STRONG REVENUE GROWTH

Highlights

- Strong revenue growth of 15% year on year to £62.8m (2021: £54.5m).
- Adjusted EBITDA margin of 25% despite economic headwinds (2021: 31%).
- Profit before tax of £7.3m (2021: £8.1m).
- A significant closing cash position, with cash of £29.3m (2021: £34.3m) after investment in acquisitions of £1.1m and settlement of IPO related liabilities in year of £2.6m. Net cash outflow from operating activities of £1.4m (2021: £12.3m inflow).
- The Group remains debt free, aside from IFRS16 lease liabilities.

"STRONG REVENUE GROWTH OF 15% YEAR ON YEAR TO £62.8M"

TIM CROSTON – CHIEF FINANCIAL OFFICER

Revenue

	2022 £m	2021 £m	2022 v 2021 %
Direct	**27.8**	23.7	17%
Indirect	**33.6**	29.7	13%
Other	**1.4**	1.1	33%
Revenue	**62.8**	54.5	15%

Group revenue increased to £62.8m (2021: £54.5m), a 15% increase in comparison to the prior year. The growth was driven by both primary routes to market.

Direct revenue grew 17% to £27.8m, as a result of increased activity with new and existing clients in the UK, Australia and Ireland.

Indirect revenue grew by 13%, primarily driven by a 56% increase in the number of views totalling 98.4bn (2021: 62.9bn) across web and social video. The increase in views was a result of continued investment in people in order to create engaging content across our platforms and publications (Source: Tubular Labs 2023).

Net operating expenses

The significant operating expenses during the year were:

- Payroll costs excluding share based payments (see below) and restructuring costs of £24.8m (2021: £21.5m), up 15% due to continued investment in our team to support the growth of the business.
- Media costs of £7.4m (2021: £4.4m), up 68%, driven by an increase in content acquisition costs to support view growth, coupled with an increase in marketing spend post covid-19.
- Establishment costs of £5.7m (2021: £4.2m) up 34% due to investment in our technology infrastructure.
- Production costs of £4.6m (2021: £3.7m), up 26% supporting the growth of our Direct revenue, coupled with inflationary impact on costs.
- Travel and expenses costs of £1.6m (2021: £1.3m), up 28%, with the early part of the prior year being suppressed due to covid-19 restrictions.

Depreciation

Depreciation of £1.6m (2021: £1.3m) was up 23%, mainly reflecting new IFRS16 property leases in international territories.

Amortisation

Amortisation of £0.8m (2021: £0.8m) is consistent with prior year.

Share based payments

Share-based payments costs were £3.6m (2021: £1.5m). Similar to other newly listed businesses, we introduced long term incentive plan schemes for senior managers. In addition, all employees across the Group were offered the opportunity to enter the LADbible share incentive plan within the year.

Key performance indicators ("KPIs")

The board monitors progress of the Group by reference to the following KPIs:

	2022 £m	2021 £m	2022 v 2021 £m	2022 v 2021 %
Financial				
Revenue	**62.8**	54.5	8.3	15%
Adjusted EBITDA	**15.7**	16.8	(1.1)	(6%)
Adjusted EBITDA as a % of revenue	**25%**	31%		
Profit before tax	**7.3**	8.1	(0.8)	(10%)
Profit before tax as a % of revenue	**12%**	15%		
Non-Financial				
Global audience (m)*	**366**	264	102	39%
Content views (bn)**	**98**	63	35	56%
Average number of employees (no.)	**470**	388	82	21%

* Global audience includes social followers and unique website users in December.

** Content views is annual views of content across all social platforms and websites. The definition of what constitutes a view can vary across the social platforms.

15%
REVENUE GROWTH

12%
PBT %

Adjusted EBITDA

Adjusted EBITDA was £15.7m (2021: £16.8m). Adjusted EBITDA fell in the year due to an investment in the cost base of the business to drive future growth.

Adjusted EBITDA is used for internal performance analysis to assess the execution of our strategies and is a benchmark that has been used by management and the investment community to assess the performance of the Group since IPO. As such, management believe that this adjusted measure is an appropriate measure to assess the performance of the Group. Note that using Adjusted EBITDA produces a materially different result to the most closely related IFRS based metric, being Profit Before Tax. It is therefore important to understand the nature of any adjusting items, which are discussed below.

