

2 January 2025

**THE MISSION GROUP plc**

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

**DISPOSAL AND CAPITAL ALLOCATION UPDATE**

- **DISPOSAL OF APRIL SIX FOR UP TO £17.4 MILLION**
- **CAPITAL ALLOCATION POLICY - DEBT REPAYMENT, SHARE BUYBACKS, DIVIDENDS**

The **MISSION** Group plc (AIM: TMG), the Brand Performance Group, comprising of digital marketing and specialist communications Agencies, is pleased to announce that it has entered into a sale and purchase agreement and has completed the sale of April Six Limited and its subsidiary April Six Inc (together referred to as "April Six") to Marketbridge, Inc. ("Marketbridge") for a total gross consideration of up to £17.4 million ("Total Consideration").

The Total Consideration comprises (1) an initial payment on a cash free, debt free normalised working capital basis and adjusted for Client prepayments, costs, fees and incentives of £10.5 million received in cash and (2) an earn out of up to £4.2 million payable in cash calculated at the lesser of £4.2 million or 7.0x Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA") for the period from and including 1<sup>st</sup> December 2024 to 28<sup>th</sup> February 2025 with payment scheduled for June 2025 (the "Earn Out Payment").

April Six, with offices across the US as well as in London, is a full-service integrated agency specialising in technology and science, with a strong, blue chip Client base. The Board believes that April Six will benefit from ownership by a US headquartered owner who can support its plans in the US, its largest market opportunity for growth. April Six's 2024 financial performance has seen a steady recovery over 2023, but remains below levels achieved in 2022. Further details on historical April Six performance and an illustrative pro-forma are included at the end of this announcement.

Fiona Shepherd, founder and CEO of April Six will remain with April Six and steps down from the board of the Company with immediate effect following 14 years' service as a Board member.

The disposal of April Six marks the completion of the Group's Value Restoration Plan ("VRP") announced on 20<sup>th</sup> December 2023. Through self-help actions the VRP has delivered £5 million of annualised operational improvements in 2024 and has significantly strengthened **MISSION's** financial position with two business disposals.

The net proceeds received by the Group will be used to pay down bank debt with NatWest and results in a material reduction in net debt, with significant positive improvements to both the net debt to EBITDA leverage ratio and the interest cover ratio, which we believe will both further improve once the final earn out payment is received. Under the terms of the NatWest facility agreement, the transaction is considered a 'deleveraging event' which results in a better covenant package for the Group.

Net bank debt at 30 December 2024 was £17.0 million, and therefore the pro forma net bank debt at 30 December 2024 including the £10.5 million net proceeds from the sale of April Six will be £6.5 million.

**CAPITAL ALLOCATION POLICY - DEBT REPAYMENT, SHARE BUYBACKS, DIVIDENDS**

Having delivered annualised cost savings and profit improvements and a material reduction in the Group's debt burden through business disposals the Board believes it is appropriate to update Shareholders on the Board's intentions for future uses of cash generated from operations by presenting the Group's Capital Allocation policy:

1. Maintain a strong balance sheet with target leverage ratio between net cash and 1.0x headline EBITDA over the medium-term with flexibility on occasions to move above this as the business needs' demands.
2. Invest in organic growth across the Group, funding projects and initiatives which the Directors believe will have a demonstrably high return and/or improve quality of earnings.
3. Over time, surplus free cashflow should be returned to shareholders either by share buybacks and/or dividends (ordinary and/or special).

Share buybacks will be undertaken when they are at or below the Board's view of the intrinsic value of the Company. Shares acquired through the share buyback will be held in treasury and their use reviewed periodically.

The Board expects to return to paying ordinary dividends in 2026 and will maintain dividend cover between 3x to 4x headline earnings per share.

The Board is pleased to announce it intends to return up to £1.5m to Shareholders via an on-market share buyback expected to commence immediately in accordance with its Capital Allocation policy.

