24 October 2023

FD Technologies plc
("FD Technologies" or the "Group")

Results for the six months ended 31 August 2023

FD Technologies (AIM: FDP.L, Euronext Growth: FDP.I) announces its results for the six months ended 31 August 2023.

Business highlights

Strategic progress across the Group led by KX advancing its opportunity in AI

- **KX** performed in line with our first half expectations, with ARR up 15% to £69.3m; recurring revenue was up 23% with a significant H2 pipeline providing confidence in delivering our FY24 target of ARR growth of at least 35%
- Delivered a 4x increase in our cloud service provider (CSP) pipeline by working with their respective go-to-market teams following general availability (GA) during H1 of:
  - kdb Insights Enterprise as a managed application on Microsoft Azure;
  - AWS KX managed service; and
  - Customer self-managed kdb Insights and kdb Insights Enterprise in Azure, AWS and Google Cloud Platform marketplaces
- Completed the shift in KX from selling solutions to selling software products, with shorter sales cycles and greater scalability driving growth from new product sales that is expected to exceed 60% CAGR from FY22 to FY24
- Launch of KDB.AI, our vector database for real-time contextual AI, for enterprise use across industries which is generating positive developer and customer feedback and building pipeline
- Multiple new strategic partnerships announced during H1 including AWS, Google, Snowflake, McLaren Applied, SRC and EIPGRID, further increasing routes to market and reflecting KX's market-leading position in real-time predictive analytics and AI
- **First Derivative** revenue declined by 1% due to increased spending caution among customers in H1, with measures taken to improve efficiency reducing the impact on adjusted EBITDA
- In this market, our expectations for growth have reduced for the current year and we expect the second half to be similar to the first half in revenue and margin
- Market conditions remain challenging and we continue to manage resources to meet demand, but we see evidence of improvement in our pipeline for projects to be delivered next year
- We retain our view that First Derivative can deliver 10-15% annual revenue growth through the economic cycle with an adjusted EBITDA margin of 15% by FY26
- **MRP** revenue stabilised in Q1 and grew in Q2 compared to Q4 FY23, in line with our expectations, and we expect further progress in H2, enabling us to reiterate FY24 guidance for an improvement in adjusted EBITDA over FY23.

Bringing investment forward in KX to accelerate growth

- Incremental £9-10m in FY24 investment in KX to maximise revenue from our CSP pipeline and to invest in product engineering and go-to-market to capitalise on range of opportunities in AI, driven by customer and partner demand
- Targeting accelerated growth to £180m of KX ARR in FY26, representing compound growth of 45% per annum from next year
- KX to achieve free-cash EBITDA breakeven by FY26 and margin of 20-25% by FY28
- Investment funded from Group cash flows supported by debt facilities.

We will host an investor and analyst event in London on 29 November that will detail the AI growth opportunity for KX.

Group structure

In May 2021 the Board implemented, alongside its accelerated growth strategy, a change in Group structure to enable each of our business units to communicate its value proposition and maximise its growth opportunity. This strategy has been effective and the Group now comprises strong businesses with good competitive positions in large and growing markets. Each has a distinct investment proposition, resulting from their differing operating models, and therefore capital allocation requirements. In light of this, the Board has decided to undertake a preliminary review of the optimal organisational structure and allocation of capital to best position the Group to drive value for shareholders. The review is at an early stage and the Board anticipates the result of this review will be communicated to shareholders not later than publication of the Group's FY24 results.

Seamus Keating, CEO of FD Technologies, commented: "We have continued to drive strategic progress across the Group in the first half, with KX highlights including the launch of KDB.AI and strong progress with our global partners. We delivered a resilient performance in First Derivative and MRP despite weaker customer demand in their respective markets and will continue to manage these businesses to protect margins while ensuring they are well positioned to grow as demand improves.

In May 2021 we set out plans for additional investment in KX accompanied by ambitious targets that called for rapid acceleration in ARR. Having exceeded these targets in each of the past two years, we stated in May 2023 our belief that additional investment in KX could further accelerate our annual growth rates to 45% plus. The breadth and scale of opportunities within KX, resulting in rapid growth in our pipeline, has convinced the Board that now is the right time to make this additional investment in both product and go-to-market. This investment is a statement of confidence in the prospects for KX and is accompanied by targets that would create significant value for shareholders."

Financial summary

Six months to end August	2023	2022	Change
Revenue	**£142.5m**	£147.4m	*(3%)*
Gross profit	**£59.4m**	£60.2m	*(1%)*
(Loss)/profit before tax	**(£4.5m)**	£1.1m	*N/A*
Reported diluted (LPS)/EPS	**(22.2p)**	2.9p	*N/A*
Net debt*	**£7.2m**	£7.4m	*2%*
Adjusted performance measures			
Adjusted EBITDA**	**£14.0m**	£16.0m	*(12%)*
Adjusted diluted (LPS)/EPS	**(4.3p)**	14.2p	*N/A*

* *Excluding lease obligations*
** *Adjusted for share based payments and restructure and non-operational costs*

Financial highlights

- Group revenue down 3% to £143m (down 3% at constant currency), with good growth in KX recurring revenue, a broadly flat performance at FD and a reduction in revenue at MRP, in line with our expectations
- KX revenue growth of 12% to £37.7m (H1 FY23: £33.6m), led by recurring revenue up 23% to represent 87% of total KX revenue (H1 FY23: 80%) with reductions in both lower margin services revenue and lower value perpetual license revenue. *[Note that £4.6m of services revenue has been restated from KX to First Derivative in this period, with H1 FY23 restated by £4.2m to enable a like-for-like comparison. Further details are provided in the financial review]*
- First Derivative revenue £89.1m, down 1% (H1 FY23: £90.4m), driven by increased customer caution from lower investment banking revenues; EBITDA margins are expected to be similar to the first half
- MRP revenue down 33% to £15.7m (H1 FY23: £23.4m), although Q1 revenue stabilised and Q2 saw some growth compared to Q4 FY23 due to measures we have taken to sharpen focus and improve efficiency
- Adjusted EBITDA down 12% to £14.0m (H1 FY23: £16.0m), principally due to a weaker comparative performance at MRP
- Net debt £7.2m (H1 FY23: £7.4m) as we continue our focus on cash management

Current trading and outlook

The Group delivered a resilient performance in H1, with good progress in KX and challenging market conditions in First Derivative and MRP. The growth in our KX pipeline, driven by our partnerships with CSPs and the recent launch of KDB.AI, provide confidence in achieving our target of at least 35% growth in ARR for the full year. In First Derivative, we anticipate similar market conditions through H2 with the efficiency measures taken to date mitigating the impact on adjusted EBITDA, resulting in an H2 revenue and EBITDA performance similar to H1. In MRP we continue to expect to deliver an adjusted EBITDA similar to last year.

At the Group level we expect FY24 revenue to be in the range of £285m to £295m. The additional investment in KX announced today is expected to result in a £9-10m impact to adjusted EBITDA in H2, resulting in FY24 adjusted EBITDA in the range of £24m to £26m.

