

21 November 2023

INTERCEDE GROUP plc
('Intercede', the 'Company' or the 'Group')

Interim Results for the Six Months Ended 30 September 2023

Record financial performance in H1 and results for the year ending 31 March 2024 are now expected to be ahead of previous market expectations

Intercede, the leading specialist in digital identity, credential management and secure mobility, today announces its interim results for the six months ended 30 September 2023.

Financial Highlights

	H1 FY24 £ million	H1 FY23 £ million	% Change
Revenue	7.0	6.1	15%
Gross profit	6.9	5.6	23%
Profit before Tax	1.1	0.6	83%
Net Profit	1.6	1.2	33%
EPS - basic	2.7p	2.1p	29%
EPS - diluted	2.5p	2.0p	25%
Gross Margin	99%	92%	7%
Net Margin	22%	20%	10%
Cash and cash equivalents	9.7	10.0	-3%
Deferred revenue	5.4	4.4	23%
Total Assets	16.8	14.0	20%
Total Equity	8.7	6.9	26%
Adjusted EBITDA	1.5	1.0	50%
Less:			
Amortisation of intangibles	0.1	-	
Right of use depreciation	0.1	0.1	
Acquisition costs	0.1	0.3	
Employee Share/Unit incentive & option plan charges/(credits)	0.1	-	
Exceptional costs	0.1	-	
Operating Profit	1.0	0.6	67%

Revenue highlights for the period include:

- Record revenues for the six months ended 30 September 2023 (H1) totalling £7.0 million are 15% higher on a reported basis (2022: £6.1 million). On a constant currency basis revenue was up by 10%

- Multiple MyID PIV licence orders including from the US Department of State (DoS) for its Identity Management System (IDMS) solution totalling \$0.9 million. A large north American telecommunications company increased its licence deployment, including an upgrade
- Several major customers have chosen to upgrade their existing MyID deployments including, but not limited to, a major global aerospace and defence manufacturer, a large north American telecommunications company, a key US government agency and US Department of Transportation
- New 3- year licence order for MyID MFA from a global aluminium producer in the Middle East as well as key subscription renewals for MyID PSM and MyID MFA
- Professional services continue to grow and embeds the symbiotic relationship with our clients and cadence of upgrades and new deployments. The Group will maintain the high quality service we provide by increasing investment and training as and when required

Operating Highlights

- Increased adjusted EBITDA margin for the period of 21% (2022: 16%) as a result of continued tight cost control in conjunction with targeted project expenditure to support revenue growth and internal infrastructure upgrade
- The integration of Authlogics Ltd continues across the Group with the launch of Multi Factor Authentication (MFA) and Password Security Management (PSM) capabilities with MyID CMS, and to be showcased in Q4 FY24
- The M&A programme continues, focussed on targets that add substantial recurring revenues, compliment or is adjacent to current product portfolio and reasonably priced
- Performance to date across the Group has been very encouraging and we continue to win prestigious new clients
- The Group's strong balance sheet (with no debt) and good cash generation enables it to invest further both in the existing business and in M&A to accelerate its longer-term growth ambitions

Board Changes

During the period Chuck Pol retired from the Board and John Linwood was appointed as a Non-Executive Director. After the period end Dan O'Brien was also appointed as a Non-Executive Director and as Audit Chair with immediate effect, with Tina Whitley moving to the Remuneration Chair and John Linwood as Nominations Chair.

Royston Hoggarth, Chairman, said:

"The Group has continued to deliver on its stated goals of double-digit growth, continued strategic investment internally and the expansion of the MyID product portfolio.

Building on the growth in 2023, the Board is pleased to see such a focused approach to Phase 2 in the first half. As always, our colleagues in the Group have continued to maintain the momentum which we, as a Board, are grateful for.

The strong performance we achieved in the first half of 2023 has continued. The benefit of tight cost controls and a strong pipeline of future opportunities means that I am pleased to report that we now expect the Group to achieve financial performance for FY2024 ahead of previous market expectations*. Whilst the volatility in the global macroeconomic environment has increased in the last few weeks, with our strong pipeline and balance sheet we remain well positioned for the future."

