IDE Group Holdings Plc

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

Trading Update

IDE Group Holdings plc, the mid-market network, cloud and IT Managed Services provider, announces an update on trading for the six months to 30 June 2018 and an update with respect to the ongoing strategic and operational review of the Group.

Trading Update

Unaudited revenue for the six months to 30 June 2018 is expected to be approximately £29 million (H1 2017: £30 million), including £6 million (H1 2017: £3 million) in respect of 365 ITMS Limited which was acquired in April 2017. As reported previously, a large proportion of managed services revenue in 2017 arose from one-off projects, which has been lower in the current year.

The Company commenced a cost reduction programme in January, however there is still significant work to be done to ensure the business has a sustainable and profitable operating model and an appropriate underlying cost base going forward. Furthermore, certain supplier agreements entered into during previous periods relating to fibre, data centres and outsourced support have adversely affected profitability for the current period and are therefore being reviewed in the context of current performance.

As previously announced, the Company expected profitability to be impacted in 2018. Accordingly, Group management accounts for the six months to 30 June 2018 show an Adjusted EBITDA* of £0.25 million (H1 2017: Adjusted EBITDA* of £2.4 million), subject to further work and review in relation to the supplier agreements referred to above, in addition to a review of capitalisation of internal project costs and classifications of exceptional items which is underway. Whilst profitability was expected to improve steadily throughout 2018 the expected benefits of the cost reduction programme have not been realised at the anticipated rate, but this continues to be a target for the full-year as the ongoing strategic and operational review is accelerated and executed. The Group expects to report interim results for the six months ended 30 June 2018 in September 2018.

The reduction in one-off project revenues combined with the disproportionate cost base has continued to affect the Group's cash generation. The Company raised £2 million by way of the issue of unsecured loan notes in May 2018 to support the Company's working capital needs, and the Board continues to review the Group's options with respect to raising further capital to address the ongoing working capital requirements of the Group. Net debt as at 30 June 2018 totalled c. £13 million. The Board continues to liaise regularly with its lenders who remain supportive during the ongoing strategic and operational review.

Strategic and Operational Review

As previously announced the Company is currently engaged in an ongoing strategic and operational review, the results of which are expected to be announced during the third quarter of the year. As part of this review the Company is evaluating a range of options to recognise value for stakeholders, including the divestiture of certain business lines and assets within the Group.

At this time all such discussions are at a preliminary stage. Several expressions of interest have been received for certain business units of the Group but there can be no certainty these discussions will result in a transaction nor as to the terms of any such transaction. For clarity, the negotiations do not include the consideration or solicitation of bids for the shares of the quoted Group.

A further update will be made as and when appropriate.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014.

** Earnings before interest, tax, depreciation and amortisation and excludes transaction and integration costs and charges for share-based payments*

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