



# Interim Results

for the six months  
ended 30 June 2020

29 July 2020

Aptitude<sup>™</sup>  
SOFTWARE

# Aptitude Software at a glance

Specialist provider of powerful financial management software

Implemented Aptitude Software in **16 countries globally**

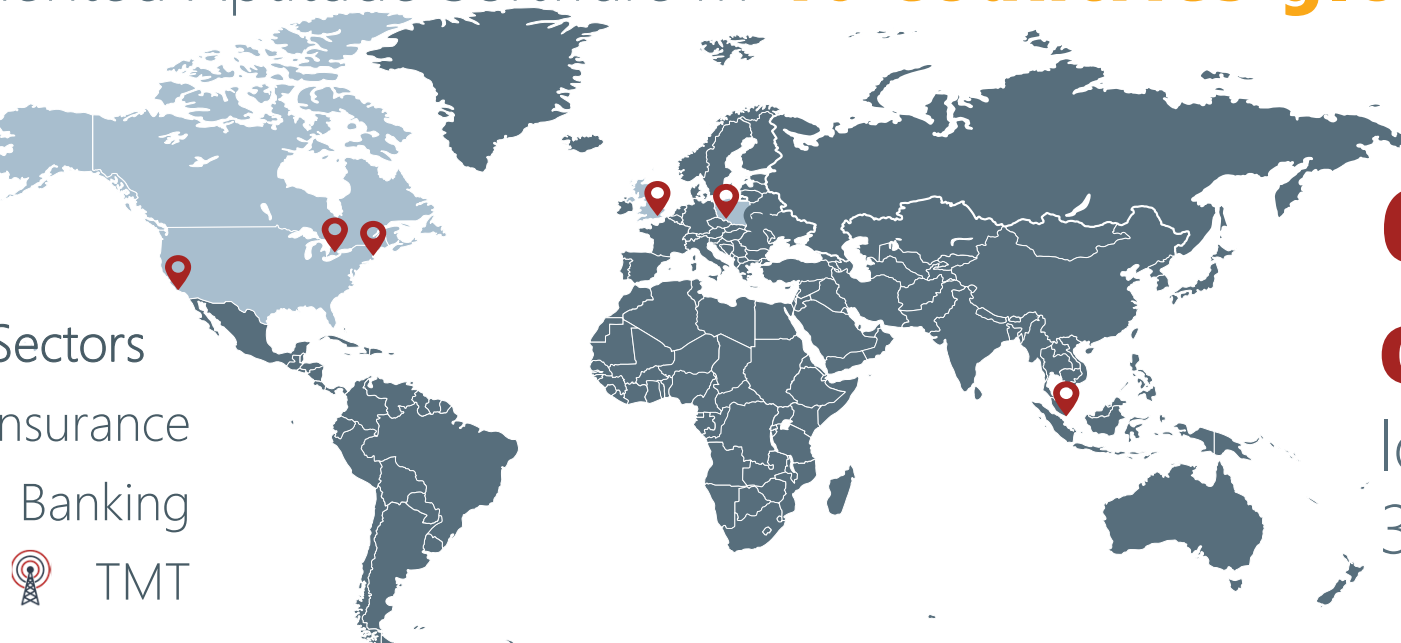
**c.70** global enterprise clients

Key Sectors

 Insurance

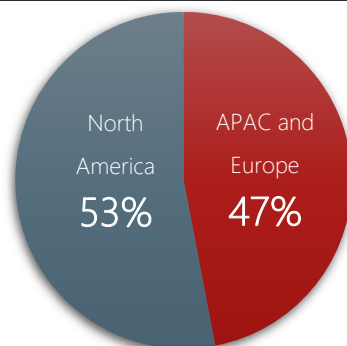
 Banking

 TMT

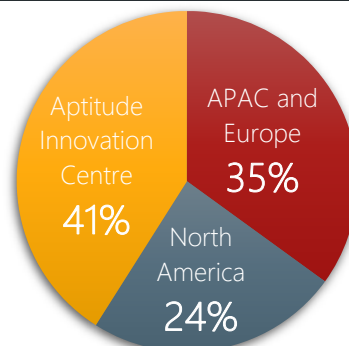


**6** office locations in 3 continents

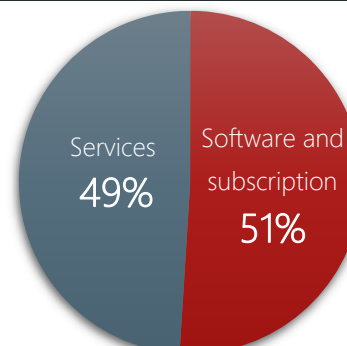
Revenue by Region



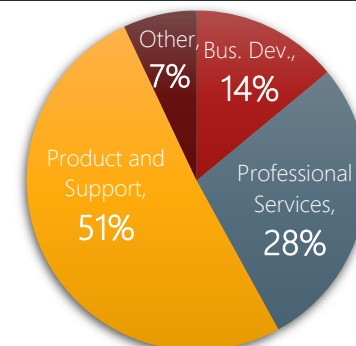
Employees by Region (c.335)



Revenue by Type



