

The logo consists of a series of white, overlapping geometric shapes (triangles and hexagons) that form a stylized, abstract representation of a molecular or crystalline structure. It is positioned in the upper left corner of the slide.

microgen

INTERIM RESULTS

Six months ended 30 June 2017
24 July 2017



GROUP OVERVIEW

Across its two operating businesses Microgen develops, implements and supports business-critical software and related services



Specialised Financial
Management Software
Applications

microgen[®]
Financial Systems

Trust & Fund Administration,
Payments and Application
Management

STRATEGIC FOCUS

- Aptitude Software:
 - Continuation of organic growth by focusing on specialised financial management software applications, leveraging the existing expertise in high volume transaction sectors where complex detailed accounting is required
 - Continue to build on the success of our effective partner network in opening new geographies and sectors
- Microgen Financial Systems:
 - Continue transition to a business which is focused on the Trust & Fund Administration ('T&FA') market through both organic growth and add-on acquisitions
 - T&FA market is benefitting from increased regulatory environment which increases requirements for technology solutions

GROUP HIGHLIGHTS

- Excellent performance by the Group in the first half of 2017 with revenue growth of 45%, adjusted operating profit increased by 42%
- Strong organic growth reported by Aptitude Software with a number of new customers across multiple sectors and geographies
- Further strengthening of Microgen Financial Systems' position within T&FA following the acquisition of Primacy Corporation in February 2017
- The Group enters the second half well positioned with good revenue visibility provided by its recent new business successes together with an encouraging pipeline of opportunities



FINANCIAL REVIEW – H1 2017 RESULTS

Six months ended 30 June 2017

24 July 2017

INTERIM RESULTS 2017

Revenue

£28.4m

↑45% (39% C/C*)

(H1 2016: £19.5m)

Adjusted
operating profit

£6.5m

↑42% (33% C/C*)

(H1 2016: £4.6m)

Adjusted
EPS

8.0p

↑36%

(H1 2016: 5.9p)

Interim
dividend

2.0p

↑33%

(H1 2016: 1.5p)

* C/C = Constant currency growth, calculated by comparing H1 2016 results with H1 2017 results retranslated at the rates of exchange prevailing during H1 2016

EXCELLENT PERFORMANCE BY THE GROUP

Aptitude Software revenue

£19.5m

↑70%

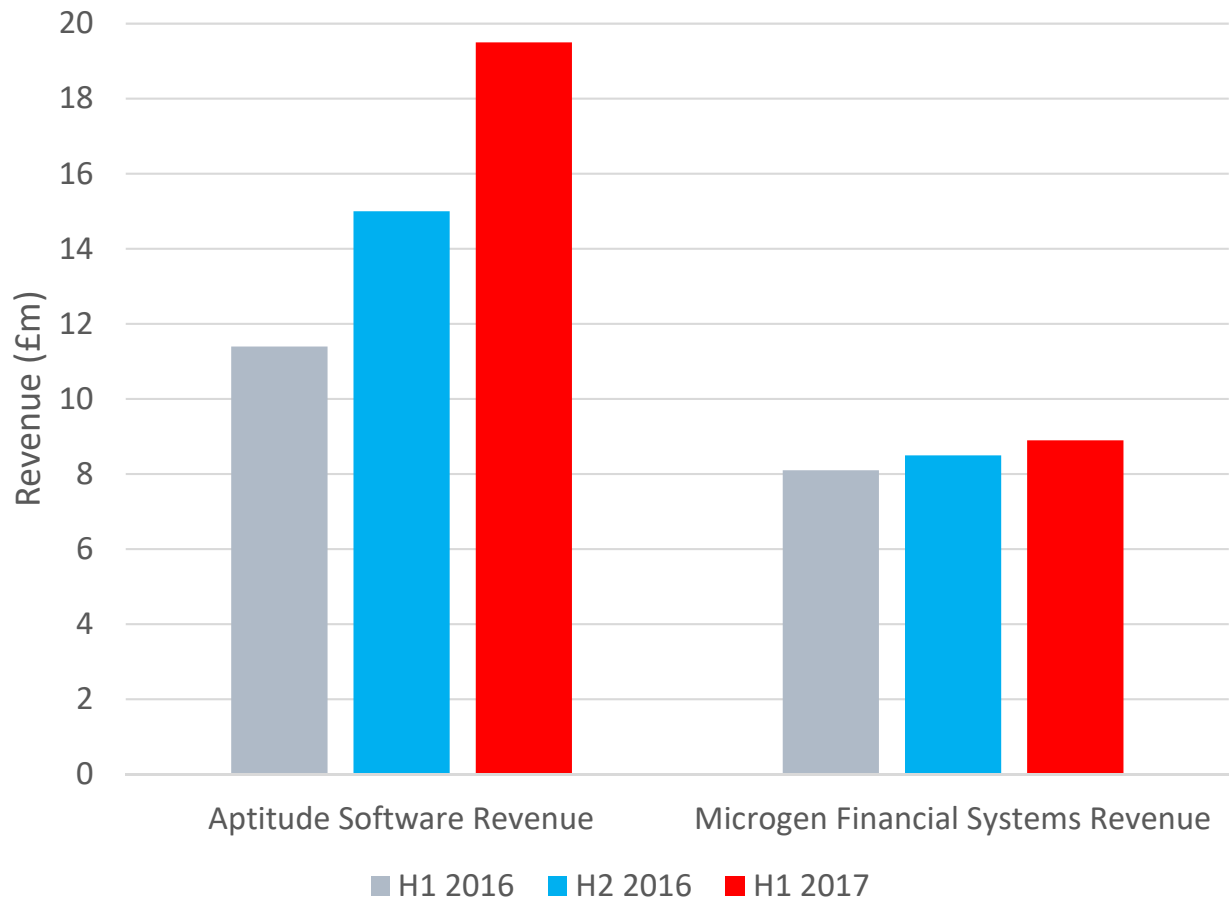
(H1 2016: £11.4m)

