

# Annual Report 2019



Stay connected, anytime, anywhere.

# Welcome to the Focus Group

## Annual Report for 2019

Established in 2003, Focus Group is a leading UK ICT provider, specialising in all aspects of IT & Communications services to SME, Mid-Market and Enterprise clients in the private and public sector. We provide cost-effective solutions across a wide range of products, such as Voice, Mobile, Data, IT, Cyber Security, IaaS, SaaS and Utilities. Delivering impressive organic growth year after year, we've won numerous awards including;

- Horizon Reseller of the Year (Gamma Awards)
- Connectivity Reseller of the Year (Gamma Awards)
- Marketing Campaign of the Year (Comms Dealer Sales & Marketing Awards)
- Ericsson LG Overall Reseller of the Year (Pragma Awards)
- Cloud MSP Award (Virtual 1 Future Connect Awards)
- Digital Wholesale Connectivity Award (DWS Fest)
- Partner of the Year (Zest 4)

## The highlights

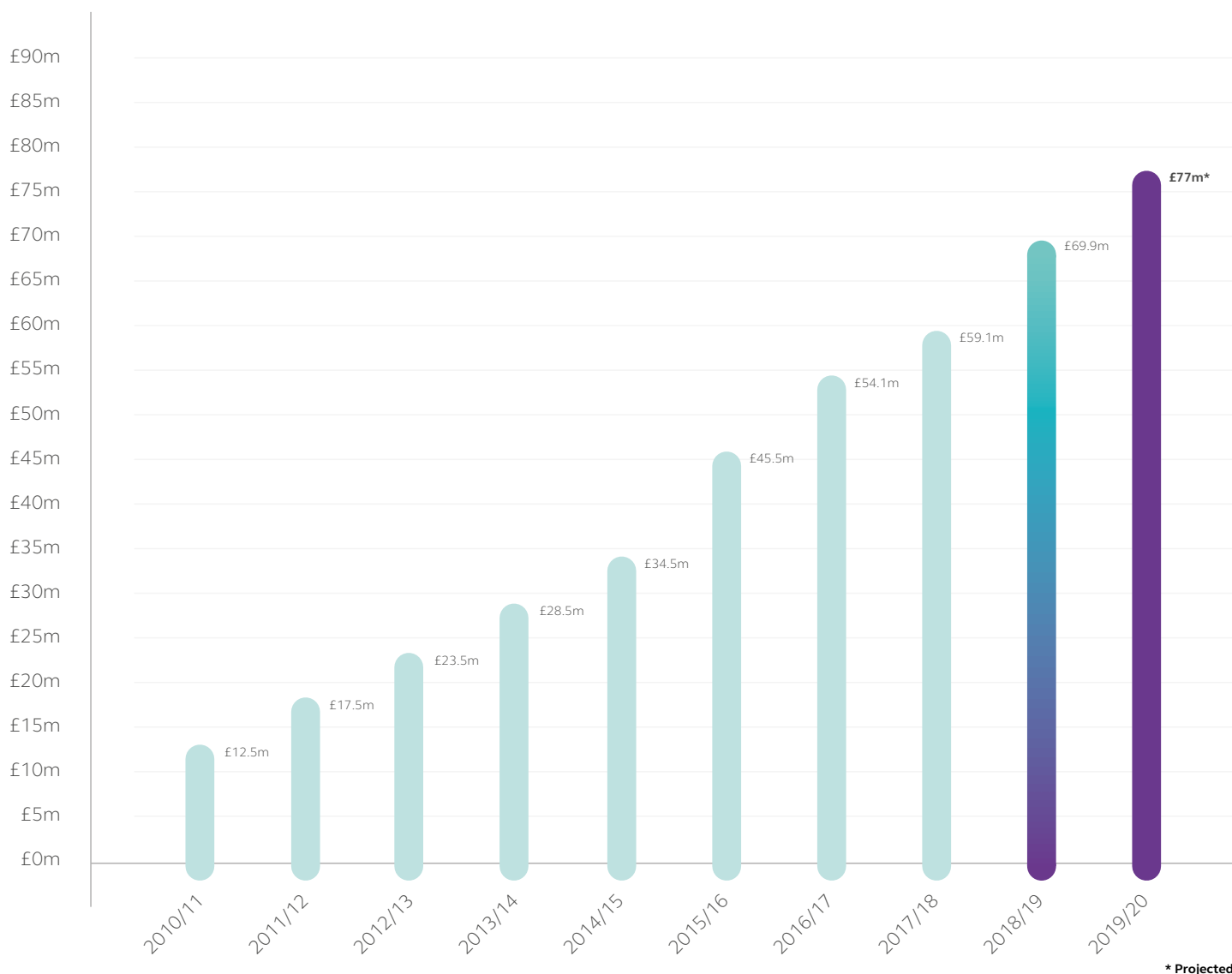
- Revenue grew by 18.3% to £69.9m
- Gross Profit grew by 33% to £26.5m
- EBITDA grew by 72% to £13.1m
- EBITDA margin grew from 12.8% to 18.7%
- Operating Cash Flow Conversion was 125%

