

24 November 2021

## Alpha Financial Markets Consulting plc

(“Alpha”, the “Company” or the “Group”)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2021

#### *Continuing strong momentum*

Alpha Financial Markets Consulting plc (AIM:AFM), a leading global provider of specialist consultancy services to the asset management, wealth management and insurance industries, is pleased to report its unaudited results for the six months ended 30 September 2021 (“H1 22”).

#### Financial Highlights<sup>1</sup>

- Revenue increased by 43.7% to £68.4m (H1 21: £47.6m) and net fee income increased by 43.9% to £68.4m (H1 21: £47.5m). On an organic basis, net fee income grew by 21.7%
- Gross profit increased by 62.3% to £26.5m (H1 21: £16.3m) at 38.7% margin (H1 21: 34.3%), reflecting higher than target consultant utilisation levels and an improving consultant day rate environment
- Adjusted<sup>2</sup> EBITDA increased by 52.5% to £15.4m (H1 21: £10.1m), with margin improving to 22.6% (H1 21: 21.3%)
- Adjusted profit before tax increased to £14.4m (H1 21: £9.1m). Profit before tax was £4.2m (H1 21: £4.5m) after deducting adjusting items, which increased due to higher acquisition-related expenses and share-based payment charge
- Adjusted earnings per share increased by 40.9% to 9.85p (H1 21: 6.99p)
- Adjusted cash generation from operating activities was £8.5m (H1 21: £16.4m), with the prior period benefiting from various COVID-19 related deferrals
- Robust balance sheet with a net cash balance as at 30 September 2021 of £40.0m (31 March 2021: £34.0m), providing flexibility for Alpha’s continued growth strategy
- Interim dividend of 2.90p per share declared (H1 21: 2.10p), reflecting the Board’s confidence in the business

	<i>6 months to</i> <b>30 Sep 2021</b>	<i>6 months to</i> <b>30 Sep 2020</b>	<b>Change</b>
<b>Revenue</b>	<b>£68.4m</b>	£47.6m	<b>43.7%</b>
<b>Gross profit</b>	<b>£26.5m</b>	£16.3m	<b>62.3%</b>

<b>Adjusted EBITDA</b>	<b>£15.4m</b>	£10.1m	52.5%
<b>Adjusted profit before tax</b>	<b>£14.4m</b>	£9.1m	58.7%
<b>Profit before tax</b>	<b>£4.2m</b>	£4.5m	(5.0%)
<b>Adjusted EPS</b>	<b>9.85p</b>	6.99p	40.9%
<b>Basic EPS</b>	<b>0.87p</b>	2.95p	(70.5%)
<b>Interim dividend per share</b>	<b>2.90p</b>	2.10p	38.1%

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## Operating Highlights

- Growth across all geographies, with particularly strong net fee income growth in Alpha's North America region and Europe & APAC region, growing 143.2% and 28.6% respectively and 46.6% and 22.6% on an organic basis
- In May 2021, Alpha acquired Lionpoint, which has performed well:
  - Strong strategic rationale, expanding the Group's consultant team size in the large North America market
  - Lionpoint strengthens capabilities for alternatives clients and brings 166 new clients to the Group
  - The integration has progressed smoothly and the team has grown substantially since acquisition. Operational and systems integration is also advancing well
- Continued momentum and growth in the UK Insurance consulting offering, which is also bolstered with the hiring of a new director aligned to general insurance and specialty clients
- Axxsys proposition has extended with the hiring of two new directors<sup>3</sup> in North America and broadening of the offering to data and cloud propositions
- ESG & Responsible Investment<sup>4</sup> practice continues to grow, underpinned by Alpha's strong expertise and experience in this area
- Including 12 directors from the acquisition of Lionpoint, 25 new revenue-generating directors (H1 21: 8) added in total during the first half; continuing to expand Alpha's capabilities and further drive revenue growth
- Fee-earning consultant<sup>5</sup> headcount, including Lionpoint, rose by 49.8% to 656 (H1 21: 438), with hiring continuing in all regions to drive growth of the business
- Strong client retention and growth in new clients globally; addition of 57 new client relationships entirely through organic growth (H1 21: 28). Alpha has now worked with 95% of world's top 20 asset managers by AUM

## Outlook

- Alpha continues to focus on growing the business through geographic expansion in all regions, particularly in North America, as well as extending the depth and range of client segment and service line offerings

- Strong structural growth drivers remain in place: continued growth in AUM globally increases the scale of the Group's addressable market; cost and regulatory pressures have led to a continuing increase in demand from clients for Alpha's specialist services; and shifting client and market expectations, for example a growing focus on ESG
- The Group has strong sales momentum and a growing pipeline of potential new business going into the second half of the financial year
- The Board is pleased by the progress and business momentum in the first half and the growth in the opportunity pipeline. As a result, the Board now expects to deliver full-year results ahead of market expectations

**Commenting on the results, Euan Fraser, Global Chief Executive Officer said:**

"We have seen a strong performance in the Alpha Group over the first half of the financial year. We have made excellent progress on key strategic initiatives, including the integration of Lionpoint and continued momentum around Alpha's insurance consulting offering, as well as achieving organic growth in all regions of the business and particularly strong growth in North America. The ESG & Responsible Investment practice has been well received by clients and we are meeting a growing demand in this important space.

The Group is adding to its teams globally and investing in key strategic hires to expand our service offerings. Consequently, we continue to win new clients and remain confident to deliver on the ambition we announced in November 2020 to double the size of the business.

The Group enters the second half in robust shape, and we are delighted to upgrade our full-year expectations. We look forward to the second half with confidence, knowing that our people provide clients with a first-class service and we continue to explore new opportunities to drive the Group's growth."

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**Analyst Presentation:**

A results presentation will take place at 9:30 a.m. today on Zoom. Those wishing to attend should contact [AlphaFMC@camarco.co.uk](mailto:AlphaFMC@camarco.co.uk).

A copy of the presentation slides, for those unable to attend, will be available on the company website at: <https://alphafmc.com/investors/reports-presentations/>.

**About Alpha FMC:**

Alpha is a leading global consultancy to the asset management, wealth management and insurance industries. With over 650 consultants across 15 offices<sup>6</sup> spanning the UK, North America, Europe and APAC, Alpha has the largest dedicated team in the industry. Alpha has provided specialist consulting services to over 650 clients, including 95 per cent of the 20 largest global asset managers by AUM<sup>7</sup> and a range of other buy-side firms.

<sup>1</sup> All financial and operating highlights relate to the period ending 30 September 2021 ("H1 22") and the comparative period is 30 September 2020 ("H1 21") unless otherwise specified

<sup>2</sup> The Group uses alternative performance measures ("APMs") to provide stakeholders further metrics to aid understanding of the underlying trading performance of the Group. These measures exclude non-operational costs including acquisition and integration costs, earn-out and deferred consideration costs and share-based payment charges. Refer to note 3 for further details

<sup>3</sup> "Directors" refers to the executive and non-executive members of the Board; meanwhile, "directors" refers to non-Board directors within the management teams of the Group

<sup>4</sup> ESG (Environmental, Social, Governance) & Responsible Investment

<sup>5</sup> "Consultants" and "headcount" refer to fee-earning consultants at the year end: employed consultants plus utilised contractors in client-facing roles

<sup>6</sup> Group uses "office" to refer to office location; that is, if there are multiple offices in one location, they will be counted as one office

<sup>7</sup> "Top 20" refers to Investment & Pensions Europe, "Top 500 Asset Managers 2021" while "AUM" refers to assets under management

## **INTERIM REPORT**

The strong momentum and encouraging pipeline of work that we saw at the end of last year has continued into the first six months of this financial year and we are very pleased by the win rate and the continued profitable growth of the Group during the period. Increased client demand has delivered double-digit revenue growth.

Progress has been made on a number of key strategic areas during the first half, including the continued delivery of geographic growth across all regions, with particularly strong organic and inorganic growth in North America. The acquisition of Lionpoint, a significant strategic step for the Group, extends our offering in the alternatives investment market and doubles Alpha's team size in the North America market.

The Group also continues to extend its service offering to clients with particular progress made in the insurance consulting proposition, while the ESG & Responsible Investment practice has received a very positive response from clients.

### **Half Year Review**

The Group has continued to focus on growth during the period as global economies have emerged from the pandemic. We have seen an increase in client demand in all geographical regions.

It has been a period of very strong financial performance, with excellent client retention rates and the addition of new clients across all locations. The Group has delivered a strong increase in revenue during the period, up 43.7% to £68.4m (H1 21: £47.6m), while net fee income has similarly grown to £68.4m (H1 21: £47.5m). On an organic basis, net fee income grew by 21.7%.

Adjusted EBITDA increased by 52.5% to £15.4m (H1 21: £10.1m) and adjusted profit before tax increased by 58.7% to £14.4m (H1 21: £9.1m).

Gross profit margin has been strong during the first half of the year as a result of above target consultant utilisation levels and a firmer consultant day rate environment. Operating profit was £5.5m (H1 21: £5.0m) and profit before tax was £4.2m (H1 21: £4.5m) after charging adjusting items, which increased due to acquisition-related expenses and a higher share-based payment charge, as detailed in note 3. Basic earnings per share were 0.87p (H1 21: 2.95p) and adjusted earnings per share were 9.85p (H1 21: 6.99p).

### **Operational and Geographical Review**

The Group grew revenue and adjusted EBITDA in FY 21 and, as the COVID-19 pandemic recedes, we continue to focus on key strategic initiatives and growing the business further. Our growth objectives remain unchanged: to extend the depth and range of our services, and to increase Alpha's footprint in all markets, with a model that serves both to address current client needs and promote new client demand.

The acquisition of Lionpoint was a key highlight for the Group in the period. In addition to doubling the Group's North America team size, Lionpoint has a market-leading capability to address the rapidly growing alternatives client segment, which is highly complementary to Alpha's relationships with clients in more traditional asset classes, and allows the Group to sell more services to the enlarged joint client base. The acquisition also strengthens our technology-focussed consulting service proposition.

Financially, the acquisition is also highly attractive. It is expected to be significantly accretive to earnings in the first financial year of ownership and has contributed revenues of £10.6m in the four months of the first half since acquisition. We are excited by the potential growth of this business and the step-change it provides Alpha in terms of our presence in North America and the alternatives investment market. The integration of the Lionpoint team has been smooth and we are pleased to report that the team size has also grown substantially since acquisition, with all revenue-generating senior management staying within the business, whilst the operational and systems integration of Lionpoint continues to plan. We very much welcome the team from Lionpoint into the Alpha Group.

Alpha continues to identify and launch new offerings where there is client-led demand, while continuing to expand our existing offerings. Our well-established practices, including Investments, Distribution, M&A Integration and Operations, continue to be successful across the Group's key markets.

