

23 May 2022

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

UNAUDITED FINANCIAL RESULTS FOR THE THREE MONTHS ENDED 31 MARCH 2022

Transformational increase in Revenue and Adjusted EBITDA

CentralNic Group Plc (AIM: CNIC), the global internet platform that derives recurring revenue from operating a marketplace model for online presence and online marketing services, announces its unaudited financial results for the three months ended 31 March 2022. 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 86% to USD 156.6m (Q1 2021: USD 84.4m)
- Organic growth* for the trailing twelve months ending 31 March 2022 of c.53%
- Net revenue/ gross profit increased by 43% to USD 39.9m (Q1 2021: USD 27.9m)
- Adjusted EBITDA** increased by 83% to USD 18.5m (Q1 2021: USD 10.1m)
- Operating profit of USD 10.0m (Q1 2021: USD 1.4m)
- Non-core operating expenses reduced by 63% to USD 1.1m (Q1 2021: 2.9m)
- Adjusted operating cash conversion of 128% (Q1 2021: 163%) ahead of historic averages
- Net debt*** down by 18% to USD 61.3m (gross interest-bearing debt of USD 151.9m, cash of USD 90.6m) as compared to USD 75.0m on 31 December 2021 (gross interest-bearing debt of USD 131.1m, cash of USD 56.1m)

Operational highlights:

- Company's organic growth further accelerated during the period, driven by investments in new management, staff and systems. EBITDA as a percentage of Net Revenue has increased from 36% in Q1 2021 to 46% in Q1 2022, demonstrating that CentralNic's growth translates into operating leverage
- The Financial Times listed CentralNic among the top 250 fastest-growing companies and among the top 50 fastest-growing technology companies in Europe

Corporate highlights:

- Acquisition of VGL Verlagsgesellschaft mbH (VGL) in March 2022 for an enterprise value of EUR 60 million (approx. USD 65 million)
- Oversubscribed GBP 42 million equity raise on 28 February 2022, EUR 21 million bond placing on 7 March 2022 and fully taken up Open Offer of GBP 3 million on 21 March 2022
- Leverage**** as defined under the Bond Terms reduced from 2.22x as of 31 December 2021 to 1.56x due to improved profitability, continued deleverage and the largely equity financed acquisition of VGL
- Acquisition of Fireball GmbH and the .ruhr TLD in February 2022 for a total of c USD 0.7 million

Outlook:

- CentralNic's results for Q1 2022 demonstrate the potential of its strong marketplace model for Online Presence and Online Marketing services
- The Directors are confident that the Company is comfortably trading in line with the recently upgraded forecasts¹
- The Company will issue an H1 trading update on 18 July 2022

¹ Analysts forecasts have recently been upgraded with FY22 revenue now projected to be between USD c.570 million and USD c.603 million, and FY22 EBITDA between USD c.66 million and USD c.70 million

Ben Crawford, CEO of CentralNic, commented: “CentralNic has enjoyed a strong start to the year with year-on-year organic growth now reaching north of 50%, gaining market share in a growing market. At the same time, we have continued to add scale and capability through the completion of three strategic acquisitions in the period, including VGL, our largest acquisition to date, funded by an oversubscribed equity placing and tap bond issue. With notably reduced leverage and a healthy cash cushion, CentralNic remains well positioned for the future .”

** Pro forma revenue, adjusted for acquired revenue, constant currency FX impact and non-recurring revenues is estimated at USD 533 million for the trailing 12 months ending 31 March 2022 and at USD 349 million for the trailing 12 months ending 31 March 2021*

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

**** Includes gross cash, bond and bank debt and prepaid finance costs; it does not include the Mark-To-Market (MTM) valuations for the bond hedges of USD 9.4m as of 31 March 2022 (USD 6.4m as of 31 December 2021)*

***** Includes Net Debt as defined under *** plus (i) the Mark-To-Market (MTM) valuations for the bond hedges, (ii) lease liabilities, (iii) guarantee obligations, and (iv) the best estimate of any 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*

These unaudited financial results have been prepared for the purpose of fulfilling the information undertaking requirements included in the bond terms for the Senior Secured Callable Bond Issue. To the best of our knowledge, these unaudited financial results have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Issuer and the Group taken as a whole. In addition, to the best of our knowledge, these unaudited financial results include a fair review of the development and performance of the business and the position of the Issuer and the Group taken as a whole. The principal risks and uncertainties that the business faces remain materially consistent with the risks and uncertainties described in the Risks section of the Group's 2021 annual report.

