

The Pebble Group

6 September 2022

THE PEBBLE GROUP PLC
("The Pebble Group" or the "Group")

UNAUDITED HALF YEAR RESULTS 2022 *Record results expected for FY 22*

The Pebble Group (AIM: PEBB), a leading provider of digital commerce, products and related services to the global promotional products industry, announces its unaudited results for the six months ended 30 June 2022 ("HY 22" or the "Period").

Having achieved strong year on year growth in HY 22, the Board is confident that for the year ending 31 December 2022 ("FY 22") the Group is expected to deliver another record year of results and will be at least in line with recently upgraded market expectations.

Financials

Statutory results	HY 22	HY 21	Change	FY 21
Revenue	£60.3m	£46.8m	+29%	£115.1m
Gross profit margin	38.5%	36.8%	+1.7%	36.5%
Operating profit	£3.1m	£2.2m	+41%	£9.9m
Profit before tax	£2.8m	£1.9m	+47%	£9.3m
Basic earnings per share	1.27p	0.85p	+49%	4.39p
Other financial highlights	HY 22	HY 21	Change	FY 21
Adjusted EBITDA ¹	£6.7m	£4.4m	+52%	£15.4m
Net (debt) / cash ²	£(0.1)m	£(4.2)m	+£4.1m	£12.1m
Adjusted basic earnings per share ³	1.88p	1.08p	+74%	5.14p

Highlights and outlook

- Excellent performance against a strong comparative period with Group revenue at £60.3m (HY 21: £46.8m) 29% ahead of the same period in the prior year
- Facilisgroup: Revenue for HY 22 up 32% on HY 21 with total Gross Merchandise Value ("GMV"), transacted through our technology, expected to be between USD1.3bn and USD1.5bn in FY 22 (FY 21: USD1.2bn)
- Brand Addition: Revenue for HY 22 up 29% on HY 21 with gross profit margin at 29.9% (HY 21: 28.2%)
- Balance sheet strong and working capital cycle following its normal pattern, with the Group's net cash position at the full year expected to be in line with current market expectations
- Positive start to second half year:

Facilisgroup: 45 customers contracted with Commercio, our new ecommerce product, since launch in June 2022 and Syncore Partners implemented or contracted awaiting implementation at 218 at 5 September 2022; and

Brand Addition: due to our order visibility and current activities, revenues in FY 22 are expected to be at least in line with market expectations. Supply chain continues to be well-controlled

- The Board expects a record year of results and for FY 22 to be at least in line with recently upgraded market expectations

¹ Adjusted EBITDA means operating profit before depreciation, amortisation and share-based payments charge

² Net (debt)/cash is calculated as cash and cash equivalents less borrowings (excluding lease liabilities)

³ Adjusted basic earnings per share ("EPS") represents Adjusted Earnings meaning profit after tax before amortisation of acquired intangible assets, share-based payments charge and exceptional items divided by a weighted average number of shares

Online investor presentation

The management team is hosting an online investor presentation with Q&A at 1.00pm on Thursday, 8 September 2022. To participate, please register with PI World at: https://bit.ly/PEBB_H1_Results.

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About The Pebble Group

The Pebble Group is a provider of digital commerce, products and related services to the global promotional products industry, comprising two differentiated businesses, Facilisgroup and Brand Addition, focused on specific areas of the promotional products market. For further information, please visit www.thepebblegroup.com.

CHIEF EXECUTIVE OFFICER'S REVIEW

Summary of results

Against a strong comparative period, we are pleased to report excellent results demonstrating that both of our businesses, Facilisgroup and Brand Addition, traded well throughout HY 22. In the Period, the Group achieved Revenue of £60.3m (HY 21: £46.8m), Adjusted EBITDA of £6.7m (HY 21: £4.4m) and Operating profit of £3.1m (HY 21: £2.2m).

For context, the Group's HY 22 revenue is 25% ahead of HY 19, the last pre-COVID-19 affected year.

The Group's balance sheet is underpinned by Brand Addition's blue-chip client base with Group working capital and cash management following its usual in-year cycle and in line with our expectations. Our businesses have a good track record of profit to cash conversion, which has continued, and the Group had Net debt at 30 June of £0.1m (30 June 2021: Net debt £4.2m and 31 December 2021: Net cash £12.2m).

We were pleased to announce on 19 July 2022 that the Group's results for FY 22 were expected to exceed market expectations as the Group continues to deliver on its strategic objectives. Trading since that update has continued with the same momentum and we expect FY 22 financial results to be at least in line with the upgraded market expectations.

Our approach to the promotional products market

The Group operates in the large promotional products market, estimated to be worth USD50bn globally. North America accounts for ~50% of the total industry.

The industry has been operating in a similar way for many years, but our view is that this is changing. We believe the principle disrupting forces are:

- the proliferation of technology, which offers the potential of significant efficiency benefits between suppliers, distributors, and end users; and
- a permanent shift towards sustainability, compliance, and overall brand reputation management.

The Pebble Group's strategy is to establish strong differentiation in this market, investing in sustainability and building technology to achieve superior levels of growth, customer retention and financial margins. This approach is deployed by our two businesses, Facilisgroup and Brand Addition.

At Facilisgroup, we identify ourselves as the leading digital commerce solutions provider in the promotional products industry in North America. We believe that our technology platform, currently targeted at SME distributors, is the market leader evidenced by high Partner (customer) retention levels, the provision of quality supply chain services and the community activities between our Partners, Preferred Suppliers and the business.

With Annual Recurring Revenue ("ARR") of USD12m in FY 20, we stated our initial ambition to reach ARR of USD50m through developing and launching further functionality and widening our target market. We remain focused on this ambition. In FY 22, we expect to reach ARR of over USD20m and have expanded our suite of products through the launch, in June 2022, of our ecommerce offering, Commercio.

At Brand Addition, we focus solely on fulfilling the multi-country promotional product needs of large global brands, working under contract.