**** The current market forecast for the year ended 31 March 2024 is revenue of £13.3m and adjusted EBITDA of £1.0m***

ENQUIRIES

Intercede Group plc

Klaas van der Leest, CEO
Nitil Patel, CFO

Tel. +44 (0)1455 558 111

Cavendish Capital Markets Limited

Simon Hicks/Fergus Sullivan, Corporate Finance
Tim Redfern/Charlotte Sutcliffe, ECM

Tel. +44 (0)20 7220 0500

About Intercede

Intercede is a cybersecurity software company specialising in digital identities, and its innovative solutions enable organisations to protect themselves against the number one cause of data breach: compromised user credentials.

The Intercede suite of products allows customers to choose the level of security that best fits their needs, from Secure Registration and ID Verification to Password Security Management, One-Time Passwords, FIDO and PKI. Uniquely, Intercede provides the entire set of authentication options from Passwords to PKI, supporting customers on their journey to passwordless and stronger authentication environments. In addition to developing and supporting Intercede software, the Group offers professional services and custom development capabilities as well as managing the world's largest password breach database.

For over 20 years, global customers in government, aerospace and defence, financial services, healthcare, telecommunications, cloud services and information technology have trusted Intercede solutions and expertise in protecting their mission critical data and systems at the highest level of assurance.

For more information visit: www.intercede.com

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR.

The period in review

The Group entered FY24 with the clear goals of double-digit growth and to maintain the momentum from FY23, to invest internally in our colleagues, infrastructure, sales and marketing functions and to refresh the Board. H1 has shown that the Group is delivering on all these aims and will continue to do so in H2.

Market Opportunity and Growth Strategy

Following the initial turn around in Phase 1, the Group is now well placed in Phase 2 with the overarching goal of continued double-digit growth, both organic and inorganic. Good progress has been made across both strategies as outlined below.

Intercede's MyID CMS platform is the leading credential management system (CMS) and identification and verification (ID&V) solution that integrates and manages a broad range of PKI (Public Key Infrastructure) and FIDO (Faster Identity Online) technologies.

MyID CMS meets the needs of large organisations, from public sector such as government agencies or departments to private sector corporates like the Aerospace & Defence conglomerates who are prepared to invest in military grade security and cope with the more complex infrastructure required.

The Group has traditionally offered a perpetual licence model, often as requested by its client base. For the growth to be sustained over a longer period, Intercede has selectively introduced subscription licence pricing for specific opportunities. This will be extended across the entire client base in the coming months. For the foreseeable future, both a perpetual as well as a subscription pricing model will be maintained for MyID CMS.

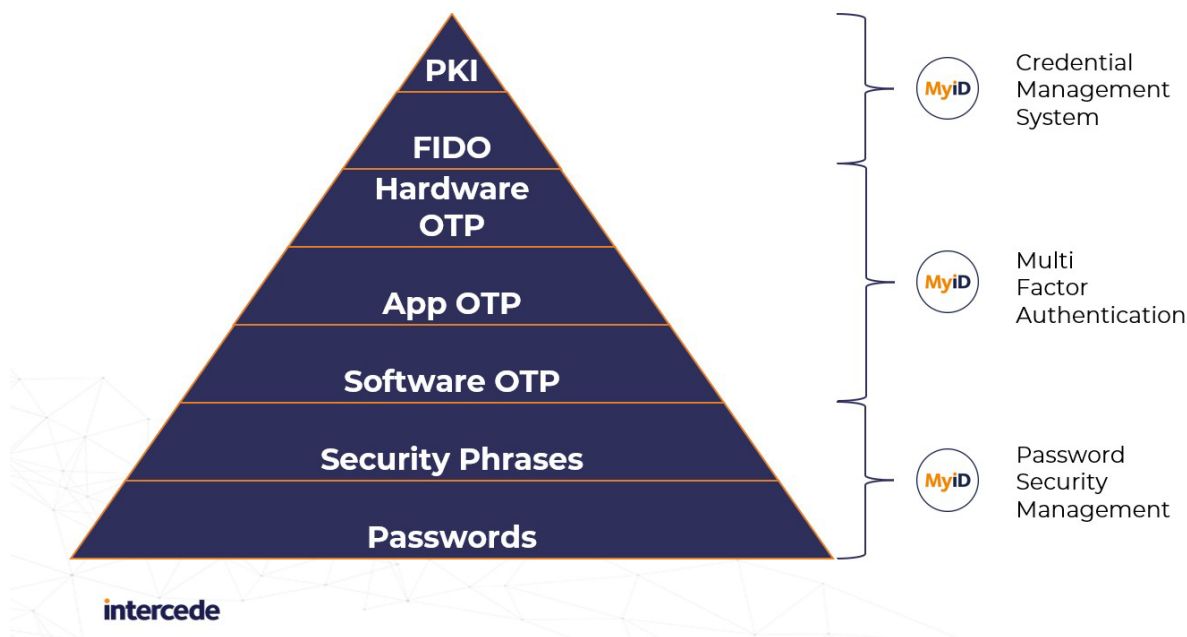
Since the acquisition of Authlogics in October 2022, the Group has expanded and broadened MyID's functionality as it moves down the authentication pyramid and increase its addressable market. This lies at the heart of the growth plans of the Group and enables it to offer customers and prospects solutions that span the entire authentication pyramid, as shown in Diagram 1 below. MyID PSM and MyID MFA are exclusively offered through a subscription licence model.

