

Strong performance in 2022 with a robust platform to support sustainable growth

Guildford, UK – 21 March 2023: Ergomed plc (LSE: ERGO) ('Ergomed' or the 'Company' or the 'Group'), a Company focused on providing specialised services to the pharmaceutical industry, today announces its Full Year Results for the year ended 31 December 2022.

Selected Financial Highlights

<i>Figures in £ millions, unless otherwise stated</i>	Full Year 2022	Full Year 2021	% change
Total Revenue	145.3	118.6	22.5
Service Fee Revenue	124.0	100.0	24.0
Gross Profit	59.1	48.4	22.3
Gross Margin (%)	40.7%	40.8%	-0.1 pts
Adjusted EBITDA (Note 1)	28.4	25.4	11.5
Net cash at 31 December	19.1	31.2	-38.9
Order book at 31 December	295.0	239.7	23.1
Basic adjusted earnings per share (pence) (Note 2)	42.6p	41.1p	3.6

Notes:

(1) Adjusted EBITDA is defined as operating profit for the period plus depreciation and amortisation, share-based payment charge, acquisition related consideration and costs (Note 8 to the financial statements).

(2) Basic adjusted earnings per share is defined as earnings per share after adjustment for items referred to in Note 7 to the financial statements.

Key Financial Highlights

- Order book growth of 23% to a record £295.0 million.
- Strong revenue growth of 23% to £145.3 million (up 15% in constant currency) in line with market expectations.
 - Robust revenue growth of 23% in Clinical Research Services (CRO) to £71.4 million (up 15% in constant currency). This included service fee revenue growth of 27% to £50.8 million (up 19% in constant currency).
 - Continued strong growth in Pharmacovigilance (PV) revenues of 22% to £73.9 million in 2022 (up 14% in constant currency).
- Adjusted EBITDA increased by 12% to £28.4 million in line with market expectations, as the business continued to invest in building a robust platform for sustainable future growth.
- Cash and cash equivalents of £19.1 million as of 31 December 2022 (post the acquisition of ADAMAS) and debt free with unutilised facilities of up to £80.0 million.

Key Operational & Strategic Highlights

- Acquisition of ADAMAS completed in February 2022 for a net cash consideration of £24.2 million. The business has been successfully integrated and achieved its financial expectations for 2022.
- Organic investment in complementary geographies, service offerings and technology.
- North America revenues up 22% to £90.6 million, accounting for 62% of Group revenues.
- Continued strengthening of the Board and Executive Management Team with key appointments during 2022 including Michael Spiteri transitioning to the role of Chief Transformation & Technology Officer and, post the year end, the appointment of Jonathan Curtain as CFO in February 2023, following the retirement of Richard Barfield.

Dr Miroslav Reljanović, Executive Chairman of Ergomed, said:

"During 2022, Ergomed delivered another year of strong revenue and EBITDA growth. The successful acquisition of ADAMAS further endorsed our acquisition strategy and capabilities, and we remain focused on delivering further organic and inorganic growth aligned to our strategic priorities. We have continued to strengthen our Board and executive management team, remain in a debt-free position and our future is underpinned by a robust order book. As we look ahead to 2023, demand for our services is high, and our focus continues to be on operational excellence and delivering a market leading service as a global provider of specialist pharmaceutical services addressing unmet medical needs and patient safety."

Conference call for analysts:

A webcast and conference call for analysts will be held at 8:30am GMT today.

Webcast link: <https://www.lsegissuerservices.com/spark/Ergomed/events/94c90b44-391a-42ee-aa2a-d4107f100202>

Conference call registration: <https://cosspreg.btci.com/prereg/key.process?key=PFRG8YXYJ>

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About Ergomed plc

Ergomed provides specialist services to the pharmaceutical industry spanning all phases of clinical development, post-approval pharmacovigilance and medical information. Ergomed's fast-growing services business includes an industry-leading suite of specialist pharmacovigilance (PV) solutions, integrated under the PrimeVigilance brand, a full range of high-quality clinical research and trial management services under the Ergomed brand (CRO) and mission-critical regulatory compliance and consulting services under the ADAMAS brand. For further information, visit: <http://ergomedplc.com>.

Forward-Looking Statements

Certain statements contained within the announcement are forward-looking statements and are based on current expectations, estimates and projections about the potential returns of Ergomed plc (Ergomed) and the industry and markets in which Ergomed operates, the Directors' beliefs and assumptions made by the Directors. Words such as "expects", "anticipates", "should", "intends", "plans", "believes", "seeks", "estimates", "projects", "pipeline" and variations of such words and similar expressions are intended to identify such forward-looking statements and expectations. These statements are not guarantees of future performance or the ability to identify and consummate investments and involve certain risks, uncertainties, outcomes of negotiations and due diligence and assumptions that are difficult to predict, qualify or quantify. Therefore, actual outcomes and results may differ materially from what is expressed in such forward-looking statements or expectations. Among the factors that could cause actual results to differ materially are: the general economic climate, competition, interest rate levels, loss of key personnel, the result of legal and commercial due diligence, the availability of financing on acceptable terms and changes in the legal or regulatory environment.

These forward-looking statements speak only as of the date of this announcement. Ergomed expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in Ergomed's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority.

Executive Chairman's Statement

25 years of operational and financial growth

2022 marked the 25th anniversary of Ergomed with another year of strong operational and financial performance. The Company continued to deliver on its growth strategy through organic growth, geographical expansion and an effective acquisition strategy.