Brand Addition is investing in creativity, sustainability and technology which give our clients confidence in the provenance of the products carrying their brand and ensure that the product has the desired emotional impact

with the recipient. As a result, Brand Addition has an excellent track record of new client wins and client retention, together with a consistency of margins which is reflective of the quality of service delivered.

Facilisgroup: providing a digital commerce platform for promotional products businesses in North America

Revenue and profit analysis

	HY 22	HY 21	FY 21
Recurring revenue	£7.0m	£5.4m	£12.2m
Other revenue	£0.4m	£0.2m	£0.5m
Total revenue	£7.4m	£5.6m	£12.7m
Gross profit margin	100%	100%	100%
Adjusted EBITDA	£3.5m	£3.0m	£7.6m
Operating profit	£1.7m	£2.1m	£5.1m

ARR continued its growth in HY 22, increasing by 21.3% in USD, the business's home currency, and 29.6% in GBP, compared to HY 21.

Our ambition to accelerate growth is being backed by our investment in sales and marketing strategies and, in June 2022, we were pleased to return to hosting our Partners and Preferred Suppliers at our first large event post COVID-19 restrictions. The hosting of such events builds a community, benefiting Facilisgroup's high level of Partner retention and Preferred Supplier engagement.

The business has continued to deliver excellent Adjusted EBITDA returns of 47.3% (HY 21: 53.6%), while increasing our investment in growth. This investment includes the capitalisation of the internal costs of product development resulting in a higher amortisation charge in the Period. This is reflected in operating profit of £1.7m (HY 21: £2.2m).

The indicators that drive future growth of our ARR have continued to move forward and are positive against strong comparatives in HY 21:

- Gross Merchandise Value
+38% in HY 22
USD1.3bn to USD1.5bn expectation for FY 22 (FY 21: USD1.2bn)
- Spend through our Preferred Suppliers
+54% in HY 22
+ USD0.45bn expectation for FY 22 (FY 21: USD0.35bn)
- Total Partners for our Syncore offering
218 at 5 September 2022 (31 December 2021: 206)

Our product development programme, which is designed to extend the capabilities of our digital commerce platform, continues to progress with Facilisgroup's ecommerce offering, Commercio launching as planned in June 2022. To date, 45 businesses, from both existing Syncore Partners and non-Partners within the promotional products industry, have contracted to utilise the offering.

As we continue to build the feature set of Commercio, our ambition is to enter 2023 with an increasing customer base and for Commercio to develop into a market leading product in the industry. Our initial pricing strategy is based on a monthly fee plus a fee per store which, as Commercio grows, will in effect increase our percentage fee per USD of GMV.

Looking ahead, we expect Facilisgroup's revenue in FY 22 to be in line with market expectations.

Brand Addition: providing promotional products and related services under contract to many of the world's most recognisable brands

Revenue and profit analysis

	HY 22	HY 21	FY 21
Revenue	£52.9m	£41.1m	£102.4m
Gross profit	£15.8m	£11.6m	£29.3m
Gross profit margin	29.9%	28.2%	28.6%
Adjusted EBITDA	£4.4m	£2.5m	£9.9m
Operating profit	£2.8m	£1.1m	£7.1m

At Brand Addition, HY 22 revenue increased to £52.9m, being 28.7% ahead of HY 21. This revenue gain over the prior year was generated from new contracts won in 2020, which continue to develop positively, a full period contribution from contracts won in 2021, and growth in demand from existing clients, as working patterns stabilise following the uncertainties created by COVID-19 in 2020 and 2021.

Our continued focus on best-in-class procurement, working closely with suppliers and managing our supply chain proactively, has seen the business impacted less by freight and Brexit disruption costs in the Period than it was in 2021. This resulted in HY 22 gross profit margin of 29.9%, ahead of 28.2% in HY 21. Our supply chain continues to be well-controlled.

The costs between gross profit margin and Adjusted EBITDA are predominately people related and move proportionally with revenues.

Looking ahead, through our order visibility and current activities, we expect Brand Addition revenues in FY 22 to be at least in line with market expectations.

Environmental, Social and Governance (“ESG”) and People

We continue to embrace ESG within the day-to-day business activities of our Group and will publish our second ESG Report in October 2022. Alongside the principles of the journey to which we are all committed, the report will detail examples of the progress that has been made including the completion of our Scope 3 evaluation and the implementation of our reporting framework for energy and carbon usage across the Group.

Our team is central to driving our ESG strategies and creating the positive, results driven culture that is key to our Group’s success. The Board expresses its thanks to all our people who have displayed great talent and determination in delivering these results in what has often been challenging circumstances over the last two years.

Group outlook

We are continuing to deliver on our stated strategies for Facilisgroup and Brand Addition. Both businesses are performing well and we look forward to FY 22 and beyond with confidence.

Christopher Lee
Chief Executive Officer
6 September 2022

CHIEF FINANCIAL OFFICER'S REVIEW

	HY 22 Unaudited	HY 21 Unaudited	FY 21 Audited
	£'m	£'m	£'m
Revenue	60.3	46.8	115.1
Gross profit	23.2	17.2	42.0
Gross profit margin	38.5%	36.8%	36.5%
Adjusted EBITDA	6.7	4.4	15.4
<i>Adjusted EBITDA margin</i>	11.1%	9.5%	13.4%
Depreciation and amortisation	(3.0)	(2.0)	(4.8)
Share-based payment charge	(0.6)	(0.2)	(0.7)
Operating profit	3.1	2.2	9.9
Net finance costs	(0.3)	(0.3)	(0.6)
Profit before tax	2.8	1.9	9.3
Tax	(0.7)	(0.5)	(2.0)
Profit for the Period	2.1	1.4	7.3
Weighted average number of shares	167,450,893	167,450,893	167,450,893
Adjusted Basic EPS	1.88	1.08p	5.14p
Basic EPS	1.27	0.85p	4.39p

These results demonstrate strong growth against HY 21 as we continue to execute on our stated strategy.

