



3t

3t Global Bidco Plc

Q3 2024

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Training
Technology
Transformation

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Letter from the CEO

- Group revenue uplift of 3.5% for the nine months to 30 September vs. 2023 & EBITDA for the nine months 6.4% ahead of the prior year. Organic revenue uplift of 1.7% and EBITDA up 4.9% excluding ALLSTOP!
- We expect an uplift in organic LTM performance in Q4 as pipeline projects are completed
- The training market in the UK remains softer linked to North Sea activity but we are confident performance is ahead of market and above PY for 3t Training.
- 3t Drilling Systems is building a positive backlog that supports FY25 & will see an uptick as specific delivery milestones complete in Q4 FY24.
- The acquisition of GTSC (Project Sunshine) completed on 20 September 2024. As previously reported, ALLSTOP! (Project Apollo) completed on 7 June.
- Cash generation remains a challenge & we have specific actions in play that will render improved working capital management in Q4 & into FY25
- FY 2024 guidance is for UK GAAP EBITDA of £20m to £21m on a proforma basis including all M&A.

On 20 September, we completed the acquisition of Gulf Technical & Safety Centre LLC (GTSC), a leading safety training business based in the United Arab Emirates, Saudi Arabia and Egypt. Like the US acquisition, combining 3t's market-leading learning technology with GTSC's practical training will create an enhanced offering for the Middle Eastern market.

The Abu Dhabi & Egyptian operations are performing very well. The Saudi Arabian market has experienced a slowdown linked to Saudi Aramco's strategy & the training refresher cycle. We are positive about the GTSC transaction & have appointed an experienced Saudi Arabian national as Managing Director for GTSC. Already, positive contract discussions for additional business are progressing well.

In the USA, ALLSTOP! was hit by Hurricane Beryl which resulted in materially reduced activity in July. August & September recovered.

Our UK 3t Training business had a strong first quarter, but revenue slowed in Q2 and Q3 linked to the North Sea. We have quickly reduced costs across the Group to mitigate this slowdown in demand. Consequent to this, margins improved in September & have done so in Q4 to date. We continue to pursue a strategy of diversification too.

Our 3t Drilling Systems Simulation business has seen strong new activity that will underpin a positive Q4 & support FY25 as back log is building.

The integrations of ALL STOP! and GTSC are being managed through our long-established process. Each is progressing to plan.

*"The acquisition of GTSC
(Project Sunshine)
completed on
20 September 2024"*

Kevin Franklin
Group CEO

CFO Report

Operating Performance

The consolidated income statement and consolidated balance sheet are shown on pages 4 and 5 of these unaudited financial statements. Revenue was £14.8m and £15.6m respectively for the quarters ending 30 September and 30 June 2024, with adjusted EBITDA of £3.6m and £2.9m for the same periods. For the prior year, revenue was £14.9m and £15.4m respectively for the quarters ending 30 September and 30 June, with adjusted EBITDA of £3.0m and £3.5m for the same periods. A reconciliation between operating profit per these financial statements and adjusted EBITDA is set out on page 4

Working Capital

Working capital at 30 September remains too high. We have normalised trade creditors during the year but trade debtors remain stubbornly high. We have an order to cash project in place to review our invoicing and collection processes, to deliver improved debtor days.

Borrowings

Following the issue of the four year \$100m Nordic Bond on 22 May 2024, \$30m was released from Escrow in September to fund the GTSC acquisition. The balance has been used to pay the fees associated with the bond process and for general corporate purposes.

Acquisition of ALL STOP! Inc and GTSC LLC

The acquisition of GTSC completed on 20 September 2024 and the completion accounts are currently being prepared. The accounting for the acquisition will be included from 1 October 2024 in the interim reporting from Q4 2024. The acquisition of All Stop is included in these results from 1 June 2024. For the Q4 2024 report we will show GTSC and All Stop! on a proforma basis.

Cashflow and Debt

The consolidated cash flow statement is shown on page 7 of the unaudited financial statements. An analysis of net debt for the quarter ending 30 September 2024 is set out below, with leverage at 4.04x.