# Trading Summary for 2019

The year to 30th November 2019 was a tremendous year for Focus Group. Revenue grew by 18.3% to £69.9m driven by underlying organic growth and acquisitions. Organic growth was strongest in areas impacted by the shift to cloud services and unified comms, namely Hosted Telephony (31%) and IT (57%).

In July 2019, we opened our new 25,000 sq ft headquarters in Shoreham-by-Sea, Sussex. This more than doubled the size of our headquarters and allowed the consolidation of several satellite offices, as well as providing a platform for further recruitment and growth.

During the year the group completed the acquisitions of IT First Limited, Crowthorne Associates Limited and Sprint Limited, as well as acquiring a number of telecom subscriber bases and channel partners, in combination contributing EBITDA of £1.8m in the year. This together with the impact of organic growth, new products, efficiencies and the benefits of scale saw EBITDA increase by 72% to £13.1m.





# Our KPIs

Scalability and Sustainability are key considerations when we determine the KPIs on which we measure the business. Despite the political and economic uncertainty caused by elections and Brexit talks in 2019, we saw that the group's exposure to the impact of these wider economic changes was limited by the essential nature of the services we supply.

The proportion of recurring revenue increased to 84% (80.3% in 2018). Unit economics were healthy as contracted average monthly margin per unit (AMPU) increased by 11% as Hosted Voice & IT products offset the market trend for revenue suppression in traditional fixed voice and connectivity revenue.

The annual rate of customer churn fell in 2019 to just 3% (3.5% in 2018), testament to our commitment to client relationships and customer service.

We have continued to see a shift from traditional on-premise infrastructure to cloud based solutions. The digital transformation journey has seen us deliver over 8,000 hosted telephony licenses in the last 12 months, taking our total estate to over 40,000 licenses.

We have also seen a notable increase in the uptake in Office 365 licenses with numbers growing by over 60% to 17,500 in the year.





## M&A Activity

During 2019 we completed the acquisition of IT First, a Sussex based managed IT service provider (Dec 18); Crowthorne Associates, a Bristol based telecoms provider with deep expertise in the hospitality and leisure sectors (Mar 19); and SCS, a Sussex based provider of telecoms and data (July 19). The acquisitions were funded by operating cashflows and a revolving credit facility agreed with HSBC bank taken out in December 2018.

Since the start of our new financial year we have acquired CityTalk Communications (Dec 19), Infosec Cloud (Mar 20), Welcome Telecoms (May 20), Resource Telecom (July 20) and Online Systems (Sep 20), and still have a strong pipeline.



## Bowmark Capital

On 6 March 2020 we were successful in securing investment from Bowmark Capital, who acquired a minority holding, ensuring that the underlying Focus culture and ethos remains in place. At the same time an M&A facility of £18m was put in place, together with a follow-on accordion facility of £150m.





## Risk & Resilience

The Group's exposure to the impact of wider economic changes is limited by the essential nature of the services it supplies. 84% of revenues are recurring. Customer risk is diversified, with no single customer accounting for more than 5% of group turnover.

Whilst the advent of hosted telephony has represented a risk to traditional call revenue a corresponding increase in hosted telephony, data and ICT connectivity has allowed the

group to increase product penetration and attract new customers from providers of traditional call-only services.

The group continuously reviews and monitors its product portfolio in the context of wider technological and commercial developments in the telecoms, ICT and data markets and considers both threats and opportunities continuously.

# COVID-19

In response to the COVID-19 pandemic, we deployed a number of strategies and took immediate steps in order to protect the business and staff. The actions taken have enabled the business to continue trading throughout lockdown and trade at good and further improving levels since. The actions and strategies involved working closely with all stakeholders in order to provide safe working environments and preserve liquidity. Through continued monitoring of the situation we remain fully prepared to adapt and flex our policy as the environment, guidance and law changes, ensuring the overall principles already adopted remain firmly in place.