Financial Results

In 2022, Ergomed delivered another year of strong financial results. Revenues for 2022 of £145.3 million were in line with market expectations, an increase of 22.5% over the prior year. Adjusted EBITDA was also in line with expectations at £28.4 million, a year-on-year increase of 11.5% from £25.4 million. In addition, Ergomed's strong sales performance in 2022 resulted in an order book of £295.0 million, up 23.1% from the beginning of the year.

The acquisition of ADAMAS in February 2022 was immediately accretive and supported the organic growth in the business over 2022. The Company increased its multi-currency revolving credit facility in 2022 from £30.0 million to £80.0 million, comprising a £50.0 million facility and an additional £30.0 million accordion. The Group remains debt free at year end with these new facilities available to support continued expansion. This robust financial performance positions the Company strongly to continue to deliver its strategy in 2023 and beyond.

Delivery of Growth Strategy

Organic Growth

Ergomed continued to deliver on its growth strategy throughout 2022 through a combination of organic growth and M&A. Organically, the Company has increased its order book, winning awards from both new and existing clients, some of which have been generated through cross-divisional selling opportunities by continuing to focus on strong execution and operational delivery and the benefits of our expanded geographical presence. In 2022, new operations were opened in France, Italy, Romania, Portugal and Ireland, helping clients to access our services on a global level.

Operationally, the Company continues to focus on providing specialist services to the pharmaceutical industry. The CRO business specialises in the higher growth oncology and rare disease areas and also offers clients a unique site support model focusing on effective site management, efficient vendor management and increased patient recruitment and retention.

The Company has continued to invest in technology to enhance its digital capabilities and increase its service offering to our client base. The investment in technology will continue into 2023 and beyond, with the strategic focus to continue to maximise the potential of technology across the business. This will support our transformation and continued growth, geographic expansion and cross selling opportunities; combining best in class industry solutions with our proprietary technologies to deliver innovative leading solutions for our clients; and ensure that technology applications are fit for purpose to drive operational efficiencies where appropriate.

Acquisitive Growth

During 2022, Ergomed continued to execute a well-disciplined M&A strategy, ensuring that any acquisitions are aligned with the Company's vision and are complementary to its current service offering.

In February 2022, Ergomed acquired ADAMAS Consulting Group Limited. ADAMAS is a well-established, leading provider of mission-critical regulatory compliance and consulting services to the global pharmaceutical industry offering a full range of independent quality assurance services and specialising in the auditing of pharmaceutical manufacturing processes, as well as auditing clinical trials and pharmacovigilance systems. ADAMAS has over 100 active clients and has worked with over 700 pharmaceutical companies including 40 of the 50 largest global pharma and biotech companies.

This acquisition has enhanced our client offering and Ergomed's global presence in the US, Europe and APAC. ADAMAS delivered a strong financial performance in 2022 and we anticipate continued growth in 2023 and beyond.

The Board continues to actively consider further acquisition opportunities that will complement and strengthen the existing CRO and PV service offerings and provide access to new customers and geographies.

Board and Leadership Changes

During 2022, we welcomed two significant additions to Ergomed's Board of Directors, John Dawson and Anne Whitaker, who bring with them a wealth of international experience in the healthcare industry and expert knowledge of the life science sector which will be invaluable as the Group continues to grow.

In March 2022, John Dawson, CBE, joined the Ergomed Board as an independent Non-Executive Director and Chair of the Audit & Risk Committee. In December 2022, after nine months of serving on the Board, John was appointed as Senior Independent Director. He is a highly experienced and globally respected figure in the healthcare and life sciences sector. John was most recently Chief Executive Officer of Oxford Biomedica plc, widely recognised for the successful delivery at unprecedented speed of the Oxford/AstraZeneca COVID-19 vaccine.

In June 2022, Anne Whitaker joined the Ergomed Board as an independent Non-Executive Director. Anne joined with extensive life sciences industry experience, having worked across the pharmaceutical, biotech and specialty pharma sectors for the last thirty years in the US and internationally. Anne previously held a number of senior executive roles at Sanofi, GlaxoSmithKline, Bausch Health Company and Synta Pharmaceuticals, and most recently, she held the position of Chief Executive Officer, and subsequently Chairperson of Aerami Therapeutics, a private life science company.

In November 2022, Michael Spiteri was appointed as Chief Transformation and Technology Officer of Ergomed and simultaneously stepped down as a Non-Executive Director. Michael's strong understanding of the Company's strategy alongside his many years of technology and transformation experience will drive development across Ergomed's automation and digital learning capabilities.

Post year end, on 3 February 2023, Richard Barfield resigned as Chief Financial Officer and a Director of the Board of Ergomed. We would like to thank Richard for his invaluable contribution to the Company and wish him all the best in his retirement.

Simultaneously on 3 February 2023, Jonathan Curtain was appointed Chief Financial Officer and a Director of the Board of Ergomed. Jonathan joined Ergomed in November 2022 as Deputy Chief Financial Officer and has worked closely with Richard and the Board of Directors during this time to ensure an organised and smooth transition. Jonathan has over 13 years of life science industry experience, most recently holding the position of Senior Vice President of Corporate and Commercial Finance at ICON plc, a leading global CRO company listed on NASDAQ. During his time at the company, he played a key role in significant M&A transactions, including debt and equity fundraising, commercial finance, taxation, treasury, investor relations and overall financial management. He is a Fellow of the Institute of Chartered Accountants with over 20 years' experience since receiving his ACA qualification at KPMG. His experience will continue to strengthen Ergomed's leadership and help deliver on our global growth strategy.

