IOM iomart Group plc

iomart cuts FY27 profit outlook by 16% and opens exclusive talks to sell its data centres

Following the H1'27 Trading Update and FY'27 Outlook · 19 November 2026

H1 ADJUSTED EBITDA	FY27 EBITDA VS CONSENSUS	NET DEBT, 30 SEP 2026	RCF DRAWN
£8.9m	16% below	£117.2m	£105.0m
▼ against £12.5m in H1'26	▼ against consensus of £25.6m	▲ up from £108.6m at 31 March 2026	of a £115m facility renewed to 30 June 2028

Share price, past 12 months

Daily close; latest price as at 15:02 on 18 November 2026 · Ticker Data API



Iomart's trading update today puts first-half revenue at about £68.9m, down from £77.7m, and adjusted EBITDA at about £8.9m, down from £12.5m. The Board now expects full-year revenue to come in about 4% below company-compiled consensus of £148.5m, and adjusted EBITDA 16% below consensus of £25.6m. It blames weaker hardware resale and slow Private Cloud bookings, which growth in lower-margin Microsoft work has only partly offset. Net debt rose to about £117.2m at 30 September, and £105.0m of the £115m revolving credit facility is drawn. The Board has also decided that selling the Data Centre business would substantially reduce bank debt, and it is in exclusive bilateral talks with a possible buyer. Any sale would need shareholder approval under AIM Rule 15.

The Board says churn is easing, net bookings are positive again and annual recurring revenue should grow by the year end. Even so, the revised outlook depends on a much stronger second half, from a company whose FY26 EBITDA of £25.6m fell short of guidance it had already lowered in February. At the 12.00p close on 18 November, the day before the update, the equity was worth about £14m against that net debt. A small change in the sale proceeds or in sustainable earnings would therefore make a large difference to shareholders. Half-year results on 26 November should show covenant headroom (the gap between the company's ratios and the limits its lenders set) and the cash-flow detail that today's update leaves out.

A profit warning and a plan to sell the data centres

Iomart sells secure cloud and managed IT services, mostly to UK businesses. Its range runs from its own private cloud and data centres to Microsoft Azure, M365 and managed backup, which it resells and manages, plus hardware resale and, through Easyspace, small-business hosting. The H1'27 Trading Update and FY'27 Outlook of 19 November 2026 covers the six months to 30 September. It does two things: it cuts the profit outlook for the year to March 2027, and it puts the Data Centre business up for sale.

The Data Centre business already sits in its own company, Iomart Data Centre Services Limited, which the 2026 Annual Report described as a way to improve accountability and give the Group options on how it allocates capital. The Board has now concluded that a sale would let the Group substantially reduce its bank debt and fund investment in the remaining Services Businesses. The company is in bilateral exclusive discussions that may lead to a sale "in the near future". If they fail, the Board plans a full marketing exercise early in 2027.

A sale would count as a fundamental change of business under Rule 15 of the AIM Rules, so completion would need shareholders' approval. No price, buyer, timetable or standalone figures for the Data Centre business have been given. Iomart also appointed its Group Chief Operating Officer, Craig Mackay, to the Board the same day. Matt Waymark became Chief Financial Officer only in September 2026, after Scott Cunningham's departure was announced in February.

FIGURE	VALUE	CHANGE
Group employees	500+	
Shares in issue 28 February 2026	113,728,770	
Date of half-year results	26 November 2026	

Sources: H1'27 Trading Update, 19 Nov 2026 (About Iomart); Total Voting Rights and Share Capital RNS, 2 Mar 2026; H1'27 Trading Update, 19 Nov 2026

Profit fell much faster than sales as the mix shifted

First-half revenue fell to £68.9m from £77.7m, a drop of 11%. Adjusted EBITDA fell further, to £8.9m from £12.5m, so the margin on that measure narrowed from 16.1% to 12.9%. (Adjusted EBITDA is earnings before interest, tax, depreciation and amortisation, also excluding share-based payments, some currency movements, acquisition costs and exceptional items.) Churn, meaning customers leaving or cutting back, ran ahead of new bookings into the second quarter.

