

27 February 2023

CENTRALNIC GROUP PLC
("CentralNic" or "the Company" or "the Group")

UNAUDITED PRELIMINARY ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022

A record year for revenue and Adjusted EBITDA; with a confident outlook for 2023

CentralNic Group Plc (AIM: CNIC), the global internet company that derives recurring revenue from privacy-safe, AI based customer journeys that help online consumers make informed choices as well as from the distribution of domain names, is pleased to announce its unaudited preliminary accounts for the financial year ended 31 December 2022. The audited annual report and accounts for 2022 is expected to be published on 27 March 2023.

Both revenue and profitability have increased significantly year-on-year, driven by a combination of strong organic growth and accretive acquisitions.

Financial summary:

- Revenue increased by 77% to USD 728.2m (FY2021: USD 410.5m)
- Organic revenue growth* of 60% (FY2021: 39%)
- Net revenue (gross profit) increased by 50% to USD 177.7m (FY2021: USD 118.5m)
- Adjusted EBITDA** increased by 86% to USD 86.0m (FY2021: USD 46.3m)
- Operating profit increased by 172% to USD 33.6m (FY2021: USD 12.4m)
- Profit before tax increased dramatically to USD 14.8m (FY2021: USD 1.6m)
- Net debt*** reduced by 30% to USD 56.6m as compared to USD 81.4m at 31 December 2021 notwithstanding c. USD 41m M&A net of related equity raises
- Leverage**** reduced to 0.9x from 2.2x pro forma EBITDA as of 31 December 2021 due to improved profitability and cash generation
- Adjusted operating cash conversion of 110% (FY2021: 122%)
- Adjusted EPS for the year increased by 70% to 20.01 US cents (FY2021: 11.80 US cents)
- Proposed final dividend of 1.0p. This reflects a greater emphasis on returns to shareholders in future

Operational highlights:

- The Group's organic growth further accelerated during the period, driven by ongoing market share gains of its proprietary privacy-safe, AI based customer journeys which address a multi-billion-dollar opportunity
- The number of visitor sessions increased by 77% from 2.6 billion for the year ended 31 December 2021 to 4.6 billion for the year ended 31 December 2022 and the revenue per thousand sessions ("RPM") increased by 37% from USD 76.40 to USD 105.00
- Adjusted EBITDA as a percentage of Net Revenue has increased from 39% for the year ended 31 December 2021 to 48% for the year ended 31 December 2022, demonstrating improved operating leverage

Corporate highlights:

- Acquisition of VGL Verlagsgesellschaft mbH ("VGL"), a leading product review website publisher, on 8 March 2022 for an enterprise value of EUR 60m (c. USD 65m)
- On 18 July 2022, the final deferred consideration payment for the acquisition of KeyDrive SA was settled in cash totalling USD 1.1m
- Acquisition of M.A Aporia ("Aporia") on 13 September 2022 for an initial consideration of USD 11.2m
- Acquisition of Intellectual Property Management Company for an enterprise value of USD 7.3m on 26 October 2022
- On 31 October 2022 the Company re-financed its debt facilities consisting of a USD 150m term loan and a USD 100m revolving credit facility with an initial maturity date of 14 October 2026 and an option to extend by a further year. The borrowing cost of the facilities is determined by CentralNic's net leverage, which is initially 2.75% above SOFR, a notable reduction compared to the 7% above 3-month EURIBOR for the senior secured bond it replaced.
- In November 2022, the Company entered into three separate interest rate swap transactions to fix the variable interest component on USD 75m of the new USD 150m term loan at a blended rate of 3.92%
- Appointment of Michael Riedl as Chief Executive Officer and William "Billy" Green as Group Chief Financial Officer on 12 December 2022
- Acquisition of a portfolio of revenue generating niche websites for USD 5.2m on 19 December 2022
- Launch of the Company's inaugural share buyback programme on 30 December 2022

Michael Riedl, CEO of CentralNic, commented: *"I am absolutely delighted with CentralNic's performance in 2022, achieving record revenue and profit, despite the challenging macro-economic environment. This remarkable achievement stands as a testament to the exceptional business portfolio our team has successfully built.*

Moving forward, we shall continue to exhibit the same level of discipline and efficiency as we accelerate our product rollouts, launch strategic partnerships, and enhance our scalability. Our unwavering focus on innovation and operational excellence will be the cornerstone of our success.

Whilst early into the new financial year, we anticipate 2023 will see yet another year of robust growth and shareholder returns. We remain committed to delivering outstanding value to our shareholders, and we are confident of another successful year.

Given this confidence, I am pleased to announce that the Directors intend to propose paying a maiden dividend of 1.0p for the year 2022 to the AGM to be held in late April. This is the next step of our plan of returning cash to shareholders, following the completion of our maiden share buyback programme in early 2023. I look forward to keeping you updated on our progress throughout 2023."

