

SysGroup Plc

FY 2025. Half Year Results

6 months to 30 September 2024

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SysGroup today

IT MSP for Small Medium Businesses (“SMBs”) providing full range of solutions across the entire data estate including AI/ML and Public Cloud

104 employees

Four office locations across UK – Manchester, London, Edinburgh and Newport

AIM: SYS
Nomad & Broker: Zeus Capital

Financial results for the 6 months ending September 2024

Revenue: £10.2m

Adjusted EBITDA¹: £0.4m

Net cash/(debt): £4.6m (loans & lease obligations less cash)

Recurring managed service income: 86%

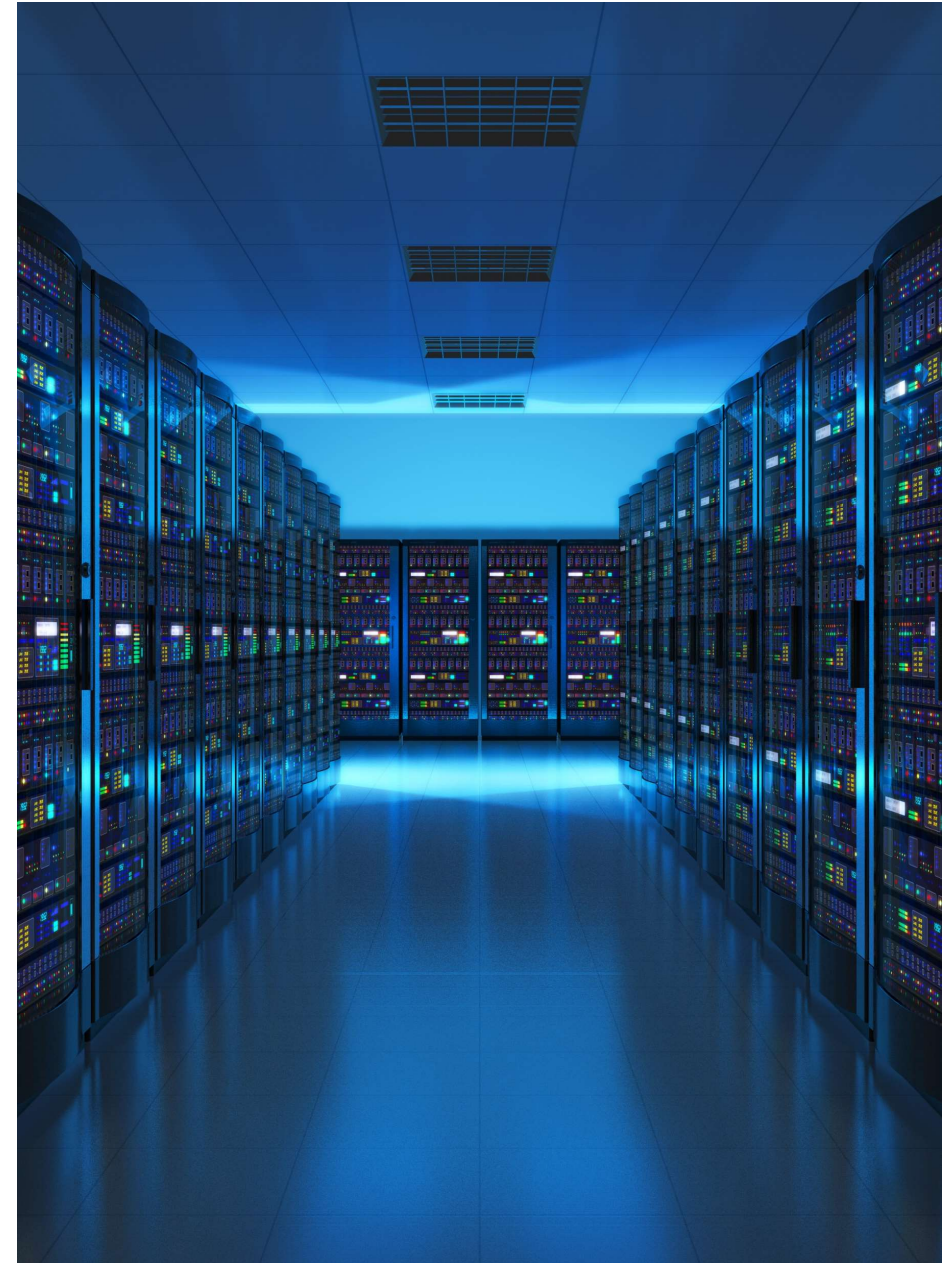


1. Adjusted EBITDA is earnings before interest, taxation, depreciation, amortization and impairment of intangible assets, exceptional items, and share based payments.



Strategic & Organisational Highlights

- Raised £11.2M (oversubscribed) equity placing, providing a robust financial foundation to support the future strategic plan
- Invested in technical capabilities to deliver end to end solution across the entire data landscape including full cloud solution across AWS and Azure
- Developed additional R&D resources, including offshore capabilities in India and Eastern Europe
- Progressed to AWS Advanced Tier Service Partners status (Level 3) in 6 months from joining Amazon Partner Network as a registered partner
- Invited to present AI transformation project at AWS re:Invent in Las Vegas – 50,000+ attendees
- Approved as one of only two UK Zscaler Managed Security Service Partners
- Promoted to CyberArk's Advanced Partner, top tier partner status
- Won second largest contract in SysGroup's history, totalling £2.2M over three years
- In November 2024, acquired the trade and assets Crossword Consulting (a recognised leader in cybersecurity consulting)



Income statement

- Revenue £10.16m (H1 FY24: £10.96m)