The company names two causes for the revenue shortfall: lower hardware resale, hit by rising hardware costs and limited availability, and slow Private Cloud bookings. Growth in Microsoft services and managed backup offset some of this, but the company also says that growth is the main reason profit fell faster than sales. Customer spending is moving from higher-margin Private and Iomart Cloud towards lower-margin Azure and M365 business. On the company's own account, then, the current mix shift costs margin.

The longer record points the same way. FY26 revenue rose to £154.9m, helped by the Microsoft-led business, while adjusted EBITDA fell to £25.6m from £34.3m. Adjusted EBIT was £5.2m and adjusted pre-tax profit was a £4.0m loss. Profit after depreciation and finance costs is therefore thin even before this year's cut.

The comparatives deserve a check when the interim accounts appear. H1'26 adjusted EBITDA now stands at £12.5m, while the November 2025 half-year results reported £12.9m. The difference may come from a

restatement under the new auditor, Grant Thornton, appointed after Deloitte resigned at the Board's request in December 2025. The 26 November accounts should reconcile the two figures.

Year to 31 Mar 2026 against the prior period

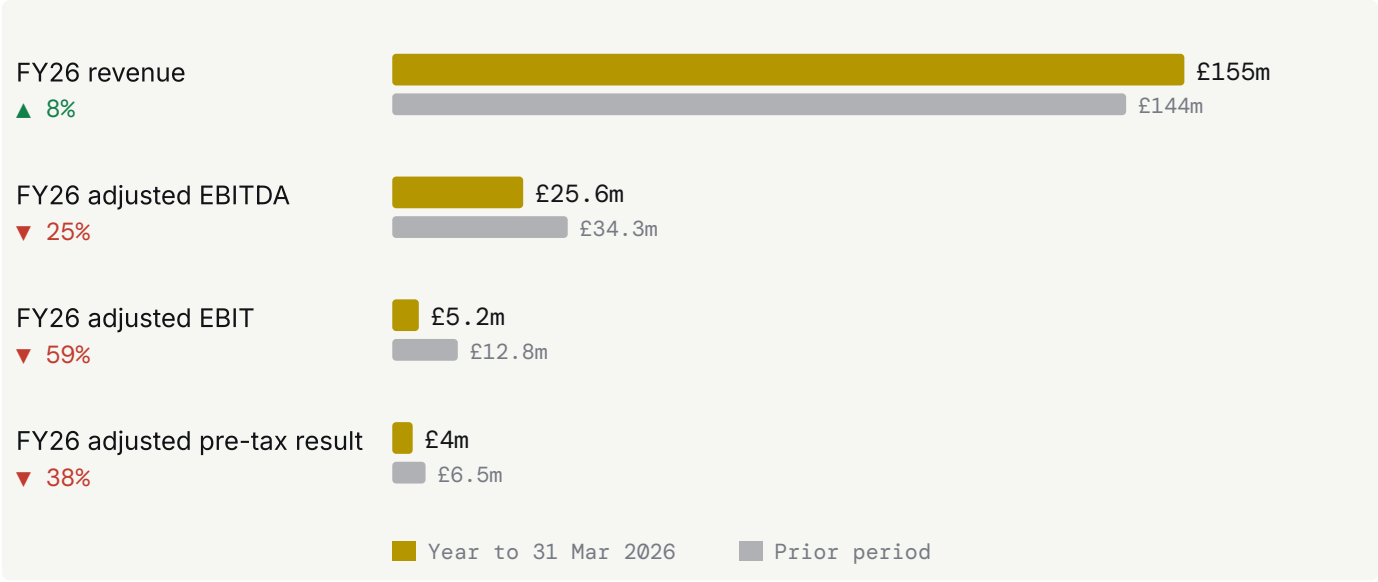


FIGURE	VALUE	CHANGE
H1 revenue Six months to 30 Sep 2026	£68.9m	H1'26: £77.7m
H1 adjusted EBITDA Six months to 30 Sep 2026	£8.9m	H1'26: £12.5m
H1'26 adjusted EBITDA as first reported Six months to 30 Sep 2025	£12.9m	
FY26 revenue Year to 31 Mar 2026	£154.9m	+7.9% FY25: £143.5m
FY26 adjusted EBITDA Year to 31 Mar 2026	£25.6m	−25% FY25: £34.3m
FY26 adjusted EBIT Year to 31 Mar 2026	£5.2m	−59% prior £12.8m
FY26 adjusted pre-tax result Year to 31 Mar 2026	-£4.0m	−39% prior £6.5m profit
FY26 statutory loss before tax Year to 31 Mar 2026	£13.6m	−74% FY25: £53.2m loss

