

TPXimpact Holdings - Trading Update

2024-09-10

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TPXimpact Holdings PLC

10 September 2024

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

Trading Update

FY25 revenue growth now expected to be flat, reflecting current market conditions

FY25 Adjusted EBITDA target maintained at £7- 8 million

TPXimpact Holdings PLC (AIM: TPX), the technology-enabled services company focused on people-powered digital transformation, provides a trading update in advance of the Company's Annual General Meeting ("AGM") on 26 September 2024.

Market conditions

The pipeline of new business opportunities in our core client sector of Central Government (65% of FY24 Group revenues) has remained strong despite the General Election in July. However, additional approvals processes introduced following the Chancellor's announcement on 29 July 2024 of a £22bn "black hole" in Government finances has slowed the award of new projects and client spend on certain committed (or backlog) projects. Whilst it is unclear how long these measures will last, the Board believes it is likely they will continue until at least the conclusion of the Government's Spending Review and the announcement of the Budget on 30 October 2024.

Current trading

In the Preliminary FY24 results announcement on 9 July 2024, the Company indicated a stronger weighting than usual of both revenue and profit to the second half of the year due to the timing of the snap General Election on 4 July 2024 and the expected clarity this would bring to the second half of the year, whilst noting that the summer months were vulnerable to more subdued spending patterns in the post-General Election period. Actual results for the summer period have reflected this expectation, although the restrictions on spend imposed by Central Government are proving to be more prolonged and severe than management had previously anticipated. The Company now expects to report first half revenues down c.8-10% against last year, with a return to growth in the second half of the year.

New business won in the first two months of Q2 FY25 amounted to £17 million (against £9 million in the first quarter), despite market conditions.

Continuing our three-year strategy to simplify the business, and recognising the challenges of the current market environment, the Company has taken action to further improve its operational efficiency, primarily in relation to staff costs. On an annualised basis, these actions are expected to save well over £3 million of cost, with an in-year FY25 benefit of around half this amount. Related one-off restructuring costs are expected to be around £1 million. These pro-active steps will make the Company more resilient and agile, and well-placed for when the market recovers.

Outlook

Given these factors, the Company now expects to report flat revenue growth for FY25 (FY24 revenue: £84.3 million). The Board is, however, maintaining its FY25 Adjusted EBITDA target of £7-8m, reflecting the benefit of the actions already underway. This would result in a targeted Adjusted EBITDA margin of c.8-9% (FY24: 5.5%).

With respect to FY26, the Board is maintaining its targets of like-for-like revenue growth of 10-15% and an Adjusted EBITDA margin of 10-12%. The Board remains confident that the Company is strongly positioned in its key markets, with significant opportunities in digital transformation and responsible AI.

Björn Conway, Chief Executive Officer at TPXimpact, said:

"The July General Election promised stability in the second half of the year and we were encouraged by the alignment between our service offerings and the new Government's manifesto pledges. However, it has become increasingly evident that the current public sector focus on budget constraint and spending controls will persist until after the conclusion of the Government's Spending Review and Autumn budget statement on 30 October.

"Our response is to ensure the capabilities and services we offer, and our cost base, is correctly aligned with our revenue expectations and the execution of our 3-year strategy.

"Whilst this is a difficult time for our people, it is very important that we maintain a sustainable business model for all our stakeholders and continue to deliver positive impact for our clients whilst providing a supportive environment to our teams in line with our B-corp principles. As ever, I am grateful to the professionalism and dedication of all our people in these challenging times.

"The Board remains very confident that the services we offer, founded upon the breadth and depth of talent within our businesses, will continue to be an attractive and value-added proposition for our clients. Irrespective of the short-term market factors at play, we firmly believe that Digital Transformation will continue to be a major part of Central Government strategy, and public services more widely, for the foreseeable future."

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 Steve Winters, CFO.

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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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