

21 March 2024

Final Results

for the year ended 31 December 2023



Agenda

Alex Curran
CEO



Mike Johns
CFO



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Alex Curran | CEO
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Mike Johns | CEO
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Alex Curran | CEO
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Alex Curran | CEO

Executive summary



High growth opportunity

- Future growth is underpinned by Fynapse & key partners
- Fynapse uniquely supports AI Autonomous Finance market



Experience

- Our experience in the CFO office provides a strong foundation
- Existing partnerships gaining significant momentum



New business strategy

- Shifting to partner led platform organisation with supporting organisational realignment
- Jointly going to market for AI Autonomous Finance with key partners, including Microsoft



Outcomes of approach

- Expansion of go-to-market opportunity & multiple partner channel types to drive velocity of deals
- Improved revenue mix, improved margins increased profitability and recurring revenue

Financials



Financial Highlights

Execution against the Fynapse opportunity from a robust platform



Strong revenue visibility

Heritage ARR provides credibility in the office of the CFO and conversion opportunity with Fynapse



Delivery of profitable growth

29% growth in adjusted operating profit, with cost reduction action taken in 2023 to increase operational leverage



Continuing growth

ARR growth of 2% despite challenging economic conditions, total revenue steady at £74.7m (2022: £74.4m)



Financially robust

Strong balance sheet including £22.7m net cash driven through strong cash conversion and annual billing in advance



Share buy-back

£20m share buyback over three years announced to provide enhanced return to shareholders

£51.1m
(2022: £50.2m)²

Total ARR

£9.7m
(2022: £7.5m)³

Adjusted
Operating Profit

+2%
(2022: +9%)²

Organic Growth in ARR
(Constant Currency)

£22.7m
(2022: £15.9m)

Net Funds

¹ Annual Recurring Revenue (ARR) is the value of Aptitude's recurring revenue at the year end, normalised to a one year period. ARR includes recurring revenues contracted but yet to commence and excludes recurring revenues which, at that point in time, are being received but are under formal notice of termination. Included within ARR are recurring revenues for Asure, the group's solution management services.
² Comparatives for ARR and ARR growth are presented on a constant currency basis, using the prevailing exchange rates at 31 December 2023.
³ Adjusted Operating Profit excludes non-underlying operating items, which principally comprise intangible asset amortisation.

Financial Highlights

Targeted profitable growth through revenue expansion and carefully managed cost base



Improving revenue quality

Increasingly recurring revenue provides stronger margins, expected to be enhanced by the cloud native Fynapse platform – mid-term target to increase to 80%+



Carefully managed investment

At peak investment in R&D as proportion of revenue with all expensed through P&L as incurred with none capitalised – controlled R&D investment in line with revenue opportunity



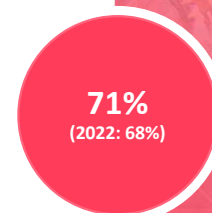
Robust platform for Fynapse opportunity

Net revenue retention of 98% - targeted return to 100% net revenue retention over mid-term

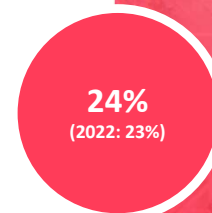


Increasing margins

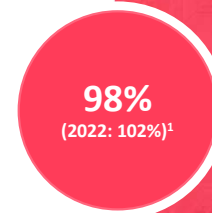
Delivery of targeted revenue growth and carefully managed investment increasing operating margins – incremental margin progression year on year with mid term target of 20%



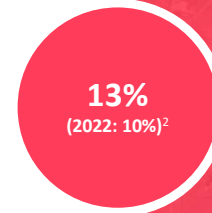
Proportion of Recurring Revenue



Proportion of Revenue invested in R&D



Net Retention Rate



Adjusted Operating Margin

¹ Net Retention is measured by the total value of ongoing ARR at the period end from clients in place twelve months earlier as a percentage of the opening ARR from those clients on a constant currency basis
² Adjusted Operating Margin excludes non-underlying operating items, which principally comprise intangible asset amortisation