The change in day-to-day working environments caused by COVID-19, has meant that technologies and platforms that enable businesses to collaborate easily and efficiently across geographic locations, have become more important than ever. We have ensured that our portfolio and expertise can help businesses to achieve this.

As a supplier of critical products and services, largely on a contracted revenue basis, the impact of COVID-19 has been limited largely to our non-contracted revenues. For the 7 months to 30th June 2020, revenue, EBITDA and operating cashflow generation are all ahead of prior year. Bad debt levels have been low and materially consistent with prior years.



# Our Vision & Values

## Our Vision

Connecting our customers, our people and our communities

## Our Mission

To be Better Connected: delivering technology to our customers, creating opportunities for our people and developing trusted relationships in our communities

## Our Values

Respect

Treat colleagues and customers with respect

Teamwork

Engage and Collaborate with colleagues and partners

Ambition

Determination to be the best that we can be

Integrity

Uphold the highest standard of honesty and fairness







# Our People

In 2019 we partnered with 'Best Companies' to deliver our annual engagement survey. They record engagement with their Best Companies Index (BCI) and a star rating. It was reassuring to achieve a BCI score of 687.4. As we continue to launch new initiatives and focus on developing our management team, we hope to achieve a BCI score that will move us into the Sunday Times 100 Best Companies list.

We launched the Performance Management Framework in the latter part of 2019 to encourage quality conversations around setting clear expectations and monitoring performance and progress through the year. As we come to the end of the first cycle in 2020, we will start to identify those individuals in our talent pool, enabling us to focus on their development and to think about critical roles that they could progress to in coming years.

Our recruitment strategy is centred around finding high quality candidates through direct channels; a shift from engaging recruitment agencies from the very start of the process. With the appointment of a dedicated Recruitment Manager we are able to provide an enhanced candidate experience. We can also focus on pro-active recruitment as we build relationships with local educational institutes and look towards the graduate market. As this function evolves, we will move towards Talent Acquisition and Talent Management, linked to the creation of our internal talent pool.

Learning & Development is a key part of the People Strategy as our aim is to develop people so they can perform at their best. Our L&D Business Partner has been tasked with creating and delivering both a Sales and Operations Academy over the coming months. This will provide a clear path and structure for individuals in certain roles, to help them understand the capability requirements at each level and to detail what is required in order for them to progress to the next role.

Following a significant amount of research, we have invested in a new HR & Payroll System. This will provide greater core HR functionality with a detailed reporting function and an enhanced user experience. We will have one central system for all people related data and having the payroll system linked to this will reduce the amount of manual data entry and the requirement for numerous spreadsheets. The project implementation commenced in October 2020 with the aim of launching the initial phases in January 2021. The implementation of the payroll system will come in the Summer of 2021.





# Our People Strategy

To create opportunities for our people to deliver their best performance whilst creating an environment where people choose to continue their careers with us.

In order to achieve this, we commit to the following;

**Attract:** We will be an employer of choice that attracts high calibre candidates to enhance capability.

**Perform:** We will continue to focus on employee engagement whilst developing our high performing culture. We will commit to further training, development and growth of our employees.

**Retain:** We will create a loyal workforce that is proud to work at Focus Group, that maintain our core values, that will choose to stay and develop their careers with us.





# #thisisfocusChampions

Our #thisisfocuschampions initiative continued its success in 2019, centred around our Wellbeing, Communities & Environment.

## Our Focus Community

In December 2019 we presented our charity of the year, Chailey Heritage Foundation, with a cheque for £35,327.88. This was the culmination of a year of fundraising activities, including a sponsored head shave, a poker night, a cake sale, a 'Posh Bingo' event and our headline event, the 'Focus 10K'.

We ran numerous other events including volunteer days, beach cleans and car washes, supporting local causes including the 'Coats for Kids' initiative, Adur Lions, Shoreham Foodbank and Esteem, a local charity supporting the vocational and personal development of young people.

COVID-19 has disrupted many communities in 2020, but we haven't let that stop us. The annual Focus 10K event was run as a 'Virtual 10K' and raised a staggering £32,000. We repurposed our in-house catering team to provide free meals to NHS staff at Worthing Hospital. We provided over 5000 meals from March to July, as well as VE Day ration packs, more than 750 meals to vulnerable people and numerous grocery drops.



