RNS Number : 4220E
RA International Group PLC
17 September 2024

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RA INTERNATIONAL GROUP PLC
("**RA International**", "**RA**" or the "**Company**")

Interim Results for the six months to 30 June 2024

RA International Group plc (AIM: RAI), a specialist provider of complex and integrated remote site services to organisations globally, announces its unaudited interim results for the six months ended 30 June 2024.

The Group's performance in the first half of 2024 reflects a temporary less favourable sales mix, strategic investments in ongoing construction projects, and delays in revenue recognition and mobilisation on certain projects into the second half of the 2024 year.

H1 2024 results

- Revenue remained broadly consistent with the previous two periods at USD 30.5m (H2 23: USD 27.9m, H1 23: USD 30.4m), delivering an EBITDA Loss of USD 1.4m (H2 23: Profit USD 5.5m, H1 23: Profit USD 0.8m).
- Gross profit margin fell to 8.2% (H2 23: 17.6%, H1 23: 11.8%) primarily due to a less favourable sales mix within supply chain services, with sales weighted towards lower-margin logistics work related to the one-off assets sales in 2023.
- Cash of USD 9.9m on 30 June 2024, reduced by USD 6.9m on the previous period (H2 23: USD 16.8m, H1 23: USD 12.2m), due to the loss during the period as well as the strategic decision to make a substantial forward investment in inventory for ongoing construction projects in order to benefit from reduced costs.
- In line with the decrease in cash, net debt* increased to USD 5.9m (H2 23: net cash USD 1.1m, H1 23: net debt USD 1.8m).

Operating highlights

- Successfully completed and handed over the first task order at the US Navy Base in Diego Garcia. To date, RA has received five task orders valued at USD 8.9m, with USD 7.0m of work remaining.
- Received the first task order through UK Integrated Security Fund ("ISF") - formerly the Conflict, Stability and Security Fund - due to be delivered in H2 24. The change in the UK Government has led to delays in orders coming out of the ISF; however, with the new administration in place, we are seeing an increase in task-order activity and are progressing with several bids.
- Increased contract activity from RA FS following its restructuring in 2023, with revenues received during the period on projects in Suriname and Thailand. Contracts have been awarded for projects in the new territories of Zimbabwe, Ghana and the Maldives, with revenues to be recognised in H2 24 and into 2025.
- The Group has a number of long-term, high-value bids in progress across all customer groups, extending existing contracts and building opportunities with new clients and in new territories.

Soraya Narfeldt, CEO of RA International, commented:

"Following a significant turnaround last year, we continue to build foundations to ensure we resume our path towards profitability. Today's separately announced contract award with the MOD is a direct result of the hard work that is being accomplished to achieve long-term visibility and stability for the business.

The H1 24 results reflect a less favourable sales mix and delays on contract awards and mobilisation of new projects, impacting cash flow and profitability, as well as substantial forward investments in preparation for the delivery phases of ongoing construction projects scheduled for H2 24 and beyond.

We continue to focus on cost control and financial management. The Board is confident in the Group's ability to meet its debt obligations and will repay USD 2.3m in November 2024 as per the terms of the loan note agreement. The remaining USD 13.5m is scheduled to mature in January 2027.

The Group is pursuing various opportunities with commercial clients and is awaiting adjudication on two large bids with UN organisations. Through its framework positions, the Group is experiencing increased task order activity in the UK and US. Additionally, the funds allocated to these frameworks have increased significantly since they were first announced.

While we remain cautious about our financial performance for the full year, we believe that with our current projects, business pipeline, and bid activity, we are well positioned for a marked improvement in H2. We projects, business pipeline, and bid activity, we are well positioned for a marked improvement in H2. We remain committed to our strategic priority of returning the business to sustained profitability. Through our actions, we are confident that we are building a more resilient and sustainable business."

[*]Net debt represents cash less overdraft balances, term loans and notes outstanding.

Enquiries:

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About RA International

RA International is a leading provider of services to remote locations. The Company offers its services through three channels: construction, integrated facilities management and supply chain, and services two main client groups: humanitarian and development agencies and western Government organisations focusing on overseas projects. It has a strong customer base, largely comprising UN agencies, UK and US Government departments and global corporations.

The Company provides comprehensive, flexible, mission critical support to its clients enabling them to focus on the delivery of their respective businesses and services. Focusing on integrity and values alongside making on-going investment in its people, locations and operations has over time created a reliable and trusted brand within its sector.