- Managed IT Services, which are recurring at 86% of total revenue (H1 FY23: 84%)
- Gross margin maintained at 49.6% (H1 FY24: 49.9%)
- Adjusted EBITDA¹ of £0.4m (H1 FY24: £1.57m), as we continue investing in people and systems to support our new growth strategy
- Statutory loss before tax of £1.09m (H1 FY24: loss before tax of £1.09m)

1. Adjusted EBITDA is earnings before interest, taxation, depreciation, amortisation and impairment of intangible assets, exceptional items, and share based payments.

	Unaudited Six months to 30 Sep 24	Unaudited Six months to 30 Sep 23	Audited Year to 31 Mar 24
	£'000	£'000	£'000
Revenue	10,155	10,963	22,714
Gross margin	5,041	5,466	10,396
<i>Gross margin %</i>	<i>49.6%</i>	<i>49.9%</i>	<i>45.8%</i>
Overheads	(4,601)	(3,897)	(8,388)
Adjusted EBITDA¹	440	1,569	2,008
<i>Adjusted EBITDA¹ %</i>	<i>4.3%</i>	<i>14.3%</i>	<i>8.8%</i>
Depreciation	(277)	(297)	(570)
Amortisation of Intangibles	(829)	(866)	(1,696)
Impairment of Intangibles	-	-	(3,718)
Exceptional items	(397)	(1,052)	(1,826)
Share based payments	-	(156)	(194)
Finance costs	(31)	(287)	(574)
Loss before taxation	(1,094)	(1,089)	(6,570)
Tax	276	343	670
Retained profit	(818)	(746)	(5,900)

Statement of Financial Position

- Total net assets are £24.5m (H1 FY24: £20.1m).
- Trade and other receivables of £5.0m (H1 FY24: £5.6m) reflect improved collections
- Increase in cash balances to £9.9m in H1 relates to the fund raising of net £10.6m less a contractual earnout payment of £(1.8)m, in relation to the Truststream acquisition in 2022.
- Current liabilities remain consistent YoY, with exception of the Truststream Year 2 Earnout payment
- Movement in share capital and share premium reflects the fund raising.
- No changes in Treasury reserve of £1.0m (H1 FY24: 1.0m). This relates to the purchase by the Company of shares sold by the former CEO, which are now held by the Company as Treasury shares.