** Pro forma revenue, adjusted for; acquired revenue, constant currency foreign exchange impact and non-recurring revenues is estimated at USD 743.1m for the year ended 31 December 2022 and at USD 465.5m for the year ended 31 December 2021*

*** Parent and subsidiary earnings before interest, tax, depreciation, amortisation, impairment, non-cash charges and non-core operating expenses*

**** Includes gross cash, bank debt and prepaid finance costs as of 31 December 2022 (cash of USD 94.8m and bank debt and prepaid finance costs of USD 151.4m); includes gross cash, bond debt, bank debt, prepaid finance costs and hedging liabilities as of 31 December 2021 (cash of 56.1m, bond debt, bank debt and prepaid finance costs of USD 131.1m and hedging liabilities of USD 6.4m)*

***** Includes Net Debt as defined under *** (i) excluding prepaid finance costs, (ii) plus guarantee obligations, and (iii) plus the best estimate of any crystallised deferred consideration payable in cash, all divided by pro forma EBITDA, i.e., last twelve months' EBITDA including acquired entities' EBITDA on a pro forma basis, and adjusted for rental expense capitalised under IFRS 16 and non-core operating expenses*

All full year 2022 numbers remain subject to audit.

Michael Riedl – CEO

William Green – CFO

For further information:

CentralNic Group Plc

Michael Riedl, Chief Executive Officer

+44 (0) 203 388 0600

William Green, Chief Financial Officer

Zeus Capital Limited – NOMAD and Joint Broker

Nick Cowles / Jamie Peel / James Edis (Investment Banking)

+44 (0) 161 831 1512

Dominic King (Corporate Broking)

+44 (0) 203 829 5000

Berenberg (Joint Broker)

Mark Whitmore / Richard Andrews / Alix Mecklenburg-Solodkoff

+44 (0) 203 207 7800

SEC Newgate (for Media)

Bob Huxford / Harry Handyside

centralnic@secnewgate.co.uk

+44 (0) 203 757 6880

Forward-Looking Statements

This document includes forward-looking statements. Whilst these forward-looking statements are made in good faith, they are based upon the information available to CentralNic at the date of this document and upon current expectations, projections, market conditions and assumptions about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about the Group and should be treated with an appropriate degree of caution.

About CentralNic Group Plc

CentralNic (AIM: CNIC) is a fast-growing London-headquartered software company which helps online consumers make informed choices through privacy-safe and AI-based customer journeys that convert general interest internet users into high conviction buyers. It also operates a leading network for the automated distribution of domain names and associated services. It has delivered 78% CAGR since its IPO in 2013 through a combination of organic growth and acquiring and integrating cash generative businesses in its industry with annuity revenue streams and exposure to revenue markets.

For more information please visit: www.centralnicgroup.com

MANAGEMENT COMMENTARY ON PERFORMANCE

Introduction

CentralNic's organic growth, combined with its accelerated acquisition strategy, substantially increased the scale and capabilities of the Company. The effect of this is demonstrated in our unaudited preliminary FY2022 results which show a transformational increase in revenues and adjusted EBITDA, which grew by 77% and 86% respectively compared to FY2021.

Performance overview

The Company has performed strongly during the year with the key financial metrics listed below:

	31 December 2022	31 December 2021	Change
	USD'000	USD'000	%
Revenue	728,237	410,540	77%
Net revenue / gross profit	177,696	118,499	50%
Adjusted EBITDA	86,024	46,251	86%
Operating profit	33,553	12,353	172%
Adjusted operating cash conversion¹	110%	122%	n.m.
Profit before tax	14,817	1,555	853%
Loss after tax	(2,078)	(3,542)	n.m.
EPS – Basic (cents)	(0.78)	(1.56)	n.m.
EPS – Adjusted earnings – Basic (cents)²	20.01	11.80	70%

¹ Please refer to note 9

² Please refer to note 8

Segmental analysis

Organic growth rates quoted below are calculated on a pro forma basis including all the Group's constituents as of the last balance sheet dates and adjusted for non-recurring or non-cash revenues and on a constant currency basis.

Online Marketing segment

The Online Marketing segment has proven to be largely decorrelated from the softer performance reported by some of the major online marketing players. The Company's Online Marketing segment further accelerated its growth, with revenues increasing by USD 313.5m, or 120%, from USD 261.3m to USD 574.7m. Organic revenue grew at a rate of 86%, predominantly driven by CentralNic's TONIC platform. Inorganic growth was obtained from the full year impact of the Wando and White & Case acquisitions, as well as the acquisitions of VGL and Aporia and, to a lesser degree, Fireball.

