PROACTIS Holdings PLC

Interim results for the six months ended 31 January 2020

PROACTIS Holdings PLC, the business spend management solution provider, today announces its interim results for the six-month period ended 31 January 2020.

Key highlights:

- Reported revenue was £24.5m (31 January 2019: £27.7m) due to high customer churn in prior years
- Total Contract Value ("TCV"), excluding renewals, signed was £7.5m (H1 FY2019: £6.1m; H2 FY2019: £5.2m), an increase of 44% against H2 FY2019
- Solid new business deal activity: 29 new name deals (31 January 2019: 34)
- Strong upsell activity with existing customers: 70 deals in the period (31 January 2019: 54)
- Annualised recurring revenue[3] ("ARR"), excluding heightened risk accounts ("HRAs"), increased to £40.7m (31 July 2019: £39.3m), representing 3.6% organic growth in the core business
- ARR including HRAs was £43.4m (31 July 2019: £44.3m)
- Retention in the core business remain normalised and, in the HRAs, was better than expected
- Adjusted EBITDA[1] decreased to £5.6m (31 January 2019: £8.0m) due to high customer churn in prior years, as mentioned above
- Net bank debt[2] decreased to £35.6m (31 July 2019: £36.5m)
- Net cash flow from operating activities was £5.1m (31 January 2019: £4.4m)

Formal Sales Process ("FSP"):

- FSP concluded on 4 March 2020 with no acceptable or firm offers being presented to the Board

Post period end highlights:

- TCV, excluding renewals, signed to date of £10.8m compared with £11.3m for the whole prior financial year
- Organic growth in buyer ARR has been maintained with a further net £0.4m added to the date of this announcement
- Retention rates have improved further across the core business and also within the HRAs, including approximately £2.1m ARR from the renewal of contracts with three of the Group's largest customers
- Reset banking facilities with HSBC in order to support the Group's current business plan for the mid-term
- bePayd deployed live to support Proactis' UK supplier base with positive supplier response and the pipeline is building

Response to COVID-19:

- All staff have transitioned to working from home with minimal disruption from the COVID-19 crisis
- Recurring revenue, long-term contract business model is proving resilient to the short-term market uncertainty during the early stages of the COVID-19 crisis
- Contingency plans in place

1 – Adjusted EBITDA is stated before non-core net expenditure, amortisation of intangible assets and share based payment charges and Adjusted EPS is stated after the equivalent post tax effects of Adjusted EBITDA
2 – Excludes right of use assets recognised under IFRS 16 Leases and unsecured convertible loan notes of £6.5m maturing during July 2022, August 2023 and November 2024. IFRS 16 Leases was adopted from 1 August 2019
3 – Annualised Recurring Revenue is the Group's estimate of the annualised value of revenue of customers currently contracted with the Group

Tim Sykes, Chief Executive Officer, commented:

"The Group has returned to organic growth of ARR in its core business during the period and to date as a result of improved new business performance and customer retention which, along with a strong pipeline build across all of the geographies that we operate, are clear indicators that the Board's strategy is working well.

"In addition, the technical progress on our new product, bePayd, has been substantial and it is now ready for market and commercialisation.

"The Group has dealt with the immediate effect of the COVID-19 crisis extremely well and the recurring revenue, long-term contract business model is proving resilient at this stage. Our team is performing well, remaining highly connected and there has been no disruption to customer service. We remain vigilant to any indicators of risk, particularly around staff welfare, deferred pipeline build, reduced volume in transactional-priced contracts and potential delays to implementation projects which may have a more significant impact on the business if the crisis persists.

""I am encouraged to have fundamentally reset our facilities with HSBC UK, which has demonstrated its ongoing support for the Group. This is an essential foundation to our financial strategy and the facilities are now in line with the Group's business plan for the mid-term.

The Group has made substantial progress during the first period of execution of its new strategy and this has continued to improve further after the period end. Whilst mindful of the wider economic outlook, the Group's return to organic growth in its ARR coupled with its forward revenue visibility, profitability and solid financial position provides me and the Board with confidence that the Group can now move forward confidently to execute its strategy and realise its potential. Accordingly, at this stage, the Board maintains its guidance for the full year outturn."

An interview with CEO Tim Sykes covering the results is available here: https://bit.ly/PHD_H120

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The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

Notes to editors:

Proactis creates, sells and maintains software and services which enable organisations to streamline, control and monitor all indirect expenditure. Its solutions are used in approximately 1,100 buying organisations around the world from the commercial, public and not-for-profit sectors.

CHAIRMAN'S AND CHIEF EXECUTIVE OFFICER'S REPORT

Strategy

The Group has a long-term strategy of building an international business focussed on delivering best value to its customers by enabling the digital transformation of their procurement systems and processes through the application of the Group's software technology and provision of its expert services. The critical success factors in delivering this strategy are a combination of building market relevant solutions supported by strong new business execution teams and customer management processes designed to sustain long-term customer relationships.

This strategy is delivered through the Group's business model which is designed to deliver a strong financial proposition of profitable, cash generative organic growth with a high level of recurring revenue and visibility in a predominantly SaaS based business model.

This strategy can be summarised as follows:

- Maximise existing customer relationships with focussed up-selling
- Accelerate new business performance across all territories served
- Drive adoption of existing supplier-paid products
- Roll-out bePayd
- Extend supplier-paid product portfolio

The Group will also look to undertake selective M&A activity, as and when appropriate, with a focus on complementary customer bases, solutions and technologies.

The Group has made substantial progress in line with this strategy which has already resulted in significantly improved new business sales performance and also in customer retention which, together, have delivered a return to organic growth of Annual Recurring Revenue ("ARR"), the primary indicator of value creation.