	Unaudited 30 Sep 24 £'000	Unaudited 30 Sep 23 £'000	Audited 31 Mar 24 £'000
Goodwill	17,948	21,666	17,948
Intangible assets	4,133	5,536	4,708
Plant, property and equipment	1,605	2,013	1,846
Non-current assets	23,686	29,215	24,502
Trade and other receivables	4,967	5,609	4,003
Cash	9,930	1,986	1,943
Current assets	14,897	7,595	5,946
Trade and other payables	(4,271)	(4,576)	(4,813)
Lease liabilities	(207)	(176)	(204)
Contract liabilities	(3,496)	(3,475)	(2,635)
Contingent consideration	-	(1,838)	(1,751)
Current liabilities	(7,974)	(10,065)	(9,403)
Lease liabilities	(340)	(520)	(400)
Contract liabilities	(257)	(174)	(143)
Provisions	(148)	(148)	(148)
Deferred tax	(574)	(1,106)	(849)
Bank loan	(4,752)	(4,720)	(4,738)
Non-current liabilities	(6,071)	(6,668)	(6,278)
Net assets	24,538	20,077	14,767
Called up share capital	855	515	515
Share premium	19,329	9,080	9,080
Treasury reserve	(984)	(984)	(984)
Other reserve	3,300	3,293	3,300
Retained earnings	2,038	8,173	2,856
Equity	24,538	20,077	14,767

Cashflow & Net Debt

- Gross cash balances of £9.9m (FY23: £1.9m). Cash movements include:
 - (i) Net £10.6m raised via placing
 - (ii) £(1.8)m outgoing relating to the Truststream Year 2 earn-out (contingent consideration)
- Net cash¹ of £4.6m from a net debt¹ position of £(3.4)m at H1 FY24 due to movements above. Loan facility draw down unchanged
- Cash generated from operations of £(0.5)m (H1 FY24: £0.2m) is impacted by timings on working capital and is expected to improve in H2.

