

MARLOWE PLC

HALF YEAR RESULTS HY25

MARLOWE TODAY

HY25 Results - continuing operations

Revenue

HY24: £146m

£152m

Divisional adjusted EBITDA¹

HY24: £18m

£18m

Divisional adjusted EBITDA¹ margin

HY24: 12.3%

11.9%

Organic revenue growth

TIC revenues grew 3% organically in the period

3%

Group Overview

1,700

Compliance fee-earners

Providing a range of compliance services across Fire, Safety & Security and Water & Air Hygiene

**10+
years**

Long customer relationships

We have long customer relationships with over 27,000 customers with our largest customer c.3% of revenues

~75%

High recurring revenues

Both of our TIC businesses display highly recurring revenue profiles that are underpinned by non-discretionary spend

£7.8bn

Addressable market

There remains a significant opportunity in the highly fragmented TIC markets we occupy

1) See appendix slide 17 for reconciliation of the statutory and adjusted results

MARLOWE STRATEGIC REVIEW

November 2023

Strategic review announced

- Marlowe's Board announced that it was undertaking and evaluating the optimal organisational and capital structure for the business to continue both the successful delivery of the Group's strategy and to maximise shareholder value
- This Board announced that this review could lead to the Board deciding to undertake a managed separation of certain Group businesses with a view to optimising the Group's organisational and capital structure

February 2024

Divestment of certain GRC software and service assets announced

- The Group announces the divestment of a select number of its GRC software and service assets for an enterprise value of £430 million
- The enterprise value of the Divestment, which accounts for approximately 20% of Group revenues and 40% of Group adjusted EBITDA, represented 121% of Marlowe's market capitalisation prior to the announcement
- Marlowe's continuing operations comprised of the ("TIC") and Occupational Health businesses.

June 2024

Commencement of £225 million return to shareholders

- Proceeds from the Divestment were used to retire the previous debt facility in full¹
- The Group confirmed the timetable for a £150m special dividend, paid on 5 July 2024
- The Group announced share buyback programme to return up to £75 million to Marlowe shareholders
- Lord Ashcroft KCMG PC assumed the role of Non-Executive Chairman on an interim basis

September 2024

Demerger of the Occupational Health division

- The Group announced the Demerger of its Occupational Health division
- Each shareholder of Marlowe received 1 Optima Health Ordinary Share for every 1 existing Marlowe ordinary share
- Marlowe's continuing TIC operations following the Demerger, comprise the Fire Safety & Security and Water & Air Hygiene businesses

1) The Group has since put a £50m debt facility in place which is currently undrawn

RATIONALE FOR THE SALE OF CERTAIN GRC ASSETS – JUNE 2024

Value for shareholders

Significant premium to market capitalisation

Good return on investment

Crystallising value

Strategic coherence

More focussed equity story

Similar operational profile

Organic growth and margin focus

Strengthen balance sheet and simplified reporting

Repay debt facility

Improved free cash flow

Clearer financials

£430m

Enterprise Value

To Inflexion on a debt free, cash free basis which equated to 121% to Marlowe's market capitalisation prior to the announcement

£312m

Divested Net Assets

Approximate capital deployed on to the divested GRC service and software assets

£225m

Return of capital

The Group has repaid all drawing on its debt facilities and has returned £150m through a special dividend. The Group intends to return up to a further £75m through a share buyback, which is now underway

RATIONALE FOR THE OCCUPATIONAL HEALTH DEMERGER – SEPTEMBER 2024

Differing end-markets



Occupational Health and TIC operate through distinct channels, targeting different markets, with minimal overlap in their customer bases. Occupational Health is more heavily focussed on large enterprise clients, while TIC typically caters to a broader market. By demerging, each division can concentrate more effectively on its specific market segment, with negligible risk of revenue loss due to minimal customer overlap.

Diverging strategies



A demerger enables each entity to pursue its individual strategy more effectively, whether through organic growth or M&A. Given that both markets remain highly fragmented, M&A will continue to play a crucial role in driving growth. However, the capital allocation strategies will differ, reflecting each entity's unique objectives and market focus.

Differing operational and financial profiles



Each market is driven by distinct factors, likely leading to different organic growth trajectories. Additionally, the divisions have unique margin structures and operational dynamics. The individual entities can better align their resources and expertise with the specific needs of their respective markets, leading to more agile and targeted growth.

Improved strategic optionality



Creating two separate listings enhances strategic flexibility, allowing each entity to independently pursue its own growth path and respond more effectively to market opportunities and challenges.

MARLOWE'S CONTINUING OPERATIONS

Marlowe's continuing operations comprise the Fire Safety & Security and Water & Air Hygiene businesses

Fire Safety & Security



Our Fire Safety & Security Services provide our clients with a comprehensive range of safety and compliance services to ensure premises are maintained in accordance with building safety regulations.