This focus on customer retention has enabled the Group to deliver a strong retention performance within the heightened risk accounts (as described in the Group's Final Results on 29 October 2019 ("2019 Final Results")) where the vast majority of ARR scheduled for renewal during the period and to the date of this announcement has been retained.

This progress will deliver enhanced future financial and cash flow performance because the revenues associated with the organic growth of ARR will largely be recognised in future periods because of the Group's SaaS-based business model.

The Group has undertaken an operational re-organisation during the period and has invested in its executive leadership team, new business teams and product strategy to create a foundation for growth which is sustainable in the short-term and can be accelerated in the longer term if market conditions remain attractive following the COVID-19 crisis.

The Board is cognisant of the relatively high level of net debt and, accordingly, this potential risk has been managed by way a fundamental reset of the Group's banking facilities as described within the Group's announcement on 28 April 2020. These facilities now support the Group's current business plan for the long-term and this provides a stable financial platform for the Group to build from.

Operational review

The Group's focus is to replicate the strong performance of its United Kingdom and Netherlands commercial teams in each of its French, German and United States commercial teams.

The actions arising focused on:

- Target market segment and customer profile definition
- Alignment of product portfolio
- Bolstering new business capabilities
- Focusing on retention

- Driving growth within the existing customer base
- Active management and leadership
- Financial position

Target market segment and customer profile definition
The Group has historically delivered a significant level of new business from its United Kingdom and Netherlands commercial teams to a market segment and customer profile that is well defined around the variables of vertical focus within the private and public sectors, scale, complexity, existing technology stack and the buying process of the customer. The Group's value proposition and differentiating factors to this segment are well defined and compelling. This approach allows for a more efficient go-to-market strategy with an increased likelihood of success and a lower average cost of sale and a significantly lower pipeline risk. The Group has made a significant investment in its leadership and new business teams to build capacity and capability to execute within this market segment and now has a healthy pipeline of early opportunities of this type in all of its operating territories.

Alignment of product portfolio
The Group has an extensive product portfolio as a result of its acquisition history. Whilst many of these products are complementary and offer substantial up-selling opportunities within the customer base, there is a degree of overlap within some of the Group's Spend Management solutions.

Following the shift to focus on the same specific market segments across all of its international new business opportunities, the Group will be able to better leverage its solution portfolio without detriment to existing customer experience. The Group is going through a programme to rationalise its product portfolio in order to make best use of internal resources whilst continuing to deliver the same level of service to customers. Total cash spent on product development reduced to £4.1m for the six-month period ended 31 January 2020 (six month period ended 31 July 2019: £4.3m).

Bolstering new business capabilities
The Group has completed the transition of its new business teams in France, Germany and United States, and is now focussing its marketing and business development activities on this same market segment and customer profile throughout the Group. New business performance was strong with all territories contributing to the largest ever total contract value ("TCV") signed, excluding renewals, in a half year period for the Group of £7.5m. This level of performance is a 44% increase from the second half of FY2019 (£5.2m).

Following the end of the period, this win rate had continued and, cumulatively, TCV signed to the date of the announcement is £10.8m which compares to £11.3m TCV signed during the whole of the prior financial year.

Focusing on retention
During Spring 2019, the Group undertook a detailed analysis of its customer base with a view to highlighting customers and ARR with a heightened risk of loss ("HRAs"). The Board quantified this at approximately £5m of ARR. Of that, £3.4m was due for renewal during the six-month period ended 31 January 2020. The Board is pleased to be able to report that only £1.2m of the £3.4m ARR was actually lost, with £2.2m being retained. Since the end of the period and up to the date of this announcement, a further £0.6m was due for renewal which was all retained. This performance is well ahead of the Board's expectations.

In respect of the retention of existing customers excluding those identified above, churn (expressed as ARR lost through either loss or downgrade of contracts with existing customers) was £0.8m in the period and since the period end and up to the date of this announcement, there was further churn of £0.5m. This performance is in line with the Board's expectations.

Driving growth within the existing customer base
The Group's existing customer base continues to offer significant growth opportunities. This growth opportunity has not yet been fully accessed in the US, France and Germany. However, the Board is confident that the strategic focus of those commercial teams has now been re-balanced toward up-selling to existing customers as well as winning new customers and that this provides a strong opportunity for the future.

Active management and leadership
The executive leadership team has been restructured and re-organised to facilitate the delivery of the Group's strategy, providing open, transparent energetic and engaged leadership to the teams that they support. This has included the transition of its Group CEO, its US and European business managers and multiple roles within the field marketing and new business teams in each territory. This strategy has been supported with the creation of the Group's vision, mission and positioning statement which has been communicated to the entire staff along with an employee engagement and communications programme designed to facilitate much stronger relationships between the Group's management and staff so that goals and objectives can be aligned. Only one key hire remains, in the US for a commercial lead, and this is scheduled for later during 2020.

Financial position
The Group is now delivering organic growth, is profitable and cash generative and has an established long-term, supportive relationship with its bank, HSBC UK Bank plc. This has been demonstrated further through a fundamental reset of the facility, as announced on 28 April 2020 to support the Group's current business plan for the mid-term. This reset includes the rescheduling of the amortisation profile in the short-term, revised covenants providing material headroom to the current business plan and a conditional option to extend the term of the current facility from 31 July 2022 to 31 July 2023.

Net bank debt of the Group reduced to £35.6m at 31 January 2020 (31 July 2019: £36.5m). The Board is aware of the level of bank debt that the Group carries and continues to investigate opportunities to reduce this level further through continued tight management of its net operating expenditure; the focussing of the Group's investment in product development on a tighter product portfolio and on a customer informed roadmap as well as the potential divestment of more peripheral assets of the Group.