1. Net cash/(debt) represents cash balances less bank loans and lease liabilities (excluding contingent consideration)

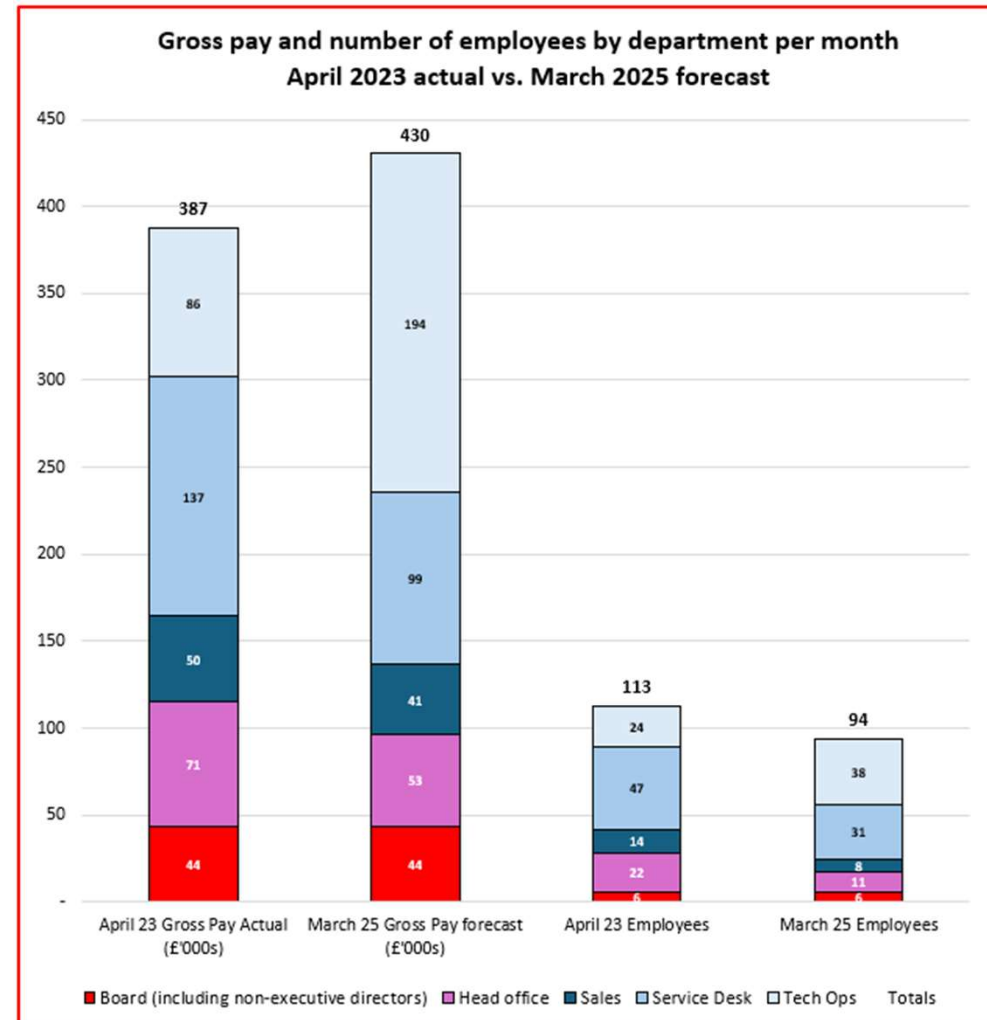
	Unaudited Six months to 30 Sep 24	Unaudited Six months to 30 Sep 23	Audited Year to 31 Mar 24
	£'000	£'000	£'000
Cashflow from operations	(491)	234	1,104
Tax	40	(64)	(439)
Net cashflow from operating activities	(451)	170	665
Payments to acquire tangible & intangible assets	(290)	(319)	(559)
Interest received on cash deposits	229	-	-
Cashflow before financing	(512)	(149)	106
Contingent consideration payment	(1,794)	(886)	(885)
Repurchase of shares into treasury	-	(783)	(762)
Proceeds from issue of share capital	10,589	21	-
Other financing	(296)	(403)	(702)
Net cashflow	7,987	(2,200)	(2,243)
Opening cash balance	1,943	4,186	4,186
Closing cash balance	9,930	1,986	1,943
Net Debt	£'000	£'000	£'000
Cash balances	9,930	1,986	1,943
Bank loans	(4,752)	(4,720)	(4,705)
Lease liabilities	(547)	(696)	(604)
Net cash/(debt)¹	4,631	(3,430)	(3,366)
Contingent consideration	-	(1,838)	(1,751)
Net cash/(debt) including contingent consideration	4,631	(5,268)	(5,117)

Transformational Highlights



Repositioning the business

- Operationalized our technical strategy
- Significant investment in technical capabilities and talents
- Doubled the spend on technical headcount whilst reducing admin and head office
- Benefit of Project Genesis coming through in service desk
- Developed offshore development capabilities in India and Hungary
- Addressed legacy issues across the business
- 50%+ of employees have tenure less than [18/24] months