Revenue

Revenue for the Period was £60.3m (HY 21: £46.8m), an increase of £13.5m (28.8%) compared to the same period and strong comparator in 2021. Of this increase, £11.8m relates to Brand Addition from the impact of new business, combined with growth in demand from underlying customers as working patterns stabilised compared to the disrupted periods in 2020 and 2021. Facilisgroup total revenues increased £1.8m (32.1%). ARR growth was 29.6% (21.3% when measured in Facilisgroup's home currency of USD). This was achieved through increases in our Management Fees from additional Partner numbers, implementation of a new tiered pricing structure and growth in our Marketing Fund where we benefited from Partners increasingly utilising our Preferred Suppliers.

Gross profit

Gross profit as a percentage of revenue increased to 38.5% (HY 21: 36.8%). This relates to gross margins at Brand Addition as the business did not incur the increased costs associated with Brexit, freight rate pricing, and freight capacity challenges that impacted HY 21, combined with strong control of ongoing supply chain challenges.

Adjusted EBITDA

Adjusted EBITDA was £6.7m (HY 21: £4.4m). The increase of £2.3m is made up as follows:

- Facilisgroup £0.5m increase from incremental revenue net of the costs of investment in the team and events to support delivery of our revenue aspirations;
- Brand Addition £1.9m increase driven by £4.2m incremental sales volumes less increased costs of additional headcount to support growth; and
- Central costs increase of £0.1m.

The Adjusted EBITDA margin increased to 11.1% (HY 21: 9.5%) as improving margins and incremental revenues in Brand Addition translated to EBITDA.

Depreciation and amortisation

The total charge for the Period was £3.0m (HY 21: £2.0m) of which £1.9m (HY 21: £1.1m) was the amortisation of intangible assets. In accordance with IAS 38, the Group capitalises the costs incurred in the development of its software and the increase in the Period is a result of its continued investment in its proprietary technology and specifically the digital commerce platform at Facilisgroup.

Share-based payments

The total charge for the Period under IFRS 2 “Share-based payments” was £0.6m (HY 21: £0.2m). This charge related to the awards made to date under the Long Term Incentive Plan (LTIP) and the Group Sharesave Plan (SAYE).

Operating profit

Operating profit for the Period was £3.1m (HY 21: £2.2m).

Taxation

The tax charge for the Period was £0.7m (HY 21: £0.5m) and is based on full year Group expected tax charge for 2022. The Group rate is above the UK Corporation tax rate due to the proportion of Group profits earned overseas where the rates are higher than the UK.

Basic Earnings per share

The earnings per share analysis in note 5 covers both adjusted earnings per share (profit after tax before amortisation of acquired intangibles, share-based payments charge and exceptional items divided by the weighted average number of shares in issue during the year), and statutory earnings per share (profit attributable to equity holders divided by the weighted average number of shares in issue during the year). Adjusted earnings was £3.2m (HY 21: £1.8m) an increase in adjusted basic earnings per share of 0.80 pence. Basic earnings per share was 1.27 pence per share (HY 21: 0.85 pence per share) an increase of 0.42 pence.

Dividends

On admission to AIM in December 2019, the Group's stated intention was to make dividend payments of c.30% of profit after tax. This policy remains in place. However, as previously communicated we believe the opportunities ahead of us are significant, in particular, investment opportunities in Facilisgroup. As a result, we have taken the decision to retain cash in the business and not to pay an interim dividend in 2022. The timing of implementing our stated dividend policy will be considered again against the Group's full year progress and an update provided at that time.

Cashflow

The Group had a cash balance of £5.4m at 30 June 2022 (30 June 2021: £3.6m), which included £5.5m drawn down from its £10.0m committed revolving credit facility (30 June 2021: £7.8m).

Cashflow for the Period is set out below:

	HY 22 Unaudited £'m	HY 21 Unaudited £'m	FY 21 Audited £'m
Adjusted EBITDA	6.7	4.4	15.4
Movement in working capital	(14.8)	(12.7)	(2.8)
Capital expenditure	(3.6)	(2.2)	(5.3)
Leases	(0.9)	(0.6)	(1.4)
Adjusted operating cash flow	(12.6)	(11.1)	5.9
Tax paid	(0.3)	(0.1)	(0.5)
Net finance cash flows	5.2	7.5	(0.6)
Exchange loss	1.0	0.2	0.2
Net cash flow	(6.7)	(3.5)	5.0

The movement in working capital in the Period was £14.8m (HY 21: £12.7m). This outflow reflects the revenue growth of the Group and is in line with the normal in-year cycle which peaks in Q3.

Capital expenditure in the Period was £3.6m (HY 21: £2.2m). The £1.4m additional spend relates principally to investment in the Facilisgroup digital commerce platform.

Lease payments relate to leases capitalised in accordance with IFRS 16. The increase arises as the Group has consolidated its European warehousing at a larger facility during the Period.

Net finance cash flows in the Period of £5.2m (HY 21: £7.5m) relate to utilisations on committed facilities less interest payments in respect of leases capitalised in accordance with IFRS 16.

Cash and liquidity

The Group's working capital cycle is unwinding as expected. At 5 September, the Group had a cash balance of £6.8m which includes £4.3m drawn down from the £10.0m committed revolving credit facility. At 31 December 2022, we expect no drawn down balances and cash to be in line with market expectations being greater than the £12.1m as at 31 December 2021.