Short term outlook

Short term revenue reduction as business refocuses around Fynapse opportunity



Revenue reduction expected in 2024 driven by:

- Macroeconomic conditions resulting in continuing churn, principally in Subscription, Billing and Revenue Management
- Investment decisions lengthening sales cycles but expect to see this change through expanded Fynapse GTM & partner approach
- Evolving partner strategy, with greater proportion of non-recurring revenues delivered by partners



Improving gross margins driven by increasing proportion of recurring revenues

- Fynapse driving higher margins through cloud native nature
- Tightly controlled professional services levels in line with demand



Carefully controlled investment levels resulting in increased operational leverage

- Reduction in levels of senior management
- Peak levels of R&D investment



2024 profitability at least in line with 2023 levels with progressive operating margins before returning to growth in 2025 and beyond



Key Themes



Focus to support the opportunity

With focus Aptitude is uniquely positioned to dominate the AI autonomous finance market



A shift from regulatory and compliance to a platform organisation



Organisational realignment to support the opportunity



Uniquely positioned to take advantage of AI for finance



Drive velocity through focused partners with simplified and differentiated proposition



The shift from regulatory compliance to platform



The shift and focus

Changing landscape of the CFO supports shift

Regulatory compliance

Direct
Compliance Focus
Large one-off deals
Long sales cycles

£3BN TAM

AI Autonomous finance opportunity

Microsoft, HSO, KPMG and focus partners GTM

Client, knowledge, expertise

Platform organisation

Partner Led
Data & AI Focus
Land & Expand
Deal velocity
Expanded GTM

Realignment of the business to capitalise on the opportunity and deliver improved outcomes