Newer practices such as ESG & Responsible Investment, Digital and Regulatory Compliance continue to see strong momentum and demand. We see persistent structural changes in the industry driving strong demand for Alpha's ESG & Responsible Investment offering across the investment value chain. These include increased regulation such as SFDR in Europe, and substantial demand from clients to their asset managers for clear commitments such as net-zero alignment, enhanced product ranges and better reporting.

ESG assets are expected to represent half of global AUM by 2025<sup>8</sup>, and there is significant uncertainty over how the asset management industry will make the transition. This, therefore, represents an exciting growth driver for the Alpha business in the years to come. With many types of firms now offering ESG services, our clients tell us that it is the assurance that our projects are staffed by asset and wealth management specialists, combined with our relentless focus on practical implementation and realistic recommendations, that make us stand out from our competitors.

The Group's insurance offering continues to go from strength to strength. In the UK, building on the success of the Pensions & Retail Investments practice, we have continued to develop the insurance proposition and launched general insurance and specialty client segments. The team, which includes a new director aligned to these important areas of demand, focusses on a broad range of insurance clients, from domestic general insurance providers through to commercial risks handled by the specialist Lloyd's and London Market carriers and brokers.

The development of the insurance offering, both in the UK and France, has been a key driver of organic growth over the first half and we are excited by the scale that we believe this offering can achieve. We continue to grow the client base and have increased the headcount to 33 at period end. The structural trends that we have highlighted previously as driving growth in the asset and wealth management industries are equally applicable to the insurance industry, and we believe that the business can capitalise on these trends and continue to deliver further growth.

The structural growth drivers in the asset management, wealth management and insurance industries – cost pressures, regulation, growing AUM as well as changing client and societal expectations – ensure that buyers in client organisations are seeking to maximise the efficiency of their technology. As such, we continue to see good demand and opportunity in our technology consulting and data products services.

To improve our offering further in this expanding area, Axxsys has hired two new directors: a lead for the business in North America as well as a Global Head of Data and Cloud Technology, also based in North America, to drive further Axxsys growth in this key strategic

geography. The Group has also strengthened its product business with the appointment of a new Global Head of Alpha Data Solutions. We see a good pipeline and new project wins in this offering.

During the period, the Group has continued to win business with both new and existing clients across all locations. As a Group, including Lionpoint, we have now worked with 662 clients (H1 21: 409)<sup>9</sup>. The Board is pleased with the range and growth of Alpha's client base across all locations and the Group's continued focus on ensuring that it has the ability to deliver for clients across all verticals. We are very well placed to add value to clients in their most demanding projects and increase our market penetration.

Geographic performance in the period can be summarised as follows:

	<i>6 months to</i> <b>30 Sep 2021</b>	<i>6 months to</i> <b>30 Sep 2020</b>	<b>Change</b>
<b>Net Fee Income</b>			
UK	<b>£32.5m</b>	£26.5m	22.6%
North America	<b>£18.8m</b>	£7.7m	143.2%
Europe & APAC	<b>£17.1m</b>	£13.3m	28.6%
Total	<b>£68.4m</b>	£47.5m	43.9%

	<i>As at</i> <b>30 Sep 2021</b>	<i>As at</i> <b>30 Sep 2020</b>	<b>Change</b>
<b>Consultant Headcount</b>			
UK	<b>266</b>	219	21.5%
North America	<b>204</b>	76	168.4%
Europe & APAC	<b>186</b>	143	30.1%
Period-end totals	<b>656</b>	438	49.8%

The UK remains the largest region for the Group and we are proud to be supporting some of the highest profile projects in the UK marketplace. UK net fee income grew 22.6% compared to the prior period. On an organic basis, the UK business grew net fee income 14.0% compared to H1 21, with particularly strong progress by the UK insurance consulting team, as well as strong demand across Alpha's Investments, Operations and Digital practices. We are pleased with our win rates over the first half of the year and by the current opportunity pipeline of new business in the UK.

The North America business delivered the strongest geographical growth in the first half, with a £11.1m increase in net fee income. Lionpoint contributed £7.5m to North America net fee income since acquisition, with the remaining 46.6% organic growth supported by Alpha's Distribution and M&A Integration practices in the region.

Europe & APAC also delivered a robust performance in the period, with net fee income increasing by 28.6% overall and 22.6% organically. Pleasingly, growth was seen across the region's offices. Our best-in-class service offering continues to attract new clients in Europe & APAC, with ten new clients added in the period on an organic basis.

<sup>8</sup> Deloitte, "Advancing environmental, social and governance investing" (February 2020)

<sup>9</sup> The H1 21 comparative number excludes Lionpoint clients

## **Our People**

We are very proud of the hard work and dedication shown by our employees, including over the last six months. Our highly skilled team allows Alpha to deliver exceptional added value for our clients, which drives loyalty and repeat business. We are constantly considering how we best invest in, and develop, our people to ensure that they thrive at Alpha and, consequently, that the business continues to move forwards; this is a key driver of our growth.

Reinforcing our local and global director teams is an important factor in providing the right level of support for our consultants and instilling our values. We continue to expand our director teams across all locations, with 13 new directors added during the period on an organic basis, seven of which result from promotion and six from external hires. All 13 new directors have leading experience in their roles and will aid the Group in growing the business and providing a first-class service to our client base.

With the lifting of Government restrictions in the UK and across many of our locations, we have seen employees return to the office, albeit that many continue to work from home at least part of the week. In these times, we believe that providing a supportive environment and considering the health and wellbeing of our employees is vital for our culture, the performance and sustainability of the business. We continue to create a working environment that focusses on the different needs and wellbeing of our employees. This focus is shared across Alpha's teams, with employees volunteering to design and execute on supportive initiatives, including our wellbeing champions scheme.

The Group also prides itself on its initiatives and actions in the community and corporate social responsibility ("CSR") space. This year, Alpha's chosen global charity of the year is the Rainforest Trust, with whom we are working closely to raise awareness of nature conservation and ways of engaging with local communities, whilst organising company events to achieve a minimum fundraising target of £20,000 by March 2022. In addition to fundraising efforts, Alpha has engaged in two pro bono projects alongside Rainforest Trust: the creation of an ESG due diligence framework as well as a wealth management engagement strategy. Both projects allow the Alpha teams to apply their experiences across asset and wealth management to a worthwhile cause.

As a Group, we are also very proud of the progress that we are making on our environmental agenda. We are delighted to have extended our carbon footprint report to include all the Group's geographic locations and to have offset our carbon footprint, after reducing our emissions where possible, for the year ended 31 March 2020. We have calculated Alpha's carbon emissions for FY 21 and are in the process of offsetting our remaining footprint, which we will describe further at the year end. This progress would not have been possible if not for the interest, drive and commitment to environment and sustainability priorities of our people across the globe.

The performance of our people over the period has been exceptional and we are very proud of the way in which they have responded to the challenges posed by the pandemic. Our team has worked very hard throughout and shown real dedication to providing a high-class service to clients and to continuing to grow the business across geographies and different offerings. On behalf of the Board, we would like to say thank you for all the efforts, support and commitment that you have shown over the period and continue to show every day.



## **Growth Strategy**

The Group's strategic aim continues to be the same: to be recognised as the leading global consultancy to the asset management, wealth management and insurance industries, and as the leading consultancy in all the markets in which it operates. We continue to focus on both organic and inorganic growth, with the Board recognising that selective, complementary acquisitions can add value corporately and for shareholders.

A key strategic driver of growth in the business is geographic expansion. The Group has significantly expanded its geographic presence in the North America market through the acquisition of Lionpoint, which complements strong organic growth in all geographic areas. As a Group, we continue to explore geographic expansion across all regions.

We are delighted by the fact that organic net fee income growth has been achieved in all regions, indicating that our offering continues to attract clients globally. The wider asset management, wealth management and insurance industries have long-term structural growth drivers that have propelled assets in the asset management industry alone to \$103tn at the end of 2020<sup>10</sup>, and we expect there to be further expansion ahead.

In order to capitalise on this, Alpha continues to focus on driving growth in the business through the extension of its service offering to clients. Alpha's recently launched insurance consulting offering, which is currently based in the UK and France, continues to grow strongly and offers significant global potential. Meanwhile, the ESG & Responsible Investment practice is seeing increasing momentum and traction with clients. The strategically important acquisition of Lionpoint has provided the Group with a greater ability to service the alternatives investment market.

Alpha continues to seek new verticals to expand into and further service offerings to provide its clients, and we remain confident in our ability to double the size of the business.

<sup>10</sup> BCG, "The \$100 Trillion Machine" (July 2021)

## **Acquisitions**

Acquisitions remain a core part of the Group's strategy and Lionpoint was an important strategic acquisition. The Lionpoint business is high quality and increases the Group's footprint both in the attractive and fast-growing alternatives client segment as well as in the key strategic North America market. It has a highly complementary service offering with a blue-chip client base that has broadened the Group's capabilities, thus providing our combined client base with an expanded range of services. The high quality of the business is demonstrated by the awards that Lionpoint has won this year, including being named "Best Technology Advisory Firm" by Private Equity Wire as well as "Best Advisory/Consultancy" at the 2021 Drawdown Awards.

The Lionpoint team operates globally and brings three new office locations to the Alpha Group in Sydney, San Francisco, and Denver. The acquisition added more than 120 experienced consultants; a number that has already grown to 150 consultants as at 30 September 2021, all with highly relevant operations, industry and technology backgrounds. In total, the acquisition has increased our number of consultants in North America by 105, as at the period end.

The integration of Lionpoint continues to proceed as planned and the business has performed well, delivering good revenue growth since it was acquired. We are pleased that all revenue-generating senior management have integrated smoothly into the Group. The integration of operations continues well, whilst client and platform migrations are progressing.

We continue to review acquisition opportunities to complement and grow the Group's service offering.

## Governance and the Board

The Alpha Board meets regularly to oversee the Group's corporate and operational activities, and to manage the progression of its strategic objectives. The Board is committed to the core values of strong governance, integrity and business ethics, which we believe are key to reducing risk, adding value and, in turn, bringing long-term benefits to all the Group's stakeholders.

Alpha continues to strive towards achieving high levels of transparency on ESG and sustainability. Following our first formal ESG and sustainability reporting in FY 20, we have further considered and reported on a number of non-financial metrics in our Annual Report & Accounts 2021.