Sources: H1'27 Trading Update, 19 Nov 2026; Half Yearly Results, 26 Nov 2025; Final Results RNS, 23 Jun 2026

Debt is rising while the earnings that support it fall

Net debt rose to £117.2m at 30 September from £108.6m in March, an increase of £8.6m in six months that the company puts down to weaker cash generation on lower revenue. The total includes £105.0m drawn on the £115m revolving credit facility (RCF, a bank loan that can be drawn and repaid as needed), so £10m remains nominally undrawn. The rest is mostly lease liabilities, which stood at £18.0m at March 2025. The facility now runs to 30 June 2028, about 19 months from today.

On reported figures, leverage has moved quickly. Net debt was 4.2 times FY26 adjusted EBITDA in March. Using the update's half-year numbers, trailing twelve-month EBITDA is about £22.0m, which puts September net debt at 5.3 times. On the revised full-year outlook the ratio is 5.5 times. These are indicative ratios, not the bank's calculation. The FY26 results said the RCF has two quarterly tests, a leverage ratio and an interest-cover ratio, but the limits, the lenders' definitions and the latest compliance figures have not been published. Covenant headroom therefore cannot be measured from public information.

The cash record gives no comfort. FY26 cash flow from operations was £21.9m, yet net debt still rose £6.7m over that year, because operating cash flow comes before investment, interest and lease payments. No cash-flow statement, capital spending figure or working-capital detail for the half has yet been published. Bank Rate stood at 4.00% on 16 November, up 0.25 points over three months. If the £105.0m draw is floating and unhedged, a further quarter-point rise would add roughly £0.26m a year in interest. That is small on its own. The bigger exposure is that lenders are being asked to stay patient while guidance falls.

FIGURE	VALUE	CHANGE
Net debt 30 Sep 2026	£117.2m	+7.9% 31 Mar 2026: £108.6m
RCF drawn 30 Sep 2026	£105m	of £115m facility, renewed to 30 June 2028
Net debt 31 Mar 2025	£101.9m	
FY26 cash flow from operations Year to 31 Mar 2026	£21.9m	−20% prior £27.2m
Lease liabilities 31 Mar 2025	£18m	
Bank Rate 16 Nov 2026	4.00%	+0.25 points over three months

Sources: H1'27 Trading Update, 19 Nov 2026; Final Results RNS, 23 Jun 2026; Annual report, debt and maturities, 2025-03-31; UK economy and markets data

The new outlook needs a 42% jump in second-half EBITDA

FY27 adjusted loss before tax consensus range
£4.2m to £4.5m

FY27 net debt consensus range
£108.6m to £110.9m

FY26 annualised cost savings delivered
£4m

The Board now expects FY27 revenue 4% below consensus of £148.5m, or about £142.6m, and adjusted EBITDA 16% below consensus of £25.6m, or about £21.5m. Subtracting the first half implies second-half revenue of £73.7m and EBITDA of £12.6m. That is 7% more revenue and about 42% more EBITDA than in the first half, with the margin recovering to 17%. The Board expects the improvement to come from positive order bookings, lower churn and cost reductions, with several initiatives done and more in progress.

There is no published order pipeline, churn rate or bookings figure to measure that against. Annual recurring revenue (ARR, the yearly value of contracted repeat revenue) was around £134m at the start of

the year, and the Board expects it to be higher by the year end. If ARR grows mainly through Azure and M365, it may add revenue faster than profit, given what the company says about margins.