Ben Crawford – CEO

Don Baladasan – Group Managing Director

Michael Riedl – CFO

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 (NOMAD and 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) 20 3207 7800

SEC Newgate (for Media)

Bob Huxford / Isabelle Smurfit / Max Richardson

+44 (0) 203 757 6880

centralnic@secnewgate.co.uk

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 2021 and 2020 acquisitions, substantially increased the scale and capabilities of the Company. The effect of this is demonstrated in our unaudited Q1 2022 results which show a transformational increase in revenue and adjusted EBITDA, which have grown by 86% and 83% respectively compared to Q1 2021.

Performance Overview

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

	31 March 2022	31 March 2021	Change
	USD m	USD m	%
Revenue	156.6	84.4	86%
Net revenue/ gross profit	39.9	27.9	43%
Adjusted EBITDA	18.5	10.1	83%
Operating profit	10.0	1.4	n.m.
Adjusted operating cash conversion ¹	128%	163%	(21%)
Profit / (loss) after tax	4.0	(1.4)	n.m.
EPS - Basic (cents)	1.53	(0.67)	n.m.
EPS - Adjusted earnings - Basic (cents) ²	4.51	3.17	42%

¹ Please refer to note 8

² Please refer to note 7

Segmental analysis

The Company combined the previous Direct and Indirect segments into a single Online Presence segment for all reporting periods ending 30 September 2021 and later. The Online Marketing segment now includes the VGL and Fireball acquisitions.

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 grew more rapidly, with revenues increasing by USD 71.6 million, or 158%, from USD 45.3 million to USD 116.9 million. Organic revenue grew at a rate of 83%, predominantly driven by CentralNic's TONIC media buying business, with the inorganic growth benefitting from the full quarter impact of the Wando and White & Case acquisitions, as well as the impact of acquiring VGL and, to a lesser degree, Fireball.

The number of visitor sessions also increased by 54% from 0.7 billion in Q1 2021 to 1.0 billion in Q1 2022 and the revenue per thousand sessions ("RPM") increased by 105% from USD 48.0 to USD 98.2².

CentralNic is a leader in online privacy, as none of our marketing platforms make use of third-party cookies or collect personal data on our customers. 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 Apple's iOS 14.5) will 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.

Online Presence segment

Revenue in the Online Presence segment increased by USD 0.6 million for the period ended 31 March 2021, or 2%, from USD 39.1 million to USD 39.7 million, with further growth being impacted by foreign currency revenues translating into less USD in the period.. Organic growth for this segment was 7% for the trailing twelve months ending 31 March 2022.

² Based on analysis of c.85% of the segment

In the Online Presence segment, the Company steered away from increasing sales through discounted bulk sales, leading to the number of processed domain registration years decreasing modestly from 3.4 million in Q1 2021 to 3.1 million in Q1 2022 while at the same time, the average revenue per domain year increased by 11% from USD 8.60 to USD 9.50, ultimately improving the quality of revenue. The share of Value-Added Service revenue for the period ended 31 March 2022 remained stable at 8%³.

Outlook

CentralNic enjoyed a very strong start to 2022 particularly our online marketing division. In Q1 2022 we reported 53% organic revenue growth on a pro forma basis for the trailing twelve months ending 31 March 2022⁴. Management was pleased with the achievement of strong results in Q1 2022, notably materially exceeding initial market expectations.

While the Directors are cognisant of the current global macro-economic environment, they are confident that the Group will comfortably trade in line with the recently upgraded market expectations for the year. By virtue of our confidence, targeted investment in human resources, restructuring and market-leading products, in particular our suite of privacy-safe online marketing technologies, we are well positioned to succeed in a challenging global environment.