In millions of pounds	September 30, 2024
Closing cash	4.04
Norwegian bond	(74.74)
Net debt	(70.69)

LTM Proforma EBITDA	17.50
Leverage	4.04X

Martin Boden
Group CFO

Consolidated Income Statement

£m	Q3 2024	Q2 2024	Q1 2024	YTD 2024	FY 2023
Turnover	14.84	15.59	16.20	46.63	60.35
Cost of sales	(7.24)	(7.85)	(7.74)	(22.84)	(30.22)
Gross profit	7.60	7.73	8.47	23.79	30.12
Administrative expenses	(7.60)	(7.73)	(7.95)	(23.28)	(30.96)
EBITDA (before non-recurring items, unrealised foreign exchange gains and share of profit in joint venture)	3.61	2.94	3.23	9.78	12.01
Share of profit in joint venture	(0.07)	(0.08)	(0.15)	(0.30)	(0.45)
Depreciation	(0.68)	(0.60)	(0.45)	(1.73)	(1.91)
Amortisation	(2.10)	(2.07)	(1.89)	(6.06)	(7.35)
Non-recurring items	(0.80)	(0.07)	(0.28)	(1.16)	(2.23)
Unrealised foreign exchange (losses)/gains	(0.10)	(0.12)	0.06	(0.16)	(0.56)
Other operating income	-	-	-	-	0.35
Operating Loss	(0.00)	0.00	0.51	0.51	(0.49)
Share of profit in joint venture	0.07	0.08	0.15	0.30	0.45
Interest payable and similar charges	(2.49)	(3.83)	(2.87)	(9.20)	(11.44)
Interest receivable and similar income	0.33	0.15	-	0.48	0.00
Loss before taxation	(2.09)	(3.60)	(2.21)	(7.90)	(11.48)
Taxation (credit)/charge	(0.00)	(0.00)	(0.00)	(0.00)	1.03
Loss for the period	(2.09)	(3.60)	(2.21)	(7.91)	(10.46)
Loss attributable to:					
Shareholders of the parent company	(2.09)	(3.60)	(2.21)	(7.91)	(10.46)

Consolidated Other Comprehensive Income

£m	Q3 2024	Q2 2024	FY 2023
Loss for the period	(2.09)	(3.60)	(10.46)
Other comprehensive income	-	-	-
Total comprehensive loss for the period	(2.09)	(3.60)	(10.46)
Total comprehensive loss attributable to:			
Shareholders of the parent company	(2.09)	(3.60)	(10.46)

Consolidated Balance Sheet

£m	Q3 2024	Q2 2024
Intangible assets	56.72	53.31
Tangible assets	10.30	11.13
GTSC Acquisition Goodwill	23.58	
Investments	0.45	0.45
Total fixed assets	91.06	64.88
Stocks	2.53	2.12
Debtors	29.79	31.15
Cash at bank	4.04	26.19
Total current assets	36.36	59.46
Total assets	127.42	124.34

The goodwill on the acquisition of GTSC is provisional until the completion of the purchase price allocation exercise

£m	Q3 2024	FY 2023
Creditors: amounts falling due after more than one year	100.81	130.27
\$100m Norwegian Bond	74.74	-
Provisions for liabilities	4.54	4.66
Total non-current liabilities	180.09	134.94
Loans and borrowings	-	4.50
Trade creditors	4.51	8.15
Payments received on account	0.20	0.20
Corporation tax	-	0.01
Social security and other taxes	0.57	1.64
Other creditors	1.07	1.17
Accruals	1.32	1.44
Accrued interest on Norwegian Bond	2.83	0.00
Deferred income	3.15	3.35
Total current liabilities	13.65	20.47
Total liabilities	193.75	155.41
Called up share capital	0.53	0.53
Profit and loss account	(66.85)	(61.86)
Shareholder's deficit	(66.33)	(61.33)
Total equity and liabilities	127.42	94.08

Consolidated Statement of Changes in Equity

£m	Called up share capital	Profit and loss account	Total equity
Balance at 1 January 2023	0.53	(51.34)	(50.82)
Increase in share capital	-	(0.06)	(0.06)
Total comprehensive loss	-	(10.46)	(10.46)
Balance at 31 December 2023	0.53	(61.86)	(61.33)
Balance at 1 January 2024	0.53	(61.86)	(61.33)
Foreign currency translation reserve		2.91	2.91
Total comprehensive loss	-	(7.91)	(7.91)
Balance at 30 June 2024	0.53	(66.86)	(66.33)