~700 fee
earners



~13k
customers

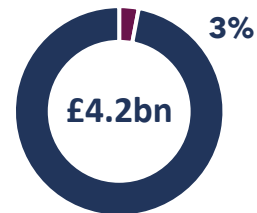


26
acquisitions

#3

position in
market

FY24



Water & Air Hygiene



Our Water & Air hygiene services delivers regulatory driven water treatment, air testing & quality and environmental services to commercial and industrial premises across the UK.



~1,000 fee
earners



~14k
customers

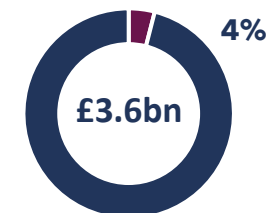


24
acquisitions

#1

position in
market

FY24



HY25 FINANCIAL SUMMARY

Continuing Operations	HY25	HY24	Movement
Revenue £m	£151.7m	£146.3m	+4%
Adjusted EBITDA ² £m	£15.3m	£15.4m	(1)%
Adjusted EBITDA ² margin %	10.1%	10.5%	(40)bps
Adjusted operating profit ² £m	£9.0m	£9.7m	(7)%
Net finance costs £m	£(1.0)m	£(2.8)m	
Adjusted profit before tax ² £m	£8.0m	£6.9m	+16%
Adjusted EPS ² (p)	6.4p	5.4p	+19%
Statutory profit before tax £m	£2.4m	£(8.7)m	
Statutory EPS (p)	2.5p	(9.3)p	

Group	HY25	HY24
Revenue £m	£220.4m	£251.3m
Statutory profit before tax £m	£161.7m	£(8.9)m
Statutory EPS (pence)	174.4p	(9.6)p

Continuing operations:

- **Revenue growth 4%** reflecting organic growth¹ of 3% and the contribution from acquisitions
- **Adjusted EBITDA £15.3m** as a result of:
 - High single digit growth in our Fire Safety & Security division
 - Offset by a reduction in EBITDA in our Water & Air Hygiene division
- As a result, **EBITDA margin** was 10.1%
- **Net finance costs decreased to £1.0m** reflecting IFRS 16 interest
- **Statutory PBT** increased to £2.4m reflecting the reduction in adjusting items including restructuring costs

Group:

- Revenue of £220.4m reflects the Divestment and demerger in the period
- Statutory profit before tax reflect the £165.9 million profit on Divestment

1) Organic revenue growth % on a like-for-like basis is defined as the year-on-year growth of our entire business. This includes the growth or decline of acquisitions from the day of completion, by including their performance from the corresponding prior period. 2) See appendix slide 17 for reconciliation of the statutory and adjusted results

CASH FLOW AND NET DEBT

£m	HY25
Cash generated from Group operations before acquisition & restructuring costs	£20.6m
Acquisition and disposal costs	£10.8m
Restructuring investment	£3.4m
Cash generated from Group operations	£6.4m
Lease repayments	£(5.8)m
Net finance costs	£(3.4)m
Tax	£(4.8)m
Net capex	£(4.3)m
Net Divestment proceeds (net of cash)	£410.5m
Proceeds from share issuance	£0.3m
Dividend	£(150.3)m
Share repurchases (inc. costs associated with repurchases)	£(41.2)m
Movement in net debt	£207.4m
Opening net debt excluding leases	£176.6m
Closing net cash excluding leases	£30.8m

- **Cash generated before acquisition & restructuring costs of £20.6m** reflecting continued and discontinued operations in the period
 - Acquisition and restructuring costs anticipated to be nil in second half
- **Cash generated from Group operations of £6.4m**
- **Lease repayments of £5.8m** which largely relates to continuing operations
- **Net finance costs of £3.4m** largely reflecting the utilisation of the old debt facility and IFRS 16 interest
- **Net capex of £4.3m** of which **£1.8m** relates to continuing operations
- **Divestment proceeds of £410.5m** reflects the divestment of certain GRC assets in the period net of costs relating to the transaction
- **Dividend of £150.3m** which equated to £1.55 per ordinary share
- **Closing net cash position of £30.8m** which excludes £21.6m of lease liabilities

ADJUSTING ITEMS BREAKDOWN

A breakdown of adjusting items in the period

Acquisitions & disposal

Discontinued

£10.1m

Expenses relating to the Divestment including legal and advisor fees, as well as expenses associated with the demerger of the Group's Occupational Health assets

Continuing

£-

There were no acquisition or disposal costs in the period relating to the continuing TIC assets

Restructuring

Discontinued

£1.3m

Restructuring expenses relating to two months of ownership of the GRC software and service assets and six months of the Occupational Health assets

Continuing

£2.1m

Restructuring expenses related to the finalisation of integration programmes of which £0.9m relates to Water & Air Hygiene and £1.2m relates to Fire Safety & security. No costs anticipated in the second half of the year

