

The logo for Microgen, consisting of a complex, overlapping geometric pattern of white lines forming various polygons and shapes, set against a dark blue background.

microgen

INTERIM RESULTS

Six months ended 30 June 2018
23 July 2018

A faint, blue-tinted background image of a business meeting. In the foreground, a man in a white shirt is smiling and resting his chin on his hand. In the background, other people are visible, though out of focus.

GROUP OVERVIEW

Across its two operating businesses Microgen develops, implements and supports business-critical software and related services. Both businesses benefit from high quality revenue streams with excellent forward visibility arising from the recurring revenue licence models favoured by each business



STRATEGIC FOCUS

- Aptitude Software:
 - Continuation of organic growth by focusing on specialised financial management software applications which have the common capability of very rapidly processing very high volume complex, business event-driven transactions and calculations
 - Continue to build on the success of our effective partner network in opening new geographies and verticals
- 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 greater regulation which increases requirements for technology solutions to ensure compliance

GROUP HIGHLIGHTS

- The Group's recent progress continued in the first half of 2018 with overall revenue growth of 23%, representing organic growth of 11% on a constant currency basis
- Aptitude Software has successfully commenced the transition from its focus on the Aptitude Revenue Recognition Engine to the growing opportunity with its latest application, the Aptitude Insurance Calculation Engine
- Microgen Financial Systems has further strengthened its focus on the Trust & Fund Administration sector by disposing of its small non-core Payments business
- Encouraging pipeline of opportunities targeted to contract in the second half of the year and subsequent periods, the timing of which will determine the future level of success

CONTINUED STRATEGIC PROGRESS

2014

- £15.4 million revenue, on-going recurring base of £7.5 million
- First entry into telco sector with Aptitude Accounting Hub

- 1st T&FA acquisition completed, Unity in Jersey
- T&FA revenues of £4.7 million, 33% of total

2015

- £16.7 million revenue, on-going recurring base of £9.0 million
- First sale of Aptitude Revenue Recognition Engine ('ARRE') into telco

- 2nd & 3rd T&FA acquisitions completed, Jobstream and Finalsys
- T&FA revenues increased 38% to £6.5 million, 43% of total

2016

- Revenue increased 58% to £26.4 million, on-going recurring base of £12.6 million
- Multiple sales of ARRE and development of partner network

- 4th T&FA acquisition completed, Infoscreen
- T&FA revenues increase 37% to £8.9 million, 54% of total

2017

- Revenue increased 70% to £44.7 million, on-going recurring base of £19.3 million
- Launch of new specialised financial management software applications, acquisition of RevStream

- 5th T&FA acquisition completed, Primacy
- T&FA revenues increase 27% (including 16% organic growth) to £11.3 million, 62% of total

2018

- First sales of Aptitude Insurance Calculation Engine ('AICE') in Asia and Europe
- First software-as-a-service sale of a core application leveraging the recently acquired RevStream cloud platform

- Disposal of small non-core Payments business in July for consideration of £6.9 million
- T&FA revenues represent 69% of continuing revenue following sale



Unaudited interim results





FINANCIAL REVIEW – H1 2018 RESULTS

Six months ended 30 June 2018

23 July 2018

INTERIM RESULTS 2018

Revenue

£34.9m

↑23%

(11% organic C/C* growth)

(H1 2017: £28.4m)

Adjusted
operating profit

£7.4m

↑12%

(13% C/C growth)

(H1 2017: £6.6m)

Adjusted EPS

9.3p

↑15%

(H1 2017: 8.1p)

Interim dividend

2.2p

↑10%

(H1 2017: 2.0p)

* C/C = Constant currency growth, calculated by comparing H1 2017 results with H1 2018 results retranslated at the rates of exchange prevailing during H1 2017

CONTINUED PROGRESS BY THE GROUP

Aptitude Software revenue

£25.4m

↑30%

(14% organic C/C growth)