The pipeline of future acquisition targets remains strong, while the net debt level remains comfortable particularly given the cash generation of the existing 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.

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

A virtually pure play recurring revenue business with cash conversion of systematically over 100%, CentralNic continues to improve its key financial metrics as it grows including its cash position, interest coverage and net debt to EBITDA ratio. As our investment levels plateau moving forward, we expect future periods to benefit from increasing operational leverage.

Ben Crawford
Chief Executive Officer

³ Based on analysis of c.75% of the segment which can be adequately and reliably be described by these KPI

⁴ Pro forma revenue, adjusted for acquired revenue, constant currency FX impact and non-recurring revenues is estimated at USD 533 million for the trailing 12 months ending 31 March 2022 and at USD 349 million for the trailing 12 months ending 31 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Note	Unaudited	Unaudited	Audited
		Three months ended 31 March 2022 USD m	Three months ended 31 March 2021 USD m	Year ended 31 December 2021 USD m
Revenue	4	156.6	84.4	410.5
Cost of sales		(116.7)	(56.5)	(292.0)
Gross profit		39.9	27.9	118.5
Administrative expenses		(28.2)	(25.0)	(101.1)
Share-based payments expense		(1.7)	(1.5)	(5.0)
Operating profit		10.0	1.4	12.4
Adjusted EBITDA^(a)		18.5	10.1	46.3
Depreciation of property, plant and equipment		(0.6)	(0.7)	(3.5)
Amortisation of intangible assets		(6.1)	(4.0)	(18.3)
Non-core operating expenses ^(b)	5	(1.1)	(2.9)	(8.7)
Foreign exchange gain		1.0	0.4	1.6
Share-based payment expenses		(1.7)	(1.5)	(5.0)
Operating profit		10.0	1.4	12.4
Finance income	6	-	-	0.1
Finance costs	6	(2.8)	(2.5)	(10.9)
Net finance costs		(2.8)	(2.5)	(10.8)
Profit / (loss) before taxation		7.2	(1.1)	1.6
Income tax expense		(3.2)	(0.3)	(5.1)
Profit / (loss) after taxation		4.0	(1.4)	(3.5)
Items that may be reclassified subsequently to profit and loss				
Exchange difference on translation of foreign operation		1.1	3.7	1.6
Loss arising on changes in fair value of hedging instruments		(3.0)	-	(6.4)
Total comprehensive income/(loss) for the period		2.1	2.3	(8.3)
Profit / (loss) is attributable to:				
Owners of CentralNic Plc		4.0	(1.4)	(3.5)
Total comprehensive income/(loss) is attributable to:				
Owners of CentralNic Plc		2.1	2.3	(8.3)
Earnings per share:				
Basic (cents)		1.53	(0.67)	(1.56)
Diluted (cents)		1.49	(0.67)	(1.56)
Adjusted earnings – Basic (cents)		4.51	3.17	11.80
Adjusted earnings – Diluted (cents)		4.39	3.04	11.46

All amounts relate to continuing activities.

