

Equals Group plc
(‘Equals’ or the ‘Group’)

Interim Results

‘Significant revenue growth, record Adjusted EBITDA, return to statutory profit and strong balance sheet’

Equals (AIM: EQLS), the fintech payments group focused on the SME marketplace, announces its interim results for the six months ended 30 June 2022 (the ‘period’ or ‘H1-2022’) and an update on trading for the period from 1 July 2022 to 5 September 2022 (‘Q3-2022’).

H1-2022: Financial Summary

	H1-2022 £ millions	H1-2021 £ millions	Change % ^{***}
Underlying transaction values	4,169	2,434	+71%
Revenue	31.4	16.9	+86%
Gross profit	14.9	10.3	+44%
Contribution	14.1	9.9	+42%
Adjusted EBITDA*	4.9	1.6	+203%
Operating Profit /(Loss)	1.1	(2.2)	
Profit / (loss) after Taxation and R&D credits	0.8	(1.2)	
EPS (Basic, in pence)	0.38	(0.70)	
Operational** cash in/(out) flows	4.7	0.8	
Cash at bank	16.5	10.1	+63%

Notes

* Adjusted EBITDA is defined as operating profit before: depreciation, amortisation, impairment charges and share option charges and items of an exceptional nature. EBITDA is defined as operating profit before depreciation and amortisation.

** Operational cashflows are before earn-outs and R&D credits.

***Percentages are calculated based on underlying rather than rounded figures.

H1-2022: Financial Highlights

- Record revenue performance with an 86% increase to £31.4 million (H1-2021: £16.9 million) with £6.3 million derived from the Solutions platform (H1-2021: £0.3 million)
- 44% increase in Gross profit to £14.9 million (H1-2021: £10.3 million)
- 203% increase in Adjusted EBITDA* to £4.9 million (H1-2021: £1.6 million) with £1.8 million contribution from Q1-2022 and £3.1 million in Q2-2022 (Q1-2021: £1.4 million; Q2-2021: £0.2 million)
- Statutory profit achieved with statutory PBT at £0.9 million (H1-2021: loss of £2.2 million)
- Basic EPS at 0.38 pence against a loss per share of 0.70 pence in H1-2021
- Cash per share increased 62.5% to 9.1 pence (30 June 2021: 5.6 pence)

H1-2022: Operational and Product Highlights

- Continued focus on sales and marketing to corporate (B2B/SME) customers driving growth
- Hiring of highly experienced Chief Commercial Officer ('CCO') plus expansion of revenue generating headcount in sales and marketing teams
- Direct integration into SEPA enabling rapid transactional capability in Euros
- Equals Money cards live on new platform supporting physical and virtual cards with 21-currency capabilities
- More investment into compliance via automation and hiring experienced staff
- Progressed people agenda with 360 appraisals and staff retention measures in difficult labour market

Q3-2022 Trading (1 July 2022 to 5 September 2022) and Outlook

- Strong performance continued with revenues of £13.3 million in the period, an increase of 55% over the same period in 2021
- Year-to-date revenue of £44.7 million, which already exceeds full-year performance in 2021
- Revenues per day of £289k, compared to £187k in the same period in 2021
- Continued growth in Solutions revenues at £3.1 million compared to £1.1 million in same period in 2021
- Positive distributable reserves allowing the Board to consider a future dividend policy
- Cash generation allowed the CBILS loan of £1.8 million to be repaid in full in August 2022
- Strong cash position permits further working capital to drive the card business, platform investments, and strategic acquisitions

Commenting on the Interim Results, Ian Strafford-Taylor, CEO of Equals Group plc, said:

"This is an outstanding set of results with record revenue and EBITDA cementing our extremely successful transition into cash generation and, ultimately, a return to the first statutory profit since 2018.

"It also reflects the three-year investment cycle into platform, connectivity and compliance which, alongside our operational pivot towards corporate customers, has enabled the business to go from strength to strength. Our performance has of course been delivered by the hard work and dedication of every Equals team member who I am immensely proud of and, on behalf of the Board, would like to thank for their continued support and exceptional work ethic.

"Trading in Q3-2022 has continued to be robust, despite global economic uncertainty and inflationary pressures, with strong growth over the same period last year. We continue to see an increase in fee-based revenues to complement our transactional and FX revenues, which is part of our overall strategy for diversifying and de-risking our earnings streams. Based on these strong results and our current trading performance, we look to the future with increased confidence and remain in line with expectations for the full year."

Analyst meeting

A conference call for analysts hosted by Ian Strafford-Taylor (CEO) and Richard Cooper (CFO) will be held today at 9.30am. A copy of the Interim Results presentation is available at the Group's website: <http://www.equalsplc.com>.

For retail investors, an audio webcast of the conference call with analysts will be available after 12pm today at: <https://webcasting.buchanan.uk.com/broadcast/62c3e636fb4bba516c453314>. In addition, as previously announced, the Company will also be presenting the Interim Results via the Investor Meet

Company platform at 6pm today. Please register at <https://www.investormeetcompany.com/equals-group-plc/register-investor>.

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Chief Executive Officer's Report

SUMMARY

The Group has delivered record-breaking revenue and Adjusted EBITDA performance in H1-2022, leading to a first reported statutory profit and positive EPS. The quantum of underlying transactions through the Group's platforms increased by 71%. In addition, the value of 'deposits', meaning loads on cards and deposits through the banking platform, rose by 55%.

£ millions

	<u>Q1-2021</u>	<u>Q2-2021</u>	<u>Q3-2021</u>	<u>Q4-2021</u>	<u>Q1-2022</u>	<u>Q2-2022</u>
<u>Transaction value*</u>	<u>1,091</u>	<u>1,343</u>	<u>1,878</u>	<u>2,135</u>	<u>1,980</u>	<u>2,189</u>
<u>Deposit/Load value</u>	<u>292</u>	<u>430</u>	<u>495</u>	<u>509</u>	<u>515</u>	<u>607</u>

*Q4-2021 shown here excludes the £114 million from the one-off material trade announced on 28 October 2021.