The number of visitor sessions also increased by 77% from 2.6 billion in 2021 to 4.6 billion in 2022 and the revenue per thousand sessions ("RPM") increased by 37% from USD 76.40 to USD 105.00³.

CentralNic is a leader in online privacy, as none of our marketing platforms make use of third-party cookies, instead relying on contextual data. We therefore expect that restrictions placed on those practices (e.g., the ban of third-party cookies in Google Chrome or App Tracking Transparency in iOS 14.5 or Android 12 and later versions) will continue to benefit CentralNic, as we provide an alternative for online marketers that is proven to be highly effective, whilst respecting the privacy of internet users. This puts us at the forefront of companies offering solutions for a more privacy conscious world, a key success factor in winning market share.

³ Based on analysis of c.84% of the segment which can be adequately and reliably be described by this KPI

Online Presence segment

Reported revenue in the segment increased by 3% from USD 149.3m for the year ended 31 December 2021 to USD 153.5m for the year ended 31 December 2022. Organic growth for the Online Presence segment was slightly higher at 4% over the year when adjusted for non-USD revenues translating into fewer USD following the deterioration of most global currencies against USD during the early part of the 2022 financial year.

The average revenue per domain year increased by 5% from USD 9.40 in 2021 to USD 9.90 in 2022, while the number of processed domain registrations decreased by 2% from 12.6m in 2021 to 12.3m in 2022⁴. The share of Value-Added Service revenue for the year ended 31 December 2022 remained stable at 8%.

Outlook

CentralNic has enjoyed a very strong 2022, particularly in our Online Marketing segment. For the year ended 31 December 2022, we reported 60% organic revenue growth on a pro forma basis. Moreover, as the Company rapidly scales up, the underlying qualities of high recurring revenues and excellent cash conversion become increasingly meaningful. Furthermore, the Group has strong operating leverage, as demonstrated by CentralNic's Adjusted EBITDA as a percentage of Net Revenue increasing from 39% for the year ended 31 December 2021 to 48% for the year ended 31 December 2022.

As a virtually pure-play recurring revenue business with high inherent cash conversion consistently above 100%, the Company continues to improve its key financial metrics as it grows, including its cash position, interest coverage and net debt to EBITDA ratio. Our net leverage has substantially reduced and is now only 0.9x trailing 12-month EBITDA compared to 2.2x as of 31 December 2021. CentralNic is therefore comfortably positioned, particularly given the Group's high cash generation and the expected contribution from recently completed acquisitions. With USD 100m of committed and available to be drawn finance facilities, CentralNic now has additional capacity to find highly earnings accretive M&A opportunities while maintaining its disciplined capital allocation approach and returning cash to shareholders when appropriate.

Whilst the Directors continue to monitor the global macro-economic environment closely, they are confident in the Group's outlook. Targeted investment in people and our market-leading products, in particular our suite of privacy-safe online marketing technologies, position us to succeed.

Michael Riedl
Chief Executive Officer

⁴ Based on analysis of c.79% of the segment which can be adequately and reliably be described by this KPI

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Unaudited Year ended 31 December 2022 USD'000	Audited Year ended 31 December 2021 USD'000
Revenue	5	728,237	410,540
Cost of sales		(550,541)	(292,041)
Gross profit		177,696	118,499
Administrative expenses		(138,445)	(101,140)
Share-based payment expenses		(5,698)	(5,006)
Operating profit		33,553	12,353
Adjusted EBITDA^(a)		86,024	46,251
Depreciation of property, plant and equipment		(2,979)	(3,514)
Amortisation and impairment of intangible assets		(36,399)	(18,291)
Non-core operating expenses ^(b)	6	(8,169)	(8,702)
Foreign exchange gain		774	1,615
Share-based payment expenses		(5,698)	(5,006)
Operating profit		33,553	12,353
Finance income	7	10	59
Finance costs	7	(13,134)	(10,857)
Foreign exchange loss on borrowings	7	(5,612)	-
Net finance costs		(18,736)	(10,798)
Profit before taxation		14,817	1,555
Taxation charge		(16,895)	(5,097)
Loss after taxation		(2,078)	(3,542)
Items that may be reclassified subsequently to profit and loss			
Exchange difference on translation of foreign operation ^(c)		(13,720)	1,573
Movement arising on changes in fair value of hedging instruments		6,217	(6,419)
Total comprehensive loss for the financial year		(9,581)	(8,388)
Loss after tax is attributable to:			
Owners of CentralNic Group Plc		(2,078)	(3,542)
		(2,078)	(3,542)
Total comprehensive loss is attributable to:			
Owners of CentralNic Group Plc		(9,581)	(8,388)
		(9,581)	(8,388)
Earnings per share			
Basic (cents)		(0.78)	(1.56)
Diluted (cents)		(0.78)	(1.56)
Adjusted earnings - Basic (cents)		20.01	11.80
Adjusted earnings - Diluted (cents)		19.81	11.46

All amounts relate to continuing activities

^(a) Parent and subsidiary earnings before interest, tax, depreciation, amortisation, non-cash charges and non-core operating expenses.