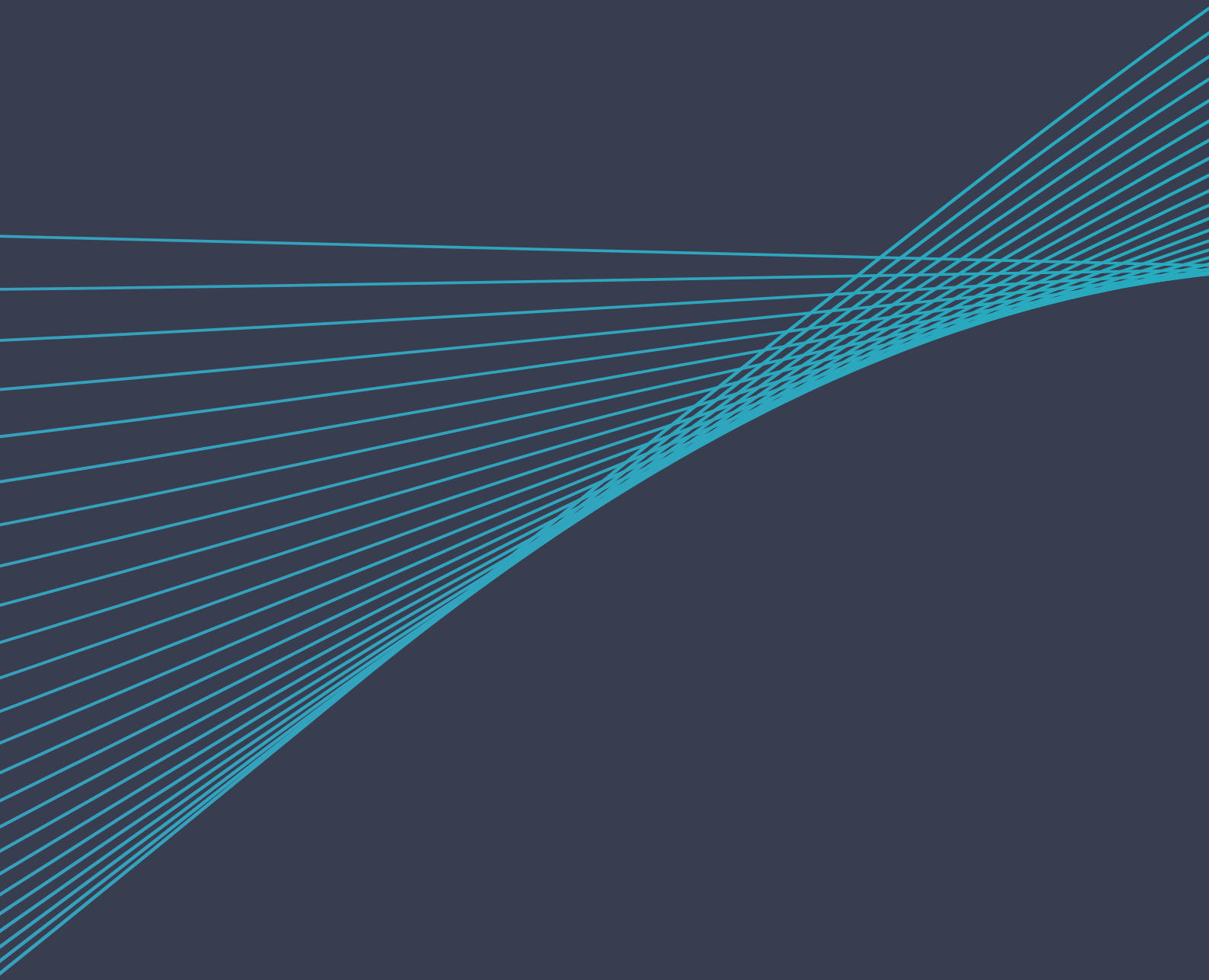
## Our Wellbeing Commitment

Our Wellbeing agenda continues to remain a priority. We have introduced a number of initiatives in support of both physical and mental wellbeing including free access to a local gym for staff based in our HQ and a dedicated day where staff could meet with our wellbeing champions.