Revenues rose by 86% in H1-2022 to £31.4 million (H1-2021: £16.9 million). This growth was broad-based with all product lines performing well. The Group continues to focus on corporate (B2B/SME) customers and saw very strong revenue growth in this sector in H1-2022.

Revenues from travel products, despite recovering strongly from the impact of Covid-19, represented a modest 10.4% of overall revenues in Q2-2022 and 8.9% for the whole of H1-2022.

Revenue from Solutions, the Group's platform that targets larger corporates, led the way with strong growth and a healthy pipeline of new customers. Additionally, the Group's corporate expenses product, Equals Spend, reported strong growth along with Equals Connect, the Group's white-label business. Further detail on the revenue mix is included in the CFO's Report.

Revenue* by quarter, in £ millions

	Q1-2021	Q2-2021	Q3-2021	Q4-2021	Q1-2022	Q2-2022
Solutions	-	0.3	1.5	1.8	2.8	3.5
White-Label	0.8	1.6	2.2	3.2	3.3	3.8
Other	6.1	6.4	7.2	7.8	7.1	8.1
Total Non-Travel	6.9	8.3	10.9	12.8	13.2	15.4
Travel	1.2	0.6	0.9	0.9	1.0	1.8
	8.1	8.8	11.9	13.8	14.2	17.2
Material Trade	-	-	-	1.5	-	-
Total	8.1	8.8	11.9	15.3	14.2	17.2

Adjusted EBITDA (before share option charges) in H1-2022 increased to £4.9 million from £1.8 million, with £3.1 million being earned in Q2-2022.

The confidence in Equals' performance and ability to generate cash led the Group to repay, in full, the outstanding balance (totalling £1.8 million) of the CBILS loan in August 2022. With interest rates continuing to rise, this action is immediately accretive for EPS.

OPERATING REVIEW

Focus on growth

Given the product innovations Equals has achieved, the Group's priority is to now overlay its platform developments with an enhanced Sales and Marketing approach to drive further growth. The essential building blocks to achieve this are:

- a single CRM system across the Group, so all customer interaction is captured in one place;
- up-skilling the sales and marketing teams through training and selected hiring; and,
- a data science and AI team focusing on sales and customer data to further assist the sales and marketing teams.

Equals' CRM solution, HubSpot, was initiated in 2021 and in H1-2022 it has seen further refinement of how it is used. Further work on extracting maximum value from HubSpot will continue throughout 2022 and beyond utilising dedicated internal 'power users' and providing training and facilitation.

The Group's data science team is now fully staffed and has been concentrating on putting in place the data warehouse infrastructure needed to provide both repetitive and bespoke data reporting. The benefits of this are now flowing through with strong measurement of key KPIs and more insights into customer acquisition and retention.

In keeping with the overall strategy of the Group, the focus for growth is on the B2B customer base. B2B customer acquisition is heavily reliant on the outbound sales function augmented by and integrated with a coherent digital marketing strategy and content production. This contrasts with B2C customer acquisition, where above-the-line ('ATL') marketing such as TV and billboard advertisements augmented by digital marketing is the driving force. Hence our growth strategy is directed towards improving our sales capabilities with support from advanced data science and targeted marketing.

One sales challenge for Equals is managing the transition from being a product-led business to a platform-led business. Previously, the Group has sold its products: International Payments, Cards and Current Accounts, using largely separate sales teams and marketing strategies. As Equals moves forward, it will be selling:

- Equals Money to the SME customer base, and
- Equals Solutions to the larger B2B customers.

The transition from product to platform differentiates Equals from traditional FX businesses, as the Group can compete not just on FX rates, but also on platform capabilities and service.

Equals strengthened its sales and marketing leadership by the appointment, announced on 17 May 2022, of Tom Kiddle as Chief Commercial Officer. Tom, who started at the end of H1-2022, has a strong background in the B2B payments industry having previously held key positions at Travelex, Western Union and most recently at World First. Since Tom's arrival, and utilising Equals' enhanced data capabilities, the Group has already refined many aspects of its go-to-market strategy and has more changes planned for the balance of 2022 whilst planning its targets and strategy for 2023.

Focus on product development

Unified platform

H1-2022 focused on the further development of the Equals Money platform for B2B customers.

The platform incorporates the payments and cards products of the Group underpinned by an 'own-name multi-currency IBAN' allowing a business to run one account supporting multiple currencies and balances whilst being payment agnostic between bank transfer and cards. This is the key strategic vision for the Group to simplify money movement for business customers.

The Equals platform is built to be 'evergreen' in utilisation of technology and has been assembled with scalability at its core, placing the Group in a strong position for the future.

Payment infrastructure, 'Boxes' operating system

The Equals platform can provide each B2B customer with an 'own name multi-currency IBAN', an account in their own name denoted by a unique IBAN ('International Bank Account Number') which supports multiple currencies.

This is a key differentiator from Banks who provide one account per currency, each with a unique IBAN. As the account is in the name of the customer, a so-called 'first party' account, this allows more use-cases than payments into a 'pooled account' from a compliance perspective. Furthermore, having one IBAN for all currencies enables a customer to provide one single account identifier to all its customers and suppliers, thereby simplifying both sales and procurement processes.

Providing own-name multi-currency accounts required a combination of third-party integrations to partner Banks and SWIFT overlaid with smart technology. The in-house operating system used by Equals to support the platform is referred to as 'Boxes'. This proprietary technology allows Equals to offer a highly flexible platform supporting multiple accounts and sub-accounts bespoke to the customer.

The Boxes infrastructure was developed further in H1-2022 to provide key functionality including:

- real-time running balances;
- statements; and,
- enhanced reporting for customers.

In addition, Equals directly integrated into the SEPA (Single European Payments Area) network, providing instant movement of Euros in and out of the Equals payment infrastructure. Further enhancements will be rolled out in H2-2022 including enhanced bulk payments capabilities and the capability to offer IBAN and Boxes functionality via API, thereby allowing more sophisticated customers to directly integrate with the Equals platform and support white-label opportunities.

