

Corporate

Current price **1.575p**

Sector **Support Services**

Code **REAT.L**

AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

Market Cap (£m) **7.9**

Shares in issue (m) **498.5**

52 weeks High **1.8p** Low **0.335p**

Financial year end **September**

Source: Company Data, Allenby Capital

Key Shareholders

Octopus Investments **16.64%**

Helium Rising Stars Fund **15.77%**

Premier Miton **8.10%**

Jonathan Whitmore **5.29%**

George Stavrinidis **3.32%**

Source: Company Data, Allenby Capital

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REACT Group plc (REAT.L)

Exploiting rising demand for specialist cleaning

REACT Group plc (REACT) is exploiting a gap in the market for specialist deep cleaning services for customers in the public and private sectors, with revenues split 50/50 between reactive work and regular maintenance. The Covid-19 pandemic has led to a significant upturn in activity in certain sectors (such as healthcare and transport) but temporarily weaker demand from others (such as hospitality). While its Covid-related work is by no means its biggest revenue generator, the legacy of the pandemic is likely to have a profound impact on future levels of activity as all businesses and organisations become more aware of the importance of maintaining high standards of cleanliness and hygiene. With a new management team and strengthened balance sheet, we believe the outlook is positive, a view that has been supported by the Group's interim results which have generated maiden profits.

- **Speciality cleaning that others are not capable of doing** – REACT specialises in deep cleaning tasks that other companies are incapable of undertaking either through a lack of specialist knowledge and know how or through the lack of suitable cleaning technology and equipment.
- **Poor record under previous management** - Historic results under previous management were poor and for four years after the Group floated on AIM it reported consecutive losses due to inadequate financial controls and a lack of sales focus until a new management team was assembled through 2019/2020.
- **New management team have turned the business round** - The Group's trading has now been transformed from serial losses to one which is now profitable and where the opportunities to expand the business through increased investment in sales and marketing, are substantial.
- **Covid-19, opportunities and challenges** – Covid-19 began to have an initial impact on activity levels in the final two weeks of the first half and has had the subsequent effect of increasing demand for reactive decontamination and infection control services. However, it is too early to estimate the impact of any sustained period of disruption as any increase in demand in one sector may well be balanced by a reduction in another.
- **Interim results show maiden profits** – The six months to March 2020 has seen the Group report its first profits, a clear testament to the efficacy of the new management team. Several new contracts have also been awarded to the Group in the period and the balance sheet has been strengthened by an oversubscribed placing raising £1.25m (gross).
- **Outlook** - The second half has started well, operational gearing in the business is significant and management is confident of delivering a performance ahead of expectations, including a full year maiden profit. Due to Covid-related business disruption we are currently not providing forecasts for REACT.

Year End: September

(£'000)	2016A	2017A	2018A	2019A	H1 2020A
REVENUE	2,432	2,645	3,295	3,103	2,091
UNDERLYING EBITDA	17	(222)	(601)	(126)	85
UNDERLYING (L)/PBT	(146)	(378)	(614)	(178)	50
UNDERLYING EPS (p)	(0.05)	(0.14)	(0.21)	(0.04)	0.02
NET CASH (£m) *	931	529	423	440	306

Source: REACT Group plc. Allenby Capital acts as Broker to REACT Group plc (REAT.L). * Cash boosted by fund raise post period end