Microgen Financial Systems
revenue

£8.9m

↑10%

(H1 2016: £8.1m)



INCOME STATEMENT

	H1 2017 £'000	H1 2016 £'000	FY 2016 £'000
Aptitude Software Revenue	19,485	11,435	26,364
Microgen Financial Systems Revenue	8,865	8,058	16,624
Total Revenue	28,350	19,493	42,988
Aptitude Software Adjusted Operating Profit	3,629	1,746	3,842
Microgen Financial Systems Adjusted Operating Profit	3,776	3,600	7,219
Group Costs	(946)	(787)	(1,536)
Adjusted Operating Profit	6,459	4,559	9,525
Non-Underlying Items	(877)	(604)	(1,313)
Statutory Operating Profit	5,582	3,955	8,212
Net Interest	(157)	(167)	(331)
Profit Before Tax	5,425	3,788	7,881
Taxation	(24.0%) (1,298)	(20.0%) (758)	(20.8%) (1,638)
Profit After Tax	4,127	3,030	6,243

BALANCE SHEET

	H1 2017 £'000	H1 2016 £'000	FY 2016 £'000
Goodwill and intangible assets	52,925	49,528	49,031
Property, plant and equipment	1,649	1,272	1,330
Trade and other current assets	11,213	8,511	9,209
Cash and cash equivalents	15,648	12,722	23,849
Total Assets	81,435	72,033	83,419
Bank loan	(8,750)	(11,750)	(10,250)
Deferred income	(17,878)	(13,567)	(20,617)
Trade and other liabilities	(6,034)	(4,229)	(7,739)
Taxation	(272)	(361)	(100)
Deferred taxation	(2,489)	(1,446)	(1,316)
Total Liabilities	(35,423)	(31,353)	(40,022)
NET ASSETS	46,012	40,680	43,397