Amortisation of acquired intangibles

Discontinued

£3.4m

Amortisation of OH acquired intangibles in the period as the divested GRC assets were classified as Held for Sale at the start of the period

Continuing

£3.1m

Amortisation of acquisition intangibles which largely relating to customer relationships in continuing operations

Fair value losses in contingent consideration

Discontinued

£-

Majority of contingent consideration lay with the discontinued assets which was settled on Divestment or the Demerger

Continuing

£-

Remaining contingent consideration applicable with continuing assets was settled in the period

Share-based payments and legacy long-term incentives

Discontinued

£-

Largely related to head-office and divisional management schemes so no charge in period

Continuing

£0.4m

Charges associated with share-based payment schemes legacy long-term incentives related to head-office and divisional management

TIC PERFORMANCE HY25

Robust revenue performance

Adjusted results	HY25	HY24	Movement
Revenue £m	151.7	146.3	+4%
Adj. EBITDA ^{1,2} £m	18.0	18.0	-
Adj. Operating profit ² £m	11.8	12.3	(4)%
Adj. EBITDA margin %	11.9%	12.3%	(40)bps



- **Organic revenue growth** of 3%:
 - Good growth in our primary fire & installation business and kitchen fire suppression business within **Fire Safety & Security**
 - Strong revenue growth in our Environmental Engineering business and training business in **Water & Air Hygiene**
 - Upselling and cross-selling new capabilities to existing customers
 - Offset by our passive fire business in **Fire Safety & Security** and our main Water business in **Water & Air Hygiene** which was flat in the year
- **Adjusted EBITDA margins reduced to 11.9%:**
 - Operational programme within our Water business
 - Chemical and Air business within **Water & Air Hygiene**
 - Slightly offset by good EBITDA growth in **Fire Safety & Security**

OUR MARKETS

Our markets have long-term mandatory and non-discretionary structural demand drivers

Long-term mandatory structural growth drivers



Ever Increasing regulations

Increasing health & safety and environmental regulations, with greater enforcement actions and high costs of failure (financial, litigation, operational, insurance, reputational)



Growing insurance requirements

Compliance required to support obtaining or claiming on an insurance policy, or to reduce annual premiums



Professionalisation of procurement

Smaller sites being consolidated into multi sites with procurement teams, and property management firms who are increasingly focused on compliance with regulations, insurance and reputation



Consumer awareness of convictions and fines

High profile financial penalties and criminal convictions increasing demand for compliance products and services (e.g. crime, large fines)

Attractive M&A opportunity

We have a clear and focussed M&A strategy centred around four key aims:

1

Acquire businesses that strategically fit with TIC which either broaden its service offering or expand capabilities

2

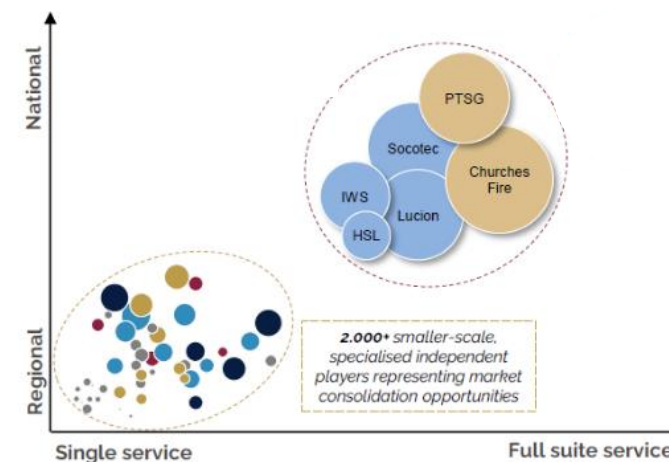
To increase scale in attractive regional markets to drive profitability through further route density

3

To deliver operational optimisation through review of infrastructure to retain footprint and generate cost efficiencies

4

To acquire relevant skills and upskill the current workforce to deliver best-in-class solutions



OUR CONTINUED FOCUS

Cash Flow



Focus on cash generation and efficient working capital management

Organic growth



Drive organic growth initiatives on the back of finalising integration programmes. Drive organic revenue growth in mid-to-high single digits

Margin



Focus on operational excellence to maximise margin delivery with the medium-term aim of producing TIC margins of 15%

M&A



Begin to build a small pipeline of highly accretive bolt-on M&A opportunities that are easy to integrate into one of our two sub-divisions

GUIDANCE – CONTINUING OPERATIONS

Guidance	FY25 Guidance
Adjusted EBITDA	c.£33m
Adjusted PBT	c.£16m

Technical Guidance	FY25 Guidance
Restructuring investment	£2.1m
Net capex	c.£4m
Depreciation & Amortisation (including IFRS 16 depreciation)	c.£13m
Amortisation of acquired intangibles	c.£6m
Effective tax rate	25%