Looking beyond the current year, we are pleased with the progress and momentum across the Group, particularly in KX where the partnerships with CSPs and launch of KDB.AI provide confidence in the medium-term outlook to accelerate our industry-leading growth rates.

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About FD Technologies

FD Technologies is a group of data-driven businesses that unlock the value of insight, hindsight and foresight to drive organisations forward. The Group comprises KX, which provides software to accelerate AI-driven innovation; First Derivative, providing consulting services which drive digital transformation in financial services and capital markets; and MRP, which provides technology-enabled services for enterprise demand generation. FD Technologies operates from 14 locations across Europe, North America and Asia Pacific, and employs 2,800 people worldwide.

For further information, please visit www.fdtechnologies.com and www.kx.com

Results presentation

A presentation for analysts will be held at FTI Consulting at 9.30am today, following which a recording of the presentation will be available on the Group's website.

Business Review

FD Technologies comprise three business units – KX, software to accelerate AI-driven innovation; First Derivative, consulting services which drive digital transformation in financial services and capital markets; and MRP, which provides technology-enabled services for enterprise demand generation.

KX – Software to accelerate AI-driven innovation

KX's mission is to revolutionise AI-driven business innovation by empowering enterprises to extract value from the ever-growing volume of data, much of it machine-generated and temporal and the explosion of new unstructured and synthetic data sets made possible by generative AI. During the period we continued to enhance our position as the engine for real-time analytics in the cloud, achieving general availability status on Microsoft Azure; launching a collaboration with Amazon Web Services (AWS) to make kdb Insights available as an AWS fully managed service on Amazon FinSpace; delivering native availability of kdb Insights and kdb Insights Enterprise on Google Cloud Marketplace; and joining the Snowflake partner network. We are seeing good traction across these partners and are pleased with the acceleration in pipeline build achieved through working with their respective go-to-market teams.

In addition, our technology is extremely well positioned to meet the needs of the rapidly growing AI market. Building on best-in-class capabilities for mission critical and enterprise-scale historical and real-time data analytics, our vector native technology is exceptionally well suited for new data types, volumes and requirements of generative AI workflows. With further product innovation we developed and launched KDB.AI, including a free developer edition, which provides differentiated capabilities for multi-mode hybrid search across vector embeddings, real-time pipelines, temporal and historical data.

KDB.AI works seamlessly with popular large language models (LLMs) and machine learning workflows and tools, including LangChain and ChatGPT, while native support for Python and RESTful APIs means developers can perform common operations like data ingestion, search and analytics using their preferred applications and languages.

The launch of KDB.AI represents a major milestone in the development of KX and positions us ahead of a potential wave of enterprise adoption. KDB.AI enhances existing AI solutions by adding the capability to process numerical and time series data and train models on streaming data to ensure they are always up-to-date. It also provides the ability for enterprises to develop their own proprietary data management systems and store the data used in queries for auditing and compliance purposes. KDB.AI's high performance capabilities enable us to provide these benefits using CPU-based systems, reducing the cost and availability issues associated with GPU-based solutions.

We have seen high levels of interest in KDB.AI, with an oversubscribed Technical Preview scheme providing positive feedback on its unique capabilities. We have also worked during this period with a number of global systems integrators who are interested in how KDB.AI can help their customers, with potential partner announcements expected to flow from these evaluations.

We believe the evolution of our product portfolio has expanded our addressable market, with industry analysts such as Gartner indicating that the markets in which KX operates are moving towards mainstream adoption, with the vector database market adding further growth potential.

Strategic partnerships

Working with strategic partners is key to rapidly and efficiently achieving our growth objectives, and our priority is to establish KX as the high-performance engine within the CSPs. We continue to make good progress and KX is now available across all three major global CSPs – Microsoft Azure, AWS and Google. We will continue to work to deepen our relationships and product integration as well as add cloud platform partners who process significant data volumes on their platforms.

We also made good progress adding new partners who have market-leading expertise in the sectors we are targeting, including Lockheed Martin (defence), McLaren (automotive / telemetry), SRC (defence) and EIPGRID (utilities), as well as DataArt, Data Intellect and Caspian One in financial services.

Through our dedicated teams we will continue to develop our relationships with existing partners and seek new agreements with systems integrators, OEMs and independent software vendors (ISVs) seeking to integrate our technology into their data and AI-driven applications.

Commercial progress

During H1 we delivered £6.9m of incremental ACV as we focused our resources on building pipeline with the global CSPs, resulting in a record level of opportunities through these partners. This initial success underpins our expectation of a significantly stronger H2 and provides confidence in achieving our FY24 guidance of ARR growth of at least 35%.

During the period we strengthened our leadership team with several significant hires, including a Chief Financial Officer, Anitha Gopalan, who has 25 years of finance and operational expertise in the SaaS and technology sectors; a Chief Product & Engineering Officer, Michael Gilfix, who has 20 years of experience in software in the areas of data and AI; and a Chief Marketing Officer, Peter Finter, who has experience building marketing strategies at hyper-growth technology companies. We continue to invest in sales and marketing, strengthening and evolving our go-to-market team at all levels to target new opportunities horizontally across industries.

We have now completed the shift in KX from selling custom solutions to selling scalable products, our flagship deal in the period was a large expansion with a recent customer in financial services. This resulted from the recent launch of PyKX, our Python interface, which enables developers to work in Python rather than our proprietary language and validates our view of the importance of this capability to drive adoption of KX. Other significant deals included the first to close from our strategic partnership with Microsoft, which was also based on PyKX and which closed significantly faster than our average direct sale. We also won several important new customers during the period where the deal size starts relatively small, but which are expected to increase in value significantly over time.

The launch of our products across our CSP partners was an important milestone to unlock revenue opportunities, working with their go-to-market teams. For our three largest CSP partners we saw a 4x increase in our pipeline working with them post GA, which is expected to benefit both the current financial year and beyond.

Investment to accelerate growth

IDC reported in its September 2023 spending update that AI software spending will increase at a 36% CAGR between 2023 and 2027. Positive industry trends such as this, combined with the scale of the opportunity provided by our partnerships with the cloud CSPs and the positive customer and partner response to the launch of KDB.AI, have convinced the Board that now is the right time to increase investment in KX to accelerate our growth further.

We are investing a further £9-10m in the second half of FY24 across product & engineering and go-to-market to capitalise on these opportunities. In product & engineering the investment will enable us to deliver product innovation in the vector database market and to enable developers, customers and systems integrators to accelerate adoption of solutions based on KX. On go-to-market we will scale our sales capability to meet market demand, increase our capacity to assist OEM and systems integrator partners and support our positioning as a leader in the vector database market.

The Board expects the investment to deliver significant value creation for shareholders. From next year we expect to deliver compound annual growth in ARR of 45%, resulting in an ARR target of £350m for FY28, representing a more than 5x increase over the £65m reported in FY23. We expect that cash EBITDA margins in KX will be negative through FY25 and turn positive in FY26, rising to 20-25% in FY28.

First Derivative – driving digital transformation in financial services and capital markets

First Derivative is a professional services business operating exclusively in investment banking in areas where knowledge and expertise are high barriers to entry, with long-standing relationships with key clients that have the capability to drive long-term growth. Our expectation is that over the economic cycle it can deliver 10-15% annual revenue growth and our target is to achieve 15% adjusted EBITDA margin by FY26.