Chief Executive Officer's review

After the significant turnaround highlighted in our 2023 Annual Report, the Group's performance in the first half of 2024 reflects a less favourable sales mix, delays in contract awards and mobilisation, and forward investments in several contracts as we increase the range and value of our services. Revenues from these contracts will be recognised in the second half of the year and into 2025.

We remain committed to our strategic priorities: targeting sustained profitability, improving the Company's liquidity position, and building a stronger pipeline. Our actions in the last two years support these priorities; we have retained our existing client base, are building exciting new government and commercial relationships and, through frameworks, have access to multiple opportunities.

Financial review

As outlined in the table below, Group revenue was USD 30.5m, broadly consistent with the previous periods (H2 23: USD 27.9m, H1 23: USD 30.4m).

Gross profit margin in H1 24 was 8.2% (H2 23: 17.6%, H1 23: 11.8%). The decrease was due to the provision of a high proportion of one-off low-margin logistics projects to a new commercial client in Ethiopia, to which the Group sold assets last year.

Strict cost controls continue to be maintained, with administrative expenses increasing marginally to USD 5.9m (H2 23: USD 5.9m, H1 23: USD 5.7m), despite inflationary pressures and activity in new territories that necessarily require increased activity.

As a result of the above, the Group delivered an EBITDA Loss of USD 1.4m (H2 23: Profit USD 5.5m, H1 23: Profit USD 0.8m). The loss before tax for the period was USD 4.4m (H2 23: Profit USD 2.6m, H1 23: Loss USD 2.5m).

As of 30 June 2024, cash stood at USD 9.9m, a decrease of USD 6.9m from the previous period (H2 23: USD 16.8m, H1 23: USD 12.2m). This reduction is attributed to the loss incurred during the period, as well as the strategic decision to make a substantial investment in inventory intended for ongoing contracted construction projects, scheduled for completion is 2025. The inventory is secured under the terms of the contracts, and the early investment has allowed the Group to benefit from cost savings related to bulk purchases and logistics.

Net assets on 30 June 2024 were USD 20.6m (H2 23: USD 24.9m, H1 23: USD 22.5m), decreasing from 2023 year-end in line with the net loss generated.

Basic loss per share was 2.5 cents in the current period (H2 23: Earnings 1.5 cents, H1 23: Loss 1.4 cents) and is equal to diluted earnings per share for the current period.

Net debt at the year-end stood at USD 5.9m (H2 23: Net cash USD 1.1m, H1 23: Net debt USD 1.8m).

	6 months	*6 months*	*6 months*

	ended 30 June 2024 USD'm	*ended 31 December 2023 USD'm*	*ended 30 June 2023 USD'm*
Revenue	**30.5**	27.9	30.4
Gross profit	**2.5**	4.9	3.6
Gross profit margin	**8.2%**	17.6%	11.8%
EBITDA	**(1.4)**	5.5	0.8
EBITDA margin	**(4.6)%**	19.7%	2.6%
(Loss)/profit before tax	**(4.4)**	2.6	(2.5)
(Loss)/profit before tax margin	**(14.4)%**	9.3%	(8.2)%
Basic (loss)/earnings per share (cents)	**(2.5)**	1.5	(1.4)
Net (debt)/cash (end of period)*	**(5.9)**	1.1	(1.8)

At the end of the period, the Group had USD 15.8m of loan notes, of which USD 2.3m will be repaid in November 2024 in accordance with our terms. The remaining USD 13.5m will mature in January 2027. The Board is committed to reducing debt levels and is confident in the Group's ability to meet its debt obligations.

Contract awards, uplifts and extensions, and new business pipeline

The change in the UK Government has led to delays to orders coming out of the UK Integrated Security Fund ("ISF") - formerly the Conflict, Stability and Security Fund - on which we secured a leading position in September 2023. Nonetheless, we were pleased to have been awarded our first project for the ISF during the period for a total value of USD 0.6m, which will be completed in H2 24. With the new administration in place, we are confident that we will begin to see an increase in task-order activity and are progressing with several bids.

We continue to deliver construction services at the US Navy Base at Diego Garcia and have successfully handed over our first task order in H1. Since the initial contract award, the scope and value of the framework has increased from an initial ceiling of USD 249.0m to USD 348.5m, of which we have been awarded five task orders totalling USD 8.9m, with USD 7.0m of work remaining, which we expect to complete in 2025.

