

31 July 2023

Fadel Partners, Inc.

('FADEL', the 'Company' or, together with its subsidiaries, the 'Group')

Half Year Trading Update and Notice of AGM

FADEL, the developer of cloud-based brand compliance and rights and royalty management software, provides a trading update for the six months ended 30 June 2024 (1H24).

1H 24 Financial Highlights

- Total revenue of \$5.3M (1H23: \$5.4M).
- Recurring revenue declined 21% to \$3.4m (1H23: \$4.3m), partly due to renewal licence revenue on certain contracts shifting into 2H24 as in the prior year, and certain IPM customers chose to transition to their own hosted environments in 2H23 to remain compliant with their internal security and GDPR requirements. Pursuant to the terms of certain licenses signed in 2H23, U.S. GAAP revenue recognition requires that such contract types have their licence revenue recognised in full at a point in time, rather than pro-rata over the course of the license term, and therefore caused a temporary timing increase in revenue in 2H23. These annual contracts are expected to renew in 2H24 and hence the recognition of revenue will not reoccur until 2H24.
- Conversely, service revenue increased 90% to \$1.9m in 1H24 (1H23: \$1.0m), reflecting the successful start of a new IPM customer implementation, as well as professional services in support of expansionary regional rollouts for existing IPM customers.
- Adjusted EBITDA loss increased in 1H FY24 to \$3.6M (1H FY23: 2.0M). The increase in losses was primarily driven by an increased level of investment in go-to market costs, as well as in part by the relatively flat level of revenues noted above.
- Cash and cash equivalents stood at \$1.9m as of 30 June 2024.

Looking forward to the full year outcomes, the Board anticipates that the Company's FY24 revenue to be within the range of \$14.8M to \$15.8M, with an adjusted EBITDA loss between \$2.3M and \$1.9M. Due to the timing of revenue recognition for certain IPM customers, and the underlying growth in new business, the Company expects similar H2 weighting as in FY23, with a significant increase in 2H24 revenue expected compared to 1H24. The Company therefore expects to achieve positive adjusted EBITDA in 2H24, and a consequently lower adjusted EBITDA loss for the full. The Company expects a closing cash position of between \$1.3M and \$1.9M at year-end.

LicenSee and BrandVision Content Tracking, whilst relatively new offerings, are attracting significant customer interest, reflected in an expanded pipeline. However, given the nascent nature of these offerings, management continue to develop the forecasting methodology in relation to these products. Furthermore, the timing of deal closings and the variability in IPM license revenue recognition under U.S. GAAP add complexity to achieving accurate accounting revenue forecasts. We have therefore introduced a range to forecast U.S. GAAP revenue for FY 24.

The Company is introducing a key SaaS metrics of Annual Recurring Revenue (ARR*). Management believes that this additional disclosure will provide improved consistency of understanding of the Company's overall progress compared to the more variable measure of revenue alone. As of 1H24, total ARR increased by 3% to \$9.3M (2H23: \$9.0M). During 1H24, the Company closed approximately \$0.7M in new ARR, surpassing the total new ARR closed for the entire full year 2023. This increase was offset by roughly \$0.3M of churn from one Picture Desk customer, together with a negative impact of foreign exchange on certain Euro-denominated IPM customer agreements.

**ARR is the annualized value of signed customer contracts including both contracted license revenue and contracted support revenues. Professional services are excluded from this definition.*

Operational Highlights

- On 1 March 2024, FADEL launched LicenSee™, a cloud-based platform for automating royalty management for mid-market consumer product licensees. Since its launch, we have already closed one new customer deal and have achieved a rapid build-up in LicenSee opportunity pipeline in a short period.
- Our BrandVision offering, featuring AI-based video matching, was released in 1H23 and continues to attract enterprise clients, particularly with the anticipated release of enhancements covering audio matching for music in marketing videos by 1H25. This product investment is being well received not only by new logo prospects, but also by existing customers. The Company is therefore achieving an improvement in size, quality and product mix in its pipeline for both new logo and expansion and upsell opportunities within our Digital Rights Management customer base.
- Since its IPO on 6 April 2023, FADEL has expanded its sales and marketing teams, including new hires in sales, lead generation, and support roles, with the goal of significantly enhancing our go-to-market capabilities and market reach to grow revenues. This has shown early signs of success in an expanded pipeline of both new logos and existing customer opportunities but has necessarily increased our overhead expenditure. While this has driven up the level of sales and marketing expenses in 1H24, these costs will be more fully matched with increased revenues in 2H24.
- We are cautiously optimistic about the returning confidence in customer budget releases for professional services projects, evidenced by growth in our services revenue stream during 1H24. We anticipate the elevated levels of services revenue seen in 1H24 to continue to grow through 2H24 and into FY25.