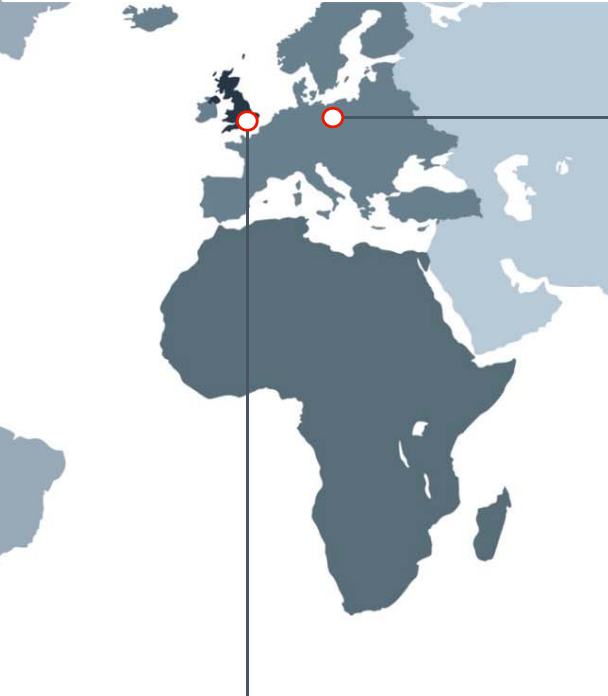

CASH FLOW STATEMENT

	H1 2017 £'000	H1 2016 £'000	FY 2016 £'000
Cash generated from/(used in) operations	419	(2,403)	13,032
Interest and tax paid	(1,199)	(1,136)	(2,457)
Cash flows (used in)/generated from operating activities	(780)	(3,539)	10,575
Purchase of property, plant and equipment	(610)	(556)	(894)
Proceeds from sale of fixed assets	-	2,350	2,352
Acquisition of subsidiary, net of cash	(3,342)	(1,396)	(1,430)
Interest received	7	41	66
Net proceeds from issue of ordinary share capital	99	10	29
Dividends paid	(2,128)	(1,654)	(2,540)
Repayments of loan	(1,500)	(1,500)	(3,000)
Net cash used in investing/financing activities	(7,474)	(2,705)	(5,417)
(Decrease)/increase in cash and cash equivalents	(8,254)	(6,244)	5,158



APPLICATION SUITE

- The Aptitude Software business provides a series of specialised financial management software applications with a focus on banking, insurance, telecommunications and US healthcare
- The applications have the common capability of very rapid processing of very high volume complex, business event-driven transactions and calculations
- Deployed products include:
 - Aptitude Accounting Hub
 - Aptitude Revenue Recognition Engine
 - Aptitude Allocation Engine
- Launched end of June 2017 the Aptitude Lease Accounting Engine addresses the requirements of IFRS 16, the new leasing standard effective for accounting periods commencing on or after 1 January 2019. Opportunities are active
- Application in design to address the requirements for IFRS 17, a new accounting standard focused on insurance contracts effective for accounting periods commencing on or after 1 January 2021

NORTH AMERICA	EUROPE	REST OF THE WORLD
New contracts include Aptitude Accounting Hub projects in healthcare plus continued progress with the Aptitude Revenue Recognition Engine	Implementation of Aptitude Accounting Hub, Aptitude Allocation Engine and Aptitude Revenue Recognition Engine applications continue	Further partner led sales for the Aptitude Revenue Recognition Engine in new territories plus on-going implementation of 2016 sales
		
BOSTON	LONDON	WROCLAW
Business Development Product Management Professional Services	Business Development Product Strategy & Management Professional Services	Research and Development Testing & Support Services

H1 2017 FINANCIAL HIGHLIGHTS

Organic revenue
growth

£19.5m

↑70%

(H1 2016: £11.4m)

Operating profit
growth

£3.6m

↑108%

(H1 2016: £1.7m)

High proportion of overseas
revenue

86%

(H1 2016: 84%)

Revenue on a constant
currency basis

£18.3m

↑60%

(H1 2016: £11.4m)

Operating profit on a
constant currency basis

£3.2m

↑88%

(H1 2016: £1.7m)

Recurring revenue
base growth

£15.0m

↑42%

(H1 2016: £10.6m)