^(b) Non-core operating expenses include items related primarily to acquisition, integration and other related costs, which are not incurred as part of the underlying trading performance of the Group, and which are therefore adjusted for, in line with Group policy.

^(c) The USD 13.7m exchange difference on translation of foreign operations is the result of lower USD revaluations of non-current assets denominated in EUR, as EUR deteriorated against USD during the year. These non-current assets are primarily Goodwill and Intangible Assets arising from acquisitions and as such this loss has no impact on reported cash flow or future cash flow.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Unaudited Year ended 31 December 2022 USD'000	Audited Year ended 31 December 2021 USD'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	1,835	1,820
Right-of-use assets	5,523	6,781
Intangible assets	347,938	254,169
Other non-current assets	284	439
Investments	-	58
Deferred tax assets	9,482	8,563
	365,062	271,830
CURRENT ASSETS		
Trade and other receivables	98,231	71,363
Inventory	646	895
Cash and bank balances	94,773	56,133
	193,650	128,391
TOTAL ASSETS	558,712	400,221
EQUITY AND LIABILITIES		
EQUITY		
Share capital	340	290
Share premium	98,347	39,845
Merger relief reserve	5,297	5,297
Share-based payments reserve	24,104	19,506
Cash flow hedging reserve	(202)	(6,419)
Foreign exchange translation reserve	(10,787)	2,933
Retained earnings	50,032	52,530
TOTAL EQUITY	167,131	113,982
NON-CURRENT LIABILITIES		
Other payables	13,855	4,420
Lease liabilities	1,922	5,105
Deferred tax liabilities	30,157	20,334
Borrowings	145,872	119,251
Derivatives	202	-
	192,008	149,110
CURRENT LIABILITIES		
Trade and other payables and accruals	190,347	117,016
Lease liabilities	3,770	1,837
Borrowings	5,326	11,857
Derivative financial liabilities	130	6,419
	199,573	137,129
TOTAL LIABILITIES	391,581	286,239
TOTAL EQUITY AND LIABILITIES	558,712	400,221

- Share capital represents the nominal value of the company's cumulative issued share capital.
- Share premium represents the cumulative excess of the fair value of consideration received for the issue of shares in excess of their nominal value less attributable share issue costs and other permitted reductions.
- Merger relief reserve represents the cumulative excess of the fair value of consideration received for the issue of shares in excess of their nominal value less attributable shares issue costs and other permitted reductions.
- Retained earnings represents the cumulative value of the profits not distributed to shareholders but retained to finance the future capital requirements of the CentralNic Group.
- Share-based payments reserve represents the cumulative value of share-based payments recognised through equity and deferred tax assets arising thereon, net of exercised and lapsed options.
- Cash flow hedging reserve represents the effective portion of changes in the fair value of derivatives.
- Foreign exchange translation reserve represents the cumulative exchange differences arising on Group consolidation.

CENTRALNIC GROUP PLC CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	Share capital USD'000	Share premium USD'000	Merger relief reserve USD'000	Share- based payments reserve USD'000	Cash flow hedging reserve USD'000	Foreign exchange translation reserve USD'000	Accumulated profits/ (losses) USD'000	Equity attributable to owners of the Parent Company USD'000
Balance as at 1 January 2021	290	39,845	5,297	11,032	-	1,360	56,072	113,896
Loss for the year	-	-	-	-	-	-	(3,542)	(3,542)
Other comprehensive income – translation of foreign operation	-	-	-	-	-	1,573	-	1,573
Other comprehensive income – changes in fair value of hedging instruments	-	-	-	-	(6,419)	-	-	(6,419)
Total comprehensive loss for the year	-	-	-	-	(6,419)	1,573	(3,542)	(8,388)
Transactions with owners								
Share-based payments	-	-	-	7,110	-	-	-	7,110
Share-based payments – deferred tax assets	-	-	-	2,227	-	-	-	2,227
Share-based payments – exercised and lapsed	-	-	-	(863)	-	-	-	(863)
Balance as at 31 December 2021	290	39,845	5,297	19,506	(6,419)	2,933	52,530	113,982
Loss for the year	-	-	-	-	-	-	(2,078)	(2,078)
Other comprehensive income – translation of foreign operation	-	-	-	-	-	(13,720)	-	(13,720)
Other comprehensive income – changes in fair value of hedging instruments	-	-	-	-	6,217	-	-	6,217
Total comprehensive loss for the year	-	-	-	-	6,217	(13,720)	(2,078)	(9,581)
Transactions with owners								
Issue of share capital	50	59,650	-	-	-	-	-	59,700
Share issue costs	-	(1,148)	-	-	-	-	-	(1,148)
Repurchase of shares	-	-	-	-	-	-	(420)	(420)
Share-based payments	-	-	-	5,698	-	-	-	5,698
Share-based payments – deferred tax assets	-	-	-	(79)	-	-	-	(79)
Share-based payments – exercised and lapsed	-	-	-	(1,021)	-	-	-	(1,021)
Balance as at 31 December 2022	340	98,347	5,297	24,104	(202)	(10,787)	50,032	167,131