Summary

The continued operational and financial growth of Ergomed over the past 25 years is a direct result of the hard-work, resilience and commitment of all of our colleagues; the invaluable insight and expertise of our Board of Directors and our strong and robust business strategy. I would like to thank all Ergomed employees for their contributions over this period.

Looking forward into 2023, with a strong orderbook and effective strategy, Ergomed will continue to build on the robust operational and financial platform built over the past 25 years.

Miroslav Reljanović
Executive Chairman
20 March 2023

Operational review

In 2022, there was strong operational and financial performance across both the pharmacovigilance services and clinical research services divisions. The successful integration of the ADAMAS acquisition and continued geographical expansion has ensured the Company has maintained strong growth throughout 2022.

PHARMACOVIGILANCE

Market Outlook

The increase of adverse events (AE) globally, due to disease complexity and access to new sources of information through enhanced technology, have necessitated new PV obligations. In addition, developing regulations and globalisation are further fuelling growth in the industry.

The increasing global requirement for PV services coupled with a perpetual drive to improve drug safety through regulation, continues to drive the transition towards specialist outsourced PV providers and continued market growth. This, together with an increasing demand for outsourced PV services, has been a consistent driver of Ergomed's growth.

Financial Performance

The addition of a proportion of ADAMAS' revenues alongside organic growth in PrimeVigilance saw revenues increase by £13.4 million from £60.5 million in 2021 to £73.9 million in 2022 (22.1% increase, 14.3% on a constant currency basis). Gross margins continued to be strong for the PV business at 50.2% in 2022.

Management and Staff

With employees located across more than 20 countries, and capabilities across 150+ countries, the business continues to invest in talent acquisition across the globe. 85% of PrimeVigilance's employees have a pharmacy or life science degree, with over 60 physicians, 30+ in-house EU/UK Qualified Persons for Pharmacovigilance ('QPPVs') and more than 10 former Regulatory agency inspectors and assessors.

The breadth and depth of staff and professionals supporting PrimeVigilance are reflected in the quality of services provided. Testament to this is PrimeVigilance's high customer renewal and retention figures and the fact that PrimeVigilance participated in over 290 regulatory inspections and audits, representing an increase of more than 20% compared to the previous year including successfully managed FDA and EMA inspections.

Technology Investment

In 2022, PrimeVigilance continued to upgrade its case management and signal detection systems whilst deploying more regulatory gateways to enhance the service offering to our client base. Significant investment in PV technology and transformational capabilities will continue into 2023.

Our focus in 2023 will be integrating the PrimeVigilance solution components already delivered in 2022 and completing additional solutions required to deliver the automation vision for our pharmacovigilance business. The integration of our solutions across data intake and safety data processing, combined with data reporting and advanced analytics, will enable us to deliver a wide range of benefits including increased throughput and reduction in processing time, increased quality and accuracy across of data management, driving efficiency and a reduction in manual effort, improved regulatory reporting and an improved client value proposition and competitiveness in the market.

Constantly evolving regulations, geographic expansion, investment in technology and people, combined with high renewal rates and strong client retention, mean that our pharmacovigilance business is well placed to continue delivering its growth strategy into 2023 and beyond.

CLINICAL RESEARCH SERVICES (CRO)

The CRO market has continued to experience significant expansion with strong annual growth in oncology and rare disease research expected to continue over the coming years. This specific growth in Ergomed's core focus areas is underpinned by broader market trends, including increased outsourcing penetration with growing demand for specialised and bespoke clinical trial services.

Financial Performance

The addition of a proportion of ADAMAS' revenues, alongside organic growth in CRO, saw revenues increase by £13.3 million from £58.1 million in 2021 to £71.4 million in 2022 (22.9% increase, 14.7% on a constant currency

basis). This included a service fee revenue increase of £10.9 million from £39.9 million to £50.8 million (27.3% increase, 18.9% on a constant currency basis).

Oncology and Rare Disease Focus

Strong growth in the rare disease and oncology markets is expected to outpace the wider CRO market over the medium-term as oncology and rare disease trials are generally more complex and have a higher level of unmet medical need. Furthermore, studies are often confronted by challenges including low patient enrolment, increased research costs and trial protocols with increased study-related procedures. This helps to explain why oncology and rare disease trials receive the highest levels of funding and makes the case for outsourcing to CROs which are better positioned to address these challenges. Ergomed's expertise and focus in these specialist areas supports its CRO growth strategy and is evidenced by the fact that over 80% of 2022 revenues related to oncology and rare disease, where similarly specialist expertise is also required.

The orphan drug market, which refers to drugs used to treat rare diseases, is forecast to reach c. \$24.2 billion by 2027, almost doubling in size from 2020 and growing at a CAGR of c.+12% over the forecast period. Ergomed has continued to strengthen relationships with biopharmaceutical sponsor companies, patient advocacy groups, technology innovators and service providers to accelerate rare disease drug development.

Patient and Clinician Focus

Ergomed's unique and innovative site support model for clinical trials focuses on patient advocacy whilst simultaneously reducing the burden on trial physicians. Ergomed offers site management to support sites in enhanced training, effective patient recruitment, patient retention and providing solutions to logistical and administrative complexities of clinical trials.

Ergomed's focus on oncology and rare disease is one of its core strengths. Drug development for rare and orphan diseases is challenging for many reasons, including complex biology, limited knowledge of the history and progression of the disease and the inherently small patient population available for clinical trials who are usually geographically dispersed. Ergomed adopts a patient-centric approach, working closely with patient advocacy groups throughout development to fully understand patient and caregiver needs. Greater patient engagement optimises clinical study design, outcome measures and endpoint development and Ergomed maintains a Patient Organisation Advisory Board, comprising representatives of patient groups in the field of rare diseases with a dedicated Patient Engagement Officer.