H1 2017 FINANCIAL HIGHLIGHTS

Software
revenue growth

£7.9m

↑41%

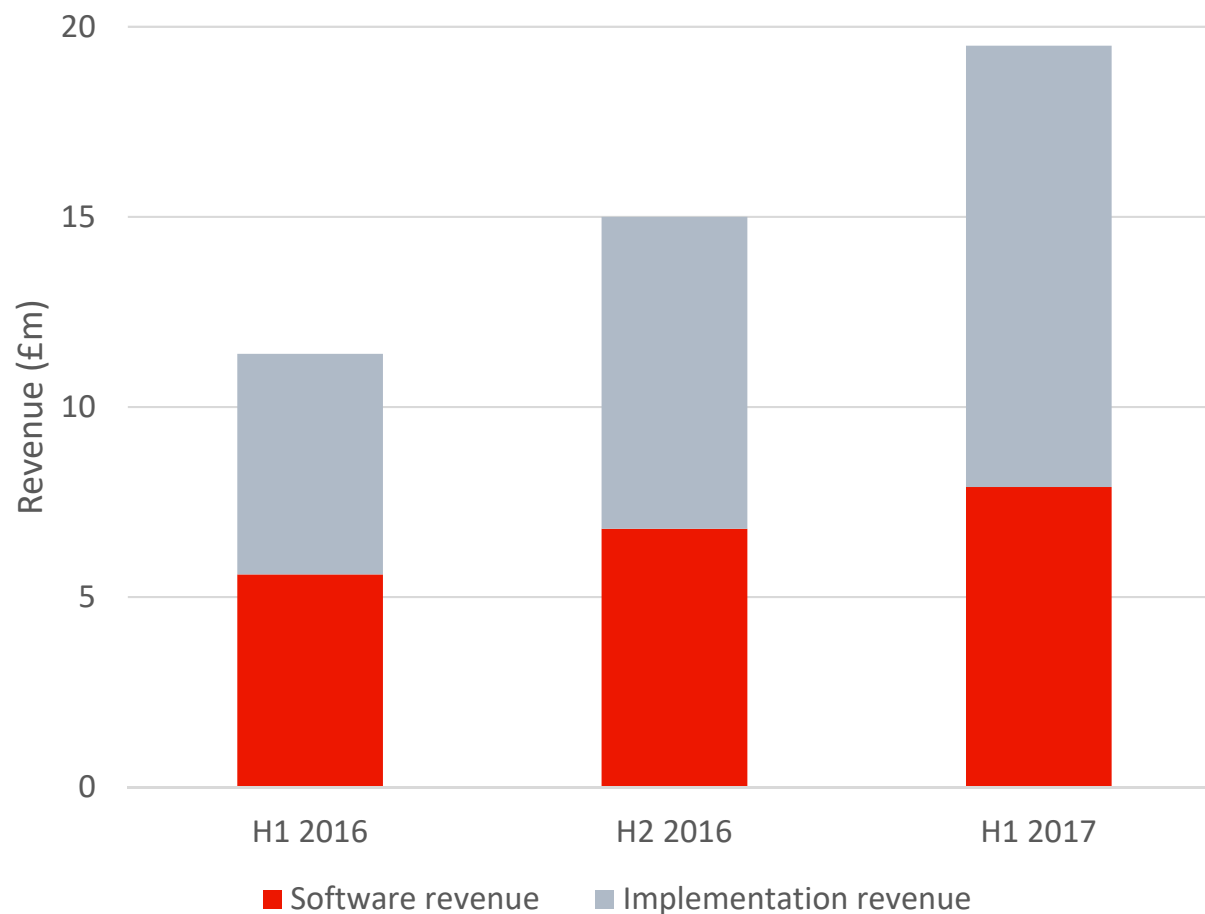
(H1 2016: £5.6m)

Implementation revenue
growth

£11.6m

↑100%

(H1 2016: £5.8m)



DEVELOPMENT OF AN EFFECTIVE PARTNER NETWORK



Partnership framework agreements in place with a number of global consultancies, both accounting and technology integration led organisations

Contribution from partner sales channel ranges from informal influence to formal teaming agreements specific to key opportunities

Use of partner implementation resources has facilitated the uptake of Aptitude Software's applications

60%+ of 2016 and 2017 sales influenced by partners

Trained 150+ partner resources in 2016 and 2017

Partners actively involved in 70%+ of current implementations

LAUNCH OF APTITUDE LEASE ACCOUNTING ENGINE



The Aptitude Lease Accounting Engine offers the data capture and complex accounting capabilities organisations need to comply with IFRS 16/ASC 842

Centralise lease accounting for both lessor and lessee from multiple inputs for minimal disruption and maximum compliance

Existing telecommunications clients targeted in addition to new business opportunities in new sectors

Addresses IFRS 16/
ASC 842 requirements

Standard effective for
periods from 1
January 2019

Active sales
opportunities in
multiple sectors

APPLICATION TO ADDRESS IFRS 17, INSURANCE CONTRACTS



Aptitude Software are a thought leader and well positioned with this future opportunity given its accounting hub foundation, consultancy firm relationships and IFRS change experience