- Share capital represents the nominal value of the company's cumulative issued share capital.
- Share premium represents the cumulative excess of the fair value of consideration received for the issue of shares in excess of their nominal value less attributable share issue costs and other permitted reductions.
- Merger relief reserve represents the cumulative excess of the fair value of consideration received for the issue of shares in excess of their nominal value less attributable shares issue costs and other permitted reductions.
- Retained earnings represents the cumulative value of the profits not distributed to shareholders but retained to finance the future capital requirements of the CentralNic Group.
- Share-based payments reserve represents the cumulative value of share-based payments recognised through equity and deferred tax assets arising thereon, net of exercised and lapsed options.
- Cash flow hedging reserve represents the effective portion of changes in the fair value of derivatives.
- Foreign exchange translation reserve represents the cumulative exchange differences arising on Group consolidation.

CONSOLIDATED STATEMENT OF CASH FLOWS	Unaudited Year ended 31 December 2022 USD'000	Audited Year ended 31 December 2021 USD'000
Cash flow from operating activities		
Profit before taxation	14,817	1,555
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	2,979	3,514
Amortisation and impairment of intangible assets	36,399	18,291
Finance cost (net)	18,736	10,798
Share-based payments	5,698	5,006
Increase in trade and other receivables	(9,943)	(20,816)
Increase in trade and other payables and accruals	16,939	24,605
Decrease in inventories	249	302
Cash flow from operations	85,874	43,255
Income tax paid	(8,399)	(2,230)
Net cash flow generated from operating activities	77,475	41,025
Cash flow used in investing activities		
Purchase of property, plant and equipment	(1,334)	(722)
Purchase of intangible assets	(5,209)	(4,088)
Payment of deferred consideration	(2,655)	(1,719)
Proceeds from disposals of investments	150	-
Acquisition of subsidiaries and domain portfolios, net of cash acquired	(81,546)	(18,344)
Net cash flow used in investing activities	(90,594)	(24,873)
Cash flow used in financing activities		
Proceeds from borrowings	185,501	25,700
Settlement of forward foreign exchange contracts	(25,520)	-
Repayment of bond financing	(128,583)	-
Repayment of revolving credit facility	(18,810)	-
Bank finance arrangement fees	(3,417)	(979)
Accrued interest on bond tap	411	-
Bond finance arrangement fees	(800)	-
Proceeds from issuance of ordinary shares (net)	58,607	-
Repurchase of ordinary shares	(420)	-
Repayment of finance leases	(2,166)	(1,981)
Interest paid	(7,766)	(8,695)
Net cash flow generated from financing activities	57,037	14,045
Net increase in cash and cash equivalents	43,918	30,197
Cash and cash equivalents at beginning of the year	56,133	28,654
Exchange differences on cash and cash equivalents	(5,278)	(2,718)
Cash and cash equivalents at end of the year	94,773	56,133

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS

1. General information

CentralNic Group Plc is the UK holding company of a group of companies which are engaged in the provision of global domain name services. The Company is registered in England and Wales. Its registered office and principal place of business is 4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR.

The CentralNic Group is a global internet platform that derives recurring revenue from privacy-safe, AI based customer journeys that help online consumers make informed choices as well as from the distribution of domain names and related digital services.

2. Basis of preparation

The financial results for the year ended 31 December 2022 are unaudited and have been prepared on the basis of the accounting policies set out in the Group's 2021 statutory accounts and, for all periods presented, in line with the principal disclosure requirements of IAS 34: Interim Financial Reporting.

The unaudited financial results are condensed and do not represent statutory accounts within the meaning of section 435 of the Companies Act 2016. The statutory accounts for the year ended 31 December 2021, upon which the auditors issued an unqualified opinion, are available on the Group's website and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

As a profitable provider of online recurring revenue services with high cash conversion and solid organic growth, de-centrally organised and catering to solid customers distributed over the entire globe, CentralNic has not been, and is not expected to be, severely affected by recessionary external factors. The debt facilities of the Group were successfully refinanced in October 2022 and the Directors have taken the necessary precautions to preserve the Group's cash and review the acquisition pipeline and financing plans to ensure stability and optimisation of the business strategies in the current global climate.