FY25

- **Adjusted EBITDA** and **Adjusted PBT** expected to be c.£33m and £16m respectively

Restructuring costs

- No further restructuring costs expected in the second half of the year

Capex

- Capex (excluding lease renewals) for FY25 is expected to be in the region of £4m including £1m of capitalised software development

Amortisation of acquired intangibles

- Ongoing amortisation expense is expected to be c.£6m per annum

APPENDIX

MARLOWE'S SENIOR LEADERSHIP TEAM

Non-executive team



Lord Ashcroft
Interim Chairman



Peter Gaze
Non-executive



Rachel Addison
Non-executive



Gillian Kent
Non-executive



Julia Robertson
Non-executive



Adam Councill
CFO
Marlowe plc

- Central Finance
- Strategy and M&A
- Investor Relations



Andy Walls
Chief Executive
Marlowe Environmental Services

- Finance
- Sales
- HR
- Health & Safety
- Operations
- IT



Rob Flinn
Chief Executive
Marlowe Fire Safety & Security

- Finance
- Sales
- HR
- Health & Safety
- Operations
- IT

MARLOWE GROUP IN ACTION

Fire Safety & Security

MARLOWE
FIRE & SECURITY



~700 fee
earners



~13k
customers

#3

position in
market

Our Fire Safety & Security Services provide our clients with a comprehensive range of safety and compliance services to ensure premises are maintained in accordance with building safety regulations.



Fire safety

- Fire detection and alarm systems
- Aspirating systems
- Emergency lighting
- Fire extinguishers
- Gaseous extinguisher Systems
- Kitchen fire suppression systems
- Sauna fire suppression systems
- Dry/wet risers

- Passive fire protection
- Fire doors
- Room integratory testing
- Fire risk assessments
- Fire safety training

Security systems

- Intruder alarms
- Access control
- CCTV systems

Water & Air Hygiene

MARLOWE
Environmental Services



~1,000 fee
earners



~14k
customers

#1

position in
market

Our Water & Air Hygiene services delivers regulatory driven water treatment, air testing & quality and environmental services to commercial and industrial premises across the UK.



Water treatment & hygiene

- Surveys and laboratory analysis
- Equipment supply installation and servicing
- Cleaning inc. pre commissioning
- Chemical treatments
- Temperature and flow monitoring
- Electronic logbook and asset management

- Consumable and spare parts
- Training
- Ventilation hygiene
- Ductwork cleaning
- Kitchen extract cleaning
- Ventilation management
- Fire & smoke damper inspections
- Decontamination of hazardous material

Waste water treatment

- Hire & trial equipment
- Customised waste-water treatment technologies
- Site survey
- Laboratory analysis
- Chemical regimes
- Asbestos consultancy**
- Asbestos surveys and inspection

- Air monitoring and four stage clearance
- Expert advice and consultancy
- HSE licensed asbestos removal
- CDM services and training
- Asbestos training
- Hazardous materials consultancy
- Mobile laboratory services

NOTES

¹ Earnings before interest, taxes, depreciation and amortisation ("EBITDA")

² Explanation of non-IFRS measures below

³ Organic revenue growth % on a like-for-like basis is defined as the year-on-year growth of our entire business. The includes the growth or decline of acquisitions from the day of completion, by including their performance from the corresponding prior period

Non-IFRS measures

The financial statements contain all the information and disclosures required by the relevant accounting standards and regulatory obligations that apply to the Group. The Annual Report and financial statements also include measures which are not defined by generally accepted accounting principles such as IFRS. We believe this information, along with comparable IFRS measures, is useful as it provides investors with a basis for measuring the performance of the Group on a comparable basis. The Board and our managers use these financial measures to evaluate our operating performance. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Similarly, non-IFRS measures as reported by us may not be comparable with similar measures reported by other companies.

Due to the nature of acquisition and other costs in relation to each acquisition and the non-cash element of certain charges, the Directors believe that adjusted EBITDA and adjusted measures of operating profit, profit before tax and earnings per share provide shareholders with a useful representation of the underlying earnings derived from the Group's business and a more comparable view of the year-on-year underlying financial performance of the Group.

The reconciliation between statutory profit and adjusted profit measures is shown below:

Continuing operations - 30 September 2024	Profit before tax £'m	Operating profit £'m	EBITDA £'m
Statutory reported	2.4	3.4	12.8
Acquisition and disposal costs (including strategic review costs)	-	-	-
Restructuring costs	2.1	2.1	2.1
Amortisation of acquisition intangibles	3.1	3.1	-
Share-based payments (excluding SAYE schemes)	0.4	0.4	0.4
Fair value (gains)/losses in contingent consideration and acquisition related incentive schemes	-	-	-
Adjusted results	8.0	9.0	15.3