Card Products

B2B customers increasingly need the flexibility to pay suppliers via cards as well as traditional 'wire-transfer', particularly in the e-commerce space where providers such as Google and Amazon will only accept payments via a card. The Equals Money platform was conceived recognising this need and therefore excellence in card issuance, processing and technology is core to the platform.

Development of the Group's card infrastructure has continued in H1-2022 to replace legacy platforms with a single platform built to power the Equals card products for the medium term.

This platform provides the base from which a strong pipeline of customer-facing features will be deployed in H2-2022 including the launch of the new Equals Money card which is multi-currency, can be both virtual and physical, can be prepaid or debit, are live in Apple Pay and have many more features and capabilities.

Focus on Compliance

The Group has a strong compliance culture and views its capabilities as a strategic asset and competitive advantage. Efficient compliance is essential to optimisation of revenues as any delays to new business onboarding can lead to increased customer frustration and possibly abandonment. Ensuring the process of becoming a customer is as efficient as possible whilst maintaining high standards of compliance requires the levels of investment made in H1-2022. This investment is targeted at both automation where possible, of the compliance processes combined with adding skilled headcount to process the non-standard and exceptional items.

Compliance requires strong control at the onboarding stage augmented by ongoing monitoring and hence the Group's systems investment is targeted at onboarding processes and transaction monitoring.

Equals hired a Head of Compliance in mid-2021, and since then, the Group has been consistently upgrading its staff and increasing the headcount as the business expands. Equals has recruited a new, highly experienced MLRO ('Money Laundering Reporting Officer') joining the business in H2-2022, which will further bolster its relationships with the Group's regulators and banks. These hires supplemented an already an exceptionally skilled and commercially focused team.

Focus on Employees

The labour market in the UK continues to be challenging both for hiring talent and for staff retention. The Group introduced various measures in 2021 to tackle these issues including share ownership and LTIP schemes and plans to repeat this process in 2022. In addition, the Group paid a mid-year cost of living award and other bonuses to staff in July 2022 totalling £0.3 million, which is fully accrued in the Group's interim financial statements.

Whilst the Group is growing rapidly, it retains a strong cost-control culture, and it balances efficiency gains it yields from its engineering investments with the priority to achieve strong growth. The Group therefore expects overall staff numbers to continue to rise slowly with most increases coming in direct revenue generation roles or compliance. Given the strong operational gearing of Equals, any increase in headcount and overall cost-base is expected to be at a much lower rate than growth in transactions and revenues.

Focus on ESG

Equals wholeheartedly embraces ESG initiatives and takes Equality, Diversity, and Inclusivity ('EDI') extremely seriously. The Group's EDI strategy, which covers not only employees but also customers, includes an internal EDI network populated with elected representatives and regular employee surveys. This is a key objective for all Executive Committee members and forms part of their appraisal.

FUTURE PLANS AND OPPORTUNITIES

The key strategic vision for the Group continues to be the simplification of money movement for business customers. Equals achieves this through its B2B platforms - Equals Money being targeted at the SME base and Equals Solutions at larger corporate opportunities. The Group's growth potential is extremely strong given that the core building blocks of its platforms, namely own-name multi-currency IBANs and bank-grade connectivity and clearance, are highly complex and time consuming to replicate. This 'first mover' advantage will be enhanced further by the developments planned in the Group's technical roadmap.

Equals will continue to look for external growth opportunities and can do so with a strong balance sheet and cash position. The Group is examining overseas expansion beyond its current predominantly UK-centric customer base given the portability of its platforms and will also take a considered strategic approach to acquisitions.

Global Macro-Economic environment

The global economy faces serious challenges stemming from the conflict in Ukraine and rising inflation and interest rates in major economies. To date, Equals has performed resiliently despite these conditions and continues to grow strongly as can be seen from today's H1-2022 results and Q3-2022 trading update. However, the Board continues to monitor the situation closely.

Q3-2022 trading and Outlook

Q3-2022 has continued the strong revenue generation seen in H1-2022 with revenue for the period from 1 July 2022 to 5 September 2022 being £13.3 million, representing a 55% increase on the same period in 2021.

Equals has a strong outlook resulting from the investments it has made to create a payments platform. Further investments made in compliance, onboarding and user experience means that the rich functionality of the platform is made easily accessible to current and potential customers. Finally, advances made in sales, marketing and data mean that Equals now sells its products and platform more efficiently. Accordingly, the Board looks forward to the future with increased confidence and the Group remains in line with expectations for the full year.

Ian Trafford-Taylor
Chief Executive Officer
7 September 2022

REVIEW OF THE CFO

Taking the financial information disclosed in the CEO's Report one step further, I am pleased to present record Interim Results for the six months ended 30 June 2022.

Totals may not sum due to rounding. Percentages are calculating on underlying figures before rounding. Where costs cannot be accurately attributed to each segment, they have been allocated on the basis of revenue.

A: Income and Expenditure account and notes

Table 1 - Income and Expenditure account

£000's	H1-2022	H1-2021	Change
Revenue	31,373	16,905	14,468
Gross profit	14,866	10,317	4,549
Marketing costs	(790)	(410)	(380)
Contribution	14,076	9,907	4,169
Net staff costs	(6,620)	(6,104)	(516)
Net property & office costs	(430)	(490)	60
Net IT & telephone costs	(925)	(817)	(108)
Professional fees	(560)	(594)	34
Compliance costs	(358)	(251)	(107)
Travel and other expenses	(331)	(52)	(279)
Operating costs	(9,224)	(8,308)	(916)
Adjusted EBITDA*	4,852	1,599	3,253
Separately reported items	-	(616)	616
Share option charges	(290)	(217)	(73)
EBITDA	4,562	766	3796
<i>Memo: Adjusted EBITDA after rent</i>	4,497	1,034	3,463

Group revenues rose by 86%, Gross profits by 44%, Contribution by 42%, whilst Operating costs increased by 11% leading to Adjusted EBITDA increasing by 203% and EBITDA by 495%.

Ongoing growth is witnessed by comparing revenues in H1-2022 at £31.4 million with £25.7 million in H2-2021 (excluding the one-off revenue of £1.5 million earned from the material trade reported in October 2021), thus a 22% half-on half increase.