Business Development

Ergomed's consolidated order book maintained strong growth in 2022. The order book continues to highlight Ergomed's growing presence in its key markets as well as the resilience of the sectors in which it operates. In addition, it provides strong visibility of revenue for 2023 and later years.

Outlook

Ergomed continued to make excellent progress in delivering its growth strategy in 2022. The acquisition of ADAMAS broadened our service offering and global presence to support the organic growth in both our pharmacovigilance and CRO businesses.

Ergomed has started 2023 in a strong position and remains well positioned for the year ahead and beyond. We remain focused on our vision to achieve global leadership in specialised pharmaceutical services addressing unmet medical needs and patient safety.

For and on behalf of the Board of Directors

Miroslav Reljanović

Executive Chairman

20 March 2023

Financial review

Robust 2022 financial performance provides a strong platform for sustained future growth.

Ergomed delivered another strong financial performance in 2022. The Group demonstrated its continued resilience throughout the year with organic and acquisitive growth in both the CRO and PV divisions, positioning Ergomed well for 2023.

The Group ended the 2022 financial year in a robust financial position. The closing order book was at a record high level of £295 million at 31 December 2022, underpinning the strength of the Group and potential revenue growth for 2023 and beyond. The acquisition of ADAMAS has expanded Ergomed's global reach in the US, Europe and APAC, delivering growth in both the CRO and PV divisions as well as broadening our service offering and client relationships. Our strong cash conversion and substantial unutilised bank facilities provide support for organic investment and growth in future years, as well as enabling us to continue our disciplined M&A strategy.

KPIs and APMs

Key Performance Indicators (KPIs)

The table below summarises the KPIs that management uses to measure the financial performance of the Group.

£ millions (unless otherwise stated)	2022	2021
Total revenue	145.3	118.6
CRO	71.4	58.1
PV	73.9	60.5
Gross profit	59.1	48.4
Gross margin	40.7%	40.8%
EBITDA	24.7	19.7
Adjusted EBITDA	28.4	25.4
Basic adjusted earnings per share	42.6p	41.1p
Cash generated from operations	23.6	22.0
Cash and cash equivalents	19.1	31.2
Order book	295.0	239.7

Alternative Performance Measures ('APMs')

In measuring and reporting financial information, management reviews Alternative Performance Measures (APMs), such as EBITDA, adjusted EBITDA and basic adjusted earnings per share, which are not defined measures under financial reporting standards. Management believes that these measures, when considered in conjunction with defined financial reporting measures, provide management and stakeholders with a broader understanding of the performance of the business.

Operating profit is the financial reporting measure under IFRS most comparable to EBITDA and adjusted EBITDA.

The Directors make certain adjustments to EBITDA to derive adjusted EBITDA, which they consider more reflective of the Group's underlying trading performance, enabling comparisons to be made with prior periods. Certain adjustments include share-based payments and associated tax charges, acquisition costs and pay in lieu and non-compete compensation. These costs are cash costs but are not considered as normal recurring trading items and therefore are not included in adjusted EBITDA.

Operating profit is reconciled to EBITDA and adjusted EBITDA as follows:	2022 £000's	2021 £000's
Operating profit	18,873	14,624
Adjusted for:		
Depreciation and amortisation charges within 'Other selling, general & administration expenses'	3,075	3,447
Amortisation of acquired fair valued intangible assets	2,763	1,599
EBITDA	24,711	19,670
Adjusted for:		
Share-based payment charge	1,049	817
Acquisition costs	1,669	1,776
Earn-out consideration	-	2,949
Pay in lieu and non-compete compensation	927	211
Adjusted EBITDA	28,356	25,423

Adjusted basic earnings per share is calculated on a similar basis to basic earnings per share but uses a profit measure which, like adjusted EBITDA, is adjusted for non-recurring trading items (see note 8 of the financial statements).

Management reviews the Group's performance monthly on a constant currency basis. Constant currency is calculated by restating 2022 performance using 2021 exchange rates for the relevant period. Constant currency allows management to review underlying performance without the impact of foreign exchange.

Growth

Ergomed's Clinical Research Services (CRO) and Pharmacovigilance (PV) divisions have continued to demonstrate strong growth throughout 2022. Bolstered by the acquisition of ADAMAS in February 2022, the Company continues to enhance its service offering and geographical presence, resulting in a strong order book going into 2023 and giving the Company confidence for future years.

Revenues for 2022 were £145.3 million on a reported basis, an increase of 22.5% over prior year (2021: £118.6 million), in line with expectations (up 14.5% in constant currency). Gross profit increased from £48.4 million in 2021 to £59.1 million in 2022 with gross margin maintained at 41% (2021: 41%) through resilient and effective cost management in the period.

The CRO division saw total revenue increase by 22.9% from £58.1 million in 2021 to £71.4 million in 2022 (up 14.7% in constant currency). This included service fee revenue up 27.3% to £50.8 million (2021: £39.9 million) (up 18.9% in constant currency).

The PV division saw total revenue increase by 22.1% from £60.5 million in 2021 to £73.9 million in 2022 (up 14.3% in constant currency).

The strong revenue growth and continued focus on profitability resulted in adjusted EBITDA in line with expectations at £28.4 million, an increase of 11.5% over the prior year (2021: £25.4 million).