In order to facilitate an understanding of Alpha as a risk-managed business that is focussed on sustainable, long-term growth, we have identified and are reporting on such topics as workforce diversity and engagement, professional integrity and data security as material factors that impact the Group. Alpha also understands that reporting its impact on the environment is important to its investors as they consider systemic risks that may affect their portfolios and, as such, we continue to look at ways in which we can increase, improve and meet our environmental obligations. We have made three notable accomplishments during the period:

- We extended our annual disclosure of Alpha's global carbon emissions according to streamlined energy and carbon reporting ("SECR") requirements in the Annual Report & Accounts 2021. As part of our disclosure, we described the actions that we are taking to reduce and avoid carbon emissions where possible as well as the processes that we follow to offset our entire global carbon footprint.
- We are pleased to confirm that, since the year ended 31 March 2021, we initiated climate change related disclosure under the Carbon Disclosure Project ("CDP") framework. The CDP is aligned with the recommendations of the Taskforce on Climate-related Financial Disclosures ("TCFD") and the disclosure about Alpha's environmental transparency and action can be requested from the CDP.
- We also confirmed our intention to continue to focus on improving the quality and completeness of the information that we provide about our environmental impact and carbon reduction activities to ensure our communications on these topics align to the leading practices of organisations within our sector.

## Financial Performance Review

	<i>6 months to</i> <b>30 Sep 2021</b>	<i>6 months to</i> <b>30 Sep 2020</b>	<b>Change</b>
<b>Revenue</b>	<b>£68.4m</b>	£47.6m	43.7%
<b>Net fee income</b>	<b>£68.4m</b>	£47.5m	43.9%
<b>Gross profit</b>	<b>£26.5m</b>	£16.3m	62.3%
<b>Adjusted EBITDA</b>	<b>£15.4m</b>	£10.1m	52.5%
<b>Adjusted EBITDA margin</b>	<b>22.6%</b>	21.3%	1.3%
<b>Adjusted profit before tax</b>	<b>£14.4m</b>	£9.1m	58.7%

<b>Profit before tax</b>	<b>£4.2m</b>	£4.5m	(5.0%)
<b>Net cash from operating activities</b>	<b>£6.0m</b>	£15.3m	(60.9%)

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Alpha enjoyed strong growth in the first half, with net fee income of £68.4m, up by 43.9% compared to the first half of the last financial year (H1 21: £47.5m). This includes 21.7% organic growth, with the remainder being the contribution from Lionpoint since its acquisition in May 2021. Across the Group, H1 22 net fee income grew ahead of the average consultant headcount growth, with consultant utilisation above target levels and up on the comparative period, alongside improving consultant day rates overall. The core established Alpha practices continue to perform well, with increased contribution most notably from Distribution, Investments and Operations projects.

Currency translation had a noticeable effect on net fee income and profits during the first half of the financial year. In the first half, Sterling averaged \$1.39 (H1 21: \$1.27) and €1.17 (H1 21: €1.12), which, with other offsetting currency movements, resulted in an unfavourable net currency effect on net fee income of £2.2m.

Group gross profit was £26.5m, increasing by £10.2m or 62.3% over the prior period. Gross profit margin was 38.7% (H1 21: 34.3%), returning close to pre-pandemic margin levels, supported by both improved consulting day rates and the higher than target utilisation level, alongside a strong contribution from Lionpoint, at comparable margins to the wider Group.

The UK business, the Group's largest geographical region, increased net fee income by 22.6% in the first six months. On an organic basis, UK net fee income grew 14.0% compared to H1 21, with solid consulting demand overall and particularly strong progress in the UK insurance consulting practice Pension & Retail Investments, complemented by the Lionpoint contribution. Within the UK results, Alpha's Data Solutions business was consistent with the comparative period, having continued to experience a longer sales cycle for its speciality software products, although it maintains a good pipeline and outlook.

The North America business increased net fee income by £11.1m or 143.2%, including Lionpoint. On an organic basis, the North America results were up 46.6% on the comparative period. The Alpha North America team successfully added to its domestic client base, continuing to meet client demand by growing the consulting headcount and maintaining above target utilisation levels, benefitting from several longer duration projects. In Europe & APAC, net fee income was up by 28.6%. On an organic basis, the region reported 22.6% growth overall. Growth was seen across the region with the increasing Alpha Europe team very well deployed.

The Lionpoint business, acquired in May 2021, has performed slightly ahead of initial expectations and contributed £10.6m in revenue in the first half. Lionpoint has continued to enjoy strong client demand, adding 34 new clients and 27 consultants globally since acquisition.

Group gross profit margins improved due to higher than target consultant utilisation, a firmer day rate environment globally and a good contribution from Lionpoint. A significant improvement in North America and Europe & APAC gross margins to nearer Group average levels was driven by strong utilisation levels and improving consultant day rates in both regions. UK gross margin also firmed, with good utilisation and consultant day rate progression. Alpha continues to invest in the business, growing its consulting teams in all markets and utilisation is therefore expected to normalise towards target levels over the remainder of the financial year.

Adjusted administration expenses, as detailed in note 3, increased by £4.8m to £11.0m in the first six months, of which £3.2m represented the increase excluding Lionpoint. Following last year's tighter control of discretionary spend and the impact of COVID-19 on the operating environment, costs increased primarily in recruitment spend as we grew our consulting teams globally, and across staff and client entertainment and travel spend. We also invested in the Group team through the period following the Lionpoint acquisition. Including the adjusting expense items, which also rose in the half, administrative expenses increased to £21.0m (H1 21: £11.3m). The adjusting expense items, set out in note 3, increased in the period to £9.2m (H1 21: £4.2m), reflecting increased acquisition costs, earn-out and deferred consideration charges following the Lionpoint acquisition, higher intangible asset amortisation and share-based payments charges. The share-based payment charge continues to develop since Alpha's share incentive plans were established at AIM admission, with Alpha's share price growth and new awards being key factors in the higher charge for the period. The foreign exchange loss within adjusting items relates mainly to deferred payments associated with the acquisition of Lionpoint, payable in US Dollars, with the USD:GBP rate experiencing some volatility around the completion date.

Adjusted EBITDA grew 52.5% to £15.4m (H1 21: £10.1m) and adjusted EBITDA margin lifted to 22.6% (H1 21: 21.3%), reflecting the enlarged Group growth and higher gross profit margins, partly offset by higher administration expenses. Operating profit rose 8.8% to £5.5m (H1 21: £5.0m) after charging increased adjusting expenses, including acquisition costs, earn-out and deferred consideration expenses, and share-based payment charges. Further detail of these adjusting items is set out in note 3.

Finance expenses rose in the first half overall, primarily from increased non-underlying finance expenses relating to acquisition consideration discount unwinding, as set out in note 4. Adjusted profit before tax rose 58.7% to £14.4m (H1 21: £9.1m) after charging depreciation, amortisation of capitalised development costs and underlying finance costs. Pre-tax profit was £4.2m (H1 21: £4.5m) after also charging increased adjusting expenses and non-underlying finance expenses.

Taxation charges for the period were £3.3m (H1 21: £1.5m), reflecting the growth in taxable profits, the blended tax rate of the increasingly international jurisdictions in which the Group operates and an increased deferred tax charge in the period as set out in note 5.

Basic earnings per share were 0.87p (H1 21: 2.95p) and adjusted earnings per share were 9.85p (H1 21: 6.99p).

Net assets at 30 September 2021 totalled £124.5m (31 March 2021: £94.4m). This increase principally arises from the acquisition of Lionpoint in the first half and the associated £30.0m equity capital raising, net of expenses, along with other reserves movements. Since 31 March 2021, working capital remains well managed, with the employee profit share payment now returned to its normal summer payment cycle, having been deferred last year to a November payment as part of Alpha's response to COVID-19.

Net cash flow generated from operations reduced to £6.0m (H1 21: £15.3m) following the significant H1 21 cash flow benefit related to the deferral of the team profit share payments and some temporary corporation tax and VAT deferrals permitted in relation to COVID-19 last year. Adjusted cash generated from operating activities was £8.5m (H1 21: £16.4m). During the first half, Alpha acquired Lionpoint with completion payments totalling £24.9m, offset by the Group raising £30.0m, net of expenses, in its May equity placing. The Group's net cash position increased to £40.0m at 30 September 2021 (31 March 2021: £34.0m), after a further £2.8m of deferred acquisition payments, including £1.8m of employment-linked amounts, and the payment of the FY 21 final dividend in the half. During the period, Alpha

also refreshed its revolving credit facility (“RCF”) tenor back to three years and maintains its £20.0m RCF undrawn at 30 September 2021, providing further capital flexibility.

The Board is pleased to declare today an interim dividend for FY 22 of 2.90p per share (H1 21: 2.10p), which will be paid on 22 December 2021 to shareholders on the register at the close of business 10 December 2021.

### **Risk Management and the Year Ahead**

The Board is delighted with the Group’s progress in the first half, while remaining cognisant of the potential risks and uncertainties. These risks include political and economic uncertainty, as well as market volatility. The Board does not consider that these principal risks and uncertainties differ from those published in the Annual Report & Accounts 2021.

We are aware of the risk of inflation globally, driven by an uplift in costs, demand for personnel in key areas and the increase in energy costs. Alpha remains alert to inflationary pressures, the risks of which we believe will continue to be balanced by strong structural growth drivers and demand for Alpha’s services.

### **Outlook**

We are delighted by the progress that the Group has made on the key strategic initiatives that we have outlined and the financial performance of the business over the period.

There is strong momentum and we continue to seek ways in which to grow the business, both organically and inorganically. Alpha remains supported by an exceptional employee base of highly skilled and motivated people who are committed to providing a very high-quality service to all clients and to ensuring the growth of the business.

Alpha’s growth strategy is reinforced by the long-term structural drivers of demand in the asset management, wealth management and insurance industries in which it operates. They continue to present opportunities for the Alpha business and an optimal environment in which to deliver substantial growth. The Board therefore looks forward to the second half of the year with confidence and now expects to deliver full-year results ahead of market expectations.