First Derivative saw a 1% revenue decline during H1, resulting from the weaker demand environment that has been widely reported among our peer group, driven by concerns earlier in the year post the collapse of SVB and later in the period by a downturn in M&A revenue at our investment bank clients. This increased caution resulted in a number of delays to the start of new assignments and longer sales cycles in H1.

In response to market conditions, we acted to improve efficiency across the business. We strengthened the sales team to focus on global management of our largest clients and introduced a delivery function to manage our entire project portfolio and increase our ability to pursue and close larger deals. We also reinvented our graduate programme, adding a new commercial and operational approach that has received positive feedback from clients, and creating a focus on areas of skills shortage such as quants and cybersecurity. In total we removed £2.8m of annualised cost from the business in H1.

Demand remains uneven, leading us to be cautious on the outlook for full year revenue, although we expect the efficiencies implemented in H1 to mitigate the impact.

We remain positive about the mid to long-term outlook for First Derivative. Despite the current market uncertainty, in the past 12 months we have won a number of important new clients across geographies to add to our strong existing relationships. Our service offerings are highly relevant to our clients' key challenges, and we continue to evolve and develop them. This has enabled us to build a large pipeline, while organisationally and in terms of service delivery we are well placed to grow as market conditions improve. These fundamental strengths reinforce our view regarding the high-quality nature of the First Derivative business and the significant growth opportunity through the economic cycle.

MRP – technology-enabled services for enterprise demand generation

MRP is our smallest business unit, representing 11% of revenue during the period. It provides B2B sales and marketing decision makers with full funnel demand generation solutions, powered by Prelytix. Prelytix tracks more than 1.5 billion intent signals per day, enabling MRP customers to identify the right customers, and prioritise their budgets and resources on accounts that have the highest propensity to convert to pipeline.

MRP's customer budgets remain under pressure, and in response we have taken several steps including a sharpened focus on the key differentiators that MRP delivers for clients and a further reduction in the cost base.

As anticipated, we saw a stabilisation in revenue in Q1 of the financial year and a return to growth in Q2 compared to Q4 FY23 and we continue to expect MRP to deliver adjusted EBITDA in FY24 similar to that delivered in FY23. Looking further out, as spending in digital marketing returns to growth, we believe we are implementing strategies to benefit from that growth and with a lean organisation can return to double digit revenue growth and deliver significant margin improvement.

Corporate responsibility and sustainability

The Group currently employs 2,800 people, down from the 3,100 employed at the same time last year. The reduction in headcount resulted from efficiency measures in both MRP and First Derivative as described above.

During the period we focused attention on ensuring we have the leadership across the business to deliver growth, making several strategic senior hires in each of the business units, as well as investing further in leadership development programmes to fast-track high potential individuals.

We continued our Board-led focus on minimising the impact of our operations on the environment and recognise the importance of setting carbon reduction targets and reporting our progress on these. We are also committed to supporting our customers and suppliers achieve their own low carbon futures. We have focused our efforts in this period on ensuring the environmental efficiency of our corporate real estate, particularly during the refurbishment and upgrade of several key offices.

Principal risks and uncertainties

The principal risks and uncertainties relating to the Group's operations for the next six months are considered to remain consistent with those disclosed in the Group's Annual Report and Accounts 2023. Please refer to pages 25 to 29 thereof which can be found at www.fdtechnologies.com/investor-relations/news-results/results-centre/.

Financial review

Revenue and Margins

The table below shows the breakdown of Group performance by business unit for each of KX, First Derivative and MRP.

	H1 FY24				H1 FY23				
	Group	**KX**	**First Derivative**	**MRP**	Group	KX	First Derivative	MRP	***Group change***
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m	
Revenue	**142.5**	**37.7**	**89.1**	**15.7**	**147.4**	**33.6**	90.4	**23.4**	***(3%)***
Cost of sales	**(83.1)**	(8.5)	(66.0)	(8.7)	**(87.2)**	(8.2)	(65.3)	(13.7)	***(5%)***
Gross profit	**59.4**	**29.2**	**23.1**	**7.1**	**60.2**	**25.4**	**25.1**	**9.7**	***(1%)***
Gross margin	*42%*	*78%*	*26%*	*45%*	*41%*	*76%*	*28%*	*42%*	
R&D expenditure	**(16.3)**	(14.7)	(0.5)	(1.2)	**(11.9)**	(10.2)	(0.1)	(1.5)	***37%***
R&D capitalised	**13.7**	12.1	0.4	1.2	**10.1**	8.4	0.1	1.5	***36%***
Net R&D	**(2.6)**	(2.6)	0.0	0.0	**(1.8)**	(1.8)	0.0	0.0	***43%***
Sales and marketing costs	**(22.6)**	(14.8)	(4.4)	(3.4)	**(27.1)**	(14.4)	(7.8)	(4.9)	***(16%)***
Adjusted admin expenses	**(20.1)**	(7.0)	(9.3)	(3.9)	**(15.4)**	(5.4)	(6.9)	(3.1)	***31%***
Adjusted EBITDA	**14.0**	4.8	9.4	(0.2)	**16.0**	3.9	10.4	1.7	***(12%)***
Adjusted EBITDA margin	*10%*	*13%*	*11%*	*(1%)*	*11%*	*11%*	*12%*	*7%*	

The revenue performance was led by 12% growth in KX while First Derivative declined by 1% and MRP by 33%, both driven by cautious customer spending in their markets. This resulted in a 3% decline in Group revenue in the period. There was no appreciable currency impact on results due to similar average dollar FX rates this year compared to last year, with the exception of Net Revenue Retention (NRR) which is calculated quarterly and where constant currency NRR was 117% compared to the 112% reported. Gross profit increased to 42% (H1 FY23: 41%), with performance led by KX. We continue to invest in our KX software product development and in people and systems to achieve our ambitious growth targets. This, together with the revenue declines at First Derivative and MRP, resulted in adjusted EBITDA declining by 12% to £14.0m (H1 FY23: £16.0m).

Reclassification of KX service revenue to First Derivative

During the period we transferred professional services contracts relating to post implementation consultancy and development from KX to First Derivative, where it is better placed to be serviced and grow. The numbers stated above reflect this change and the prior year results have also been restated to enable like-for-like comparison. The impact in the period was to move £4.6m of KX services revenue to First Derivative (H1 FY23: £4.2m), along with £3.0m cost of sales (H1 FY23: £2.6m) resulting in an impact on gross profit of £1.6m (H1 FY23: £1.7m). A £0.1m movement in adjusted admin expenses (H1 FY23: £0.1m) resulted in a net movement in adjusted EBITDA of £1.5m from KX to FD for the period (H1 FY23: £1.6m).