Adjusting items

Adjusting items are all items that are not indicative of the underlying performance of the business. They are adjusted to ensure consistency between periods. These totalled £2.2m (2021: £4.9m), with the key items summarised as follows:

- In the year the Group completed a restructuring of its workforce, the reasons for which are discussed within the CEO report on page 10. This included 43 redundancies of permanent employees, alongside the creation of a new team structure delivering our direct revenue stream, known internally as LAD360 2.0. Costs include termination costs, creative team advisory and legal fees associated with the restructuring program, totalling £1.6m. The restructure is viewed to be a one-off exercise and there are no current plans to complete a similar exercise in the future. As such, these costs are classified as adjusting items.
- The Group opened its first office in New York in the second half of 2022. Costs of the initial setup of the US business have been classified as adjusting items within the year. These costs totalled £0.6m and relate to the cost of US employees engaged with the setup of the new business (including their travel and accommodation costs), the incremental costs of employees seconded to the US business, as well as legal and advisory fees. Initial setup activities included rebranding of Unilad to target the US market, sourcing premises and staff recruitment. As all of these costs have been incurred prior to any US revenue being earned by the company management deem it appropriate to classify these costs as adjusting items as they are not indicative of the underlying performance of the business.
- Two significant tax liabilities have been accrued in 2022. Tax due diligence work prior to the IPO of the Group made a recommendation on which the business has subsequently acted. This resulted in the Group agreeing in the year to settle a PAYE liability on behalf of two employees, totalling £0.2m. As this was a one-off settlement, it has been classified as an adjusting item. The second tax liability recorded relates to historic underpaid state payroll taxes in Australia of £0.1m. These liabilities were identified following a change in tax advisor and a subsequent review of tax positions. As the quantum of the liability is not indicative of the future state payroll tax charge, it has been classified as an adjusting item in the year.
- During the year the Group received £0.3m (2021: £1.2m) from Bentley Harrington Limited. Consistent with prior periods, amounts received from Bentley Harrington Limited have been classified as adjusting items (further detail can be found within note 6).
- Adjusting items in the prior year of £4.9m related to the advisor fees and administration costs associated with the December 2021 IPO.

All adjusting items are taxable and have been included within the tax charge at a tax rate of 19%.

CHIEF FINANCIAL OFFICER'S REVIEW CONTINUED

Share of JV

Share in joint ventures was £0m (2021: £0.1m), representing our share in the results of Pubity Group Ltd.

Profit before tax

Profit before tax decreased to £7.3m (2021: £8.1m).

Taxation

The tax charge for the year was £2.0m (2021: £2.9m). In the prior year there were significant non-deductible IPO related expenses, meaning that the effective tax rate in the prior year (36%) was higher than the current year (27%).

Balance sheet

Net assets grew to £61.2m (2021: £52.3m) as a result of Group trading performance.

Net current assets grew to £43.8m (2021: £37.0m), largely as a result of Group trading performance.

Trade and other receivables grew to £20.4m (2021: £15.2m), driven by an increase of accrued income from £5.8m in 2021 to £11.1m in 2022. The increase was due to a significant increase in Q4 revenue versus the prior year.

Trade and other payables reduced to £4.3m (2021: £11.2m). This reduction was driven by three main factors. The first being the settlement in year of IPO related liabilities accrued at the prior year end, totalling £2.6m. The second being there is no bonus provision at the period end (2021: £1.1m). Thirdly, due to the timing of direct revenue campaigns, deferred income has reduced by £1.1m versus the prior year.

Included in non-current assets are intangible assets of £15.4m (2021: £14.6m). The majority of this position represents the acquired goodwill and other separately identified intangible assets from our acquisition of the UNILAD business in October 2018. In 2022, the Group acquired the 'Go Animals' Facebook and Instagram social media pages for total consideration of £1.1m, accounting for the increase in the intangible asset balance in the year.

Cashflow and cash position

Cash at the year-end amounted to £29.3m (2021: £34.4m).

Net cash generated from operations fell to £1.3m (2021: £13.0m). The decrease was driven by two main factors:

1) Trade and other receivables increased by £5.2m (2021: £2.7m increase), driven by a significantly improved Q4 revenue performance in 2022 (£24.8m), versus 2021 (£18.6m).
2) Trade and other payables decreased by £7.0m in the year (2021: £3.8m increase), following the settlement of IPO related liabilities and bonus'.

Net cash outflows due to investing activities increased to £2.2m (2021: £0.6m inflow), driven by the acquisition of intangible assets of £1.7m in the year.

Net cash outflows due to financing activities were £1.5m (2021: inflows £14.5m). Outflows in 2022 relate solely to lease payments of £1.3m (2021: £1.1m). In 2021, the Group repaid £13.2m in borrowings, paid £0.3m in interest and received net inflows from the IPO of £30.0m.

Tim Croston
Chief Financial Officer
11 April 2023