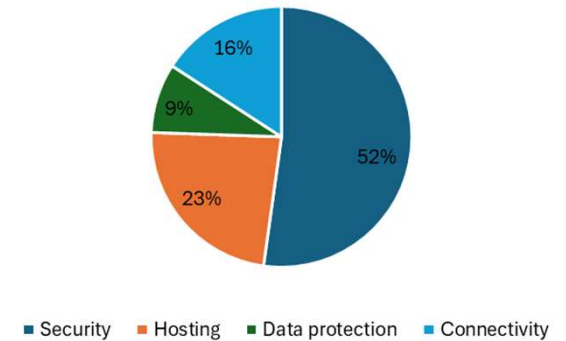


**The March 2025 forecast excludes CCL staff*

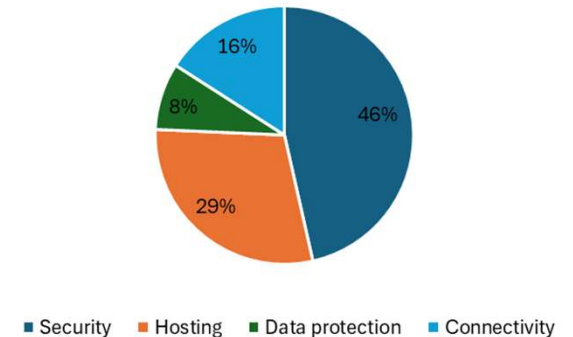
Repositioning the business

- Realigned Go to Market Strategy
- Operationalized the five technology towers underpinned by AI and focusing on “future proofing the data estate”
- Strategic shift towards growth-oriented accounts that align with our service offering
- Developed and strengthened partnership with key partners to support our strategy
- Building SysGroup awareness through thought leadership, digital campaigns and customer success stories
- Focused on channel strategy leveraging direct sales and channel partners
- Developing pipeline of SQLs into opportunities

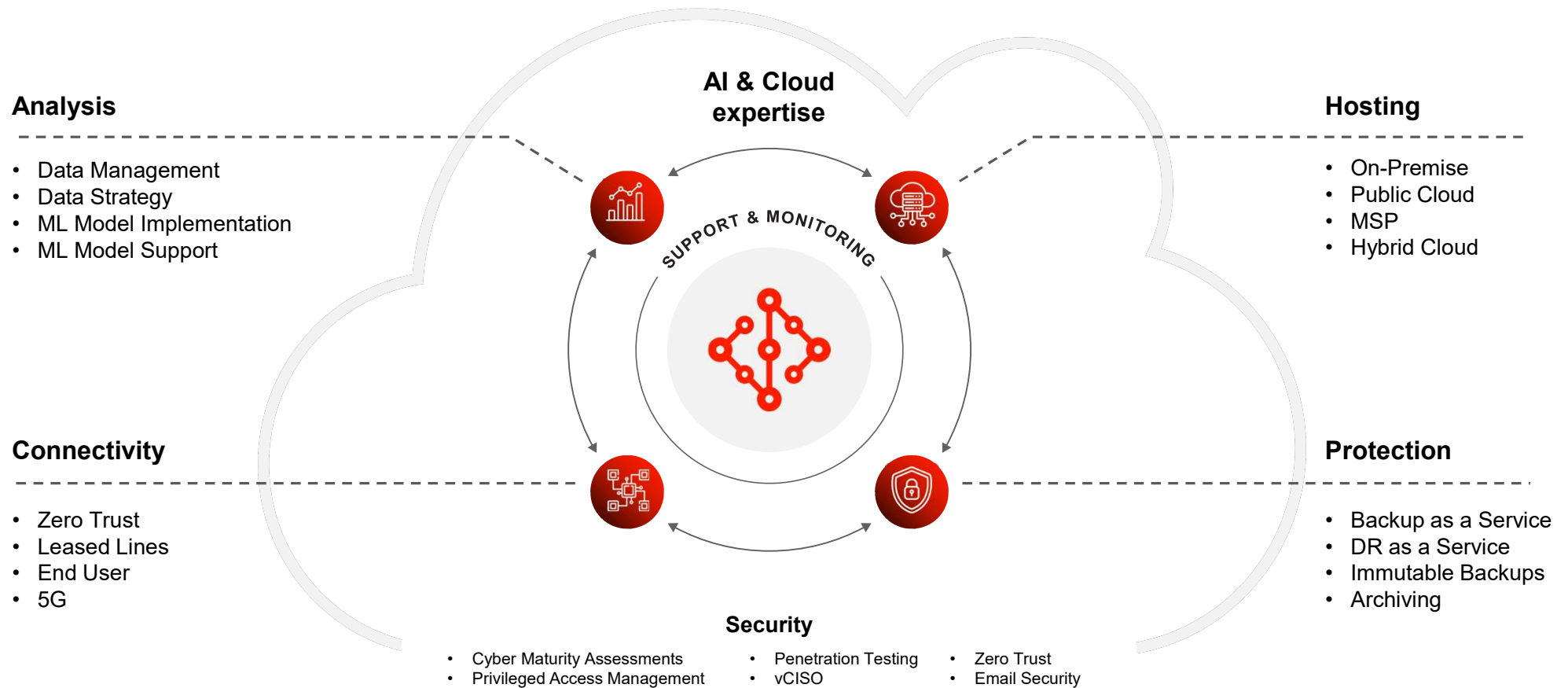
H1 FY25 Revenue Split



H1 FY23 Revenue Split



Service definitions



Technology Roadmap Update



Creation of Service Towers (Platforms of Technical Excellence) these will carry out pre-sales, delivery and support for each tower - Data Hosting, Data Protection, Cyber Security, Connectivity and Data Analytics