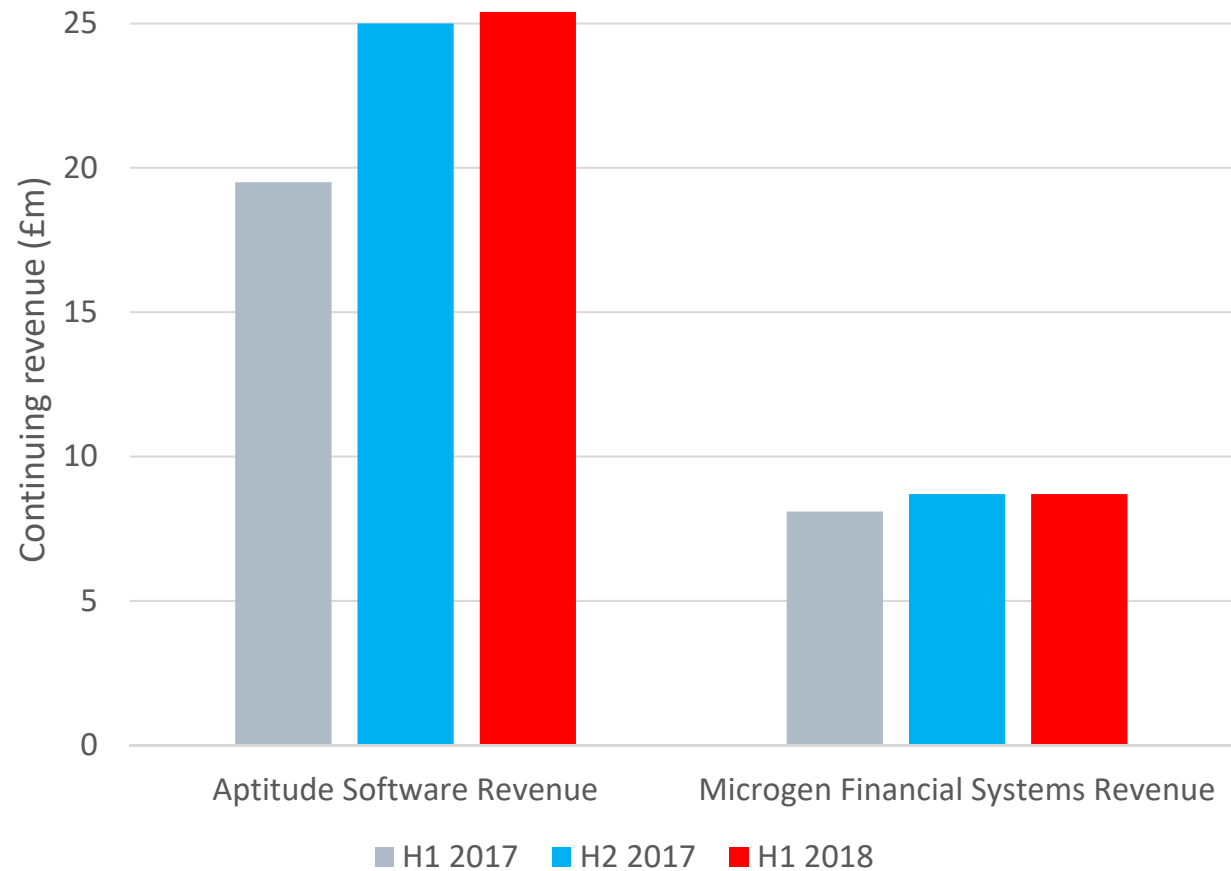
(H1 2017: £19.5m)

Microgen Financial Systems
continuing revenue

£8.7m

↑7%

(H1 2017: £8.1m)



INCOME STATEMENT

| | H1 2018 £'000 | H1 2017 £'000 | FY 2017 £'000 |
|--|------------------|------------------|------------------|
| Aptitude Software Revenue | 25,423 | 19,517 | 44,721 |
| Microgen Financial Systems Revenue | 9,508 | 8,865 | 18,300 |
| Total Revenue | 34,931 | 28,382 | 63,021 |
| Aptitude Software Adjusted Operating Profit | 4,847 | 3,688 | 8,619 |
| Microgen Financial Systems Adjusted Operating Profit | 3,565 | 3,785 | 7,535 |
| Group Costs | (980) | (857) | (1,651) |
| Adjusted Operating Profit | 7,432 | 6,616 | 14,503 |
| Non-Underlying Items | (1,156) | (877) | (2,541) |
| Statutory Operating Profit | 6,276 | 5,739 | 11,962 |
| Net Interest | (235) | (228) | (459) |
| Profit Before Tax | 6,041 | 5,511 | 11,503 |
| Taxation | (21.0%) (1,269) | (23.9%) (1,319) | (8.7%) (1,000) |
| Profit After Tax | 4,772 | 4,192 | 10,503 |