3. Change of functional currency

On 1 January 2022, CentralNic Group Plc, the parent company of the Group, changed its functional currency from EUR to USD. The change was made to reflect that, when taking into account the impact of derivative financial instruments, USD has become the predominant currency in CentralNic Group Plc, accounting for a significant part of the parent company's foreign currency borrowings. The change has been implemented with prospective effect only and comparatives have not been restated. The financial impact of the change is that the revaluation of the EUR-denominated debt (USD 20.2m reduction in borrowings) is processed through the profit and loss account rather than through other comprehensive income. The change in functional currency also has necessitated a review of the hedge accounting treatment of the forward foreign exchange contracts with HSBC Bank Plc and Global Reach Partners Limited. Following the change in functional currency, these forward foreign exchange contracts were no longer considered to be effective and the cumulative cash flow hedging reserve as at 31 December 2021 was recycled through the profit and loss account for the year ended 31 December 2022.

4. Segment analysis

CentralNic is an independent global service provider building and managing platforms that sell Online Presence and Online Marketing services. Operating segments are organised around the products and services of the business and are prepared in a manner consistent with the internal reporting used by the chief operating decision maker to determine allocation of resources to segments and to assess segmental performance. The Directors do not rely on analyses of segment assets and liabilities, nor on segmental cash flows arising from the operating, investing and financing activities for each reportable segment, for their decision making and therefore have not included them.

The Online Marketing segment creates privacy-safe, AI-based customer journeys that help online consumers make informed choices. The Online Presence segment conducts business as a global distributor of domain names through a network of channel partners as well as selling domain names and ancillary services to end users, monitoring services to protect brands online, technical and consultancy services to corporate clients, and licensing the Group's in-house developed registry management platform on a global basis.

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS (continued)

4. Segment analysis (continued)

Management reviews the activities of the CentralNic Group in the segments disclosed below:

	Unaudited Year ended 31 December 2022 USD'000	Audited Year ended 31 December 2021 USD'000
Online Marketing		
Revenue	574,721	261,266
Cost of sales	(449,622)	(196,017)
Gross profit	<u>125,099</u>	<u>65,249</u>
Online Presence		
Revenue	153,516	149,274
Cost of sales	(100,919)	(96,024)
Gross profit	<u>52,597</u>	<u>53,250</u>
Total revenue	728,237	410,540
Total cost of sales	(550,541)	(292,041)
Gross profit	<u>177,696</u>	<u>118,499</u>

5. Revenue

The Group's revenue is generated from the following geographical areas:

	Unaudited Year ended 31 December 2022 USD'000	Audited Year ended 31 December 2021 USD'000
Online Marketing		
UK	2,914	3,239
North America	18,545	19,045
Europe	536,065	217,211
ROW	17,197	21,771
	<u>574,721</u>	<u>261,266</u>
Online Presence		
UK	4,103	3,648
North America	47,290	43,279
Europe	72,135	70,462
ROW	29,988	31,885
	<u>153,516</u>	<u>149,274</u>
Total revenue	<u>728,237</u>	<u>410,540</u>

* End customers may be located in different territories as notable parts of the business are conducted through channel partners. Looking through the channel partners, North America represents c.42% of group revenue

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS (continued)

6. Non-core operating expenses

	Unaudited Year ended 31 December 2022 USD'000	Audited Year ended 31 December 2021 USD'000
Acquisition related costs	3,480	3,081
Integration and streamlining costs	3,949	3,915
Other costs ⁽¹⁾	740	1,706
	<u>8,169</u>	<u>8,702</u>

⁽¹⁾ Other costs include items related primarily to restructuring expenses.

7. Finance income and costs

	Unaudited Year ended 31 December 2022 USD'000	Audited Year ended 31 December 2021 USD'000
Finance income	(10)	(59)
Impact of unwinding of discount on net present value of deferred consideration	1,005	246
Reappraisal of deferred consideration	(1,328)	(71)
Arrangement fees on borrowings ⁽¹⁾	2,994	1,553
Interest expense on short-term borrowings	2,465	269
Interest expense on long-term borrowings	7,685	8,664
Interest expense on leases	183	196
Loss arising on derivatives classified as fair value hedges	130	-
Foreign exchange loss on borrowings ⁽²⁾	5,612	-
Net finance costs	<u>18,736</u>	<u>10,798</u>

⁽¹⁾ Arrangement fees in 2022 include a non-recurring acceleration of arrangement fees relating to the bond financing

⁽²⁾ Foreign exchange loss on borrowings represents a non-recurring net loss on a) the revaluation of the EUR-denominated debt and b) the recycling of the forward foreign exchange contracts

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS (continued)

8. Earnings per share

Earnings per share has been calculated by dividing the consolidated loss after taxation attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share have been calculated on the same basis as above, except that the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares (arising from the Group's share option scheme and warrants) into ordinary shares has been added to the denominator. There are no changes to the loss numerator because of the dilutive calculation. Due to the loss made in the financial years, the impact of the potential shares to be issued on exercise of share options and warrants would be anti-dilutive and therefore diluted earnings per share is reported on the same basis on earnings per share.