Employees by Function



# Aptitude Product Portfolio

Accounting Hub is our flagship product, complemented by regulatory focused engines



# Overview of first half

## Continued strategic and operational progress

£30.9m  
ARR

11% annual growth<sup>1</sup> in  
Annual Recurring Revenue<sup>2</sup>



New business wins and  
contract extensions in the  
banking and TMT sectors



Successful implementation of  
COVID-19 response

£30.9m

Strong cash balance  
with no debt



Expansion of the global partner  
network into Japan



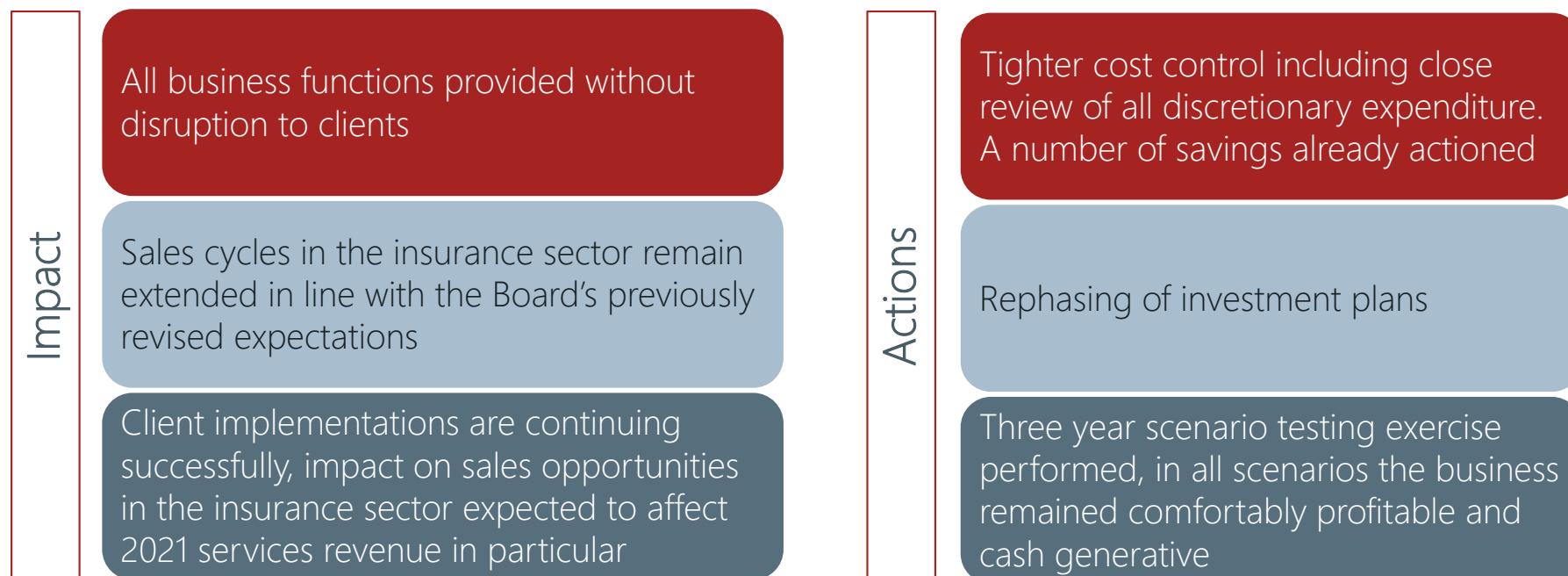
Continued innovation to  
realise the digital finance  
opportunity

