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KRM22 PLC
20 September 2022

KRM22 plc

("KRM22", the "Group" or the "Company")

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

KRM22 plc (AIM: KRM.L), the technology and software investment company, with a particular focus on risk management in capital markets, announces its unaudited interim results for the six months ended 30 June 2022 ("H1 2022" or the "Period").

Highlights

Financial

- Gross cash and cash equivalents at 30 June 2022 of £3.6m (FY 2021: £5.4m)
- Annualised Recurring Revenue* ("ARR") of £4.1m at 30 June 2022 (H1 2021: £3.7m)
    - New contracted ARR in the period of £0.7m (H1 2021: £0.3m)
- Total revenue recognised of £1.9m (H1 2021: £2.2m)
- Adjusted EBITDA loss** of £0.7m (H1 2021: loss of £0.3m)
- Loss before tax of £1.2m (H1 2021: loss before tax of £1.7m)

Operational

- Launch of 'Limits Manager', the first joint product with Trading Technologies International, Inc ("TT") following the distribution agreement signed in December 2021
- Conversion of sales opportunities generated by the relationship with TT
- Ten new ARR contracts with six new customers, including a Tier One bank
- Internal reorganisation of staff to bring clarity to operations and responsibilities
- Significant reduction in unplanned customer churn with only one institutional customer loss in the period

Post-Period Events

- Growth in ARR to £4.4m from a further six new contracts

** Annualised Recurring Revenue (ARR) is the value of contracted Software-as-a-Service (SaaS) revenue normalised to a one year period and excludes one time fees*
*** Adjusted EBITDA is the reported profit/(loss), adjusted for depreciation, amortisation, share-based payment charges and unrealised foreign currency gains/losses and non-recurring exceptional costs including impairment charges, reorganisation costs, gain on*

extinguishment of debt and acquisition and funding costs, gain/loss on disposal of property, plant and equipment

Commenting on the results, CEO of KRM22, Stephen Casner, said:

"Our success in the first half of the year has been driven by the five key initiatives that we defined at the start of the year. These initiatives have seen an increase in ARR, a reduction in the level of customer churn and an improvement in the underlying processes that will support KRM22's continued growth.

There is no doubt that the Company needs to continue to improve performance to achieve profitability and produce positive cash flow. We strongly believe that if we continue to repeat the success we demonstrated in H1 2022, we have the right products, distribution, talent and sufficient capital to get there."

This announcement contains inside information for the purposes of Article 7 of the UK version of Regulation (EU) No 596/2014 which is part of UK law by virtue of the European Union (Withdrawal) Act 2018, as amended ("MAR"). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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Carl Holmes / James Balicki
Alice Lane / Sunila de Silva (ECM)

About KRM22 plc

KRM22 is a closed-ended investment company which listed on AIM on 30 April 2018. The Company has been established with the objective of creating value for its investors through the investment in, and subsequent growth and development of, target companies in the technology and software sector, with a focus on risk management in capital markets.

Through its investments and the Global Risk Platform, KRM22 helps capital market companies reduce the cost and complexity of risk management. The Global Risk Platform provides applications to help address firms' market, compliance, operations and technology risk challenges and to manage their entire enterprise risk profile.

Capital markets companies' partner with KRM22 to optimise risk management systems and processes, improving profitability and expanding opportunities to increase portfolio returns by leveraging risk as alpha.

KRM22 plc is listed on AIM and the Group is headquartered in London, with offices in several of the world's major financial centres.

See more about KRM22 at www.krm22.com

CEO'S REPORT

Pursuant to an equity investment and entering a product distribution agreement with Trading Technologies International, Inc ("TT") at the end of 2021, the Company defined five key initiatives to embark on during the Period. The initiatives include generating revenue from the TT relationship, growing the Company's ARR, reduce the level of customer churn as experienced in the previous two years, improving the success and adoption of the Risk Cockpit, and reorganising the workforce to help grow the business and support the other initiatives.

I am pleased to report the Company found success in each endeavour.

The amount of ARR KRM22 has under contract has increased, the relationships KRM22 has with its customers has improved and the Company has been positioned for significant growth through our new direct sales team and the addition of the TT sales team as a new sales channel.