Phase 1 was all about the business turn around (e.g. product repositioning and investment, go-to-market model, profitability and cash generation). Phase 2 now focuses on sustainable growth, addressable market, enhanced distribution, a strong balance sheet, and continuing inorganic growth following the successful maiden acquisition of Authlogics.

The ambition over the next 3-4 years is to double revenues with resilient cash generation and further entrenching Intercede as the leading digital identity specialist in the authentication space. The steps taken in the prior years have provided a solid foundation and the business KPIs underpin these ambitions.

Diagram 1 -Authentication Pyramid resulting in increased product portfolio & addressable market

The MyID product family



Multi-product company



M&A

Intercede continues to pursue its corporate development program and during the period has had in depth discussions with more than twenty possible acquisition targets. Many of these targets are focused on the zero trust and access management sector, and their addition would form a natural extension to our existing MyID product portfolio.

The Group has a healthy revenue pipeline in these product areas but has also turned its attention to larger targets that would help extend the business on both a geographic and sector basis.

The new EU cybersecurity NIS2 (Network and Information Security) regulation is being passed into statute in several EU countries and will form a key catalyst on cybersecurity purchasing patterns across the EU in the years ahead, particularly for the small and medium business market.

This new regulation is intended to reduce cybersecurity risk in certain areas and has aspects in common with the US NIST zero trust regulations (and associated Presidential Executive Order).

During the period, the Group was engaged in discussions with a zero trust acquisition target based in North America. Following detailed due diligence Intercede decided not to pursue the opportunity.

Financial Review - Income Statement

Revenue and operating results

The Group's revenue from continuing operations increased by 15% to £7.0 million (2022: £6.1 million) and gross profit increased by 23% to £6.9 million (2022: £5.6 million). Gross margin increased from 92% to 99% as license sales in the prior period included third party product.

The Group's operating profit was £1.0 million (2022: £0.6 million), after non-cash depreciation charge for property, plant and equipment in the period of £0.04 million (2022: £0.03 million) and a right-of-use depreciation charge of £0.1 million (2022: £0.1 million). Acquisition costs for the period were £0.1 million (2022: £0.3 million). During the period, no acquisitions were completed, and the Group continues to pursue a disciplined approach to deal pricing, due diligence and in taking the time to ensure the right strategic fit(s) to ensure continued scalability and accelerated revenue growth. Operating expenses increased by 18% to £6.0m (2022: £5.1m). Tight cost control continues to be a focus for the Group in conjunction with considered project expenditure and new hires to support revenue growth.

Staff costs continue to represent the main area of expense representing 79% of total operating costs (2022: 86%). Intercede had 99 employees and contractors as at 30 September 2023 (94 as at 31 March 2023). The average number of employees and contractors during the period was 96 (2022: 85).

The statutory profit before tax for the period was £1.1 million (2022: £0.6 million) and profit for the period was £1.6 million (2022: £1.2 million).

Taxation

The Group has a tax credit of £0.5 million for the period due to amounts receivable from HMRC in respect of R&D claims and US corporation tax payable (2022: tax credit of £0.6 million). The Group brought forward unused tax losses of £7.0 million (2022: £6.4 million). The Group assessed the deferred tax impact in the period and did not recognise any assets or liabilities.