Improved revenue mix



Improved margins



Increased profitability



Recurring revenue

Realignment and focus of the organisation



Realignment to support focus and shift to platform

H2 2023 to Q1 2024



Senior Leadership Team



Client Experience



Global GTM



Product



OKR: Driving Fynapse opportunity



OKR: Reducing churn



OKR: Driving ARR through partners

What is still to do in 2024

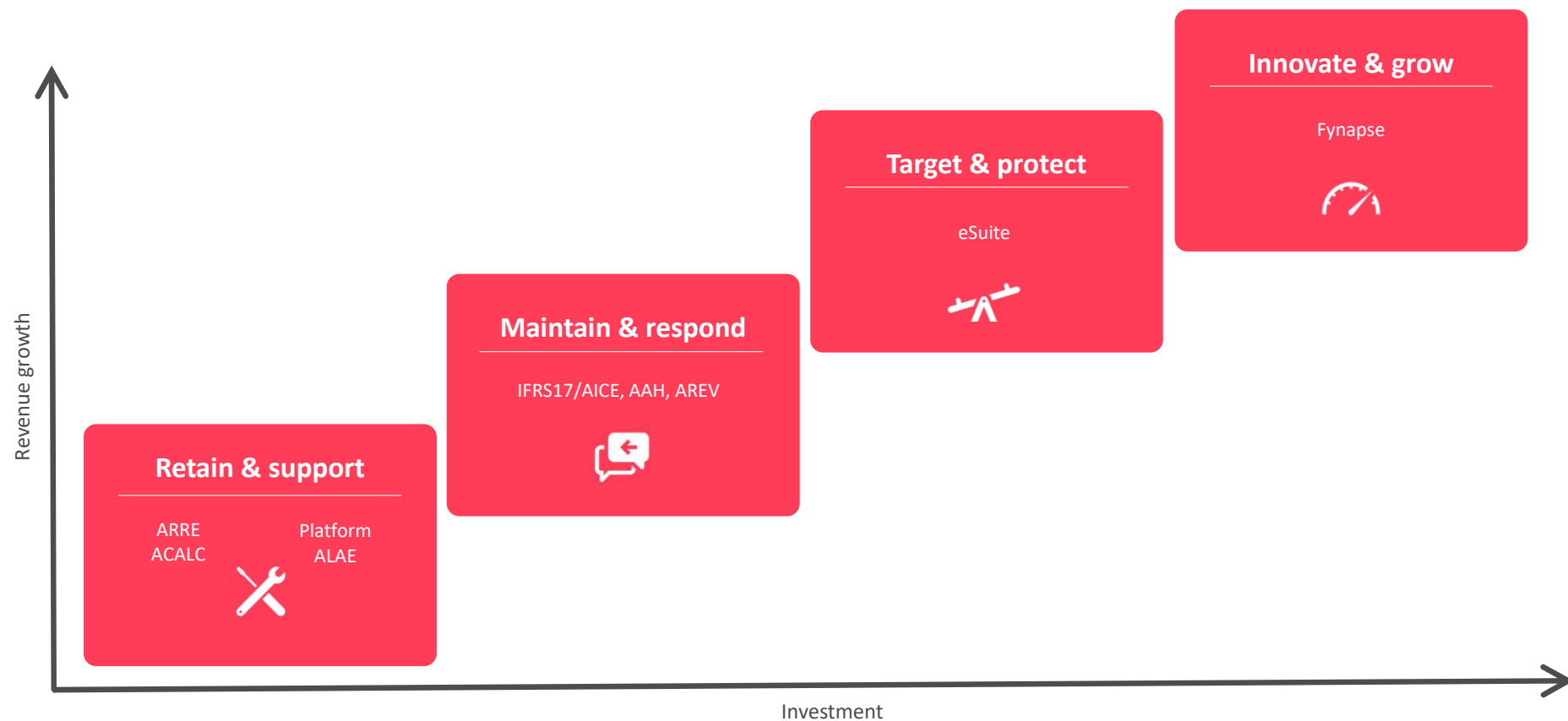
GTM regulatory & compliance
to platform enablement

Product & Technology

Momentum across focused
sectors, regions, partners

Organisational focus & product portfolio

Organisation set up to support products and opportunities






**The opportunity
Fynapse underpins
and unique position**



The AI Autonomous Finance Opportunity

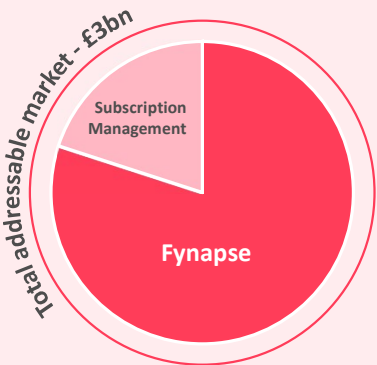
What is Autonomous Finance?

A *self-learning, and self-improving*, finance function, where tasks are optimized and *intelligent*, systems are efficient and *interoperable*, and an enterprise-wide data platform supports real-time *insights*, enabling finance to be a strategic and trusted advisor to the business.

	<div>  </div> <div>Traditional</div>	<div>  </div> <div>Automation</div>	<div>  </div> <div>Autonomous</div>
Tasks	Manual	Automated	Intelligent
Systems	Disparate	Integrated	Interoperable
Data	Point-in-Time	Real-Time	Instant Insights
Finance	Operational	Trusted	Strategic

The Building Blocks for Autonomous Finance

- Real time single view of finance & business data
- Interoperable tech with real time processing power
- Advanced AI capability for insights & decisions
- Automation of process & accounting rules



