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12 November 2024

Facilities by ADF plc

("Facilities by ADF", "ADF", the "Company" or the "Group")

Trading Update

Facilities by ADF, the leading provider of premium serviced production facilities to the UK film and high-end television industry ("HETV"), today provides an update on trading in respect of the full year ended 31 December 2024 ("FY24").

As previously announced, following the USA Writers (Writers Guild of America) and Actors (Screen Actors Guild - American Federation of Television and Radio Artists) strikes from May to November 2023 (the "Strikes"), the Group took several mitigating actions to maximise profitability during this period. This included securing shorter duration domestic productions and cutting the use of more expensive agency drivers, which enabled the Group to price services more competitively and win a larger share of available business.

The Company went on to report in its interim results for the six months ended 30 June 2024 ("H1-FY24") that the impact of the strikes continued to be felt with lower levels of film and HETV production activity in the UK and a resultant competitive market for the Group's services. This competitive market for business with cost conscious customers remains. Nevertheless, the Group delivered a resilient H1-FY24 performance as market conditions slowly began to normalise with revenue of £15.2m, an increase of 17% compared to the preceding six months (H2-FY23: £13.0m). Since the end of H1-FY24, ADF acquired the entire issued share capital of Autotrak Portable Roadways Limited ("Autotrak"), and the integration of this acquisition is well advanced and significant progress has already been made in respect of future sales and operational synergies.

As the effect of the Strikes slowly began to recede, and whilst prevailing uncertainty in both the UK from the Budget on 30 October 2024 and the US given the Election on 5 November 2024 had seen customers in both geographies delaying production commitment decisions, the Group's sales pipeline for the latter part of FY24 began to increase in line with expectations in the first half of H2-FY24.

However, following the conclusion of macro-economic events on both sides of the Atlantic, it is now clear that a significant number of the productions that ADF had in its sales pipeline for H2-FY24 will have start dates pushed out into FY25, and some will not proceed at all. One of the Company's responses to the Strikes, to secure shorter duration domestic productions for FY24, will also result in lower than historical levels of revenue "add-ons" during productions for the remainder of FY24. It is currently anticipated that the Group will continue to see lower "add-on" revenue rates in the near term.

As a result, the Company now expects to report FY24 revenue and adjusted EBITDA* in line with that of FY23, with revenues of approximately £35m, adjusted EBITDA* in the range of £7.3m to £8.0m and the Group approximately breakeven at a net income level.

At 31 October 2024, the Group held unaudited cash balances of approximately £3.3m and, with the Company entering FY25 with a pipeline which provides significant levels of confidence, the Company currently expects to continue with its existing dividend policy in respect of the full year FY24.

Outlook

The sales pipeline for FY25 has been steadily building across the Summer and supports what many in the industry believe will be a full return to previous activity levels of film & HETV production. Adding the deferred work from the back end of FY24, for which the Group has the fleet capacity to deliver alongside the pre-existing FY25 pipeline, will ensure ADF begins FY25 with a significant pipeline. ADF is in discussion with several new customers for large, multi-series productions with Netflix, Apple and Marvel.

Marsden Proctor, CEO, said:

"ADF has worked incredibly hard across the year to win work, in a challenging market and deliver exceptional customer service. However, the impact on funding and greenlighting of productions across the remaining part of the second half of the year, following the speculation around the Autumn Budget and US Elections, has been extremely frustrating. Whilst the high level of deferred work has impacted our results for FY24, some of this will push into FY25, in addition to all the other exciting productions we are in discussions with."

*Adjusted EBITDA is the adjusted profit before tax, prior to the addition of finance income and deduction of depreciation, amortisation, and finance expenses. Adjusted EBITDA is therefore stated prior to the FY24 impact of amortization of acquired intangibles in respect of the Group's acquisition of Autotrak Portable Roadways Limited at an annualised amount of approximately £0.5m.

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