Earnings per share

Earnings per share from continuing operations in the period was 2.7 pence for basic and 2.5 pence for diluted (2022: 2.1 pence for basic and 2.0 pence for diluted) and were based on the profit for the period of £1.6 million (2022: £1.2 million) with a basic weighted average number of shares in issue during the period of 58,231,712 (2022: 57,648,980 shares). For diluted the weighted average number was 62,429,062 (2022: 58,943,357).

Adjusted earnings per share from continuing operations in the period was 2.6 pence for basic and 2.5 pence for diluted (2022: basic and diluted of 1.7 pence) and were based on an Adjusted EBITDA for the period of £1.5 million (2022: £1.0 million).

Dividend

The Board is not proposing a dividend (2022: £nil).

Financial Position

Assets

Non-current assets of £3.4 million (2022: £0.4 million) mainly comprise goodwill arising on acquisition of £2.4 million (2022: £nil) and other intangible assets of £0.7 million (2022: £nil) both arising from the acquisition of Authlogics Limited ("Authlogics") in early October 2022. There is also property, plant and equipment of £0.2 million (2022: £0.1 million) and IFRS 16 right of use assets of £0.1 million (2022: £0.3 million).

Trade and other receivables of £3.6 million is very comparable to the prior period (2022: £3.6 million) reflecting the seasonality that Intercede tends to experience as US Federal customers get to the end of their fiscal year on 30 September.

Liabilities

Current liabilities increased by £0.3 million to £7.1 million (2022: £6.8 million) reflecting contingent consideration (created on the acquisition of Authlogics) and increased deferred revenue at the period end.

Non-current liabilities rose by £0.6 million to £1.0 million (2022: £0.4 million), which also reflects contingent consideration from the Authlogics acquisition and increased deferred revenue at the period end. Some larger customers prefer to contract their support and maintenance renewal for terms longer than 12 months which creates spikes in non-current liabilities.

Deferred Consideration Change

After the period end, the Group agreed with the vendors of Authlogics to extend the earnout by an additional year with the targets and thresholds remaining intact. By doing so the amount due currently for earnout year ending 30 June 2024 will now be assessed in the year ending 30 June 2025 and 2025 earnout is deferred to 2026. No deferred consideration is due now for year ending 30 June 2024.

Capital and Reserves

Total equity increased by £1.8 million to £8.7 million (2022: £6.9 million), reflecting the profit for the period.

Liquidity and capital resources

The Group remains in a good financial position, with gross cash balances of £9.7 million as at 30 September 2023 compared to £8.3 million held at 31 March 2023 and £9.9 million held at 30 September 2022. This is after a cash outflow following the acquisition of Authlogics in October 2022 for an initial consideration of £2.0 million and related acquisition costs expensed to the Income Statement of £0.2 million. The Group had no debt at the period end (2022: £nil).

During the period there has been a net cash inflow from operating activities of £1.7 million (2022: £2.1 million) which reflects continued good management of working capital and the receipt of the FY23 R&D claims.

Outlook

The integration of Authlogics continues and has expanded the product portfolio has been expanded, a key reason for the acquisition. Intercede is encouraged with the performance to date and with the recently announced new clients wins in the US, EMEA and APAC regions.

This strong performance means the Group now expects to achieve financial performance for FY2024 ahead of previous market expectations.

The Group's financial position and cash generation is a solid foundation for it to maintain and fund its internal investment plans and M&A opportunities to accelerate the delivery on the medium and long term aims.