Claire Thomson
Chief Financial Officer
6 September 2022

CONSOLIDATED INCOME STATEMENT

Notes	<i>Unaudited Period ended 30 June 2022</i>	<i>Unaudited Period ended 30 June 2021</i>	<i>Audited Year ended 31 December 2021</i>
	£'000	£'000	£'000
Revenue	60,316	46,759	115,101
Cost of goods sold	(37,099)	(29,533)	(73,128)
Gross profit	23,217	17,226	41,973
Operating expenses	(20,168)	(15,064)	(32,107)
Total operating expenses	(20,168)	(15,064)	(32,107)
Operating profit	3,049	2,162	9,866
Analysed as:			
Adjusted EBITDA ¹	6,698	4,448	15,378
Depreciation	7 (1,134)	(986)	(1,986)
Amortisation	6 (1,877)	(1,071)	(2,811)
Share-based payment charge	11 (638)	(229)	(715)
Operating profit	3,049	2,162	9,866
Finance expense	(245)	(269)	(549)
Profit before taxation	2,804	1,893	9,317
Income tax expense	4 (673)	(473)	(1,970)
Profit for the period	2,131	1,420	7,347
Basic earnings per share	5 1.27p	0.85p	4.39p
Diluted earnings per share	5 1.27p	0.84p	4.38p

Note 1: Adjusted EBITDA, which is defined as operating profit before depreciation, amortisation, exceptional items and share-based payment charge is a non-GAAP metric used by management and is not an IFRS disclosure.

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

	Unaudited Period ended 30 June 2022	Unaudited Period ended 30 June 2021	Audited Year ended 31 December 2021
	£'000	£'000	£'000
<i>Items that may be subsequently reclassified to profit and loss</i>			
Foreign operations – foreign currency translation differences	2,443	(218)	277
Other comprehensive income/(expense) for the period/year	2,443	(218)	277
Profit for the period/year	2,131	1,420	7,347
Total comprehensive income for the period/year	4,574	1,202	7,624

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Notes		<i>Unaudited As at 30 June 2022</i>	<i>Unaudited As at 30 June 2021</i>	<i>Audited As at 31 December 2021</i>
		£'000	£'000	£'000
ASSETS				
Non-current assets				
Intangible assets	6	58,765	54,387	55,674
Property, plant and equipment	7	10,194	8,460	7,927
Deferred tax asset		395	316	300
Total non-current assets		69,354	63,163	63,901
Current assets				
Inventories	8	16,081	15,635	10,093
Trade and other receivables		38,587	30,032	29,422
Cash and cash equivalents		5,351	3,601	12,051
Current tax asset		-	533	-
Total current assets		60,019	49,801	51,566
TOTAL ASSETS		129,373	112,964	115,467
LIABILITIES				
Non-current liabilities				
Lease liability	9	8,185	7,068	6,388
Deferred tax liability		3,751	2,630	3,035
Total non-current liabilities		11,936	9,698	9,423
Current liabilities				
Borrowings		5,500	7,750	-
Lease liability	9	1,612	1,422	1,384
Trade and other payables		30,485	26,399	30,065
Current tax liability		169	-	20
Total current liabilities		37,766	35,571	31,469
TOTAL LIABILITIES		49,702	45,269	40,892
NET ASSETS		79,671	67,695	74,575
EQUITY AND RESERVES				
Share capital		1,675	1,675	1,675
Share premium		78,451	78,451	78,451
Capital reserve		125	125	125
Merger reserve		(103,581)	(103,581)	(103,581)
Translation reserve		1,116	(1,822)	(1,327)
Share-based payments reserve		1,203	223	681
Retained earnings		100,682	92,624	98,551
TOTAL EQUITY		79,671	67,695	74,575

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £'000	Share premium £'000	Capital reserve	Merger reserve £'000	Translation reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2021	1,800	78,451	-	(103,581)	(1,604)	13	91,204	66,283
Profit for the period	-	-	-	-	-	-	1,420	1,420
Other comprehensive expense for the period	-	-	-	-	(218)	-	-	(218)
Total comprehensive (expense)/income	-	-	-	-	(218)	-	1,420	1,202
Purchase of deferred shares	(125)	-	125	-	-	-	-	-
Employee share schemes – value of employee services	-	-	-	-	-	210	-	210
Total transactions with owners recognised in equity	(125)	-	125	-	-	210	-	210
At 30 June 2021	1,675	78,451	125	(103,581)	(1,822)	223	92,624	67,695
Profit for the period	-	-	-	-	-	-	5,927	5,927
Other comprehensive income for the period	-	-	-	-	495	-	-	495
Total comprehensive income	-	-	-	-	495	-	5,927	6,422
Employee share schemes – value of employee services	-	-	-	-	-	391	-	391
Deferred tax on employee share schemes	-	-	-	-	-	67	-	67
Total transactions with owners recognised in equity	-	-	-	-	-	458	-	458
At 31 December 2021	1,675	78,451	125	(103,581)	(1,327)	681	98,551	74,575
Profit for the period	-	-	-	-	-	-	2,131	2,131
Other comprehensive income for the period	-	-	-	-	2,443	-	-	2,443
Total comprehensive income	-	-	-	-	2,443	-	2,131	4,574
Employee share schemes – value of employee services	-	-	-	-	-	577	-	577
Deferred tax on employee share schemes	-	-	-	-	-	(55)	-	(55)
Total transactions with owners recognised in equity	-	-	-	-	-	522	-	522
At 30 June 2022	1,675	78,451	125	(103,581)	1,116	1,203	100,682	79,671

CONSOLIDATED CASH FLOW STATEMENT

	Note s	Unaudited Period ended 30 June 2022	Unaudited Period ended 30 June 2021	Audited Year ended 31 December 2021
		£'000	£'000	£'000
Operating profit		3,049	2,162	9,866
Adjustments for:				
- Depreciation	7	1,134	986	1,986
- Amortisation	6	1,877	1,071	2,811
- Share-based payments charge	11	638	229	715
- Profit on disposal of fixed assets		-	-	(13)
Cash flows from operating activities before changes in working capital		6,698	4,448	15,365
- Change in inventories		(5,988)	(3,526)	2,016
- Change in trade receivables		(9,148)	(9,044)	(8,433)
- Change in trade payables		321	(129)	3,556
Cash flows (used in)/from operating activities		(8,117)	(8,251)	12,504
- Income taxes paid		(326)	(46)	(521)
Net cash flows (used in)/from operating activities		(8,443)	(8,297)	11,983
Cash flows from investing activities				
- Purchase of property, plant and equipment		(444)	(257)	(680)
- Purchase of intangible assets		(3,104)	(1,983)	(4,602)
Net cash flows used in investing activities		(3,548)	(2,240)	(5,282)
Cash flows from financing activities				
- Lease payments		(929)	(594)	(1,360)
- Interest paid		(245)	(269)	(549)
- Receipts from secured loan facilities		5,500	7,750	-
Net cash flows from/(used in) financing activities		4,326	6,887	(1,909)
NET CASH FLOWS		(7,665)	(3,650)	4,792
Cash and cash equivalents at beginning of period		12,051	7,066	7,066
Effect of exchange rate fluctuations on cash held		965	185	193
Cash and cash equivalents at end of period		5,351	3,601	12,051

NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL INFORMATION

The principal activity of The Pebble Group (the “Company”) is that of a holding company and the principal activity of the Company and its subsidiaries (the “Group”) is the sale of products, services and technology to the promotional merchandise industry. The Group has two segments, Brand Addition and Facilisgroup. For Brand Addition this is the sale of promotional products internationally, to many of the world’s best-known brands, and for Facilisgroup the provision of technology, consolidated buying power and community learning and networking events to SME promotional product distributors in North America, its Partners, through subscription-based services.

The Company was incorporated on 27 September 2019 in the United Kingdom and is a public company limited by shares registered in England and Wales. The registered office of the Company is Broadway House, Trafford Wharf Road, Trafford Park, Manchester, England M17 1DD. The Company registration number is 12231361.

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements of the Group are for the period ended 30 June 2022. They have been prepared on the basis of the policies set out in the 2021 annual financial statements and in accordance with UK adopted IAS 34. Financial information for the period ended 30 June 2021 included herein is derived from the condensed consolidated interim financial statements for that period.

The condensed consolidated interim financial statements have not been reviewed or audited, nor do they comprise statutory accounts for the purpose of Section 434 of the Companies Act 2006, and do not include all of the information or disclosures required in the annual financial statements and should therefore be read in conjunction with the Group’s 2021 annual financial statements, which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Financial information for the year ended 31 December 2021 included herein is derived from the statutory accounts for that year, which have been filed with the Registrar of Companies. The auditors’ report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

The condensed consolidated interim financial statements are presented in the Group’s functional currency of pounds Sterling and all values are rounded to the nearest thousand (£’000) except when otherwise indicated.

Accounting Policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2021 as described in the Group’s Annual Report and financial statements for that year and as available on the Group’s website (www.thepebblegroup.com).

Taxation

Taxes on income in the interim periods are accrued using management’s best estimate of the weighted average annual tax rate that would be applicable to expected total annual earnings.

Forward looking statements

Certain statements in this report are forward looking with respect to the operations, strategy, performance, financial condition and growth opportunities of the Group. The terms “expect”, “anticipate”, “should be”, “will be”, “is likely to” and similar expressions identify forward-looking statements. Although the Board believes that the expectations reflected in these forward-looking statements are reasonable, by their nature these statements are based on assumptions and are subject to a number of risks and uncertainties. Actual events could differ materially from those expressed or implied by these forward-looking statements. Factors which

may cause future outcomes to differ from those foreseen in forward-looking statements include, without limitation: general economic conditions and business conditions in the Group's markets; customers' expectations and behaviours; supply chain developments; technology changes; the actions of competitors; exchange rate fluctuations; and legislative, fiscal and regulatory developments. Information contained in these financial statements relating to the Group should not be relied upon as a guide to future performance.

Key risks and uncertainties

The Group has in place a structured risk management and internal control framework. The risk register identifies key risks and uncertainties that could affect the Group's performance, along with their associated mitigants and controls. The Group has reviewed and updated its risk register at half year 2022, including the addition of a separate sub-register on climate related risks and opportunities.

As a result of the review, one risk (dependence, attraction and retention of key personnel) was increased from 'amber' to 'red' overall risk score; three risks were increased from 'green' to 'amber' overall risk score (technological change and pressure from market competitors/new entrants, tax and share price volatility/liquidity); and one risk was reduced from 'green' to 'amber' overall risk score (Brexit). These changes reflect and align with our current experience of focus, risk likelihood and impact. However, overall, the key risks and uncertainties faced by the Group in the context of achieving its strategic objectives, and the factors that mitigate those risks, have not substantially changed from those set out in the Group's Annual Report which can be found on the Group's website (www.thepebblegroup.com).

Going Concern statement

The Group meets its day-to-day working capital requirements through its own cash balances and committed banking facilities. In assessing the appropriateness of adopting the going concern basis in the preparation of these consolidated interim financial statements, the Directors have prepared cash flow forecasts and projections for the up to 31 December 2023.

The forecasts and projections, which the Directors consider to be prudent, have been further sensitised by applying reductions to revenue growth and margin, to consider a severe but plausible downside. Under both the base and sensitised case the Group is expected to have headroom against covenants, which are based on interest cover and net leverage, and a sufficient level of financial resources available through existing facilities when the future funding requirements of the Group are compared with the level of committed available facilities. Based on this, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the consolidated interim financial statements.

3. SEGMENTAL ANALYSIS

The chief operating decision-maker has been identified as the Executive Directors. The Directors review The Pebble Group's internal reporting in order to assess performance and allocate resources. The Directors have determined that the operating segments are those of Brand Addition and Facilisgroup.

