

MISSION

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23

INTERIM RESULTS

FOR THE SIX MONTHS TO 30 JUNE 2023

MISSION

MISSION is a collective of Agencies dedicated to helping Clients thrive. 1,100+ people. 28 locations. 3 continents. 1 big difference. Our vision is to be the preferred creative partner for real business growth by delivering **Work That Counts™**.

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THE MISSION GROUP PLC INTERIM RESULTS

FOR THE SIX MONTHS TO 30 JUNE 2023

Financial Highlights

Strong revenue performance across most segments combined with diligent cost control delivered a robust headline operating profit outcome for the period, despite a more difficult trading environment.

Six months ended 30 June	2023	2022	%
• Revenue	£41.8m	£37.5m	+11%
• Headline Operating Profit*	£2.0m	£2.2m	-11%
• Headline Profit Before Tax*	£1.0m	£1.9m	-46%
• Reported Profit Before Tax	£0.1m	£1.5m	-95%
• Headline Earnings Per Share (pence)*	0.81	1.71	-53%
• Headline Diluted Earnings Per Share (pence)*	0.81	1.70	-52%
• Net bank debt of £14.9m (30 June 2022: £7.1m, 31 December 2022: £11.4m), driven predominantly by year on year changes in Client prepayment behaviour, closely linked to the tightening within the US Tech sector.			
• Bank debt leverage ratio closed at 1.7x (30 June 2022: 0.8x, 31 December 2022 1.2x).			
• Interim dividend of 0.87p declared (2022: 0.83p), an increase of 5%.			

*Headline results are calculated before start-up costs, acquisition adjustments, goodwill and business impairment and restructuring costs.

Business Highlights

- H1 performance broadly in line with Board's expectations and achieved despite considerable industry-wide headwinds.
- Revenue growth has been driven by strong progress across **MISSION's** Property, Sports & Entertainment and Health & Wellness sectors.
- The Group has not been immune from the challenges in the US technology sector and the reduced level of activity in this market in 2023 has impacted margins, particularly in comparison to 2022.
- Sustained recovery across Agencies most impacted by the pandemic including events and property.
- Major new Client win, UK Post Office, secured since period end on an integrated basis, with work commencing in H2 2023.
- Further new business wins secured during H1 include: UK Space Agency, Macmillan Coffee Morning, M1 Telecom, Goldman Sachs, Jägermeister and Worldpay.
- Further progress against strategic areas of focus with new acquisitions and organic investment made during the period in Data Science & Digital Analytics and Growth Media.
- Recent Sports & Entertainment acquisitions have bedded in well.

Outlook

- As in previous years, the Group expects the majority of its profit to be generated in the second half of the year.
- Despite the continued, heightened level of global macro-economic uncertainty, we currently remain on track to deliver against the Board's expectations.

THE MISSION GROUP PLC INTERIM RESULTS (CONTINUED)

FOR THE SIX MONTHS TO 30 JUNE 2023

Overview

The sustained global macroeconomic and geo-political uncertainty coupled with rising inflation and the cost-of-living crisis continued to impact trading conditions across the Group's industry sectors and beyond. Against this backdrop **MISSION** is encouraged to report overall revenue growth of 11 percent to £41.8m (2022: £37.5m) for the period.

Headline operating profit of £2.0m (2022: £2.2m), primarily reflected the changes to margin mix relative to H1 2022, largely as a result of lower spend in the US Technology sector in recent months. A reduced headline reported profit before tax of £1.0m compared to 2022 (2022: £1.9m) is the result of the higher interest charges resulting from significantly increased interest rates as well as higher debt when compared to last year.

The strategic changes implemented across the business in recent years have placed us in good stead to manage the current industry headwinds. We have seen good underlying trading from our Agencies, reflecting our increasing exposure to more robust sectors and geographies. This is further underpinned by the benefits of the investments we have made in high-potential areas of our markets to expand our capabilities and services.

Careful control of costs across the business has remained a priority. Talent costs are one of the key variables for the Group and whilst wage inflation has clearly been a challenge for the whole industry, we were quick to recognise the potential impact this would have and have continued to manage this well, investing ahead to improve our people proposition in a competitive market.

Net debt has increased in the last six months, to £14.9m (2022 £7.1m, 31 December 2022: £11.4m). This increase has been driven in particular by increased working capital and specifically changes in Client prepayment behaviour, again closely related to the general tightening within the US Tech sector.

Performance and progress

The Group has reported good, organic growth of 6%, guided by strong performances in our Property, Health & Wellness and Sports & Entertainment segments and, whilst the wider new business landscape remains challenging, opportunities have continued to present themselves. A number of significant Client wins have been secured throughout the period including UK Space Agency, Macmillan Coffee Morning, M1 Telecom, Goldman Sachs, Jägermeister and Worldpay.