By order of the Board

Klaas van der Leest
Chief Executive Officer

Nitil Patel
Chief Financial Officer

21 November 2023

**Consolidated Statement of Comprehensive
Income- unaudited**

	6 months ended 30 September 2023 £'000	6 months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Continuing operations			
Revenue	6,993	6,065	12,110
Cost of sales	(66)	(417)	(403)
Gross profit	6,927	5,648	11,707
Operating expenses	(5,967)	(5,051)	(11,136)
Operating profit	960	597	571
Finance income	149	41	130
Finance costs	(12)	(21)	(75)
Profit before tax	1,097	617	626
Taxation	453	590	685
Profit for the period	1,550	1,207	1,311
Total comprehensive income attributable to owners of the parent company	1,550	1,207	1,311
Earnings per share (pence)			
- basic	2.7p	2.1p	2.3p
- diluted	2.5p	2.0p	2.2p

Consolidated Financial Position – unaudited

	As at 30 September 2023 £'000	As at 30 September 2022 £'000	As at 31 March 2023 £'000
Non-current assets			
Goodwill arising on acquisition	2,442	-	2,442
Other intangible assets	698	-	785
Property, plant and equipment	190	98	125
Right of use assets	144	309	262
	<u>3,474</u>	<u>407</u>	<u>3,614</u>
Current assets			
Trade and other receivables	3,600	3,609	5,489
Cash and cash equivalents	9,724	9,999	8,334
	<u>13,324</u>	<u>13,608</u>	<u>13,823</u>
Total assets	<u>16,798</u>	<u>14,015</u>	<u>17,437</u>
Equity			
Share capital	584	584	584
Share premium	5,430	5,430	5,430
Merger reserve	1,508	1,508	1,508
Accumulated profit/(deficit)	1,149	(640)	(492)
Total equity	<u>8,671</u>	<u>6,882</u>	<u>7,030</u>
Non-current liabilities			
Lease liabilities	143	278	204
Contingent consideration	151	-	174
Deferred revenue	703	121	550
	<u>997</u>	<u>399</u>	<u>928</u>
Current liabilities			
Lease liabilities	121	336	261
Contingent consideration	282	-	313
Trade and other payables	2,007	2,166	1,918
Deferred revenue	4,720	4,232	6,987
	<u>7,130</u>	<u>6,734</u>	<u>9,479</u>
Total liabilities	<u>8,127</u>	<u>7,133</u>	<u>10,407</u>
Total equity and liabilities	<u>16,798</u>	<u>14,015</u>	<u>17,437</u>

**Consolidated Statement of Changes in
Equity- unaudited**

	Share capital £'000	Share premium £'000	Merger reserve £'000	Accumulated (deficit)/profit £'000	Total equity £'000
At 1 April 2023	584	5,430	1,508	(492)	7,030
Purchase of own shares				(27)	(27)
Employee share option plan charge	-	-	-	95	95
Employee share incentive plan charge	-	-	-	23	23
Profit for the period and total comprehensive income	-	-	-	1,550	1,550
At 30 September 2023	584	5,430	1,508	1,149	8,671
At 1 April 2022	577	5,268	1,508	(1,842)	5,511
Purchase of own shares				(27)	(27)
Issue of new shares	7	162	-	-	169
Employee share incentive plan charge	-	-	-	22	22
Profit for the period and total comprehensive income	-	-	-	1,207	1,207
At 30 September 2022	584	5,430	1,508	(640)	6,882
At 1 April 2022	577	5,268	1,508	(1,842)	5,511
Purchase of own shares	-	-	-	(54)	(54)
Issue of new shares	7	62	-	-	169
Employee share option plan charge	-	-	-	50	50
Employee share incentive plan charge	-	-	-	43	43
Profit for the period and total comprehensive income	-	-	-	1,311	1,311
At 31 March 2023	584	5,430	1,508	(492)	7,030

Consolidated Cash Flow Statement- unaudited

	6 months ended 30 September 2023 £'000	6 months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Cash flows from operating activities			
Profit for the period	1,550	1,207	1,311
Taxation	(453)	(590)	(685)
Finance income	(149)	(41)	(130)
Finance costs	12	21	75
Depreciation of property, plant & equipment	38	31	66
Depreciation of right of use assets	118	122	246
Amortisation	87	-	83
Exchange (profits) / losses on foreign currency lease liabilities	(1)	59	40
Employee share option plan charge	95	-	50
Employee share incentive plan charge	23	22	43
Employee unit incentive plan charge	(5)	(60)	(51)
Employee unit incentive plan payment	-	-	(3)
Decrease / (increase) in trade and other receivables	1,882	1,439	(831)
Increase in trade and other payables	41	762	334
(Decrease) / increase in deferred revenue	(2,114)	(849)	1,668
Cash generated from operations	1,124	2,123	2,216
Finance income	145	30	116
Finance costs on leases	(18)	(21)	(44)
Tax received / (paid)	453	(14)	574
Net cash generated from operating activities	1,704	2,118	2,862
Investing activities			
Purchases of property, plant and equipment	(102)	(12)	(70)
Purchase of business (net of cash acquired)	-	-	(2,079)
Cash used in from investing activities	(102)	(12)	(2,079)
Financing activities			
Purchase of own shares	(27)	(27)	(54)
Proceeds from issue of ordinary share capital	-	169	169
Principal elements of lease payments	(199)	(201)	(409)
Cash used in financing activities	(226)	(59)	(294)
Net increase / (decrease) in cash and cash equivalents	1,376	2,047	489
Cash and cash equivalents at the beginning of the period	8,334	7,787	7,787
Exchange gain / (loss) on cash and cash equivalents	14	165	58
Cash and cash equivalents at the end of the period	9,724	9,999	8,334