Segment information about the above segments is presented below:

Income statement for the period ended 30 June 2022

	<i>Brand Addition</i>	<i>Facilisgroup</i>	<i>Central operations</i>	<i>Period ended 30 June 2022</i>
	£'000	£'000	£'000	£'000
Revenue	52,926	7,390	-	60,316
Cost of goods sold	(37,099)	-	-	(37,099)
Gross profit	15,827	7,390	-	23,217
Operating expenses	(13,060)	(5,729)	(1,379)	(20,168)
Total operating expenses	(13,060)	(5,729)	(1,379)	(20,168)
Operating profit/(loss)	2,767	1,661	(1,379)	3,049
Analysed as:				
Adjusted EBITDA	4,377	3,515	(1,194)	6,698
Depreciation	(825)	(291)	(18)	(1,134)
Amortisation	(518)	(1,359)	-	(1,877)
Share-based payment charge	(267)	(204)	(167)	(638)
Operating profit/(loss)	2,767	1,661	(1,379)	3,049
Finance expense	(185)	(9)	(51)	(245)
Profit/(loss) before taxation	2,582	1,652	(1,430)	2,804
Income tax (expense)/income	(620)	(396)	343	(673)
Profit/(loss) for the period	1,962	1,256	(1,087)	2,131

Due to the timing on the delivery of orders, the Brand Addition segment of The Pebble Group traditionally raises a higher number of invoices in the period July to December which results in The Pebble Group's performance being weighted to the second half of the year.

All the above revenues are generated from contracts with customers.

Income statement for the period ended 30 June 2021

	<i>Brand Addition</i>	<i>Facilisgroup</i>	<i>Central operations</i>	<i>Period ended 30 June 2021</i>
	£'000	£'000	£'000	£'000
Revenue	41,124	5,635	-	46,759
Cost of goods sold	(29,533)	-	-	(29,533)
Gross profit	11,591	5,635	-	17,226
Operating expenses	(10,452)	(3,499)	(1,113)	(15,064)
Total operating expenses	(10,452)	(3,499)	(1,113)	(15,064)
Operating profit/(loss)	1,139	2,136	(1,113)	2,162
Analysed as:				
Adjusted EBITDA	2,450	3,005	(1,007)	4,448
Depreciation	(705)	(260)	(21)	(986)
Amortisation	(533)	(538)	-	(1,071)
Share-based payment charge	(73)	(71)	(85)	(229)
Operating profit/(loss)	1,139	2,136	(1,113)	2,162
Finance expense	(191)	(15)	(63)	(269)
Profit/(loss) before taxation	948	2,121	(1,176)	1,893
Income tax (expense)/income	(255)	(548)	330	(473)
Profit/(loss) for the period	693	1,573	(846)	1,420

Income statement for the year ended 31 December 2021

	<i>Brand Addition</i>	<i>Facilisgroup</i>	<i>Central operations</i>	<i>Year ended 31 December 2021</i>
	£'000	£'000	£'000	£'000
Revenue	102,383	12,718	-	115,101
Cost of goods sold	(73,128)	-	-	(73,128)
Gross profit	29,255	12,718	-	41,973
Operating expenses	(22,133)	(7,577)	(2,397)	(32,107)
Total operating expenses	(22,133)	(7,577)	(2,397)	(32,107)
Operating profit/(loss)	7,122	5,141	(2,397)	9,866
Analysed as:				
Adjusted EBITDA	9,932	7,581	(2,135)	15,378
Depreciation	(1,410)	(533)	(43)	(1,986)
Amortisation	(1,136)	(1,675)	-	(2,811)
Share-based payment charge	(264)	(232)	(219)	(715)
Total operating profit/(loss)	7,122	5,141	(2,397)	9,866
Finance expense	(378)	(26)	(145)	(549)
Profit/(loss) before taxation	6,744	5,115	(2,542)	9,317
Income tax (expense)/income	(865)	(1,131)	26	(1,970)
Profit/(loss) for the year	5,879	3,984	(2,516)	7,347

Statement of financial position as at 30 June 2022

	<i>Brand Addition</i>	<i>Facilisgroup</i>	<i>Central operations</i>	<i>As at 30 June 2022</i>
	£'000	£'000	£'000	£'000
ASSETS				
Non-current assets				
Intangible assets	37,840	20,925	-	58,765
Property, plant and equipment	6,903	3,231	60	10,194
Deferred tax asset	213	115	67	395
Total non-current assets	44,956	24,271	127	69,354
Current assets				
Inventories	16,081	-	-	16,081
Trade and other receivables	34,813	3,769	5	38,587
Cash and cash equivalents	2,905	2,219	227	5,351
Total current assets	53,799	5,988	232	60,019
TOTAL ASSETS	98,755	30,259	359	129,373
LIABILITIES				
Non-current liabilities				
Lease liability	5,676	2,447	62	8,185
Deferred tax liability	-	3,751	-	3,751
Total non-current liabilities	5,676	6,198	62	11,936
Current liabilities				
Borrowings	5,500	-	-	5,500
Lease liability	1,252	339	21	1,612
Trade and other payables	27,233	2,665	587	30,485
Current tax liability	393	18	(242)	169
Total current liabilities	34,378	3,022	366	37,766
TOTAL LIABILITIES	40,054	9,220	428	49,702
NET ASSETS/(LIABILITIES)	58,701	21,039	(69)	79,671

Statement of financial position as at 30 June 2021

	<i>Brand Addition</i>	<i>Facilisgroup</i>	<i>Central operations</i>	<i>As at 30 June 2021</i>
	£'000	£'000	£'000	£'000
ASSETS				
Non-current assets				
Intangible assets	37,744	16,643	-	54,387
Property, plant and equipment	5,146	3,215	99	8,460
Deferred tax asset	41	19	256	316
Total non-current assets	42,931	19,877	355	63,163
Current assets				
Inventories	15,635	-	-	15,635
Trade and other receivables	27,524	2,456	52	30,032
Cash and cash equivalents	2,967	394	240	3,601
Current tax asset	(193)	194	532	533
Total current assets	45,933	3,044	824	49,801
TOTAL ASSETS	88,864	22,921	1,179	112,964
LIABILITIES				
Non-current liabilities				
Lease liability	4,630	2,438	-	7,068
Deferred tax liability	-	2,630	-	2,630
Total non-current liabilities	4,630	5,068	-	9,698
Current liabilities				
Borrowings	7,750	-	-	7,750
Lease liability	1,100	322	-	1,422
Trade and other payables	23,462	2,405	532	26,399
Total current liabilities	32,312	2,727	532	35,571
TOTAL LIABILITIES	36,942	7,795	532	45,269
NET ASSETS	51,922	15,126	647	67,695