	Unaudited Year ended 31 December 2022 USD'000	Audited Year ended 31 December 2021 USD'000
Loss after tax attributable to owners	(2,078)	(3,542)
Operating profit	33,553	12,353
Depreciation of property, plant and equipment	2,979	3,514
Amortisation and impairment of intangible assets	36,399	18,291
Non-core operating expenses	8,169	8,702
Foreign exchange gain	(774)	(1,615)
Share-based payment expenses	5,698	5,006
Adjusted EBITDA	86,024	46,251
Depreciation	(2,979)	(3,514)
Finance costs (excluding deferred consideration amounts, foreign exchange loss on borrowings and write off of arrangement fees on borrowing – note 7)	(13,022)	(10,857)
Finance income	10	59
Taxation	(16,895)	(5,097)
Adjusted earnings	53,138	26,842
Weighted average number of shares:		
Basic	265,623,278	227,380,670
Effect of dilutive potential ordinary shares	2,584,385	6,856,289
Diluted	268,207,663	234,236,959
Earnings per share:		
Basic (cents)	(0.78)	(1.56)
Diluted (cents)	(0.78)	(1.56)
Adjusted earnings - Basic (cents)	20.01	11.80
Adjusted earnings - Diluted (cents)	19.81	11.46

Basic and diluted earnings per share of (0.78) cents (2021: (1.56) cents) have been impacted by depreciation, amortisation, impairment, non-core operating expenses, foreign exchange gains and losses and share-based payment expenses.

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS (continued)

9. Financial instruments

The CentralNic Group is exposed to market risk, credit risk and liquidity risk arising from financial instruments. The Group's overall financial risk management policy focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not trade in financial instruments.

Cash conversion for the year ended 31 December 2022 was as follows:

	Unaudited Year ended 31 December 2022 USD'000	Audited Year ended 31 December 2021 USD'000
Cash conversion		
Cash flow from operations	85,874	43,255
Exceptional costs incurred and paid during the year	7,935	11,025
Settlement of non-recurring working capital items from the prior year	1,168	1,975
Adjusted cash flow from operations	94,977	56,255
Adjusted EBITDA	86,024	46,251
Conversion %	110%	122%

Net debt as at 31 December 2022 and 2021 is shown in the table below.

	Bond USD'000	Bank debt USD'000	Cash USD'000	Net debt USD'000
At 31 December 2021	(116,696)	(14,412)	56,133	(74,975)
Drawdown	(23,312)	(157,767)	181,079	-
Repayment of debt	124,047	19,084	(143,131)	-
Amortisation of costs	(2,227)	(198)	-	(2,425)
Other cash movements	-	-	5,970	5,970
Net cash flows before foreign exchange	98,508	(138,881)	43,918	3,545
Foreign exchange differences	18,188	2,095	(5,278)	15,005
At 31 December 2022	-	(151,198)	94,773	(56,425)

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS (continued)

10. Business combinations

Acquisition of M.A Aporia Limited

On 13 September 2022, the Group acquired M.A Aporia Limited, an Israel-based technology company operating in the fields of social media and native advertising headquartered in Tel Aviv. Aporia was acquired for an initial consideration of USD 11.2m in cash subject to customary adjustments for net cash and working capital. An earnout arrangement was agreed, under which additional deferred contingent consideration of up to USD 7.8m may be paid over a performance period until and including 2024.

In FY2021, Aporia generated revenue of USD 35.0m, gross profit of USD 3.5m and EBITDA of USD 2.0m. The acquisition is part of a larger vertical integration strategy, providing the Group's Online Marketing segment with more direct access to high quality traffic to monetise. The acquisition will be immediately earnings accretive. As Aporia is an exclusive supplier to CentralNic, the transaction increased CentralNic's gross margin and EBITDA margin but had no immediate impact on revenue.

The following table summarises the consideration paid for M.A Aporia Limited and the fair values of the assets and liabilities at the acquisition date, in line with Group policies.