The forecasting record argues for caution. In November 2025, consensus for FY26 adjusted EBITDA was £27.7m to £29.2m. In February the Board guided to just below the lower end of £27.7m to £28.5m, and the outcome was £25.6m. In June the company expected a modest fall in FY27 revenue and an improved profit profile in the second half. Five months later EBITDA guidance is 16% below consensus. Iomart did deliver the £4m of annualised cost savings it promised for FY26, but EBITDA still fell. The new aim of a significant reduction in the cost base by the end of FY28 comes with no figure.

FIGURE	VALUE	CHANGE
FY27 revenue consensus	£148.5m	−4% Board expects
FY27 adjusted EBITDA consensus	£25.6m	−16% Board expects
ARR run-rate at start of FY27	c.£134m	Board expects growth by year end
FY26 adjusted EBITDA expectations range cited in February	£27.7m to £28.5m	guided just below lower end

Sources: H1'27 Trading Update, 19 Nov 2026; Directorate Change and Trading Update, 11 Feb 2026; Final Results RNS, 23 Jun 2026

A £14m equity on £117m of net debt

BEFORE		NOW · OCTOPUS INVESTMENTS HOLDING
~~6.99%~~	→	5.99%

Market capitalisation, Close, 18 Nov 2026	Share price, Close, 18 Nov 2026	Last interim dividend, Paid 31 Jan 2025
£14m	12.00p	1.3p

At the 12.00p close on 18 November, the day before the update, iomart's market value was £14m. Net debt is more than eight times that, which puts the enterprise value (equity plus net debt) at roughly £131m. That is about six times the revised FY27 adjusted EBITDA of £21.5m. Shareholders own a thin slice of a heavily borrowed business, and what that slice is worth turns on two numbers: the net cash the Data Centre sale raises, and the earnings left once it is gone.

The gearing works in both directions. Every £10m of extra net proceeds from the sale is equal to about 70% of the current market value. A weak price, a sale that fails, or tougher terms from lenders would hit the equity just as hard the other way. The comparison that matters is debt reduction after the Data Centre's earnings are subtracted. The data centres probably earn more than their share of group revenue, given the company's comments on Private and Iomart Cloud margins, so selling them could cut debt and EBITDA together.

The low share price already reflects stress: the shares are down 53.3% over a year and are near the 10.37p low of the past 52 weeks. But this update added a 16% EBITDA cut on top of that, so the market's earlier fall cannot be assumed to have priced it in. The dividend, last paid as a 1.3p interim in January 2025, has stopped. Octopus Investments cut its stake to 5.99% in April 2026.

Sources: Ticker market data; Dividends declared, 27 Nov 2024

The chart was in a downtrend going into the warning

Share price, Close, 18 Nov 2026	Day range, 18 Nov 2026	52-week range, to 18 Nov 2026
12.00p	12.00p - 12.10p	10.37p - 27.00p

All the price data below comes from the close on 18 November, before the update was published. At 12.00p the shares were below their 50-day average (12.42p), 100-day average (12.97p) and 200-day average (14.62p). The 50-day average crossed below the 200-day on 6 July 2026, a pattern chartists call a death cross, and both averages are still falling. The ADX trend-strength reading of 27.8 points to a genuine downtrend. Over three years the price is down 92.3%.

There were tentative signs of stabilisation. The shares fell to a low of 10.37p on 28 October on 709,899 shares, one of the heaviest volumes of the past three months. The RSI and MACD momentum indicators made higher lows while the price made a lower low, which often means selling pressure is fading. On-balance volume did not confirm the bounces in mid-October and early November, however, so buyers had not come in with conviction. Volume picked up in the three sessions before the update, at 260,854, 365,990 and 310,231 shares, which suggests positioning in both directions.

Liquidity is very thin, with average daily value traded of about £18,800 over 20 sessions, so quoted prices may not be dealable in size. Support sits at 11.3p and then the 10.37p low, with resistance at 12.51p and then 13.6p. A close below 11.3p on heavy volume would mean the downtrend is resuming. A close above 12.51p with on-balance volume rising would be the first technical sign that the market believes the second-half recovery.