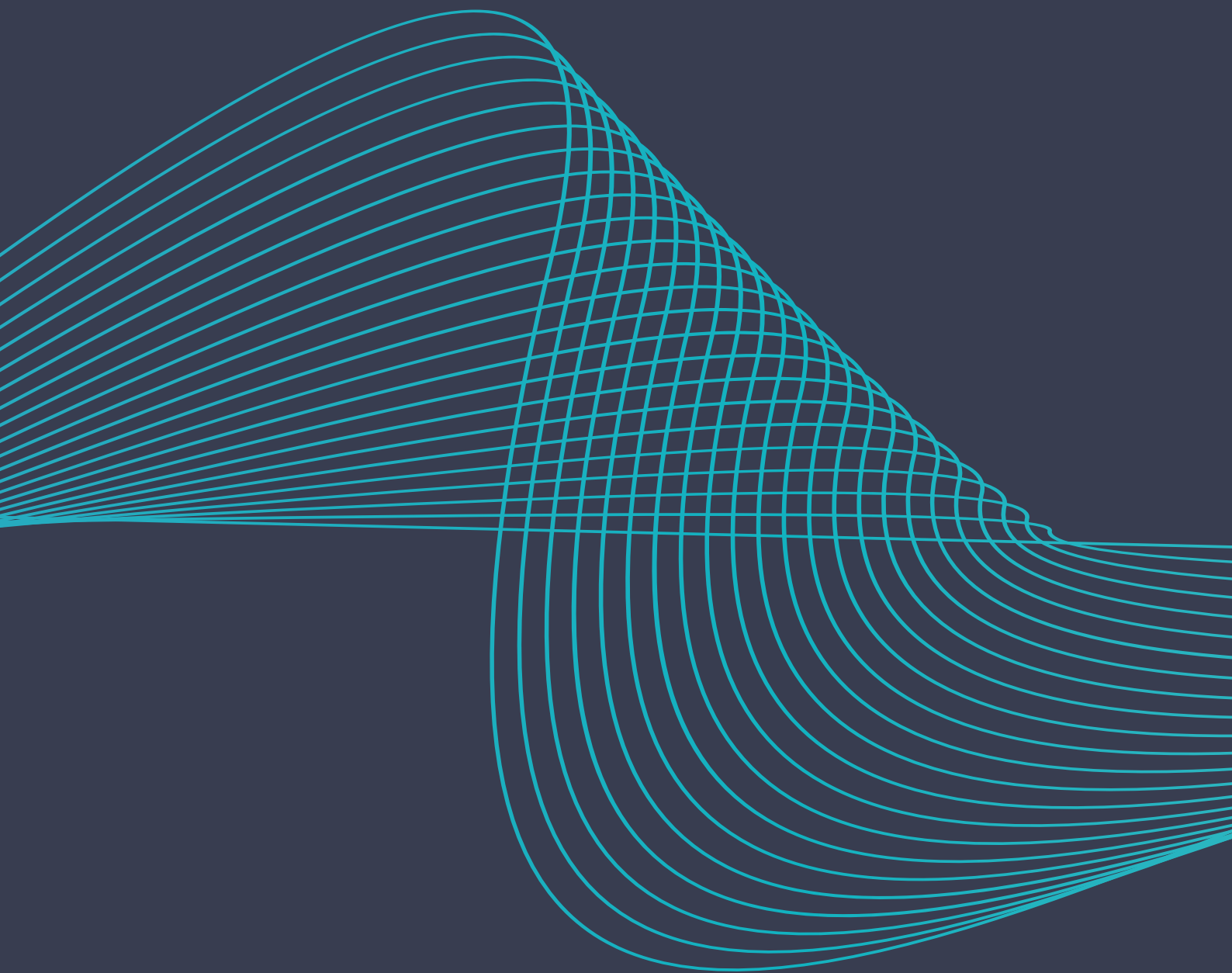
The impact of COVID-19 has also brought the wellbeing of our staff sharply into focus, with the potential of significant impact on the team's physical and mental health. Communication was key as we didn't want people to feel isolated working from home. We held online PT classes to give people a workout in the morning and Learning Lunches on meditation to help people relax and learn some important skills to help them unwind. We also launched our new intranet, 'Focus Xchange'. Its integrated wellbeing platform was a significant step in our Wellbeing agenda as it provides hundreds of hours of useful videos to improve physical and mental health, delicious healthy recipes and a 24/7 support line for anyone needing confidential advice.



**Stay connected,  
anytime, anywhere.**







[focusgroup.co.uk](http://focusgroup.co.uk)



Focus House  
Ham Road  
Shoreham-by-Sea  
BN43 6PA

0330 024 2000  
[sales@focusgroup.co.uk](mailto:sales@focusgroup.co.uk)  
[focusgroup.co.uk](http://focusgroup.co.uk)