<sup>1</sup> Growth rates have been calculated on a constant currency basis by comparing the H1 2020 results with H1 2019 results retranslated at the rates of exchange prevailing during H1 2020.

<sup>2</sup> Annual Recurring Revenue ('ARR') is the value of Aptitude Software's continuing software and subscription recurring revenue at a specific point in time, normalised to a one-year period.

# Impact of COVID-19

Business resilient to short-term impact, well placed to capitalise on medium-term opportunities



Business Model Strength			
Financially robust: cash balance of £30.9m, and no bank loans	Resilient recurring revenues, 51% of total revenue, with contracted minimum terms	Implementation revenues 49% of overall revenue, good visibility in short term	Increased demand for our technology expected in medium term as organisations seek further automation

# Sales performance

## Good number of new business wins and contract extensions

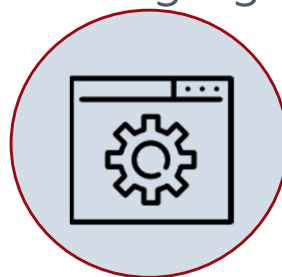
- New business wins achieved during H1 despite the challenges arising from COVID-19 demonstrating the strength of the Group's product portfolio and sector diversity
- ARR growth generated from the combination of new business wins and contract extensions principally in the Banking and Technology, Media and Telecom ('TMT') sectors across APAC, Europe and North America

### H1 2020 Highlights



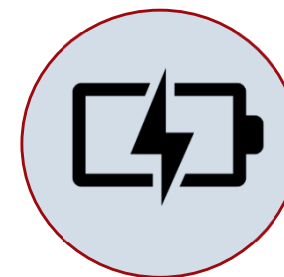
#### Leading European Bank

Licence sale for AAH to the retail arm of an existing large European Banking client.



#### North American Technology Company

Significant Software-as-a-Service ('SaaS') sale for ARM



#### Major Automotive Energy Provider

Material SaaS sale for ALAE

# Financial Highlights

Continued growth in software and subscription revenue, a strategic focus for the Group

Annual Recurring Revenue<sup>1</sup>

£30.9m

↑ 11% (H1 2019: £27.9m)

Total revenue

£29.1m

↑ 1% (H1 2019: £28.8m)