18 NOV 2026	VALUE	CHANGE
FTSE AIM All-Share	738.68	−8.1% over three months

Sources: UK economy and markets data; Ticker market data

The case for and against

FOR

The case for rests on the Data Centre sale and the size of the equity. If the sale raises enough net cash to repay most of the £105.0m drawn on the RCF, what remains is a smaller services business with ARR of around £134m that the Board expects to grow. It would carry modest debt, deep Microsoft accreditations including Azure Expert MSP status, and a top-tier Broadcom partnership for VMware Cloud. Churn is easing and net bookings are positive again. Management delivered its £4m savings target in FY26 and has a further cost programme under way. With the equity worth £14m, even a moderately good outcome on proceeds would be large relative to the market value, and the exclusive talks suggest a deal could come within months.

AGAINST

The case against starts with the company's own explanation. The growth it is getting, in Azure and M365, is the reason margins are falling, so a sale that removes the higher-margin infrastructure could leave a business with lower margins as well as less debt. No price or net-proceeds figure exists, and the Data Centre's own earnings are not disclosed. Net debt rose £8.6m in six months, leverage on reported figures went from 4.2 times to 5.3 times trailing EBITDA, and quarterly covenant tests apply to a facility with £10m nominally undrawn. Buyers will know the seller needs the cash. The forecasting record (an FY26 miss after a February downgrade, and a June outlook reversed by November) gives reason to doubt that second-half EBITDA will rise 42%. Rising rates, a weak AIM market and very thin trading make all of this harder to sit through.

WHAT TO WATCH

The evidence will come in a fairly clear order. The 26 November half-year results should show the cash-flow bridge for the £8.6m rise in debt, interest costs, capital spending and, ideally, covenant limits and headroom, and should reconcile the restated H1'26 EBITDA. After that, any heads of terms for the Data Centre sale need to be judged on debt reduction net of fees and of the EBITDA given up, followed by the Rule 15 shareholder vote. If the talks fail, the marketing exercise starts early in 2027. Through the second half, the tests are whether churn keeps falling, whether ARR is higher at 31 March 2027, and whether full-year EBITDA reaches £21.5m or misses again. Any covenant waiver or amendment would be a decisive signal.

Risks

- Covenant pressure: the RCF is tested quarterly on leverage and interest cover, net debt is rising and EBITDA is falling, and neither the limits nor the headroom have been published.
- The exclusive Data Centre talks could fail, or produce proceeds that, after the earnings given up, do little for leverage, and any sale also needs shareholder approval under AIM Rule 15.
- The revised outlook needs second-half EBITDA 42% above the first half, from a management team that missed lowered FY26 guidance and reversed its June outlook.
- Customer demand is moving towards lower-margin Azure and M365 work, so revenue and ARR growth may not bring profit back.
- Hardware cost and availability problems that hit resale revenue in the first half could continue.

- Higher interest rates (Bank Rate 4.00% at 16 November) raise the cost of a floating-rate draw and may make lenders and buyers harder to deal with.
- Very thin trading, £18,800 a day on average, means prices can gap and positions may be hard to sell on bad news.
- Changes of finance leadership and auditor, and a restated H1'26 EBITDA comparative, mean the half-year figures need careful checking.

THE OTHER VIEW

A more optimistic reading holds that today's update marks the low point for trading. Churn has turned, net bookings are positive and ARR is expected to grow, all before the full benefit of cost actions due by the end of FY28. On this view the first-half margin squeeze was partly temporary, because hardware resale is lumpy and its fall flattered neither revenue nor margin, so a stronger second half is achievable. Covenant fears also look overstated against the evidence: the facility was renewed only months ago to June 2028, lenders renewed it knowing the trading position, and a credible sale process gives them every reason to stay patient. Data centre assets are in demand from infrastructure buyers, and the Board would hardly announce a sale in principle and Rule 15 approval without some confidence on value. Because the equity is so small next to the enterprise value, demanding certainty on proceeds before engaging misreads the position. By the time sale terms are public, most of the change in value will already have happened, and the downside at a £14m market value is limited to an equity already priced for distress.

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