Financial Strength

The growth in revenue and profitability achieved during 2022 led to strong cash generation at an operating level. Cash generated from operations before changes in working capital and provisions was £23.6 million, an increase of £1.6 million over the prior year (2021: £22.0 million).

The Group's balance sheet continued to strengthen with net assets increasing from £67.2 million as at 31 December 2021 to £84.7 million at 31 December 2022. Cash and cash equivalents decreased by £12.1 million to £19.1 million (2021: £31.2 million) following the cash payment of £24.2 million in February 2022 for the acquisition of ADAMAS. Excluding the one-off cash payment, cash and cash equivalents increased by £12.1 million from 2021 to 2022. The Group remained debt free at year end.

Outlook

Ergomed continued to make excellent progress in delivering its growth strategy in 2022. The acquisition of ADAMAS broadened our service offering and global presence to support the organic growth in both our pharmacovigilance and CRO businesses. In 2023, Ergomed remains focused on delivering our vision to achieve global leadership in specialised pharmaceutical services addressing unmet medical needs and patient safety.

Jonathan Curtain

Chief Financial Officer

20 March 2023

Consolidated income statement

For the year ended 31 December 2022

	Notes	2022 £000s	2021 £000s
Revenue	2, 3	145,262	118,581
Cost of sales		(64,712)	(52,191)
Reimbursable expenses		(21,405)	(18,028)
Gross profit	3	59,145	48,362
Selling, general and administration expenses		(41,506)	(35,201)
Selling, general and administration expenses comprises:			
Other selling, general and administration expenses		(36,072)	(28,060)
Amortisation of acquired fair valued intangible assets		(2,763)	(1,599)
Share-based payment charge		(1,002)	(817)
Contingent consideration for acquisitions		-	(2,949)
Acquisition costs	4	(1,669)	(1,776)
Research and development expenses		(121)	(130)
Other operating income	5	1,355	1,593
Operating profit		18,873	14,624
Finance income		-	1
Finance costs	6	(920)	(361)
Profit before taxation		17,953	14,264
Income tax expense		(2,971)	(1,590)
Profit for the year		14,982	12,674

All activities in the current and prior period relate to continuing operations.

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Notes	2022 £000s	2021 £000s
Profit for the year		14,982	12,674
Items that may be classified subsequently to profit or loss:			
Foreign exchange differences on translation of foreign operations		2,979	(682)
Other comprehensive (expense) for the year net of tax		2,979	(682)
Total comprehensive income for the year		17,961	11,992

		2022 pence	2021 pence
Earnings Per Share (EPS)	7		
Basic		30.1	26.1
Diluted		29.2	25.1

Unaudited			
		2022 £000s	2021 £000s
ADJUSTED EBITDA (Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation)	8	28,356	25,423
		2022 pence	2021 pence
Adjusted Earnings Per Share (Adjusted EPS)	7		
Basic		42.6	41.1
Diluted		41.4	39.4

Profit or loss and each component of other comprehensive income are attributable to the owners of the Company.

Consolidated balance sheet

As at 31 December 2022

	Notes	2022 £000s	2021 £000s
Non-current assets			
Goodwill	9	41,404	23,903
Other intangible assets	10	15,844	7,653
Property, plant and equipment		2,466	1,966
Right-of-use assets		2,864	2,691
Deferred tax asset		8,530	9,433
		71,108	45,646
Current assets			
Trade and other receivables	11	34,450	25,143
Contract assets		4,611	3,958
Cash and cash equivalents	12	19,096	31,243
Derivative assets		84	-
		58,241	60,344
Total assets		129,349	105,990
Current liabilities			
Lease liabilities		(1,236)	(1,249)
Trade and other payables	13	(17,640)	(14,899)
Derivative liabilities		(134)	(261)
Contract liabilities		(18,749)	(17,799)
Current tax liability		(1,134)	(1,172)
		(38,893)	(35,380)
Net current assets		19,348	24,964
Non-current liabilities			
Lease liabilities		(1,672)	(1,432)
Provisions		(144)	(19)
Deferred tax liability		(3,891)	(1,920)
		(5,707)	(3,371)
Total liabilities		(44,600)	(38,751)
Net assets		84,749	67,239
Equity			
Share capital	14	503	493
Share premium account		1,007	545
Merger reserve		1,349	1,349
Share-based payment reserve		6,861	5,859
Translation reserve		2,912	(67)
Retained earnings		72,117	59,060
Total equity		84,749	67,239

Approved by the Board of Directors and authorised for issue on 20 March 2023.

Jonathan Curtain
Chief Financial Officer

Company Registration No. 04081094

Consolidated statement of changes in equity

For the year ended 31 December 2022

	Notes	Share capital £000s	Share premium account £000s	Merger reserve £000s	Share- based payment reserve £000s	Translation reserve £000s	Retained earnings £000s	Total equity £000s
Balance at 1 January 2021		489	3	1,349	5,042	615	45,368	52,866
Profit for the year		-	-	-	-	-	12,674	12,674
Other comprehensive expense for the year		-	-	-	-	(682)	-	(682)
Total comprehensive income		-	-	-	-	(682)	12,674	11,992
Transactions with shareholders								
Shares issued during the year for cash	14	4	542	-	-	-	-	546
Share-based payment charge for the year		-	-	-	817	-	-	817
Deferred tax credit taken directly to equity		-	-	-	-	-	1,018	1,018
Total transactions with shareholders		4	542	-	817	-	1,018	2,381
Balance at 31 December 2021		493	545	1,349	5,859	(67)	59,060	67,239
Profit for the year		-	-	-	-	-	14,982	14,982
Other comprehensive income for the year		-	-	-	-	2,979	-	2,979
Total comprehensive income		-	-	-	-	2,979	14,982	17,961
Transactions with shareholders								
Shares issued during the year for cash	14	10	462	-	-	-	-	472
Share-based payment charge for the year		-	-	-	1,002	-	-	1,002
Deferred tax debit taken directly to equity		-	-	-	-	-	(1,925)	(1,925)
Total transactions with shareholders		10	462	-	1,002	-	(1,925)	(451)
Balance at 31 December 2022		503	1,007	1,349	6,861	2,912	72,117	84,749