Started process of aligning our services definitions to compliment GTM and Sales enablement (20% completed so far)



Successfully recruited Platform Leads for each Service Tower and in process of redefining our managed services offerings



Simplification of operating model by reducing the number of services and narrowing our obligations but still delivering value.



Reduction in the breadth of services that we have sold historically

Significant achievement to strengthen our partners' ecosystem

Achieving higher partner status provides access to:

Increased discounts off RRP

Making us more cost competitive

Deal Registration

A program providing additional discount to one partner, per opportunity, making us further competitive.

Technical training

Helps to empower both Technical and Sales staff

Marketing funding

Access to vendor events or lead generation teams to help drive pipeline

Customer funding programs

To help a customer launch a proof of concept

Co-marketing and sales collaboration

Lead generations

Vendor	Status	Pathway
AWS	Advanced Status	(10 Sales Certs, 11 Tech Certs, 20 Launched Opportunities)
Zscaler MSSP	MSSP Program	(8 courses/exams for 3 individuals - 24 Certs Total)
CyberArk	Advanced Status	(500K Revenue, 15 Certs - mix of sales & technical)
Watchguard Platinum	Platinum Status	(4 Sales Certs, 4 Tech Certs, 4 NFR Products)
Mimecast	MSP Premier Partner	(25 Certs across full technology stack)
Mimecast (working towards this)	Maverick Principal Programme Invitation	(4 Sales Certs, Implementation, Event Presentation)
SenseOn	MSP Program	(6 Technical Certs)



Building SysGroup Awareness

Marketing Update



Shark Tank Competition
Tuesday, Dec 3

CAMPAIGNS

Integrated campaigns are ongoing or being planned with AWS, CyberArk, Ingram and Zscaler, and new website being developed for CY25 Q1

Additional marketing activities, including partner marketing, will be added based on final 2025 GTM plan



Business Outcomes Accelerator

London	Madrid	Amsterdam
Nov 13, 14 and 15		

Join us...

SysGroup + **CYBERARK**
The Identity Security Company

Cyber Readiness Challenge

[Register Here](#)

Test your cyber skills
For privileged access management and identity management

Learn your cyber readiness score
Sharpen your skills, compete for prizes, and connect with fellow cybersecurity pros

December 3rd - 1:00 pm (virtual event)

Tuesday, Dec 3



Thursday, Nov 21



The Magic of Ingram Micro and AWS
Tuesday, Nov 12

Introducing Project Genesis

Meet Genesis, our innovative GenAI-powered platform transforming service desk operations.

Utilizes AI/ML/GenAI to enhance services and automate processes.



Project Scope



Transformation of the SysGroup business and processes, both internal and customer facing, utilising existing technologies and the adoption of AI/ML to improve efficiency, customer experience and job satisfaction

Project Objectives



Further automate and improve internal processes & cross functional touch points



Ensure customer touchpoints are effective and efficient



Clean and enhance company data to improve business capability and enable ongoing AI/ML developments



Enhance SysGroup's data architecture for AI/ML and improved data warehousing



Adopt AI/ML technologies to add value for all business functions



Showcase SysGroup as an AI/ML adopter to our customers/investors

Business Transformation



Data cleansing and process redesign

- ✓ Initial domain focus – sales
- ✓ Low quality data – not aligned to strategic objectives
- ✓ Service and contract renewal impacts
- ✓ Enforcing process will ensure ongoing quality.



