



MERIT
GROUP

Merit Group plc
Investor Presentation
November 2023

The Merit Group

- A B2B data and intelligence business
- A trusted provider of actionable, balanced and timely sourced data in three market niches
 - Policy and Political data in the UK and Europe
 - Global Industry Data across eight key verticals
 - Marketing data
- Using AI and proprietary machine learning tools to capture data for over five years
- Adding value to publicly available but hard to acquire data through human analysis and commentary

We help our clients make more informed decisions

The Merit Group

- Structured as two business units with a small PLC centre
- Two trusted brands in their own distinct markets
- High level of recurring revenue in both business units
 - Over half of Merit income from customers of more than 5 years duration
 - Dods PI income almost entirely subscription based
- Deep data technology skills in machine learning and AI
- Operating in a burgeoning market for data, the building block of AI applications
- Digitally enabled workforce with 95% based in a low cost environment



FY23 restructuring has created a stronger business

- Group now focused on a core data and intelligence offering
- Dods Media, Events and Training assets disposed of with minimal impact on Group EBITDA
- Additional disposals of other associates giving total disposal proceeds of c£5m
- Proceeds used to invest in growth as well as reduce debt
- Better integration of Merit Data & Tech; greater co-operation and use of Indian based resources for Group (eg IT, Sales and Finance)
- Disposal of onerous Shard lease completed
- £1.4m of 'saved' lease costs available to further reduce debt from FY24
- Balance sheet tidied up, all historic deferred liabilities settled

“Management’s turnaround plan is very largely complete.”

Merit Data & Technology

- Acquired in June 2019 for £22.4m
- Founded in 2004 by Con Conlon, MD
- >40 customers
- Average contract value c£300k pa
 - 7 contracts of over £500k pa
- Complementary data engineering solutions alongside data capture contracts
- 85% recurring revenues from being embedded in customers' data systems
- Strong sales growth, new sales and marketing team appointed in 2022
- Concentrated on eight sector verticals; Auto, Construction, Pharma and Health, Shipping, Metals and Commodities, Energy, Events and Conferences and ECommerce



Dods Political Intelligence

- Long established UK market leader providing policy updates and political people database
- Very strong brand recognition and reputation for quality of service in its markets, operating on a newly relaunched self service tech platform since 2022
- 800 customers split c50/50 across UK and EU
- Almost all subscription revenue with average contract value c£8k pa and 18 months average duration
- Excellent operational gearing, high margins and defensive qualities
- Existing sector strength in Pharma/Health, Transport, Energy and Sustainability, and Government
- Targeting growth from Finance, Food and Drink, Education, Media and Tech sectors



Group Strategy

- Data and intelligence at the core
- Growth from:
 - Clear focus on Sales & Marketing
 - Expansion into new sector specialisms
 - Pursue further international growth, UK has historically accounted for >80% of revenue
 - New customer wins in Europe
 - US, Middle East, Australia
 - Technology driven margin improvements
 - Continue to invest in proprietary technology
 - New Political Intelligence platform
 - Further deployment of Artificial Intelligence
 - Data engineering solutions

Merit Group – H1 FY24 results

- Accelerating revenue growth
 - Merit D&T +13%
 - Dods PI +3%
- FY23 Investment in Merit D&T sales and marketing delivering results
- New investment in Dods PI sales and marketing now in place
- Net margin improvement to 18.5% from 12.1%
- £2.3m of Adj EBITDA from operating businesses before central costs
- Return to Profit before tax
- Clean set of numbers, no non-recurring items, good visibility and no P&L seasonality

Continuing Operations¹

	H1 FY24 30 Sep 23	H1 FY23 30 Sep 22 ¹	Change ⁶
Revenue	£9.9m	£9.1m	9.3%
Gross profit	£4.7m	£4.3m	10.7%
Gross margin ³	47.9%	47.4%	
Adjusted EBITDA ⁴	£1.8m	£1.1m	66.6%
Net margin ⁵	18.5%	12.1%	
Profit/(loss) before tax	£0.5m	(£0.3m)	
Basic Earnings per share	1.47p	(1.82p)	

1. Comparative figures for the six-month period to 30 September 2022 have been restated to remove Discontinued Operations as outlined in Note 5.