Consolidated cash flow statement

For the year ended 31 December 2022

	Notes	2022 £000s	2021 £000s
Cash flows from operating activities			
Profit for the year		14,982	12,674
Adjustment for:			
Amortisation and depreciation		5,838	5,046
Profit on disposal of non-current assets		(109)	(413)
Share-based payment charge		1,002	817
RDEC income	5	(698)	(956)
Finance costs	6	920	361
Other non-cash movements		(1,275)	(25)
Exceptional items (earn-out on acquisitions)		–	2,949
Taxation expense		2,971	1,590
Operating cash inflow before changes in working capital and provisions			
		23,631	22,043
(Increase)/ decrease in trade, other receivables and contract assets		(6,605)	367
Increase in trade, other payables and contract liabilities		1,378	217
Increase/ (decrease) in provisions		125	(298)
Cash generated from operating activities			
		18,529	22,329
Taxation paid		(3,680)	(3,646)
Net cash inflow from operating activities			
		14,849	18,683
Investing activities			
Finance income received		–	1
Acquisition of intangible assets	10	(634)	(30)
Acquisition of property, plant and equipment		(1,282)	(953)
Proceeds from the sale of property, plant and equipment		32	103
Proceeds on the disposal of equity investments		23	–
Acquisition of subsidiaries, net of cash acquired		(24,243)	–
Acquisition related earn-out paid		–	(3,267)
Net cash outflow from investing activities			
		(26,104)	(4,146)
Financing activities			
Proceeds from the issue of new ordinary shares	14	472	546
Finance costs paid		(761)	(169)
Proceeds from borrowings		15,000	–
Repayment of borrowings		(15,000)	–
Payment of lease liabilities		(2,084)	(2,490)
Net cash outflow from financing activities			
		(2,373)	(2,113)
Net change in cash and cash equivalents		(13,628)	12,424
Effect of foreign currency on cash balances		1,481	(175)
Cash and cash equivalents at start of year		31,243	18,994
Cash and cash equivalents at end of year			
	12	19,096	31,243

Notes to the financial statements

For the year ended 31 December 2022

1. Basis of preparation

The consolidated financial statements of the Group have been prepared on the going concern basis in accordance with UK-adopted international accounting standards ("UK-adopted IFRS").

The consolidated financial statements have been prepared on a historical cost basis except that the following assets and liabilities are stated at their fair value: certain financial assets and financial liabilities measured at fair value.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2022.

The financial statements for 2021 have been delivered to the Registrar of Companies and the 2022 financial statements will be delivered after the Annual General Meeting on 22 June 2023.

The Auditor has reported on both sets of accounts without qualification, did not draw attention to any matters by way of emphasis without qualifying their report, and did not issue a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Group and Company will have sufficient funds to continue in operational existence for the foreseeable future, being a period of no less than 12 months from the date of signing of the financial statements. The Directors have reviewed a cash flow forecast for the period to 31 December 2025, which is derived from the 2023 Board approved budget and a medium-term cash flow forecast through to 31 December 2025, which is an extrapolation of the approved budget under multiple scenarios and growth rates. The 2023 budget and medium-term forecast represents the Directors' best estimate of the Group's future performance and necessarily includes a number of assumptions, including the level of revenues. The 2023 budget and medium-term forecast demonstrate that the Directors have a reasonable expectation that the Group will be able to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements

On the basis of the above factors and, having made appropriate enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

2. Revenue

The Group's revenue is disaggregated by geographical market and major service lines:

Geographical market and major service lines 2022

	Major service lines		Total £000s
	CRO £000s	PV £000s	
Geographical market by client location			
UK	11,593	8,642	20,235
Rest of Europe, Middle East and Africa	14,537	14,726	29,263
North America	42,238	48,323	90,561
Asia & Australia	2,995	2,208	5,203
	71,363	73,899	145,262

2021

	Major service lines		Total £000s
	CRO £000s	PV £000s	
Geographical market by client location			
UK	5,415	8,785	14,200
Rest of Europe, Middle East and Africa	9,585	12,981	22,566
North America	38,388	36,028	74,416
Asia & Australia	4,689	2,710	7,399
	58,077	60,504	118,581

3. Operating segments

Products and services from which reportable segments derive their revenues

Information reported to the Company's Board, which is the chief operating decision maker ('CODM'), for the purpose of resource allocation and assessment of segment performance, is focused on the Group operating as two business segments, being Clinical Research Services ('CRO') and Pharmacovigilance ('PV'). All revenues arise from direct sales to customers. The segment information reported below all relates to continuing operations. Both CRO and PV segments include the associated revenues of ADAMAS Consulting Group Limited (ADAMAS) following its acquisition by the Group in the year.

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the gross profit earned by each segment. Other amounts, including selling, general and administration expenses were not allocated to a segment. This was the measure reported to the CODM for the purpose of resource allocation and assessment of segment performance.

