

21 November 2024

**Restore plc
("Restore" or the "Group")**

Trading Update

Restore plc (AIM: RST), the UK's leading provider of information management and secure lifecycle services, today issues the following trading update for the 10 months ended 31 October 2024 (the "Period").

Information Management

Box storage revenue continued to benefit from index-linked pricing on broadly unchanged box numbers. Scanning revenue was lower year-on-year, reflecting a slower period of public sector activity linked to the change in Government and subsequent uncertainty around the Autumn Budget.

The property consolidation programme remains on track, with the new 100,000 sq ft warehouse in Markham Vale now approximately half full with around 700,000 boxes following the relocation from the properties in Redhill and Paddock Wood, both of which are on track to be substantially exited by the end of this year.

We have now moved to the next phase of the property consolidation programme and have agreed contract heads of terms for a c85,000 sq ft warehouse located in North East England which has a capacity of 1 million boxes. The warehouse will be racked out in early 2025 with boxes starting to move in shortly thereafter.

Tight cost control and early benefits from the integration of the scanning business is driving improved operating margins within Information Management. Most of the cost saving actions in connection with the integration will be complete by the end of 2024 and we continue to expect annualised savings of £3 million, with costs now expected to be less than the £3 million originally anticipated.

Technology

The Technology business saw good revenue growth, in particular through value added IT resellers and lifecycle management as companies returned to a normalised hardware refresh cycle and outsourced more IT services to value added resellers. Whilst profitability in the Period remained substantially below our medium term target of 15% adjusted operating margin, it is now improving, and we expect the business's increasingly fit-for-purpose operating model and focus on a blue-chip customer base to deliver continued momentum in its performance.

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Service visit numbers were up year-on-year which, together with a now largely stabilised paper price, resulted in good revenue growth in the Period. We expect improved profitability in the second half of the year, driven by increased half-on-half revenues and tight cost control.

Harrow Green

As previously reported, trading in the first half of the year was weak and, although we saw an improvement in the weeks immediately following the UK General Election, trading slowed ahead of the Autumn Budget. Accordingly, we expect that revenue in the Harrow Green business will be lower in FY24 compared to FY23.

Full year outlook

As a result of slower activity, largely reflecting market uncertainty ahead of the Autumn Budget, FY24 revenue is expected to be broadly flat year-on-year. However, our actions to improve margins are progressing well, and as a result the Group remains on track to deliver adjusted profit before tax and adjusted earnings per share for FY24 in line with market expectations¹.

Cash generation remains strong with conversion in excess of 80% during the Period and year-end net debt is also expected to be in line with expectations.

Impact of the Autumn Budget

Given the nature of the Group's workforce and the high proportion of costs that relate to payroll, Restore will face a significant headwind when the increased employer National Insurance Contributions ("NICs") and National Minimum Wage ("NMW") rates take effect in April 2025. The total annualised impact of these is estimated to be in the region of £3 million for the Group, of which £2.5 million relates to NICs (or around £1,000 per employee).

As the actions taken by management to improve margins are progressing well, the Group expects this momentum in the business, along with appropriate price rises, where possible, to mitigate the impact of NICs and NMW. Accordingly, our expectations for FY25 are unchanged.

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¹ The latest Group compiled consensus is available on our website at: <https://www.restoreplc.com/for-investors/#analysts-consensus>

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