Statement of financial position as at 31 December 2021

	<i>Brand Addition</i> £'000	<i>Facilisgroup</i> £'000	<i>Central operations</i> £'000	<i>As at 31 December 2021</i> £'000
ASSETS				
Non-current assets				
Intangible assets	37,728	17,946	-	55,674
Property, plant and equipment	4,766	3,083	78	7,927
Deferred tax asset	146	58	96	300
Total non-current assets	42,640	21,087	174	63,901
Current assets				
Inventories	10,093	-	-	10,093
Trade and other receivables	25,415	3,930	77	29,422
Cash and cash equivalents	10,335	1,230	486	12,051
Total current assets	45,843	5,160	563	51,566
TOTAL ASSETS	88,483	26,247	737	115,467
LIABILITIES				
Non-current liabilities				
Lease liability	4,018	2,349	21	6,388
Deferred tax liability	-	3,035	-	3,035
Total non-current liabilities	4,018	5,384	21	9,423
Current liabilities				
Lease liability	985	328	71	1,384
Trade and other payables	26,500	2,752	813	30,065
Current tax liability/(asset)	28	36	(44)	20
Total current liabilities	27,513	3,116	840	31,469
TOTAL LIABILITIES	31,531	8,500	861	40,892
NET ASSETS	56,952	17,747	(124)	74,575

4. INCOME TAX EXPENSE

The income tax expense for the Period is based upon management's best estimate of the weighted average annual tax rate expected for the full year ending 31 December 2022. The income tax expense is higher than the standard rate of 19% due to higher standard income tax rates in overseas territories and overseas losses carried forward. The income tax expense for the year ended 31 December 2021 was higher than the standard rate due to higher standard income tax rates in overseas territories.

5. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue during the Period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares. The Company has potentially dilutive ordinary shares arising from share options granted to employees. Options are dilutive under the SAYE, where the exercise price together with the future IFRS 2 charge of the option is less than the average market price of the Company's ordinary shares during the period. Options under the LTIP schemes, as defined by IFRS 2, are contingently

issuable shares and are therefore only included within the calculation of diluted EPS if the performance conditions are satisfied at the end of the reporting period, irrespective of whether this is the end of the vesting period or not.

The impact of the potentially dilutive share options issued under The Pebble Group LTIP's dated 21 December 2020, 8 June 2021 and 29 March 2022 and SAYE dated 6 October 2021 is £nil for the period ended 30 June 2022. The impact on the basic earnings per share for the period ended 30 June 2021 is 0.01p.

The calculation of basic earnings per share is based on the following data:

Statutory EPS

	<i>Unaudited Period ended 30 June 2022</i>	<i>Unaudited Period ended 30 June 2021</i>	<i>Audited Year ended 31 December 2021</i>
Earnings (£'000)			
Earnings for the purposes of basic and diluted earnings per share being profit for the period attributable to equity shareholders	2,131	1,420	7,347
Number of shares			
Weighted average number of shares for the purposes of basic earnings per share	167,450,893	167,450,893	167,450,893
Weighted average dilutive effects of conditional share awards	-	649,260	353,605
Weighted average number of shares for the purposes of diluted earnings per share	167,450,893	168,100,153	167,804,498
Earnings per ordinary share (pence)			
Basic earnings per ordinary share (pence)	1.27	0.85	4.39
Diluted earnings per ordinary share (pence)	1.27	0.84	4.38

Adjusted EPS

The calculation of adjusted earnings per share is based on the after-tax adjusted operating profit after adding back certain costs as detailed in the table below. Adjusted earnings per share figures are given to exclude the effects of amortisation of acquired intangible assets, share-based payment charge and exceptional items, all net of taxation, and are considered to show the underlying performance of the Group.

	<i>Unaudited Period ended 30 June 2022</i>	<i>Unaudited Period ended 30 June 2021</i>	<i>Audited Year ended 31 December 2021</i>
Earnings (£'000)			
Earnings for the purposes of basic and diluted earnings per share being adjusted earnings	3,153	1,808	8,599
Number of shares			
Weighted average number of shares for the purposes of adjusted earnings per share	167,450,893	167,450,893	167,450,893
Weighted average dilutive effects of conditional share awards	-	649,260	353,605
Weighted average number of shares for the purposes of diluted earnings per share	167,450,893	168,100,153	167,804,498
Adjusted earnings per ordinary share (pence)			
Basic adjusted earnings per ordinary share (pence)	1.88	1.08	5.14
Diluted adjusted earnings per ordinary share (pence)	1.88	1.08	5.12

The calculation of adjusted earnings per share is based on the following data:

	<i>Unaudited Period ended 30 June 2022</i>	<i>Unaudited Period ended 30 June 2021</i>	<i>Audited Year ended 31 December 2021</i>
	£'000	£'000	£'000
Profit for the period attributable to equity shareholders	2,131	1,420	7,347
Add back/(deduct):			
Amortisation charge on acquired intangible assets	677	250	894
Share-based payment charge	638	229	715
Tax effect of the above	(293)	(91)	(357)
Adjusted earnings	3,153	1,808	8,599