To continue the theme of comparing the last two half years, I present below a bridge from the Adjusted EBITDA in H2-2021 to H1-2022, which shows a 13% increase on the like-for-like position:

Table 2 – Adjusted EBITDA bridge from H2-2021 to H1-2022

H2-2021 Adjusted EBITDA		5,174
Less:	Gross profits from material trade	(812)
	Property rates rebate	(80)
Like-for-like H2-2021 Adjusted EBITDA		4,282
Add:	15% uplift in contribution H1-2022	1,868
Less:	15% increase in staff costs, reflecting higher planned headcount along with pay adjustments averaging 8%	(885)
	46% increase in professional and compliance costs, much of which is attributable to onboarding more clients	(290)
	Increase in travel and exhibition costs	(80)
	Increase in property utility costs and rates	(44)
H1-2022 Adjusted EBITDA		4,852
Uplift over like-for-like H2-2021		570
% uplift over like-for-like H2-2021		13%

Revenue

A split of revenues by both customer group and platform, clearly shows both the strong and growing emergence of Solutions and very significant migration away from the legacy travel products.

Table 3, H1-2022

Revenue in £ millions	Consumer and small business	Corporates	Large enterprises	Sub-total	White-label	TOTAL H1-2022
International payments	2.0	7.1	-	9.1	7.1	16.2
Cards	2.3	3.3	-	5.6	-	5.6
Banking	2.8	-	-	2.8	-	2.8
Solutions	-	-	6.3	6.3	-	6.3
Travel cash	0.5	-	-	0.5	-	0.5
Total, H1-2022	7.6	10.4	6.3	24.3	7.1	31.4
% Change*						
H1-22 vs H1-21	+29%	+24%	>2010%	+67%	+202%	+86%

**based on underlying figures*

Table 3a – H1-2021

Revenue in £ millions	Consumer and small business	Corporates	Large enterprises	Sub-total	White-label	TOTAL H1-2021
International payments	1.3	6.1	-	7.4	2.4	9.8
Cards	1.7	2.2	-	3.9	-	3.9
Banking	2.8	-	-	2.8	-	2.8
Solutions	-	-	0.3	0.3	-	0.3
Travel cash	0.1	-	-	0.1	-	0.1
Total, H1-2021	5.9	8.3	0.3	14.5	2.4	16.9

Taking a further look at International Payments, Table 4 below, shows the composition of transaction values and revenue across spot and forward contracts.

Table 4.	White Label			Other		
	Spot	Fwd	Total	Spot	Fwd	Total
H1-2022						
Transaction values	648.9	98.3	747.2	976.9	281.8	1,258.7
% mix	87%	13%	100%	78%	22%	100%
Revenue	5.7	1.4	7.1	6.7	2.3	9.0
% mix	81%	19%	100%	75%	25%	100%
H1-2021						
Transaction values	337.8	50.0	387.8	862.0	357.3	1219.3
% mix	87%	13%	100%	71%	29%	100%
Revenue	2.0	0.4	2.4	5.4	2.1	7.5
% mix	83%	17%	100%	72%	28%	100%

The move towards offering more forward contracts has evolved over time and reflecting on 2019 as the last “pre-covid” year, forward contracts only represented 10% of turnover.

Around 80% of the revenues were earned from three core currency parings (GBP:EUR; GBP:USD; and EUR:USD).

Solutions Revenues have been analysed below between transaction-based and fee-based. This shows the evolution of the platform and its ability to secure long-term revenue streams.

Table 4a In £ millions	Fee based revenue	Transaction based revenue	Total revenues
H1-2022	1.7	4.6	6.3
H2-2021	0.9	2.4	3.3
H1-2021	0.1	0.2	0.3

Variable costs and gross profits

The elements of variable costs are shown in the table below, along with the gross profits and gross profit margins.

Table 5

	Consumer and small business	Corporates	Large enterprises	Sub-total	White-label	TOTAL H1-2022
In £ millions						
Transaction costs	1.3	2.7	-	4.0	0.1	4.1
Staff commissions	0.6	0.9	0.1	1.6	0.1	1.7
Affiliate costs	0.6	0.8	3.2	4.6	6.1	10.7
Total, H1-2022	2.5	4.4	3.3	10.2	6.3	16.5
Gross profit	5.2	5.9	2.9	14.0	0.8	14.9
Gross profit %	67%	58%	47%	58%	12%	47%

Table 5a

	Consumer and small business	Corporates	Large enterprises	Sub-total	White-label	TOTAL H1-2021
In £ millions						
Transaction costs	0.6	1.7	-	2.3	0.1	2.4
Staff commissions	0.5	0.6	-	1.1	0.1	1.2
Affiliate costs	0.4	0.6	0.2	1.2	1.8	3.0
Total, H1-2021	1.5	2.9	0.2	4.6	2.0	6.6
Gross profit	4.5	5.3	0.1	9.9	0.4	10.3
Gross profit %	75%	64%	37%	68%	18%	61%

H1-2022 witnessed Solutions and White-label contributing 43% of revenues (H1-2021: 16%) and 25% of Gross profits (H1-2021: 5%).

Marketing, branding and contribution

The Group has accelerated its marketing plans after pausing this during FY20 and FY21 when Covid posed greater uncertainties. Cash costs include ad campaigns, pay-per-click and exhibition and similar events including those in the USA where the Group noticed considerable interest in particularly the Spend platform and the Group's ability to sell this through its partnership with Metropolitan Commercial Bank.

Table 6	H1-2022	H1-2021
Marketing expenses (£ millions)	0.8	0.4
Contribution	14.1	9.9
Contribution margin	45%	59%

Staff costs

Staff costs, gross of capitalisation, were £8.8 million in H1-2022 against £7.3 million in H1-2021, and £7.7 million in H2-2021. These costs were offset by:

- Capitalised software: £2.0 million in total (H1-2021: £1.2 million, H2-2021: £1.8 million), with £0.6 million on contractors.

Amounts capitalised represent 19% of gross staff costs, consistent with FY21. The Group investment strategy continues to accelerate and focus on new and enhanced product design as has been commented on in the CEO's Report.