**Ken Fry**  
Chairman

**Euan Fraser**  
Global Chief Executive Officer

## Interim condensed consolidated statement of comprehensive income

For the six months ended 30 September 2021

	Note	Unaudited six months ended 30 Sep 2021 £'000	Unaudited six months ended 30 Sep 2020 £'000
<b>Continuing operations</b>			
Revenue	2	68,421	47,613
Rechargeable expenses	2	(31)	(97)
<b>Net fee income</b>	2	<b>68,390</b>	<b>47,516</b>
Cost of sales	2	(41,930)	(31,210)
<b>Gross profit</b>	2	<b>26,460</b>	<b>16,306</b>
Administration expenses		(20,992)	(11,282)
<b>Operating profit</b>		<b>5,468</b>	<b>5,024</b>
Depreciation		497	558
Amortisation of capitalised development costs		301	306
Adjusting items	3	9,171	4,233
<b>Adjusted EBITDA</b>	3	<b>15,437</b>	<b>10,121</b>
Finance income	4	1	-
Finance expense	4	(1,238)	(568)
<b>Profit before tax</b>		<b>4,231</b>	<b>4,456</b>
Taxation	5	(3,278)	(1,481)
<b>Profit for the period</b>		<b>953</b>	<b>2,975</b>
Exchange differences on translation of foreign operations		2,100	(20)
<b>Total comprehensive income for the period</b>		<b>3,053</b>	<b>2,955</b>
Basic earnings per ordinary share (p)	6	0.87	2.95
Diluted earnings per ordinary share (p)	6	0.83	2.81

## Interim condensed consolidated statement of financial position

As at 30 September 2021

	Note	Unaudited as at 30 Sep 2021 £'000	Unaudited as at 30 Sep 2020 £'000	Audited as at 31 Mar 2021 £'000
<b>Non-current assets</b>				
Goodwill	7	100,307	64,661	63,067
Intangible fixed assets		33,661	23,691	21,648
Property, plant and equipment		576	544	415
Right-of-use asset		2,032	2,271	1,816
Capitalised implementation costs		168	-	154
<b>Total non-current assets</b>		<b>136,744</b>	<b>91,167</b>	<b>87,100</b>
<b>Current assets</b>				
Trade and other receivables	9	27,644	19,806	17,938
Cash and cash equivalents		40,032	32,536	34,012
<b>Total current assets</b>		<b>67,676</b>	<b>52,342</b>	<b>51,950</b>
<b>Current liabilities</b>				
Trade and other payables	10	(47,579)	(30,315)	(27,241)
Corporation tax		(2,307)	(5,186)	(1,792)
Lease liabilities		(745)	(694)	(514)
<b>Total current liabilities</b>		<b>(50,631)</b>	<b>(36,195)</b>	<b>(29,547)</b>
<b>Net current assets</b>		<b>17,045</b>	<b>16,147</b>	<b>22,403</b>
<b>Non-current liabilities</b>				
Deferred tax provision		(5,598)	(3,453)	(3,022)
Other non-current liabilities	11	(22,279)	(6,755)	(10,737)
Lease liabilities		(1,375)	(1,647)	(1,379)
<b>Total non-current liabilities</b>		<b>(29,252)</b>	<b>(11,855)</b>	<b>(15,138)</b>
<b>Net assets</b>		<b>124,537</b>	<b>95,459</b>	<b>94,365</b>
<b>Equity</b>				
Issued share capital	12	89	79	80
Share premium		119,438	89,396	89,396
Foreign exchange reserve		2,402	3,386	302
Other reserves		6,545	2,769	4,044
Retained earnings		(3,937)	(171)	543
<b>Total shareholders' equity</b>		<b>124,537</b>	<b>95,459</b>	<b>94,365</b>

The attached notes form part of these interim condensed consolidated financial statements.

## Interim condensed consolidated statement of cash flows

For the six months ended 30 September 2021

	Unaudited six months ended 30 Sep 2021 £'000	Unaudited six months ended 30 Sep 2020 £'000	Audited year ended 31 Mar 2021 £'000
<b>Cash flows from operating activities:</b>			
Operating profit for the period	5,468	5,024	10,176
Depreciation of property, plant and equipment	497	558	1,085
Loss on disposal of fixed assets	21	-	13
Amortisation of intangible fixed assets	2,559	2,083	4,130
Share-based payment charge	1,672	638	1,693
<b>Operating cash flows before movements in working capital</b>	<b>10,217</b>	<b>8,303</b>	<b>17,097</b>
<b>Working capital adjustments:</b>			
(Increase)/decrease in trade and other receivables	(5,160)	1,639	3,221
Increase in trade and other payables	3,573	6,292	6,424
Tax paid	(2,660)	(949)	(5,707)
<b>Net cash generated from operating activities</b>	<b>5,970</b>	<b>15,285</b>	<b>21,035</b>
<b>Cash flows from investing activities:</b>			
Interest received	1	-	-
Acquisition of subsidiary, net of acquired cash	(23,796)	(2,752)	(2,752)
Purchase of property, plant and equipment, net of disposals	(204)	(143)	(151)
<b>Net cash used in investing activities</b>	<b>(23,999)</b>	<b>(2,895)</b>	<b>(2,903)</b>
<b>Cash flows from financing activities:</b>			
Issue of ordinary share capital	30,049	1	-
Purchase of own shares by the employee benefit trust	(187)	-	-
Repayment of bank borrowings	-	(5,000)	(5,000)
Interest and bank loan fees	(199)	(340)	(486)
Principal lease liability payments	(348)	(418)	(809)
Interest on lease liabilities	(52)	(55)	(102)
Dividends paid	(5,431)	-	(2,136)
<b>Net cash generated from/(used in) financing activities</b>	<b>23,832</b>	<b>(5,812)</b>	<b>(8,533)</b>
<b>Net increase in cash and cash equivalents</b>	<b>5,803</b>	<b>6,578</b>	<b>9,599</b>
Cash and cash equivalents at beginning of the period	34,012	25,996	25,996
Effect of exchange rate fluctuations on cash held	217	(38)	(1,583)
<b>Cash and cash equivalents at end of the period</b>	<b>40,032</b>	<b>32,536</b>	<b>34,012</b>



## Interim condensed consolidated statement of changes in equity

For the six months ended 30 September 2021

	Share capital £'000	Share premium £'000	Foreign exchange reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
<b>As at 1 April 2020</b>	78	89,396	3,406	1,652	(3,146)	91,386
<b>Comprehensive income</b>						
Profit for the period	-	-	-	-	2,975	2,975
Foreign exchange differences on translation of foreign operations	-	-	(20)	-	-	(20)
<b>Transactions with owners</b>						
Shares issued (equity)	1	-	-	-	-	1
Share-based payment charge	-	-	-	638	-	638
Deferred tax recognised in equity	-	-	-	479	-	479
Dividends	-	-	-	-	-	-
<b>As at 30 September 2020</b>	<b>79</b>	<b>89,396</b>	<b>3,386</b>	<b>2,769</b>	<b>(171)</b>	<b>95,459</b>
<b>Comprehensive income</b>						
Profit for the period	-	-	-	-	2,852	2,852
Foreign exchange differences on translation of foreign operations	-	-	(3,084)	-	-	(3,084)
<b>Transactions with owners</b>						
Shares issued (equity)	1	-	-	-	(2)	(1)
Share-based payment charge	-	-	-	1,055	-	1,055
Net settlement of vested share option	-	-	-	(100)	-	(100)
Current tax recognised in equity	-	-	-	374	-	374
Deferred tax recognised in equity	-	-	-	(54)	-	(54)
Dividends	-	-	-	-	(2,136)	(2,136)
<b>As at 31 March 2021</b>	<b>80</b>	<b>89,396</b>	<b>302</b>	<b>4,044</b>	<b>543</b>	<b>94,365</b>
<b>Comprehensive income</b>						
Profit for the period	-	-	-	-	953	953
Foreign exchange differences on translation of foreign operations	-	-	2,100	-	-	2,100
<b>Transactions with owners</b>						
Shares issued (equity)	9	30,042	-	-	(2)	30,049
Purchase of own shares by the employee benefit trust	-	-	-	(187)	-	(187)
Share-based payment charge	-	-	-	1,672	-	1,672
Current tax recognised in equity	-	-	-	146	-	146
Deferred tax recognised in equity	-	-	-	870	-	870

Dividends	-	-	-	-	(5,431)	(5,431)
<b>As at 30 September 2021</b>	<b>89</b>	<b>119,438</b>	<b>2,402</b>	<b>6,545</b>	<b>(3,937)</b>	<b>124,537</b>

### Share capital

Share capital represents the nominal value of share capital subscribed.

### Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium, net of associated share issue costs.

### Foreign exchange reserve

The foreign exchange reserve represents exchange differences that arise on consolidation from the translation of the financial statements of foreign subsidiaries, including goodwill.

### Other reserves

The other reserves represent the cumulative fair value of the IFRS 2 share-based payment charge to be recognised each period, associated current and deferred tax charged through equity, as well as equity-settled consideration reserves and the purchase of the Company's own shares by the employee benefit trust ("EBT").

### Retained earnings

The retained earnings reserve represents cumulative net gains and losses recognised in the consolidated statement of comprehensive income and all other transactions with owners.

## Notes to the interim condensed consolidated financial statements

### 1. Basis of preparation and significant accounting policies

#### 1.1. General information

The principal activity of the Group is the provision of consulting and related services to clients in the asset management, wealth management and insurance industries, principally in the UK, North America, Europe & APAC.

Alpha Financial Markets Consulting plc is incorporated in England and Wales with registered number 09965297. The Company's registered office is 60 Gresham Street, London, EC2V 7BB. The Company is a public limited company and is admitted to trading on the AIM of the London Stock Exchange.

These interim condensed consolidated financial statements were authorised for issue on 24 November 2021 in accordance with a resolution of the Directors.

#### 1.2. Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group's most recent annual consolidated financial statements, for the year ended 31 March 2021. They do not include all of the information required for a complete set of IFRS financial statements, however, selected explanatory notes are included to explain events and transactions that are significant to an

understanding of the changes in the Group's financial position and performance since Alpha's Annual Report & Accounts 2021.

The financial information presented for the period ended 30 September 2021 and the period ended 30 September 2020 is unaudited. The financial information for the 12 months to 31 March 2021 was audited.

The presentational currency of these financial statements and the functional currency of the Group is pounds Sterling. All amounts in these financial statements have been rounded to the nearest £1,000, unless otherwise stated.

### **1.3. Statutory accounts**

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 ("the Act"). The statutory accounts for the year ended 31 March 2021 have been filed with the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Act.

### **1.4. Basis of consolidation**

These interim condensed financial statements consolidate the interim financial statements of the Company and its subsidiary undertakings (the "Group") as at 30 September 2021.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses, and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

### **1.5. Seasonality of operations**

Given the nature of the Group's consulting and related services, and the composition of the Group's customers and contracts, seasonality is generally not expected to have a significant bearing on the financial performance of the Group.

### **1.6. Going concern**

The Directors have, at the time of approving these interim condensed consolidated financial statements, a reasonable expectation that the Company and the Group has adequate resources to continue in operation for a period of at least 12 months from the approval of these financial statements (the "going concern period"). The Group's forecasts and projections, taking into account plausible changes in trading performance, show that the Group has sufficient financial resources, together with assets that are expected to generate cash flow in the normal course of business.

Since the annual assessment, the Group has considered whether there are any indicators of significant adverse variations or material uncertainty in the Group's trading performance, both

in the period against the internal budget, and in the Group's forecasts for the going concern period, taking into account plausible downside scenarios. No such indicators have been identified. The ongoing trading performance of the Group's core revenue-generating regions has been encouraging and is ahead of the downside scenarios assumed during the annual assessment.

The Group has maintained a strong balance sheet and liquidity position. The Group maintains a net cash position of £40.0m as at 30 September 2021 and has access to an undrawn £20.0m RCF to support the Group's financing needs.