Complexity of accounting requirements and the need to process high volumes of data and changing scenario based projections are key strengths of Aptitude Software

Applications in addition to Aptitude Accounting Hub are in design

Addresses IFRS 17 requirements

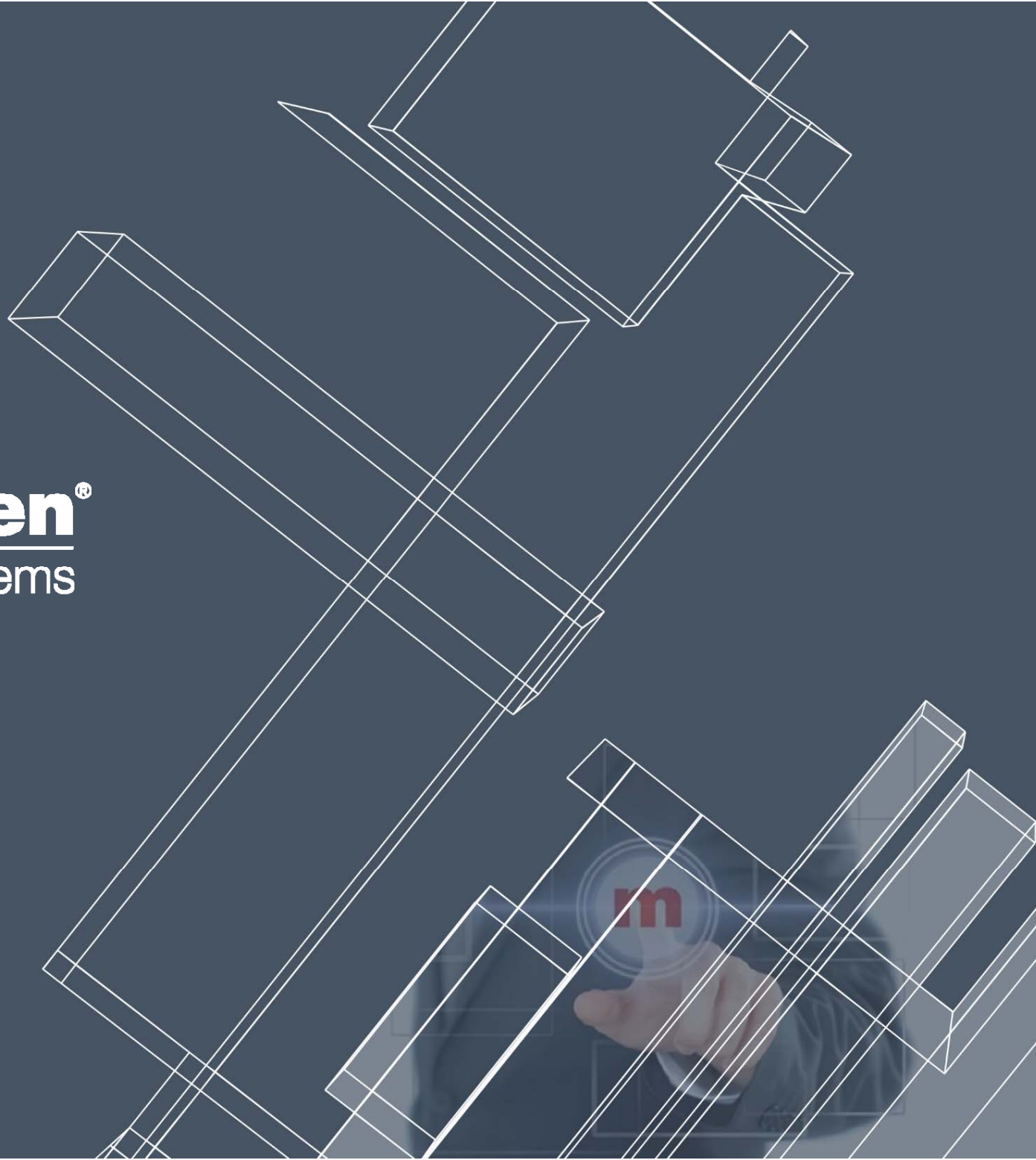
Standard effective for periods from 1 January 2021