Cash inflow has been strong since the period end and up to the date of this announcement which the Group has used to invest in its working capital. The Group is comfortably within its facilities and the successful renewal of some of its more significant contracts during that period and the initial payments on new contracts delivered through organic growth both present strong drivers for forward cash generation and a robust working capital position.

Solutions and markets

Buyer solutions
The Group provides business spend management solutions to customers that enable those customers to reduce the cost of goods or services purchased through enhanced sourcing activities, access efficiencies through the automation of manual processes using technology and also to provide an enhanced level of corporate governance and compliance through work flows designed into the technology.

During the period, the Group won new business in both the private and public sectors with examples being State of Connecticut (US), APHP Hopitaux de Paris (FR), DYWIDAG-Systems International GmbH (DE), The Christie NHS Foundation Trust (UK) and Stork Technical Services BV (NL) with some examples of customer goals being as follows:

- Implementing a new purchasing solution to support sourcing projects;
- Centralising the management of contracts and suppliers;
- Increasing purchasing power to gain discounts through volume purchasing;
- Improving accountability through authorisation and approval workflows;
- Increasing control through departmentally tailored tracking; and
- Reducing manual processing to enable people to focus in more strategic tasks.

Buyer revenues for the period were £20.4m (H1 FY2019: £23.2m). The decrease is analysed further below and is a direct consequence of high levels of customer churn in the prior financial year.

Supplier solutions
The Group provides access to technology that enables suppliers to transact digitally with their customers. This technology is often referred to as networking technology and the technology can allow multiple documents in any format to be passed between suppliers and their customers and it can also allow greater collaboration between suppliers and their customers through the provision of other trading information, In addition, the Group uses its technology to deliver tailored new business opportunities to suppliers through its search and selection of a vast number of new business opportunities, tenders, from a number of international sources.

Revenues for the period were £4.1m (H1 FY2019: £4.5m) which was in line with the Board's expectations.

Financial solutions
The Group's supplier-paid financial solution, "bePayd", (www.bepayd.com) enables suppliers to accelerate the payment of their approved invoices before the due date. The product is now completed and was deployed to support the Group's own supplier base in the UK during February 2020.

The product is not limited to buyers using Proactis' business spend management solutions and can be used by any buyer with any equivalent business spend management or ERP system. This service is multi-faceted in terms of its technological structure and is complete to minimal viable product ("MVP").

The bePayd team have developed an encouraging pipeline of potential early adopter customers.

Performance overview

The Board monitors the Group's performance through a combination of several key performance indicators as follows:

	6 months ended 31 January 2020	6 months ended 31 January 2019	Year ended 31 July 2019
Total TCV[1] signed	£7.5m	£6.1m	£11.3m
TCV of new name deals	£5.4m	£4.0m	£6.4m
Number of new name deals	29	34	60
TCV of upsell / cross sell deals	£2.1m	£2.1m	£4.9m
Number of upsell / cross sell deals	70	54	127
Reported revenue	£24.5m	£27.7m	£54.1m
Reported revenue growth	(11.6%)	5%	4%
CAGR 3-year revenue growth	28%	47%	41%
ARR excl. heightened risk accounts	£40.7m	£42.6m	£39.3m
ARR incl. heightened risk accounts	£43.4m	£47.6m	£44.3m

Note 1: Aggregate Total Contract Value

The Board considers that retention of existing customers is a key performance indicator and the measure of this indicator is included routinely within its internal financial reporting dashboard.

Customer churn (expressed in terms ARR lost through either loss or downgrade of contracts with existing customers) of existing customers was £0.8m in the Group's core business (and £2.0m including the impact of heightened risk accounts) for the six-month period ended 31 January 2020 which is a significant improvement against the six-month period ended 31 July 2019 of £4.1m (six month period ended 31 January 2019 was £3.2m).

The total ARR associated with heightened risk accounts was £5.0m and, of that, £3.4m came up for renewal during the six-month period ended 31 January 2020. The Board is pleased to be able to report that only £1.2m of the £3.4m ARR was actually lost and the £2.2m retained is well ahead of the Board's expectations.

The reduction in reported revenue is principally a reflection of the significant net loss of ARR during the two prior financial years ended 31 July 2019 and 31 July 2018.

New business performance analysis
The Group's TCV for new deals and upsell / cross sell deals can be analysed by market segment as follows:

	6 months ended 31 January 2020		6 months ended 31 January 2019		Year ended 31 July 2019	
	TCV of new name deals	Number of new name deals	TCV of new name deals	Number of new name deals	TCV of new name deals	Number of new name deals
United Kingdom	£0.6m	16	£2.4m	25	£3.1m	41
France & Germany	£1.2m	3	£0.2m	3	£0.7m	5
United States	£1.7m	5	£0.9m	3	£1.0m	4
Netherlands	£1.9m	5	£0.5m	3	£1.6m	10

During February 2020, the UK signed TCV of £1.8m following the delayed negotiation of a particular contract.

	6 months ended 31 January 2020		6 months ended 31 January 2019		Year ended 31 July 2019	
	TCV of upsell deals	Number of upsell deals	TCV of upsell deals	Number of upsell deals	TCV of upsell deals	Number of upsell deals
United Kingdom	£1.4m	49	£1.1m	48	£3.2m	108
France & Germany	£0.1m	3	-	1	£0.4m	7
United States	£0.5m	3	£0.5m	2	£0.6m	5
Netherlands	£0.1m	15	£0.5m	3	£0.7m	7

Revenue performance analysis
The Group's revenues can be analysed by market segment and customer type as follows:

	Buyer revenue		
	6 months ended 31 January 2020 £m	6 months ended 31 January 2019 £m	Year ended 31 July 2019 £m
United Kingdom	8.2	9.4	19.1
France & Germany	3.7	4.9	8.9
United States	5.4	6.3	11.7
Netherlands	3.1	2.6	5.7
	20.4	**23.2**	**45.4**

	Supplier revenue		
	6 months ended 31 January 2020 £m	6 months ended 31 January 2019 £m	Year ended 31 July 2019 £m
United Kingdom	1.9	2.0	3.9
France & Germany	2.2	2.5	4.8
United States	-	-	-
Netherlands	-	-	-
	4.1	**4.5**	**8.7**
Total revenue	**24.5**	**27.7**	**54.1**

Revenue visibility
This key performance indicator is the Group's estimate of the annualised run rate of subscription, managed service, support and hosting revenues currently contracted with the Group and is referred to as Annual Recurring Revenue ('ARR').