In May 2021, the Group announced the acquisition of Lionpoint alongside a share placing. The £30.0m net proceeds of the share placing exceeded the initial \$35.6m<sup>11</sup> (£24.9m) acquisition consideration paid on completion. As a result, the Group added to its cash resources and retains a strong liquidity position following the acquisition. The Directors are satisfied that the Group's existing resources are adequate to meet its requirements over the going concern period.

Therefore, the Directors have adopted a going concern basis for the preparation of these interim condensed consolidated financial statements.

<sup>11</sup> All \$ references in the notes to the interim condensed consolidated financial statements are in relation to US Dollars

## **1.7. Principal accounting policies**

Please refer to Alpha's Annual Report & Accounts 2021 for full disclosures of the principal accounting policies that have been adopted in the preparation of these interim condensed consolidated financial statements. There have been no changes to the accounting policies adopted by the Group in the period.

## **1.8. Significant judgements and estimates**

The preparation of financial information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

### *Judgements*

The Directors have made one judgement, excluding those involving estimations, in the process of applying the Group's accounting policies, which is considered to have a significant effect on the amounts recognised in the financial statements for the period ending 30 September 2021.

#### **Employment-linked acquisition payments**

The contingent and non-contingent consideration related to the Group's acquisitions are part linked to the ongoing employment of certain members of the vendor's management team and some judgement has been applied in determining whether any future payments should be classified as consideration or as remuneration for future services. The apportionment in the financial statements can be based on the interpretation of complex clauses within the share purchase agreement ("SPA") or related documents of the relevant acquisition.

## *Estimates*

A number of estimates have been made in the preparation of the financial information. The underlying assumptions in the Group's estimates are based on historical experience and various other factors that are deemed to be reasonable under the circumstances. These assumptions form the basis of developing estimates of the carrying values of assets and liabilities that are not apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the period in which the estimate is revised and any future years affected. Actual results can differ from these estimates.

The Directors have identified the following areas as key estimates that are considered to have a significant risk of resulting in a material adjustment to the carrying amounts of assets or liabilities within the next financial year.

### Share-based payments

Management has estimated the share-based payments expense under IFRS 2. In determining the fair value of share-based payments, management has considered several internal and external factors in order to judge the probability that management and employee share incentives may vest and to assess the fair value of share options at the date of grant. Such assumptions involve estimating a number of future performance and other factors. The fair value calculations have been externally assessed for reasonableness in the current and prior period. For further details please see note 13.

### Acquisition earn-outs

The earn-out liability calculations performed under IFRS 3 in relation to the Group's recent acquisitions contain estimation uncertainty, as the earn-out potentially payable in each case is linked to the future performance of the acquiree. In order to determine the fair value of the earn-out at the acquisition date, management has assessed the potential future cash flows of each business respectively, the likelihood of an earn-out payment being made and discounted using an appropriate discount rate. These estimates are also affected by residual market uncertainty due to the current COVID-19 environment and could potentially change as a result of related events over the coming years. For further details please see note 8.

### Business combinations – valuation and asset lives of separately identifiable intangible assets

In determining the fair value of intangible assets arising in a business combination, management is required to make estimates regarding the timing and amount of future cash flows applicable to the intangible assets being acquired, discounted using an appropriate discount rate. Such estimates are based on current budgets and forecasts, extrapolated for an appropriate period considering growth rates and expected changes to selling prices and operating costs. Management estimates the appropriate discount rate using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the businesses being acquired. The Directors consider that the assumptions applied by the Group in developing an estimate of the valuation of acquired intangible assets at the acquisition date represent the Directors' best estimate of circumstances on the date of acquisition, and an independent accountancy firm was used to assess and advise on these estimates.

### Impairment of goodwill

The Group determines whether goodwill is impaired on at least an annual basis. At 30 September 2021, the Group has considered whether there are any indicators of impairment that would require a full impairment assessment to be performed at the half year. No such indicators have been identified.

It is considered appropriate to disclose this as an area of significant estimation due to the size of the balance, the heightened uncertainty due to the COVID-19 environment, and the fact that it could change as a result of future events over the next several years.

## **1.9. New accounting standards and interpretations**

In the period ended 30 September 2021, the Group has adopted the following amendments to existing accounting standards with no material impact on the financial statements. Refer to p. 139 of the Group's Annual Report & Accounts 2021 for details of recently adopted standards and interpretations in the prior period.

- Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16), effective from 1 January 2021.

The following other standards, interpretations and amendments to existing standards have been issued but were not mandatory for accounting periods beginning on 1 April 2021 and are not expected to have a material impact on the Group.

- Reference to the conceptual framework (Amendments to IFRS 3), effective from 1 January 2022 (not yet endorsed by the UK);
- Property, Plant and Equipment – Proceeds before intended use (Amendments to IAS 16), effective from 1 January 2022 (not yet endorsed by the UK);
- Onerous contracts – Cost of fulfilling a Contract (Amendments to IAS 37), effective from 1 January 2022 (not yet endorsed by the UK);
- Provisions, Contingent Liabilities and Contingent Assets (Amendments to IAS 37), effective from 1 January 2022 (not yet endorsed by the UK);
- Annual Improvements to IFRS Standards 2018-20 Cycle, effective from 1 January 2022 (not yet endorsed by the UK);
- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4), effective from 1 January 2023;
- Deferred tax related to assets and liabilities arising from a single transaction (amendments to IAS 12), effective from 1 January 2023;
- IFRS 17 Insurance Contracts, effective from 1 January 2023 (not yet endorsed by the UK);
- Disclosure of accounting policies (Amendments to IAS 1 and IFRS practice statement 2), effective from 1 January 2023 (not yet endorsed by the UK);
- Classification of liabilities as current or non-current – deferral of effective date (Amendment to IAS 1), effective from 1 January 2023; and
- Definition of Accounting Estimates (Amendments to IAS 8), effective from 1 January 2023.

## **2. Segment information**

Group management has determined the operating segments by considering the segment information that is reported internally to the chief operating decision maker, the Board of Directors. For management purposes, the Group is currently organised into three

geographical operating divisions: UK, North America and Europe & APAC. The Group's operations all consist of one type: consultancy and related services to the asset management, wealth management and insurance industries.

The Directors consider that there is a material level of operational support and linkage provided to the Group's emerging territories in Europe & APAC as they develop their presence locally, and as such, these clusters of territories have been deemed to constitute one operating segment.

Revenues associated with software licensing arrangements were immaterial in both the current and prior years. Therefore, the Directors consider that disaggregating revenue by operating segments is most relevant to depict the nature, amount, timing and uncertainty of revenue and cash flows as may be affected by economic factors.

<b>30 September 2021</b>	<b>UK</b>	<b>North America</b>	<b>Europe &amp; APAC</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>	<b>32,433</b>	<b>18,854</b>	<b>17,135</b>	<b>68,422</b>
Rechargeable expenses	(4)	(22)	(6)	(32)
<b>Net fee income</b>	<b>32,429</b>	<b>18,832</b>	<b>17,129</b>	<b>68,390</b>
Cost of sales	(18,577)	(12,349)	(11,004)	(41,930)
<b>Gross profit</b>	<b>13,852</b>	<b>6,483</b>	<b>6,125</b>	<b>26,460</b>
Margin on net fee income (%) <sup>12</sup>	42.7%	34.4%	35.8%	38.7%
<b>Non-current assets</b>	<b>73,514</b>	<b>40,535</b>	<b>22,695</b>	<b>136,744</b>
<b>30 September 2020</b>	<b>UK</b>	<b>North America</b>	<b>Europe &amp; APAC</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>	<b>26,494</b>	<b>7,758</b>	<b>13,361</b>	<b>47,613</b>
Rechargeable expenses	(37)	(16)	(44)	(97)
<b>Net fee income</b>	<b>26,457</b>	<b>7,742</b>	<b>13,317</b>	<b>47,516</b>
Cost of sales	(16,151)	(5,520)	(9,539)	(31,210)
<b>Gross profit</b>	<b>10,306</b>	<b>2,222</b>	<b>3,778</b>	<b>16,306</b>
Margin on net fee income (%) <sup>12</sup>	39.0%	28.7%	28.4%	34.3%
<b>Non-current assets</b>	<b>60,924</b>	<b>8,395</b>	<b>21,848</b>	<b>91,167</b>

The Group's central non-current assets have been allocated to the UK operating segment, with the exception of goodwill and acquired intangible asset balances, which have been allocated in line with operating segments.

Following the acquisition of Lionpoint in the period, the Group has recognised the relevant amounts within the segments in line with the different territories in which Lionpoint operates.

<sup>12</sup> Margin on net fee income is gross profit expressed as a percentage of net fee income. Please refer to note 3 for further detail

### 3. Reconciliations to alternative performance measures

Alpha uses alternative performance measures (“APMs”) that are not defined or specific under the requirements of IFRS. The APMs, including net fee income, margin on net fee income, adjusted EBITDA, adjusted profit before tax, adjusted EPS, adjusted cash conversion and organic net fee income growth, are provided to allow stakeholders a further understanding of the underlying trading performance of the Group and aid comparability between accounting periods. They are not considered a substitute for, or superior to, IFRS measures.

#### *Net fee income*

The Group disaggregates revenue into net fee income and expenses recharged to clients. Net fee income provides insight into the Group’s productive output and is used by the Board to set budgets and measure performance. This APM is reconciled on the face of the income statement and net fee income by segment is reconciled to revenue in note 2.

#### *Profit margins*

Margin on net fee income and adjusted EBITDA margin are calculated using gross profit and adjusted EBITDA expressed as a percentage of net fee income. These margins represent the margin that the Group earns on its productive output, excluding nil or negligible margin expense recharges to clients over which the Group has limited control, and allows comparability of the business output between periods. Such adjusted margins are used by the management team and the Board to assess the performance of the Group.

#### *Reconciliation of adjusted profit before tax, adjusted operating profit and adjusted EBITDA*

	Note	30 Sep 2021 £'000	30 Sep 2020 £'000
<b>Profit before tax</b>		<b>4,231</b>	<b>4,456</b>
Amortisation of acquired intangible assets		2,258	1,777
Loss on disposal of fixed assets		21	-
Share-based payments charge	13	2,357	719
Earn-out and deferred consideration	8	2,539	1,561
Acquisition costs		643	-
Integration costs		-	107
Foreign exchange (gains)/losses		1,353	69
Adjusting items		9,171	4,233
Non-underlying finance expenses	4	1,032	409
<b>Adjusted profit before tax</b>		<b>14,434</b>	<b>9,098</b>
Net underlying finance expenses	4	205	159



<b>Adjusted operating profit</b>	<b>14,639</b>	<b>9,257</b>
Depreciation of property, plant and equipment	497	558
Amortisation of capitalised development costs	301	306
<b>Adjusted EBITDA</b>	<b>15,437</b>	<b>10,121</b>
Adjusted EBITDA margin (%)	22.6%	21.3%

### *Adjusting items*

Certain expense items, which management believes do not reflect the underlying operating performance of the business, are excluded from adjusted profit measures. These items are generally non-cash, non-recurring by nature or are acquisition related.

