RNS Number : 6040Q
CentralNic Group PLC
01 March 2021

1 March 2021

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

UNAUDITED PRELIMINARY ACCOUNTS FOR THE PERIOD ENDED 31 DECEMBER 2020

CentralNic Group Plc (AIM: CNIC), the global internet platform that derives revenue from the worldwide sales of internet domain names and related web services, announces its unaudited preliminary accounts for the financial year ended 31 December 2020. The audited annual report and accounts for 2020 will be published towards the end of April 2021. Both revenue and Adjusted EBITDA have increased year-on-year, driven by a combination of acquisitions and underlying organic growth.

Financial Summary:

- Revenue increased by 121% to USD 241.2m (FY2019: USD 109.2m)
- Net revenue/Gross profit increased by 78% to USD 76.3m (FY2019: USD 42.8m)
- Adjusted EBITDA* increased by 71% to USD 30.6m (FY2019: USD 17.9m)
- Operating profit increased by USD 3.2m to USD 0.4m (FY2019: operating loss of USD (2.8m))
- Net debt** stood at USD 85.0m (gross interest bearing debt of USD 113.6m, cash of USD 28.7m) as compared to USD 75.0m in FY2019 (gross interest bearing debt of USD 101.2m, cash of USD 26.2m)

As CentralNic made one major acquisition in 2020 and four acquisitions in 2019, the Company also prepared a pro forma comparable financial summary including all businesses currently controlled by CentralNic (a definition of which is provided in a footnote on the page below), to effectively isolate organic growth.

Financial Organic Summary on a pro forma basis*:**

- Revenue increased by 9% to USD 289.7m (pro forma FY2019: USD 265.9m)
- Gross profit increased by 8% to USD 96.6m (pro forma FY2019: USD 89.5m)
- Adjusted EBITDA* increased by 4% to USD 35.6m (pro forma FY2019: USD 34.1m)

Operational Highlights:

- Strong organic growth in the face of the COVID crisis
- All staff and systems remained fully operational with no interruption to the supply chains
- Completed an operational restructure which included investing significantly in new management personnel and systems to position the Group well for future growth
- Healthy demand for our two largest service lines, Wholesale domains and, most importantly, Monetisation - the latter also driven by the rollout of a patented SSL monetisation solution in late 2019

Financial Highlights:

- Payment of EUR 2.7m of earn-out for the Team Internet acquisition paid in June 2020 (EUR 0.9m of retention payment are still outstanding)
- EUR 1.3m of deferred consideration for SK-NIC was settled in July 2020; a maximum of EUR 1.7m is yet to be paid
- Conversion of the share premium account into a distributable reserve in August 2020
- The final deferred consideration payment of EUR 2.7m for Hexonet was settled in August 2020 by issuing 3.2m new shares
- The final deferred consideration payment of EUR 0.45m for GlobeHosting was paid in August 2020
- Payment of the 2019 KeyDrive earnout of USD 2.2m, paid 15% in cash and 85% by issuing 1.7m new shares; up to USD 1.4m of earnout may still be payable if certain conditions are met
- Successful placing of 40 million shares at a price of GBP 0.75 per share for total net proceeds of approximately USD 37.3m
- Acquisition of Codewise for USD 36.0m
- Profitable sale of a minority interest in Thomsen Trampedach for USD 1.8m

Post Year-End Highlights:

- Completion of acquisition of SafeBrands, a French Enterprise Domain Management and Online Brand Protection provider, strengthening our Enterprise division within the Direct Segment, for USD 3.7m plus a deferred consideration of USD 0.7m
- Successful, oversubscribed placement of EUR 15m (USD 18.2m approximately) of senior secured callable bonds at 104.5% of nominal value
- Completion of the acquisition of Wando Internet Solutions for USD 6.5m plus an additional earnout of up to USD 6.5m

Outlook:

- The strong organic growth in 2020 demonstrates the Company's resilience despite the economic crisis, and ability to execute on its accelerated buy and build strategy
- New product launches and further integration activities will support revenue growth and margins
- The Company's successful consolidation strategy continues, with opportunities being continually assessed in what is a large, globally fragmented and growing market
- Management is pleased that the full year results have been delivered in line with management expectations

