

30 July 2024

Microlise Group plc
("Microlise", "the Group" or "the Company")

HY2024 Trading Update
Strong revenue and profit growth

Microlise Group plc (AIM: SAAS), a leading provider of transport management software to fleet operators, is pleased to provide a half year update on trading for the six months ended 30 June 2024 ("the Period"). The Group expects to publish its interim results in late September 2024.

Financial Highlights (Un-Audited)

- ARR¹ of £54.0m, growth of 20.6%, of which 11% is organic
- Group revenue of £39.1m, growth of 15.4%
- Recurring revenue growth of 21.5% of which 11% is organic
- Adjusted EBITDA² of £5.2m, representing margins of 13.4%
- Cash conversion³ of 72% and net cash of £8.9m

Trading Update

Microlise has delivered a strong trading performance over the past six months and secured a number of new direct customers, including GSF in the UK and STAF in France.

The results for first half of the year, include a full six-month contribution from the Vita acquisition, completed in March 2023, compared to three months in the previous half year and a five-and-a-half-month contribution from the acquisition of ESS, completed on 19 January 2024.

Revenue grew by 15.4% to £39.1m (H1 2023: £33.9m), driven by strong growth in recurring revenues, which have grown 21.5% (11% organic) to £26.6m (H1 2023: £21.9m) following increased delivery into direct customers towards the end of the prior year as new vehicle availability improved. ARR increased 20.6% (11% organic) to £54.0m (H1 2023: £44.8m).

Non-recurring revenues increased by 4.4% (1.9% organic) to £12.6m (H1 2023: £12.0m) with OEM hardware sales expected to have a greater H2 weighting in the year, with orderbooks for H2 showing growth expected over the full financial year. In addition, localised vehicle availability constraints in Australia temporarily slowed hardware and installation revenues on certain project deliveries. These are expected to be resolved in H2.

Adjusted EBITDA grew by 17% to £5.2m (H1 2023: £4.5m), with margins increasing to 13.4% (H1 2023: 13.2%), driven by strong recurring revenue growth. In the period the Group has commenced several LEAN initiatives that will impact H2 and FY25.

The Group's net cash position at 30 June 2024 was £8.9 million, after the initial £7.65m cash payment relating to the acquisition of Enterprise Software Systems and the Group's maiden ordinary dividend of £2.0m that was paid on 28 June 2024. The cash conversion rate was 72% (H1 2023: 80%), impacted by increased inventory levels due to the delayed rollout of certain projects in Australia, and will normalise once these projects are fully deployed.

Customers

During the period, the Group added 202 new customers (H1 2023: 250), securing new business across all its target geographies and with significant wins with LGV fleet operators. Microlise strengthened its position in the UK market, both through new customers and cross-sales of recently acquired and developed products. Notably, the Group signed a new 10-year contract with an existing customer for the recently acquired TMS solution, replacing its incumbent TMS provider.

Microlise's international business continues to grow with a number of material contracts won in ANZ and the securing of its largest customer in France. In ANZ, the Group won a £10.6m contract with Woolworths, as announced in March 2024 and a five-year contract with FSSI, the largest grocery retailer in the South Island of New Zealand. Microlise now serves 3 of the 4 largest supermarket chains in Australia and the 2 largest supermarkets chains in New Zealand and continues to have a strong sales pipeline in the region.

In France, the Group won its largest contract to date in the region with STAF, a leading company in the transport of mass distribution and agri-foods. This achievement underscores the broad applicability of Microlise's product range in wider markets within the region.

The Company has also maintained its excellent customer retention rate with churn of just 0.5% during the six-month period, highlighting the quality and importance of its product offerings to its customers.

Acquisition and Products

During the period, Microlise announced the acquisition of K-Safe, a developer of road safety products such as the mobile app, Flare. Integration of this acquisition has enhanced the Group's Driver Hazard Warning (DHW) product, enabling it to alert drivers to dynamic hazards, such as cyclists within a blind spot, as well as static hazards like low bridges. An existing UK customer, Direct Sameday, implemented the Group's new DHW in the period and leveraged its risk prevention benefits to negotiate lower insurance premiums for its fleet.

Since the acquisition, Microlise has brought in new contracts to the Flare app network including Just Eat and Deliveroo, making Microlise's product set truly end-to-end, covering everything from the depot to the last mile.

Post-period-end the Company announced the launch of a Proximity Beacons product, which can track all of a customer's assets, ensuring simple traceability and preventing theft of high value cargo, by utilising the Microlise mesh network created from existing telematics units. This is already generating upselling and cross selling opportunities, with the Group already having upsold the product into an existing OEM customer, as well as being in advanced conversations with a number of other existing customers.

Outlook

The outlook for the Group is positive, with growing sales pipelines across all regions bolstered by the ongoing expansion of Microlise's market-leading product offering. Following the strong customer wins in H1, Microlise has a strong order book of projects, either in delivery or for delivery in H2 2024, giving it confidence in meeting full year expectations for 2024.

Nadeem Raza, CEO, Microlise said "I am delighted to report strong performance in the first half of the year, with significant recurring revenue growth following a strong period of delivery in the second half of last year and with new products from our successful acquisitions leading to an increase in cross selling and upselling. In addition, we secured a significant number of new clients, including strategically important contract wins in our international markets.

"We continue to seek acquisitions that can further enhance our offering and accelerate our growth within all regions. With superior market positioning, favourable market conditions, and a strong pipeline, we are confident of meeting expectations for the full year."

Notes:

All financials are based on unaudited figures.

1 Annual Recurring Revenue is calculated by multiplying the June 2024 monthly recurring revenue by 12

2 Adjusted Earnings Before interest, tax, depreciation, amortisation, share based payments and exceptional costs

3 Cash conversion is the % of cash generated from operating activities as a % of adjusted EBITDA.

4 Analysts' revenue expectations for FY 2024 range from £83.0m to £83.5m.

5 Analysts' Adjusted EBITDA expectations for FY 2024 range from £10.8m to £11.0m.

6 Analysts' net cash expectations for 31 December 2024 range from £9.5m to £10.2m.

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About Microlise

Microlise Group Plc is a leading provider of transport management software to fleet operators helping them to improve efficiency, safety, and reduce emissions. These improvements are delivered through reduced fuel use, reduced mileage travelled, improved driver performance, fewer accidents, elimination of paperwork and delivery of an enhanced customer experience.

Established in 1982, Microlise is an award-winning business with over 400 enterprise clients. With 463 employees based at the Group's headquarters in Nottingham in the UK, the Company also has offices in France, Australia, and India, with a total global staff base of over 750.

Microlise is listed on the AIM market of the London Stock Exchange (AIM: SAAS) and qualifies for the London Stock Exchange's Green Economy Mark.

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