Investment summary

- **Deep cleaning specialists** - REACT specialises in deep cleaning tasks that other companies are incapable of undertaking, either through a lack of specialist knowledge or through a lack of suitable cleaning technology and equipment.
- **Prior to listing in 2015, REACT was a subsidiary of Autoclenz** - Prior to November 2012, REACT was operated as a separate trading business within AIM-listed Autoclenz Holdings plc at which point it was bought out by its management team and in July 2015 was the subject of a reverse takeover by Verdes Management, an AIM-listed investment company which then changed its name to REACT.
- **A history of poor results as a listed company** - Poor results followed and for four years the Group lost money until a new management team and Board were assembled, largely through 2019/20. The Group is now led by CEO Shaun Doak and CFO Andrea Pankhurst and supported by Mark Braund (former CEO of RedstoneConnect plc and InterQuest Group plc) as operational and strategic advisor.
- **Substantial opportunities to grow the business** - Under its new management team the Group has been turned around from a serial loss maker to one which is now profitable and where the opportunities to expand the business through increased investment in sales and marketing, are substantial.
- **Reactive work and regular maintenance contracts** - Work is evenly split between reactive work where the Company is called out to undertake 24/7 emergency deep cleaning and regular maintenance cleaning contracts of one or more years. The former generally attracts a higher margin, while the latter provides a valuable recurring revenue stream currently running at c.£2.2m pa.
- **Wide range of customers in public and private sectors** - Customers are equally split between the public and private sectors and include Network Rail, HM Prison Service, Local Authorities and UK Police Services as well as contracts with several facilities management (FM) companies.
- **Maiden profits achieved for the six months to March 2020** - Interim results for the six months to March 2020 saw the Group achieve its first profits, albeit modest, but signifying the initial results of a fundamental change in its business strategy driven by the new team.
- **Successful fund raise of £1.25m** – REACT’s balance sheet was recently strengthened by a successful and oversubscribed placing which raised funds of £1.25m gross. The proceeds are being utilised to strengthen the sales and marketing function within the business and continue the focus on margins, operational efficiency and growth in business activity within sectors where REACT can add the greatest value.
- **A bright future in prospect** – The Group reports that the second half has started well and is confident of delivering a performance ahead of expectations, including a full year maiden profit. With a heightened awareness of the importance of cleanliness and hygiene together with strong operational gearing within the business, we consider that the future for REACT is very positive and further investment in sales and marketing are likely to bring rich rewards.

Background

History and background

In March 2014, Verdes Management plc (an AIM listed investment company under Rule 15 of the AIM Rules), completed a fundraising and Gill Leates was appointed to the Board as Chairman.

Reverse takeover of REACT by Verdes Management plc in 2015

In July 2015, Verdes (whose shares were by then suspended) announced the acquisition of REACT SC Holdings Ltd. through a reverse takeover and the Company's name was changed to REACT Group plc (REACT). REACT was acquired for £1.56m in Verdes' shares and a placing of shares at 1.68p raised £1.75m.

Previously a separate trading business within Autoclenz

Prior to November 2012, REACT was operated as a separate trading business within Autoclenz, at that time a division of AIM-listed Autoclenz Holdings plc at which point it was bought out by its management team. In June 2015, the REACT business was transferred to a newly-formed company, REACT Specialist Cleaning Ltd which, following a reorganisation of the Autoclenz group, became a subsidiary of REACT SC Holdings Ltd.

The Group expanded its service offering in late 2015 to include licensed asbestos removal and occupational hygiene services and in April 2016 completed the acquisition of EPUK Ltd for an initial £10,000 and a deferred consideration of up to £155,000.

EPUK specialised in the provision of environmental waste cleaning and control with a similar client base to REACT. However, integration into the REACT Group was problematic and it was quickly decided to close down the business.

33.9% of REACT's share capital was placed in January 2018 as certain shareholders (ex Autoclenz personnel) wished to sell their shares and this was successfully undertaken at a price of 0.45p.

2018 saw Mark Braund become involved in the REACT business, followed shortly thereafter by change to the management team and the appointments of Shaun Doak as MD and Andrea Pankhurst as FD

Mark Braund, former CEO of both AIM-listed InterQuest Group plc (ITQ.L) and RedstoneConnect plc (recently rebranded SmartSpace Software plc (SMRT)), became involved with the Group in October 2018 and shortly after several changes were made to the management team, including the appointment in January 2019 of Andrea Pankhurst as Finance Director and in March 2019 of Shaun Doak as Managing Director of REACT's principal subsidiary, REACT Specialist Cleaning Ltd.

This was followed later in March by the formal appointment of Mark Braund as operational and strategic advisor and Michael Joyce as a new Non-Executive Director. Michael had previously worked with Mark as CFO of InterQuest Group plc.