£m	YTD 2024	FY 2023
Loss for the period	(7.91)	(10.46)
Depreciation	1.73	1.91
Amortisation	6.06	7.35
Interest receivable and similar income	(0.48)	(0.00)
Interest payable and similar expense	9.20	11.44
Other income in respect of R&D	0.00	(0.35)
Taxation	0.00	(1.03)
Share of profit of equity accounted investments	(0.30)	(0.45)
Decrease in provisions	(0.12)	(0.26)
Foreign Exchange/Share based payment charge	(0.27)	0.00
Loss on disposal of fixed assets	0.00	0.03
Change in net working capital	(5.98)	3.00
Cash flow from operating activities	1.93	11.19
Purchase of tangible & intangible fixed assets	(4.26)	(7.82)
Income Tax paid	(0.06)	0.00
Cash payment in joint ventures	0.00	(0.10)
Cost of investment in subsidiaries	(25.69)	0.00
Interest received	0.48	0.00
Cash acquired with subsidiary undertakings	0.35	0.00
Cash flow from investing activities	(29.17)	(7.92)
Free Cashflow	(27.25)	3.27
Loan funding/payments	(43.00)	0.00
\$100m Norwegian Bond	78.47	0.00
Senior debt interest	(3.06)	(4.52)
Refinancing fees	(1.26)	0.00
M&A fees	(1.67)	0.00
Hire purchase/lease	(0.00)	(0.03)
Cash flow from financing activities	29.48	(4.55)
Net cash flow for the period	2.23	(1.28)
Cash and cash equivalents at the beginning of the period	1.81	3.09
Net cash flow for the period	2.23	(1.28)
Cash and cash equivalents at the end of the period	4.04	1.81

Consolidated Cash Flow Statement

Cash generated from operations was £1.9m for the nine months to 30 September 2024. This was lower than the £11.2m generated in the year to 31 December 2023 as trade creditors were normalised from the high level due as at 31 December 2023 and trade debtors increased.

We are working to collect more receivables to increase our cash balance available to the business. The acquired businesses have got a good cash collection record although we are working to improve this too.

The purchase of tangible and intangible fixed assets is lower in 2024 than in 2023 in line with previous guidance.

Cash at the end of September 2024 at £4.0m, an increase of £2.2m from the £1.8m at 31 December 2023.

The cash paid to acquire subsidiaries represents the purchase of All Stop! Inc in Q2 together with the acquisition of GTSC in Q3.

Note 1 - Accounting Policies

The interim consolidated financial statements for the nine months ended 30 September 2024 have been prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS102").

The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the group's annual consolidated financial statements for the year ended 31 December 2023.

The accounting policies, judgements and estimates are consistent with those applied in the consolidated financial statements for 2023.

The presentation currency of these interim financial statements is sterling (£) rounded to the nearest million.

Note 2 - Critical Accounting Estimates & Judgements

Preparation of the consolidated financial statements requires management to make significant judgements and estimates. There has been no change in accounting policies since the 2023 year end. Many financial statement items cannot be reliably measured but must be based on estimations as to the value of assets and liabilities and often depends on future events that are somewhat uncertain.

The judgements, estimates and assumptions made are based on historical experience and other factors that management considers to be reliable, but which by their very nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. The most critical judgements, estimates and assumptions for the individual items are described below.

Accounting estimates and management judgements:

- Amortisation and depreciation
- Revenue recognition
- Warranty costs
- Bad debt provision
- Stock provision
- Business combination
- Dilapidation provisions
- Development costs
- Impairment of group's tangible and intangible assets
- Provisions
- Financial leases

Please refer to note 2 in the Group financial statements for 2023 for further information on critical accounting estimates and judgements.

Note 3 - Revenue

£m	Q3 2024	Q2 2024	FY2023
Training and technology	13.19	13.75	53.76
Simulation solutions	1.65	1.83	6.59
Total	14.84	15.59	60.35

£m	Q2 2024	FY2023
United Kingdom	12.91	53.76
Rest of world	1.93	6.59
Total	14.84	60.35

Note 4 - Net Interest-bearing Debt

£m	Q3 2024	Q2 2024	FY2023
Norwegian Bond debt	74.74	77.81	-
RCF	-	-	3.00
Bank debt	-	-	39.98
Total interest-bearing debt	74.74	77.81	42.98
Cash and cash equivalents	4.04	4.04	1.81
Net interest-bearing debt	70.69	73.76	41.17

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