Amortisation of acquired intangible assets and profit or loss on disposal of fixed assets are treated as adjusting items to better reflect the underlying performance of the business, as they are non-cash items, principally relating to acquisitions.

The share-based payments charge and related social taxes are excluded from adjusted profit measures. This allows comparability between periods as the Group's share option plans were established on AIM admission. It also aligns more closely with the operational activities of the business, as well as accounts for the fact that the charge is a non-cash item and the fact that estimated future social taxes payable fluctuate with the future market value of shares assumed. This approach has been applied consistently across reporting periods. Note 13 sets out further details of the employee share-based payments expense calculation under IFRS 2.

As per note 8, the acquisition of Lionpoint in the period involved some deferred non-contingent and contingent payments, some of which, in line with IFRS 3, are being expensed annually over several years until the date of payment. These amounts are dependent on the ongoing employment of certain members of Lionpoint senior management. In addition, the Group continues to recognise employment-linked costs through the income statement relating to payments for the previous acquisitions of Axxsys and Obsidian, or to reflect adjustments made to the fair value of the expected future payment. These costs have been treated as adjusting items as they are acquisition related and, whilst they will recur in the short term, the adjustment allows comparability of underlying operational performance across reporting periods.

Other acquisition costs expensed in the period in relation to the acquisition of Lionpoint are also treated as an adjusting item as they were not directly attributable to the ongoing trading performance of the Group.

Integration costs in the previous year were in relation to the acquired Obsidian product suite security and its integration with the technology protocols within the ADS 360 SalesVista product, which directly result from the acquisition of Obsidian in previous years. Integration of Obsidian was completed in April 2020 and was managed as a discrete short-term project subsequent to the acquisition.

Similarly, the impact of foreign currency volatility in translating local working capital balances to their relevant functional currencies has been excluded from the calculation of adjusted profit measures on the basis that such exchange rate movements do not reflect the underlying trends or operational performance of the Group. This is particularly relevant in the current

period with Lionpoint's deferred consideration payable in US Dollars and the USD:GBP rate experiencing some volatility around the completion date.

#### *Non-underlying finance expenses*

In calculating adjusted profit before tax, unwinding of the discounted contingent and non-contingent acquisition consideration within finance expenses is considered non-underlying as these amounts relate to acquisition consideration, rather than the Group's underlying trading performance.

#### *Adjusted profit before tax*

Adjusted profit before tax is an APM calculated as profit before tax stated before the adjusting items above, including amortisation of acquired intangible assets, share-based payment charge, acquisition-related payments and costs, non-underlying finance expenses and other non-underlying expenses. This measure was introduced to allow comparability of the Group's underlying performance after the adoption of IFRS 16. This measure also reflects the underlying amortisation charges arising from capitalised development costs relating to ADS product development. This measure will likely be of increasing importance in allowing comparability across periods as the ADS business grows further in future periods.

#### *Adjusted operating profit*

Adjusted operating profit is an APM defined by the Group as adjusted profit before tax before charging underlying finance expenses, including fees on bank loans and interest on lease liabilities. The Directors consider this metric aligned to the defined components of operating profit, adjusted for the adjusting items above, and provides a clearer view of the underlying operating performance of the business. This measure is used as the basis for adjusted cash conversion.

#### *Adjusted EBITDA*

Adjusted EBITDA is a commonly used operating measure, which is defined by the Group as adjusted operating profit stated before non-cash items, including amortisation of capitalised development costs and depreciation of property, plant and equipment. Adjusted EBITDA is a measure that is used by management and the Board to assess trading performance across the Group and forms the basis of the performance measures for aspects of remuneration, including consultant profit share.

#### *Adjusted profit after tax*

Adjusted profit after tax and adjusted earnings per share metrics are also APMs, similarly used to allow a further understanding of the underlying performance of the Group. Adjusted profit after tax is stated before adjusting items and their associated tax effects. The associated tax effects are calculated by applying the relevant effective tax rate to allowable expenses that have been excluded as adjusting items.

	<b>30 Sep 2021</b>	<b>30 Sep 2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Adjusted profit before tax</b>	<b>14,434</b>	<b>9,098</b>
Tax charge	(3,278)	(1,481)

Tax impact of adjusting items	(413)	(562)
<b>Adjusted profit after tax</b>	<b>10,743</b>	<b>7,055</b>

#### *Adjusted earnings per share*

Adjusted earnings per share (“EPS”) is calculated by dividing the adjusted profit after tax for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Adjusted diluted EPS is calculated by dividing adjusted profit after tax by number of shares as above, adjusted for the impact of potentially dilutive ordinary shares. Potentially dilutive ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease EPS (or increase loss per share). Refer to note 6 for further detail.

	30 Sep 2021	30 Sep 2020
<b>Adjusted EPS</b>		
Adjusted EPS (p)	9.85	6.99
Adjusted diluted EPS (p)	9.34	6.67

#### *Reconciliation of adjusted administrative expenses*

To express on the same basis as the APMs described above, adjusted administration expenses are stated before adjusting items, depreciation and amortisation of capitalised development costs and are used by the Board to monitor the underlying administration expenses of the business in calculating adjusted EBITDA.

	30 Sep 2021 £'000	30 Sep 2020 £'000
Administration expenses	20,992	11,282
Adjusting items	(9,171)	(4,233)
Depreciation of property, plant and equipment	(497)	(558)
Amortisation of capitalised development costs	(301)	(306)
<b>Adjusted administration expenses</b>	<b>11,023</b>	<b>6,185</b>

#### *Adjusted cash generated from operating activities*

Adjusted cash generated from operating activities excludes any employment-linked acquisition payments and other acquisition costs expensed in the year, treated as operating

cash flows under IFRS, to reflect the Group's underlying operating cash flows, exclusive of cash payments relating to acquisitions.

	<b>30 Sep 2021</b>	<b>30 Sep 2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Net cash generated from operating activities</b>	<b>5,970</b>	<b>15,285</b>
Employment-linked acquisition payments	1,848	1,146
Acquisition costs	643	-
<b>Adjusted cash generated from operating activities</b>	<b>8,461</b>	<b>16,431</b>

#### *Adjusted cash conversion*

Cash conversion is stated as net cash generated from operating activities expressed as a percentage of operating profit.

Adjusted cash conversion is stated as adjusted cash generated from operating activities expressed as a percentage of adjusted operating profit.

	<b>30 Sep 2021</b>	<b>30 Sep 2020</b>
Cash conversion	109.2%	304.2%
Adjusted cash conversion	57.8%	177.5%

#### *Organic net fee income growth*

Organic net fee income growth excludes net fee income from acquisitions in the 12 months following acquisition. Net fee income from any acquisition made in the period is excluded from organic growth. For acquisitions made part way through the comparative period, the current period's net fee income contribution is reduced to include only net fee income for the period following the acquisition anniversary, in order to compare organic growth on a like-for-like basis.

Organic net fee income growth of 21.7% (H1 21: 7.5%) in the current period represents H1 22 net fee income less £10.5m attributable to Lionpoint, treated as inorganic as it was acquired in the period.

#### *Constant currency growth*

The Group operates in multiple jurisdictions and generates revenues and profits in various currencies. Those results are translated on consolidation at the foreign exchange rates prevailing in that period. These exchange rates vary from period to period, so the Group presents some of its results on a "constant currency" basis. This means that the current period's results have been retranslated using the average exchange rates from the prior period to allow for comparison of period-on-period results, eliminating the effects of volatility in exchange rates.

Currency translation had a noticeable impact on both net fee income and gross profit in the first half, as a result of a strengthening Sterling through the period against both the US Dollar and against the Euro. In the six months, Sterling averaged \$1.39 (H1 21: \$1.27) and €1.17 (H1 21: €1.12). On a constant currency basis, the Group's net fee income for the period would be £2.2m higher (3.6%) and, similarly, gross profit would be £0.9m higher.

#### 4. Net finance expenses

	Note	30 Sep 2021 £'000	30 Sep 2020 £'000
Bank interest receivable		1	-
<b>Total finance income</b>		<b>1</b>	<b>-</b>
Interest and fees payable on bank loans		(154)	(104)
Interest on lease liabilities		(52)	(55)
<b>Total underlying finance expenses</b>		<b>(206)</b>	<b>(159)</b>
Non-underlying finance expenses	3	(1,032)	(409)
<b>Total finance expenses</b>		<b>(1,238)</b>	<b>(568)</b>
<b>Net underlying finance expenses</b>	3	<b>(205)</b>	<b>(159)</b>
<b>Net finance expenses</b>		<b>(1,237)</b>	<b>(568)</b>

As at 31 March 2021, the Group held one principal bank facility comprising a £20.0m undrawn, committed RCF facility with Lloyds Bank Plc. In May 2021, the Group drew down £2.0m of the available facility temporarily, to facilitate completion payments made during the acquisition of Lionpoint, which was repaid following receipt of funds from the placing. The facility is undrawn as at 30 September 2021, and the Group remains in a strong net cash position of £40.0m.

#### 5. Tax

	30 Sep 2021 £'000	30 Sep 2020 £'000
<b>Current tax</b>		
In respect of the current period – UK	1,418	1,166
Foreign taxation	1,836	803
Adjustments in respect of prior periods	-	17
<b>Deferred tax</b>		
In respect of the current period	(1,098)	(486)
Change in tax rate	1,146	-
Adjustment in respect of prior periods	(24)	(19)

<b>Total tax expense for the period</b>	<b>3,278</b>	<b>1,481</b>
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An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. An initial assessment is that, once effective, this change will increase the Group's future current tax charge accordingly. In relation to this tax rate change, the Group has recognised an increase to its existing deferred tax liability of £1.1m, reflecting an increased liability recognised on acquired intangible assets partially offset by the increased carrying value of deferred tax assets relating to share options outstanding. During the period, the Group also recognised a deferred tax liability of £3.4m in relation to the acquisition of Lionpoint through goodwill. Refer to note 8 for further details.

In addition, for the period ended 30 September 2021, the Group has recognised a total of £1.0m of tax through equity, of which £0.1m relates to current tax on the exercise of share options and £0.9m relates to deferred tax on share options outstanding.

## 6. Earnings per share and adjusted earnings per share

The Group presents basic and diluted EPS data, on both an adjusted and non-adjusted basis. Basic EPS is calculated by dividing the profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares fully outstanding during the period.

The weighted average number of diluted ordinary shares used in the calculation of diluted EPS includes the number of shares that are issued to satisfy share incentive awards granted to employees as they fall due, adjusted for the likelihood of meeting performance criteria, if any. Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease EPS (or increase loss per share).