Furthermore, in August we were delighted to announce a major **MISSION** Group win with UK Post Office who will be working with four of our Agencies as part of a new Group mandate. This win was following a competitive process and highlights the strength of our integrated offering.

The Group has not been immune from the previously highlighted challenges in the US technology sector and revenues from our Technology & Mobility segment have reduced by 5% for the first half year on year, with margins also being significantly impacted in the period. Nevertheless, there are encouraging signs that the run-rate in this segment is returning to late-2022 levels, buoyed by new business successes such as Lumens.

In line with its stated strategy for growth, the Group continues to expand its capabilities in new areas of opportunity. In H1, this included the acquisition of Mezzo Labs, a global data science and digital analytics consultancy, and the launch of Turbine, an integrated Growth Media agency specialising in earned, owned and paid media for consumer brands. These, alongside a solid start for our recent Influence Sports & Media and Populate Social acquisitions contribute new revenue streams to the Group. Since the period end we have been pleased to announce the further expansion of Influence Sports, since **MISSION** acquired the business in December 2022 with the opening of its first office in the US in New York.

THE MISSION GROUP PLC INTERIM RESULTS (CONTINUED)

FOR THE SIX MONTHS TO 30 JUNE 2023

Financial performance

Billings and Revenue

Turnover ("billings") for the six months ended 30 June 2023 increased by 14% to £92.9m (2022: £81.2m) while operating income ("revenue") increased by 11% to £41.8m (2022: £37.5m).

Profit, Margins and Earnings Per Share

The increased revenues demonstrate good progress, particularly in light of the previously noted reductions in US technology income. Firm, but future-focussed cost control alongside a continued commitment to sharing infrastructure through the **MISSION** Made and Shared Services initiatives, has enabled the Group to deliver an operating profit that is modestly behind the prior year comparison.

Headline operating profits decreased by 11% to £2.0m (H1 2022: £2.2m). Headline operating margins decreased to 4.7% (H1 2022: 5.9%).

Financing costs increased to £1.0m (H1 2022: £0.4m), reflecting both a higher average level of debt in the period and a significant increase in interest rates payable on the debt. Headline profit before tax decreased as a result of this to £1.0m (H1 2022: £1.9m).

Adjustments to headline profits in the first half of 2023, at £0.9m, were higher than the prior year comparable period (H1 2022: £0.3m). After these adjustments, reported profit before tax was £0.1m (H1 2022: £1.5m).

The Group estimates an effective tax rate on headline profits before tax of 24% (H1 2022: 22%), resulting in a decrease in headline earnings to £0.8m for the six months (H1 2022: £1.5m) and reported profit after tax of £0.0m (H1 2022: £1.2m). Fully diluted EPS decreased to 0.00 pence (H1 2022: 1.37 pence), while headline diluted EPS decreased to 0.81 pence (H1 2022: 1.70 pence).

Balance Sheet and Cash Flow

The key balance sheet ratio measured and monitored by the Board is the ratio of debt to headline EBITDA ("leverage ratio"). The Group started the year in a strong financial position with a net bank debt leverage ratio of x1.2 and closed the half year at x1.7 (30 June 2022: x0.8). The Board also monitors the ratio of total debt, including remaining acquisition obligations, to EBITDA and this ratio has increased to x2.2 (30 June 2022: x1.0, 31 December 2022: x1.6) following the acquisitions made in the last 12 months.

The Group spent £0.3m on acquisitions during the period (2022 £nil) and a total of £0.4m of acquisition obligations from prior years were settled in the first half of the year, all of which were in cash (30 June 2022: £0.8m all of which were cash). After adjustments to estimated future contingent consideration payments the total estimated acquisition liability at 30 June 2023 totalled £5.1m (30 June 2022: £2.5m). Of this £1.0m is due for payment in the second half of 2023.

Trade and other receivables increased against last year to £53.7m (30 June 2022: £51.6m). Trade and other payables remained stable at £52.2m (30 June 2022: £52.0m). The net change to working capital is primarily driven by a significant reduction in Client prepayments resulting in a reduction in deferred income of £6.2m relative to 30 June 2022. This change in behaviour is once again linked to caution in the US Tech sector.

Consequently, the Group's net bank debt on 30 June 2023 of £14.9m has increased against the positions on both 30 June 2022 (£7.1m) and 31 December 2022 (£11.4m). As a result, total debt (being net bank debt plus acquisition obligations) closed at £20.0m (30 June 2022: £9.6m) as the Group completes the investment in strategic areas of focus.

Dividend

As a reflection of this robust performance in the first half of the year, the Directors have declared an interim dividend of 0.87 pence per ordinary share (H1 2022: 0.83 pence), representing a 5% increase on the prior year. This will be payable on 1 December 2023 to all shareholders on the register on 3 November 2023. The ex-dividend date is 2 November 2023.