As you review the progress made in the period, I would like to highlight how we stand on the key initiatives we embarked on at the start of 2022.

Creating revenue from TT's customer base

Our relationship with TT has been one of the primary keys to our success this year. We signed our first sales contract from the TT sales channel in June. This contract allows us to leverage our Pre-Trade Limit Manager product to be used as a custom limit system for a major European commodity exchange. This three-year contract provides £0.1m of ARR and £0.2m of non-recurring implementation revenue to KRM22.

We announced in March two key products that TT will distribute for KRM22. A major component of the announcement was that these products would operate on TT's technical platform. This allows TT customers to contract for the KRM22 services under their existing TT license agreement conforming to technical audits and without migrating data to a different environment. We jointly decided to make this investment to reduce the amount of "friction" TT would experience in selling KRM22's products.

This is a direct response to how our core market has changed the way they acquire software products, allowing them to test and use the applications before making a financial commitment.

We are impressed with how KRM22 and TT worked collaboratively on our first product. By the end of June, we had successfully integrated KRM22's Limits Manager onto the TT platform. This allowed us to commence TT's sales campaign for KRM22's Limits Manager in August.

While these initiatives are a work in progress, and it is unclear exactly how and when revenue acceleration will materialise, both TT and KRM22 strongly believe that we are on the right path for success. We believe so strongly in this process that both companies are investing in delivering a second risk product, KRM22 Risk Manager, to the TT customer base. This product is currently being co-implemented by KRM22 and TT and we anticipate deployment to be completed before the end of 2022 with revenue expected to follow in 2023.

Revenue growth

While our relationship with TT is important, we also must prove that we can directly sell our products to new customers and expand the use of our products by our existing customers. I am pleased to report our 2022 selling initiatives have been successful and our new sales team is being led by the Company's Chief Revenue Officer, Billy Murray.

As of the date of this report, our ARR is £4.4m, having signed 16 new contracts totaling £0.9m - eight with new customers, including a Tier One bank, and eight with existing customers for new products and extensions of existing products. Pleasingly, the total new contracted ARR in 2022 so far is higher than the total amount of new contracted ARR the Company signed in all of 2021 demonstrating good traction and the effective new approach to direct sales.

One disappointment in the period is that whilst we have had strong performance generating new contractual ARR, we have been less successful in delivering non-recurring revenue ("NRR") which would have improved the underlying Adjusted EBITDA loss for H1 2022.

We are currently seeing a turnaround in contracted NRR with approximately £0.4m of contracted NRR that will be delivered in the second half of 2022 and this, combined with continued growth in ARR, will eventually decrease the underlying Adjusted EBITDA loss as we drive towards profitability.

Retention of Customers

The level of customer attrition the Company experienced in prior years, with total churn of £1.4m notified to us in 2021, was debilitating and is not sustainable for the Company to succeed.

Thus, we embarked upon a defined customer retention plan led by our Customer Services team which resulted in the prevention of "surprise" churn in the customer base in H1 2022. In the year to date we have only had one customer contract, with £0.1m ARR, that we did not anticipate terminating and this was a Belarusian customer with the termination driven by the Russia/Ukraine geopolitical crisis.

A highlight of our retention plan in H1 2022 included the roll out of a series of "KRM22 health dashboards" to our customers. This initiative highlights how many transactions we process for our customers each day, gives our customers a direct and instantaneous view of open and closed support tickets as well as the availability of future product updates and associated new features and functions. These dashboards, in combination with our monthly newsletter program, has significantly extended our daily customer touch points and has improved the value we deliver to each of our customers every day.

Another key part of our customer retention plan is to deliver the integrated benefit of KRM22's Global Risk Platform to our Showcase Global Risk Platform Customer, and we delivered excellent progress in the period. The Global Risk Platform is now fully operational for Market and Compliance risk at our Showcase Global Risk Platform Customer and we began the implementation of our Risk Cockpit product for this customer in H1 2022.