^(a) Parent, 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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Unaudited Three months ended 31 March 2022 USD m	Restated* Unaudited Three months ended 31 March 2021 USD m	Audited Year ended 31 December 2021 USD m
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	1.9	2.2	1.8
Right-of-use assets	7.2	6.0	6.8
Intangible assets	339.4	261.7	254.2
Deferred receivables	0.4	0.6	0.4
Investments	0.1	0.1	0.1
Deferred tax assets	8.6	5.4	8.6
	357.6	276.0	271.9
CURRENT ASSETS			
Trade and other receivables	86.6	58.1	71.4
Inventory	0.9	1.9	0.9
Cash and bank balances	90.6	43.1	56.1
	178.1	103.1	128.4
TOTAL ASSETS	535.7	379.1	400.3
EQUITY AND LIABILITIES			
EQUITY			
Share capital	0.3	0.3	0.3
Share premium	98.3	39.8	39.8
Merger relief reserve	5.3	5.3	5.3
Share-based payments reserve	19.8	11.7	19.5
Cash flow hedging reserve	(9.4)	-	(6.4)
Foreign exchange translation reserve	4.0	5.1	2.9
Accumulated profits	56.6	54.7	52.6
TOTAL EQUITY	174.9	116.9	114.0
NON-CURRENT LIABILITIES			
Other payables	8.3	5.3	4.4
Lease liabilities	2.3	4.7	5.1
Deferred tax liabilities	32.8	20.6	20.3
Borrowings	138.9	120.3	119.3
	182.3	150.9	149.1
CURRENT LIABILITIES			
Trade and other payables and accruals	151.1	108.1	117.1
Lease liabilities	5.0	1.4	1.8
Borrowings	13.0	1.8	11.9
Derivative financial instruments	9.4	-	6.4
	178.5	111.3	137.2
TOTAL LIABILITIES	360.8	262.2	286.3
TOTAL EQUITY AND LIABILITIES	535.7	379.1	400.3

* The balance sheet as at 31 March 2021 has been restated due to (i) the recognition of USD 1,200,000 of liabilities for prior period credit notes; and (ii) the increase of USD 1,239,000 in amortisation charges due to the restatement of intangible amortisation. The impact of these restatements are fully disclosed in the Annual Report for the year ended 31 December 2021.

CENTRALNIC GROUP PLC CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	Share capital USD m	Share premium USD m	Merger relief reserve USD m	Share- based payments reserve USD m	Cash flow hedging Reserve USD m	Foreign exchange translation reserve USD m	Restated* Accumulated profits / (losses) USD m	Restated Equity attributable to owners of the Parent Company USD m
Balance as at 1 January 2021	0.3	39.8	5.3	11.0	-	1.4	56.1	113.9
Loss for the period	-	-	-	-	-	-	(1.4)	(1.4)
Translation of foreign operation	-	-	-	-	-	3.7	-	3.7
Total comprehensive income for the period	-	-	-	-	-	3.7	(1.4)	2.3
Share-based payments	-	-	-	1.5	-	-	-	1.5
Share-based payments – exercised and lapsed	-	-	-	(0.8)	-	-	-	(0.8)
Balance as at 31 March 2021	0.3	39.8	5.3	11.7	-	5.1	54.7	116.9
Loss for the period	-	-	-	-	-	-	(2.1)	(2.1)
Translation of foreign operation	-	-	-	-	-	(2.2)	-	(2.2)
Total comprehensive income for the period	-	-	-	-	-	(2.2)	(2.1)	(4.3)
Loss arising on changes in fair value of hedging instruments	-	-	-	-	(6.4)	-	-	(6.4)
Share-based payments	-	-	-	5.7	-	-	-	5.7
Share-based payments – deferred tax asset	-	-	-	2.2	-	-	-	2.2
Share-based payments – exercised and lapsed	-	-	-	(0.1)	-	-	-	(0.1)
Balance as at 31 December 2021	0.3	39.8	5.3	19.5	(6.4)	2.9	52.6	114.0
Profit for the period	-	-	-	-	-	-	4.0	4.0
Translation of foreign operation	-	-	-	-	-	1.1	-	1.1
Total comprehensive income for the period	-	-	-	-	-	1.1	4.0	5.1
Issue of share capital	-	59.6	-	-	-	-	-	59.6
Share issue costs	-	(1.1)	-	-	-	-	-	(1.1)
Loss arising on changes in fair value of hedging instruments	-	-	-	-	(3.0)	-	-	(3.0)
Share-based payments	-	-	-	1.7	-	-	-	1.7
Share-based payments – deferred tax asset	-	-	-	0.2	-	-	-	0.2
Share based payments – exercised and lapsed	-	-	-	(1.6)	-	-	-	(1.6)
Balance as at 31 March 2022	0.3	98.3	5.3	19.8	(9.4)	4.0	56.6	174.9

- 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 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 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.