KX

	KX total			Financial services			Industry		
	H1 FY24 £m	H1 FY23 £m	Change	**H1 FY24 £m**	H1 FY23 £m	Change	**H1 FY24 £m**	H1 FY23 £m	Change
Revenue	**37.7**	33.6	*12%*	**29.9**	28.6	*4%*	**7.8**	5.0	*56%*
Recurring	**32.9**	26.8	*23%*	**26.9**	23.5	*14%*	**6.0**	3.2	*85%*
Perpetual	**0.6**	0.8	*(25%)*	**0.1**	0.2	*(74%)*	**0.6**	0.6	*(8%)*
Total software	**33.5**	27.6	*21%*	**27.0**	23.8	*13%*	**6.5**	3.9	*70%*
Services	**4.2**	6.0	*(30%)*	**2.9**	4.9	*(40%)*	**1.2**	1.1	*10%*
Gross profit	**29.2**	25.4	*15%*						
Adjusted EBITDA	**4.8**	3.9	*25%*						

KX delivered 12% revenue growth in the period, driven by 23% growth in recurring revenue to £32.9m, balanced by a 30% reduction in services to £4.2m. The reduction in services reflects the increased ease of adoption of our software and therefore lower level of implementation services required, which increases the return on investment for our customers and drives our growth in recurring revenue. Annual contract value added was £6.9m (H1 FY23: £11.4m), in line with our expectations, as we worked with our CSP partners to build pipeline following general availability of our software on their platforms. Revenue from perpetual license sales relates to continuing customer engagements entered into before our decision in 2021 to focus exclusively on subscription sales for new customers, and now represents just 2% of KX revenue.

Financial services revenue grew by 4% to £29.9m, with recurring revenue up 14%. We continue to benefit from adoption of kdb Insights by existing and new customers, attracted by its performance, ease of use and rapid time to value, as well as native integration with important developer languages such as Python and SQL. We had several new customer wins in the period driven by the release of PyKX, our Python interface, as well as our first customer wins through our partnership with Microsoft Azure.

Industry revenue grew by 56% to £7.8m with recurring revenue growing by 85% to £6.0m. We saw a broad range of drivers for this growth, including new customers and expansion within existing customers, and across industries including healthcare, utilities, manufacturing, telecoms and defence.

A key focus in H1 was working with our partners as they prepared to launch our software on their platforms, which has resulted in rapid growth in our pipelines with them.

Performance metrics	**H1 FY24**	H1 FY23	Change
Annual recurring revenue (ARR) £m	**69.3**	60.2	*15%*
Net revenue retention (NRR)	**112%**	119%	
Gross margin	**78%**	76%	
R&D expenditure as % of revenue	**39%**	31%	
Sales and marketing spend as % of revenue	**39%**	43%	
Adjusted EBITDA margin	**13%**	11%	

ARR increased by 15% to £69.3m while NRR of 112% was broadly in line at constant currency with the 119% achieved in H1 FY23. With the growth in our pipeline post GA with our CSP partners, these metrics are expected to improve in H2 and beyond. We continue to invest in R&D and sales and marketing in line with our strategy and to execute on our significant growth opportunities.

First Derivative

	H1 FY24	H1 FY23	Change
	£m	£m	
Revenue	**89.1**	90.4	*(1%)*
Gross profit	**23.1**	25.1	*(8%)*
Adjusted EBITDA	**9.4**	10.4	*(10%)*

Revenue for the period was £89.1m, a decline of 1% on H1 FY23 as a result of increased caution at our customers following the collapse of SVB and lower M&A activity impacting the income of our investment banking customers. While we won a number of assignments in Q4 last year, onboarding was slower than expected and sales cycles in H1 were elongated. Natural roll-offs from project completions outpaced consultants onboarding to new assignments, which resulted in the revenue decline.

Performance in First Derivative was strongest in its technology services (revenue up 3%) and engineering services (revenue up 7%) practices, while business services decreased by 9%. We are fully utilised in several of our key areas of expertise and are targeting our resources in areas of strongest demand.

In response to lower activity levels we removed £2.8m of annualised operating costs, while simplifying the sales, delivery and practice management of the business. This, together with an easing of the attrition and wage inflation, has reduced the impact of lower revenue on both gross and adjusted EBITDA margin.

Performance metrics	**H1 FY24**	H1 FY23
Gross margin	**26%**	28%
Adjusted EBITDA margin	**11%**	12%

Gross margin was 26%, a decline from 28% in the prior year period, for the reasons outlined above, while the impact of our efficiency measures limited the impact on adjusted EBITDA margin, which decreased to 11% (H1 FY23: 12%).

MRP

	H1 FY24	H1 FY23	
	£m	£m	Change
Revenue	**15.7**	23.4	*(33%)*
Gross profit	**7.1**	9.7	*(27%)*
Adjusted EBITDA	**(0.2)**	1.7	*(110%)*

MRP derives revenue by combining cutting-edge predictive analytics with a full suite of products and services to assist our customers to generate demand. Many of our customers continue to operate demand generation activity below historic levels, driven by economic concerns, leading to a decline in revenue of 33% compared with H1 FY23 – however, revenue stabilised in Q1 of FY24 and increased in Q2 relative to Q4 FY23 and we expect H2 to demonstrate growth on H1.

Adjusted EBITDA decreased to a loss of £0.2m, with Q2 generating a profit. We continue to take action to ensure costs are aligned with business activity, and combined with the improving revenue outlook we continue to expect to deliver an adjusted EBITDA for the full year similar to the £1.4m reported in FY23.

Performance metrics	H1 FY24	H1 FY23
Gross margin	**45%**	42%
Adjusted EBITDA margin	**(1%)**	7%

Gross margin increased to 45% (H1 FY23: 42%) as a result of cost efficiencies in third-party costs incurred in our display marketing offering. This was not sufficient to overcome the impact of the reduction in revenue in the period, which impacted the adjusted EBITDA margin, particularly in Q1, although note that adjusted EBITDA margin was positive in Q2 and we anticipate it remaining positive through the rest of the year.

Group Performance

Adjusted EBITDA

The reconciliation of operating loss to adjusted EBITDA is provided below. The movements to note are the reduction in non-operational IT expenses, following the successful implementation of the Group's Oracle Cloud Fusion ERP system, and the reduction in amortisation costs, principally as a result of a reduction in the amortisation of acquired intangibles. Included within restructure and non-operational costs is £1.7m in relation to costs to implement efficiency measures at First Derivative and MRP.

	H1 FY24	H1 FY23
	£m	£m
Operating loss	**(0.7)**	(1.0)
Restructure and non-operational costs	**2.3**	2.5
Non-operational IT expenses*	**0.6**	2.6
Share based payment and related costs	**1.5**	0.9
Depreciation and amortisation	**10.3**	11.0
Adjusted EBITDA	**14.0**	16.0

**Non-operational IT expenses represents ERP implementation costs that are required to be expensed under accounting standards*

(Loss)/profit before tax

Adjusted profit before tax decreased to £1.9m, resulting from the reduction in adjusted EBITDA, higher software amortisation costs resulting from our investment in R&D and an increase in financing costs resulting from higher interest rates, partially offset by a reduction in our gross debt.

The Group reported a loss before tax of £4.5m for the period, compared to a profit of £1.1m in H1 FY23. The major factor here was a £5.3m swing in foreign currency translation, largely resulting from weakening of the dollar in H1 FY24 compared to the same period last year, partially offset by a reduction in receivables and cash on hand in H1 FY24.