2022

	CRO £000s	PV £000s	Consolidated total £000s
Segment revenues	71,363	73,899	145,262
Cost of sales	(28,629)	(36,083)	(64,712)
Reimbursable expenses	(20,647)	(758)	(21,405)
Segment gross profit	22,087	37,058	59,145
Selling, general and administration expenses			(41,506)
Selling, general and administration expenses comprises:			
Other selling, general and administration expenses			(36,072)
Amortisation of acquired fair valued intangible assets			(2,763)
Share-based payment charge			(1,002)
Contingent consideration for acquisitions			-
Acquisition costs			(1,669)
Research and development expenses			(121)
Other operating income			1,355
Operating profit			18,873
Finance income			-
Finance costs			(920)
Profit before tax			17,953

2021

	CRO £000s	PV £000s	Consolidated total £000s
Segment revenues	58,077	60,504	118,581
Cost of sales	(22,906)	(29,285)	(52,191)
Reimbursable expenses	(17,621)	(407)	(18,028)
Segment gross profit	17,550	30,812	48,362
Selling, general and administration expenses			(35,201)
Selling, general and administration expenses comprises:			
Other selling, general and administration expenses			(28,060)
Amortisation of acquired fair valued intangible assets			(1,599)
Share-based payment charge			(817)
Contingent consideration for acquisitions			(2,949)
Acquisition costs			(1,776)
Research and development expenses			(130)
Other operating income			1,593
Operating profit			14,624
Finance income			1
Finance costs			(361)
Profit before tax			14,264

4. Acquisition costs

	2022 £000s	2021 £000s
Acquisition of MedSource	79	406
Acquisition of ADAMAS (note 15)	816	240
Aborted and other acquisition costs	774	1,130
	1,669	1,776

In line with Company strategy, Ergomed has considered a number of potential acquisitions in 2022. During 2022, costs of £79,000 were incurred in relation to the acquisition of MedSource (2021: £406,000) and £816,000 were incurred in relation to the acquisition of ADAMAS (2021: £240,000). Additionally, Ergomed incurred costs of £774,000 in relation to aborted acquisitions (2021: £1,130,000).

5. Other operating income

Research and Development Expenditure Credit ('RDEC')

The Parent company and UK subsidiaries is eligible to claim tax credits against certain R&D expenditure under the Research and Development Expenditure Credit ('RDEC') scheme. During the year the Group submitted claims in respect of the 2021 and 2022 financial years and recognised the related profit and loss charge within other operating income in the current financial year.

	2022 £000s	2021 £000s
Foreign grant income	203	629
RDEC income	698	956
Other income	454	8
	1,355	1,593

6. Finance costs

	2022 £000s	2021 £000s
Loan and other interest payable	455	170
Interest on lease liabilities	158	191
Other finance costs	307	-
	920	361

7. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

Earnings

	2022 £000s	2021 £000s
Profit for the purposes of earnings per share – net profit attributable to owners of the Company	14,982	12,674
Adjust for:		
Amortisation of acquired fair valued intangible assets (note 10)	2,763	1,605
Share-based payment charge	1,049	817
Acquisition-related contingent consideration	-	2,949
Acquisition costs (note 4)	1,669	1,776
Pay in lieu and non-compete compensation	927	211
Tax effect of adjusting items	(176)	(102)
Adjusted earnings for the purposes of adjusted earnings per share (unaudited)	21,214	19,930

Number of shares

	2022 Number	2021 Number
Weighted average number of Ordinary Shares for the purposes of basic earnings per share	49,775,107	48,466,740
Incremental shares in respect of employee share schemes	1,515,528	2,102,588
Weighted average number of Ordinary Shares for the purposes of diluted earnings per share	51,290,635	50,569,328

Earnings per share (EPS)

	2022 pence	2021 pence
Basic	30.1	26.1
Diluted	29.2	25.1

Adjusted earnings per share (Adjusted EPS)

Unaudited	2022 pence	2021 pence
Basic	42.6	41.1
Diluted	41.4	39.4

8. EBITDA and Adjusted EBITDA

Unaudited	2022 £000's	2021 £000's
Operating profit	18,873	14,624
Adjusted for:		
Depreciation and amortisation charges within selling, general & administration expenses	3,075	3,447
Amortisation of acquired fair valued intangible assets	2,763	1,599
EBITDA	24,711	19,670
Adjusted for:		
Share-based payment charge and associated taxes*	1,049	817
Acquisition related contingent compensation	-	2,949
Acquisition costs (note 4)	1,669	1,776
Pay in lieu and non-compete compensation	927	211
Adjusted EBITDA	28,356	25,423

*Includes £47,000 of employment tax expense incurred by the Group in relation to share options exercised in the year.

9. Goodwill

Goodwill	£000s
Cost	
At 1 January 2021	26,748
Fair value adjustment arising on business combinations	(477)
Translation movement	(225)
At 31 December 2021	26,046
Arising on business combinations	15,281
Translation movement	1,680
At 31 December 2022	43,547
Impairment losses	
At 1 January 2021 and 2022	2,143
At 31 December 2021 and 2022	2,143
Net book value	
At 31 December 2022	41,404
At 31 December 2021	23,903

The Goodwill arising on business combinations during the year ended 31 December 2022 relates to the acquisition of ADAMAS Consulting Group Limited and its subsidiaries ("ADAMAS").