CFO Quotes from Aptitude Autonomous Finance Benchmark Research

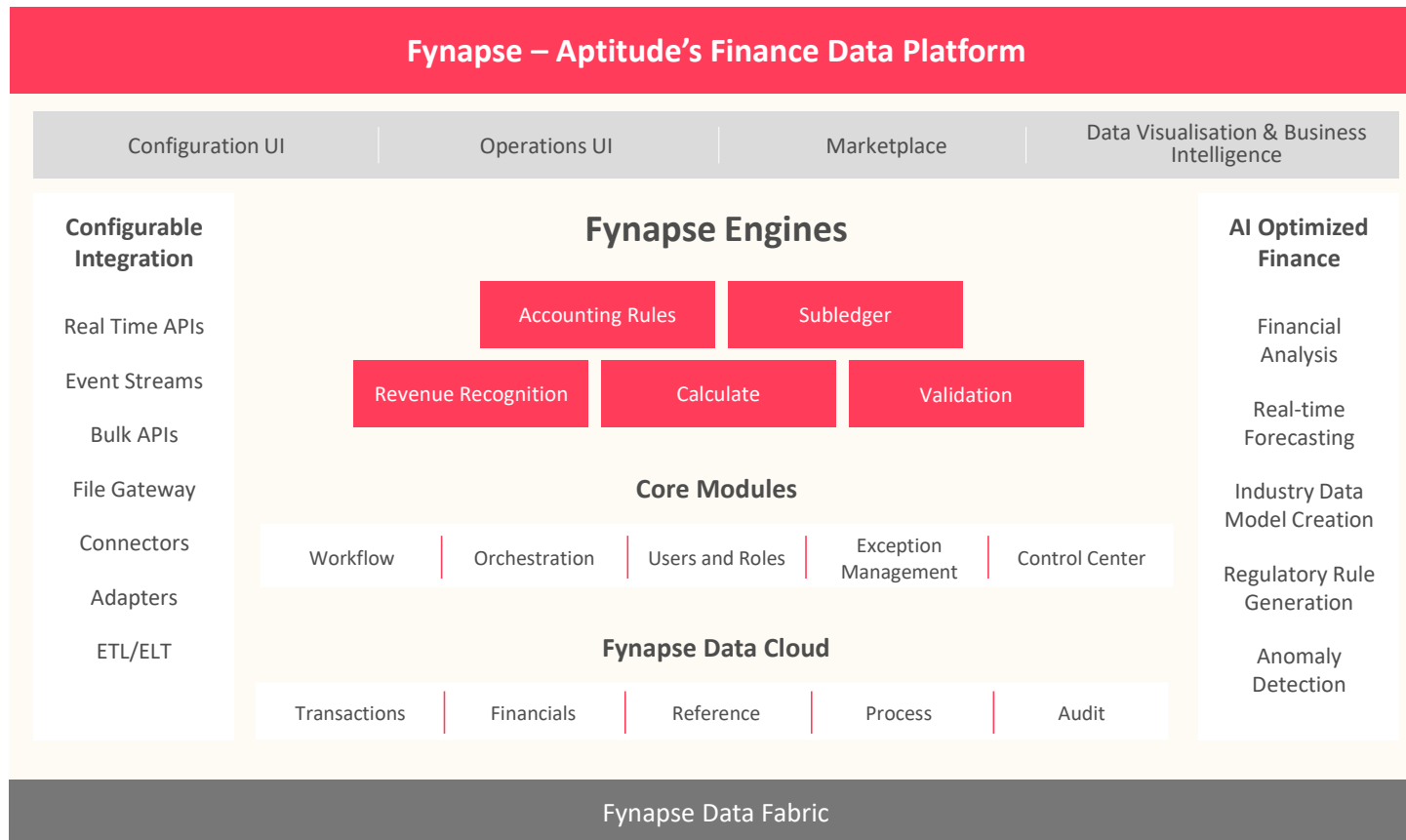
"The process of digital transformation is the start. And data architecture, especially if it is done right, accelerates and enables digital transformation."

"Finance must be a business partner sitting next to CEO and CMO, driving the business - not looking at consolidations and balances."