Following the restructuring of the RA FS board in 2023, we are seeing an increase in bid activity and project delivery. The business earned revenue on projects in Suriname and Thailand and added projects in Ghana, Zimbabwe and the Maldives to our operations. RA FS continues to have significant opportunities for growth.

During the period, we experienced an increase in opportunities with commercial clients. Following asset sales of USD 1.8m to a commercial mining client in Suriname in May 2023, our activities with this client have grown to USD 5.3m, with further growth expected. This expansion includes supply chain work, construction supervision, and interim Integrated Facilities Management (IFM) services for a 700-room remote camp. The development of this client relationship exemplifies our business model of building relationships over time, offering an increasing range of services, and demonstrating our capabilities. A critical factor in our success is our commitment to hiring, training, and developing local talent and the positive impact of our advocacy for - and integration with - local communities. We are currently in advanced discussions with the client to increase our service provision, and local labour participation and community engagement are key and welcome features in our offering.

A similar opportunity has arisen following another asset sale last year to a commercial operation in Ethiopia. For this, we provided logistics and supply activities in H1 23, together with construction support, and are now in discussions regarding a potential full IFM service.

During the period, we received contracts and contract extensions totalling approximately USD 24m with USD 13m to be delivered in H2 24 and beyond. In addition, we have two bids pending adjudication with the UN, including the renewal of an existing contract in Somalia. The order book at the end of the period stood at USD 43m (H2 23: USD 49m, H1 23: USD 71m). As previously stated, the order book no longer fully captures the scope and potential of the projects we are pursuing through our framework agreements. However, securing one or both of the contracts currently pending adjudication would significantly replenish it.

We are pleased to announce separately today a three-year contract (with two additional Option years) with the MOD to provide Facilities Management services across an East African country valued between USD 15m and USD 18m in aggregate over the five-year period. The contract underscores the MOD's confidence in RA International and its proven capabilities and expertise in managing critical operations in challenging environments and will further solidify the Company's position as a trusted partner to government entities.

Summary and outlook

We remain committed to building a high-quality, de-risked pipeline by strengthening our relationships with western Governments and humanitarian clients. With the new administration in the UK, we are witnessing increased activity from our UK framework agreements. While the upcoming US election may introduce uncertainty and potential delays, we have not yet experienced any setbacks. RA FS continues to progress in securing contracts and is actively pursuing several opportunities. Moreover, the funds available through framework agreements are increasing significantly, presenting us with additional opportunities.

We currently have two large, long-term bids with UN organisations, which, if secured, will substantially rebuild our order book. We are also seeing early indications that the UN bid cycle is returning.

Our recent successes with commercial clients have opened up several new opportunities across all our service channels, including IFM. This enables us to add meaningful value to local communities and support clients in meeting their own social value commitments.

We continue to expand our territory coverage, although we are cautiously selecting projects that we believe we can realistically deliver. In some instances, this approach has led us to decline certain opportunities.

Given the opportunities and contracts outlined above, the Board expects a significant improvement in financial performance in H2 24. While we remain cautious about our full-year financial performance, we believe that our current projects, business pipeline, and bid activity position us well to achieve our strategic goals.

Soraya Narfeldt
Chief Executive Officer
17 September 2024

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2024

	Notes	***6 months ended 30 June 2024 USD'000***	*6 months ended 31 December 2023 USD'000*	*6 months ended 30 June 2023 USD'000*
Revenue	3	**30,455**	27,929	30,357
Cost of sales		**(27,912)**	(23,075)	(26,778)
Gross profit		**2,543**	4,854	3,579
Administrative expenses		**(5,857)**	(5,873)	(5,714)
Underlying operating loss		**(3,314)**	(1,019)	(2,135)
Non-underlying items		**—**	4,604	607
Operating (loss)/profit		**(3,314)**	3,585	(1,528)
Investment revenue		**85**	82	106
Finance costs		**(1,132)**	(1,023)	(1,021)
(Loss)/profit before tax		**(4,361)**	2,644	(2,443)
Tax expense		**—**	—	(7)
Loss and total comprehensive income for the period		**(4,361)**	2,644	(2,450)
Basic (loss)/earnings per share (cents)	4	**(2.5)**	1.5	(1.4)
Diluted (loss)/earnings per share (cents)	4	**(2.5)**	1.5	(1.4)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024