6. INTANGIBLE ASSETS

	Goodwill £'000	Customer relationships £'000	Software and Development costs £'000	Work in progress £'000	Total £'000
Cost					
Balance at 31 December 2020	35,802	10,144	17,130	222	63,298
FX difference on translation	(86)	(183)	(76)	-	(345)
Additions	-	-	1,612	174	1,786
Balance at 30 June 2021	35,716	9,961	18,666	396	64,739
FX difference on translation	89	280	176	-	545
Additions	-	-	1,941	565	2,506
Reclassifications	-	-	538	(538)	-
Balance at 31 December 2021	35,805	10,241	21,321	423	67,790
FX difference on translation	312	1,014	1,207	38	2,571
Additions	-	-	2,189	827	3,016
Disposals	-	-	(15)	-	(15)
Balance at 30 June 2022	36,117	11,255	24,702	1,288	73,362
 Accumulated amortisation					
Balance at 31 December 2020	-	1,157	8,124	-	9,281
Charge for the period	-	250	821	-	1,071
Balance at 30 June 2021	-	1,407	8,945	-	10,352
FX difference on translation	-	(13)	37	-	24
Charge for the period	-	253	1,487	-	1,740
Balance at 31 December 2021	-	1,647	10,469	-	12,116
FX difference on translation	-	166	453	-	619
Charge for the period	-	265	1,612	-	1,877
Disposals	-	-	(15)	-	(15)
Balance at 30 June 2022	-	2,078	12,519	-	14,597
 Net book value					
At 31 December 2020	35,802	8,987	9,006	222	54,017
At 30 June 2021	35,716	8,554	9,721	396	54,387
At 31 December 2021	35,805	8,594	10,852	423	55,674
At 30 June 2022	36,117	9,177	12,183	1,288	58,765

The Group tests annually for impairment, or more frequently if there are indicators that goodwill might be impaired. There were no such indicators in the Period.

7. PROPERTY, PLANT AND EQUIPMENT

	Fixtures and fittings £'000	Computer hardware £'000	Right-of-use Assets £'000	Total £'000
Cost				
Balance at 31 December 2020	3,713	2,708	12,795	19,216
Impact of foreign exchange translation	(35)	(18)	(129)	(182)
Additions	20	237	269	526
Disposals	-	-	(175)	(175)
Balance at 30 June 2021	3,698	2,927	12,760	19,385
Impact of foreign exchange translation	54	16	174	244
Additions	140	283	192	615
Disposals	-	-	(342)	(342)
Balance at 31 December 2021	3,892	3,226	12,784	19,902
Impact of foreign exchange translation	208	101	758	1,067
Additions	114	330	2,388	2,832
Disposals	-	(69)	(1,713)	(1,782)
Balance at 30 June 2022	4,214	3,588	14,217	22,019
Accumulated depreciation				
Balance at 31 December 2020	2,935	1,977	5,202	10,114
Impact of foreign exchange translation	(22)	(9)	(30)	(61)
Charge for the period	93	161	732	986
Disposals	-	-	(114)	(114)
Balance at 30 June 2021	3,006	2,129	5,790	10,925
Impact of foreign exchange translation	38	19	50	107
Charge for the period	89	175	736	1,000
Disposals	-	-	(57)	(57)
Balance at 31 December 2021	3,133	2,323	6,519	11,975
Impact of foreign exchange translation	148	31	319	498
Charge for the period	107	216	811	1,134
Disposals	-	(69)	(1,713)	(1,782)
Balance at 30 June 2022	3,388	2,501	5,936	11,825
Net book value				
Balance at 31 December 2020	778	731	7,593	9,102
Balance at 30 June 2021	692	798	6,970	8,460
Balance at 31 December 2021	759	903	6,265	7,927
Balance at 30 June 2022	826	1,087	8,281	10,194
Right-of-use Assets - net book value				
	<i>Unaudited Period ended 30 June 2022</i>	<i>Unaudited Period ended 30 June 2021</i>	<i>Audited Year ended 31 December 2021</i>	
	£'000	£'000	£'000	
Leasehold property	8,118	6,710	6,069	
Fixtures and fittings	127	184	140	
Computer hardware	36	76	56	
	8,281	6,970	6,265	

8. INVENTORIES

Inventory levels are higher at the June period end compared to December predominantly due to higher levels of stock in transit to satisfy higher sales activity in the second half of the financial year to December.

9. LEASES

Amounts recognised in the consolidated statement of financial position

In addition to the right-of-use assets included within note 7, the consolidated statement of financial position shows the following amounts relating to leases:

Lease liabilities	Unaudited Period ended 30 June 2022	Unaudited Period ended 30 June 2021	Audited Year ended 31 December 2021
	£'000	£'000	£'000
Maturity analysis – contractual undiscounted cash flows:			
Less than one year	2,063	1,818	1,716
More than one year, less than two years	1,873	1,529	1,440
More than two years, less than three years	1,633	1,330	1,273
More than three years, less than four years	1,637	1,173	1,200
More than four years, less than five years	1,418	1,193	1,202
More than five years	2,685	2,872	2,338
Total undiscounted lease liabilities at period end	11,309	9,915	9,169
Finance costs	(1,512)	(1,425)	(1,397)
Total discounted lease liabilities at period end	9,797	8,490	7,772

Lease liabilities included in the statement of financial position:

Current	1,612	1,422	1,384
Non-current	8,185	7,068	6,388
	9,797	8,490	7,772

Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

	Unaudited Period ended 30 June 2022	Unaudited Period ended 30 June 2021	Audited Year ended 31 December 2021
	£'000	£'000	£'000
Depreciation charge – fixtures and fittings			
Depreciation charge – computer hardware	788	710	1,424
	23	22	44
	811	732	1,468
Interest expense (within finance expense)		213	197
			381

10. FINANCIAL INSTRUMENTS

The fair values of all financial instruments included in the consolidated statement of financial position are a reasonable approximation of their carrying values.

11. SHARE-BASED PAYMENTS

The Group operates equity-settled share-based payment plans for certain employees of the Group under The Pebble Group plc LTIP and The Pebble Group plc Group SAYE.

On 29 March 2022, under the LTIP, the Group made awards of 1,719,986 conditional shares to certain Directors and employees.

The Group recognised total expenses of £638,000 (period ending 30 June 2021: £229,000) in respect of equity-settled share-based payment transactions for the period ended 30 June 2022.