The reconciliation of adjusted EBITDA to reported profit before tax is provided below.

	H1 FY24	H1 FY23
	£m	£m
Adjusted EBITDA	**14.0**	16.0
Adjustments for:		
Depreciation	**(3.2)**	(3.7)
Amortisation of software development costs	**(6.8)**	(5.5)
Net financing costs	**(2.1)**	(1.7)
Adjusted profit before tax	**1.9**	5.0
Adjustments for:		
Amortisation of acquired intangibles	**(0.3)**	(1.7)
Share based payment and related costs	**(1.5)**	(0.9)
Restructure and non-operational costs	**(2.3)**	(2.5)
Non-operational IT expenses	**(0.6)**	(2.6)
(Loss)/profit on foreign currency translation	**(1.6)**	3.7
Profit on disposal of associate	**0.1**	0.1
Net financing costs	**(0.2)**	—
Reported (loss)/profit before tax	**(4.5)**	1.1

(Loss)/earnings per share

The Group reported a loss after tax of £6.2m for the period, compared to a profit after tax of £0.8m in H1 FY23. Adjusted loss after tax was £1.2m, decreased from £4.0m profit in H1 FY23, resulting in a decrease in adjusted diluted loss per share for the period to 4.3p.

The calculation of adjusted profit after tax is detailed below:

	H1 FY24	H1 FY23
	£m	£m
Reported (loss)/profit before tax	**(4.5)**	1.1
Tax	**(1.7)**	(0.3)
Reported (loss)/profit after tax	**(6.2)**	0.8
Adjustments from (loss)/profit before tax (as per the table above)	**6.4**	3.9
Tax effect of adjustments	**(1.4)**	(0.8)
Adjusted (loss)/profit after tax	**(1.2)**	4.0
Weighted average number of ordinary shares (diluted)	**28.1m**	28.0m
Reported (LPS)/EPS (diluted)	**(22.2p)**	2.9p
Adjusted (LPS)/EPS (diluted)	**(4.3p)**	14.2p

Cash generation and net cash (excluding lease liabilities)

The Group generated £11.9m of cash from operating activities before the Oracle ERP implementation cash outlay incurred during the period of £2.5m, representing an 85% conversion of adjusted EBITDA, higher than the 75% in H1 FY23. We continue to focus on cash collection and working capital improvements and our target for the full year remains to generate cash conversion in the range of 80-85% of adjusted EBITDA.

At the period end we had a net debt position of £7.2m, broadly unchanged from the prior year. The factors impacting the movement in net cash (excluding lease liabilities) are summarised in the table below:

	H1 FY24	H1 FY23
	£m	£m
Opening net cash (excluding lease liabilities)	**0.4**	0.3
Cash generated from operating activities before non-operational IT expenses	**11.9**	12.0
Non-operational IT expenses	**(2.5)**	(2.6)
Cash generated from operating activities	**9.4**	9.4
Taxes paid	**(2.4)**	(0.7)
Capital expenditure: property, plant and equipment	**(0.3)**	(2.0)
Capital expenditure: intangible assets	**(13.7)**	(10.6)
Sale of other investments and associates	**2.8**	0.1
Issue of new shares	**0.1**	2.6
Interest, foreign exchange and other	**(3.5)**	(6.6)
Closing net debt (excluding lease liabilities)	**(7.2)**	(7.4)

The drivers of cash performance in H1 FY24 were the increasing spend on research and development, where of the total £16.3m spend £13.7m (84%) was capitalised, lower capex costs following heavy investment in prior periods and an earnout payment relating to the sale of our investment in RxDataScience Inc in FY22.

We refinanced our banking facility in early 2023 on improved terms and it comprises a £130m revolving credit facility, with an interest rate payable of SONIA/SOFR plus a margin range of 1.85% to 2.85%.

Definition of terms

The Group uses the following definitions for its key metrics:

Annual recurring revenue (ARR): the value at the end of the accounting period of recurring software revenue to be recognised in the next twelve months.

Annual contract value (ACV): the sum of the value of each customer contract signed during the year divided by the number of years in each contract.

Net revenue retention rate (NRR): is based on the actual revenues in the quarter annualised forward to twelve months and compared to the revenue from the four quarters prior. The customer cohort is comprised of customers in the quarter that have generated revenue in the prior four quarters.

Adjusted admin expenses: is a measure used in internal management reporting which comprises administrative expenses per the statement of comprehensive income of £34.1m (H1 FY23: £31.2m) adjusted for depreciation and amortisation of £10.3m (H1 FY23: £11.0m), share based payments and related costs of £1.5m (H1 FY23: £0.9m), restructure and non-operational costs of £2.3m (H1 FY23: £2.5m), IT systems implementation costs expensed £0.6m (H1 FY23: £2.6m) and other £(0.8)m (H1 FY23: £(1.1)m).

Consolidated income statement (unaudited)
Six months ended 31 August

	Note	**2023** **£'000**	2022 £'000
Revenue	***3 & 4***	**142,471**	147,411
Cost of sales		**(83,113)**	(87,210)
Gross profit		**59,358**	60,201
Operating costs			
Research and development costs		**(16,329)**	(11,908)
- of which capitalised		**13,730**	10,092
Sales and marketing costs		**(22,596)**	(27,060)
Administrative expenses		**(34,095)**	(31,222)
Impairment loss on trade and other receivables		**(760)**	(1,162)
Total operating costs		**(60,050)**	(61,260)
Other income		**7**	62
Operating loss		**(685)**	(997)
Finance income		**39**	8
Finance expense		**(2,356)**	(1,720)
(Loss)/gain on foreign currency translation		**(1,593)**	3,680
Net finance (cost)/income		**(3,910)**	1,968
Profit on disposal of associate		**88**	100
(Loss)/profit before taxation		**(4,507)**	1,071
Income tax expense	***6***	**(1,721)**	(250)
(Loss)/profit for the period		**(6,228)**	821
		Pence	Pence
(Loss)/earnings per share	***7***		
Basic		**(22.2)**	2.9
Diluted		**(22.2)**	2.9

Consolidated balance sheet (unaudited)

	Note	**As at 31 August 2023 £'000**	As at 31 August 2022 £'000	As at 28 February 2023 £'000
Assets				
Property, plant and equipment		**22,151**	28,734	25,593
Intangible assets and goodwill		**176,987**	173,636	175,660
Other financial assets		**8,337**	18,407	9,356
Trade and other receivables		**2,211**	4,130	2,548
Deferred tax assets		**21,601**	20,838	21,313
Non-current assets		**231,287**	245,745	234,470
Trade and other receivables		**73,364**	78,270	96,749
Current tax receivable		**7,113**	5,566	6,114
Cash and cash equivalents		**22,887**	44,777	36,905
Current assets		**103,364**	128,613	139,768
Total assets		**334,651**	374,358	374,238
Equity				
Share capital	***8***	**140**	140	140
Share premium		**104,119**	103,359	103,789
Shares option reserve		**20,418**	19,243	18,974
Fair value reserve		**530**	8,393	3,002
Currency translation adjustment reserve		**(119)**	8,045	5,354
Retained earnings		**63,381**	68,212	69,609
Equity attributable to shareholders		**188,469**	207,392	200,868
Liabilities				
Loans and borrowings	***9***	**45,135**	65,127	17,026
Trade and other payables	***10***	**4,522**	3,799	3,681
Deferred tax liabilities		**16,337**	16,444	15,758
Non-current liabilities		**65,994**	85,370	36,465
Loans and borrowings	***9***	**3,307**	9,866	39,911
Trade and other payables	***10***	**32,912**	32,165	41,466
Deferred Income		**35,794**	31,908	48,407
Current tax payable		**1,044**	197	682
Employee benefits		**7,131**	7,460	6,439
Current liabilities		**80,188**	81,596	136,905
Total liabilities		**146,182**	166,966	173,370
Total equity and liabilities		**334,651**	374,358	374,238