	Notes	***As at 30 June 2024 USD'000***	*As at 31 December 2023 USD'000*	*As at 30 June 2023 USD'000*
Assets				
Non-current assets				
Property, plant, and equipment		**16,369**	17,024	17,810
Right-of-use assets		**4,445**	4,353	3,953
		20,814	21,377	21,763
Current assets				
Inventories		**6,622**	4,147	3,331
Trade and other receivables		**13,193**	15,741	12,306
Cash and cash equivalents		**9,918**	16,843	12,206
		29,733	36,731	27,843
Total assets		**50,547**	58,108	49,606
Equity and liabilities				
Equity				
Share capital		**24,300**	24,300	24,300
Share premium		**—**	—	18,254
Merger reserve		**(17,803)**	(17,803)	(17,803)
Treasury shares		**—**	—	—
Share based payment reserve		**—**	—	648
Retained earnings		**14,056**	18,417	(2,907)
Total equity		**20,553**	24,914	22,492
Non-current liabilities				
Loan notes		**13,495**	13,495	14,000
Lease liabilities		**4,358**	4,318	4,278
Employees' end of service benefits		**1,699**	1,502	1,089
		19,552	19,315	19,367
Current liabilities				
Loan notes		**2,280**	2,280	—
Lease liabilities		**781**	833	547
Trade and other payables		**7,381**	10,766	6,693
Provisions		**—**	—	507
		10,442	13,879	7,747
Total liabilities		**29,994**	33,194	27,114
Total equity and liabilities		**50,547**	58,108	49,606

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2024

	Notes	*Share Capital USD'000*	*Share Premium USD'000*	*Merger Reserve USD'000*	*Treasur Share USD'00*
As at 1 January 2023		24,300	18,254	(17,803)	-
Total comprehensive income for the period		—	—	—	-
Share based payments		—	—	—	-
As at 30 June 2023		24,300	18,254	(17,803)	-
Total comprehensive income for the period		—	—	—	-
Share based payments		—	—	—	-
Lapsed/cancelled share options		—	—	—	-
Capital reduction		—	(18,254)	—	-
As at 31 December 2023		24,300	—	(17,803)	-
Total comprehensive income for the period		—	—	—	-
Share based payments		—	—	—	-
As at 30 June 2024		**24,300**	**—**	**(17,803)**	-

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2024

	Notes	***6 months ended 30 June 2024 USD'000***	*6 months ended 31 December 2023 USD'000*	*6 months ended 30 June 2023 USD'000*
Operating activities				
Operating profit/(loss)		**(3,314)**	3,585	(1,528)
Adjustments for non-cash and other items:				
Depreciation on property, plant, and equipment		**1,934**	1,929	2,312
Loss on disposal of property, plant, and equipment		**1**	6	34
Unrealised differences on translation of foreign balances		**59**	127	(22)
Provision for employees' end of service benefits		**351**	586	273
Share based payments		—	(17)	74
Non-underlying items		—	(1,668)	—
		(969)	4,548	1,143
Working capital adjustments:				
Inventories		**(2,347)**	(753)	1,824
Accounts receivable, deposits, and other receivables		**2,576**	(1,393)	4,084
Accounts payable and accruals		**(3,328)**	3,191	(745)
Cash flows (used in)/from operations		**(4,068)**	5,593	6,306
Tax paid		**(50)**	—	(129)
Employees' end of service benefits paid		**(155)**	(173)	(112)
Settlement of share options		—	(205)	—
Net cash flows (used in)/from operating activities		**(4,273)**	5,215	6,065

Investing activities

Investing activities			
Investment revenue received	**85**	82	106
Purchase of property, plant, and equipment	**(925)**	(836)	(265)
Proceeds from disposal of property, plant, and equipment	**—**	143	166
Net cash flows (used in)/from investing activities	**(840)**	(611)	7
Financing activities			
Proceeds from borrowings	**—**	1,775	—
Repayment of lease liabilities	**(621)**	(592)	(381)
Finance costs paid	**(1,132)**	(1,023)	(1,021)
Net cash flows (used in)/from financing activities	**(1,753)**	160	(1,402)
Net (decrease)/increase in cash and cash equivalents	**(6,866)**	4,764	4,670
Cash and cash equivalents as at start of the period	**16,843**	12,206	7,514
Effect of foreign exchange on cash and cash equivalents	**(59)**	(127)	22
Cash and cash equivalents as at end of the period	**9,918**	16,843	12,206