This is crucially important to the Group's stakeholders as it provides a real indicator to:

- Investors of the amount of revenue from new business required to be won in order to hit expectations in future periods;
- The Group's bank, HSBC Bank plc, in its deliberations as to the level of debt that the business can conservatively support and hence assist in the overall return to investors; and
- The Group's customers, suppliers and associates of the overall strength of the Group.

The Group's ARR can be analysed as follows:

As at 31 January 2020	**Buyer revenue £m**	**Supply revenue £m**	**Total £m**
United Kingdom	14.4	3.9	18.3
France & Germany	7.6	3.9	11.5
United States	8.7	-	8.7
Netherlands	4.9	-	4.9
	35.6	**7.8**	**43.4**

The Board previously quantified a £5.0m heightened risk area in its customer accounts. As at 31 January 2020 £3.4m of the £5.0m has come up for renewal in the period, and £2.2 m of that £3.4m renewed. The Board will continue to monitor and report against this position.

As at 31 July 2019	**Buyer revenue £m**	**Supply revenue £m**	**Total £m**
United Kingdom	14.6	3.7	18.3
France & Germany	7.0	4.5	11.5
United States	9.9	-	9.9
Netherlands	4.6	-	4.6
	36.1	**8.2**	**44.3**

Staff costs and other operating expenses

The aggregate of staff costs and other operating expenses (excluding depreciation of property, plant and equipment and amortisation of intangibles assets decreased to £16.8m (2019: £18.0m).

This part of the Group's costs has recently included significant items of income or expenditure associated primarily with the Group's acquisition activity and the resultant integration programme (together, "non-core net expenditure").

The impact of this non-core net expenditure on the aggregate of staff costs and other operating expenses is as follows:

	6 months ended 31 January 2020 £m	**6 months ended 31 January 2019 £m**	**Year ended 31 July 2019 £m**
Aggregate of staff costs and other operating	16.8	18.0	34.1
Non-core net expenditure	(0.7)	(1.3)	(1.2)
Aggregate of staff costs and other operating expenses (excluding non-core net expenditure)	16.1	16.7	32.9

Non-core net expenditure can be analysed as follows:

	6 months ended 31 January 2020 £m	6 months ended 31 January 2019 £m	Year ended 31 July 2019 £m
Expenses of acquisition related activities	0.1	0.1	0.1
Release of contingent consideration	-	-	(0.9)
Costs of restructuring Group operations – staff	0.4	0.9	1.6
Costs of restructuring Group operations – other	0.2	0.1	0.4
Legal and professional fees	0.1	0.2	0.4
Foreign exchange impacts	(0.1)	-	(0.4)
	0.7	**1.3**	**1.2**

Reported profit and Group Adjusted profit performance

The Board considers that each of the two periods ended 31 January 2020 and 31 January 2019 have been significantly impacted by non-core net expenditure incurred primarily as part the Group's historical acquisition activity, resultant integration programmes as well as, more recently, group rationalisation activities.

A summary of the various profit measures is set out below.

	6 months ended 31 January 2020		6 months ended 31 January 2019		Year ended 31 July 2019	
	Reported	[1]Adjusted	Reported	[1]Adjusted	Reported	[1]Adjusted
Earnings before interest, tax, depreciation and amortisation ('EBITDA')[1]	£4.9m	£5.6m	£6.8m	£8.0m	£13.9m	£15.1m
Operating (loss) / profit	(£1.4m)	£1.7m	£1.1m	£4.7m	(£24.4m)	£8.8m
(Loss) / profit / before tax	(£2.2m)	£0.9m	£0.4m	£4.0m	(£25.8m)	£7.5m
Diluted earnings per share (note 3)	(1.9p)	1.1p	0.1p	3.4p	(27.9p)	6.4p

Note 1: See Additional Information – Reconciliation of alternative performance measures

Cash flow

An analysis of the Group Adjusted Free Cash Flow is as follows:

	6 months ended 31 January 2020 £m	6 months ended 31 January 2019 £m	Year ended 31 July 2019 £m
Net cash flow from operating activities	5.1	4.4	11.9
- Non-core net expenditure incurred in prior period but paid in current period	0.3	0.6	0.6
- Non-core net expenditure charged and paid within the same period	0.7	0.7	2.6
Adjusted Net cash flow from operating activities	6.1	5.7	15.1
- Purchase of plant and equipment	(0.3)	(0.4)	(0.6)
- Development expenditure capitalised	(3.9)	(3.8)	(7.6)
Adjusted Group Net Free Cash Flow	1.9	1.5	6.9

The Group had net bank debt of approximately £35.6m at 31 January 2020 (31 July 2019: £36.5m).

The net bank debt figure excludes convertible loan notes of approximately £6.5m that mature from August 2022 onwards. During the period convertible loan notes of £0.9m were issued as a result of year 1 revenue targets arising from the Esize acquisition in August 2018. This amount had been fully provided as deferred consideration.