Shaun Doak appointed Group CEO in February 2020 followed by Andrea Pankhurst as CFO in May 2020

Shaun Doak was appointed Group Chief Executive Officer in February 2020 and Gill Leates moved from Executive to Non-Executive Chairman. In May, Andrea Pankhurst, previously Finance Director of REACT Specialist Cleaning Limited (the Group's operating subsidiary) was appointed to the Board as Chief Financial Officer.

Operations

24/7 emergency deep cleaning to a wide range of public and private sector organisations

Poor record under previous management led to four years of consecutive losses

Business turned around by new management team resulting in maiden profits

Complete re-build of operations in 2019

Activities

REACT is a specialist provider of rapid response, deep cleaning and emergency decontamination services, providing a 24 hour/7 days a week fast response service to a range of customers such as Network Rail, HM Prison Service, Local Authorities and UK Police Services as well as working closely with a number of facilities management companies.

Poor record under previous management

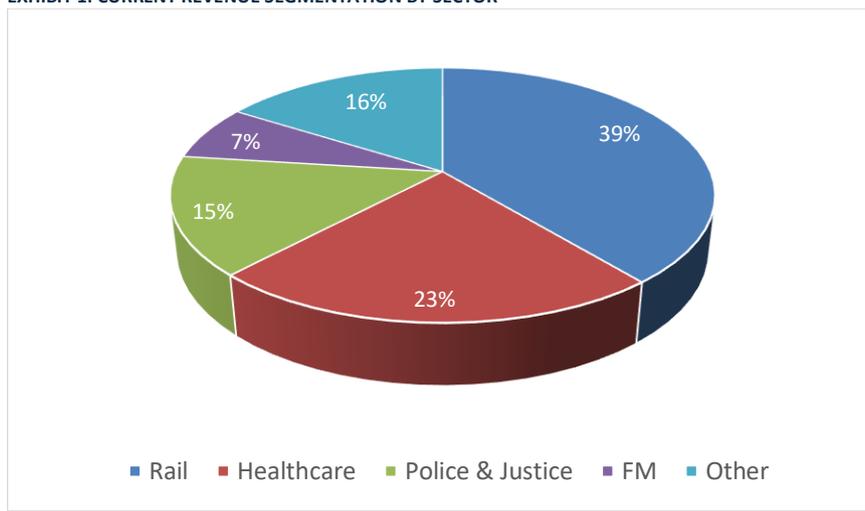
Although REACT, as a stand-alone entity is now in its fifth year, under its previous management the business suffered from a lack of direction and investment. Financial controls and working capital management were poor and as a consequence the business lost money in each year as can be seen in the table below.

A LEGACY OF UNDER INVESTMENT AND POOR MANAGEMENT				
Years to September	2016	2017	2018	2019
	£000	£000	£000	£000
Revenue	2,432	2,645	3,295	3,103
Gross profit	1,013	830	693	885
margin	41.7%	31.4%	21.0%	28.5%
EBITDA	17	-222	-601	-126
Underlying LBT	-146	-378	-614	-178

Source: React Group plc

However, the new management team, appointed variously through 2019/2020, has turned the business around and in the interim results published on 29 June 2020 (see page 9) saw the Group record its first ever profit and management expects to generate profits for the year as a whole.

EXHIBIT 1: CURRENT REVENUE SEGMENTATION BY SECTOR



Source:

Business platform re-engineered

2019 saw a complete rebuild of the business platform with the new management team led by CEO Shaun Doak and CFO Andrea Pankhurst, both of whom drove focused efficiency improvements within the Group's operations, including reducing overheads and

rebuilding the back office and finance functions which had lacked investment in the past and were not fit for purpose.

One example of this inefficiency was the size of the debtor book and the level of receivables past their due date. This has since been remedied with the majority of bad debts having now been recovered and the balance still being worked upon.