Ben Crawford, CEO of CentralNic, commented: *"In 2020, CentralNic generated as much revenue as in the five preceding years all added together. These outstanding results not only demonstrate that CentralNic can source and complete transformative acquisitions, but that it can also integrate them successfully while delivering record organic growth. Moreover, as we scale up rapidly, the underlying qualities of high recurring revenues with 99% of revenue derived from sales of recurring products and services and high cash conversion calculated at 106% on an adjusted basis become increasingly meaningful.*

"Our pipeline of future deals remains strong, while our net debt level remains comfortable particularly given the profitability and healthy cash flow from the existing CentralNic Group and the expected contribution from recent acquisitions. We have also brought on new staff, including a number of new senior managers, and systems to drive our organic growth, and we are confident in continuing our trajectory towards joining the ranks of the global leaders in our industry."

* *Subsidiary and Associate Earnings before interest, tax, depreciation, amortisation, non-cash charges and non-core operating expenses*
*** Includes gross cash, debt and prepaid finance costs*
**** Given that the Group has made a number of key strategic acquisitions in 2019 and 2020, we have estimated unaudited pro forma information to provide period-to-period comparison of performance. In doing so, we have made the following assumptions: (a) figures are provided for the entire comparative period, irrespective of when the acquisition by the Group arose; (b) adjustments have been made to the currency rates used for the comparative period to the most recent balance sheet date to harmonise the impact of currency fluctuations; (c) the impact of unwinding the deferred revenues relating to the period prior to 1 November 2018 arising from a change in the terms of conditions, as well as identified material non-cash or one-off revenues, have been excluded to ensure period to period*

comparability; and (d) adjustments have been made, as appropriate, to ensure GAAP comparability between periods. Differences to reported figures may result.

These unaudited preliminary accounts have been prepared for the purpose of fulfilling the information undertaking requirements included in the bond terms for the Senior Secured Callable Bond Issue.

For further information:
CentralNic Group Plc
Ben Crawford, Chief Executive Officer +44 (0) 203 388 0600
Don Baladasan, Group Managing Director
Michael Riedl, Chief Financial Officer

Zeus Capital Limited - NOMAD and Joint Broker
Nick Cowles / Jamie Peel (Corporate Finance) +44 (0) 161 831 1512
John Goold / Rupert Woolfenden (Institutional Sales) +44 (0) 203 829 5000

Stifel - Joint Broker
Fred Walsh / Alex Price / Richard Short +44 (0) 20 7710 7600

Newgate Communications (for Media)
Bob Huxford / Tom Carnegie / Isabelle Smurfit +44 (0) 203 757 6880
centralnic@newgatecomms.com

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 London-based AIM-listed company which drives the growth of the global digital economy by developing and managing software platforms allowing businesses globally to buy subscriptions to domain names, used for their own websites and email, as well as for protecting their brands online. These platforms can also be used for distributing domain name related software and services, an opportunity that contributes significantly to CentralNic's organic growth. The Company's inorganic growth strategy is identifying and acquiring cash-generative businesses in its industry with annuity revenue streams and exposure to growth markets, and migrating them onto the CentralNic software and operating platforms. CentralNic operates globally with customers in almost every country in the world. It earns recurring revenues from the worldwide sales of internet domain names and other services on an annual subscription basis. For more information please visit: www.centralnicgroup.com

MANAGEMENT COMMENTARY ON PERFORMANCE

Introduction
CentralNic's organic growth, combined with its 2019 and 2020 acquisitions, substantially increased the scale and capabilities of the Company. The effect of this is demonstrated in our unaudited preliminary FY2020 results which show a transformational increase in revenues and adjusted EBITDA, both of which have grown by 121% and 71% respectively against FY2019. This is before the impact of the acquisitions of SafeBrands and Wando Internet Solutions, which completed after the balance sheet date of this report.