BALANCE SHEET

| | H1 2018 £'000 | H1 2017 £'000 | FY 2017 £'000 |
|---|------------------|------------------|------------------|
| Goodwill, intangible and other long term assets | 69,186 | 53,946 | 70,206 |
| Property, plant and equipment | 5,630 | 5,290 | 5,543 |
| Trade and other current assets | 21,099 | 11,486 | 16,124 |
| Cash and cash equivalents | 11,640 | 15,648 | 19,137 |
| Total Assets | 107,555 | 86,370 | 111,010 |
| Bank loan and capital lease obligations | (13,189) | (12,873) | (14,056) |
| Deferred income | (25,986) | (18,476) | (26,855) |
| Trade and other liabilities | (7,350) | (6,034) | (10,997) |
| Taxation | (188) | (272) | (381) |
| Deferred taxation | (4,296) | (2,666) | (4,297) |
| Total Liabilities | (51,009) | (40,321) | (56,586) |
| NET ASSETS | 56,546 | 46,049 | 54,424 |

CASH FLOW STATEMENT

| | H1 2018 £'000 | H1 2017 £'000 | FY 2017 £'000 |
|---|------------------|------------------|------------------|
| Cash (used in)/generated from operations | (1,098) | 874 | 14,602 |
| Interest and tax paid | (1,473) | (1,270) | (2,997) |
| Cash flows (used in)/generated from operating activities | (2,571) | (396) | 11,605 |
| Purchase of property, plant and equipment | (508) | (610) | (1,180) |
| Acquisitions of subsidiaries, net of cash | - | (3,342) | (10,460) |
| Interest received | 18 | 7 | 13 |
| Net proceeds from issue of ordinary share capital | 33 | 99 | 106 |
| Dividends paid | (2,588) | (2,128) | (3,345) |
| Repayments / drawdown of loans and capital leases | (1,666) | (1,884) | (1,327) |
| Net cash used in investing/financing activities | (4,711) | (7,858) | (16,193) |
| Decrease in cash and cash equivalents | (7,282) | (8,254) | (4,588) |



OUR PORTFOLIO

- The Aptitude Software business provides a suite of highly specialised finance management software applications with a traditional focus on banking, insurance and telecommunications
- With the recently acquired RevStream SaaS Platform and the launch of the Aptitude Lease Accounting Engine a broader number of sectors are now targeted including technology, media and publishing
- The applications have the common capability of very rapid processing of very high volume complex, business event-driven transactions and calculations
- Key applications include:
 - Aptitude Insurance Calculation Engine
 - Aptitude Revenue Recognition Engine
 - Aptitude RevStream
 - Aptitude Accounting Hub
 - Aptitude Lease Accounting Engine

APTITUDE INSURANCE CALCULATION ENGINE



The Aptitude Insurance Calculation Engine, in conjunction with the established Aptitude Accounting Hub, offers the data capture and complex accounting capabilities organisations need to comply with IFRS 17 and understand its impact

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

Addresses IFRS 17 requirements

Standard effective for periods from 1 January 2021

H1 2018 sales to major insurers in both Asia and Europe

APTITUDE REVENUE RECOGNITION ENGINE



The Aptitude Revenue Recognition Engine offers specialised functionality enabling telcos in particular to comply with IFRS 15/ASC 606 requirements

Key differentiation to other products is the ability to process extreme volumes of data and account for a very wide range of contract structures

A number of clients now successfully live with the application

Addresses IFRS 15/
ASC 606 requirements

Standard effective for
periods from 1
January 2018

Further new business
contracts signed in the
first half of 2018

APTITUDE REVSTREAM



Aptitude RevStream offers broader revenue management functionality than the specialised functionality of the Aptitude Revenue Recognition Engine

Client base weighted towards technology and media / publishing companies

Cloud platform, now being leveraged across other Aptitude Software products

Addresses IFRS 15/
ASC 606 requirements

Software-as-a-service

A number of new
business contracts
completed since
acquisition on 31
August 2017

APTITUDE ACCOUNTING HUB



Enables enterprise finance teams to standardise and automate their accounting processes while building rich financial data foundations

Event-based accounting engine that generates complex debits and credits with enhanced control, attribution and consistency

Granular multi-everything accounting sub-ledger maintaining detailed and summary accounting balances

Clients within telco, insurance and banking

Key component of a modern finance architecture

Integrated with both the Aptitude Insurance Calculation and the Aptitude Revenue Recognition Engine

APTITUDE LEASE ACCOUNTING ENGINE



Offers the data capture and complex accounting capabilities organisations need to comply with IFRS 16/ASC 842

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

Ability to differentiate itself due to the complexity of accounting it is able to process across both leasing accounting standards