Poor debtor management reversed

In 2018 there was £1.3m of trade receivables at the balance sheet date of which £452,000 were past their due settlement date and included £299,000 which was impaired. In 2019 the receivables figure had fallen to £696,000 of which £221,000 were past their settlement date and included just £67,000 of impairment. Turnover in both years was similar.

Rationalisation of the customer base focusing on higher quality and higher margin business

Furthermore, the Company has cut ties with some clients who have regularly frustrated reasonable payment arrangements and/or have been unwilling to acknowledge the value of the services provided at an appropriate price. The early consequence of this move has been to improve gross margins, evident in the Group's recent interim results.

Building brand awareness

The management team is also building brand awareness through increased investment in sales and marketing and through social media. All sales and marketing efforts are conducted in-house with the exception that the Group has recently begun using a PR agency to place articles, content and solicit interviews in relevant industry press and the Group is about to commence a 3-month trial of paid advertising on LinkedIn using a freelance agency.

REACT undertakes extreme cleaning tasks that competitors are incapable of servicing

Operations

The Group is capable of dealing with diverse and extreme cleaning problems whose commonality is typically that they are beyond the "usual" cleaning tasks of facilities management companies and other sub-contractors or in-house service providers.

REACT's service offering typically supplements these cleaners for those tasks which:

- Require specialist capital equipment or clothing.
- Are in hard to reach, hazardous or difficult locations.
- Require operatives to undergo specialist health & safety training.
- Require specialist accreditation (either to ensure legal compliance or because access is to restricted or high-security locations).

Key industry accreditations

REACT holds key industry accreditations including Constructionline Gold & strengthened compliance to ISO9001:2015 and ISO14001:2015 standards and can offer infection control service protection against MRSA, Swine Flu, C-difficile and Norovirus, Ebola and SARS-CoV-2, the virus that causes Covid-19. It is also a licensed waste carrier with a completely traceable disposal system.

The Group's operators are highly trained to deal with specialist cleaning tasks, across a broad range of sectors and situations, including on the UK's transport system, in prisons and custody cells, at crime scenes, clearing drug dens and property damaged by tenants and squatters, specialist vehicle cleans, clearing anti-social waste and damage in public spaces and both routine and specialist cleaning in hospitals and the health service.

Based in Swadlincote, Derbyshire

REACT's business is based in Swadlincote, Derbyshire where it employs 88 staff of which 73 are field operatives, some of whom are part-time, 4 focused on sales and 11 in the back office including HR, operations support staff and IT/payroll. The 11 also include three part-time staff, two executive directors and three non-execs.

Utilisation of sub-contractors extends the breadth of service coverage

The use of sub-contractors

REACT is able to offer cleaning services across the whole of the UK, but also utilises the services of around 10 sub-contractors of varying size who can provide deep cleaning services most typically on reactive work. The Company tends to use its own operatives for contract work. Sub-contract staff are all vetted and audited by REACT.

To date, for expediency the Group has used a field training approach to up-skill its sub-contractor network. However, it is now professionalising the training process, developing a soon-to-be-launched in-house e-learning capability, which it intends to develop further to aid growth and professionalise its network of REACT-approved sub-contractors.

Little more than a year earlier REACT was solely focused on the English market and was not able to facilitate services to customers in Wales and Scotland. Consequently, the use of sub-contractors has allowed the Group to rapidly service a far greater number of clients than would have been possible by just using its own operatives. However, this clearly comes at a cost to margin as some (we estimate between 10% and 20%) has to be paid away to the sub-contractor.

Sub-contractor related work accounts for 20-25% of Group revenue

REACT's network of sub-contractors provides the Group with a flexible way to scale when required, as such, in theory there are few limits to its ability to increase capacity. Currently we estimate that around 20%-25% of revenues are facilitated by the use of sub-contractors

Specialist cleaning activities

Some deep cleans will take an operative a half-day to complete and some may take a team several days to complete (e.g. a large manufacturing facility) – there is no hard and fast rule on what a deep clean is or can entail.