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

	31 December 2020	31 December 2019	Change
	USD'000	USD'000	%
Revenue	241,212	109,194	120.9%
Gross profit	76,318	42,775	78.4%
Adjusted EBITDA	30,594	17,921	70.7%
Operating profit	360	(2,821)	NM
Profit/(loss) after tax	(9,047)	(6,577)	(37.6)%
EPS - Basic (cents)	(4.60)	(3.72)	(23.7)%
EPS - Adjusted earnings - Basic (cents) [1]	10.25	9.24	10.9%

[1] Please refer to note 7

On a pro forma basis (as defined in the footnote on page 2), the Company grew by 9% organically during FY2020, as compared to FY2019, from USD 265.9m to USD 289.7m.

Team Internet represented a significant proportion of the strong performance in the period. The acquired businesses have similar patterns of recurring revenue and cash conversion as CentralNic's prior business, and hence recurring revenue and cash conversion are expected to remain in line with the long-term trend. This underpins the Company's financial stability and visibility of earnings. The decrease in average gross margin from 39.2% to 31.6% reflects the change in the business blend as a result of the 2019 and 2020 acquisitions. The marginal drop of gross margin on a proforma basis from 33.7% to 33.4% is testament to this fact.

Segmental Analysis
Indirect segment
Significant scale was achieved in the Indirect segment, with revenues increasing by USD 25.1m or 41%, from USD 60.7m to USD 85.8m, chiefly driven by the full year effect of the acquisitions of TPP Wholesale in July 2019 and Hexonet Group in August 2019. On a pro forma basis, revenue increased by USD 5.7m or 7% from USD 83.3m to USD 89.1m.

During the period, the Company successfully completed a number of key integration tasks within its Indirect segment, most notably the migration of all .au domain names from the Webcentral (formerly Arq Group) platform to CentralNic's central domain procurement engine, leading to estimated future annualised savings of USD 350,000 on cost of sales.

At the same time, CentralNic continued to develop its reseller key accounts with seven out of the top ten customer accounts having increased their spend compared to 2019 by up to 63%.

Direct segment
Revenue in the Direct segment decreased by USD 3.2m or 7%, from USD 46.6m to USD 43.4m. The decrease was largely due to the diminishing impact of the November 2018 change in terms and conditions, the reallocation of the data center business to the Indirect business and the reallocation of the monetisation activities to the Monetisation segment. The acquisition of Ideegeo contributed favourably to growth. On a pro forma basis, revenue was stable with USD 44.3m in FY2019 and USD 44.4m in FY2020.

Management is positive that the segment will return to growth with further client wins, and a healthy pipeline of prospective clients.

Monetisation
The fastest growing segment of CentralNic's business was Monetisation, which is for the first time presented as a separate segment. On a pro forma basis, revenue increased strongly by USD 17.9m or 13% from USD 138.3m to USD 156.2m. Excluding the acquisition of Codewise, revenue would have increased by USD 26.9m or 35% from USD 76.5m to USD 103.4m. The contraction of Codewise revenue was due to optimisation for gross profit and was known at the time of acquisition. Going forward, Management expects both businesses to contribute to growth.

Revenue growth has been driven mostly by an increase in the average yield ("RPM") of 36%. This is a result of both superior traffic quality subsequent to pruning the publisher base, as well as the rollout of Team Internet's patented SSL monetisation technology. At the same time, the number of page visits increased by 1%.

Outlook
In 2020 CentralNic delivered higher revenue than for the whole of the last five years combined and reported 9% revenue growth on a pro forma basis. Management is pleased with the achievement of strong results in 2020, in line with management expectations.

These outstanding results demonstrate that CentralNic can source and complete transformative acquisitions, but more importantly that it can also integrate them successfully while continuing to deliver organic growth. Moreover, as the business rapidly scales up, the underlying qualities of high recurring revenues and excellent cash conversion become increasingly meaningful.

The pipeline of future deals remains strong, while the net debt level remains comfortable particularly given the profitability of the existing CentralNic Group and the expected contribution from recent acquisitions. We are confident in continuing our trajectory towards joining the ranks of the global leaders in our industry.

Year-to-date, the Company has been trading in line with management's expectations.