Software and subscription revenue

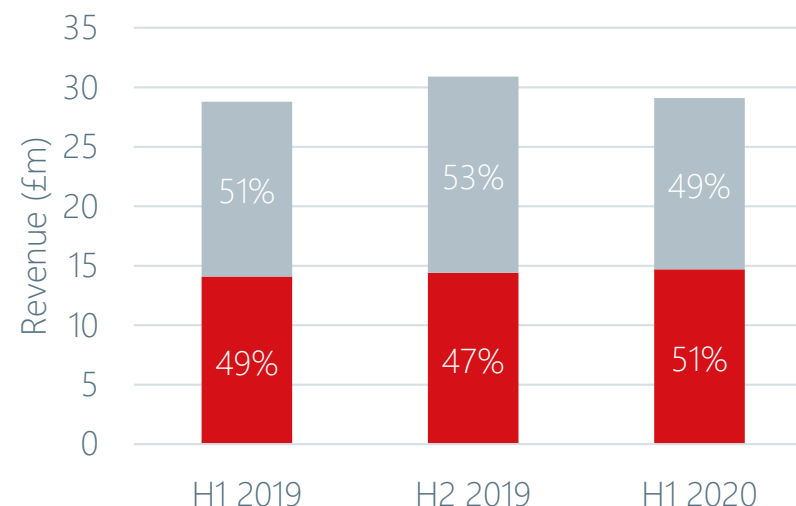
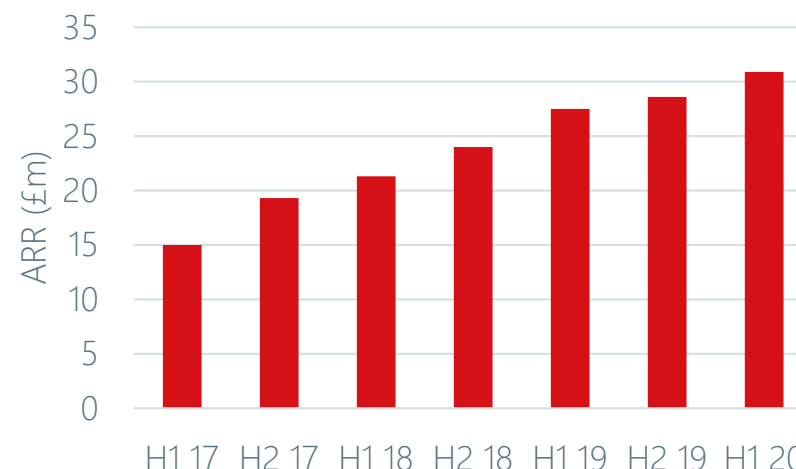
£14.7m

↑ 4% (H1 2019: £14.1m)

Services revenue

£14.4m

(H1 2019: £14.7m)



<sup>1</sup> H1 2019 Annual Recurring Revenue (£27.5m) has been calculated on a constant currency basis by comparing the H1 2020 results with H1 2019 results retranslated at the rates of exchange prevailing during H1 2020.

The financial highlights for H1 2019 provided above exclude the results of the Microgen Financial Systems business which was disposed of on 28 June 2019 and presented as a discontinued operation



# Financial Highlights

Financially strong with excellent cash reserves

Adjusted  
Operating Profit<sup>1</sup>

£5.1m

(H1 2019: £5.1m)

Interim dividend  
maintained

1.8p

(2019: 1.8p)

Adjusted Basic  
Earnings per Share

6.7p

↑ 12% (2019: 6.0p)

Adjusted Operating  
Margin<sup>1</sup>

18%

(H1 2019: 18%)

Cash  
balance<sup>2</sup>

£30.9m

↑ 31% (H1 2019: £23.5m)

R&D  
expenditure

£4.2m

<sup>1</sup> Adjusted Operating Profit and Adjusted Operating Margin excludes non-underlying operating items which principally comprise intangible amortisation

<sup>2</sup> Cash balance at 30 June 2019 is net of the return of cash to shareholders totalling £46.4 million as part of the disposal of the Microgen Financial Systems business. The return was completed in September 2019.



# Go-to-market and partner network

## Expansion of the partner network into Japan



- Global Partner Network: Sources and influences prospects, collaborating on multiple implementations
- Expansion of the network into Japan, focused initially on Aptitude RevStream
- Launch of Aptitude RevStream into APAC and Europe
- Senior appointments to partner management teams

# Market Drivers

Digital Finance is driving a change in tools, process and expectations of what finance must deliver

