



RNS

Trading Statement

TRADING UPDATE

[REACT GROUP PLC](#)

Released 07:00:04 26 October 2022

RNS Number : 0992E
React Group PLC
26 October 2022

26 October 2022

REACT Group plc

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

Trading Update

REACT Group plc (AIM:REAT.L), the leading specialist cleaning, hygiene and decontamination company is pleased to announce a trading update in respect of the year ended 30 September 2022 ("FY22").

In our interim results, announced on 30 June 2022, we reported a strong start to the second half of FY22 ("H2") with LaddersFree, acquired on 12 May 2022, performing in line with management expectations and that the outlook for the Group as a whole remained positive.

The Group continued to make good progress in H2. The LaddersFree performance has been strong, underpinned by multiple new contract wins in the schools and colleges, and commercial sectors. A key feature of these contracts is that they have the potential for the Company to extend the range of services to customers and provide the Group with additional recurring income.

Fidelis, our hygiene and maintenance division, has also performed well and has been a significant contributor to EBITDA for the full year. In order to better position and facilitate additional anticipated growth in Fidelis and across the wider Group, the Group has stepped up its capacity and taken on increased overheads through additional operations and senior sales and marketing hires. Whilst this has increased costs during the year, and therefore impacted EBITDA margin, the investment has already, and is continuing to have, a positive impact with increased sales momentum particularly with small to medium sized contract wins and a growing pipeline of potential new contracts across the Group.

Performance in our emergency and decontamination division, React, where contracts are higher margin and tend to be more one-off and reactive, is still in the process of returning to normal levels following the end of lockdown measures and changes in working practices arising from this. Despite slower than expected growth in this division in FY22, performance has shown an improvement with increasing revenues generated in this division and a particularly strong Q4 which has persisted into the start of the current financial year.

Subject to audit, revenues for the year ended 30 September 2022 are expected to be approximately £13.6 million (FY22 market forecast: £13.6m) (30 September 2021: £7.1 million) with Adjusted EBITDA* of approximately £1.0 million (FY22 market forecast: £1.3m) (30 September 2021: £0.79 million). The Group's balance sheet remains strong, the Company's cash balance on 30 September 2022 was approximately £1.53 million (30 September 2021: £0.57 million). In addition to the cash balance in the bank, the Company has an ID facility of £2.0 million, against which it had drawn down £0.5 million on 30 September 2022 and a 5-year term loan of £1.0 million.

**adjusted for exceptional items relating to the acquisition of LaddersFree, Fidelis and investigating other potential acquisition targets, as well as costs associated with the new loan facility.*

Trading in the last three months of the year ended 30 September 2022, and into the current financial year, has been especially strong across the Group, with all divisions continuing to win a broad spread of business providing the positive margin contribution and cash generation we are seeking. This positive start underpins the Board's optimistic outlook for the current financial year.

The Board also provides a further update on the deferred consideration payable in cash to the vendors of Fidelis. During the year to 31 March 2022, Fidelis generated revenue of £6.6 million, gross profit of £1.5 million and EBITDA of £0.5 million. As such, the Board now anticipates the maximum deferred consideration payable, including associated acquisition costs due to

advisers, will be up to approximately £0.3 million and will be made in four equal instalments between October 2022 and March 2024.

Commenting on the trading update Shaun Doak, Chief Executive Officer of REACT, said:

"Our cautious but positive outlook following H1 proved to be an accurate assessment of H2 performance in our Fidelis and React divisions, although in both cases Q4 performance has shown good growth which has continued so far in the current financial year. LaddersFree has performed particularly well since acquisition and has seen a number of new contract wins. The nature of these contracts provides us with both recurring income and potential to provide ancillary services. Despite the volatile macro-economic domestic and international background, the markets we are addressing are large and fragmented, providing significant opportunities for growth. We remain confident that the high quality services the Group provides will continue to be very much in demand and that we will meet our growth expectations for the current year."

For more information:

REACT Group Plc

Shaun Doak, Chief Executive Officer
Andrea Pankhurst, Chief Financial Officer
Mark Braund, Chairman

Tel: +44 (0) 1283 550 503

Singer Capital Markets

(Nominated Adviser / Broker)

Will Goode / Amanda Gray (Corporate Finance)
Rachel Hayes (Corporate Broking)

Tel: +44 (0) 207 496 3000

IFC Advisory

(Financial PR / IR)

Graham Herring / Zach Cohen

Tel: +44 (0) 20 3934 6630

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"). Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain.

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lse.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

TSTEAEESA AKAF AA

London Stock Exchange plc is not responsible for and does not check content on this Website. Website users are responsible for checking content. Any news item (including any prospectus) which is addressed solely to the persons and countries specified therein should not be relied upon other than by such persons and/or outside the specified countries. [Terms and conditions](#), including restrictions on use and distribution apply.

© 2022 London Stock Exchange plc. All rights reserved.