Typical cleaning activities can be listed under the following headings:

- **Emergency Cleaning** - REACT provides a rapid response service to urgent situations, such as trauma, road traffic accidents (RTA), railway trackside emergencies, flood & sewage damage and decontamination of public spaces.
- **Industrial & Commercial** - REACT specialises in deep cleaning and decontamination of workspaces. This includes ducting and ventilation across all industries, and where hygiene and safety are a critical component.
- **Trains & Trackside** - REACT cleans and maintains rail transport infrastructure, cleaning facilities that require reliable standards of good public hygiene in areas with high levels of traffic.
- **Roadside & Hazardous Waste** - React removes the potential risks of fly tipping, cleaning and decontaminating roadside rest areas, including hazardous and biohazard waste removal.
- **Hospital & Clinical Hygiene** - React Specialist Cleaning provides regular clinical infection control contract cleaning for NHS Trusts, as well as emergency cleaning, on a call-out basis and Infection Control Services.
- **Ventilation System Cleaning** - The REACT team are fully qualified and experienced in providing exceptional air hygiene, fire damper testing and ductwork cleaning across all industry and commercial sectors.
- **Void Property Clearances** - REACT offers full property clearance, decontamination and cleaning, waste removal including needles and sharps, vermin management, bird deterrents and removal of pigeon guano.

Revenues split evenly between emergency reactive work and regular maintenance contracts...

... reactive work offers higher margin while maintenance contracts provide a recurring revenue stream

Half of reactive work comes from ad-hoc business...

...and half through contract framework agreements

Typically involving the healthcare, road and rail sectors...

...offering good revenue visibility and a recurring revenue stream

- **Custodial Cleaning** - REACT has significant experience in providing specialist cleaning of custodial facilities, including police and prison cells, washrooms, toilets and custodial vehicles.

Revenues split evenly between Reactive and Regular maintenance work

Revenues are evenly split between reactive cleaning and contracted regular maintenance work. Reactive work is generated either from a direct ad-hoc approach from a customer or where REACT are contracted to be a first responder.

Contracted regular maintenance work is generated by clients that require regular cleaning services under long term contracts and framework agreements. Reactive work usually attracts a higher margin, whereas contract work provides the Group with visibility and a recurring revenue stream. Consequently, management is seeking to grow both sides of the business.

To date the Group has around 120 active clients of which around 20 are under maintenance contracts of between 6 months and 3 years. Historically, work from FM companies has tended to be ad hoc and difficult to forecast. However, when it arises the work is often specialised and substantial.

Reactive work

Although REACT’s revenues are pretty evenly split between reactive work and regular maintenance work, the former attracts a higher margin as by its nature the remedial work needs to be done quickly and effectively and price is less of an issue than is the efficacy and timeliness of the work carried out.

Around 50% of reactive work is generated through ad-hoc business that can include anything from REACT’s portfolio of services that is required in a hurry. The process for winning this type of business is typically a quote in response to a request for price and the business is won typically through the speed of response and fair pricing (which often leads to establishing a new regular customer).

The other 50% of reactive work is generated through contract framework agreements where REACT is contracted to be first responder with service level agreement commitments.

Examples include the work done in the Rail sector for multiple customers (e.g. deep clean following animal collisions or suicides, graffiti removal, etc.), Housing Associations, the Judiciary (cell & vehicle cleans & decontaminations), Highways to clear up after road traffic accidents, graffiti removal, fly-tip clearances, etc.

The process for winning new business here is either through upselling to an existing customer or through a conventional bid & tender process.

Regular maintenance contracts

The regular maintenance side of the business largely operates in the healthcare, road and rail sectors.

Although typically a lower margin area of business, the regular maintenance contracts offer good revenue visibility and a recurring revenue stream which currently stands at around £2.2m per annum.

Like its reactive contract framework activities, the process for winning new business is either through upselling to an existing customer or through a conventional bid & tender process.

Tier-1 customer in rail worth £0.5m

Recent contract wins

In January 2020 REACT was awarded a contract worth £500,000 to provide specialist deep cleaning services to one of its large Tier-1 customers operating in the rail sector. The contract was for a discrete service covering a 15-week period and was incremental to work that REACT already carried out for this customer on a regular basis.