AI/ML and automation solutions

- ✓ Initial domain focus – service
- ✓ Resource Intensive
- ✓ Complex Customer Onboarding
- ✓ High value (ROI) use cases identified

Project Genesis, our GenAI-powered platform for Service desk



Focus: Service Desk

- Resource Intensive
- Complex Customer Onboarding
- High value (ROI) use cases identified

Targeted outcomes:



Improve Customer Service

- Reduced incident management times
- Higher NPS scores



Increase efficiency

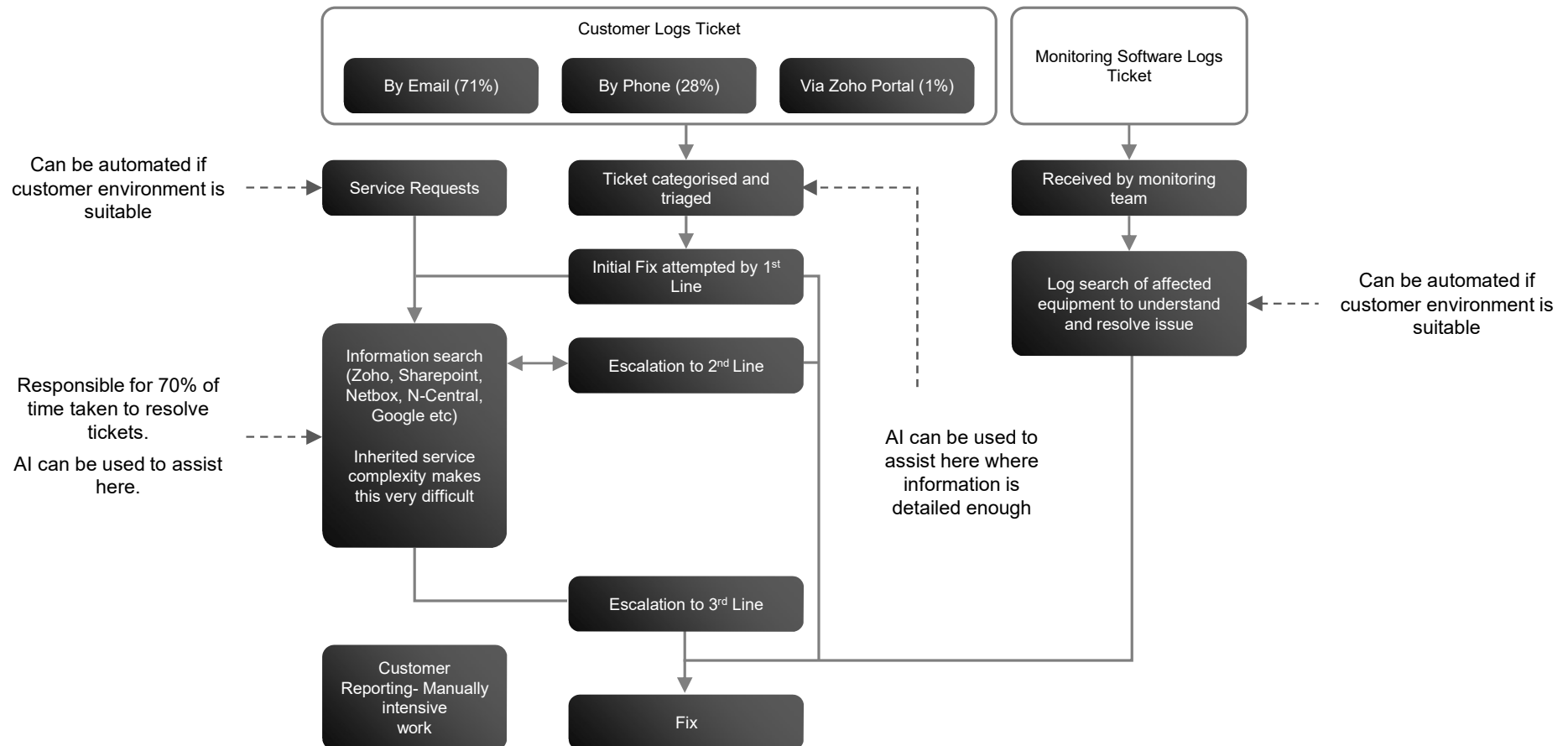
- Target 50% increase in service line efficiency by end of 2025
- Demonstrate by onboarding new customers, without increasing headcount