This means that by the end of 2022, we will have a major UK customer operating a true "end-to-end" risk platform for Market, Compliance and Enterprise Risk using common data services on our Global Risk Platform. We believe once this customer is fully operational, we will be able to convince the customers we acquired through the Ancoa, Prime Analytics and Object + acquisitions, to migrate to this next generation SaaS platform.

Making the Risk Cockpit successful

We know that having a corporate risk tool is a unique compliment to the Market Risk and Compliance Risk tools we have been successfully selling to new customers.

We have been disappointed in the rate of adoption of the Risk Cockpit product since the product was developed and launched in 2019. We have created a new plan with new resources to help us make that change. The results of our efforts are just beginning to come to fruition.

This new plan, in conjunction with the continued success of the deployment of our Risk Cockpit for our Showcase Global Risk Platform Customer has renewed our commitment to this product and will allow us to differentiate our Global Risk Platform from our competitors in market.

Reorganise the workforce

At the start of 2022, and following my appointment as CEO of KRM22, we took the action to restructure KRM22's internal teams and their responsibilities, as this is key to the Company's future success. The senior leadership team was streamlined and refocused into four distinct areas: Revenue, Customer Services, Technology and Finance/HR/Legal. We completed a successful search for a new Chief Revenue Officer, Billy Murray, who joined in September 2022. Dan Carter was promoted to run Customer Services, Viliam Dzupin's Technology responsibilities extended to cover Product, whilst Kim Suter's responsibilities were extended to cover legal contracts and administration.

This new leadership team has brought clarity and efficiency to the organisation and is a primary reason for the Company's success in the year to date.

Outlook

Overall, we are on the right path to achieve the objectives and internal KPI's set out at the start of 2022. These provide a strong foundation on which to build in 2023.

We have defined a goal to get to £10.0m of ARR while achieving positive EBITDA and cash flow and we have the right foundations in place to achieve this goal. Notwithstanding a backdrop of challenging market conditions, which we do not expect to materially change anytime in the near future, we will continue to consistently drive the acceleration of revenue through each of our sales channels. We also will continue to manage the underlying cost base of the business to ensure we have sufficient cash to give us the runway to achieve our goal.

As to the timing of achieving our goal, the amount of variables we have in our revenue plan still inhibit us forecasting exactly when this will occur. We believe that by remaining diligently focused on growing ARR, retaining customers and managing costs, the time frame for our success will begin to come into focus in our subsequent reporting periods.

As always, we thank you for your support and look forward to continuing to build one of the capital markets best risk management companies.

Stephen Casner
CEO
19 September 2022

FINANCIAL REVIEW

Income statement

Total revenue

Total revenue reported in the period was £1.9m (H1 2021: £2.2m) and 96% (H1 2021: 94%) was generated from recurring customer contracts.

Recurring revenue

Recurring revenue recognised for the period was £1.8m (H1 2021: £2.0m). As at 30 June 2022, the Group had contracted ARR of £4.1m and as at the date of this report, contracted ARR had increased to £4.4m.

Gross profit

Gross profit for the period was £1.5m (H1 2021: £1.8m) and the reduction in gross profit margin to 78% (H1 2021: 84%) was due to additional hosting costs required to service the increase in customer numbers, which was further compounded by the adverse movement in the USD:GBP exchange rate, as a significant amount of hosting costs are invoiced in USD.

Adjusted EBITDA

Adjusted EBITDA is a key metric to consider in order to understand the cash-profitability of the business due in particular to the non-cash items that impact the Income Statement under IFRS accounting, such as non-cash share-based costs.

Adjusted EBITDA for the period was a loss of £0.7m (H1 2021: loss of £0.3m) and a reconciliation of adjusted EBITDA loss to operating loss is provided as follows:

	H1 2022 £'m	**H1 2021 £'m**
Adjusted EBITDA loss	**(0.7)**	**(0.3)**
Depreciation and amortisation	(1.0)	(0.8)
Unrealised foreign exchange gain/(loss)	0.8	(0.2)
Share-based payment expense	(0.1)	(0.3)
Operating loss	**(1.0)**	**(1.6)**

Loss for the period

Reported operating loss for the period was £1.0m (H1 2021: loss of £1.6m).