* The balance sheet as at 31 March 2021 has been restated due to (i) the recognition of USD 1,200,000 of liabilities for prior period credit notes; and (ii) the increase of USD 1,239,000 in amortisation charges due to the restatement of intangible amortisation. The impact of these restatements are fully disclosed in the Annual Report for the year ended 31 December 2021

CONSOLIDATED STATEMENT OF CASH FLOWS	Unaudited Three months ended 31 March 2022 USD m	Unaudited Three months ended 31 March 2021 USD m	Audited Year ended 31 December 2021 USD m
Cash flow from operating activities			
Profit / (loss) before taxation	7.2	(1.1)	1.6
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	0.6	0.7	3.5
Amortisation of intangible assets	6.1	4.0	18.3
Finance cost (net)	2.8	2.5	10.8
Share-based payments	1.7	1.5	5.0
Increase in trade and other receivables	(4.3)	(10.2)	(20.8)
Increase in trade and other payables	7.1	15.1	24.4
Decrease in inventories	-	-	0.3
Cash flow generated from operations	21.2	12.5	43.1
Income tax paid	(0.5)	-	(2.2)
Net cash flow generated from operating activities	20.7	12.5	40.9
Cash flow used in investing activities			
Purchase of property, plant and equipment	(0.2)	(0.2)	(0.7)
Purchase of intangible assets	(0.7)	(0.6)	(4.1)
Payment of deferred consideration	(0.5)	-	(1.7)
Acquisition of subsidiaries	(65.1)	(11.1)	(18.3)
Net cash flow used in investing activities	(66.5)	(11.9)	(24.8)
Cash flow used in financing activities			
Proceeds from borrowings	23.0	18.2	25.7
Accrued interest on bond tap	0.3	-	-
Bond arrangement fees	(0.1)	(0.4)	(1.0)
Proceeds from issuance of ordinary shares (net)	58.5	-	-
Payment of lease liability	(0.5)	(0.4)	(2.0)
Interest paid	-	(2.3)	(8.7)
Net cash flow generated/(used in) from financing activities	81.2	15.1	14.0
Net increase in cash and cash equivalents	35.4	15.7	30.1
Cash and cash equivalents at beginning of the period/year	56.1	28.7	28.7
Exchange losses on cash and cash equivalents	(0.9)	(1.3)	(2.7)
Cash and cash equivalents at end of the period/year	90.6	43.1	56.1

NOTES TO THE UNAUDITED FINANCIAL RESULTS

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 financial results for the three months ended 31 March 2022 are unaudited and have been prepared on the basis of the accounting policies set out in the Group's 2021 statutory accounts for the purpose of fulfilling the information undertaking requirements included in the bond terms for the Senior Secured Callable Bond Issue 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 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 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 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. The Online Marketing segment provides advertising placement services to match those who have traffic, e.g. domain name owners and content website operators, with those who want traffic, e.g. ecommerce website operators and affiliates on a global basis, including AI based data analytics and automation tools.

Management reviews the activities of the CentralNic Group in the segments disclosed below up to a gross profit level only:

	Unaudited Three months ended 31 March 2022 USD m	Unaudited Three months ended 31 March 2021 USD m	Audited Year ended 31 December 2021 USD m
Online Presence			
Revenue	39.7	39.1	149.3
Cost of sales	(25.5)	(23.6)	(96.0)
Gross profit	14.2	15.5	53.3
Online Marketing			
Revenue	116.9	45.3	261.2
Cost of sales	(91.2)	(32.9)	(196.0)
Gross profit	25.7	12.4	65.2
Total revenue	156.6	84.4	410.5
Total cost of sales	(116.7)	(56.5)	(292.0)
Gross profit	39.9	27.9	118.5

NOTES TO THE UNAUDITED FINANCIAL RESULTS (continued)