Healthcare contract valued at £121,000

In February 2020, REACT was awarded a contract with an existing Tier-1 customer worth c.£121,000 which consisted of a seven-month programme to significantly enhance the deep cleaning provision at a prestigious health sector site based in central London.

Another Tier-1 rail customer worth £0.4m

In May 2020, REACT was awarded a contract to provide specialist deep cleaning services on a regular basis to one of its Tier-1 Customers operating in the rail sector. The initial contract, worth approximately £400,000 will run for a period of 35-weeks through to the end of the calendar year and is incremental to the work REACT carries out for this customer on a regular basis.

Interim results

EXHIBIT 2: INTERIM RESULTS SUMMARY

6 months to March	2020	2019	% change
INCOME STATEMENT			
Revenue	2,091	1,588	31.7%
Gross profit	695	419	65.9%
margin	33.2%	26.4%	26.0%
Administration costs (excluding D&A)	-610	-556	9.7%
as a % of revenue	29.2%	35.0%	-16.7%
Underlying EBITDA	85	-137	-
margin	4.1%	-8.6%	-
Depreciation and amortisation	-22	-29	-24.1%
Underlying operating profit/(loss)	63	-166	-
Margin	3.0%	-10.5%	-
Interest	-13	0	-
Underlying profit/(loss) before tax	50	-166	-
Statutory profit/(loss) before tax	50	-59	-
Underlying EPS (p)	0.02	-0.03	-
BALANCE SHEET			
Total assets	1,697	1,694	0.2%
Total liabilities	-778	-692	12.4%
Net assets	919	1,002	-8.3%
Net current assets	677	748	-9.5%
Net cash	306	446	-31.4%
CASH FLOW			
Net cash from operations	-112	14	-
Net cash from investing activities	-7	9	-
Net cash from financing activities	-15	0	-
Net (decrease)/increase in cash	-134	23	-
Cash at beginning of period	440	423	4.0%
Cash at end of period	306	446	-31.4%

Source: React Group plc

Maiden profits under new management team

These results are important as they reflect the first profit generated by the Group since listing on AIM and is a testament to the work done by the new management team in re-positioning the business to reverse the poor record under previous management and create a platform for sustained profitability going forward.

Significant gross margin improvement and reduction in costs as a % of turnover

Of note is the 680bps improvement in gross margin from 26.4% to 33.2% achieved by management's focus on higher margin business and the control of the cost base. The latter, although growing by 10% year-on-year (excluding depreciation and amortisation charges), as a percentage of sales has fallen from 35% to 29%. Consequently, underlying EBITDA has moved into positive territory and this has been carried through to underlying profit before tax of £50,000, admittedly still very modest but a significant improvement over previous periods and again provides a solid platform for further growth in the future.

Net cash fell to £306,000 but has since improved and has also been boosted by a £1.16m net fundraise in June 2020

Net cash at the period end fell from £446,000 to £306,000 as the Group supported an incrementally large contract win that began in January 2020, with cash collection beginning only in the final week of the half-year period. Cash balances have improved since the interim period end as the Group continued to benefit from improved quality of business and disciplined cash collection processes. Since the period end the Group has also raised a net £1.16m from an oversubscribed placing of shares at 1.5p providing the Company with the resources needed to strengthen the sales and marketing effort, support a growing contract pipeline and provide financial flexibility.

Conclusion

Under new management, the business has been successfully repositioned

After four years of mis-management, REACT under a new management team have broken free of the shackles and achieved a modest yet important turnaround in the business.

Strengthened balance sheet and more investment in sales & marketing

There is more to be done and the successful fund raise in June 2020 has strengthened the balance sheet and will facilitate further investment in sales and marketing which will be an important driver for future growth.

Potential to substantially increase business with existing and new clients

Much more can be done to provide additional services to existing customers as well as expanding the customer base further and this can be accommodated without a corresponding increase in the cost base so the impact on operational gearing and profit is likely to be substantial.