COVID-19

The Group announced a statement on 20 April 2020 in response to the COVID-19 pandemic the Group has taken a number of actions to ensure that all staff are healthy, safe and working from home and are supporting our customers with no compromise on service levels.

The Board remains cautious and vigilant in the very short-term as the full impact of COVID-19 on the general economy is not yet known but it remains confident of the opportunity to realise its strategy for growth in the mid-term.

Summary and Outlook

The Group has made encouraging progress in the first period with the deployment of its new strategy. New business performance and customer retention have both improved significantly across all territories in which the Group operates. This has enabled the Group to report organic growth of ARR through the period and up to the date of this announcement which is a step change in the trajectory of the performance of the Group.

In the short-term, subject to the full impact of COVID-19 crisis on the general economy becoming clear, the growth in pipeline across the Group and the profile of forward renewals supports further organic growth and the Board remains confident of the potential to accelerate this further in the mid-term. The Group's business model has proved robust in the early stages of the COVID-19 crisis, although management and the Board remain vigilant for risk, particularly to new business trends, project implementation deferrals, volume-based contracts and customer solvency.

The Group has reset its facilities with its lenders, HSBC, for the long-term and this is a fundamental step in the financial strategy of the Group. Whilst net debt remains relatively high in comparison to earnings in the short-term, the Group's financial position is solid and the Board anticipates net debt to reduce as the Group delivers its business plan.

The Board acknowledges its earlier commitment to strengthen the independence of its non-executive directors. It has identified a shortlist of candidates and will progress this further during the coming months.

The Group is now in a good position to continue to execute its growth strategy from a position of relative strength from commercial, technological and financial standpoints. Progress has been encouraging and it is evident that our solutions are highly relevant and that the Group is well placed to capitalise on the significant market opportunity in the long-term and accordingly, at this stage, the Board maintains its guidance for the full year outturn. The Board remains confident in its strategy for growth and looks forward to delivering increased value to the Group's stakeholders as a whole.

Alan Aubrey	Tim Sykes
Chairman	*Chief Executive Officer*
29 April 2020	

Consolidated income statement
for the six months ended 31 January 2020

	Unaudited 6 months to 31 January 2020 £000	Unaudited 6 months to 31 January 2019 £000	Audited Year ended 31 July 2019 £000
Revenue	**24,468**	27,688	54,140
Cost of sales	**(2,845)**	(3,088)	(6,659)
Staff costs	**(11,504)**	(11,521)	(22,892)
Other operating expenses	**(5,342)**	(6,481)	(11,231)
Depreciation of property, plant and equipment	**(813)**	(264)	(608)
Amortisation of intangible assets	**(5,347)**	(5,282)	(10,136)
Impairment of goodwill and intangible assets	**-**	-	(26,999)
Operating (loss) / profit	**(1,383)**	1,052	(24,385)
Finance income	**-**	5	5
Finance expenses	**(795)**	(756)	(1,440)
(Loss) / profit before taxation	**(2,178)**	301	(25,820)
Income tax credit/(charge)	**331**	(256)	(703)
(Loss) / profit for the period	**(1,847)**	45	(26,523)
Attributable to:			
Equity holders of the parent	**(1,832)**	54	(26,462)
Non-controlling interest	**(15)**	(9)	(61)
	(1,847)	45	(26,523)
Earnings per ordinary share (Note 3)			
- Basic	**(1.9)p**	0.1p	(27.9)p
- Diluted	**(1.9)p**	0.1p	(27.9)p

Consolidated statement of other comprehensive income
for the six months ended 31 January 2020

	Unaudited 6 months to 31 January 2020 £000	Unaudited 6 months to 31 January 2019 £000	Audited Year ended 31 July 2019 £000
(Loss)/Profit for the period	**(1,847)**	45	(26,523)
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences	**(46)**	(132)	(192)
Other comprehensive loss, net of tax	**(46)**	(132)	(192)
Total comprehensive loss	**(1,893)**	(87)	(26,715)
Attributable to:			
Equity holders of the parent	**(1,770)**	(78)	(26,711)
Non-controlling interest	**(123)**	(9)	(4)
	(1,893)	(87)	(26,715)

Condensed consolidated statement of changes in equity
As at 31 January 2020

	Unaudited Share capital £000	**Unaudited Share premium £000**	**Unaudited Merger reserve £000**	**Unaudited Capital reserve £000**	**Unaudited Foreign exchange reserve £000**	**Unaudited Equity reserve £000**	**Unaudited Retained earnings £000**	**Unaudited Total £000**	**Unaudited Non-controlling interest £000**	**Unaudited Total equity £000**
At 31 July 2018	9,324	81,464	556	449	(1,137)	80	2,875	93,611	1,604	95,215
IFRS 15 transition impact	-	-	-	-	-	-	606	606	-	606
At 1 August 2018	9,324	81,464	556	449	(1,137)	80	3,481	94,217	1,604	95,821
Result for the period	-	-	-	-	-	-	54	54	(9)	45
Other comprehensive income	-	-	-	-	(132)	-	-	(132)	23	(109)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(132)**	**-**	**54**	**(78)**	**14**	**(64)**
Shares issued during the period	129	1,267	-	-	-	-	-	1,396	-	1,396
Share options exercised	10	18	-	-	-	-	-	28	-	28
Loan note conversion	59	764	-	-	-	(20)	20	823	-	823
Issue of convertible notes	-	-	-	-	-	29	-	29	-	29
Dividend	-	-	-	-	-	-	(1,419)	(1,419)	-	(1,419)
Share based payment charges	-	-	-	-	-	-	189	189	-	189
At 31 January 2019	9,522	83,513	556	449	(1,269)	89	2,325	95,185	1,618	96,803
Result for the period	-	-	-	-	-	-	(26,516)	(26,516)	(52)	(26,568)
Other comprehensive income	-	-	-	-	(117)	-	-	(117)	34	(83)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(117)**	**-**	**(26,516)**	**(26,633)**	**(18)**	**(26,651)**
Share based payment charges	-	-	-	-	-	-	352	352	-	352
At 1 August 2019	9,522	83,513	556	449	(1,386)	89	(23,839)	68,904	1,600	70,504
Result for the period	-	-	-	-	-	-	(1,832)	(1,832)	(15)	(1,847)
Other comprehensive income	-	-	-	-	62	-	-	62	(108)	(46)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**62**	**-**	**(1,832)**	**(1,770)**	**(123)**	**(1,893)**
Shares issued during the period	31	146	-	-	-	-	-	177	-	177
Issue of convertible notes	-	-	-	-	-	13	-	13	-	13
Share based payment charges	-	-	-	-	-	-	124	124	-	124
At 31 January 2020	9,553	83,659	556	449	(1,324)	102	(25,547)	67,448	1,477	68,925