Ben Crawford
Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**Note**	**Unaudited Year ended 31 December 2020 USD'000**	**Restated[c] Year ended 31 December 2019 USD'000**
Revenue	4	241,212	109,194
Cost of sales		(164,894)	(66,419)
Gross profit		76,318	42,775
Administrative expenses		(70,845)	(42,718)
Share-based payment expenses		(5,113)	(2,878)
Operating profit/(loss)		**360**	**(2,821)**
Adjusted EBITDA[a]		**30,594**	**17,921**
Depreciation of property, plant and equipment		(2,084)	(1,306)

Amortisation of intangible assets		(12,508)	(8,299)
Non-core operating expenses[b]	5	(8,237)	(7,357)
Foreign exchange loss		(2,137)	(828)
Share of associate EBITDA		(155)	(74)
Share-based payment expenses		(5,113)	(2,878)
Operating profit/(loss)		**360**	**(2,821)**
Finance income		5	5
Finance costs	6	(9,976)	(7,759)
Foreign exchange gain on borrowings	6	137	3,885
Net finance costs		(9,834)	(3,869)
Share of associate income		79	74
Loss before taxation		**(9,395)**	**(6,616)**
Taxation		348	39
Loss after taxation		**(9,047)**	**(6,577)**
Items that may be reclassified subsequently to profit and loss			
Exchange difference on translation of foreign operation		3,243	(6,034)
Total comprehensive loss for the financial year		**(5,804)**	**(12,611)**
Loss after tax is attributable to:		(9,047)	(6,513)

Owners of CentralNic Plc	-	(64)
Non-controlling interest		
	(9,047)	**(6,577)**
Total comprehensive loss is attributable to:		
Owners of CentralNic Plc	(5,804)	(12,547)
Non-controlling interest	-	(64)
	(5,804)	**(12,611)**
Earnings per share (note 7):		
Basic (cents)	**(4.60)**	**(3.72)**
Diluted (cents)	**(4.60)**	**(3.72)**
Adjusted earnings - Basic (cents)	10.25	9.24
Adjusted earnings - Diluted (cents)	9.85	8.97

All amounts relate to continuing activities.

(a) Subsidiary and Associate 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 prior year figures have been restated for the reclassification of foreign exchange differences arising from foreign currency borrowings as follows:

- a foreign exchange gain of USD 3,885,000 has been reclassified from administrative expenses to finance costs
- a foreign exchange loss of USD 1,583,000 has been reclassified from administrative expenses to other comprehensive income
- this results in a net increase in administrative expenses of USD 2,302,000

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**Unaudited Year ended 31 December 2020 USD'000**	**Restated Year ended 31 December 2019 USD'000**
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	2,222	1,695
Right-of-use assets	6,455	4,732
Intangible assets	260,569	206,055
Other non-current assets	661	739
Investments	114	1,778
Deferred tax assets	5,410	2,545
	275,431	**217,544**
CURRENT ASSETS		
Trade and other receivables	47,239	40,760
Inventory	1,011	491
Cash and bank balances	28,654	26,182
	76,904	**67,433**
TOTAL ASSETS	**352,335**	**284,977**
EQUITY AND LIABILITIES		
EQUITY		
Share capital	294	232
Share premium	39,845	74,840
Merger relief reserve	5,297	5,297
Share-based payments reserve	11,032	6,095
Foreign exchange translation reserve	1,360	(1,883)
Accumulated losses	58,684	(7,508)
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE GROUP	**116,512**	**77,073**
Non-controlling interests	-	(69)

TOTAL EQUITY	**116,512**	**77,004**
NON-CURRENT LIABILITIES		
Other payables	2,878	3,798
Lease liabilities	5,204	3,832
Deferred tax liabilities	21,965	22,609
Borrowings	107,820	98,967
	137,867	129,206
CURRENT LIABILITIES		
Trade and other payables and accruals	90,791	75,683
Lease liabilities	1,346	871
Borrowings	5,819	2,213
	97,956	78,767
TOTAL LIABILITIES	**235,823**	**207,973**
TOTAL EQUITY AND LIABILITIES	**352,335**	**284,977**

