

Q3 Trading Update and Revised Outlook

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TPXimpact Holdings PLC

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("TPX", or the "Group", or the "Company")

Q3 Trading Update and Revised Outlook

TPXimpact Holdings PLC (AIM: TPX), the technology-enabled services company focused on people-powered digital transformation, provides an unaudited update on trading for the three months ended 31 December 2024 ("Q3").

Q3 Trading

The Board confirms that Q3 trading met management expectations, with profitability and margins aligning with the Company's forecasts. In the first nine months of the year, new business secured totalled approximately £65 million, including approximately £30 million in Q3.

FY25 Full Year Outlook

Although we are pleased with our positive Q3 results, our Digital Transformation business has not seen the anticipated return to normal trading conditions during Q4 to date. Macroeconomic conditions and the post-election budgetary issues highlighted by the incoming Government, despite significant appetite for digital transformation, have led to delays in the procurement of large digital transformation programmes with tender and award decisions moving by many months. In addition, spending controls implemented after the October budget have had the effect of slowing the ramp-up of new business wins and the rate at which the won backlog on some Central Government programmes can be expended. The comprehensive spending review, that sets out departmental budgets for the remainder of the parliamentary term, is delayed from March until June 2025.

The net effect of these market conditions is that our Digital Transformation business is not seeing the acceleration in volume originally anticipated for Q4. The reorganisation concluded earlier in the year, simplifying and improving the quality of the Group's businesses, has helped mitigate the impact on Adjusted EBITDA margin and positions the Group well for future years.

Management's expectations are that revenues for FY25 will decline 8-10% on the prior year. Despite this, Adjusted EBITDA

margins for the Group are expected to improve by 1-2% year-on-year, as a result of reorganisation actions taken earlier in FY25, and should result in an improvement in Adjusted EBITDA compared to the prior year. Net debt at the end of FY25 is expected to be circa 1.5-2.0x Adjusted EBITDA and comfortably ahead of the Company's banking covenants.

FY26 Outlook

Whilst the outlook for FY25 remains challenging, the new business pipeline remains strong and we anticipate normal market conditions to return in the second quarter of FY26, once the comprehensive spending review is completed.

The Company is currently finalising its budget for FY26 and will provide more detailed guidance in due course. We anticipate our final budget will show revenue growth at the lower end of our previous guidance of 10-15% growth in FY26. We also anticipate continued year-on-year Adjusted EBITDA margin progression of 1-3%, noting the 1% headwind of increased employer National Insurance Contribution rates may lead us to the lower end of this range.

The Board is confident in the Company's strategic direction and future growth opportunities that the Government's ambitious agenda for digital transformation should provide. The three-year strategy to simplify the business, improve margin conversion and build solid platforms for future growth remains on course.

Bjorn Conway, Chief Executive Officer, commented:

"Whilst short-term market conditions remain challenging for our Digital Transformation business, we have a strong pipeline of opportunities and remain confident in the Government's commitment to improve public services and drive efficiencies through digital transformation and harnessing the potential of AI. The Digital Transformation business, and the Group overall, remains well positioned for growth as Government's spending plans begin to take shape.

We continue to see exceptional performance from our teams in delivering value and impact for our clients and our long-term relationships and commitment to these clients leaves us well placed to continue to support their success and provide opportunities for our people to grow and develop.

TPXImpact is a much simpler and more coherent business than it was two years ago with strong trading brands, long term customer relationships, and in-demand capabilities that are a strong foundation for future growth.

We are in the process of planning and budgeting for next year, ensuring our strategic goals continue to align with the Government's growth priorities and I look forward to sharing updates on our continuing progress in the months ahead."

This announcement contains inside information under the UK Market Abuse Regulation. The person responsible for arranging for the release of this announcement on behalf of the Company is Noel Douglas, CFO.

Enquiries:

TPXImpact Holdings

Bjorn Conway, CEO
Noel Douglas, CFO

Via Alma Strategic

Stifel Nicolaus Europe Limited (Nomad and Joint Broker)

Fred Walsh
Ben Good
Sarah Wong

+44 (0) 207 710 7600

Dowgate Capital Limited (Joint Broker)

James Serjeant
Russell Cook

+44 (0) 203 903 7715

Alma Strategic Communications (Financial PR)

Josh Royston
Kieran Breheny

tpx@almastrategic.com
+44 (0) 203 405 0209

About TPXimpact

We believe in a world enriched by people-powered digital transformation. Working in collaboration with organisations, we're on a mission to accelerate positive change and build a future where people, places and the planet are supported to thrive.

Led by passionate people, TPXimpact works closely with its clients in agile, multidisciplinary teams; challenging assumptions, testing new approaches and building confidence and capabilities. Combining our rich heritage with expertise in human-centred design, data, experience and technology, we work to create sustainable solutions with the flexibility to learn, evolve and change.

The business is being increasingly recognised as a leading alternative digital transformation provider to the UK public services sector, with over 90% of its client base representing public services.

More information is available at www.tpximpact.com.

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