2. Net debt comprises the aggregate of gross debt, excluding IFRS16 lease liabilities, and cash and cash equivalents as outlined in Note 11.

3. Gross margin is Gross profit as a percentage of Revenue.

4. Adjusted EBITDA is calculated as earnings before interest, tax, depreciation, amortisation of intangible assets, share-based payments and non-recurring items.

5. Net margin is Adjusted EBITDA as a percentage of Revenue.

6. Year-on-year percentage change figures are calculated on unrounded numbers.

Balance sheet

- Stable levels of Fixed and Current assets – consistent levels of D&A
- Negative net current ratio - reflective of deferred income (upfront payments) on Dods PI business and flexible RCF facilities
- Lower levels of gross debt – with bank loans amortising at £1.4m pa; and much lower IFRS16 lease commitments
- Net debt of £2.5m (March 23: £2.6m)

Balance sheet	Sep-23 £m	Mar-23 £m
Non-current assets	37.7	37.7
Trade and other receivables	5.5	5.5
Cash	<u>1.1</u>	<u>2.1</u>
Current assets	6.6	7.6
Current liabilities	(9.7)	(10.8)
Non-current liabilities	<u>(2.5)</u>	<u>(2.8)</u>
	<u>(12.2)</u>	<u>(13.6)</u>
Total equity	32.1	31.7

Cashflow

- Return to positive cash generation from operating activities
- £0.2m of retained cashflow before financing
- H1 seasonality on working capital and growth driven
- Assignment of London lease reduced lease payments by £1.1m on a full year basis per annum
- Stronger cashflow allows for modest investments – R&D to drive revenue & margin; Dods people platform and catch-up on operating IT kit.

Cashflow	Sep-23 £m	Sep-22 £m
EBITDA	1.8	1.1
Working capital / non-op	<u>(1.0)</u>	<u>(1.1)</u>
Operating cashflow	0.8	0.0
Capex	(0.2)	(0.2)
Lease / rent repayments	(0.5)	(1.0)
Interest	(0.2)	(0.1)
Taxation	<u>(0.2)</u>	<u>(0.2)</u>
Cashflow before financing / investing	(0.3)	(1.5)
Proceeds on disposal of Associates	0.0	0.5
Shard exit (VAT recovery)	0.5	-
Net cashflow / movement in net debt	0.2	(1.0)

Investment Case – Merit Group plc

- A restructured and **newly focused** data and intelligence business
- A technology led business with a five year track record in **Artificial Intelligence**, that is driving both new business opportunities and cost efficiencies
- Providing **mission critical enterprise data** and intelligence to an extremely stable customer base
- **Market leader** in UK, and European political and policy data for a blue chip subscriber base
- **Diverse** base of >800 **customers**, covering all sectors and including large corporates, SMEs and government agencies
- Low customer attrition as a result of **excellent customer service and embedded software**
- Indian based technology and service teams **enhance efficiency and margins**
- **Growth potential** from geographic and product expansions

Conclusion

- A restructured and focused business
- Strong fundamentals with good growth prospects and a stable customer base providing excellent defensive strengths in tough markets
- Operating in growth markets
 - enterprises of all sizes are data hungry and lack internal resources to manage
 - increasing regulatory and policy challenges fuel customer demand for political intelligence
- Board and management incentivised and fully aligned in seeking to maximise shareholder value

Shareholders

- | | | |
|----------------------------|--------|-------------------------------------|
| • Lord Ashcroft, KCMG PC | 42.00% | • Mark Smith – NED Chairman |
| • Gresham House AM | 10.19% | • Lord Ashcroft KCMG PC - NED |
| • Schroders IM | 7.47% | • Dame Diane Lees DBE -NED |
| • Sasqua Fields Management | 6.79% | • Angela Entwistle -NED |
| • Con Conlon | 6.60% | • David Beck – CEO |
| • The Directors | 50.01% | • Philip Machray – CFO |
| | | • Con Conlon – MD Merit D&T and CTO |