Notes to the Consolidated Accounts
For the period ended 30 September 2023

1 Preparation of the interim financial statements

These interim financial statements have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and with those parts of the Companies Act 2006 applicable to companies reporting under International Financial Reporting Standards (IFRS).

The basis of preparation and accounting policies used in preparation of these interim financial statements have been prepared in accordance with the same accounting policies set out in the Group's Annual Report for the year ended 31 March 2023, which provides full details of significant judgements and estimates used in the application of the Group's accounting policies. There have been no significant changes to these judgements and estimates during the period which included an assessment that the going concern basis continues to be appropriate in preparing the interim financial statements.

These interim financial statements have not been audited and do not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2023 have been delivered to the Registrar of Companies. The Auditors' Report on those accounts was unqualified and did not contain any statement under Section 498 (2) or (3) of the Companies Act 2006.

This Interim Report is available on the website (www.intercede.com) and at the registered office: Intercede Group plc, Lutterworth Hall, St Mary's Road, Lutterworth, Leicestershire, LE17 4PS.

2 Revenue

All of the Group's revenue, operating profits and net assets originate from operations in the UK. The Directors consider that the activities of the Group constitute a single business segment.

The split of revenue by geographical destination of the end customer can be analysed as follows:

	6 months ended 30 September 2023 £'000	6 months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
UK	181	95	539
Rest of Europe	601	414	906
Americas	5,752	5,221	9,879
Rest of World	459	335	786
	<u>6,993</u>	<u>6,065</u>	<u>12,110</u>

3 Taxation

Taxation represents the net effect of amounts receivable from HMRC in respect of R&D claims and US corporation tax payable.

4 Earnings per share

The calculations of earnings per ordinary share are based on the profit for the period and the weighted average number of ordinary shares in issue during each period.

	6 months ended 30 September 2023 £'000	6 months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Profit for the period	<u>1,550</u>	<u>1,207</u>	<u>1,311</u>
	Number	Number	Number
Weighted average number of shares			
– basic	58,231,712	57,648,980	57,939,548
– diluted	<u>62,429,062</u>	<u>58,943,357</u>	<u>60,595,485</u>
	Pence	Pence	Pence
Earnings per share			
– basic	2.7p	2.1p	2.3p
– diluted	<u>2.5p</u>	<u>2.0p</u>	<u>2.2p</u>

The weighted average number of shares used in the calculation of basic and diluted earnings per share for each period were calculated as follows:

	6 months ended 30 September 2023 Number	6 months ended 30 September 2022 Number	Year ended 31 March 2023 Number
Issued ordinary shares at start of period	58,363,357	57,743,357	57,743,357
Effect of treasury shares	(131,645)	(131,645)	(131,645)
Effect of issue of ordinary share capital	<u>-</u>	<u>37,268</u>	<u>327,836</u>
Weighted average number of shares			
– basic	<u>58,231,712</u>	<u>57,648,980</u>	<u>57,939,548</u>
Add back effect of treasury shares	131,645	131,645	131,645
Effect of share options in issue	<u>4,065,705</u>	<u>1,162,732</u>	<u>2,524,292</u>
Weighted average number of shares			
– diluted	<u>62,429,062</u>	<u>58,943,357</u>	<u>60,595,485</u>

5 Dividend

The Directors do not recommend the payment of a dividend.