Consolidated balance sheet
as at 31 January 2020

	Unaudited As at 31 January 2020 £000	Unaudited As at 31 January 2019 £000	Audited As at 31 July 2019 £000
Non-current assets			
Property, plant & equipment (Note 2)	**5,801**	1,703	1,625
Intangible assets (Note 4)	**133,987**	163,749	136,082
Deferred tax asset	**748**	1,570	755
	140,536	167,022	138,462
Current assets			
Trade and other receivables	**26,929**	26,524	23,048
Cash and cash equivalents	**7,548**	7,062	7,732
	34,477	33,586	30,780
Total assets	**175,013**	200,608	169,242
Current liabilities			
Trade and other payables	**25,450**	22,916	21,616
Obligations under finance leases	**-**	48	30
Lease liabilities	**982**	-	-
Contract liabilities	**16,897**	17,890	17,306
Income taxes	**278**	732	-
Loans and borrowings (Note 6)	**3,192**	3,272	3,181
	46,799	44,858	42,133
Non-current liabilities			
Contract liabilities	**190**	296	192
Deferred tax liabilities	**8,435**	9,346	9,153
Loans and borrowings (Note 6)	**46,492**	48,628	46,577
Obligations under finance leases	**-**	33	27
Lease liabilities	**3,483**	-	-
Provisions	**689**	644	656
	59,289	58,947	56,605
Total liabilities	**106,088**	103,805	98,738
Net assets	**68,925**	96,803	70,504
Equity			
Called up share capital	**9,553**	9,522	9,522
Share premium account	**83,659**	83,513	83,513
Equity reserve	**102**	89	89
Merger reserve	**556**	556	556
Capital reserve	**449**	449	449
Foreign exchange reserve	**(1,324)**	(1,269)	(1,386)
Retained earnings	**(25,547)**	2,325	(23,839)
Equity attributable to equity holders of the parent	**67,448**	95,185	68,904
Non-controlling interest	**1,477**	1,618	1,600
Total equity	**68,925**	96,803	70,504

Consolidated statement of cash flows
for the six months ended 31 January 2020

	Unaudited 6 months to 31 January 2020 £000	Unaudited 6 months to 31 January 2019 £000	Audited Year ended 31 July 2019 £000
Operating activities			
(Loss) / profit for the period	**(1,847)**	45	(26,523)
Amortisation of intangible assets	**5,347**	5,282	10,136
Impairment of goodwill and intangible assets	**-**	-	26,999
Depreciation	**813**	264	608
Net finance expense	**795**	751	1,435
Income tax (credit)/charge	**(331)**	256	703
Share based payment charges	**124**	189	541
Operating cash flow before changes in working capital	**4,901**	6,787	13,899
Movement in trade and other receivables	**(4,141)**	(2,935)	489
Movement in trade and other payables and deferred income	**4,732**	1,545	(204)
Operating cash flow from operations	**5,492**	5,397	14,184
Finance income	**-**	5	-
Interest paid	**(652)**	(627)	(1,269)
Income tax received/(paid)	**237**	(329)	(995)
Net cash flow from operating activities	**5,077**	4,446	11,920
Investing activities			
Purchase of plant and equipment	**(299)**	(371)	(586)
Payments to acquire subsidiary undertakings	**-**	(8,364)	(8,365)
Development expenditure capitalised	**(3,900)**	(3,812)	(7,649)
Net cash flow from investing activities	**(4,199)**	(12,547)	(16,600)
Financing activities			
Proceeds from issue of new shares	**-**	28	28
Receipts from bank borrowings	**830**	10,178	10,178
Repayment of bank borrowings	**(1,500)**	(3,348)	(5,286)
Payment of lease liabilities (2019: Finance lease payments)	**(558)**	(35)	(60)
Dividend payment	**-**	(1,419)	(1,419)
Net cash flow from financing activities	**(1,228)**	5,404	3,441
Effects of currency translation on cash and cash equivalents	**166**	198	(590)
Net decrease in cash and cash equivalents	**(350)**	(2,697)	(1,239)
Cash and cash equivalents at the beginning of the period	**7,732**	9,561	9,561
Cash and cash equivalents at the end of the period	**7,548**	7,062	7,732

Unaudited notes

1. Basis of preparation and accounting policies

PROACTIS Holdings PLC is a company incorporated in England and Wales under the Companies Act 2006.

The condensed financial statements are unaudited and were approved by the Board of Directors on 28 April 2020.

The interim financial information for the six months ended 31 January 2020, including comparative financial information, has been prepared on the basis of the accounting policies set out in the last annual report and accounts and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The preparation of the interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may subsequently differ from those estimates.

In preparing the interim financial statements, the significant judgements made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same, in all material respects, as those applied to the consolidated financial statements for the year ended 31 July 2019.