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**	**Foreign exchange translation reserve USD'000**	**Accumulated losses USD'000**	**Equity attributable to owners of the Parent Company USD'000**	**Non-controlling interests USD'000**	**Total equity USD'000**
Balance as at 1 January 2019	**216**	**69,238**	**2,314**	**3,330**	**4,151**	**(1,186)**	**78,063**	**5**	**78,068**
Loss for the year	-	-	-	-	-	(6,513)	(6,513)	(64)	**(6,577)**
Adjustment to non-controlling interests	-	-	-	-	-	11	11	(11)	**-**
Other comprehensive income - translation of foreign operation	-	(1)	-	-	(6,034)	-	(6,035)	1	**(6,034)**
Total comprehensive loss for the year	**-**	**(1)**	**-**	**-**	**(6,034)**	**(6,502)**	**(12,537)**	**(74)**	**(12,611)**
Transactions with owners									
Issue of share capital	16	5,603	2,983	-	-	-	8,602	**-**	**8,602**
Share-based payments	-	-	-	2,336	-	-	2,336	**-**	**2,336**
Share-based payments - deferred tax assets	-	-	-	609	-	-	609	**-**	**609**
Share-based payments - exercised and lapsed	-	-	-	(180)	-	180	-	**-**	**-**
Balance as at 31 December 2019 (restated)	**232**	**74,840**	**5,297**	**6,095**	**(1,883)**	**(7,508)**	**77,073**	**(69)**	**77,004**
Loss for the year	-	-	-	-	-	(9,047)	**(9,047)**	-	**(9,047)**
Other comprehensive	-	-	-	-	3,243	-	**3,243**	-	**3,243**

income - translation of foreign operation									
Total comprehensive loss for the year	-	-	-	-	3,243	(9,047)	**(5,804)**	-	**(5,804)**
Transactions with owners								-	**-**
Issue of share capital	62	43,674	-	-	-		**43,736**	-	**43,736**
Share issue costs	-	(3,829)	-	-	-		**(3,829)**	-	**(3,829)**
Elimination of share premium	-	(74,840)	-	-	-	74,840	**-**	-	**-**
Adjustment to non-controlling interest	-	-	-	-	-	-	**-**	69	**69**
Share-based payments	-	-	-	5,179	-		**5,179**	-	**5,179**
Share-based payments - deferred tax assets	-	-	-	157	-		**157**	-	**157**
Share-based payments - exercised and lapsed	-	-	-	(399)	-	399	**-**	-	**-**
Balance as at 31 December 2020	**294**	**39,845**	**5,297**	**11,032**	**1,360**	**58,684**	**116,512**	**-**	**116,512**

- 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 share issue costs and other permitted reductions. Where the consideration for shares in another company includes issued shares, and 90% of the equity is held in the other company.
- Retained earnings represent 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.
- Foreign exchange translation reserve represents the cumulative exchange differences arising on Group consolidation.
- The non-controlling interests comprise the portion of equity of subsidiaries that are not owned, directly or indirectly, by the Group. These non-controlling interests are individually not material for the Group.

CONSOLIDATED STATEMENT OF CASH FLOWS	**Unaudited Year ended 31 December 2020 USD'000**	**Restated Year ended 31 December 2019 USD'000**
Cash flow from operating activities		
Loss before taxation	(9,395)	(6,616)
Adjustments for:		
Depreciation of property, plant and equipment	2,084	1,306
Amortisation of intangible assets	12,508	8,299
Share of associate income	(155)	(74)
Gain on sale of associate	(266)	-
Finance cost (net)	9,834	3,869
Share-based payments	5,113	2,878
Decrease in trade and other receivables	(9,266)	(11,487)
Increase in trade and other payables and accruals	9,575	16,847
Decrease in inventories	-	3,603
Cash flow from operations	**20,032**	**18,625**
Income tax paid	(1,957)	(2,309)
Net cash flow generated from operating activities	**18,075**	**16,316**
Cash flow used in investing activities		
Purchase of property, plant and equipment	(1,296)	(755)
Purchase of intangible assets, net of cash acquired	(2,963)	(14,742)

Payment of deferred consideration	(5,467)	(2,940)
Acquisition of subsidiaries, net of cash acquired	(37,065)	(60,900)
Net cash flow used in investing activities	**(46,791)**	**(79,337)**
Cash flow used in financing activities		
Proceeds from borrowings	2,208	103,424
Bond arrangement fees	(645)	(2,377)
Proceeds from issuance of ordinary shares (net)	37,287	2,133
Proceeds from disposal of investment in associate	1,814	-
Payment of debt like items	-	(27,839)
Payment of finance leases	(1,081)	(528)
Interest paid	(9,512)	(1,970)
Net cash flow generated from financing activities	**30,071**	**72,843**
Net increase in cash and cash equivalents	**1,355**	**9,822**
Cash and cash equivalents at beginning of the year	26,182	23,090
Exchange differences on cash and cash equivalents	1,117	(6,730)
Cash and cash equivalents at end of the year	**28,654**	**26,182**

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 revenue from the worldwide sales of internet domain names and related web services.