THE MISSION GROUP PLC INTERIM RESULTS (CONTINUED)

FOR THE SIX MONTHS TO 30 JUNE 2023

Making positive change

Over the course of the period, we are pleased to have made further progress against our Environmental, Social and Governance (ESG) commitments, outlined in our manifesto 'Making Positive Change'. Traction against our social goals, focused on building diverse and healthy teams and supporting the communities we work within, has also been a key priority. This has seen positive movement against our representation goals and impactful community support through pro bono work, donations and volunteering.

Another important priority has been the clarification of our Environmental journey, which has seen us benchmark and set our emissions reduction targets in line with the Paris Climate Agreement and validate these targets via the Science-Based Targets initiative (SBTi) Net-Zero Standard. We have targeted a 21% reduction in our Emissions by 2024 with a 42% reduction by 2029. We are pleased to report that we are on track to meet these targets as a result of our actions taken to date, with total emissions reduced by 40% since we began reporting in 2019. We are also aiming to achieve ISO 14001 status for the majority of our Agencies by end of 2023. We will be working with several identified partners to ensure a faster transition in line with these goals as part of our transition to net zero and to improve our measurement and reporting.

Outlook

MISSION has a significant second-half weighting with respect to profitability. Revenue growth is anticipated across all the Group's sectors with run rates from the US technology sector starting to return to 2022 levels. Whilst the Group remains on track to meet full-year guidance, as highlighted in our trading update on 27 July 2023, profitability is likely to be at the lower end of the Board's expectations albeit with profit before tax still expected to exceed that of 2022 (£7.8m).

Commenting on the results, Julian Hanson-Smith, Chair of The MISSION Group plc, said:

"**MISSION** continues to report robust organic revenue growth from existing Clients across all areas, despite the well-documented industry headwinds. The recent announcement of a major new Client win, UK Post Office, reflects the growing success of **MISSION**'s integrated offering, and the benefits of the recent investments we have made to expand our capabilities and services.

We continue to be mindful of wider macro-economic uncertainty impacting Client spend, but still anticipate full year revenue growth across all the Group's primary business sectors. Encouragingly, run rates from the US technology sector are starting to return to 2022 levels. We remain confident that the Group's strategy of deliberate investment in our people and capabilities will underpin a good full year performance. The effects of higher operating and interest costs are likely to have an impact on profit growth for the current year which, as previously reported, we expect to be at the lower end of the Board's original expectations but still ahead of last year's level."

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Note	Six months to 30 June 2023 Unaudited £'000	Six months to 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
TURNOVER	2	92,908	81,226	182,685
Cost of sales		(51,110)	(43,712)	(102,871)
OPERATING INCOME	2	41,798	37,514	79,814
Headline operating expenses		(39,832)	(35,297)	(71,157)
HEADLINE OPERATING PROFIT		1,966	2,217	8,657
Start-up costs	3	(512)	-	(776)
Acquisition adjustments	4	(418)	(346)	(593)
Goodwill and business impairment	3	-	-	(5,257)
Restructuring costs	3	-	-	(402)
OPERATING PROFIT		1,036	1,871	1,629
Share of results of associates and joint ventures		75	75	160
PROFIT BEFORE INTEREST AND TAXATION		1,111	1,946	1,789
Net finance costs	5	(1,042)	(432)	(1,046)
PROFIT BEFORE TAXATION		69	1,514	743
Taxation	6	(35)	(358)	(707)
PROFIT FOR THE PERIOD		34	1,156	36
Attributable to:				
Equity holders of the parent		3	1,250	9
Non-controlling interests		31	(94)	27
		34	1,156	36
Basic earnings per share (pence)	7	0.00	1.38	0.01
Diluted earnings per share (pence)	7	0.00	1.37	0.01
Headline basic earnings per share (pence)	7	0.81	1.71	6.79
Headline diluted earnings per share (pence)	7	0.81	1.70	6.74

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months to 30 June 2023 Unaudited £'000	Six months to 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
PROFIT FOR THE PERIOD	34	1,156	36
Other comprehensive (loss) / income – items that may be reclassified separately to profit or loss:			
Exchange differences on translation of foreign operations	(153)	189	(688)
TOTAL COMPREHENSIVE (LOSS) / INCOME FOR THE PERIOD	(119)	1,345	(652)
Attributable to:			
Equity holders of the parent	(159)	1,526	(601)
Non-controlling interests	40	(181)	(51)
	(119)	1,345	(652)