Headcount numbers have moved from 258 as at 30 June 2021 to 266 as at 30 June 2022, below the rate of increase in revenue for the period, and at 31 August 2022 they stood at 274.

The average number of engineering contractors per month in H1-2022 was 14 (H1-2021: 7). As previously reported, Equals is accelerating product development as fast as resource access allows the Group to do in a tight labour market.

Professional fees and Compliance costs

Owing to an increasing cross-industry compliance burden, the Group has chosen to report compliance and similar costs separately from other professional fees. Compliance costs, including onboarding systems, have risen due to a combination of greater business activity and the Group's desire to fast-track business applications but not at the expense of quality. Professional fees have risen in line with trends widely reported in the national press.

Property, insurance and office costs

Renegotiation of office leases has led to lower passing rents which benefit the Group's cashflows but not the EBITDA as such rents are accounted for under IFRS-16. Utilities, rates, and insurance charges have however risen by an aggregate of 19% over H2-2021, although there are 13% lower than in H1-2021.

Separately reported items

Separately Reported Items are large, non-recurring items identified by management. There were no Separately Reported Items in the period.

Amortisation and depreciation

Amortisation and depreciation for the period were £2.9 million (H1-2021: £2.1 million) and £0.6 million (H1-2021: £0.7 million) respectively.

Operating result

The Group made a profit before taxation of £0.9 million for the period, compared to a loss of £2.2 million for the period H1-2021.

Taxation, incorporating R&D credits

The Group's taxation charge includes both corporation tax, deferred tax, and R&D credits. The Group has recognised a net tax charge of £37k (H1-2021: £1,075k net tax credit) of which £40k (H1-2021: £319k) relates to an estimated R&D tax credit repayment claim for the six months to 30 June 2022.

Result after taxation

The result after taxation was a profit of £848k against a loss in H1-2021 of £1,172k and a full year loss in 2021 of £2,262k.

Earnings per share

Both basic and diluted EPS went into the positive, with basic EPS rising to 0.38pence (H1-2021: negative, 0.70pence) and diluted EPS rising to 0.36pence (H1-2021: negative, 0.70pence).

B: Balance sheet

At 30 June 2022, the Group considers some of the key items on the balance sheet to be:

- £16.5 million of cash at bank (30 June 2021: £10.1 million)
- £1.8 million CBILS loan (repaid in full in August 2022)
- £0.3 million deferred consideration payable but settled after the period end.

Table 7 - Balance sheet

	<u>As at</u> 30 Jun 2022	<u>As at</u> 30 Jun 2021	<u>As at</u> 31 Dec 2021
	£'000s	£'000s	£'000s
IFRS 16 assets, less IFRS 16 liabilities	(976)	(364)	(388)
Other non-current assets (other than deferred tax)	31,618	35,519	32,217
	<u>30,642</u>	<u>35,155</u>	<u>31,829</u>
Liquidity (per Table 9)	12,825	7,316	10,739
Trade debtors and accrued income	4,244	3,508	3,638
R&D rebates	438	1,687	398
Prepayments	1,411	1,076	998
Deposits and sundry debtors	190	396	329
Inventory of card stock	148	217	168
Accounts payable	(2,315)	(2,051)	(1,549)
Affiliate commissions	(2,905)	(1,303)	(1,945)
PAYE, staff commissions etc.	(1,824)	(1,808)	(1,884)
Other accruals and other creditors	(1,412)	(1,151)	(1,349)
	<u>10,800</u>	<u>7,887</u>	<u>9,543</u>
Earn-out balances due (Table 16)	(304)	(1,835)	(1,683)
Implied interest thereon	1	350	63
	<u>(303)</u>	<u>(1,485)</u>	<u>(1,620)</u>
Net corporation and deferred tax	1,148	208	888
Net value of forward contracts	511	(31)	511
	<u>1,356</u>	<u>(1,308)</u>	<u>(221)</u>
NET SHAREHOLDER FUNDS	<u>42,798</u>	<u>41,734</u>	<u>41,151</u>
Retained earnings at 1 January	(24,590)	(22,259)	(22,259)
Earnings for the year	675	(1,251)	(2,424)
Amount attributable to the exercise of share options	-	-	93
	<u>(23,915)</u>	<u>(23,510)</u>	<u>(24,590)</u>
Retained earnings at 31 December	<u>(23,915)</u>	<u>(23,510)</u>	<u>(24,590)</u>
Non-Controlling interest at 1 January	263	101	101
Earnings for year	173	79	162
Non-Controlling interest at 31 December	436	180	263
	<u>436</u>	<u>180</u>	<u>263</u>
Share capital, share premium	55,212	54,836	55,011
Other reserves	11,065	10,228	10,467
	<u>66,277</u>	<u>65,064</u>	<u>65,478</u>
CAPITAL AND RESERVES	<u>42,798</u>	<u>41,734</u>	<u>41,151</u>

Non-controlling Interest

The profit for H1-2022 includes £173k profit in respect of the Non-Controlling Interest of the Equals Connect business acquired in 2019 (H1-2021: £79k).

Off balance sheet items: client monies

As at 30 June 2022 the Group held client monies of £272.0 million in off balance sheet bank accounts (H1-2021: £170.4 million). The increase year-on-year arises from the acquisition of new clients, and a further general increase consistent with the uptake in B2B revenue in H1-2022.

Earn-outs

The table below shows the financial position relating to acquisitions in and after FY19.