Legacy of Covid will have a profound impact on businesses’ awareness of heightened hygiene and cleanliness going forward...

While Covid-19 has been a challenge and an opportunity for the Company its legacy will continue to pervade society and be a positive for the Group as if nothing else the pandemic has heightened the awareness of the need for ongoing cleanliness and hygiene both at home and in the workplace and that is something which will not go away, even if Covid-19 eventually does.

... which is REACT’s bread and butter

This of course speaks exactly to the Group’s strengths and we foresee a very positive outlook for the Company in terms of organic growth going forward and which over time could be supplemented by suitable bolt-on acquisitions.

SWOT Analysis

EXHIBIT 3: SWOT ANALYSIS

Strengths	Weaknesses
New management team	History of losses
Niche service provider	Poor track record
Proprietary IP	Still relatively small
Strengthened balance sheet	
Significant recurring revenue base	
Strong operational gearing	
Opportunities	Threats
Strengthen sales and marketing	Can services be replicated by others?
Expand sub-contractor network	
Acquisition opportunities	
Post C-19 legacy of greater hygiene in the workplace	

The Board

Gill Leates – Non-Executive Chairman

Gill has a wealth of public sector experience having served as Investment Director on the main board of Majedie Investments PLC from 1999 to 2008, and as a non-executive director of Majedie Asset Management Limited during that period, where she played a key role in setting up the UK pension fund management business in 2002. Prior to that she successfully managed £1bn in the UK stock market for Courtaulds Pension Fund. Whilst in her early career from 1981 to 1989 she worked at Schroders working on research in the US and UK and then successfully managing the Schroders UK Smaller Companies Exempt Fund. She was previously a non-executive director of AIM quoted Hydrodec PLC for 6 years, and a non-executive director of InnoVenn UK Limited.

Shaun Doak – Chief Executive Officer

Shaun has a proven track record of growing businesses in the specialist cleaning, facilities management and HVAC services sectors. He joined the group in March 2019 as Managing Director of REACT Specialist Cleaning Limited and was promoted to Chief Executive Officer of REACT Group plc on 18 February 2020. Shaun has a successful record of sales leadership and senior management experience.

Andrea Pankhurst – Chief Financial Officer

Andrea joined the Group in January 2019 and was Finance Director of REACT Specialist Cleaning Limited, the Group's operating subsidiary from 1 January 2020, before being appointed Chief Financial Officer and joining the main board on 18 May 2020. After qualifying as a Chartered Accountant with Coopers & Lybrand Deloitte in 1993, Andrea has worked in SMEs in various business sectors, giving her extensive commercial experience and perspective. She has a strong track record of improving financial controls, systems and reporting.

Rob Gilbert – Non-Executive Director

Rob has held several senior sales and leadership positions across a 20-year career with extensive experience and focus in securing high value, multi-year contracts to FTSE 250 and major public sector organisations. Having worked in senior sales positions within several high growth organisations Rob also founded and successfully exited his own start up in 2016. Currently, Chief Sales Officer on the board of Lone Worker Solutions Limited, he has been instrumental in achieving triple digit revenue and profitability growth for consecutive years.

Michael Joyce – Non-Executive Director

Michael is an independent non-executive director with recent and relevant financial experience. Michael spent the first seven years of his career, between 1990 and 1997, at Coopers & Lybrand in the UK and Australia and qualified as an ACA in 1993. Since then he has held senior financial positions in several companies including twelve years from 2004 to 2015 (inclusive) as Chief Financial Officer of AIM listed recruitment specialist, InterQuest Group plc.