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2023

	Note	As at 30 June 2023 Unaudited £'000	As at 30 June 2022 Unaudited £'000	As at 31 December 2022 Audited £'000
FIXED ASSETS				
Intangible assets	8	101,704	99,639	99,741
Property, plant and equipment		3,599	2,045	2,090
Right of use assets	9	19,033	8,746	9,536
Investments, associates and joint ventures		512	592	437
		124,848	111,022	111,804
CURRENT ASSETS				
Stock		2,400	2,457	2,185
Trade and other receivables		53,732	51,607	41,255
Corporation tax receivable		75	-	-
Cash and short term deposits		5,096	7,847	6,153
		61,303	61,911	49,593
CURRENT LIABILITIES				
Trade and other payables		(52,219)	(51,993)	(39,667)
Corporation tax payable		-	(819)	(794)
Bank loans	10	(23)	-	(27)
Acquisition obligations	11	(1,873)	(405)	(1,371)
		(54,115)	(53,217)	(41,859)
NET CURRENT ASSETS		7,188	8,694	7,734
TOTAL ASSETS LESS CURRENT LIABILITIES		132,036	119,716	119,538
NON CURRENT LIABILITIES				
Bank loans	10	(19,960)	(14,917)	(17,488)
Lease liabilities	9	(18,226)	(7,700)	(8,481)
Acquisition obligations	11	(3,180)	(2,120)	(2,772)
Deferred tax liabilities		(704)	(412)	(622)
		(42,070)	(25,149)	(29,363)
NET ASSETS		89,966	94,567	90,175
CAPITAL AND RESERVES				
Called up share capital		9,102	9,102	9,102
Share premium account		45,928	45,928	45,928
Own shares		(983)	(759)	(994)
Share-based incentive reserve		1,069	944	1,010
Foreign currency translation reserve		(772)	276	(610)
Retained earnings		35,531	38,998	35,558
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		89,875	94,489	89,994
Non-controlling interests		91	78	181
TOTAL EQUITY		89,966	94,567	90,175

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Six months to 30 June 2023	Six months to 30 June 2022	Year ended 31 December 2022
	Unaudited £'000	Unaudited £'000	Audited £'000
Operating profit	1,036	1,871	1,629
Depreciation and amortisation charges	2,207	2,123	8,701
Movements in the fair value of contingent consideration	22	-	(334)
(Profit) / loss on disposal of fixed assets	(1)	10	10
Non cash charge for share options, growth shares and shares awarded, net of awards settled in cash	40	26	73
(Increase) / decrease in receivables	(12,109)	(10,917)	149
Increase in stock	(215)	(345)	(73)
Increase in payables	11,528	13,793	1,056
OPERATING CASH FLOW	2,508	6,561	11,211
Net finance costs	(1,063)	(412)	(1,002)
Tax (paid) / refund	(1,053)	40	(482)
Net cash inflow from operating activities	392	6,189	9,727
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment	5	-	64
Purchase of property, plant and equipment	(2,021)	(535)	(1,092)
Investment in software development	(3)	(469)	(1,852)
Acquisition of or investments in businesses	(397)	(100)	(1,893)
Payment relating to acquisitions made in prior periods	(393)	(790)	(790)
Cash acquired with subsidiaries	71	84	271
Net cash outflow from investing activities	(2,738)	(1,810)	(5,292)
FINANCING ACTIVITIES			
Dividends paid	-	-	(2,180)
Dividends paid to non-controlling interests	(130)	(13)	(40)
Repayment of lease liabilities	(913)	(1,012)	(1,935)
Increase in / (repayment of) bank loans	2,485	(1,500)	992
Purchase of own shares held in EBT	-	(262)	(497)
Net cash inflow / (outflow) from financing activities	1,442	(2,787)	(3,660)
(Decrease) / increase in cash/equivalents	(904)	1,592	775
Exchange differences on translation of foreign subsidiaries	(153)	189	(688)
Cash and cash equivalents at beginning of period	6,153	6,066	6,066
Cash and cash equivalents at end of period	5,096	7,847	6,153