There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income. The Group has elected to present comprehensive income in two statements.

Going concern assumption
The Group manages its cash requirements through a combination of operating cash flows and long-term borrowings.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current lending facilities.

Consequently, after making enquires, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the interim financial statements.

Information extracted from 2019 Annual Report
The financial figures for the year ended 31 July 2019, as set out in this report, do not constitute statutory accounts but are derived from the statutory accounts for that financial year.

The statutory accounts for the year ended 31 July 2019 were prepared under IFRS and have been delivered to the Registrar of Companies. The auditors reported on those accounts. Their report was unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under Section 498(2) or 498(3) of the Companies Act 2006.

2. Change in significant accounting policies

IFRS 16 'leases' was adopted by the Group on the 1st August 2019. The new standard provides a single lease accounting model, specifying how leases are recognised, measured, presented and disclosed.

The Group has applied IFRS 16 using the modified retrospective transition approach. Therefore, the comparative information has not been restated and continues to be reported under IAS 17. Lease liabilities were determined based on the value of the remaining lease payments, discounted by the appropriate incremental borrowing rates. The right-of-use (ROU) assets were measured based on the related lease liability as at the date of transition, adjusted for prepaid or accrued lease payments. The financial statement impact of IFRS 16 is shown within this note.

On initial adoption, the Group has elected to use the following practical expedients proposed by the standard:

- Lease payments for contracts with a duration of 12 months or less to be expensed to the income statement on a straight-line basis over the lease term.
- Lease payments for contracts for which the underlying asset is of a low value to be expensed to the income statement on a straight-line basis over the lease term.
- The application of a single discount rate to a portfolio of leases with reasonably similar characteristics, for example copiers with a similar lease term.

Judgements made in applying IFRS 16 include assessing the lease term and identifying the discount rate to be used.

Under IFRS 16, the Group has capitalised the right of use of properties, cars and copiers previously held under operating leases. At the date of adoption 10 properties, 17 cars and 17 copiers were capitalised. The lease term corresponds to the duration of the contracts signed.

The Group has recognised a right of use asset representing its right to use the underlying asset and a corresponding lease liability representing its obligation to make lease payments. Operating lease expenses have been replaced by a depreciation expense on right of use assets recognised and an interest expense as the interest rate implicit in the Group's lease liabilities unwinds. When the interest rate implicit in the lease is not readily determined, the Group's incremental borrowing rate has been used.

Finance leases previously capitalised under IAS 17 'Leases' have been reclassified to the right of use asset category under IFRS 16.

The following table summarises the impacts of adopting IFRS 16 on the Group's consolidated statement of financial position as at 1 August 2019.

	Audited	Unaudited	Unaudited
	Impact of adoption of IFRS 16		
	As reported 31 July 2019	**IFRS 16 impacts**	**Adjusted opening balance sheet**
	£000	**£000**	**£000**
Non-current assets			
Property, plant & equipment	1,625	5,180	6,805
Current assets			
Trade and other receivables	23,048	(108)	22,940
Current liabilities			
Trade and other payables	21,616	(216)	21,400
Obligations under finance leases	30	(30)	-
Lease liabilities	-	1,029	1,029
Non-current liabilities			
Obligations under finance leases	27	(27)	-
Lease liabilities	-	4,316	4,316

2. Change in significant accounting policies (continued)

The following table summarises the impacts of adopting IFRS 16 on the Group's consolidated statement of financial position as at 31 January 2020.

	Unaudited	Unaudited	Unaudited
		Impact of adoption of IFRS 16	
	As reported	**IFRS 16 impacts**	**Amounts without adoption of IFRS 16**
	£000	**£000**	**£000**
Non-current assets			
Property, plant & equipment	**5,801**	(4,246)	1,555
Current assets			
Trade and other receivables	**26,929**	104	27,033
Current liabilities			
Trade and other payables	**25,450**	216	25,666
Obligations under finance leases	**-**	14	14
Lease liabilities	**982**	(982)	-
Non-current liabilities			
Obligations under finance leases	**-**	20	20
Lease liabilities	**3,483**	(3,483)	-
Equity			
Retained earnings	**(25,547)**	73	(25,474)

The following table summarises the impacts of adopting IFRS 16 on the Group's consolidated income statement for the period ended 31 January 2020.

	Unaudited	Unaudited	Unaudited
		Impact of adoption of IFRS 16	
	As reported	**IFRS 16 impacts**	**Amounts without adoption of IFRS 16**
	£000	**£000**	**£000**
Revenue	**24,468**	-	24,468
Cost of sales	**(2,845)**	-	(2,845)
Staff costs	**(11,504)**	-	(11,504)
Other operating expenses	**(5,342)**	(546)	(5,888)
Depreciation of property, plant and equipment	**(813)**	552	(261)
Amortisation of intangible assets	**(5,347)**	-	(5,347)
Operating profit	**(1,383)**	6	(1,377)
Finance expenses	**(795)**	67	(728)
Profit before taxation	**(2,178)**	73	(2,105)
Income tax credit/(charge)	**331**	-	331
(Loss)/Profit for the period	**(1,847)**	73	(1,774)

2. Change in significant accounting policies (continued)

The following table summarises the impacts of adopting IFRS 16 on the Group's consolidated statement of cashflows for the period ended 31 January 2020.