4. Revenue

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

	Unaudited Three months ended 31 March 2022 USD m	Unaudited Three months ended 31 March 2021 USD m	Audited Year ended 31 December 2021 USD m
Online Presence			
UK	1.0	1.0	3.6
North America	11.6	11.0	43.3
Europe	19.9	19.8	70.5
ROW	7.2	7.3	31.9
	39.7	39.1	149.3
Online Marketing			
UK	0.7	0.8	3.2
North America	5.2	5.1	19.0
Europe	106.4	34.4	217.2
ROW	4.6	5.0	21.8
	116.9	45.3	261.2
Total revenue	156.6	84.4	410.5

5. Non-core operating expenses

	Unaudited Three months ended 31 March 2022 USD m	Unaudited Three months ended 31 March 2021 USD m	Audited Year ended 31 December 2021 USD m
Acquisition related costs	0.6	0.8	3.1
Integration and streamlining costs	0.5	1.2	3.9
Other costs ⁽¹⁾	-	0.9	1.7
	1.1	2.9	8.7

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

NOTES TO THE UNAUDITED FINANCIAL RESULTS (continued)

6. Finance income and costs

	Unaudited Three months ended 31 March 2022 USD m	Unaudited Three months ended 31 March 2021 USD m	Audited Year ended 31 December 2021 USD m
Finance income	-	-	(0.1)
Impact of unwinding of discount on net present value of deferred consideration	-	-	0.2
Reappraisal of deferred consideration	-	-	(0.1)
Arrangement fees on borrowings	0.5	0.3	1.6
Interest expense on current borrowings	0.1	0.1	0.3
Interest expense on non-current borrowings	2.2	2.1	8.7
Interest expense on leases	-	-	0.2
Net finance costs	2.8	2.5	10.8

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 as calculated using the treasury stock method (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. Due to the loss made in the year ended 31 December 2021, 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 Three months ended 31 March 2022 USD m	Unaudited Three months ended 31 March 2021 USD m	Audited Year ended 31 December 2021 USD m
Profit / (loss) after tax attributable to owners	4.0	(1.4)	(3.5)
Operating profit	10.0	1.4	12.4
Depreciation of property, plant and equipment	0.6	0.7	3.5
Amortisation of intangible assets	6.1	4.0	18.3
Non-core operating expenses	1.1	2.9	8.7
Foreign exchange gain	(1.0)	(0.4)	(1.6)
Share-based payment expenses	1.7	1.5	5.0
Adjusted EBITDA	18.5	10.1	46.3
Depreciation	(0.6)	(0.7)	(3.5)
Finance income	-	-	0.1
Finance costs	(2.8)	(2.5)	(10.9)
Taxation	(3.2)	(0.3)	(5.1)
Adjusted earnings	11.9	6.6	26.8
Weighted average number of shares:			
Basic	264,765,349	208,520,020	227,380,670
Effect of dilutive potential ordinary shares	7,346,860	8,725,291	6,856,289
Diluted average number of shares	272,112,209	217,245,311	234,236,959
Earnings per share:			
Basic (cents)	1.53	(0.67)	(1.56)
Diluted (cents)	1.49	(0.67)	(1.56)
Adjusted earnings – Basic (cents)	4.51	3.17	11.80
Adjusted earnings – Diluted (cents)	4.39	3.04	11.46

Basic and diluted earnings per share of 1.53 and 1.49 cents (Q1 2021: (0.67) cents) has been impacted by amortisation charges, non-core expenses, foreign exchange gains and losses and share-based payment expenses. Interest, tax, depreciation, amortisation, non-cash charges and non-core operating expenses. Tax on adjusted earnings is the same figure as that shown in the consolidated statement of comprehensive income given that the majority of the adjusting items in the earnings per share calculation above are also adjusted for when calculating the Group's tax expense.

The weighted average number of shares for the Company is disclosed above. The issued share capital of the Company at 31 March 2022 was 288,660,084 and the total number of shares that were vested but not exercised were 8,948,434. Exercises of options will largely be covered by the shares held by the Group's Employee Benefit Trust.

NOTES TO THE UNAUDITED FINANCIAL RESULTS (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.