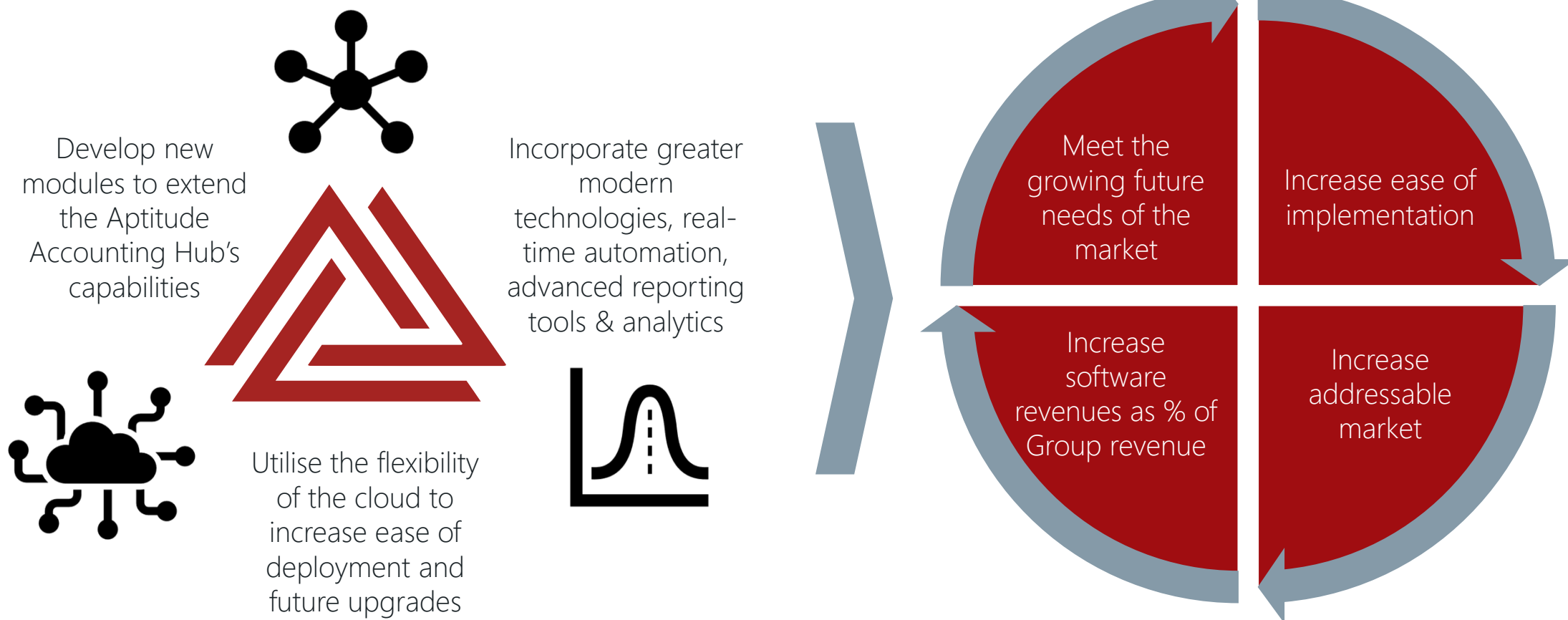


COVID-19: Acceleration of digital finance transformation

# Digital Finance & Aptitude Software

Capturing the long-term market growth opportunity

## Evolution of the Aptitude Accounting Hub



# Aptitude Software Innovation Centre

## Dedicated facility for R&D, cloud operations and support

- A fully centralised centre of excellence in Poland, at which a growing number of activities are performed by c.150 employees, improving efficiency, quality and cost competitiveness



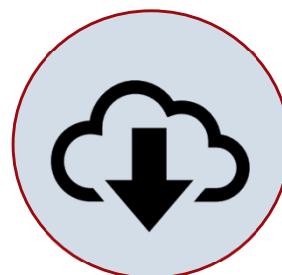
### Technology Research

Discovery and evaluation of innovative technologies, frameworks, design patterns and best practices.



### Product Development

Scaled agile and highly automated development practice covering the whole Aptitude Software product portfolio following the recent transfer of AREV.



