not deductible for tax purposes	26	(17)
Non-taxable income	(377)	(44)
Gains/(losses) not provided for	380	(355)
Adjustments for prior years	65	922
Amortisation of intangible assets	512	427
Research and development	(819)	(728)
Total tax (credit)/charge	(17)	291

2. Ordinary dividends

	2024	2023
	£000	£000
Final dividend for the year ended 31 March 2023 (year ended 31 March 2022: nil)	148	-
Interim dividend paid in respect of the year of nil (2023: nil)	-	-
Amounts recognised as distributions to equity holders	148	-

In addition, the directors are proposing a final dividend in respect of the year ended 31 March 2024 of 0.75p per share payable on 2 August 2024 to shareholders on the register on 21 June 2024. Total dividend payable 0.75p (2023: 0.5p).

3. Earnings per share

Earnings per share for the year ended 31 March 2024 was 2.72p (2023: 0.56p).

Basic earnings per share are calculated by dividing the earnings attributable to ordinary shareholders being a profit of £801k (2023: £161k) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated on the basis of profit for the year after tax divided by the weighted average number of shares in issue in the year plus the weighted average number of shares which would be issued if all the options granted were exercised.

	2024			2023		
	Earnings £000	Basic earnings per share	Diluted earnings per share	Earnings £000	Basic earnings per share	Diluted earnings per share
Post-tax profit attributable to equity shareholders	801	2.72p	2.69p	161	0.56p	0.56p

	2024	2023
	Number	Number
Weighted average number of ordinary shares	29,493,637	28,808,914
Dilutive effect of share options	250,533	66,673
Diluted weighted average number of ordinary shares	29,744,170	28,875,587

4. Exceptional items

	2024	2023
	£000	£000
Corporate activity and BMI acquisition costs	346	66
Recovered corporate costs	(350)	-
Staff transitional costs	65	17
3G Project (4G swap)	25	-
Bank refinance costs	59	37

Other	-	2
	145	122

Corporate activity and acquisition costs relate to fees paid to corporate advisors in respect of prospective acquisitions and corporate evaluations. During the year the company recovered costs associated with a previous historic matter that is the subject of a Confidentiality Agreement.

Staff transitional costs relate to the transition of people and management to ensure we have to succession and calibre of people on board to deliver the strategic aims and aspirations of the Group.

5. Basis of preparation

In accordance with the Companies Act 2006, this preliminary report based on the unaudited financial statements has been prepared and approved by the Directors in accordance with UK adopted international accounting standards, and in accordance with the AIM rules and is not therefore in full compliance with IFRS. The company prepares its parent company financial statements in accordance with FRS 101.

The financial information for the year ended 31 March 2023 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The independent auditors' report on the full financial statements for the year ended 31 March 2023 was unqualified and did not contain an emphasis of matter paragraph or any statement under section 498 of the Companies Act 2006. This preliminary announcement does not constitute the Group's full financial statements for the year ended 31 March 2024.

The Group's full financial statements will be approved by the Board of Directors and reported on by the auditors on 20 June 2024. Accordingly, the financial information for the year ended 31 March 2024 is presented unaudited in the preliminary announcement.

The consolidated financial statements have been prepared on an historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand, expressed in millions to one decimal point, except when otherwise indicated.
The Directors have prepared this financial information on the fundamental assumption that the Group is a going concern and will continue to trade for at least 12 months following the date of approval of the financial information. In determining whether the Group's accounts should be prepared on a going concern basis the Directors have considered the factors likely to affect future performance.

6. Notes supporting statement of cashflows

	Borrowings due within one year £000	Borrowings due after one year £000	Total £000
Net debt as 1 April 2022	(993)	(2,273)	(3,266)
Cash flows	236	756	992
Non cash-flows			
- Interest accruing in the year	-	-	-
Net debt at 31 March 2023	(757) *	(1,517)	(2,274)
Cash flows	580	(1,642)	(1,062)
Non cash-flows			
- Interest accruing in the year	-	-	-
Net debt at 31 March 2024	(177)	(3,159)	(3,336)

* The net debt as at 31 March 2023 for borrowing due within one year of £757k as stated here, does not agree to the Balance Sheet amount of £1,925k, as this does not include the bank overdraft of £1,168k as at 31 March 2023.

Cash and cash equivalents for the purpose of the statement of cash flows comprises

	2024 £000	2023 £000
Cash at bank available on demand	1,822	69
Cash on hand	-	-
Adjusted net cash generation	1,822	69

Non- cash transactions from financing activities are shown in the reconciliation of liabilities from financing transactions in Note 6.

7. Alternative Performance Measures

In the reporting of financial information, the Directors have adopted the APMs "Adjusted operating (loss)/profit", "Adjusted operating cash generation", and "Adjusted net cash generation", (APMs were previously termed 'Non-GAAP measures'), which is not defined or specified under International Financial Reporting Standards (IFRS).

These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMS, including those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measurements.

Purpose

The Directors believe that these APMs assist in providing additional useful information on the underlying trends, performance and position of the Group. These APMs are also used to enhance the comparability of information between reporting periods and business units, by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and this remains consistent with the prior year. Adjusted APMs are used by the Group in order to understand underlying performance and exclude items which distort compatibility, as well as being consistent with public broker forecasts and measures.

	2024	2023
	£000	£000
Operating profit (IFRS measure)	1,060	658
Add back:		
Amortisation charge	2,164	2,254
Share based payment charge	100	71
Exceptional items charge	145	122
Adjusted operating profit	3,469	3,105

8. Asset Acquisition

On 12 May 2023, the Group acquired the trade and assets of Beverage Metrics Inc (BMI) from Identec Inc, a company based in the USA through Vianet Americas. The purchase price was settled for £577,500 in shares and £332,221 in contingent consideration.

Details of the acquisition are set out below:

	Carrying values pre acquisition	IFRS 3 Concentration Test Adjustment	Fair Value
	£000	£000	£000
Intangible assets			
- Software	-	891	891
Property, plant and equipment	3	-	3
Trade and other receivables	18	-	18
Trade and other payables	(3)	-	(3)
Taxation			
- Current	-	-	-
- Deferred	-	-	-
Cash and cash equivalents	-	-	-
Net assets acquired	18	891	909
Goodwill			-
Consideration			909
Consideration satisfied by:			
Shares			577
Contingent Consideration			332
			909

All intangible assets were recognised at their respective fair values.

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