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Share capital	Share premium	Own shares	Share-based incentive reserve	Foreign currency translation reserve	Retained earnings	Total attributable to equity holders of parent	Non-controlling interest	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2022	9,102	45,928	(518)	868	-	37,820	93,200	272	93,472
Profit for period	-	-	-	-	-	1,250	1,250	(94)	1,156
Exchange differences on translation of foreign operations	-	-	-	-	276	-	276	(87)	189
Total comprehensive income for period	-	-	-	-	276	1,250	1,526	(181)	1,345
Share option charge	-	-	-	17	-	-	17	-	17
Growth share charge	-	-	-	59	-	-	59	-	59
Own shares purchased by EBT	-	-	(262)	-	-	-	(262)	-	(262)
Shares awarded and sold from own shares	-	-	21	-	-	(72)	(51)	-	(51)
Dividend paid	-	-	-	-	-	-	-	(13)	(13)
At 30 June 2022	9,102	45,928	(759)	944	276	38,998	94,489	78	94,567
Loss for period	-	-	-	-	-	(1,241)	(1,241)	121	(1,120)
Exchange differences on translation of foreign operations	-	-	-	-	(886)	-	(886)	9	(877)
Total comprehensive income for period	-	-	-	-	(886)	(1,241)	(2,127)	130	(1,997)
Share option charge	-	-	-	16	-	-	16	-	16
Growth share charge	-	-	-	50	-	-	50	-	50
Own shares purchased by EBT	-	-	(235)	-	-	-	(235)	-	(235)
Shares awarded and sold from own shares	-	-	-	-	-	(19)	(19)	-	(19)
Dividend paid	-	-	-	-	-	(2,180)	(2,180)	(27)	(2,207)
At 31 December 2022	9,102	45,928	(994)	1,010	(610)	35,558	89,994	181	90,175
Profit for period	-	-	-	-	-	3	3	31	34
Exchange differences on translation of foreign operations	-	-	-	-	(162)	-	(162)	9	(153)
Total comprehensive income for period	-	-	-	-	(162)	3	(159)	40	(119)
Growth share charge	-	-	-	59	-	-	59	-	59
Shares awarded and sold from own shares	-	-	11	-	-	(30)	(19)	-	(19)
Dividend paid	-	-	-	-	-	-	-	(130)	(130)
At 30 June 2023	9,102	45,928	(983)	1,069	(772)	35,531	89,875	91	89,966

NOTES TO THE UNAUDITED INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. Accounting Policies

Basis of preparation

The condensed consolidated interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with the IAS 34 “Interim Financial Reporting” and the Group’s accounting policies.

The Group’s accounting policies are in accordance with International Financial Reporting Standards as adopted by the United Kingdom and are set out in the Group’s Annual Report and Accounts 2022 on pages 59-63. These are consistent with the accounting policies which the Group expects to adopt in its 2023 Annual Report. The Group has not early-adopted any Standard, Interpretation or Amendment that has been issued but is not yet effective.

The information relating to the six months ended 30 June 2023 and 30 June 2022 is unaudited and does not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The comparative figures for the year ended 31 December 2022 have been extracted from the Group’s Annual Report and Accounts 2022, on which the auditors gave an unqualified opinion and did not include a statement under section 498 (2) or (3) of the Companies Act 2006. The Group Annual Report and Accounts for the year ended 31 December 2022 have been filed with the Registrar of Companies.

Going concern

The Directors have considered the financial projections of the Group, including cash flow forecasts, the availability of committed bank facilities (including the option to increase the facility by £5.0m and the temporary increase in the overdraft limit to £6.0m until the end of the year) and the headroom against covenant tests for the coming 12 months. They are satisfied that the Group has adequate resources for the foreseeable future and that it is appropriate to continue to adopt the going concern basis in preparing these interim financial statements.

Accounting estimates and judgements

The Group makes estimates and judgements concerning the future and the resulting estimates may, by definition, vary from the actual results. The Directors considered the critical accounting estimates and judgements used in the interim financial statements and concluded that the main areas of judgement are:

- Potential impairment of goodwill;
- Contingent payments in respect of acquisitions;
- Revenue recognition policies in respect of contracts which straddle the period end;
- Valuation of intangible assets on acquisitions; and
- Intangible development costs.

NOTES TO THE UNAUDITED INTERIM REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

2. Segmental Information

Business segmentation

For management purposes the Board monitors the performance of its individual agencies and groups them into service segments based on the sectors in which they operate. Each reportable segment therefore includes a number of agencies with similar characteristics.

The Board assesses the performance of each segment by looking at turnover, operating income and headline operating profit. The headline operating profit shown below is after the reallocation to the agencies of certain head office costs relating to the Shared Services function. These costs include a significant portion of the total operating costs which are now centrally managed.

The Board does not review the assets and liabilities of the Group on a segmental basis. A segmental breakdown of assets and liabilities is therefore not disclosed.