In order to reconcile to the adjusted profit for the financial period, the same adjustments as in note 3 have been made to the Group's profit for the financial period. The profits and weighted average number of shares used in the calculations are set out below:

	Note	30 Sep 2021	30 Sep 2020
<b>Basic &amp; diluted EPS</b>			
Profit for the period used in calculating basic and diluted EPS (£'000)		953	2,975
Weighted average number of ordinary shares in issue ('000)		109,040	100,905
Number of dilutive shares ('000)		5,949	4,915
Weighted average number of ordinary shares, including potentially dilutive shares		114,989	105,820
Basic EPS (p)		0.87	2.95
Diluted EPS (p)		0.83	2.81
<b>Adjusted EPS</b>			

Adjusted profit for the period used in calculating adjusted basic and diluted EPS (£'000)	3	10,743	7,055
Weighted average number of ordinary shares in issue ('000)		109,040	100,905
Number of dilutive shares ('000)		5,949	4,915
Weighted average number of ordinary shares, including potentially dilutive shares		114,989	105,820
Adjusted EPS (p)		9.85	6.99
Adjusted diluted EPS (p)		9.34	6.67

## 7. Goodwill

	30 Sep 2021 £'000	30 Sep 2020 £'000	31 Mar 2021 £'000
Cost at beginning of the period	63,067	64,642	64,642
Additions	35,747	-	-
Gains/(losses) from foreign exchange	1,493	19	(1,575)
<b>Cost at end of the period</b>	<b>100,307</b>	<b>64,661</b>	<b>63,067</b>

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is represented by assets that do not qualify for separate recognition and includes the potential synergy benefits of combining the intellectual property and talents of the teams into the Group. In line with IAS 21 para 47, goodwill arising on the acquisition of a foreign operation is held in local currency and is retranslated into the Group's presentational currency at each reporting date using the closing foreign exchange rate.

During the period, the Group has recognised goodwill on the acquisition of Lionpoint. The goodwill recognised is reflective of the potential value of the consulting skillset and market coverage, as well as the potential synergies and market opportunities that the acquisition provides, over and above that which has been recognised through the identifiable intangible assets described in note 8. None of the goodwill recognised is expected to be deductible for tax purposes.

The carrying value of goodwill is not subject to systematic amortisation but is reviewed at least annually for impairment. The Group performs a full annual impairment assessment at each year end and, at the half year, considered whether there were indicators of risk of impairment, and whether they warrant an intermediate impairment assessment to be performed for the period ended 30 September 2021. No indicators for impairment have been identified in the period.

Further details of the review performed for the year ended 31 March 2021 are provided on pp 151-52 of Alpha's Annual Report & Accounts 2021.

## 8. Acquisitions

### *Acquisition in the current period*

On 20 May 2021, the Group reached an agreement to acquire 100% of the issued share capital of Lionpoint Holdings, Inc. ("Lionpoint"), a provider of specialist consultancy services to the alternatives investments industry, on a cash free, debt free basis. The Directors consider that the acquisition is in line with the Group's stated growth strategy, significantly increasing both the Group's exposure to the attractive and fast-growing alternatives investments market and its footprint in the large and strategically important North America segment.

A summary of the purchase consideration, net assets acquired, identifiable intangible assets and goodwill is set out below. These fair values are provisional and determined by using established estimation techniques such as discounted cash flow and option valuation models. Provisional fair values contain amounts that will be finalised no later than one year after the date of acquisition. These provisional amounts are at an advanced stage of completion, but remain subject to finalising and audit.

<b>Lionpoint</b>	Book values £'000	Fair value adjustments £'000	Values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Trade name	-	2,602	2,602
Order Backlog	-	829	829
Customer relationships	-	10,752	10,752
Tangible fixed assets	113	-	113
Right-of-use assets	478	-	478
Trade and other debtors	4,528	-	4,528
Cash	2,148	-	2,148
Trade and other creditors	(2,380)	-	(2,380)
Lease liabilities	(478)	-	(478)
Corporation tax liability	(67)	-	(67)
Deferred tax liability	-	(3,423)	(3,423)
<b>Net identifiable assets and liabilities acquired</b>	<b>4,342</b>	<b>10,760</b>	<b>15,102</b>
Cash consideration relating to business combination			50,849
Goodwill on acquisition (see note 7)			<b>35,747</b>

The maximum payable for the acquisition (over four years) is \$90.0m (£63.8m) to be settled in cash, with the option to settle a portion of the deferred amounts in the Group's ordinary shares. Of this maximum amount payable, \$7.5m (£5.3m) is employment linked. The fair value of consideration recognised on the date of acquisition amounted to \$72.3m (£50.8m), of which \$33.5m (£23.5m) was paid on completion, alongside an additional net cash payment of \$2.1m (£1.4m) in relation to completion working capital. A balancing \$0.5m (£0.3m) debtor is held at 30 September 2021, which will be deducted from future consideration payments to the management vendors.



Of the remaining maximum consideration payable, a deferred non-contingent consideration of \$17.0m (£12.0m) is payable across the first and second anniversaries of the acquisition and contingent earn-out consideration up to a maximum of \$32.0m (£22.6m) is payable in three instalments across FY 23 to FY 25. The FY 23 to FY 25 earn-out consideration payments are contingent on Lionpoint meeting certain profitability targets over the earn-out period. The fair value of deferred consideration recognised on the date of acquisition was \$37.3m (£26.2m), of which \$20.6m (£14.5m) related to contingent consideration and \$16.7m (£11.7m) related to non-contingent consideration.

Employment-linked acquisition payments will be expensed through the income statement proportionately until FY 26. During the period, the Group has expensed \$2.2m (£1.6m) in relation to these employment-linked payments through the income statement.

The deferred consideration is discounted to fair value. Discount unwinding is recognised as a finance cost proportionately across the periods until final payment. During the period, \$1.1m (£0.8m) of discount unwinding was expensed as a non-underlying finance cost in relation to the Lionpoint acquisition consideration.

As at 30 September 2021, a \$39.5m (£29.4m) liability is recorded, of which \$18.9m (£14.0m) is a current and \$20.6m (£15.4m) is a non-current liability.

The total cash payable on completion was funded from the Group's cash reserves and the proceeds of the May 2021 share placing, raising net proceeds of £30.0m. During the period, a further \$1.0m (£0.7m) employment-linked deferred payments were made.

As consideration for the acquisition of Lionpoint is payable in US Dollars, foreign exchange differences are recognised at each reporting date in relation to translating these liabilities into Pounds Sterling. In the period, the Group recognised a foreign exchange loss of £1.5m in the income statement arising from acquisition-related currency movements, particularly those immediately around the acquisition date.

Given the fair value of the liability relating to contingent consideration includes estimation, the Group has applied the following sensitivities to Lionpoint's assumed financial performance over the remaining earn-out period. Were profitability performance to be 5% better or worse than anticipated, the earn-out related liability as at 30 September 2021 would increase or decrease by £1.5m, respectively.

Lionpoint contributed £10.6m to the Group's revenue and £1.8m to the Group's profit after tax for the period from the date of acquisition to the 30 September 2021. If the acquisition of Lionpoint had been completed on 1 April 2021, Group revenues for the period would have been £72.0m and Group profits after tax would have been £0.6m, without adjustment to amortisation assumptions.

#### *Acquisitions in prior periods*

As part of the acquisition of Axxsys Limited and Obsidian Solutions Limited in previous periods, the Group agreed earn-out arrangements and a final ownership consideration based on the financial performance of the respective acquired entities over an agreed period of time, subject to continuous employment of the respective vendors, as previously disclosed in the Group's Annual Report & Accounts 2021.

## Obsidian

Including the contingent earn-out and unwinding of discounting, a total £5.3m estimated consideration is recorded within liabilities. In the period, £0.8m was expensed as a non-underlying cost relating to employment-linked consideration. Any remaining employment-linked balance will be expensed through the income statement proportionately until 2023, as appropriate.

The earn-out payments have been estimated by the Directors based on anticipated future earnings and discounted to current values. The unwinding of this earn-out discount will be recognised as a finance cost. During the period, £0.1m of this discount unwinding was expensed as a non-underlying cost in relation to Obsidian.

Consistent with 31 March 2021, the Directors consider that the Obsidian undiscounted earn-out payment could reasonably be expected to range from £5.3m to £9.3m. This estimated range reflects the stretching growth targets required through the earn-out period, the profile of potential earn-out payments weighted towards the later earn-out years and the structure of the Obsidian earn-out arrangement.

## Axxsys

The remaining £2.1m base consideration due on the acquisition of Axxsys as at 31 March 2021 was paid during the period, of which £1.1m was employment linked. In the period, £0.2m was expensed as a non-underlying cost relating to employment-linked consideration. A total £4.8m estimated consideration is recorded within liabilities, now wholly in relation to the contingent earn-out arrangement. Any remaining employment-linked balance will be expensed through the income statement proportionately until 2022.

Both the earn-out payments, which have been estimated by the Directors based on anticipated future earnings, and the deferred consideration, are discounted to current values. The unwinding of this discount shall be recognised as a finance cost. During the period, £0.1m of this discount unwinding was expensed as a non-underlying cost in relation to Axxsys.

The below table summarises the movements in the deferred contingent and non-contingent consideration liabilities held at 30 September 2021:

	<b>Axxsys</b>	<b>Obsidian</b>	<b>Lionpoint</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April 2021	6,706	4,357	-	11,063
Additions	-	-	26,210	26,210
Employment-linked consideration	153	818	1,568	2,539
Payments in the period <sup>13</sup>	(2,100)	-	(707)	(2,807)
Unwinding of discounting	78	135	819	1,032
Foreign exchanges (gains) / losses	-	-	1,510	1,510
<b>Balance as at 30 September 2021</b>	<b>4,837</b>	<b>5,310</b>	<b>29,400</b>	<b>39,547</b>

The above liabilities are reflected in non-current and current liabilities as shown in the following table:

	<b>30 Sep 2021</b>	<b>30 Sep 2020</b>	<b>31 Mar 2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Amounts due within one year	18,822	2,450	1,992
Amounts due after one year	20,725	6,275	9,071
<b>Total earn-out and deferred liabilities</b>	<b>39,547</b>	<b>8,725</b>	<b>11,063</b>

<sup>13</sup> Of the £2.8m deferred consideration paid in the period, £1.8m is employment-linked and is excluded from investing activities on the statement of cash flows. Further payments of £22.8m were made in the period on the completion of the Lionpoint acquisition

## 9. Trade and other receivables

	<b>30 Sep 2021</b>	<b>30 Sep 2020</b>	<b>31 Mar 2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade receivables	22,823	17,927	16,119
Other debtors	378	256	319
Capitalised implementation costs	235	-	182
Prepayments	1,373	876	798
Accrued income	2,835	747	520
<b>Total amounts due within one year</b>	<b>27,644</b>	<b>19,806</b>	<b>17,938</b>

Trade receivables are non-interest bearing and generally have a 30- to 60-day term. Due to their short maturities, the carrying amount of trade and other receivables is a reasonable approximation of their fair value.