2. Basis of preparation

The preliminary accounts for the year ended 31 December 2020 are unaudited and have been prepared on the basis of the accounting policies set out in the Group's 2019 statutory accounts for the purpose of fulfilling the information undertaking requirements included in the bond terms for the Senior Secured Callable Bond Issue.

The unaudited preliminary accounts are condensed and do not represent statutory accounts within the meaning of section 435 of the Companies Act 2016. The financial information for the year ended 31 December 2019 is based on the statutory accounts for the year ended 31 December 2019, as adjusted for the reclassification of foreign exchange differences arising from foreign currency borrowings as follows:

- a foreign exchange gain of USD 3,885,000 has been reclassified from administrative expenses to finance costs;
- a foreign exchange loss of USD 1,583,000 has been reclassified from administrative expenses to other comprehensive income;
- this results in a net increase in administrative expenses of USD 2,302,000.

The statutory accounts for the year ended 31 December 2019, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

As a profitable provider of online subscription 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 COVID-19. 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. Segment analysis

CentralNic is an independent global service provider distributing domain names and associated digital subscription products through Indirect and Direct channels, as well as providing Monetisation services to domain name owners. 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 acquisition of Team Internet AG and other transformative acquisitions during 2019 altered the business mix of the Group and resulted in a reassessment of the Group's segmental reporting. Therefore, certain restatements and reclassifications have been made to the segmental reporting analysis of the CentralNic Group for the financial year ended December 2019 to enhance comparability with the current year. These restatements and reclassifications have had no impact on the Group reported Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flow. The formerly reported segments have been restated and reclassified as follows:

(i) Indirect, materially consistent with the former Reseller segment
(ii) Direct, combining the former Small Business and Corporate segments
(iii) Monetisation, which, due to its materially enlarged weight, warrants its own segment.

The Indirect segment is a global distributor of domain names through a network of channel partners. The Direct segment sells domain names and ancillary services to end users, monitoring services to protect brands online, technical and consultancy services to corporate clients, and licenses the Group's in-house developed registry management platform, also on a global basis. The Monetisation segment provides advertising placement services, and sells domain name and data traffic management services on a global basis.

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS (continued)

3. Segment analysis (continued)

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

	Year ended 31 December 2020			
	Indirect USD'000	**Direct USD'000**	**Monetisation USD'000**	**Total USD'000**
Revenue	**85,765**	**43,374**	**112,073**	**241,212**
Gross profit	25,833	20,458	30,027	76,318
Total administrative expenses				(70,845)
Share-based payments expenses				(5,113)
Operating profit				**360**

Adjusted EBITDA	30,594
Depreciation of property, plant and equipment	(2,084)
Amortisation of intangibles assets	(12,508)
Non-core operating expenses	(8,237)
Foreign exchange loss	(2,137)
Share of associate income	(155)
Share-based payment expenses	(5,113)
Operating profit/(loss)	**360**
Finance cost (net)	(9,834)
Share of associate income	79
Profit/(loss) before taxation	**(9,395)**
Income tax expense	348
Profit/(loss) after taxation	**(9,047)**

	Year ended 31 December 2019			
	Indirect USD'000	**Direct USD'000**	**Monetisation USD'000**	**Total USD'000**
Revenue	**60,681**	**46,638**	**1,875**	**109,194**
Gross profit	19,604	22,671	500	42,775
Total administrative expenses				(42,718)
Share-based payments expenses				(2,878)
Operating loss				**(2,821)**