Finance charges

The net finance expense for the period was £0.2m (H1 2021: £0.2m) and includes loan interest of £0.1m (H1 2021: £0.1m) and IFRS16 lease liability interest of £0.1m (H1 2021: £0.1m)

Financial position

Cash and cash equivalents

As of 30 June 2022, KRM22 held £3.6m in cash (31 December 2021: £5.4m).

Liabilities

As at 30 June 2022, our principal liabilities were:

- £3.0m Convertible Loan owed to Kestrel Partners LLP. The interest rate payable on the loan is 9.5% payable in cash quarterly in arears. The loan can be converted into new Ordinary Shares in the Company at any time at a conversion price of 38p and the conversion can be requested by Kestrel Partners at any time. The Company has the right to request conversion eighteen months following the date of the agreement, 15 September 2020, subject to certain conditions regarding the Company's share price at that time.
- £0.8m (US$1.1m) discounted (£1.1m (US$1.6m) undiscounted) deferred consideration for earn out payments for the acquisition of Object+. The liability can be satisfied in either cash or Company ordinary shares at the Company's discretion.
- £0.9m for the right of use assets relating to all future payments of leased-office rentals under IFRS16 'Leases' whereby

such lease payments are provided for at today's value however, in practice, these rental payments will be spread over the term of the leases. As a result, £0.4m of the related liability could be paid within twelve months with the balance for periods greater than one year.

- £1.4m of deferred revenue; contracted and paid services that will be released within one year.

Principal risks and uncertainties

The principal risks and uncertainties facing the Group remain broadly consistent with the Principal Risks and Uncertainties reported in the Group's 31 December 2021 Annual Report and continue to be monitored by the Board.

Kim Suter
CFO
19 September 2022

Consolidated income statement and statement of comprehensive income
for the six months ended 30 June 2022

	Note	6 months to 30 June 2022 (unaudited) £'000	6 months to 30 June 2021 (unaudited) £'000
Revenue	4	1,904	2,153
Cost of sales		(413)	(334)
Gross profit		1,491	1,819
Other income		65	112
Administrative expenses		(2,573)	(3,488)
Operating loss before interest, taxation, depreciation, amortisation, share based payment and exceptional items ("Adjusted EBITDA")		(741)	(325)
Depreciation and amortisation		(1,002)	(823)
(Loss)/profit on disposal of tangible assets		(2)	8
Unrealised foreign exchange gain/(loss)		795	(147)
Group restructuring costs		-	(2)
Share-based payment expense		(67)	(268)
Operating loss		(1,017)	(1,557)
Net finance charge		(214)	(171)
Loss before taxation		(1,231)	(1,728)
Taxation credit		112	47
Loss for the period		(1,119)	(1,681)

Other comprehensive income			
Exchange gain/(loss) on translating foreign operations		442	(40)
Total comprehensive loss for the period		(677)	(1,721)
Loss for the period attributable to:			
Owners of the parent		(1,119)	(1,681)
		(1,119)	(1,681)
Total comprehensive loss for the period attributable to:			
Owners of the parent		(677)	(1,721)
		(677)	(1,721)
Earnings per share for loss for the period attributable to the owners of the parent during the period			
Basic and diluted earnings per share (pence)	5	(0.03)	(0.06)

All amounts relate to continuing activities.

Interim consolidated statement of financial position

at 30 June 2022

	30 June 2022 (unaudited) £'000	31 December 2021 (audited) £'000
Assets		
Non-current assets		
Goodwill	5,109	4,841
Other intangible assets	2,338	2,573
Property, plant and equipment	33	54
Right of use assets	486	632
	7,966	8,100
Current assets		
Trade and other receivables	683	741
Cash and cash equivalents	3,557	5,362
	4,240	6,103
Total assets	**12,206**	**14,203**
Current liabilities		
Trade and other payables	3,028	3,436
Lease liabilities	509	483
Loans and borrowings	99	97
Derivative financial liability	45	45
	3,681	4,061
Net current assets	**559**	**2,042**
Non-current liabilities		
Trade and other payables	46	45
Lease liabilities	215	321
Loans and borrowings	2,815	2,763
Deferred tax liability	231	301
	3,307	3,430
Total liabilities	**6,988**	**7,491**
Net Assets	**5,218**	**6,712**