Consolidated statement of changes in equity (unaudited)
Six months ended 31 August 2023

	Share capital £'000	Share premium £'000	Share option reserve £'000	Fair value reserve £'000	Currency translation adjustment £’000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2023	140	103,789	18,974	3,002	5,354	69,609	200,868
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	(6,228)	(6,228)
Other comprehensive income							
Net exchange loss on net investment in foreign subsidiaries	-	-	-	-	(6,371)	-	(6,371)
Net exchange gain on hedge of net investment in foreign subsidiaries	-	-	-	-	898	-	898
Net change in fair value of equity investments at FVOCI	-	-	-	(2,472)	-	-	(2,472)
Total comprehensive income for the period	-	-	-	(2,472)	(5,473)	(6,228)	(14,173)
Transactions with owners of the Company							
Tax relating to share options	-	-	(56)	-	-	-	(56)
Exercise of share options	-	63	-	-	-	-	63
Issue of shares	-	267	-	-	-	-	267
Share-based payment charge	-	-	1,500	-	-	-	1,500
Dividends to owners of the Company	-	-	-	-	-	-	-
Balance at 31 August 2023	**140**	**104,119**	**20,418**	**530**	**(119)**	**63,381**	**188,469**

Consolidated statement of changes in equity (unaudited)
Six months ended 31 August 2022

	Share capital £'000	Share premium £'000	Share option reserve £'000	Fair value reserve £'000	Currency translation adjustment £'000	Retained earnings £'000	Total equity £'000
Balance at 1 March 2022	139	100,424	18,404	9,755	(3,574)	67,391	192,539
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	821	821
Other comprehensive income							
Net exchange gain on net investment in foreign subsidiaries	-	-	-	-	15,321	-	15,321
Net exchange loss on hedge of net investment in foreign subsidiaries	-	-	-	-	(3,702)	-	(3,702)
Net change in fair value of equity investments at FVOCI	-	-	-	(1,362)	-	-	(1,362)
Total comprehensive income for the period	-	-	-	(1,362)	11,619	821	11,078
Transactions with owners of the Company							
Tax relating to share options	-	-	39	-	-	-	39
Exercise of share options	-	-	-	-	-	-	-
Issue of shares	1	2,935	-	-	-	-	2,936
Share-based payment charge	-	-	800	-	-	-	800
Dividends to owners of the Company	-	-	-	-	-	-	-
Balance at 31 August 2022	140	103,359	19,243	8,393	8,045	68,212	207,392

Consolidated cash flow statement (unaudited)

Six months ended 31 August

	2023	2022
	£'000	£'000
Cash flows from operating activities		
Loss/profit for the period	**(6,228)**	821
Adjustments for:		
Net finance cost/(income)	**3,910**	(1,968)
Depreciation of property, plant and equipment	**3,229**	3,636
Amortisation of intangible assets	**7,070**	7,331
Loss on disposal of fixed assets	**-**	3
Profit on disposal of associate	**(88)**	(100)
Equity-settled share-based payment transactions	**1,500**	800
Grant income	**(8)**	(191)
Tax expense	**1,721**	250
	11,106	10,582
Changes in:		
Trade and other receivables	**15,482**	(1,100)
Trade and other payables and deferred income	**(17,192)**	(63)
Cash generated from operating activities	**9,396**	9,419
Taxes paid	**(2,386)**	(695)
Net cash from operating activities	**7,010**	8,724
Cash flows from investing activities		
Interest received	**40**	8
Sale of associate	**3,005**	100
Acquisition of other investments	**(249)**	-
Acquisition of property, plant and equipment	**(279)**	(1,967)
Acquisition of intangible assets	**(13,730)**	(10,618)
Net cash used in investing activities	**(11,213)**	(12,477)
Cash flows from financing activities		
Proceeds from issue of share capital	**64**	2,650
Repayment of borrowings	**(4,907)**	(3,072)
Payment of finance lease liabilities	**(1,645)**	(1,928)
Interest paid	**(2,526)**	(1,385)
Net cash used in financing activities	**(9,014)**	(3,735)
Net decrease in cash and cash equivalents	**(13,217)**	(7,488)
Cash and cash equivalents at 1 March	**36,905**	48,564
Effects of exchange rate changes on cash held	**(801)**	3,701
Cash and cash equivalents at 31 August	**22,887**	44,777

Notes to the Interim Results

1. General information

FD Technologies plc ("FD Technologies", the "Company" or the "Group") is a public limited company incorporated and domiciled in Northern Ireland. The Company's registered office is 3 Canal Quay, Newry BT35 6BP. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 23 October 2023.

This condensed consolidated interim financial information does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory financial statements for the year ended 28 February 2023 were approved by the Board of Directors on 22 May 2023 and delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

Basis of Preparation

The annual financial statements for the Group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. This condensed consolidated interim financial information for the half-year ended 31 August 2023 has been prepared in accordance with United Kingdom adopted IAS 34, 'Interim financial reporting'. The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 28 February 2023, which have been prepared in accordance with UK-adopted IFRSs.

This condensed consolidated interim financial information is unaudited and has not been reviewed by the Company's Auditors. Except as described below they have been prepared on accounting bases and policies that are consistent with those used in the preparation of the financial statements of the Company for the year ended 28 February 2023.

Going concern

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, we continue to adopt the going concern basis in preparing the condensed financial statements.

Changes in accounting policies

The following standards, amendments and interpretations were effective for accounting periods beginning on or after 1 January 2023 and these have been adopted in the Group financial statements where relevant:

- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates
- Amendments to IAS 12 Income Taxes

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Critical accounting estimates and judgements

The critical accounting judgements and key sources of estimation uncertainty are consistent with the Group financial statements for the year to 28 February 2023 and no additional new uncertainties or estimation uncertainty have arisen.