	Unaudited	Unaudited	Unaudited
		Impact of adoption of IFRS 16	
	As reported	**IFRS 16 impacts**	**Amounts without adoption of IFRS 16**
	£000	**£000**	**£000**
Operating activities			
Loss for the period	**(1,847)**	73	(1,774)
Depreciation	**813**	(552)	261
Net finance expense	**795**	(67)	728
Movement in trade and other receivables	**(4,141)**	4	(4,137)
Financing activities			
Payment of lease liabilities (2019: Finance lease payments)	**(558)**	542	(16)

3. Basic and diluted earnings per ordinary share

	Unaudited 6 months to 31 January 2020 £000	Unaudited 6 months to 31 January 2019 £000	Audited Year ended 31 July 2019 £000
(Loss)/profit for the period attributable to owners of the Company (£000)	**(1,832)**	54	(26,462)
Post tax effect of non-core net expenditure (£000)	**559**	1,101	700
Post tax effect of customer related intangible assets (£000)	**1,727**	1,759	3,454
Post tax effect of impairment of goodwill (£000)	**-**	-	26,999
Post tax effect of share-based payment charges (£000)	**124**	189	541
Post tax effect of convertible loan note interest (£000)	**55**	57	113
Non-recurring tax factors (£000)	**437**	116	873
Non-controlling interest (£000)	**-**	(9)	-
Adjusted post tax earnings (£000)	**1,070**	3,267	6,218
Weighted average number of shares (number '000)	**95,439**	94,612	94,913
Dilutive effect of share options (number '000)	**1,105**	2,011	1,771
Fully diluted number of shares in issue (number '000)	**96,544**	96,623	96,684
Basic earnings per ordinary share (pence)	**(1.9)**	0.1	(27.9)
Adjusted earnings per ordinary share (pence)	**1.1**	3.5	6.6
Basic diluted earnings per ordinary share (pence)	**(1.9)**	0.1	(27.9)
Adjusted diluted earnings per ordinary share (pence)	**1.1**	3.4	6.4

4. Intangible assets

	Unaudited Goodwill £000	Unaudited Customer related intangibles £000	Unaudited Development costs £000	Unaudited Software for own use £000	Unaudited Total £000
Cost					
At 31 July 2019	115,758	42,356	32,765	3,938	194,817
Additions	-	-	-	34	34
Internally developed	-	-	3,878	26	3,904
Foreign exchange differences	-	-	(1,924)	(62)	(1,986)
At 31 January 2020	115,758	42,356	34,719	3,936	196,769
Amortisation and impairment					
At 31 July 2019	26,999	10,134	18,509	3,093	58,735
Amortisation for the period	-	1,739	3,378	230	5,347
Foreign exchange differences	-	-	(1,252)	(48)	(1,300)
At 31 January 2020	26,999	11,873	20,635	3,275	62,782
Carrying amounts					
At 31 July 2019	88,759	32,222	14,256	845	136,082
At 31 January 2020	**88,759**	**30,483**	**14,084**	**661**	**133,987**

5. Alternative performance measure – Adjusted EBITDA (unaudited)

Management has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit before taxation to exclude the impact of net finance costs, depreciation, amortisation, share based payment charges and non-core net expenditure. The non-core net expenditure includes significant items of income or expenditure associated primarily with the Groups acquisition activity and the resultant restructuring programmes (together, "non-core-net expenditure").

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

	6 months to 31 January 2020 £000	6 months to 31 January 2019 £000	Year ended 31 July 2019 £000
(Loss)/Profit before taxation	**(2,178)**	301	(25,820)
Adjustments for:			
Net finance costs	**795**	751	1,435
Depreciation	**813**	264	608
Amortisation	**5,347**	5,282	10,136
Share based payment charges	**124**	189	541
Impairment of goodwill and intangible assets	**-**	-	26,999
Non-core net expenditure:			
▪ Costs of restructuring the Group's operations – staff	**456**	855	1,533
▪ Costs of restructuring the Group's operations – other	**190**	104	427
▪ Expenses of acquisition related activities	**81**	120	128
▪ Release of contingent consideration	**-**	-	(914)
▪ Legal and professional fees	**83**	180	417
▪ Non-core foreign exchange impacts	**(122)**	-	(425)
Adjusted EBITDA	**5,589**	8,046	15,065
R&D capitalised	**(3,900)**	(3,812)	(7,649)
Adjusted cash EBITDA	**1,689**	4,234	7,416

6. Net debt

	Unaudited 31 January 2020 £000	Unaudited 31 January 2019 £000	Audited 31 July 2019 £000
Non-current			
Secured bank loans	**40,005**	43,092	41,034
Convertible notes	**6,487**	5,536	5,543
Obligations under finance leases	**-**	33	27
Total non-current	**46,492**	48,661	46,604
Current			
Secured bank loans	**3,192**	3,272	3,181
Obligations under finance leases	**-**	48	30
Total current	**3,192**	3,320	3,211
Total borrowings	**49,684**	51,981	49,815
Less:			
Cash and cash equivalents	**(7,548)**	(7,062)	(7,732)
Net debt	**42,136**	44,919	42,083
Bank net debt	**35,649**	39,302	36,483

Additional information

Reconciliation of alternative performance measures:

	Reported EBITDA	Adjusted EBITDA	Adjusted operating profit	Adjusted profit before tax	Adjusted profit after tax
	£000	£000	£000	£000	£000
Loss after tax	(1,847)	(1,847)	(1,847)	(1,847)	(1,847)
Add back:					
Tax credit	(331)	(331)	(331)	(331)	(331)
Interest charge	795	795	795	-	-
Share based payment charges	124	124	124	124	124
Depreciation	813	813	-	-	-
Amortisation	5,347	5,347	-	-	-
Non-core net expenditure (note 5)	-	688	688	688	688
Non-recurring interest charged on convertible loan notes	-	-	-	68	68
Amortisation charged on fair value uplift of acquired capitalised development costs	-	-	502	502	502
Amortisation charged on customer related intangible assets	-	-	1,739	1,739	1,739
Non-recurring tax factors	-	-	-	-	437
Total	4,901	5,589	1,670	943	1,380