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1 CORPORATE INFORMATION

The principal activity of RA International Group plc ("RAI" or the "Company") and its subsidiaries (together the "Group") is providing services in demanding and remote areas. These services include construction, integrated facilities management, and supply chain services. RAI was incorporated on 13 March 2018 as a public company in England and Wales under registration number 11252957. The address of its registered office is One Fleet Place, London, EC4M 7WS.

2 BASIS OF PREPARATION

The financial information set out in these condensed consolidated interim financial statements does not constitute the Group's statutory accounts within the meaning of section 434 of the Companies Act 2006.

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with IAS 34, 'Interim Financial Reporting'. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of RAI for the year ended 31 December 2023. The unaudited financial information has been prepared using the same accounting policies and methods of computation as the Annual Report for the year ended 31 December 2023. The same accounting policies and methods of computation will be used to prepare the Annual Report for the year ending 31 December 2024. The financial statements of the Group are prepared in accordance with IFRS.

3 SEGMENT INFORMATION

For management purposes, the Group is organised into one segment based on its products and services, which is the provision of services in demanding and remote areas. Accordingly, the Group only has one reportable segment. The Group's Chief Operating Decision Maker ("CODM") monitors the operating results of the business as a single unit for the purpose of making decisions about resource allocation and assessing performance. The CODM is considered to be the Board of Directors.

Operating segments
Revenue, operating results, assets, and liabilities presented in the financial statements relate to the provision of services in demanding and remote areas.

Revenue by service channel:

	6 months ended 30 June 2024 USD'000	*6 months ended 31 December 2023 USD'000*	*6 months ended 30 June 2023 USD'000*
Integrated facilities management	**15,803**	16,130	15,817
Construction	**6,748**	5,770	6,637
Supply chain	**7,904**	6,029	7,903
	30,455	27,929	30,357

Revenue by recognition timing:

	6 months ended 30 June 2024 USD'000	6 months ended 31 December 2023 USD'000	6 months ended 30 June 2023 USD'000
Revenue recognised over time	**22,386**	22,365	21,989
Revenue recognised at a point in time	**8,069**	5,564	8,368
	30,455	27,929	30,357

Geographic segment

The Group primarily operates in Africa and the CODM considers Africa and Other to be the only geographic segments of the Group. The below geography split is based on the location of project implementation.

Revenue by geographic area of project implementation:

	6 months ended 30 June 2024 USD'000	6 months ended 31 December 2023 USD'000	6 months ended 30 June 2023 USD'000
Africa	**28,124**	24,028	26,835
Other	**2,331**	3,901	3,522
	30,455	27,929	30,357

Non-current assets by geographic area:

	As at 30 June 2024 USD'000	As at 31 December 2023 USD'000	As at 30 June 2023 USD'000
Africa	**18,634**	19,489	20,103
Other	**2,180**	1,888	1,660
	20,814	21,377	21,763

Revenue split by customer:

	6 months ended 30 June 2024 %	6 months ended 31 December 2023 %	6 months ended 30 June 2023 %
Customer A	**14**	23	21
Customer G	**13**	—	—
Customer B	**12**	14	13
Customer H	**12**	3	1
Customer D	**10**	10	10
Customer C	**9**	11	9
Customer E	**2**	7	10
Customer F	—	—	10
Other	**28**	32	26
	100	100	100

4 EARNINGS PER SHARE

The Group presents basic earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

	6 months ended 30 June 2024	6 months ended 31 December 2023	6 months ended 30 June 2023
(Loss)/profit for the period (USD'000)	**(4,361)**	2,644	(2,450)

Basic weighted average number of ordinary shares	**173,575,741**	173,575,741	173,575,741
Effect of employee share options	**—**	—	312,545
Diluted weighted average number of shares	**173,575,741**	173,575,741	173,888,286
Basic (loss)/earnings per share (cents)	**(2.5)**	1.5	(1.4)
Diluted (loss)/earnings per share (cents)	**(2.5)**	1.5	(1.4)

5 APPROVAL OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved by the Board of Directors on 16 September 2024.

— Ends —