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Inspired PLC
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This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No. 596/2014

2 December 2024

Inspired PLC

("**Inspired**", the "**Company**" or the "**Group**")

Trading Update

Inspired (AIM: INSE), a leading technology-enabled service provider delivering solutions to enable businesses to transition to net-zero and manage their response to climate change, provides an update on trading for the year ending 31 December 2024.

Summary

- FY24 adjusted EBITDA revised down to c.£23m due to timing of optimisation projects commencement
- Increased confidence in FY25 as project revenue moves into FY25
- Group has made good progress on diversifying the risk of larger projects

Trading Update

Inspired reported in its interim results, announced on 12 September 2024, (the "**Interim Results**"), that delivering full year results in line with market consensus was dependent on delivering three significant optimisation services projects (the "**Optimisation Projects**"), one of which had commenced and the two others were expected to be contracted and commence on-site in Q4 2024. The Interim Results also highlighted that if there were delays in the start time of two of the three projects, the result could be a significant portion of their profit contribution shifting into H1 2025. The Group stated that these two projects had a total estimated gross margin of c.£5m, most of which would fall through to adjusted EBITDA.

The Board now has further clarity on timing of these three significant projects, all of which are now contracted and two commenced:

- Project #1: Contracted and commenced at the time of the Interim Results, the project involves installations across the European portfolio of the client. Work is ongoing, however, there have been unexpected delays due to a client issue which Inspired is helping them to resolve. This is expected to be solved imminently, enabling installations to complete and the remaining gross profit contribution from this project will be recognised as the project is delivered in H1 2025.
- Project #2: Verbally awarded at the time of the Interim Results, this has been contracted but now has a later than expected start date of January 2025 and is expected to be delivered in H1 2025.
- Project #3: Now contracted and commenced on site, this is the fourth phase of a multi-phase roll out, with the majority of the implementation and therefore gross profit contribution, being delivered in H1 2025.

The deferred gross profit contribution from the Optimisation Projects has to date largely been offset by a better-than-expected performance in other optimisation service lines. However, given the greater clarity on the timing for the Optimisation Projects as outlined above, the Board now expects the Group to report FY2024 Adjusted EBITDA of approximately £23m*.

The delay in the timing of delivery of the Optimisation Projects has resulted in a movement in gross margin across financial years, and not a loss of projects. Accordingly, the Board has increased confidence in delivering market consensus for FY2025 Adjusted EBITDA*. The current Optimisation Project pipeline consists of projects to reduce energy consumption and carbon emissions for c. 130 customers, with a revenue value of c.£165m and a potential gross margin contribution of c.£58m.

The impact of the delay in the Optimisation Projects on net debt outturn is limited as there is a reduced working capital requirement to fund the Optimisation Projects in FY2024. As such, the Group expects market consensus for Net Debt* to be broadly unchanged at c.£58.0m as at 31 December 2024. Since 30 June 2024, the Company has paid the final £2.2m in contingent consideration and now has no further contingent consideration payments due.

As previously stated, the Board is focused on de-leveraging the balance sheet to reduce net debt with cash generated from operations being primarily allocated towards reducing the Group's net debt position and the pursuit of organic growth opportunities, to deliver the opportunity afforded by the Optimisation Division during FY25. Accordingly, the Group's leverage ratio is expected to reduce throughout FY2025.

Given the uncertainty around the timing of the Optimisation Projects, the Group has prudently agreed with its banking partners to a resetting of the adjusted leverage and interest cover covenant for the quarter ending 31 December 2024 to 3.00x and 3.50x respectively, increasing the headroom available to the Group from a covenant perspective.

The Group expects to issue its year-end trading update in January 2025.

Mark Dickinson, CEO of Inspiredsaid: "*The team has worked tirelessly in securing, and in part, commencing these significant optimisation projects. Noting the inter-period uncertainty created by large Optimisation Projects, the Group has made good progress on diversifying the risk of large projects, through a significant increase in the number of clients which are actively at the 'Pilot' phase of the project cycle which leads to a record level of pipeline for the Optimisation division as we enter 2025.*"

** The Company considers that current market consensus for year ended 31 December 2024 referred to in this announcement is £27.5m of Adjusted EBITDA and net debt of £57.9m and for the year ended 31 December 2025 consensus Adjusted EBITDA is*

£27.3m of Adjusted EBITDA and net debt of £37.9m and for the year ended 31 December 2025 consensus Adjusted EBITDA is £30.1m.

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