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Pathos Communications

Media

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Evidence that H2 acceleration is materialising

Pathos's H126 results confirm encouraging H1 performance, with robust trading through July and August indicating that the acceleration anticipated for H2 is now materialising. Good progress across key KPIs, including repeat business rising to 36% of revenue from 16% in H125 and gross margin improving sequentially to 71% from 69% in H225, further supports the expectation that growth can translate into increasing operational leverage. Pathos continues to trade on value-like multiples that appear to give limited credit to its large addressable market, proprietary technology, scalability potential and encouraging execution since IPO.

The headline H1 figures were largely pre-announced in July, with revenue up 14% to $7.3m and adjusted EBITDA up 36% to $1.73m, lifting the margin to 23.7% from 19.8%. Customer receipts increased to $7.9m from $4.3m, while bad-debt expense fell sharply to $0.28m from $1.55m following improvements to credit control and collection processes. Additionally, accruals and deferred income totalling c $1m provides further support for H2. Operating cash generation of $1.74m was effectively in line with adjusted EBITDA, while the group invested $1.72m in intangible assets, including its technology platform and customer databases.

Key KPIs continue to move in the right direction. Repeat customers represented 36% of H1 revenue versus 16% in H125, while the annualised run rate of new contracts signed in the repeat business is tracking at over 75% of the current FY27 revenue market expectation. Gross margin improved sequentially to 71% from 69% in H225. Both metrics provide support for the company's potential to sustain operationally leveraged growth. Pathos is also broadening its offer through podcast services, book publishing and access to prime business TV slots, alongside a new 24-month agreement with a 'Big Three' US news periodical. The planned H127 general availability of PathosMind and Pressella should provide a further catalyst for growth and efficiency. Management is also evaluating acquisitions that could expand the customer base and provide further scope to deploy Pathos's technology and operating model.

Management expects FY26 performance to meet or slightly exceed market expectations, and we note that consensus FY26 revenue and FY27 revenue and EBITDA estimates have been nudged up. Pathos nevertheless continues to trade on value-like multiples, including a single-digit FY27 P/E. These multiples appear to assign limited credit to the addressable market, proprietary technology, scalability potential or the company's encouraging execution since IPO. Continued evidence of H2 acceleration, improving revenue quality and operational leverage should support the case for a meaningful re-rating.

See our recent interview with Pathos founder and CEO Omar Hamdi here.

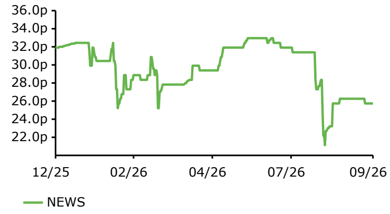
Consensus estimates

Year end	Revenue ($m)	EBIT ($m)	EBITDA ($m)	PBT ($m)	EPS (¢)	P/E (x)	EV/EBITDA (x)
12/25	13.1	2.2	2.9	2.0	2.58	13.6	6.1
12/26e	15.0	2.8	4.0	2.7	3.60	9.8	4.4
12/27e	16.5	3.3	5.0	3.2	4.30	8.2	3.5

Source: Pathos, LSEG Data & Analytics. Note: EBIT, EBITDA, PBT are adjusted, EPS is adjusted and fully diluted.

Price	**26.00p**
Market cap	**£17m**

Share price performance



Share details

Code	NEWS
Listing	AIM
Shares in issue	66.7m
Net cash/(debt) at June 2026	$5.9m

Business description

Pathos Communications is a technology-enabled, human-led public relations company that leverages AI to democratise SMEs' access to established news publications using a pay-on-results model. The company combines proprietary AI tools, such as PathosMind and Pressella, with expert editorial teams to deliver scalable media coverage for over 7,000 clients across 90 countries.

Bull points

- A differentiated model addressing a large addressable market.
- Execution since IPO has been encouraging, with H126 revenue up 14% to $7.3m and management confident of meeting FY26 market expectations.
- Early signs of operational leverage are evident, and a rising repeat-revenue mix reducing the cost of incremental sales.

Bear points

- Execution risk as the model remains relatively untested as a listed business, with a limited public track record and key milestones still to deliver.
- The pay-on-results structure leaves revenue exposed to conversion and collection risk.
- SME market is highly fragmented, making efficient customer acquisition and retention critical to scaling.

Analysts

Dan Ridsdale	+44 (0)20 3077 5700
Chloe Wong	+44 (0)20 3077 5700

tmt@edisongroup.com

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