"We are re-inventing all the processes to automate. AI makes processes more predictive. Then we must re skill"

Aptitude Fynapse

Powering AI Autonomous Finance



Market leading support of AI

Aptitude
Fynapse

AI Real Time Forecasting

AI Anomaly Detection

AI Opportunity Guidance

'Data is AI currency'

 Microsoft
Dynamics 365

Fynapse as a Disruptor

Fynapse delivers Autonomous Finance: By automating manual processes and the application of accounting rules, delivering a single view of finance and business data coupled with advanced AI capabilities to drive insights and support decision making. **Fynapse** releases finance teams to be strategic advisors to the business.

Aptitude Fynapse – The Finance Data Management Platform



User Experience

Self-service puts finance in control & reduces IT costs



Rapid Implementation

Days vs months or years. Faster time to value and decision-making cycles



Designed for AI

Cloud native so built for AI, unlike our competition



Integration

Fully open & configurable offers huge time and budget savings



Performance

100m journal lines an hour. 14x faster than our closest competitor



Data to power AI

Unique single view of data capability, the AI foundation

Compelling client outcomes

Fynapse delivering immediate benefits to clients on their journey to Autonomous

T-Mobile (live)

Lower Total Cost of Ownership

- \$3m saved across hardware and software

Increased performance

- Manual entries reduced from 5,000 to 50
- 100 million journal lines processed in an hour

Improved business insights

- Trends and anomalies revealed
- Single view of customer lifecycle activity

User centric

- Empowerment of Finance Users

Future use

- Real time close
- AI deployment

Global Entertainment Firm (in project)

Automates finance architecture

- Streamlines contract to financials processing

Single source of data

- Fynapse will serve as the single, finance-controlled source of detailed data, serving D365 F&O & Power BI