Likely to require unprecedented accounting change for insurers

STRATEGY AND OUTLOOK

- Aptitude Software continues to benefit from the increased focus on the deployment of its specialised financial management software applications.
- Development of an effective partner network has contributed to the continued growth in software revenue, the key strategic focus of the business.
- Exceptionally strong demand for implementation services in 2017 due to IFRS 15/ASC 606 impending deadline. Growth in demand for services experienced in 2017 is expected to moderate in 2018
- Launch of Aptitude Lease Accounting Engine end of June 2017 provides further opportunities for software revenue growth in future periods
- The continuing opportunities for Aptitude Revenue Recognition Engine and Aptitude Accounting Hub, combined with the potential of the new products, provides the business with confidence for the remainder of 2017 and future years.

microgen[®]
Financial Systems



PRODUCT SUITE

- Building an increasingly strong presence in the Trust & Fund Administration ('T&FA') sector with in excess of 350 customers in over 30 countries
- 61% of revenues now from T&FA sector. Payments and Application Management businesses continue in line with expectations
- The Microgen 5Series product addresses the core operational requirements of organisations in the T&FA market
- Software is principally used by trust administrators, fiduciary companies and corporate services providers – either independent organisations or divisions of larger financial services companies
- Software is also used by fund administrators, family offices and law firms

Over 350 T&FA customers in over 30 countries

UK & CHANNEL ISLANDS

New business sales together with a number of upgrades to Microgen 5Series from acquired products and upsells within the existing Microgen 5Series base

CARIBBEAN

Acquisition of Toronto-based Primacy with its Caribbean focus.
Upgrades of Primacy customers to Microgen 5Series secured since the acquisition

REST OF WORLD

New business sales including Singapore head-quartered customer secured with multi-office T&FA organisation to roll out Microgen 5Series through its network



Main office locations include the United Kingdom, the Channel Islands, Cyprus and Toronto

H1 2017 FINANCIAL HIGHLIGHTS

Revenue

£8.9m

↑10%

(H1 2016: £8.1m)

Adjusted operating
profit

£3.8m

↑5%

(H1 2016: £3.6m)

T&FA proportion of
revenue increasing

61%

(H1 2016: 51%)

Recurring revenue
proportion

77%

(H1 2016: 81%)

H1 2017 FINANCIAL HIGHLIGHTS

T&FA revenue growth

£5.4m ↑32%

(H1 2016: £4.1m)