Adjusted EBITDA	**17,921**
Depreciation of property, plant and equipment	(1,306)
Amortisation of intangibles assets	(8,299)
Non-core operating expenses	(7,357)
Foreign exchange loss	(828)
Share of associate income	(74)
Share-based payment expenses	(2,878)
Operating loss	**(2,821)**
Finance cost (net)	(3,869)
Share of associate income	74
Loss before taxation	**(6,616)**
Income tax expense	39
Loss after taxation	**(6,577)**

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS (continued)

4. Revenue

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

	Unaudited Year ended 31 December 2020 USD'000	**Audited Year ended 31 December 2019 USD'000**
Indirect Services		
UK	964	828

North America	22,527	13,509
Europe	45,766	34,972
ROW	16,508	11,372
	85,765	**60,681**
Direct Services		
UK	2,401	2,792
North America	13,439	11,656
Europe	18,321	19,623
ROW	9,213	12,567
	43,374	**46,638**
Monetisation services		
UK	575	8
North America	6,197	102
Europe	100,129	1,711
ROW	5,172	54
	112,073	**1,875**
Total revenue	**241,212**	**109,194**

For the year ended 31 December 2020, there was one customer that represented more than 10% of the Group's revenue, amounting to USD 101,329,000 across all three segments.

5. Non-core operating expenses

	Unaudited Year ended 31 December 2020 USD'000	Audited Year ended 31 December 2019 USD'000
Acquisition related costs	1,386	4,069
Integration and streamlining costs	3,613	3,288
Other costs(1)	3,238	-
	8,237	**7,357**

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

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS (continued)

6. Finance costs

	Unaudited Year ended 31 December 2020 USD'000	Restated Audited Year ended 31 December 2019 USD'000
Impact of unwinding of discount on net present value of deferred consideration	221	3,398
Reappraisal of deferred consideration	921	-
Foreign exchange (gain)/loss on revolving credit facility revaluation[1]	(137)	214
Foreign exchange gain on bond revaluation	-	(4,099)
Arrangement fees on borrowings	1,115	1,420
Interest expense on short-term borrowings	235	781
Interest expense on long-term borrowings	7,324	2,033
Interest expense on leases	160	127
	9,839	**3,874**

(1) The finance costs for the financial year ended 31 December 2019 have been restated to reclassify the foreign exchange loss on the revaluation of the revolving facility of USD 3,885,000 from administrative expenses to finance costs to reflect the appropriate IFRS accounting treatment as per IAS 23.

7. 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 period.

Diluted earnings per share has 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 profit (numerator) as a result of the dilutive calculation.

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS (continued)

7. Earnings per share (continued)

	Unaudited Year ended 31 December 2020 USD'000	Audited Year ended 31 December 2019 USD'000
Loss after tax attributable to owners	(9,047)	(6,513)
Operating profit/(loss)	360	(2,821)
Depreciation of property, plant and equipment	2,084	1,306
Amortisation of intangible assets	12,508	8,299
Non-core operating expenses	8,237	7,357
Foreign exchange loss	2,137	828
Share of associate income	155	74
Share-based payment expenses	5,113	2,878
Adjusted EBITDA	30,594	17,921
Depreciation	(2,084)	(1,306)
Finance costs (excluding deferred consideration related amounts - note 6)	(8,698)	(476)
Finance income	5	5
Taxation	348	39
Adjusted earnings	20,165	16,183
Weighted average number of shares:		
Basic	196,680,310	175,083,962
Effect of dilutive potential ordinary shares	8,019,971	5,397,202
Diluted	204,700,281	180,481,164
Earnings per share:		
Basic (cents)	**(4.60)**	**(3.72)**
Diluted (cents)	**(4.60)**	**(3.72)**
Adjusted earnings - Basic (cents)	10.25	9.24

Adjusted earnings - Diluted (cents)	9.85	8.97

Basic and diluted earnings per share has been impacted by non-recurring acquisition costs, amortisation changes and other significant operating costs.

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS (continued)

8. 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.