Information about critical judgements in applying accounting policies that have the most significant impact on the amounts recognised in the financial statements are as follows:

- In determining Capitalised Internally Developed Software Costs management will need to apply judgement and evaluate the technical and commercial feasibility of each product, and the ability to yield future economic benefits, and assess likelihood of success, and ability of the Group to complete each product. Judgements are applied on a product basis in accordance with IAS 38.
- Management applies judgement in the recognition of revenue, determining when performance obligations are satisfied, and control transferred. For software products provided as an annual license, including the right to regular upgrades, judgement is required when assessing whether the annual license is a separate performance obligation from the provision of upgrades to the customer. Management has assessed that the ongoing updates and upgrades to the software are fundamental to the value of the software and that without these updates the value of the software will substantially deteriorate over time. Therefore, the annual license and the updates and upgrades are combined as one performance obligation and revenue is recognised over the life of the license as the service is delivered.
- The Group and Company have incurred sales and marketing costs and software development costs in developing the KX business. As a result, the Group and Company have significant tax losses being carried forward which contribute to the Group and Company's deferred tax asset balances. Management have forecasted that the Company and Group will generate future taxable profits from the KX trade against which these deferred tax assets will be utilised.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities are as follows:

- Under IFRS goodwill on acquisitions is not amortised but is tested for impairment on an annual basis. Management has assessed goodwill for impairment based on the projected profitability of the individual cash-generating unit to which the goodwill relates. No impairments have been identified. Other intangibles are being amortised and tested for impairment if an indicator of impairment is identified.
- Management has estimated the fair value of equity investments and convertible loans. Management has reviewed recent market activity and has applied a discounted cash flow valuation technique to assess the fair value of the assets as at year end considering the forecast revenue and EBITDA, together with forecast exit value applying market multiples, discounted using a risk-adjusted discount rate.

Management has assessed that there are no other estimates or judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognised in the financial statements.

***Use of non-GAAP measures* - Adjusted EBITDA**

The Group believes that the consistent presentation of adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), adjusted effective tax rate, adjusted basic earnings per share and adjusted diluted earnings per share provides additional useful information to shareholders on the underlying trends and comparable performance of the Group over time. Adjusted EBITDA is defined as results from operating activities before restructure and non-operational costs, IT Systems implementation costs expensed, share based payments and related costs, depreciation of property, plant and equipment and amortisation of intangible assets, and non-recurring income from investments. Restructure and non-operational costs relate to items that are considered significant in size and non-operational in nature and include restructuring costs and costs associated with the management of our equity investment portfolio. The Group uses adjusted EBITDA as an underlying measure of its performance. A reconciliation between GAAP and underlying measures is set out in note 5 (Adjusted EBITDA).

3. Segmental Reporting

Information about reportable segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer and Chief Financial Officer jointly.

The Group is organised into three operating segments (as identified under IFRS 8 Operating Segments) and generates revenue through the following activities:

- KX – software to accelerate AI-driven innovation.
- First Derivative (FD) – driving digital transformation in financial services and capital markets.
- MRP – technology-enabled services for enterprise demand generation.

The chief operating decision maker monitors the operating results of segments separately in order to allocate resources between segments and to assess performance. Segment performance is predominantly evaluated based on operating profit before restructure and non-operational costs, IT Systems implementation costs expensed, share based payment and related costs, depreciation and amortisation of intangible assets ('adjusted EBITDA'). These costs are managed on a centralised basis and therefore these items are not allocated between operating segments for the purpose of presenting information to the chief operating decision maker and accordingly are not included in the detailed segmental analysis.

Intersegment revenue is not material and thus not subject to separate disclosure.

	KX		**First Derivative**		**MRP**		**TOTAL**	
	H1 2024 £'000	H1 2023* £'000	**H1 2024 £'000**	H1 2023* £'000	**H1 2024 £'000**	H1 2023 £'000	**H1 2024 £'000**	H1 2023 £'000
Revenue by segment	**37,675**	33,603	**89,082**	90,388	**15,714**	23,420	**142,471**	147,411
Gross Profit	**29,202**	25,394	**23,094**	25,079	**7,062**	9,728	**59,358**	60,201
Adjusted EBITDA	**4,807**	3,856	**9,374**	10,418	**(169)**	1,691	**14,012**	15,965
Restructure and non-operational costs							**(2,263)**	(2,517)
IT systems implementation costs expensed							**(635)**	(2,557)
Share based payment and related costs							**(1,500)**	(921)
Depreciation and amortisation							**(10,017)**	(9,261)
Amortisation of acquired intangible assets							**(282)**	(1,706)
Operating loss							**(685)**	(997)
Net Finance (cost)/income							**(3,910)**	1,968
Profit on disposal of associate							**88**	100
(Loss)/profit before taxation							**(4,507)**	1,071

***Reclassification of KX service revenue to First Derivative**

During the period we transferred professional services positions relating to post implementation consultancy and development from KX to First Derivative, which is better placed to service and grow this work. The numbers stated above reflect this change and the prior year results have also been restated to enable like-for-like comparison. The impact in the period was to move £4.6m of KX services revenue to FD (H1 FY23: £4.2m), along with £3.0m cost of sales (H1 FY23: £2.6m) resulting in an impact on gross profit of £1.6m (H1 FY23: £1.7m). A £0.1m movement in adjusted admin expenses (H1 FY23: £0.1m) resulted in a net movement in adjusted EBITDA of £1.5m from KX to FD for the period (H1 FY23: £1.6m).

Geographical location analysis

	H1 2024 £'000	H1 2023 £'000
UK	**41,050**	46,484
EMEA	**23,848**	28,243
The Americas	**62,528**	59,377
Asia Pacific	**15,045**	13,307
Total	**142,471**	147,411

4. **Revenue**

Disaggregation of revenue

	KX		First Derivative		MRP		Total	
	H1 2024 £'000	H1 2023* £'000	**H1 2024 £'000**	H1 2023* £'000	**H1 2024 £'000**	H1 2023 £'000	**H1 2024 £'000**	H1 2023 £'000
Type of good or service								
Sale of goods – perpetual	**614**	822	**-**	-	**-**	-	**614**	822
Sale of goods – recurring	**32,881**	26,785	**-**	-	**-**	-	**32,881**	26,785
Rendering of services*	**4,180**	5,996	**89,082**	90,388	**15,714**	23,420	**108,976**	119,804
	37,675	33,603	**89,082**	90,388	**15,714**	23,420	**142,471**	147,411
Timing of revenue recognition								
At a point in time	**614**	822	**-**	-	**-**	-	**614**	822
Over time	**37,061**	32,781	**89,082**	90,388	**15,714**	23,420	**141,857**	146,589
	37,675	33,603	**89,082**	90,388	**15,714**	23,420	**142,471**	147,411

*Previously some MRP revenues were presented as sale of goods - recurring, all MRP revenues are now included in rendering of services which is more representative of the revenue stream and the prior year has also been restated.

5. Adjusted EBITDA

	H1 2024 £'000	H1 2023 £'000
Operating loss	**(685)**	**(997)**
Restructure and non-operational costs	**2,263**	**2,517**
IT Systems implementation costs	**635**	**2,557**
Share based payment and related costs	**1,500**	**921**
Depreciation and amortisation	**10,299**	**10,967**
Adjusted EBITDA	**14,012**	**15,965**

6. Tax Expense

The total tax charge for the six months ended 31 August 2023, including discrete items is £1.7m (H1 FY23: £0.3m). This tax charge equates to an effective tax rate of (37.4%) (H1 FY23: 23.4%).