Cash conversion for the three-month periods ended 31 March 2022 and 31 March 2021, and for the year ended 31 December 2021 was as follows:

	Unaudited Three months to 31 March 2022 USD m	Unaudited Three months to 31 March 2021 USD m	Audited Year ended 31 December 2021 USD m
Cash conversion			
Cash flow from operations	21.2	12.5	43.1
Exceptional costs incurred and paid during the year	1.5	3.7	11.0
Settlement of one-off working capital items from the prior year	1.0	0.3	2.0
Adjusted cash flow from operations	23.7	16.5	56.1
Adjusted EBITDA	18.5	10.1	46.3
Conversion %	128%	163%	121%

Single quarter cash conversion may diverge notably from the long-term trend and should be expected to converge towards annual averages as demonstrated historically.

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

	Bond USD m	Bank debt USD m	Cash USD m	Net debt USD m
At 1 January 2021	(107.3)	(6.3)	28.6	(85.0)
Placing proceeds (net of costs)	(18.2)	-	18.2	-
Amortisation of costs	0.4	-	-	0.4
Other cash movements	-	4.4	(2.4)	2.0
Net cash flows before foreign exchange	(17.8)	4.4	15.8	2.4
Foreign exchange differences	4.8	0.1	(1.3)	3.6
At 31 March 2021	(120.3)	(1.8)	43.1	(79.0)
Drawdown	-	(8.5)	8.5	-
Amortisation of costs	(0.7)	-	(0.2)	(0.9)
Other cash movements	-	(4.4)	6.1	1.7
Net cash flows before foreign exchange	(0.7)	(12.9)	14.4	0.8
Foreign exchange differences	4.3	0.3	(1.4)	3.2
At 31 December 2021	(116.7)	(14.4)	56.1	(75.0)
Placing proceeds (net of costs)	(23.2)	-	23.2	-
Amortisation of costs	0.3	-	-	0.3
Other cash movements	(0.9)	0.3	12.2	11.6
Net cash flows before foreign exchange	(23.8)	0.3	35.4	11.9
Foreign exchange differences	2.4	0.3	(0.9)	1.8
At 31 March 2022	(138.1)	(13.8)	90.6	(61.3)

NOTES TO THE UNAUDITED FINANCIAL RESULTS (continued)

8. Financial instruments (continued)

Derivative financial instruments

The Company has existing forward foreign exchange contracts with HSBC Bank Plc (HSBC) and Global Reach Partners Ltd (Global Reach). This results in a notional EUR 105 million of the amount outstanding under the bond being hedged at a weighted average EUR/USD exchange rate of 1.1893 and at a 1:1 hedge ratio. The forward contract with HSBC expires on 13 July 2022 and has an early exercise right from 4 July 2022. The forward contract with Global Reach matures on 15 July 2022 with an early exercise right from 8 July 2022. The Company has prepared hedging documentation which demonstrates that the hedging instrument and the hedged item offset each other in currency terms and in amounts, meaning there is a clear economic relationship between the hedging instrument and hedged item as required under international accounting standards. At the balance sheet date, the forward foreign exchange contracts have been measured based on the mark-to-market valuation reports provided by each of HSBC and Global Reach, with no ineffectiveness recognised. The change in the fair value of the derivative financial instrument in Q1 2022 is USD 3.0 million (Q1 2021: USD nil; FY2021 USD 6.4 million) and the balance in the cash flow hedging reserve at the year end is USD 9.4 million (Q1 2021: USD nil; FY2021 USD 6.4 million).

On 7 March 2022, the Company successfully issued additional senior secured callable bonds for a nominal value of EUR 21 million under its existing senior secured bond, listed on Oslo Børs, at a price of 100.8% of par value. The maturity and call conditions are identical to the prior tranches of senior secured callable bonds.