The principal financial instruments used by the CentralNic Group, from which financial instrument risk arises, are as follows:

	Unaudited Year ended 31 December 2020 USD'000	**Audited Year ended 31 December 2019 USD'000**
Financial assets		
Loan and receivables		
Trade and other receivables	42,345	33,701
Cash and cash equivalents	28,654	26,182
	70,999	**59,883**
Financial liabilities measured at amortised cost		
Trade and other payables	67,168	46,555
Loan and borrowings (short and long term)	113,639	101,180
	180,807	**147,735**

Cash conversion for the year ended 31 December 2020 was as follows:

Cash conversion	**Unaudited Year ended 31 December 2020 USD'000**
Cash flow from operations	20,032
Exceptional costs incurred and paid during the year	7,466
Settlement of one-off working capital items from the prior year	5,075
Adjusted cash flow from operations	**32,573**
Adjusted EBITDA	30,594
Conversion %	106.5%

Net debt as at 31 December 2020 and 2019 is shown in the table below.

	Bond	Bank debt	Cash	Net debt
	USD'000	USD'000	USD'000	USD'000
At 31 December 2019	**(97,724)**	**(3,456)**	**26,182**	**(74,998)**
Drawdown	-	(2,213)	2,213	-
Amortisation of costs	(1,046)	(125)	-	(1,171)
Placing proceeds (net of costs)	-	-	-	-
Other cash movements	-	-	(858)	(858)
Net cash flows before foreign exchange	(98,770)	(5,794)	27,537	(77,027)
Foreign exchange differences	(8,564)	(511)	1,117	(7,958)
At 31 December 2020	**(107,334)**	**(6,305)**	**28,654**	**(84,985)**

NOTES TO THE UNAUDITED PRELIMINARY ACCOUNTS (continued)

9. Events occurring after the year end

Detailed below are the significant events that happened after the Group's year end date of 31 December 2020 and before the signing of these Unaudited Preliminary Accounts on 1 March 2021.

Acquisition of SafeBrands

On 9 January 2021, CentralNic acquired SafeBrands, a France-based corporate domain management and brand protection company for a purchase price of up to EUR 3,000,000 (approximately USD 3,600,000). Additional consideration of EUR 600,000 (USD 700,000) may be payable subject to SafeBrands having met agreed FY20 financial objectives. It offers registration management for all Top-Level Domains and a wide range of value added services for domain management and brand protection, including secure hosting, DNS optimisation and SSL management. SafeBrands' online brand protection products and expertise have, to date, been available to companies based in French-speaking markets. CentralNic plans to offer these services, which help businesses protect their revenue streams in digital channels, through its global brand services offering, which currently serves clients worldwide through teams based in the US, the UK, Canada, Australia, Germany, New Zealand, and other countries. SafeBrands' strong presence in France, one of the largest internet services markets globally, complements CentralNic's brand services business, which includes a leading corporate registrar in Germany. This positions CentralNic as the European champion for corporate domain portfolio management and online brand protection, as well as one of the top three global leaders available to serve customers in any country.

Bond Tap Issue

On 12 February 2021, the Company successfully completed a EUR 15,000,000 (approximately USD 18,000,000) tap issue under the existing senior secured callable bonds. The tap issue was oversubscribed and priced at 104.5% of par value. The maturity and call conditions are identical to the prior tranches of senior secured callable bonds.

Acquisition of Wando Internet Solutions

On 19 February 2021, CentralNic acquired Wando Internet Solutions, a Berlin-based technology company specialised in social marketing, SEM (Search Engine Marketing) advertising and display advertising that enables augmentation of the quality and volume of internet traffic on domain names and websites in order to generate superior returns. In FY2020, Wando generated unaudited revenue of EUR 4,900,000 (c. USD 5,600,000) and unaudited EBITDA of EUR 1,200,000 (c. USD 1,400,000). The acquisition is a vertical integration and more than half of Wando's historical revenue generation has come from CentralNic. The initial consideration for the acquisition is EUR 5,400,000 (c. USD 6,500,000) and the sellers of Wando may earn up to another EUR 5,400,000 (c. USD 6,500,000) payable in Q3 2022 subject to stretched performance targets being met.

Including the deferred consideration amounts described above for Wando and SafeBrands, the maximum amount of deferred consideration payable (before NPV adjustments) is USD 10,801,000, a part of which may be settled in shares, the remainder in cash.

END

FR FLFFAFTITFIL