	Business & Corporate	Consumer & Lifestyle	Health & Wellness	Property	Sports & Entertainment	Technology & Mobility	MISSION Advantage & Central	Investments	Total
Six months to 30 June 2023	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	34,725	12,874	2,165	14,973	4,032	17,494	6,217	428	92,908
Operating income	10,127	9,180	2,032	6,821	3,000	7,849	2,439	350	41,798
Headline operating profit	1,350	868	216	585	357	273	(1,126)	(557)	1,966

	Business & Corporate	Consumer & Lifestyle	Health & Wellness	Property	Sports & Entertainment	Technology & Mobility	MISSION Advantage & Central	Investments	Total
Six months to 30 June 2022	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	31,523	12,373	1,710	12,341	2,371	16,569	4,157	182	81,226
Operating income	10,121	9,296	1,512	5,941	1,432	8,236	857	119	37,514
Headline operating profit	936	900	138	270	245	1,222	(836)	(658)	2,217

	Business & Corporate	Consumer & Lifestyle	Health & Wellness	Property	Sports & Entertainment	Technology & Mobility	MISSION Advantage & Central	Investments	Total
Year to 31 December 2022	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	62,134	24,880	4,694	26,505	6,040	48,527	9,544	361	182,685
Operating income	20,637	18,243	3,891	13,353	3,352	17,295	2,786	257	79,814
Headline operating profit	2,459	1,182	953	1,895	654	3,369	(1,720)	(135)	8,657

NOTES TO THE UNAUDITED INTERIM REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

Geographical segmentation

The following table provides an analysis of the Group's operating income by region of activity:

	Six months to 30 June 2023	Six months to 30 June 2022	Year ended 31 December 2022
	Unaudited £'000	Unaudited £'000	Audited £'000
UK	35,828	32,124	67,766
USA	4,203	4,144	9,156
Asia	1,643	1,148	2,667
Rest of Europe	124	98	225
	41,798	37,514	79,814

3. Reconciliation of Headline Profit to Reported Profit

The Board believes that headline profits, which eliminate certain amounts from the reported figures, provide a better understanding of the underlying trading of the Group. The adjustments to reported profits generally fall into three categories: acquisition-related items, exceptional restructuring costs and start-up costs.

	Six months to 30 June 2023		Six months to 30 June 2022		Year ended 31 December 2022	
	Unaudited		Unaudited		Audited	
	PBT £'000	PAT £'000	PBT £'000	PAT £'000	PBT £'000	PAT £'000
Headline profit	999	759	1,860	1,451	7,771	6,130
Goodwill and business impairment	-	-	-	-	(5,257)	(4,697)
Acquisition-related items (Note 4)	(418)	(341)	(346)	(295)	(593)	(443)
Restructuring costs	-	-	-	-	(402)	(325)
Start-up costs	(512)	(384)	-	-	(776)	(629)
Reported profit	69	34	1,514	1,156	743	36

Goodwill and business impairment costs in 2022 related to the impairment of Splash goodwill and the impairment of Pathfindr fixed assets and stock, following a review of the valuation of these cash generating units and assets, and the loss on disposal of the Fenturi investment in associate and write-off of intercompany balance.

Restructuring costs in 2022 comprised the costs associated with the major fundamental restructuring of the Splash business.

Start-up costs derive from organically started businesses or loss-making businesses acquired and comprise the trading losses of such entities until the earlier of two years from commencement or when they show evidence of becoming sustainably profitable. Start-up costs in 2022 related to the trading losses of the new Livity youth-marketing offer as well as costs associated with the early-stage foundation of performance marketing and data science capabilities. Start-up costs in 2023 relate to Livity and the launch of Turbine, an integrated Growth Media agency, specialising in owned, earned and paid media for consumer facing brands.

NOTES TO THE UNAUDITED INTERIM REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4. Acquisition Adjustments

	Six months to 30 June 2023	Six months to 30 June 2022	Year ended 31 December 2022
	Unaudited £'000	Unaudited £'000	Audited £'000
Amortisation of intangible assets recognised on acquisitions	(259)	(259)	(519)
Movement in fair value of contingent consideration	(22)	-	334
Acquisition transaction costs expensed	(137)	(87)	(408)
	(418)	(346)	(593)

The movement in fair value of contingent consideration relates to a revision in the estimate payable to vendors of businesses acquired in prior years. Acquisition transaction costs relate to professional fees associated with the acquisitions.

5. Net Finance Costs

	Six months to 30 June 2023	Six months to 30 June 2022	Year ended 31 December 2022
	Unaudited £'000	Unaudited £'000	Audited £'000
Net interest on bank loans, overdrafts and deposits	(742)	(235)	(656)
Amortisation of bank debt arrangement fees	(23)	(24)	(48)
Interest expense on leases liabilities	(277)	(173)	(342)
Net finance costs	(1,042)	(432)	(1,046)

The increase in net interest on bank loans, overdrafts and deposits in the period is driven by an increase in the interest rate payable on the bank debt following general increases in interest rates by the BOE, and an increase in the average level of bank debt, caused predominantly by a large client changing their payment terms, whereby they have moved from paying significant amounts of media in advance, to paying for their media month by month. Mezzo acquisition consideration payments and payments associated with the new London lease and office fitout also contributed to the increased level of bank debt.

