Highlights

- Revenue growth of 7.5% year on year to £67.5m (2022: £62.8m).
- Adjusted EBITDA margin of 25.7% (2022: 25.0%).
- Profit before tax of £5.9m (2022: £7.3m) after adjusting items of £3.7m (2022: £2.2m).
- Closing cash of £15.8m (2022: £29.3m) after investment in acquisitions of £17.6m. Cash generated from operations in the year of £10.1m (2022: £1.3m).
- Acquisition of Betches Media, LLC 'Betches' in October 2023 for £29.2m, which contributed £2.3m revenue and £0.1m Profit before tax to the Group in the period since acquisition.

Revenue

	2023 £'000	2022 £'000	Movement %
Direct	**29,349**	27,806	5.5%
Indirect	**37,111**	33,601	10.4%
Other	**1,050**	1,402	(25.1)%
Revenue	**67,510**	62,809	7.5%

Group revenue increased 7.5% to £67.5m (FY22: £62.8m), with the acquisition of Betches in October 2023 accounting for £2.3m of this increase. Organic revenue growth was 4%, which is a solid result given economic headwinds and challenges in ANZ.

Direct revenue grew 5.5% to £29.3m, reflecting progress across both new and existing clients.

Indirect revenue, which is diversified across our social and web revenue streams grew by 10.4% overall due primarily to the increases driven in both our social video views and our web sessions. The increase in social video views to 128bn (FY22: 98bn) reflected us embracing the shift to short-form video in late 2022 and our capabilities in increasing the production of engaging content across our platforms. This has continued to mitigate the year-on-year pressure on social yields that accompanied that market shift. Yields from advertising on our owned and operated web sites benefitted from investment over the year on people and technology in this area.

Other revenue of £1.1m which represents minor revenue streams such as content licensing was £0.4m lower than the prior year.

POSITIVE REVENUE MOMENTUM

RICHARD JARVIS – CHIEF FINANCIAL OFFICER

Net operating expenses

Operating expenses excluding depreciation, amortisation, asset impairment and release of related liabilities, share based payment charge and adjusting items amounted to £50.1m (FY22: £47.6m). The increase of £2.5m includes £2.2m of costs from Betches that were not in the prior year comparative.

Adjusted EBITDA

Adjusted EBITDA of £17.4m (2022: £15.7m), showing 10.8% growth on the prior year (£0.1m of EBITDA relates to Betches).

Adjusted EBITDA is used for internal performance analysis to assess the execution of our strategy 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 GAAP measure, being Profit Before Tax. It is therefore important to understand the nature of any adjusting items.

Depreciation and impairment

Depreciation of £2.1m (FY22: £1.6m) was up 27.9%, mainly reflecting new IFRS16 property leases in the UK. Additionally, £0.3m (FY22: £nil) was incurred due to the impairment of mainly lease assets associated with the closure of Australia offices, net of the release of related liabilities (see note 6 for details).

Amortisation

Amortisation of £1.4m (FY22: £0.8m) was up 70.3% due to the impact of intangible assets acquired through business combinations.

Share based payment charges

Share based payment costs were £3.9m (FY22: £3.6m), up 8.5% due to the impact of new schemes in 2023 (see note 20 for details).

Key performance indicators ('KPIs')

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

	2023 £'000s	2022 £'000s	2023 v 2022 £'000s	2023 v 2022 %
Financial				
Revenue	**67,510**	62,809	4,701	7.5%
Adjusted EBITDA	**17,368**	15,682	1,686	10.8%
Adjusted EBITDA as a % of revenue	**25.7%**	25.0%		
Profit before tax	**5,937**	7,323	(1,386)	(18.9%)
Profit before tax as a % of revenue	**8.8%**	11.7%		
Non-Financial				
Global audience (m)*	**452**	366	86	23.5%
Video views (bn)*	**128**	98	30	30.6%
Average number of employees (no.)	**446**	470	(24)	(5.1%)

* Video Views and Global Audience exclude Pubity and Memezar. Video Views are across Facebook, Snapchat, TikTok, X, YouTube and Web. Global Audience reflects social followers, unique podcast listeners and average monthly website users in the 12 months to December 2023.

REVENUE GROWTH

7.5%

ADJUSTED EBITDA MARGIN

25.7%

Adjusting items

Adjusting items are those that are not indicative of the underlying performance of the business and are therefore adjusted to ensure consistency between periods. These totalled £3.7m (FY22: £2.2m) within the year, with the key items summarised as follows:

Business reorganisations – ANZ

On 8 November 2023, the Group announced changes to the Group's operating model within Australia and New Zealand. This change involved centralising the social and web operations into the UK, as well as appointing a third-party partner, Val Morgan Digital, to perform commercial operations in Australia. Significant one-off costs, including redundancy for 60 people, were incurred and categorised as adjusting items to better reflect the underlying performance of the Group. These adjusting items total £1.4m and include £1.2m of staff related costs and £0.2m of non-staff related costs.

Costs associated with business reorganisations – Non-ANZ

Costs associated with team member reorganisations of £0.6m relates to exit costs of personnel leaving the business due to reorganisations within our operating divisions and Board. £0.4m of that cost relate to Board level changes due to both the resignation of the CFO in April 2023 which led to some dual CFO costs and the resignation of the COO in July 2023 who left the business at that point. Due to the nature of these costs, management deem them to be adjusting items in order to better reflect the underlying performance of the Group. Exit costs outside of these circumstances are treated as operating expenses.