### Cloud Operations

Supporting an integrated approach to Software as a Service (SaaS) provision and management, incorporating our Security Operations Centre



### Support

Integrated with Development for close collaboration to provide support and incremental solution services to our clients

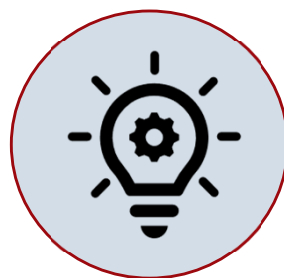
- Product management, research and development expenditure totalled £4.2m for the six month period to 30 June 2020. These costs were fully expensed and are approximately 29% of software and subscription revenues

# Summary & Outlook

Ambition to be a world leading vendor of powerful financial management software to large global enterprises



Number of new business wins



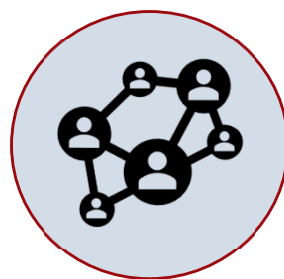
Growing portfolio of product & service offerings



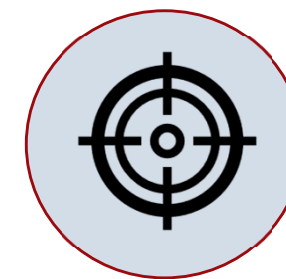
Growing SaaS capability



Increasing worldwide presence



Expanding partner network



Focus on digital finance

Aptitude Software is well positioned in the medium term to realise the significant opportunity



# Appendix

Aptitude<sup>™</sup>  
SOFTWARE

# Income Statement

Continued growth in revenue, 18% Adjusted Operating Margin maintained

	H1 2020 £'000	H1 2019 £'000	FY 2019 £'000
Software and Subscription Revenue	14,695	14,132	28,494
Services Revenue	14,434	14,699	31,158
<b>Total Revenue</b>	<b>29,129</b>	<b>28,831</b>	<b>59,652</b>
Operating Costs	(24,034)	(23,772)	(49,150)
<b>Adjusted Operating Profit</b>	<b>5,095</b>	<b>5,059</b>	<b>10,502</b>
Non-Underlying Items	(563)	(423)	(1,559)
<b>Statutory Operating Profit</b>	<b>4,532</b>	<b>4,636</b>	<b>8,943</b>
Net Interest	8	(223)	(168)
<b>Profit Before Tax</b>	<b>4,540</b>	<b>4,413</b>	<b>8,775</b>
Taxation	(1,090)	(1,059)	(2,033)
<b>Profit After Tax</b>	<b>3,450</b>	<b>3,354</b>	<b>6,742</b>
<b>Profit from Discontinued Operations<sup>1</sup></b>	<b>-</b>	<b>22,433</b>	<b>22,430</b>
<b>Profit for the Year</b>	<b>3,450</b>	<b>25,787</b>	<b>29,172</b>

<sup>1</sup> On 28 June 2019 the Group disposed of the Microgen Financial Systems business which met the criteria of being presented as a discontinued operation. The amount in 2019 includes the gain on disposal of the Microgen Financial Systems business totalling £20.3 million.



# Cash Flow

## Cash flow in line with seasonal expectations

	H1 2020 £'000	H1 2019 £'000	FY2019 £'000
Cash generated from continuing operations	925	3,867	15,295
Cash generated from discontinued operations	-	3,125	3,125
<b>Cash generated from operations</b>	<b>925</b>	<b>6,992</b>	<b>18,420</b>
Interest and tax paid	(481)	(1,506)	(2,403)
<b>Cash flows generated from operating activities</b>	<b>444</b>	<b>5,486</b>	<b>16,017</b>
Purchase of property, plant and equipment	(131)	(429)	(828)
Disposal of subsidiary, net of cash	-	47,152	47,152
Interest received	50	57	158
Net proceeds from issue of ordinary share capital	72	40	1,368
Dividends paid	(2,030)	(2,715)	(3,859)
Repayment of loan	-	(8,000)	(8,000)
Repayment of capital lease obligations	(489)	(607)	(1,127)
Return of value to shareholders, including direct costs incurred	-	-	(47,020)
<b>Net cash (used in)/generated from investing/financing activities</b>	<b>(2,528)</b>	<b>35,498</b>	<b>(12,156)</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>(2,084)</b>	<b>40,984</b>	<b>3,861</b>