Revenue optimization

- Fynapse underpins the rapid monetization of entertainment products



Traditional



Automation



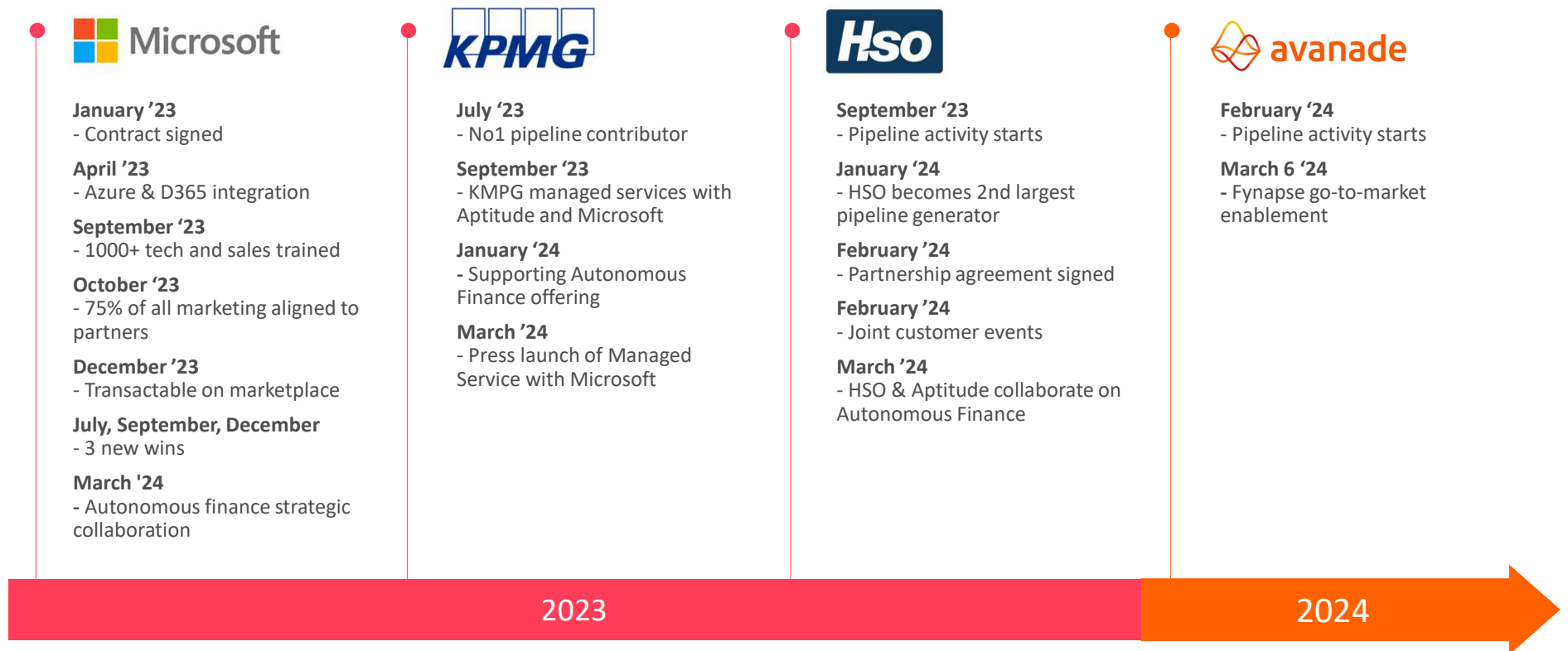
Autonomous

Strategic partners support Strategy



Aptitude strategic partnerships driving growth

Simpler market entry & faster time to value powering partnerships



80% of ARR to be partner sourced by end of 2027

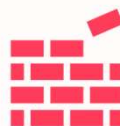
Summary



Summary



**AI Autonomous
Finance opportunity**



**Building on CFO
office foundation**



**Profitable & cash
generative**



**Expanded
go-to-market**



**Partner
momentum**



**Platform
organisation**

Appendix

Income statement

Improving revenue mix driving higher margins

	FY 2023 (£'000)	FY 2022 (£'000)
Recurring Revenue	53,370	50,534
Implementation Revenue	21,315	23,860
Total Revenue	74,685	74,394
Operating Costs	(64,959)	(66,887)
Adjusted Operating Profit	9,726	7,507
Non-Underlying Items	(4,441)	(3,822)
Statutory Operating Profit	5,285	3,685
Net Interest	(245)	(480)
Profit Before Tax	5,040	3,205
Taxation	(915)	(610)
Profit After Tax	4,125	2,595

Cash flow

Return to strong cash generation

	FY 2023 (£'000)	FY 2022 (£'000)
Cash generated from operations	11,945	5,272
Interest and tax (paid)/received	(951)	(2,095)
Cash flows generated from operating activities	10,994	3,177
Purchase of property, plant and equipment	(601)	(831)
Interest received	282	18
Net proceeds from issue of ordinary share capital	-	23
Dividends paid	(3,096)	(3,093)
Purchase of own shares	(186)	-
Payment of capital lease obligations	(534)	(405)
Repayment of loan	(1,290)	(313)
Net cash used in investing/financing activities	(5,425)	(4,601)
Decrease in cash and cash equivalents	5,569	(1,424)
Exchange rate gains/(losses) on cash and cash equivalents	(729)	1,605
Cash and cash equivalents at end of period	34,085	29,245

Balance sheet

Increasingly robust balance sheet, with £34.1m cash and £22.7m net cash

	31 Dec 2023 (£'000)	31 Dec 2022 (£'000)
Goodwill and intangible assets	63,745	67,126
Property, plant and equipment including right-of-use assets	4,484	5,103
Trade and other assets	17,099	16,718
Cash and cash equivalents	34,085	29,245
Total Assets	119,413	118,192
Bank loan and capital lease obligations	(11,403)	(13,346)
Deferred income	(31,475)	(29,563)
Trade and other liabilities	(9,666)	(8,899)
Taxation	(1,588)	(119)
Deferred taxation	(4,967)	(5,724)
Total Liabilities	(59,099)	(57,651)
NET ASSETS	60,314	60,541

Board

Management team aligning the business to support significant opportunity

Alex Curran, Chief Executive Officer

Alex Curran was appointed to the Aptitude Software Board as Acting CEO on 12 July 2023 and subsequently appointed as CEO on 30 November 2023. Alex joined Aptitude Software in 2008 and she has held several senior roles within the Group, including leading the North American business since July 2019. Alex was appointed non-executive director of Checkit plc on 9 January 2023.