Income Statement (historic)

EXHIBIT 4: HISTORIC INCOME STATEMENT

Y/E September	£000 FY 2016A	£000 FY 2017A	£000 FY 2018A	£000 FY 2019A
UNDERLYING				
Revenue	2,432	2,645	3,295	3,103
Cost of sales	-1,419	-1,815	-2,602	-2,218
Gross profit	1,013	830	693	885
margin	41.7%	31.4%	21.0%	28.5%
Admin costs	-996	-1,052	-1,294	-1,011
as a % of revenue	41.0%	39.8%	39.3%	32.6%
EBITDA	17	-222	-601	-126
margin	0.7%	-8.4%	-18.2%	-4.1%
Depreciation & Amortisation	-163	-156	-13	-52
Underlying operating loss	-146	-378	-614	-178
margin	-6.0%	-14.3%	-18.6%	-5.7%
Interest	0	0	0	0
Underlying loss before tax	-146	-378	-614	-178
Tax	-1	0	0	0
Underlying post tax loss	-147	-378	-614	-178
STATUTORY				
Underlying operating loss	-146	-378	-614	-178
Exceptional items	0	-15	-1,337	-5
Statutory operating loss				
Interest	0	0	0	0
Statutory loss before tax	-146	-393	-1,951	-183
Tax	-1	0	0	0
Statutory post tax loss	-147	-393	-1,951	-183
WAS	275.408	275.408	287.298	415.408
WAS FD	275.408	275.408	287.298	415.408
Year-end shares	275.408	275.408	415.408	415.408
Underlying EPS (p)	(0.05)	(0.14)	(0.21)	(0.04)
Statutory EPS (p)	(0.05)	(0.14)	(0.68)	(0.04)

Source: React Group plc

Balance Sheet (historic)

EXHIBIT 5: HISTORIC BALANCE SHEET

	£000	£000	£000	£000
Y/E September	FY 2016A	FY 2017A	FY 2018A	FY 2019A
Non-current assets				
Intangible assets	1,444	1,560	174	174
PP&E	252	1	116	81
Total non-current assets	1,696	1,561	290	255
Current assets				
Trade & other receivables	788	860	1,141	718
Cash	931	529	423	440
Total current assets	1,719	1,389	1,564	1,158
Total assets	3,415	2,950	1,854	1,413
Current liabilities				
Trade payables	-352	-156	-793	-535
Total current liabilities	-352	-156	-793	-535
Non-current liabilities				
Deferred tax	-21	0	0	0
Total non-current liabilities	-21	0	0	0
Total liabilities	-373	-156	-793	-535
Net current assets	1,367	1,233	771	623
Net assets	3,042	2,794	1,061	878
BALANCE SHEET RATIOS				
	£000	£000	£000	£000
Y/E September	FY 2016A	FY 2017A	FY 2018A	FY 2019A
Long-term financial debts	-	-	-	-
Short term financial debts	-	-	-	-
Gross (debt)	-	-	-	-
Cash and cash equivalents	931	529	423	440
Net (debt) / cash	931	529	423	440
Acid test (Current Assets less inventory / Current Liabilities)	4.9	8.9	2.0	2.2

Source: React Group plc

Cash Flow (historic)

EXHIBIT 6: HISTORIC CASH FLOW

Y/E September	£000 FY 2016A	£000 FY 2017A	£000 FY 2018A	£000 FY 2019A
Operating loss	-288	-288	-288	-288
Depreciation	163	163	163	163
Share based payments	22	22	22	22
Loss on disposal of fixed assets	0	0	0	0
<i>(Increase)/decrease in receivables</i>	-24	-24	-24	-24
<i>(Decrease)/increase in payables</i>	-571	-571	-571	-571
<i>Net change in WC</i>	-595	-595	-595	-595
Net cash inflow/(outflow from operating activities)	-698	-698	-698	-698
Disposal of fixed assets	0	0	0	0
Capital expenditure	-210	-210	-210	-210
Net cash outflow from investing activities	-210	-210	-210	-210
Proceeds from share issues	0	0	0	0
Expense of share issues	0	0	0	0
Other loans	0	0	0	0
Other loan repayments	0	0	0	0
Net cash inflow/(outflow) from financing activities	0	0	0	0
Increase/(decrease) in cash	-908	-908	-908	-908
Cash at start of year	1,839	1,840	1,841	1,842
Cash at end of year	931	932	933	934

Source: React Group plc

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