

21 October 2024

Merit Group Plc

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

Trading Update

Merit Group Plc (AIM: MRIT), the AIM-listed data and intelligence business, today issues an update on trading for the 6 months ended 30 September 2024 (H1:FY25) and the expected performance for the full financial year ended 31 March 2025 (FY25).

The Group expects to report revenues in H1:FY25 of approximately £9.3m, down 6.0% on the £9.9m reported for the comparative H1:FY24 period, and Adjusted EBITDA¹ of around £1.2 million (H1:FY24 £1.8m).

The Group had net debt of £2.3m as at 30 September 2024 (30 September 2023: £2.5m, 31 March 2024: £1.9m) with available facilities of £3.7m.

Whilst trading of the Dods Political Intelligence business continues to perform in line with management's expectations, the revenues of MD&T in the period have fallen by 8.5% year-on-year, as projects within the Software & Technology Resourcing division have reached their conclusion and conversion of the sales pipeline for new work has fallen short of expectations with both macro and local factors impacting prospects' willingness to commit to scale IT projects.

Based on current trading, Revenue for the full year to 31 March 2025 is now expected to be around £18.5m (8% down year-on-year) and Adjusted EBITDA¹ around £2.0 million, each approximately 10% and 40% below market expectations², respectively. The loss before tax and non-recurring items for the year is expected to amount to £0.8m (FY24: Profit of £1.2m).

Despite recent challenges, the underlying market demand for data and data-related technology is forecast to continue to grow in the coming years and the Board believes that MD&T is well positioned to benefit from this structural market growth. The Board has taken steps to strengthen sales and marketing capabilities across the Group and expects to see growth in the sales pipeline and an improvement in prospect conversion over the next 18 months. The Board is confident of returning revenue to growth in the year to 31 March 2026 and, with the Company's strong operational gearing, expects to report a strong return to profitability.

Commenting on the results, CEO & CFO Phil Machray said: "Clearly the current dip in revenues combined with the additional cost of our investment in sales & marketing will have an impact on profitability in the short-term. Our focus remains on strong operational management, whilst pursuing revenue and earnings growth, and the Board remains confident in the longer term outlook of the business."

1 Adjusted EBITDA is calculated as earnings before tax, depreciation, amortisation of intangible assets, share based payments and non-recurring items.

2 Based on the £20.7 million revenue and £3.4m Adjusted EBITDA forecast contained in the most recent broker's research note, published on 18 July 2024.

Further information on the Company can be found at www.meritgroupplc.com.

This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.

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