Table 8 – EARNOUTS

	<u>Hermex</u>	<u>Casco</u>	<u>Effective</u>	<u>Total</u>
Acquisition date	09.08.2019	19.11.2019	15.10.2020	
	£'000s	£'000s	£'000s	£'000s
Acquisition price booked at acquisition	2,000	2,236	1,575	5,811
Earn outs paid by 31.12.2020	(2,000)	(1,733)	(125)	(3,858)
Revaluation of asset based on performance	-	793	-	793
Gross outstanding at 31.12.2020	-	1,296	1,450	2,746
Paid during H1-2021	-	(741)	(62)	(803)
Paid during H2-2021	-	-	(306)	(306)
Further change in consideration	-	46	-	46
Gross Outstanding at 31.12.2021	-	601	1,082	1,683
Paid during H1 - 2022	-	(601)	(779)	(1,380)
Gross Outstanding at 30.06.2022	-	-	303	303
Paid during Q3-2022	-	-	(303)	(303)
Maximum consideration	2,000	3,725	1,575	7,300
Total consideration	2,000	3,075	1,575	6,650

CASH FLOW

Table 9 - Cash flow

£000's	<u>H1-2022</u>	<u>H1-2021</u>
Adjusted EBITDA after rent	4,497	1,034
- Cash incurred separately reported items	-	(616)
- Internally capitalised staff costs	(2,051)	(1,191)
Internally capitalised IT costs	(164)	(148)
- Purchase of other intangibles	(307)	(27)
- Purchase of property, plant, equipment	(122)	(40)
Add: Working capital movement	2,875	1,795
"Operational" cashflows	4,728	807
Cash for acquisitions/ earn-outs	(1,380)	(803)
External funding		
Repayment of CBILS loan	(200)	-
Cash raised from issue of equity	200	46
NET CASH FLOWS	3,348	50
Balance at start of period	13,104	10,032
Balance at end of period	16,452	10,082
Number of shares in issue	180,712,473	180,045,807
Cash per share (in pence)	9.1	5.6

Table 10 – LIQUIDITY

	<u>H1-2022</u>	<u>H1-2021</u>	<u>FY-2021</u>
	£000'S	£000'S	£000'S
Cash at bank	16,452	10,083	13,104
Balances with liquidity providers	1,499	2,553	1,675
Pre-funded balances with card provider	884	1,435	1,615
Gross liquid resources	18,835	14,071	16,394
Customer balances not subject to safeguarding	(4,210)	(4,755)	(3,655)
CBILS loan	(1,800)	(2,000)	(2,000)
	(6,010)	(6,755)	(5,655)
Net position	12,825	7,316	10,739

Richard Cooper
Chief Financial Officer
7 September 2022

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022**

		Period end 30 June 2022 Unaudited £000	Period end 30 June 2021 Unaudited £000	Year end 31 December 2021 Audited £000
	Note			
Revenue on currency transactions		28,505	14,046	38,424
Banking revenue		2,868	2,859	5,667
Revenue	2	31,373	16,905	44,091
Direct costs	2	(16,507)	(6,589)	(19,855)
Gross profit		14,866	10,316	24,236
Administrative expenses	3	(10,314)	(9,602)	(18,715)
Depreciation		(632)	(733)	(1,398)
Amortisation charge		(2,858)	(2,135)	(5,812)
Impairment charge	4	-	-	(1,638)
Total operating expenses		(13,804)	(12,470)	(27,563)
Operating profit / (loss)		1,062	(2,154)	(3,327)
Finance costs	8	(177)	(93)	(490)
Profit / loss before tax		885	(2,247)	(3,817)
Tax (charge)/credit	5	(37)	1,075	1,555
Profit / loss after tax		848	(1,172)	(2,262)
Memo: Profit / loss is attributable to:				
Owners of Equals Group Plc		675	(1,251)	(2,424)
Non-controlling interest		173	79	162
Other comprehensive income:				
Exchange differences arising on translation of foreign operations		1	-	-
		849	(1,172)	(2,262)
Profit / loss per share				
Basic		0.38p	(0.70)p	(1.35)p
Diluted		0.36p	(0.70)p	(1.35)p

All income and expenses arise from continuing operations.

**INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022**

	Note	As at 30 June 2022 Unaudited £000	As at 30 June 2021 Unaudited £000	As at 31 December 2021 Audited £000
ASSETS				
Non-current assets				
Property, plant and equipment		1,193	1,439	1,257
Right of use assets		4,067	5,247	4,874
Intangible assets and goodwill		30,425	34,082	30,960
Deferred tax assets		1,287	230	949
		<u>36,972</u>	<u>40,998</u>	<u>38,040</u>
Current assets				
Inventories		148	217	168
Trade and other receivables		8,228	9,096	8,256
Current tax assets		439	1,687	397
Derivative financial assets		2,593	3,019	2,593
Cash and cash equivalents		16,452	10,082	13,104
		<u>27,860</u>	<u>24,101</u>	<u>24,518</u>
TOTAL ASSETS		<u><u>64,832</u></u>	<u><u>65,099</u></u>	<u><u>62,558</u></u>
EQUITY AND LIABILITIES				
Equity attributable to equity holders				
Share capital	6	1,807	1,787	1,793
Share premium	6	53,405	53,049	53,218
Share based payment reserve		2,455	1,619	1,858
Other reserves		8,610	8,609	8,609
Retained deficit		(23,915)	(23,510)	(24,590)
Equity attributable to owners of Equals Group Plc		<u>42,362</u>	<u>41,554</u>	<u>40,888</u>
Non-controlling interest		436	180	263
		<u>42,798</u>	<u>41,734</u>	<u>41,151</u>
Non-current liabilities				
Borrowings	7	1,600	1,800	1,600
Lease liabilities		4,224	5,164	4,484
Deferred tax liabilities		-	-	-
		<u>5,824</u>	<u>6,964</u>	<u>6,084</u>
Current liabilities				
Borrowings	7	200	200	400
Trade and other payables		12,970	12,704	12,002
Current tax liabilities		139	-	61
Lease liabilities		819	447	778
Derivative financial liabilities		2,082	3,050	2,082
		<u>16,210</u>	<u>16,401</u>	<u>15,323</u>
TOTAL EQUITY AND LIABILITIES		<u><u>64,832</u></u>	<u><u>65,099</u></u>	<u><u>62,558</u></u>

**INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022**

Group	Share capital £000	Share premium £000	Share based payment £000	Retained deficit £000	Other reserves £000	Total attributable to owners of Equals Group Plc £000	Non-controlling interest £000	Total £000
At 1 January 2021	1,786	53,003	1,402	(22,259)	8,609	42,541	101	42,642
(Loss) / income for the period	-	-	-	(1,251)	-	(1,251)	79	(1,172)
Other comprehensive income:								
Items that will not be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-
Other items								
Share based payment charge	-	-	217	-	-	217	-	217
Movement in deferred tax on share-based payment charge	-	-	-	-	-	-	-	-
New shares issued	1	46	-	-	-	47	-	47
At 30 June 2021	1,787	53,049	1,619	(23,510)	8,609	41,554	180	41,734
(Loss) / income for the period	-	-	-	(1,173)	-	(1,173)	83	(1,090)
Other comprehensive income:								
Items that will not be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-
Other items								
Share based payment charge	-	-	54	-	-	54	-	54
Movement in deferred tax on share-based payment charge	-	-	278	-	-	278	-	278
Share options exercised in year	-	-	(93)	93	-	-	-	-
New shares issued	6	169	-	-	-	175	-	175
At 31 December 2021	1,793	53,218	1,858	(24,590)	8,609	40,888	263	41,151
Income for the period and total comprehensive (loss) / income	-	-	-	675	-	675	173	848
Other comprehensive income:								
Items that will not be reclassified subsequently to profit or loss:								
Exchange differences arising on translation of foreign operations	-	-	-	-	1	1	-	1
Other items								
Share based payment charge	-	-	259	-	-	259	-	259
Movement in deferred tax on share-based payment charge	-	-	338	-	-	338	-	338
New shares issued	14	187	-	-	-	201	-	201
At 30 June 2022	1,807	53,405	2,455	(23,915)	8,610	42,362	436	42,798

Other reserves comprise:

Merger reserve	Arising on reverse acquisition from Group reorganisation.
Contingent consideration reserve	Arising on equity based contingent consideration on acquisition of subsidiaries.
Foreign currency reserve	Arising on translation of foreign operations

**INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022**

	Six month period ended 30 June 2022 Unaudited £000	Six month period ended 30 June 2021 Unaudited £000	Six month period ended 31 December 2021 Audited £000
Operating Activities			
Profit / loss for the period	885	(2,247)	(1,570)
<i>Adjustments for:</i>			
Depreciation	632	733	665
Amortisation	2,858	2,135	3,677
Impairment	-	-	1,638
Share based payment charge	259	217	55
(Increase) / decrease in trade and other receivables	(188)	(351)	3,965
Decrease /in net derivative financial assets / liabilities	-	-	(4,898)
Increase / (decrease) in trade and other payables	1,561	2,210	426
Increase / decrease in derivative financial liabilities	-	-	(968)
Decrease in inventories	20	(23)	49
Finance costs	177	93	397
Net cash inflow	<u>6,204</u>	<u>2,767</u>	<u>3,436</u>
Tax receipts	<u>-</u>	<u>-</u>	<u>1,367</u>
Net cash inflow from operating activities	6,204	2,767	4,803
Cash flows from investing activities			
Acquisition of property, plant and equipment	(122)	(40)	(38)
Acquisition of intangibles	(2,323)	(1,367)	(2,193)
Deferred consideration on acquisition of subsidiary	-	(803)	803
Acquisition of subsidiary, net of cash acquired	-	-	-
Net cash used in investing activities	<u>(2,445)</u>	<u>(2,210)</u>	<u>(1,428)</u>
Cash flows from financing activities			
Principal elements of lease payments	(297)	(446)	(426)
Interest paid on finance lease	(82)	(97)	(97)
Interest paid	(33)	(10)	(4)
Repayment of borrowings	(200)	-	-
Proceeds from issuance of ordinary shares	201	46	174
Net cash used in financing activities	<u>(411)</u>	<u>(507)</u>	<u>(353)</u>
Net increase in cash and cash equivalents	3,348	50	3,022
Cash and cash equivalents at the beginning of the period	<u>13,104</u>	<u>10,032</u>	<u>10,082</u>
Cash and cash equivalents at end of the period	<u><u>16,452</u></u>	<u><u>10,082</u></u>	<u><u>13,104</u></u>

**CONSOLIDATED NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2022**

1. Basis of preparation

The principal accounting policies applied in the preparation of the Group and Interim Consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements have been prepared on a historical cost basis with the exception of derivative financial instruments which are measured at fair value through profit or loss.

These financial statements are prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006. The financial statements are presented in sterling, the Group's presentational currency.

The unaudited consolidated Interim financial statements have been prepared in accordance with the AIM rules and consistently with the basis of preparation and accounting policies set out in the accounts of the Group for the year ended 31 December 2021. The information set out herein is abbreviated and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. These interim consolidated financial statements do not include all disclosures which would be required in a complete set of financial statements and should be read in conjunction with the 2021 Annual Report.

The Company is a limited liability company incorporated and domiciled in England and Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange.

a) Critical judgements and estimates

IFRS requires management to make estimates, judgements and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. These estimates are based on the Directors best knowledge and past experience. The existing critical judgements and estimates set out in note 3.26 of the Group's annual report for the year ended 31 December 2021 have been reviewed in preparing these Interim consolidated financial statements, and surrounding the ongoing Covid-19 situation, and the Directors believe they remain relevant.

b) Going concern

The Board continues to closely monitor its performance and considers a range of risks that could affect the future performance and position of the Group, including the on-going risks to the business arising from the Covid-19 pandemic. The Board considers it has a reasonable expectation that it has adequate resources to continue to operate for the foreseeable future and therefore the financial statements are prepared on a going concern basis.