Reduce menial tasks

- 20% automated service requests

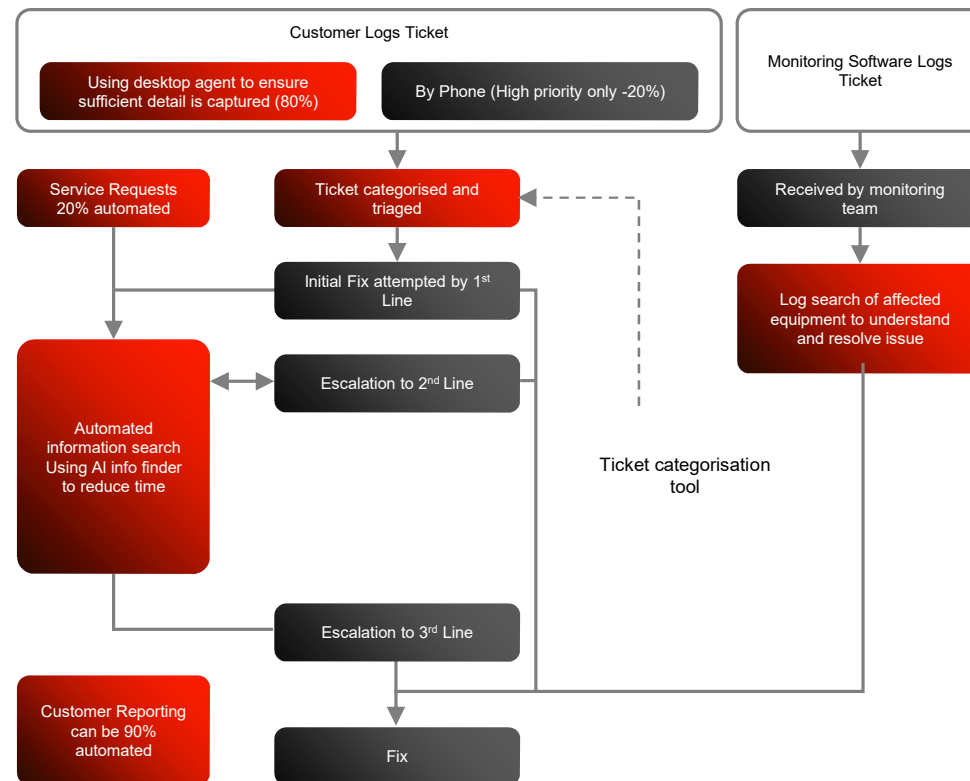
Current High Level Process (The problem)



The Outcome

Incident Management Times
Reduced and NPS scores
improved

Customers acquired without
increasing headcount



Automation reduces time
taken for manual activity,
reduces error rates and
allows for ticket volume
increases without resource
increases

MSP Acquisitions Enablement Engine

- ✓ Ambitious Target of Acquiring every 6 months
- ✓ Project Genesis has to support these ambitions
- ✓ Build a base platform to acquire and integrate quickly without the integration headache.
- ✓ Project Genesis will drive additional value upon acquisition and become better with more data through acquisition integration
- ✓ Built like a SaaS Product

Summary

SysGroup - to become partner of choice for Small Medium Businesses (SMBs) in their AI and digital transformation

- Our goal is to guide SMBs through the complex AI value chain and support their transformation journey from start to finish
- New management and board appointments driving the business forward
- Delivery re-organised under five pillars of technical capability, with supporting senior hires now in place
- £11.2 million fundraising provides a strong balance sheet to accelerate growth and innovation
- Invested in additional R&D resources, including offshore capabilities in India and Eastern Europe
- Implementing transformation of SysGroup to demonstrate the benefits of AI, serving as a live case study of best practices for our customers and to achieve significant productivity gains
- M&A strategy to further bolster technical capability and enhance customer base, as evidenced with recent Crossword Consulting acquisition