# Balance Sheet

Strong balance sheet with cash of £30.9 million and no bank loans

	H1 2020 £'000	H1 2019 £'000	FY2019 £'000
Goodwill and intangible assets	29,850	30,696	30,273
Property, plant and equipment	2,558	3,653	3,207
Trade and other assets	17,296	19,108	14,706
Cash and cash equivalents	30,887	69,897	32,965
<b>Total Assets</b>	<b>80,591</b>	<b>123,354</b>	<b>81,151</b>
Capital lease obligations	(1,601)	(2,541)	(2,123)
Deferred income	(22,235)	(21,206)	(22,842)
Trade and other liabilities	(6,876)	(8,746)	(7,775)
Taxation	(206)	(316)	(485)
Deferred taxation	(1,358)	(2,142)	(1,502)
<b>Total Liabilities</b>	<b>(32,276)</b>	<b>(34,951)</b>	<b>(34,727)</b>
<b>NET ASSETS</b>	<b>48,315</b>	<b>88,403</b>	<b>46,424</b>

# Business model

Strategic objective to increase proportion of higher margin software and subscription revenues

## Software and Subscription Revenue

Annual Recurring Revenue of £30.9 million provides future visibility

### On-Premise Annual Licence Fee Model

Appropriate deployment methodology for larger enterprise applications within product portfolio (often within a private cloud)

Annual Licence Fee paid annually in advance for minimum terms of up to 6 years, typically with automatic annual extensions thereafter

The above fee provides right to use the software, receive maintenance and upgrades

### SaaS Subscription Model

Currently established with Aptitude Revenue Management and Aptitude Lease Accounting Engine

Subscription Fee typically paid annually in advance for minimum terms of up to 6 years, typically with automatic annual extensions thereafter

Investment continues in Cloud Operations

## Professional Services

Growing contribution from Solution Management Services

### Implementation Services

Typically charged on a Time & Materials basis

Blended resource model of employees, contractors, partners and client resource

Global best practices adopted

### Solution Management Services

New service helping clients with post go-live business as usual operation including upgrade support, configuration extension and solution enhancements

Increasing focus of dedicated management. Strengthening of the team with a further senior hire during H1

Recurring in nature, further enhances future revenue visibility

# Product Portfolio

Focused on digital finance transformation and smart compliance



## Aptitude **Accounting Hub (AAH)**

- Allows finance functions to take a leading role in driving the commercial performance of their business and provides the foundation for digital finance transformation
- Centralises and automates finance, accounting and reporting processes, delivering detailed financial data for business insights and decision making
- Provides the largest contribution to our Annual Recurring Revenue
- Clients in a number of sectors including banking, insurance, technology, media and telecom ('TMT') and healthcare
- Can be used on a standalone basis or in conjunction with other applications
- A strategic and continuing opportunity



## Aptitude **Insurance Calculation Engine (AICE)**

- AICE allows an insurer to perform all the calculations and complex accounting required to be compliant with IFRS 17 (comes into force 1 January 2023)
- In conjunction with AAH, AICE allows insurers to make strategic, transformational investment and delivers data, financial insights and decision support providing long-term benefits beyond compliance
- A high value offering, AICE provides a growing proportion of our Annual Recurring Revenue
- Sales cycles in the insurance sector remain extended in line with the Board's previously revised expectations as prospects focus on short-term priorities and manage their capital prudently