Equity		
Share capital	3,567	3,567
Share premium reserve	20,517	20,517
Merger reserve	(190)	(190)
Convertible debt reserve	224	224
Foreign exchange reserve	(327)	115
Share-based payment reserve	2,979	2,912
Retained losses	(21,552)	(20,433)
Total equity	**5,218**	**6,712**

Interim consolidated statement of cash flows

for the six months ended 30 June 2022

	6 months to 30 June 2022 (unaudited) £'000	6 months to 30 June 2021 (unaudited) £'000
Cash flows from operating activities		
Loss for the period	(1,119)	(1,681)
Adjustments for:		
Deferred tax credit	(112)	(47)
Net finance charge	214	171
Depreciation and amortisation	1,002	823
Loss/(profit) on disposal of tangible assets	2	(8)
Unrealised foreign exchange loss	(795)	147
Share-based payment expense	67	268
Bad debt provision	(49)	146
Income taxes received	38	-
Grant income related to COVID-19	-	(76)
	(752)	(257)
Decrease in trade and other receivables	185	717
Decrease in trade and other payables	(565)	(569)
	(380)	148
Net cash outflows from operating activities	**(1,132)**	**(109)**
Cash flows from investing activities		
Purchases of intangible assets	(406)	(402)
Purchases of property, plant and equipment	-	(6)
Net cash used in investing activities	**(406)**	**(408)**
Financing activities		
Proceeds from issue of shares (net)	-	9
Lease payments principal	(106)	(109)
Lease payments interest	(19)	(25)
Loans and borrowings receipts	-	186
Loans and borrowings repayments	(142)	(142)

Net cash used in financing activities	**(267)**	**(81)**
Net decrease in cash and cash equivalents	**(1,805)**	**(598)**
Cash and cash equivalent at beginning of the period	**5,362**	**1,974**
Cash and cash equivalent at end of the period	**3,557**	**1,376**

Notes to the interim financial information

1. General information

KRM22 Plc (the "Company") is a public limited company incorporated in England and Wales on 2 March 2018 under registration number 11231735. The address of its registered office is 5 Ireland Yard, London, EC4V 5EH. The Company listed on the London Stock Exchange on 30 April 2018.

The principal activity the Company and together with its subsidiaries (the "Group") is to develop and invest in leading risk tools to support regulatory, market, technology and operational risks.

The Board of Directors approved this interim report on 19 September 2022.

2. Basis of preparation and consolidation

These interim consolidated financial statements have been prepared using accounting policies based on International Financial Reporting Standards (IFRS and IFRIC Interpretations) issued by the International Accounting Standards Board ("IASB") in conformity with the requirements of the Companies Act 2006. They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the 31 December 2021 Annual Report. The financial information for the half years ended 30 June 2022 and 30 June 2021 does not constitute statutory accounts within the meaning of Section 434 (3) of the Companies Act 2006 and both periods are unaudited.

The annual financial statements of KRM 22 Plc (the "Group") are prepared in accordance with IFRS. The statutory Annual Report and Financial Statements for 2021 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for the year ended 31 December 2021, which was unqualified, did draw attention to a material uncertainty, being going concern and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The Group has applied the same accounting policies and methods of computation in its interim consolidated financial statements as in its 31 December 2021 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2022 and will be adopted in the 2022 financial statements. There are deemed to be no new and amended standards and/or interpretations that will apply for the first time in the next annual financial statements that are expected to have a material impact on the Group.

3. Going concern

In carrying out the going concern assessment, the Directors have considered a range of scenarios in relation to revenue and cash forecasts for the next twelve months including, but not limited to, existing customer churn at different churn rates, no new contracted sales revenue, delayed sales and a combination of these different scenarios.

Having assessed the sensitivity analysis on cashflows, the key risks to KRM22 remaining a going concern without implementing extensive cost reduction measures is, existing customers paying on payment terms and within 45 days of invoice, customer churn of up to 10%, conversion of some of the sales opportunities that are currently at contract negotiation stage and maintaining control of the cost base.