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating units ('CGUs') that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

Cash-generating unit	2022 £000s	2021 £000s
CRO	23,157	10,190
PV	18,247	13,713
	41,404	23,903

10. Other intangible assets

	Software £000s	Customer contracts £000s	Customer relationships £000s	Brands £000s	In-process R&D £000s	Technology £000s	Total £000s
Cost							
At 1 January 2021	4,140	2,974	9,321	1,722	15,200	419	33,776
IFRS 3 revaluation	–	90	240	38	–	–	368
Additions	30	–	–	–	–	–	30
Disposals	(211)	–	–	–	–	–	(211)
Translation movement	(7)	6	2	(21)	–	–	(20)
At 31 December 2021	3,952	3,070	9,563	1,739	15,200	419	33,943
Acquisitions	10	723	8,541	738	–	–	10,012
Additions	634	–	–	–	–	–	634
Translation movement	15	151	705	114	–	–	985
At 31 December 2022	4,611	3,944	18,809	2,591	15,200	419	45,574
Amortisation							
At 1 January 2021	2,651	1,811	3,534	543	15,200	419	24,158
Charge for the year	577	425	906	267	–	–	2,175
Translation movement	(6)	(5)	(20)	(12)	–	–	(43)
At 31 December 2021	3,222	2,231	4,420	798	15,200	419	26,290
Charge for the year	391	1,089	1,195	442	–	–	3,117
Translation movement	7	94	182	40	–	–	323
At 31 December 2022	3,620	3,414	5,797	1,280	15,200	419	29,730
Net book value							
At 31 December 2022	991	530	13,012	1,311	–	–	15,844
At 31 December 2021	730	839	5,143	941	–	–	7,653

11. Trade and other receivables

	2022 £000s	2021 £000s
Trade receivables	28,006	20,234
Other receivables	970	869
Prepayments	2,971	1,818
Corporation tax receivable	2,503	2,222
	34,450	25,143

12. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits.

	2022 £000s	2021 £000s
Cash at bank	19,096	31,243

The carrying amount of cash and cash equivalents approximates to their fair value at the reporting date and are denominated in the following currencies:

	2022 £000s	2021 £000s
GBP	5,834	15,083
Euro	2,437	3,118
USD	8,483	11,757
Other	2,342	1,285
	19,096	31,243

13. Trade and other payables

	2022 £000s	2021 £000s
Trade payables	6,507	3,102
Amounts payable to related parties	-	3
Social security and other taxes	2,122	1,302
Other payables	1,564	1,541
Accruals	7,447	8,951
	17,640	14,899

14. Ordinary share capital Group and Company

	2022		2021	
	Number	£000s	Number	£000s
Ordinary shares of £0.01 each				
At 1 January	49,293,629	493	48,719,526	487
Exercise of share options	1,007,176	10	418,545	4
Shares to be issued for non-cash consideration	-	-	155,558	2
At 31 December	50,300,805	503	49,263,629	493

15. Acquisition of subsidiary – ADAMAS

On 9 February 2022, the Group acquired all the issued share capital in ADAMAS Consulting Group Limited and its subsidiaries (“ADAMAS”). The acquisition has been completed for a cash consideration of £25.6 million, representing an enterprise value of £24.2 million and cash acquired of £1.4 million. Ergomed Plc drew down on its £15.0 million on multi-currency revolving credit facility (‘RCF’) on 1 February 2022 and utilised the funds and existing Group cash reserves to fund the acquisition.

ADAMAS is an international specialist consultancy offering a full range of independent quality assurance services and specialising in the audit of pharmaceutical manufacturing processes, as well as auditing clinical trials and pharmacovigilance systems.

In the period from 9 February 2022 to 31 December 2022, ADAMAS contributed revenue of £10.2 million and profit of £1.0 million to the Group’s results. If the acquisition had occurred on 1 January 2022, management estimates that consolidated revenue would have been £10.8 million, and profit for the period would have been £1.0 million.

In determining these amounts, management has assumed that the fair value adjustments, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2022.

Identifiable assets acquired and liabilities assumed	Fair Value £000s
Intangible assets	10,013
Property, plant and equipment	19
Deferred tax assets	3
Trade and other receivables	1,864
Contract assets	233
Cash and equivalents	1,411
Trade and other payables	(1,252)
Contract liabilities	(14)
Taxation payable	(32)
Deferred tax liability	(2,412)
Total identifiable net assets	9,833
Goodwill	15,821
Total consideration	25,654
Satisfied by	
Cash consideration	25,654
Total consideration	25,654
Net cash outflow arising on acquisition	
Cash consideration	25,654
Less: cash and cash equivalent balances acquired	(1,411)
Transaction expenses	1,056
	25,299

Included within intangible assets are customer relationships of £8,541,000, brand of £738,000 and contracted order book of £723,000 were recognised on acquisition. The Group incurred acquisition related costs of £240,000 related to due diligence and legal activities in the year ended 31 December 2021 and £816,000 in the year ended 31 December 2022. These costs have been included in acquisition costs within selling and administrative expenses in the Group’s consolidated income statement.

On 30 June 2022, the purchase price allocation (PPA) was prepared on a provisional basis in accordance with IFRS 3. During the measurement period the Group finalised the independent valuation of the intangible assets (customer relationships, brand and contracted orderbook) recognised on acquisition, the measurement of deferred tax liabilities and the audit of the acquired balance sheet. Adjustments were made to the provisional PPA, which was disclosed in the Group’s condensed consolidated financial statements for the six months ended 30 June 2022 resulting in, a decrease in the fair value of intangibles assets recognised on acquisition of £93,000, an increase in Goodwill of £1,000, a decrease in the deferred tax liability of £22,000 and an increase in the acquired net assets of £70,000