	USD'000
Initial cash consideration (adjusted for cash and working capital)	7,904
Deferred consideration (discounted)	5,639
Deferred contingent consideration (discounted)	5,799
Total consideration	19,342
Fair values recognised on acquisition	
Assets	
Software	10,360
Property, plant and equipment	6
Trade and other receivables	5,398
Deferred tax asset	65
Cash and cash equivalents	3,460
Total assets	19,289
Liabilities	
Trade payables and accruals	5,636
Current tax payable	47
Provisions	272
Deferred tax liability	1,243
Total liabilities	7,198
Total identifiable estimated net assets at fair value	12,091
Goodwill arising on acquisition	7,251
Purchase consideration	19,342

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS (continued)

10. Business combinations (continued)

Acquisition of IPMC

On 25 October 2022, the Group acquired Intellectual Property Management Company, ("IPMC"), a California-based domain name management business for an enterprise value of USD 7.3m in cash, representing c. 2.7x its 2021 unaudited revenue and c. 5.9x its 2021 Adjusted EBITDA, subject to customary adjustments for net cash and working capital. The purchase price was settled from existing liquidity reserves. IPMC provides subscription-based corporate domain management services to enterprise customers including many globally recognised brands, which are highlighted on IPMC's website at <https://ipm.domains>. The Company expects better coverage and increased market share in the North American market as well as synergies from streamlining procurement and operations. The acquisition was immediately earnings accretive.

The following table summarises the consideration paid for IPMC and the fair values of the assets and liabilities at the acquisition date, in line with Group policies.

	USD'000
Initial cash consideration	7,761
Deferred consideration	823
Total consideration	8,584
Fair values recognised on acquisition	
Assets	
Customer list	3,656
Trademarks	273
Trade receivables	634
Cash and cash equivalents	1,290
Total assets	5,853
Liabilities	
Accruals and deferred revenue	1,497
Current tax payable	395
Provisions	232
Deferred tax liability	1,172
Total liabilities	3,296
Total identifiable estimated net assets at fair value	2,557
Goodwill arising on acquisition	6,027
Purchase consideration	8,584

Acquisition of Publishing Network

On 19 December 2022, the Group entered into an agreement to acquire a portfolio of revenue generating niche websites for a consideration of USD 5.2m in cash and assumed working capital liabilities in an asset deal from multiple sellers. The acquisition was financed from available liquidity. The acquisition was immediately earnings accretive. On a standalone basis, the websites are expected to generate at least USD 1.9m in annualised revenue and USD 1.4m in annualised EBITDA post-acquisition. As CentralNic was already monetising a part of the websites' traffic, this is expected to translate into c. USD 1.2m of additional revenue, c. USD 0.5m of reduced COGS and c. USD 1.4m of EBITDA as of financial year 2023. The acquisition is part of a vertical integration strategy, providing the Group's Online Marketing segment with proprietary, exclusive special interest traffic to monetise.

Acquisitions in previous quarters

For further details regarding the acquisitions of VGL Verlagsgesellschaft mbH (now VGL Publishing AG) on 7 March 2022, of the .ruhr TLD on 28 January 2022, and of Fireball Search GmbH on 2 February 2022, please refer to note 9 of the unaudited financial results for the three months ended 31 March 2022 as published and released on 23 May 2022.

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS (continued)

10. Business combinations (continued)

Deferred consideration payments

The following deferred consideration payments were made in the year ended 2022:

- In April and May 2022, a total of USD 707,000 was paid as the third tranche of deferred consideration in respect of the SK-NIC acquisition. One final payment may become payable in 2024
- On 30 May 2022, deferred consideration of USD 161,000 was paid in respect of the .ruhr TLD acquisition
- On 18 July 2022, a final deferred consideration payment of USD 1,138,000 for the acquisition of KeyDrive SA was settled in cash
- In December 2022, USD 125,000 of deferred consideration was settled in respect of the NameAction acquisition. Final deferred consideration will be paid in December 2023
- While the final determination of the deferred consideration payments for the 2022 performance periods of VGL Publishing AG and M.A Aporia Ltd. is still pending, due to the excellent performance of the acquired assets, the Directors expect deferred consideration payments of c. USD 19m to become due in Q2 2023

11. Events occurring after the year-end

Detailed below are the significant events that happened after the Group's year-end date of 31 December 2022 and before the publication of these unaudited preliminary accounts on 27 February 2023:

- On 19 January 2023, the Group completed a share buyback program. The issued share capital of the Company remains unchanged at 288,660,084 and the Company now holds 2,570,160 shares in treasury. The total voting rights in the Company is now 286,089,924 which may be used by shareholders as the denominator the calculations by which they will determine if they are required to notify their interests in, or a change to their interest in, CentralNic Group plc under the FCA's Disclosure Guidance and Transparency Rules.
- On 30 January 2023, the Company announced that William "Billy" Green, who was appointed Group CFO on 12 December 2022, was appointed to the board of Directors. At the same time, Don Baladasan, Group Managing Director, stepped down from the main board although he will continue to serve on the supervisory boards of CentralNic's subsidiaries Team Internet AG and VGL Publishing AG.