Mike Johns, Chief Financial Officer

Mike Johns joined the Group in September 2017 as Group Financial Controller. A Chartered Accountant, Mike has previously held senior financial positions within the Group, including Finance Director for the Group's business outside of North America, before being appointed Chief Financial Officer on 17 May 2023.

Ivan Martin, Non-Executive Chairman / Chair of Nomination Committee

Ivan Martin was appointed to the Board on 1 January 2016 and assumed the role of Non-Executive Chairman on 4 March 2016. Ivan is also Non-Executive Chairman of TelcoSwitch, a privately owned provider of Unified Communications Software as a Service. Until April 2021, Ivan was also Non-Executive Chairman of Xceptor, a London-based international software business which was sold by CBPE Capital to Astorg Partners. Ivan has held a number of significant Executive and Non-Executive positions in both the Technology and Financial Services sectors. He was Chief Executive Officer of Misys Banking and Capital Markets and a main board member of Misys plc. He was also Chairman of FDM Group from 2006 to 2019, during which time he oversaw the growth and evolution of this company from an AIM listing to a FTSE 250 member valued at over £1 billion. Ivan is a member of various Wulstan Capital LLPs and Parch Three Estates LLP, being commercial property investment vehicles. He has no other significant commitments.

Barbara Moorhouse, Non-Executive Director / Chair of Remuneration Committee / Senior Independent Director

Barbara Moorhouse was appointed as a Non-Executive Director on 1 April 2017 and on 14 March 2022 she was appointed as Senior Independent Director and Chair of Remuneration Committee. Prior to this she was Chair of the Audit Committee. Barbara has extensive senior experience in operating and financial roles across the public and private sectors. Her most recent executive roles were as Chief Operating Officer at Westminster City Council, and Director General at the Ministry of Justice and the Department for Transport. Earlier in her career, she was Chief Financial Officer at two international listed software companies – Kewill Systems plc and Scala Business Solutions NV. Until 31 May 2022 Barbara was also Chair of the Rail Safety and Standards Board. Barbara is currently also Independent Chair of Agility Trains, a Non-Executive Director of Balfour Beatty plc, and a Non-Executive Director and Chair of the Quality and Safety Committee of Dŵr Cymru/Welsh Water.

Sara Dickinson, Non-Executive Director / Chair of Audit Committee

Sara Dickinson was appointed as a Non-Executive Director on 1 October 2021 and took on the role of Chair of the Audit Committee on 14 March 2022. Sara was appointed as Chief Financial Officer of the British Standards Institute on 24 January 2022, and prior to this, Sara was Senior Vice President of Finance at Expedia Group, and previously the Chief Finance Officer of Expedia Partner Solutions, the global B2B technology solutions division within Expedia. Sara has over 25 years of financial experience, as well as significant knowledge of digital finance processes and finance transformation. Until August 2021, Sara was a Non-Executive Director and Chair of the Finance Committee of A2Dominion, a residential property group with a debt listing on the London Stock Exchange. Sara's other past experience includes Commercial Finance Director at Costa Coffee, Group Financial Controller for Sage Group plc and Vice President and European Chief Financial Officer of ebookers.

Alex Campbell, Company Secretary

Alex Campbell was appointed as Company Secretary on 8 June 2023. He is a member of the Chartered Governance Institute and has significant experience in supporting UK listed companies with fulfilling their corporate governance and statutory compliance obligations.