2. Segmental Analysis

The segmental results were as follows:

Unaudited	International Payments	Currency Cards	Travel Cash	Banking	Central	Total
6 months ended 30 June 2022	£000	£000	£000	£000	£000	£000
Segment revenue	22,382	5,645	478	2,868	-	31,373
Direct costs	(13,526)	(2,059)	(239)	(683)	-	(16,507)
Gross profit	8,856	3,586	239	2,185	-	14,866
Administrative expenses	-	-	-	-	(10,314)	(10,314)
Depreciation	-	-	-	-	(632)	(632)
Amortisation	-	-	-	-	(2,858)	(2,858)
Impairment charge	-	-	-	-	-	-
Finance costs	-	-	-	-	(177)	(177)
Profit / (loss) before tax	8,856	3,586	239	2,185	(13,981)	885
Current assets	-	-	-	2,634	25,226	27,860
Non-current assets	-	-	-	2,434	34,538	36,972
Total liabilities	-	-	-	(1,952)	(20,082)	(22,034)
Total net assets	-	-	-	3,116	39,682	42,798

Unaudited	International Payments	Currency Cards	Travel Cash	Banking	Central	Total
6 months ended 30 June 2021	£000	£000	£000	£000	£000	£000
Segment revenue	10,124	3,853	69	2,859	-	16,905
Direct costs	(5,837)	(27)	(21)	(704)	-	(6,589)
Gross profit	4,287	3,826	48	2,155	-	10,316
Administrative expenses	-	-	-	-	(9,602)	(9,602)
Depreciation	-	-	-	-	(733)	(733)
Amortisation	-	-	-	-	(2,135)	(2,135)
Impairment charge	-	-	-	-	-	-
Finance costs	-	-	-	-	(93)	(93)
Profit / (loss) before tax	4,287	3,826	48	2,155	(12,563)	(2,247)
Current assets	-	-	-	2,294	21,807	24,101
Non-current assets	-	-	-	2,682	38,316	40,998
Total liabilities	-	-	-	(1,996)	(21,369)	(23,365)
Total net assets	-	-	-	2,980	38,754	41,734

Audited	International Payments	Currency Cards	Travel Cash	Banking	Central	Total
6 months ended 31 December 2021	£000	£000	£000	£000	£000	£000
Segment revenue	19,312	4,789	277	2,808	-	27,186
Direct costs	(9,962)	(2,589)	(80)	(635)	-	(13,266)
Gross profit	9,350	2,200	197	2,173	-	13,920
Administrative expenses	-	-	-	-	(9,113)	(9,113)
Depreciation	-	-	-	-	(665)	(665)
Amortisation	-	-	-	-	(3,677)	(3,677)
Impairment charge	-	-	(1,638)	-	-	(1,638)
Finance costs	-	-	-	-	(397)	(397)
Profit / (loss) before tax	9,350	2,200	(1,441)	2,173	(13,852)	(1,570)
Current assets	-	-	-	-	24,518	24,518
Non-current assets	6,602	18,258	600	11,631	949	38,040
Total liabilities	-	-	-	(1,744)	(19,663)	(21,407)
Total net assets	6,602	18,258	600	9,887	5,804	41,151

3. Operating profit / (loss)

Operating profit / (loss) is stated after charging the following operating expenses:

	6 months ended 30 June 2022 Unaudited £000	6 months ended 30 June 2021 Unaudited £000	12 months ended 31 December 2021 Audited £000
Marketing costs	790	410	1,171
Staff costs	6,620	6,718	12,550
Property and office costs	430	490	822
Audit fees	180	188	303
Compliance costs	358	251	449
Other professional fees	380	408	876
IT and telephone cost	925	817	1,720
Travel and similar	329	50	300
Foreign exchange loss	10	52	119
Share option charge	291	217	356
Contingent consideration	-	-	46
Other costs	1	1	3
Administrative costs	10,314	9,602	18,715
Depreciation of right of use assets	445	486	931
Depreciation of property, plant and equipment	187	247	467
Amortisation charge	2,858	2,135	5,812
Impairment charge	-	-	1,638
Total operating expenses	13,804	12,470	27,563

4. Credit impairment charge

The Credit impairment charge of £1,638k in H2-2021 represented the movement for the period in expected credit loss under IFRS 9 *Financial Instruments*.

5. Taxation

	6 months ended 30 June 2022 Unaudited £000	6 months ended 30 June 2021 Unaudited £000	12 months ended 31 December 2021 Audited £000
Current year R&D credit	(40)	(319)	(398)
Change in R&D credit estimates relating to prior years	-	-	-
Current year corporation tax charge	78	20	61
Current tax charge /(credit)	38	(299)	(337)
Origination and reversal of temporary differences	(8)	(762)	(997)
Recognition of previously unrecognised deductible temporary differences	7	(14)	(221)
Deferred tax credit	(1)	(776)	(1,218)
Total tax charge / (credit)	37	(1,075)	(1,555)

6. Earnings per share

Basic earnings per share is calculated based on the £675k profit attributable to owners of Equals Group plc (H1-2021: £1,251k loss) divided by the weighted average number of shares of 179,768,562 in the period (H1-2021: 178,629,499), giving a result of 0.38 pence per share (H1-2021, loss, 0.70 pence per share).

7. Share capital

	6 months ended 30 June 2022 Unaudited No.	6 months ended 30 June 2022 Unaudited £000	6 months ended 30 June 2021 Unaudited £000	12 months ended 31 December 2021 Audited £000
Authorised, issued and fully paid-up ordinary shares of £0.01 each				
As at start of period	179,341,807	1,793	1,786	1,786
Issued during the period under share options	666,666	7	1	7
Issued during the period under the SIP	704,000	7	-	-
As at end of period	180,712,473	1,807	1,787	1,793

On 18 May 2022, Equals Group Plc issued 666,666 1p ordinary shares for total consideration of £193,333, of which £186,667 was allocated to the share premium reserve, in order to satisfy the exercise of share options by a Director of the Group. Those shares have been retained by the Director. As part of the longer-term incentive plans for members of staff, on 11 March 2022, 704,000 shares were issued under a Share Incentive Plan and placed into trust for 176 eligible employees. The shares will remain in trust until the vesting conditions are met at the end of the holding period on 18 October 2024.

8. Borrowings

	2022	2021
	£000	£000
Loan debenture	<u>1,800</u>	<u>2,000</u>

Under the Coronavirus Business Interruption Loan Scheme (CBILS) to further support working capital, on 23 December 2020, the main trading subsidiary of the Company, FairFX plc, entered into a £2.0 million loan agreement with the Royal Bank of Scotland ('RBS').

The loan was repaid in full on 8 August 2022 and the interest due was £9,932.

9. Finance costs

Finance costs comprise the unwind of discount on the lease liability under IFRS 16; the unwind of discount on deferred consideration in respect of business and company acquisitions made by the Group and other financing interest costs.

- ENDS -