Payments revenue

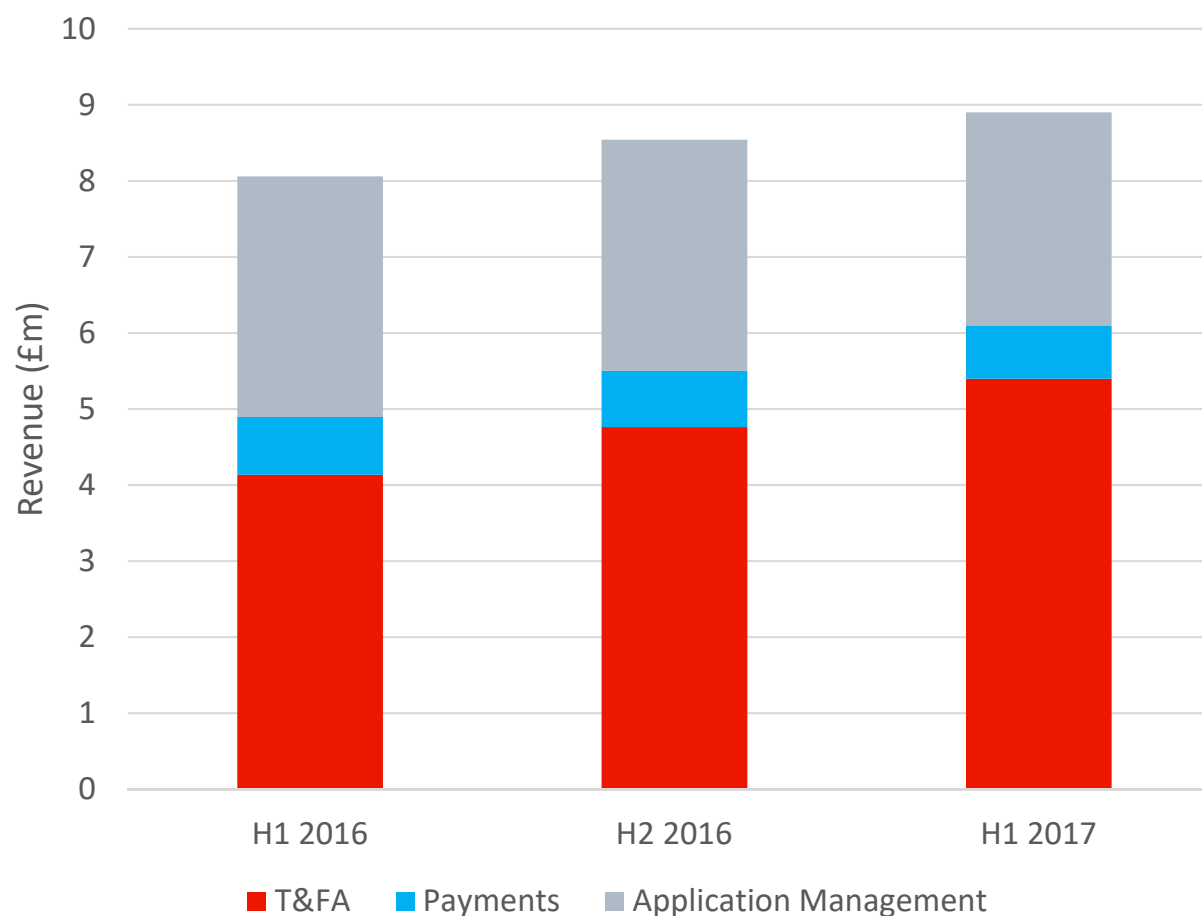
£0.7m

(H1 2016: £0.8m)

App Man managed decline

£2.8m

(H1 2016: £3.2m)



ACQUISITION OVERVIEW

- Five acquisitions completed since December 2014 including Primacy in February 2017
- Key element of acquisition strategy is the ability to secure both services and licence uplift fees if customers choose to migrate to Microgen 5Series from the acquired T&FA products in order to benefit from its enhanced functionality and modern technology
- Primacy acquired in February 2017 for consideration of £3.4 million
 - Revenue of £1.2 million of which £0.8 million is recurring
 - Operating profit of £0.6 million
- Further add-on opportunities continue to be actively evaluated within T&FA
- The business also is appraising opportunities which offer the potential to leverage Microgen Financial Systems' existing technology into adjacent sectors

Revenue and operating profits detailed above are in relation to last set of full year results reported by Infoscreen and Primacy prior to acquisition

T&FA GROWTH

- Revenue increased 32% to £5.4 million (H1, 2016: £4.1 million)
- Microgen 5Series revenues within T&FA have increased to £3.8 million (H1, 2016: £3.1 million) benefitting from both new name customer wins and conversions to Microgen 5Series from the T&FA acquisitions completed since December 2014
- Conversions from acquired products contributed £0.7 million (H1, 2016: £0.4 million) to the £3.8 million from Microgen 5Series
- Remaining £1.6 million of T&FA revenue (H1, 2016: £1.0 million) generated from customers that to date remain on acquired products

CASE STUDY

PROVIDER OF ENTITY ADMINISTRATION SERVICES

MICROGEN 5SERIES



Microgen 5Series will be deployed across the customer's Asian offices as the key business system for its trust administration and accounting activities.

Microgen 5Series was selected due to the software's superior functionality, including powerful workflow capabilities, that will bring significant operational efficiency and management control to the business. In addition, the customer identified Microgen's growing Asian customer base as a strength.

One of the largest
independent
trust, fund and family
office service providers
in Asia