9. Business combinations

Acquisition of VGL

On 7 March 2022, CentralNic acquired VGL Verlagsgesellschaft mbH (VGL), a German-based digital publishing and online marketing company headquartered in Berlin. Since its founding in 2014, VGL has grown into the leading German product comparison platform with more than 270 million visits a year to its high-quality content websites, notably the market leader Vergleich.org. VGL's organic traffic is supplemented by a large-scale media buying operation, and it is an important customer acquisition source for Amazon and other leading e-commerce companies in Germany. VGL was acquired for an enterprise value of EUR 60 million, with initial consideration of EUR 67 million (approx. USD 73 million), payable in cash on completion, inclusive of customary adjustments for cash and working capital. An earnout arrangement has also been agreed, under which additional deferred contingent consideration of up to EUR 38 million may be paid over the next three years if the growth of VGL materially exceeds expectations; the amount recognised as part of the initial accounting for this business combination is USD 11.3 million.

In FY2020, VGL generated unaudited revenue of EUR 46.7 million (c.USD 55.3 million) and unaudited EBITDA of EUR 9.3 million (c.USD 10.9 million).

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

	USD m
Initial consideration	65.1
Working capital adjustment	7.6
Deferred contingent consideration	11.3
Total consideration	84.0
Fair values recognised on acquisition	
Assets	
Intellectual property	2.3
Customer list	19.4
Software	6.6
Domain names	16.2
Right-of-use assets	0.9
Property, plant and equipment	0.1
Trade receivables	9.9
Other assets	1.0
Cash and cash equivalents	12.0
Total assets	68.4
Liabilities	
Deferred tax	(13.3)
Trade payables	(6.5)
Other provisions	(2.1)
Other liabilities	(1.9)
Tax liabilities	(4.5)
Total liabilities	(28.3)
Total identifiable estimated net assets at fair value	40.1
Goodwill arising on acquisition	43.9
Purchase consideration	84.0

NOTES TO THE UNAUDITED FINANCIAL RESULTS (continued)

9. Business combinations (continued)

Acquisition of .ruhr TLD

On 28 January 2022, CentralNic acquired .ruhr TLD for a purchase price of EUR 150,000. Additional consideration of EUR 150,000 is payable in May 2022. Ruhr is the domain address for the urban agglomeration centred around the river Ruhr in Germany, consisting of c.50 cities, including Dortmund and Essen, with roughly five million inhabitants. There are currently c.10,000 domain names registered using the .ruhr Top-Level Domain. .ruhr will be migrated from its existing service providers and will be fully managed by CentralNic's internal resources, joining another German regional TLD, Saarland

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

	USD m
Initial consideration	0.2
Deferred consideration	0.1
Total consideration	0.3
Fair values recognised on acquisition	
Assets	
Customer list	0.3
Total identifiable estimated net assets at fair value	0.3
Purchase consideration	0.3

Acquisition of Fireball Search GmbH

On 2 February 2022, CentralNic acquired Fireball Search GmbH for a purchase price of EUR 315,000. Founded in 1996, Fireball was once the leading search engine in Germany, and the name retains high consumer awareness, despite being acquired by and merged into Lycos Europe in the early 2000s. In 2016, Fireball was re-established as an independent company, with a completely overhauled version of the service, including a strong focus on privacy, a core value of CentralNic. Search results are powered by Bing. Fireball opens up new traffic sources for CentralNic to monetise through its proprietary online marketing tools, and it adds alternative channels for CentralNic to generate revenues from internet traffics.

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

	USD m
Total consideration	0.3
Fair values recognised on acquisition	
Assets	
Domain name assets	0.2
Developed technologies	0.1
Total identifiable estimated net assets at fair value	0.3
Purchase consideration	0.3

10. Events occurring after the quarter end

Detailed below are the significant events that happened after the Group's quarter end date of 31 March 2022 and before the signing of these Unaudited Financial Results on 20 May 2022.

- The Company has pledged its shares in CentralNic Poland and CentralNic Poland has acceded as a guarantor for the senior secured bond and the RCF with HSBC pursuant to customary annual material company tests
- The Company is obliged to pledge its shares in VGL to the benefit of the bond trustee, the effectiveness of which is pending an administrative act of a German court which led to the deadline technically lapsing; the Directors are confident that the situation will be resolved shortly