In the period ended 31 August 2023, the group did not recognise any deferred tax asset in respect of tax losses arising in the period, which increased the tax charge for the period by £1.9m.

From 1 April 2024 the enacted rate of corporation tax is 25%. Deferred tax balances have been calculated at this rate.

7. (Loss)/earnings per Share

Basic loss per share for the six months ended 31 August 2024 has been calculated on the basis of the reported loss after taxation of £6.2m (H1 FY23: profit of £0.8m) and the weighted average number of shares for the period of 28,071,111 (H1 FY23: 27,858,836). This provides basic loss per share of 22.2 pence (H1 FY23: earnings per share 2.9 pence).

At 31 August 2023 in accordance with IAS 33, due to the loss in the financial period share options in issue are anti-dilutive meaning there is no difference between basic and diluted earnings per share. For the six months ended 31 August 2022 calculated on the basis of the reported profit after taxation of £0.8m and the weighted average number of shares after adjustment for the effects of all dilutive potential ordinary shares 27,990,830 resulting in a diluted earnings per share of 2.9 pence.

The Board considers that adjusted (loss)/earnings is an important measure of the Group's financial performance. Adjusted loss after tax in the period was £1.2m (H1 FY23: Adjusted earnings after tax £4.0m), which excludes the amortisation of acquired intangibles after tax effect of £0.3m, (H1 FY23: £1.4m) share-based payments after tax effect of £1.2m (H1 FY23: £0.7m), restructure and non-operational costs after tax effect of £1.8m (H1 FY23: £2.0m), IT systems implementation costs after tax effect £0.5m (H1 FY23: £2.1m), loss on foreign currency translation of £1.6m (H1 FY23: gain £3.0m), finance costs after tax effect of £0.2m (H1 FY23: £nil), and profit on disposal of associate after tax effect of £0.1m (H1 FY23: £0.1m). Using the same weighted average of shares as above provides adjusted basic loss per share of 4.3 pence (H1 FY23: earnings per share 14.3 pence) and adjusted diluted loss per share of 4.3 pence (H1 FY23: earnings per share 14.2 pence).

8. Share capital

During the period the Group issued 23,302 shares as part of share-based compensation for employees and remuneration. These increased the number of shares in issue from 28,064,854 as at 28 February 2023 to 28,088,156.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

9. Loans and borrowings

	31 August 2023 £'000	28 February 2023 £'000
Current liabilities		
Secured bank loans	**-**	36,499
Lease liabilities	**3,307**	3,412
	3,307	39,911
Non-current liabilities		
Secured bank loans	**30,131**	-
Lease liabilities	**15,004**	17,026
	45,135	17,026

We refinanced our banking facility in early 2023 on improved terms and it comprises a £130m revolving credit facility, with an interest rate payable of SONIA/SOFR plus a margin range of 1.85% to 2.85%.

10. Trade and other payables

	31 August 2023 £'000	28 February 2023 £'000
Current liabilities		
Trade payables	**9,555**	11,291
Other payables	**10,052**	15,745
Accruals	**12,394**	13,460
Government grants	**911**	970
	32,912	41,466
Non-current liabilities		
Government grants	**4,522**	3,681
	4,522	3,681

11. Financial instruments

Fair values

a) Accounting classifications and fair values

Group

The following table shows the carrying amounts and fair values of financial assets and liabilities. The carrying amount of all financial assets and liabilities not measured at fair value is considered to be a reasonable approximation of fair value.

	Carrying value						
31 August 2023	**FVPL £'000**	**FVOCI £'000**	**Financial assets at amortised cost £'000**	**Other financial liabilities £'000**	**Total £'000**	**Fair value £'000**	**Level**
Financial assets measured at fair value							
Equity securities	-	863	-	-	863	-	1
Equity securities	-	7,474	-	-	7,474	7,474	3
Convertible loans	82	-	-	-	82	82	3
	82	8,337	-	-	8,419	7,556	
Financial assets not measured at fair value							
Trade and other receivables	-	-	66,474	-	66,474	[1]	
Cash and cash equivalents	-	-	22,887	-	22,887	[1]	
	-	-	89,361	-	89,361		
Financial liabilities not measured at fair value							
Secured bank loans	-	-	-	30,131	30,131	[1]	
Trade and other payables	-	-	-	51,305	51,305	[1]	
	-	-	-	81,436	81,436		

[1] Fair value not disclosed as the carrying amounts are considered to be a reasonable approximation of fair value.

28 February 2023	FVPL £'000	FVOCI £'000	Carrying value: Financial assets at amortised cost £'000	Other financial liabilities £'000	Total £'000	Fair value £'000	Level
Financial assets measured at fair value							
Equity securities	-	886	-	-	886	-	1
Equity securities		8,470			8,470	8,470	3
Convertible loans	283	-	-	-	283	283	3
	283	9,356	-	-	9,639	8,753	
Financial assets not measured at fair value							
Trade and other receivables	-	-	90,578	-	90,578	[1]	
Cash and cash equivalents	-	-	36,905	-	36,905	[1]	
	-	-	127,483	-	127,483		
Financial liabilities not measured at fair value							
Secured bank loans	-	-	-	(36,499)	(36,499)	[1]	
Trade and other payables	-	-	-	(71,240)	(71,240)	[1]	
	-	-	-	(107,739)	(107,739)		

[1] Fair value not disclosed as the carrying amounts are considered to be a reasonable approximation of fair value.

b) Measurement of fair values

Group

Outside of external market events that showed a material change to the fair value of investment valuations, as reflected in the table below, no other indicators have arisen from the valuation model to indicate a change to the measurement of fair values of investments.

Reconciliation of Level 3 fair value:

Group

	Convertible loans £'000	Unquoted equities £'000
Balance at 1 March 2023	282	8,470
Additions	-	250
Adjustments to fair value	-	(2,495)
Debt to Equity Transfers	(200)	1,249
Foreign exchange gain	-	-
Balance at 31 August 2023	**82**	**7,474**

	Convertible loans £'000	Unquoted equities £'000
Balance at 1 March 2022	282	19,676
Transfer to Level 1	-	(2,774)
Disposals	-	(2,324)
Adjustments to fair value	-	(6,275)
Transfers	-	-
Foreign exchange gain	-	167
Balance at 28 February 2023	282	8,470

12. Subsequent Events Note

There were no subsequent events at signing date.

13. Interim Report

Copies can be obtained from the Company's head and registered office: 3 Canal Quay, Newry, Co. Down, BT35 6BP and are available to download from the Company's web site www.fdtechnologies.com.

14. Responsibility Statement

The Directors confirm that to the best of their knowledge:

a) the condensed set of financial statements has been prepared in accordance with UK-adopted IAS 34 'Interim Financial Reporting';

b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events and their impact during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors of FD Technologies plc are listed in the Company's Report and Accounts for the year ended 28 February 2023. A list of current Directors is maintained on the FD Technologies plc website: www.fdtechnologies.com.

15. Forward Looking Statements

The financial information contained in this announcement has not been audited. Certain statements made in this announcement are forward-looking statements. Undue reliance should not be placed on such statements, which are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements.

The Company accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.