The increase in interest expense on lease liabilities in the period is the result of the increase in Right of Use Assets and Lease Liabilities following the entering into of new leases, most notably the new London office.

6. Taxation

The taxation charge for the period ended 30 June 2023 has been based on an estimated effective tax rate on headline profit on ordinary activities of 24% (30 June 2022: 22%).

NOTES TO THE UNAUDITED INTERIM REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

7. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data, determined in accordance with the provisions of IAS 33: "Earnings per Share".

	Six months to 30 June 2023 Unaudited £'000	Six months to 30 June 2022 Unaudited £'000	Year to 31 December 2022 Audited £'000
Earnings			
Reported profit for the year			
Attributable to:			
Equity holders of the parent	3	1,250	9
Non-controlling interests	31	(94)	27
	34	1,156	36
Headline earnings (Note 3)			
Attributable to:			
Equity holders of the parent	728	1,545	6,103
Non-controlling interests	31	(94)	27
	759	1,451	6,130
Number of shares			
Weighted average number of Ordinary shares for the purpose of basic earnings per share	89,531,712	90,310,055	89,906,999
Dilutive effect of securities: Employee share options	370,183	662,043	617,992
Weighted average number of Ordinary shares for the purpose of diluted earnings per share	89,901,895	90,972,098	90,524,991
Reported basis:			
Basic earnings per share (pence)	0.00	1.38	0.01
Diluted earnings per share (pence)	0.00	1.37	0.01
Headline basis:			
Basic earnings per share (pence)	0.81	1.71	6.79
Diluted earnings per share (pence)	0.81	1.70	6.74

A reconciliation of the profit after tax on a reported basis and the headline basis is given in Note 3.

NOTES TO THE UNAUDITED INTERIM REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

8. Intangible Assets

	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000	31 December 2022 Audited £'000
Goodwill	98,123	95,412	96,213
Other intangible assets	3,581	4,227	3,528
	101,704	99,639	99,741

Goodwill	Six months to 30 June 2023 Unaudited £'000	Six months to 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
Cost			
At 1 January	102,486	98,877	98,877
Recognised on acquisition of subsidiary	1,910	808	3,609
At 30 June / 31 December	104,396	99,685	102,486
Impairment adjustment			
At 1 January	6,273	4,273	4,273
Impairment during the period	-	-	2,000
At 30 June / 31 December	6,273	4,273	6,273
Net book value	98,123	95,412	96,213

The increase in goodwill during the period relates to the acquisition of Mezzo Labs Ltd.

In accordance with the Group's accounting policies, an annual impairment test is applied to the carrying value of goodwill, unless there is an indication that one of the cash generating units has become impaired during the year, in which case an impairment test is applied to the relevant asset. The next impairment test will be undertaken at 31 December 2023. In 2022, as a result of the performance and restructuring of the operations of Bray Leino Splash Pte Ltd, the Directors considered it prudent to impair £2.0m of goodwill relating to this CGU.

NOTES TO THE UNAUDITED INTERIM REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

Other Intangible Assets

	Six months to 30 June 2023 Unaudited £'000	Six months to 30 June 2022 Unaudited £'000	Year ended 31 December 2022 Audited £'000
Cost			
At 1 January	11,575	11,940	11,940
Additions	522	469	2,616
Transfers to PPE	-	-	(103)
Disposals	-	-	(3)
Impairment	-	-	(2,875)
At 30 June / 31 December	12,097	12,409	11,575
Amortisation and impairment			
At 1 January	8,047	7,570	7,570
Charge for the period	469	612	856
Transfers to PPE	-	-	(100)
Disposals	-	-	(2)
Impairment	-	-	(277)
At 30 June / 31 December	8,516	8,182	8,047
Net book value	3,581	4,227	3,528

Other intangible assets consist of Client relationships, trade names, and software and product development costs.

9. Right of Use Assets and Lease Liabilities

The Group leases several assets, the overwhelming majority of which are the office premises from which it operates. Under IFRS 16, the Group recognises Right of Use Assets and Lease Liabilities in relation to these leases. Assets and liabilities reduce over the period of the lease and increase when a lease is renewed, or a new lease entered into.

The increase in Right of Use Assets and Lease Liabilities in the period relates to the entering into of new leases, most notably the new long term London office lease.