One-off retention payment

Recognising a set of unique circumstances of stabilising and retaining staff following the large reorganisation in the last quarter of 2022 that was also compounded by the cost-of-living crisis, the Group made a one-off payment to employees to mitigate retention risks. This payment was fully repayable if they chose to leave within the year. Due to the one-off nature of this payment and to facilitate meaningful understanding of underlying performance and comparison with prior and future years the cost of £0.6m has been considered an adjusting item.

Acquisition related fees

Acquisition related costs of £1.1m include legal, professional advisory and other costs directly attributable to the acquisition of Betches in October 2023, and other acquisitions.

Tax settlement

In the prior year the Group agreed to settled pre-IPO PAYE liability of £0.2m which was treated as a one-off adjusting item. Following a settlement agreement with HMRC in 2023, this liability was reduced by £0.1m and a credit to adjusting items was made and, for consistency with prior year, classification this has been shown as an adjusting item.

Total adjusting items in the prior year of £2.2m related to business reorganisations (£1.6m), US set up costs (£0.6m), tax settlements (£0.3m) and amounts recoverable from Bentley Harrington (£0.3m credit). For details, see note 6.

Net finance costs

Net finance costs increased by £0.3m to £0.5m (FY22: £0.2m). The movement relates to an increase of £0.4m in finance costs mainly driven by the unwinding of the discount on contingent consideration of £0.3m regarding Betches, offset by an increase in finance income of £0.1m.

Share of JV

Share in joint ventures was £0.3m (FY22: £0.0m), representing our share in the results of Pubity Group Ltd.

Profit before tax

Profit before tax decreased to £5.9m (FY22: £7.3m), due to the higher adjusting items in the year. Betches accounts for £0.1m of profit before tax. A reconciliation between adjusted EBITDA and Profit Before Tax can be found on the Consolidated statement of comprehensive income.

Taxation

The tax charge for the year was £4.3m (FY22: £2.0m). Tax has increased due to the UK becoming relatively more profitable, with higher losses generated in Australia and New Zealand than in the prior year (see discussion of change in ANZ operating model).

Acquisitions

On 17 October 2023, the Group acquired the entire share capital of Betches for total consideration of £29.2m.

Betches is a US-based media brand founded by women and focused on digital media content production and publication for women.

The primary reasons for the acquisition are discussed in note 27.

Consideration for the acquisition was entirely in cash, with no shares in the Group issued to the sellers.

The cash consideration is comprised of £19.3m funded from existing cash resources, with up to a further US$30m cash consideration payable in instalments (£23.5m at the closing balance sheet rate), subject to Betches achieving certain revenue and EBITDA targets to 2026. The contingent consideration is payable in annual tranches from March 2024 up until March 2026.

Of the maximum contingent consideration of £23.5m (US$30.0m) payable to the sellers, based upon revenue and EBITDA forecasts at the date of acquisition, a total of £9.6m (US$12.0m) is management's best estimate of the amount payable within a range of potential outcomes, after taking into account the time value of money. At the year end, this is valued at £9.5m, after unwinding the discount.

Balance sheet

Net assets grew to £65.2m (FY22: £61.2m) as a result of Group trading performance.

Net current assets decreased to £29.0m (FY22: £43.8m), with the reduction due primarily to the acquisition of Betches, offset by trading performance (see cash flow section below).

Trade and other receivables grew to £28.8m (FY22: £20.4m). The majority of the increase relates to a year-on-year rise in trade receivables of £7.6m, which was attributable to delays in recovery of debtors from major media agencies. The Group continues to trade with the major media agency groups and social platforms and whilst the aging profile at the year end has worsened, we are fully confident of their recoverability, which is reflected in the IFRS 9 assessment and supported by the receivables collected since the year end.

Trade and other payables increased to £8.9m (FY22: £4.3m). Trade payables increased by £1.7m to £2.8m, with the increase due primarily to unpaid acquisition costs at the year end.

Accruals increased by £1.3m to £3.2m, mainly relating to an increase in the bonus provisions of £0.7m (FY22: £nil) and Betches accruals of £0.8m (FY22: £nil). Other payables increased by £0.7m to £1.0m driven by a £0.4m increase in cash-settled share based payment liabilities.

Contingent consideration of £9.5m in relation to the acquisition of Betches is recorded at the year end. Further details of this can be found in note 27.

Included in non-current assets are intangible assets of £39.8m (FY22: £15.4m) with the increase related to the acquisition of Betches in October 2023, which gave rise to new intangible assets and goodwill totalling £25.8m. Details of this acquisition can be found in note 27.

Within the year the UK office space was renovated including the fit out of a new Manchester studio at a cost of £0.2m. New lease agreements in London and Manchester completed in the year, the value of these new lease additions under IFRS16 is £2.7m.

Deferred tax liabilities increased by £0.4m in the year to £0.5m (FY22: £0.1m).

Included within reserves movements in the year is a £1.1m currency translation difference (FY22: £29k credit). The increase in the year relates to foreign exchange movements on intercompany loans.

Cashflow and cash position

Cash at the year-end amounted to £15.8m (2022: £29.3m). Cash generated from operations increased to £10.1m (2022: £1.3m), with the prior year being impacted by the settlement of IPO related liabilities and bonuses. Pre-tax adjusted cash conversion was 76% (FY22: 37%).

Net cash outflows due to investing activities increased to £19.6m (2022: £2.2m), driven by the acquisition of Betches for £17.6m (initial cash outlay, net of cash acquired).

Net cash outflows due to financing activities decreased by £0.6m to £0.9m (2022: £1.5m), driven by £0.5m of lease deposits received.

Richard Jarvis
Chief Financial Officer
22 April 2024