## Aptitude **Revenue Management (ARM)**

- Enables finance teams to automate and simplify the whole revenue lifecycle, from contract order to revenue recognition
- Incorporates SaaS-based Aptitude RevStream and the specialised Aptitude Revenue Recognition Engine
- SaaS offering enables finance teams to automate and simplify recognition and reporting processes going beyond the now effective IFRS 15 / ASC 606 requirements
- Material contributor to Annual Recurring Revenue
- Client base for SaaS offering focused on North America, recent launch of Aptitude RevStream into Europe & APAC. Clients in multiple sectors with a focus on TMT

# Share information

At 28 July 2020

Share Price	410p
Market	LSE
8Ticker	APTD
Market Cap.	£231.2m
Net Funds	£28.4m
Enterprise Value	£202.8m
Ord. shares in issue	56.38m
Options outstanding	1.26m

	% Issued Share Capital
Schroders PLC	12.01%
Canaccord Genuity Group Inc.	10.21%
Mrs C Barbour, Mr B Barbour & Bank of New York Mellon (Brussels (Pooled))	7.84%
Jupiter Fund Management Plc	7.00%
Invesco Limited	5.52%
Herald Investment Mgt	3.49%

# Board

## Experienced management team and Board

### Jeremy Suddards, Chief Executive Officer

Jeremy was appointed to the Aptitude Software Board as CEO Designate in September 2019 and assumed the role of CEO in January 2020. Jeremy joined Aptitude Software in January 2018 as the Chief Client Officer for Europe & APAC. Prior to joining Aptitude Software, Jeremy undertook a number of Executive roles at Hewlett Packard Enterprise including Vice President, Financial Services Industries EMEA & Vice President Global Accounts.

### Philip Wood, Deputy Chief Executive Officer and Chief Financial Officer

Philip Wood was appointed Chief Financial Officer on 2 January 2007. A Chartered Accountant, Philip spent seven years with AttentiV Systems Group plc and its group companies during which time he as Group Finance Director oversaw the group's flotation in 2004 and subsequent acquisition in 2005 by Tieto Corporation. Following the disposal of Microgen Financial Systems, in July 2019 Philip was appointed to the position of Deputy Chief Executive Officer and Chief Financial Officer.

### 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 Church Topco Limited, trading as Xceptor (a London-based international software business backed by CBPE Capital). He is also a member of various Wulstan Capital LLPs and Parch Three Estates LLP. He has no other significant commitments.

### Peter Whiting, Senior Independent Non-Executive Director / Chair of Remuneration Committee

Peter Whiting was appointed as a Non-Executive Director on 2 February 2012 and has been Chair of the Remuneration Committee since April 2016. Peter has over twenty years' experience as an investment analyst, specialising in the software and IT services sector. He joined UBS in 2000, led the United Kingdom small and mid-cap research team and was Chief Operating Officer of UBS European Equity Research from 2007 to 2011. Peter is currently Senior Independent Director and Chair of the Remuneration Committee of FDM Group (Holdings) plc, Senior Independent Director and Chair of the Audit Committee of Keystone Law Group plc and a Non-Executive Director and Chair of the Remuneration Committee of D4T4 Solutions plc.

### Barbara Moorhouse, Non-Executive Director / Chair of Audit Committee

Barbara Moorhouse was appointed as a Non-Executive Director on 1 April 2017. 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 Ministry of Justice and Department for Transport. Earlier in her career, she was CFO at two international listed software companies – Kewill Systems plc and Scala Business Solutions NV. Barbara is Chair of the Rail Safety Standards Board, and a Non-Executive Director of Balfour Beatty plc and Agility Trains.

### Georgina Sharley, Company Secretary

Georgina Sharley was appointed as Company Secretary on 10 December 2018. She is a member of the Institute of Chartered Secretaries and Administrators and has 19 years' experience in supporting United Kingdom listed companies and groups with fulfilling their corporate governance and statutory compliance obligations.