Board Changes

- Effective 14 February 2024 we appointed a new Chief Financial Officer, Ian Flaherty, a CPA in the United States. Ian

- Effective 1 February 2024, we appointed a new Chief Financial Officer, Ian Flaherty, a CFA in the United States. Ian has held various financial management positions in publicly listed companies (New York Stock Exchange and Toronto Stock Exchange) within the technology and direct-to-consumer sector, and brings with him a wealth of US GAAP reporting and international tax experience.
- Effective 1 July 2024, we appointed Simon Wilson as Chairman. Simon brings extensive executive and board experience from enterprise B2B software companies in the UK and US, including AIM-listed and growth equity-backed companies.

Notice of AGM

The Notice of Annual General Meeting is available on the Company's website at www.fadel.com and will be posted to shareholders today. The Company's AGM will be held at the offices of Cavendish at One Bartholomew Close, London, EC1A 7BL, United Kingdom, on 20 August 2024 at 4:00 p.m. (UK time).

In order to allow shareholders to follow the proceedings of the AGM without attending in person, the Company will provide access online via the Investor Meet Company platform. Shareholders wanting to attend the online AGM should register for the event in advance by using the following link - <https://www.investormeetcompany.com/fadel-partners-inc/register-investor>.

However, please note that shareholders will not be able to vote online at the AGM via the platform and are therefore requested to submit their votes via proxy, as early as possible.

Shareholders are invited to submit questions for the Board to consider. Questions can be submitted in advance via the 'Investor Meet Company' platform up until 9.00 a.m. on the day before the meeting and can also be submitted at any time during the AGM itself.

Notice of Interims

The Group expects to announce its full interim results in the third week of September.

Tarek Fadel, Chief Executive Officer of FADEL, commented:

"The investments in Product, Sales and Marketing made since the IPO are beginning to yield positive results in terms of pipeline quality and expansion, as well as growth in ARR. I am confident that our expanded product set is providing increased value to both new and existing customers, and an expansion in our TAM and SAM. I am also cautiously optimistic that customers and prospects are starting to release budget for our products and services.

It is nonetheless clear though that progress in growing revenue and moving towards adjusted EBITDA profitability is taking longer than was anticipated at the time of the IPO. By expanding our disclosures around revenue recognition, and starting to now include key SaaS metrics relating to ARR, we believe that investors will be able to see our business with greater transparency and understand our growth progression with greater clarity. I look forward to providing further updates on our progress at the full year."

This announcement contains inside information for the purposes of the retained UK version of the EU Market Abuse Regulation (EU) 596/2014 ("UK MAR").

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About FADEL Partners Inc.

FADEL is a developer of cloud-based brand compliance and rights and royalty management software, working with some of the world's leading licensors and licensees across media, entertainment, publishing, consumer brands and hi-tech/gaming companies. The Group combines the power of rights management and content compliance with sophisticated content services, AI-powered visual search and image and video recognition.

FADEL has two main solutions, being IPM Suite (for rights and royalty management for publishing and licensing) and Brand Vision (an integrated platform for Brand Compliance & Monitoring that includes Digital Asset Management, Digital Rights Management, AI-Powered Content Tracking, and a Content Aggregation platform with over 100 million Ready-to-License Images).

The Group's main country of operation is the United States, where it is headquartered in New York, with further operations in the UK, France, Lebanon, Jordan and India.

For more information, please visit the Group's website at: www.fadel.com.

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