In assessing the appropriateness of the Group's expected credit loss provision at 30 September 2021, the Directors have considered the Group's historical loss rates for each ageing category of receivables in conjunction with other factors in key Alpha territories. There are no indicators at 30 September 2021 that the profile of risk associated with the Group's receivables is materially different from that determined through the full assessment performed for the year ended 31 March 2021. Therefore, immaterial changes have been made to the Group's existing loss rates, as disclosed in Alpha's Annual Report & Accounts 2021.

## 10. Trade and other payables

	<b>30 Sep 2021</b>	<b>30 Sep 2020</b>	<b>31 Mar 2021</b>
<b>Note</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Trade payables	2,562	1,669	1,780

Accruals		16,781	16,408	16,215
Deferred income		2,534	1,674	1,692
Taxation and social security		5,880	6,487	4,352
Other creditors		1,000	1,627	1,210
Earn-out and deferred consideration	8	18,822	2,450	1,992
<b>Total amounts due within one year</b>		<b>47,579</b>	<b>30,315</b>	<b>27,241</b>

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade and other payables is a reasonable approximation of their fair value.

Earn-out and deferred consideration comprises the fair value of contingent and non-contingent consideration arising from the acquisitions of Lionpoint, Axxsys and Obsidian at the balance sheet date. Please refer to note 8 for further details.

## 11. Other non-current liabilities

		30 Sep 2021	30 Sep 2020	31 Mar 2021
	Note	£'000	£'000	£'000
Earn-out and deferred consideration	8	20,725	6,275	9,071
Deferred income		236	-	304
Other non-current liabilities		1,318	480	1,362
<b>Total amounts owed after one year</b>		<b>22,279</b>	<b>6,755</b>	<b>10,737</b>

Non-current liabilities include £20.7m of deferred and contingent consideration that falls due over 12 months from the balance sheet date and relates to the Group's recent acquisitions of Lionpoint, Axxsys and Obsidian.

Other non-current liabilities include an estimate of the social security costs that may become due on future vesting of outstanding share options.

## 12. Called up share capital

	30 Sep 2021	30 Sep 2020	31 Mar 2021
	Number	Number	Number
<b>Allotted, called up and fully paid</b>			
Ordinary 0.075p shares (1 vote per share)	118,238,586	105,538,019	106,521,966
	<b>30 Sep 2021</b>	<b>30 Sep 2020</b>	<b>31 Mar 2021</b>
	£	£	£

**Allotted, called up and fully paid**

Ordinary 0.075p shares (1 vote per share)	88,679	79,154	79,891
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2021 106,521,966 ordinary shares of 0.075p each			79,891
Issued shares		(i)	8,788
			<hr/>
<b>Balance at 30 September 2021</b> <b>118,238,586 ordinary shares of 0.075p each</b>			<b>88,679</b>
			<hr/> <hr/>

- (i) During the period, a total of 11,716,620 ordinary shares were issued by the Group, of which 9,569,839 shares were issued as part of the Group's share placing, 346,781 shares relate to the exercise of some vested share options and 1,800,000 shares were issued to the employee benefit trust ("EBT") for future satisfaction of share incentive plans.

The total number of voting rights in the Company at 30 September 2021 was 111,971,933.

#### *Alpha Employee Benefit Trust*

The Group held 6,266,653 (FY 21: 4,413,628) shares in the EBT comprising shares held to satisfy share options granted under its joint share ownership plan ("JSOP") or unallocated ordinary shares to satisfy share options granted under the Group's other share option plans. In the period, the EBT purchased 53,025 shares at market value. Ordinary shares held within the EBT have no dividend or voting rights.

#### *Treasury shares*

The Group did not hold any shares in treasury at 30 September 2021 (FY 21: nil).

#### *Dividends*

During the period, the Group paid a final dividend in relation to the year ended 31 March 2021 of 4.85p per ordinary share (H1 21: nil).

The Board has declared an interim FY 22 dividend of 2.90p per share (FY 21: 2.10p).

### **13. Share-based payments**

The Group has adopted a globally consistent share incentive plan approach, which is implemented using efficient jurisdiction specific plans, as appropriate.

#### *The Management Incentive Plan*

The Group has a management incentive plan ("MIP") to retain and incentivise the directors and senior management. The MIP consists of four parts: part A of which will enable the granting of enterprise management incentive and non-tax advantaged options to acquire shares; part B of which will enable the awarding of JSOPs; part C of which will enable the awarding of restricted stock units ("RSUs") for participants in the US; and Part D of which will enable the awarding of RSUs in France (together the "options").

Options granted up to FY 20 to the directors and senior management of the Group were subject to the fulfilment of two or more of the following performance conditions: (a) a specific business unit's budgetary EBITDA, or other personal targets and goals; (b) the Group achieving a total shareholder return for the 3 years from date of award in excess of the average total shareholder return of a peer group of comparable companies; and (c) the Group achieving at least 10% EPS growth against the comparative financial year.

As disclosed in the last year, responding to the impact of COVID-19, options granted to senior management in FY 21 were subject to more flexible performance criteria, including local budget targets and a variety of stretching personal sales or other targets. FY 21 awards made to Executive Directors, as in prior years, were also subject to the Group achieving a total shareholder return ("TSR") in excess of the average total shareholder return of a peer group of comparable companies, for a period of 3 years from the date of grant.

As previously disclosed, the Remuneration Committee has returned to a more standard approach in setting the FY 22 award criteria. The criteria for FY 22 share incentive awards to the Executive Directors and senior management of the Group, depending on the individual and their role, include: (a) the Group achieving adjusted EPS growth of 15% or more to trigger a maximum award, or 10% to trigger a 66% award, with a linear application of awards between these levels; (b) the Group achieving a TSR over three years in excess of the mean TSR delivered by a peer group of comparable companies; (c) personal adherence to corporate values and risk policy; and (d) specific business unit EBITDA, or other personal targets and goals.

MIP awards have either nil exercise price payable (or no more than a nominal purchase price payable) in order to acquire shares pursuant to options. MIP awards have either 3- or 4-year vesting periods from the date of grant and can be equity settled only.

### *The Employee Incentive Plan*

In addition to the MIP, the Board has previously put in place a medium-term employee incentive plan ("EIP"). Under the EIP, a broad base of the Group's employees has been granted share options or share awards over a small number of shares. The EIP is structured as is most appropriate under the local tax, legal and regulatory rules in the key jurisdictions and therefore varies between those jurisdictions.

During the period ended 30 September 2021, a total of 2,959,429 share option and award grants were made to employees and senior management (H1 21: 3,365,900).

On 2 July 2021, certain MIP awards vested, following satisfaction of performance conditions. The awards' performance conditions relating to EPS growth and total shareholder return exceeding a basket of comparable companies over 3 years to the vesting date were met in full and the relevant local country or divisional budgetary performance conditions were met in full or part, dependent on Alpha location. As a result, 6,536 nil or nominal cost awards over ordinary shares of 0.075 pence per share vested and 149,527 share awards were forfeited under performance conditions or as a result of leavers before vesting.

All of these vested awards were exercised, with an additional 343,750 share options which vested in FY 21 also exercised in the period. Of these total 350,286 share options exercised, the Company settled 346,781 through the issuance of ordinary shares, with 3,505 additional share options retained for net tax settlement. The weighted average share price at the date of

these exercises was £3.55. The remaining vested award holders have a further 7-year period in which to exercise their vested awards.

Details of the share option awards made are as follows:

	<b>Period ended 30 Sep 2021</b>	
	<b>Number of share options</b>	<b>Weighted average exercise price</b>
Outstanding at the beginning of the period	7,613,969	-
Granted during the period	2,959,429	-
Exercised during the period	(350,286)	-
Forfeited during the period	(149,527)	-
Expired during the period	-	-
<b>Outstanding at the period end</b>	<b>10,073,585</b>	<b>-</b>
<b>Exercisable at the period end</b>	<b>31,250</b>	<b>-</b>

The options outstanding at 30 September 2021 had a weighted average remaining 2 years to vest, exercisable at a nil or nominal exercise price.

During the period ended 30 September 2021, options were granted on 6 July 2021 and 20 July 2021 to employees and certain senior management. The weighted average of the estimated fair values of the options outstanding is £1.65 per share (H1 21: £1.01).

MIP share options with an external market condition were valued at award using the Monte Carlo option pricing model. The model simulates a variety of possible results, across 10,000 iterations for each of the options, by substituting a range of values for any factor that has inherent uncertainty over a number of scenarios using a different set of random values from the probability functions. The model takes any market-based performance conditions into account and adjusts the fair value of the options based on the likelihood of meeting the stated vesting conditions.

MIP share options without external market conditions and EIP share options were valued at award using a Black-Scholes model using the following inputs:

	<b>Period ended 30 Sep 2021</b>
Weighted average share price at grant date	£3.48
Exercise price	-
Volatility	22.00%
Weighted average vesting period	3
Risk free rate	0.44%
Expected dividend yield	3.00%

Expected volatility was determined by calculating the historic volatility of the market in which the Group operates. The expected expense calculated in the model has been adjusted, based on management's best estimate, for the effects of non market-based performance conditions and employee attrition.

The Group recognised a total expense of £2.4m (H1 21: £0.7m) in the current period, comprising £1.7m (H1 21: £0.6m) in relation to equity settled share-based payments, and £0.7m (H1 21: £0.1m) relating to relevant social security taxes. Given the estimation in calculating the share-based payment expense, were the future performance conditions for all outstanding share options assumed to be met at the end of the reporting period, the charge in the period would increase by £0.5m.

Other assumptions associated with the calculation of the social security tax liability due on vesting of share options include an estimation of the forward-looking share price at the vesting date based on applicable analyst research and applicable future tax rates. For these purposes, share price is assumed to grow in line with the performance of the business. Reasonable changes in this specific estimate do not have a material impact on the expense incurred in relation to social security costs or share-based payments in the period.

#### **14. Related party transactions**

Related parties, following the definitions within IAS 24, are the Group's subsidiary companies, members of the Board, key management personnel and their families, and shareholders who have control or significant influence over the Group.

The Group considers the Directors to be the key management personnel. There were no transactions within the period in which the Directors had any interest outside of their contractual remuneration.

Transactions between the Company and its subsidiaries are on an arm's length basis and have been eliminated on consolidation and are not disclosed in this note. None of the Group's shareholders are deemed to have control or significant influence and therefore are not classified as related parties for the purposes of this note.

-ENDS-