10 offices,
HQ in Singapore

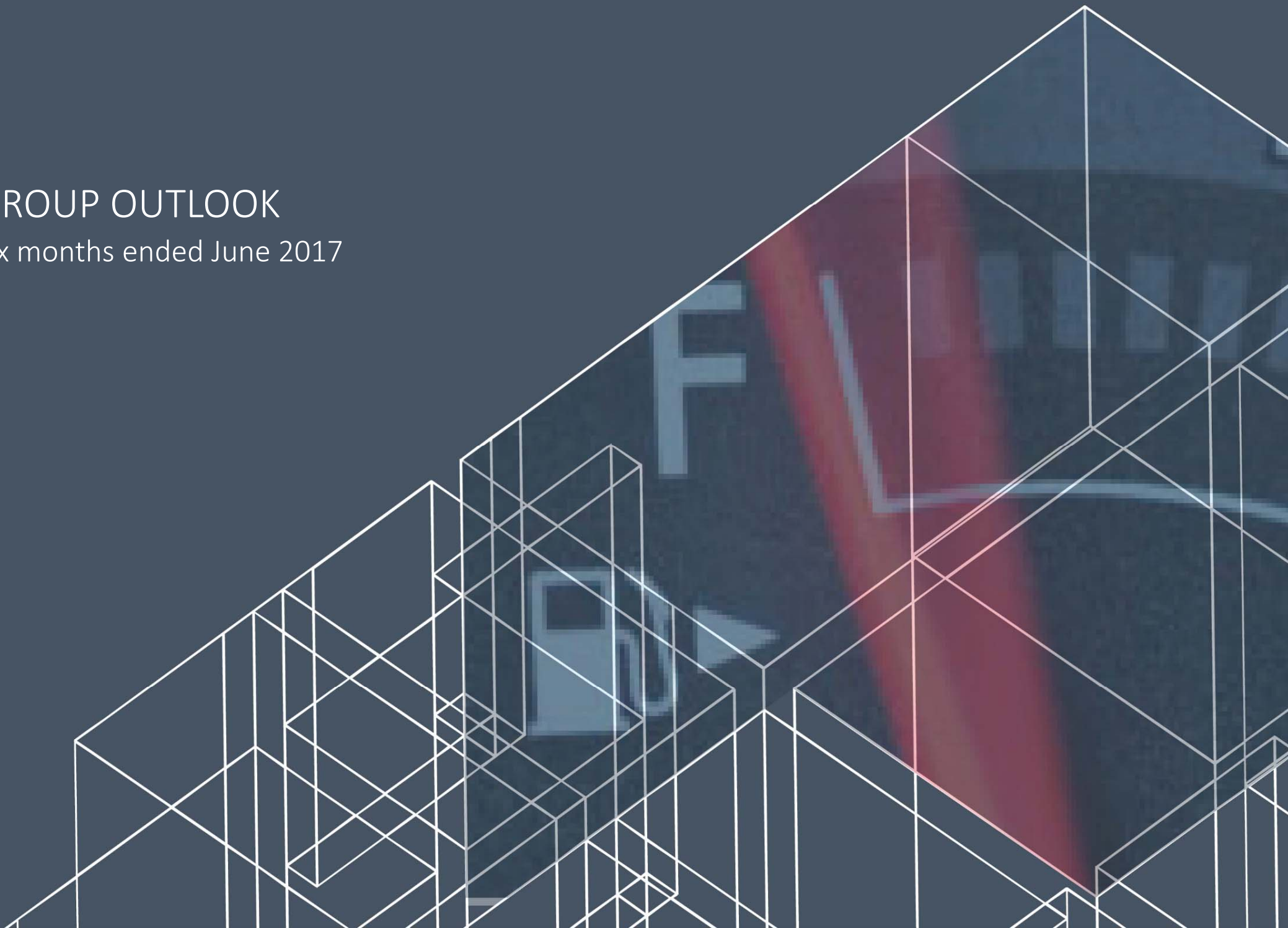
Increases Microgen's existing
presence in fast-growing
Asian wealth management
market

STRATEGY AND OUTLOOK

- Transition to a business which is focused on the Trust & Fund Administration ('T&FA') market through both organic and inorganic growth
- Combination of organic and inorganic growth is further enhancing our already strong market positioning in T&FA sector
- Benefits from add-on acquisitions are being progressively received as integration continues
- Further acquisitions and add-on opportunities continue to be evaluated within T&FA where there is potential to leverage Microgen 5Series' capability
- With recurring revenue accounting for 77% the business has excellent future visibility

GROUP OUTLOOK

Six months ended June 2017



GROUP OUTLOOK

- Excellent progress in the first half of 2017 resulting in a financial performance ahead of the Board's original expectations for the period
- Strong organic growth from Aptitude Software whilst Microgen Financial Systems successfully continues its transition to a business focused on the T&FA market
- Expanding global footprint, entry into new industry verticals and continued development of partner networks
- Good forward visibility and robust balance sheet
- Microgen well positioned as the Group enters the second half of 2017