NOTES TO THE UNAUDITED INTERIM REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

10. Bank Loans and Net Bank Debt

	30 June 2023 Unaudited £'000	30 June 2022 Unaudited £'000	31 December 2022 Audited £'000
Bank loan outstanding	20,060	15,000	17,575
Adjustment to amortised cost	(77)	(83)	(60)
Carrying value of loan outstanding	19,983	14,917	17,515
Less: Cash and short term deposits	(5,096)	(7,847)	(6,153)
Net bank debt	14,887	7,070	11,362
The borrowings are repayable as follows:			
Less than one year	23	-	27
In one to two years	21	15,000	17,521
In two to three years	20,016	-	22
In three to four years	-	-	5
	20,060	15,000	17,575
Adjustment to amortised cost	(77)	(83)	(60)
	19,983	14,917	17,515
Less: Amount due for settlement within 12 months (shown under current liabilities)	(23)	-	(27)
Amount due for settlement after 12 months	19,960	14,917	17,488

At 30 June 2023, the Group's committed bank facilities comprised a revolving credit facility of £20.0m, with an option to increase the facility by £5.0m. On 8 March 2023 the Group exercised the option to extend by one year, the facility now expiring on 5 April 2025. Interest on the facility is based on SONIA (sterling overnight index average) plus a margin of between 1.50% and 2.25% depending on the Group's debt leverage ratio, payable in cash on loan rollover dates.

In addition to its committed facilities, the Group has available an overdraft facility of up to £6.0m with interest payable by reference to National Westminster Bank plc Base Rate plus 2.25%. This overdraft limit of £6.0m is a temporary increase until 31 December 2023, after which the limit will return to £3.0m.

Included in the above is £60,000 of bank loans owing by Populate Social Ltd, one of the companies acquired in 2022. These borrowings are repayable over a three year period.

NOTES TO THE UNAUDITED INTERIM REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

11. Acquisitions

11.1 Acquisition Obligations

The terms of an acquisition may provide that the value of the purchase consideration, which may be payable in cash or shares or other securities at a future date, depends on uncertain future events such as the future performance of the acquired company. The Directors estimate that the liability for payments that may be due is as follows:

	Cash £'000	Shares £'000	Total £'000
30 June 2023			
Less than one year	1,873	-	1,873
Between one and two years	2,281	-	2,281
In more than two but less than three years	899	-	899
	5,053	-	5,053

A reconciliation of acquisition obligations during the period is as follows:

	Cash £'000	Shares £'000	Total £'000
At 31 December 2022	4,143	-	4,143
Obligations settled in the period	(393)	-	(393)
Adjustments to estimates of obligations	22	-	22
New acquisitions	1,281	-	1,281
At 30 June 2022	5,053	-	5,053

NOTES TO THE UNAUDITED INTERIM REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

11.2 Acquisition of Mezzo Labs Ltd

On 13 February 2023, the Group acquired the entire issued share capital of Mezzo Labs Ltd (“Mezzo”). Mezzo is a leading provider of innovative data services with over 16 years’ experience in data strategy and architecture, web analytics, CX analytics, marketing automation, insights generation, data science, Conversion Rate Optimisation (CRO) and personalisation. Headquartered in London, the company also has operations in Singapore. The fair value of the consideration given for the acquisition was £1,678,000, comprising initial cash consideration and deferred contingent consideration. The deferred contingent consideration is to be satisfied by the issue of new ordinary shares up to a maximum of 40% at MISSION’s discretion, with the balance payable in cash. Costs relating to the acquisition amounted to £81,000 and were expensed.

Maximum contingent consideration of £4,000,000 is dependent on Mezzo achieving a profit target over the period 1 January 2023 to 31 December 2024. The Group has provided for contingent consideration of £1,281,000 to date.

The fair value of the net identifiable liabilities acquired was £584,000 resulting in goodwill and previously unrecognised other intangible assets of £2,262,000. Goodwill arises on consolidation and is not tax-deductible. Management carried out a review to assess whether any other intangible assets were acquired as part of the transaction. Management concluded that both a brand name and customer relationships were acquired and attributed a value to each of these by applying commonly accepted valuation methodologies. The goodwill arising on the acquisition is attributable to the anticipated profitability of Mezzo.

	Book value	Fair value adjustments	Fair value
	£'000	£'000	£'000
Net assets acquired:			
Intangible assets	49	-	49
Fixed assets	19	-	19
Trade and other receivables	368	-	368
Cash and cash equivalents	71	-	71
Trade and other payables	(1,078)	-	(1,078)
Deferred tax	(13)	-	(13)
	(584)	-	(584)
Other intangibles recognised at acquisition	-	470	470
Deferred tax adjustment	-	(118)	(118)
	(584)	352	(232)
Goodwill			1,910
Total consideration			1,678
Satisfied by:			
Cash			397
Deferred contingent consideration			1,281
			1,678

Mezzo contributed turnover of £860,000, operating income of £822,000 and headline operating profit of £59,000 to the results of the Group for the six month period ended 30 June 2023.

NOTES TO THE UNAUDITED INTERIM REPORT (CONTINUED)

FOR THE SIX MONTHS ENDED 30 JUNE 2023

12. Post balance sheet events

There have been no material post balance sheet events.

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