A trading update for the year ended 31 December 2024 will be announced during the week

commencing 20 January 2025.

**David Morgan, MISSION's Non-Executive Chair, commented:**

"Over the past 12 months we have taken steps that have restored value to **MISSION** shareholders through operational improvement and business disposals. We enter 2025 as a better business, leaner and less complex, with a significantly strengthened balance sheet. **MISSION's** future looks bright.

The sale of April Six demonstrates the intrinsic value inherent in **MISSION's** collective of Agencies. Future shareholder value will be created not from disposals, but from a commitment to delivering great work for Clients, collaboration amongst colleagues, continual focus on operational excellence and organic growth and a proactive capital allocation policy.

The Board is pleased to announce today our intention to return up to £1.5m to shareholders via an on-market share buyback, beginning immediately. Our Capital Allocation policy is our commitment to the use of cash generated from operations, prioritising financial strength and organic growth, and returning surplus cash to shareholders."

**ENQUIRIES:**

Cat Davis - Group Marketing Director

E: [cdavis@themission.co.uk](mailto:cdavis@themission.co.uk)

The **MISSION** Group PLC

Via Houston

Simon Bridges/Andrew Potts/Harry Rees

**Canaccord Genuity Limited**

(Financial Adviser, Nominated Adviser and Broker)

020 7523 8000

Peter Tracey

**Blackdown Partners Limited**

(Financial Adviser)

020 3807 8484

Kate Hoare / Alexander Clelland / India Spencer

E: [mission@houston.co.uk](mailto:mission@houston.co.uk)

**Houston PR**

0204 529 0549

**NOTES TO EDITORS**

The **MISSION** Group Plc. is The Brand Performance Group.

Delivering measurable, results-driven campaigns as the preferred creative partner for real business growth. We offer top-tier agencies, strategic specialisms and global reach delivering outstanding performance for brands. We call it Work That Counts™ [www.themission.co.uk](http://www.themission.co.uk)

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse (Amendment) (EU Exit) Regulations 2019. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

**ADDITIONAL INFORMATION**

**April Six Historical Financial Performance, Pro forma financial information and Related Party Transaction**

To assist with understanding the impact of the sale of April Six on the consolidated profit before tax of

to assist with understanding the impact of the sale of April Six on the consolidated profit before tax of the Group, a pro-forma has been prepared for illustrative purposes only and is not in accordance with Annex 20 of the UK Prospectus Regulation Rules.

For the year ended 31 December 2023, April Six generated revenue of £11.7 million and a profit before tax of £0.23 million which includes the recharge of certain central costs of the Group of £2.0 million. At 31 December 2023, April Six had gross assets of £9.7 million and net assets of £2.7 million.

On a pro-forma basis, i.e. excluding April Six and adjusting for certain central costs that were previously recharged to April Six, for the year ended 31 December 2023, the Group (excluding April Six) would have recorded revenues of £74.6 million (2022: £65.5 million) and a headline profit before tax of £3.5 million (2023: £4.2 million).

#### **April Six Historical Financial Performance (Unaudited)**

£'000	31 December 2023	31 December 2022	31 December 2021
Turnover	33,030	40,955	22,500
Gross Profit/Revenue	11,715	13,990	11,006
Operating Profit	231	3,285	2,029
Gross Assets	9,700		
Net Assets	2,700		

For the year ended 31 December 2023, a total of approximately £2.0 million of Group shared service charges (property and other central expenses) were charged to April Six. The Directors believe that approximately £0.6 million of this shared service charge will be absorbed by the Group and will be used as further capacity as the Group grows.

The financial information of April Six has been extracted without material adjustment from the Group's audited annual accounts for the years ended 31 December 2023, 2022 and 2021 respectively.

#### **Related Party Transaction**

Fiona Shepherd will receive an incentive payment of up to £0.36 million for sourcing the buyer of April Six, and together with other members of the April Six management team it has been agreed with **MISSION** that they will share an incentive payment of up to £0.86 million.

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