If the forecasts are achieved, KRM22 will be able to operate within its existing facilities. However, the time to close new customers and the value of each customer, which are deemed individually as high value and low volume in nature, is key. In addition, delayed sales and/or increased existing customer churn could result in the Company failing to comply with financial covenants associated with the Convertible Loan and in this circumstance KRM22 would be obliged to seek resolution with Kestrel Partners on these financial covenants and may need to seek additional funding through a placement of shares or other courses of funding which have not yet been secured. This event indicates the existence of a material uncertainty that may cast significant doubt on KRM22's ability to continue as a going concern. However, given the Group's forecast, visible sales pipeline and working capital needs, the Directors have considered it is appropriate to prepare interim financial statements on a going concern basis and have not included the adjustments that would result if the Group were unable to continue as a going concern.

The Directors have concluded that the circumstances set forth above represent a material uncertainty, which may cast significant doubt about the Group's ability to continue as a going concern. However the Directors expect to be able to raise funds through a placement of shares or other source of funding and believe that taken as a whole, the factors described above enable the Group to continue as a going concern for the foreseeable future. The interim financial statements do not include the adjustments that would be required if the Group were unable to continue as a going concern.

4. Revenue (and segmental reporting)

The Board of Directors, as the chief operating decision maker in accordance with IFRS 8 Operating Segments, has determined that KRM22 has identified four risk domains as operating segments, however for reporting purposes into a single global business segment, as the nature of services delivered are common.

The Directors consider that the business has three risk domains: Enterprise, Compliance and Market. In addition, the Directors recognise Holistic as a revenue segment where customers adopt a complete suite of risk domain products. Within these three risk domains, there are two revenue streams with different characteristics, which are generated from the same assets and cost base.

	6 months to 30 June 2022 (unaudited) £'000	**6 months to 30 June 2021 (unaudited) £'000**
Recurring	1,833	2,029
Non-recurring revenue	71	124
Total	1,904	2,153

KRM22's revenue from external customers by geography and risk domain is detailed below:

	6 months to 30 June 2022 (unaudited) £'000	6 months to 30 June 2021 (unaudited) £'000
UK	782	583
Europe	350	445
USA	628	937
Rest of world	144	188
Total	1,904	2,153

	6 months to 30 June 2022 (unaudited) £'000	6 months to 30 June 2021 (unaudited) £'000
Holistic	70	-
Enterprise	244	190
Compliance	875	1,023
Market	715	940
Total	1,904	2,153

5. Loss per share

Basic earnings per share is calculated by dividing the loss attributable to the equity holders of KRM22 by the weighted average number of shares in issue during the period.

KRM22 has dilutive ordinary shares, this being warrants and options granted to employees. As KRM22 has incurred a loss in both periods, the diluted loss per share is the same as the basic earnings per share as the loss has an anti-dilutive effect.

	6 months to 30 June 2022 (unaudited) £'000	6 months to 30 June 2021 (unaudited) £'000
Loss for the period attributable to equity shareholders of the parent	(1,119)	(1,681)
Basic weighted average number of shares in issue	35,666,336	26,731,309
Diluted weighted average number of shares in issue	46,647,659	37,313,776
Basic and diluted loss per share (pence)	(0.03)	(0.06)

6. Intangibles

The Group capitalised £0.4m of costs (H1 2021: £0.4m, FY 2021: £0.7m) representing the development of KRM22's products during the period, resulting in a net book value of £1.3m (H1 2021: £1.3m, FY 2021: £1.3m) after an amortisation and impairment charge of £0.4m (H1 2021: £0.3m, FY 2021: £0.8m).

7. Cautionary statement

This document contains certain forward-looking statements relating to KRM22 plc (the "Group"). The Group considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risk and uncertainty that may cause actual results and the financial performance of the Group to differ materially from those contained in any forward-looking statement. These statements are made by the Directors in good faith based on information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

Copies of this report and all other announcements made by KRM22 plc are available on the Company's website at https://www.krm22.com/investor-relations/home

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