Addresses IFRS 16/
ASC 842 requirements

Standard effective for
periods from 1
January 2019

Software-as-a-service
sale in H1 2018
leveraging the
RevStream cloud
platform

H1 2018 FINANCIAL HIGHLIGHTS

Revenue

£25.4m

(10% organic growth)

(H1 2017: £19.5m)

Operating profit

£4.8m

(31% growth)

(H1 2017: £3.7m)

High proportion of overseas
revenue

88%

(H1 2017: 86%)

Revenue on a constant
currency basis

£26.2m

(14% organic growth)

(H1 2017: £19.5m)

Operating profit on a
constant currency basis

£4.9m

(32% growth)

(H1 2017: £3.7m)

Recurring revenue
base

£21.3m

(23% organic growth)

(H1 2017: £15.0m)

H1 2018 FINANCIAL HIGHLIGHTS

Software
revenue

£11.8m

(25% organic growth)

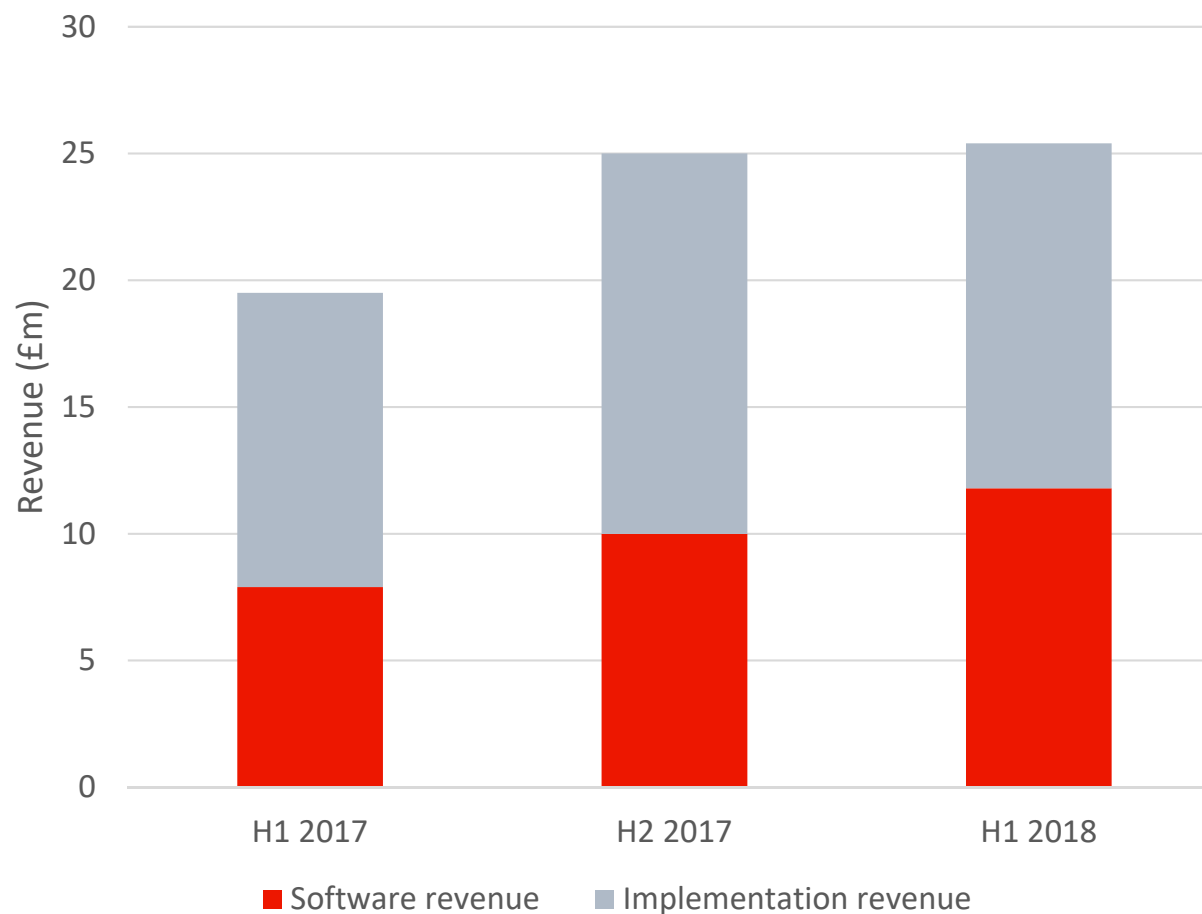
(H1 2017: £7.9m)

Implementation
revenue

£13.6m

(Consistent organically)

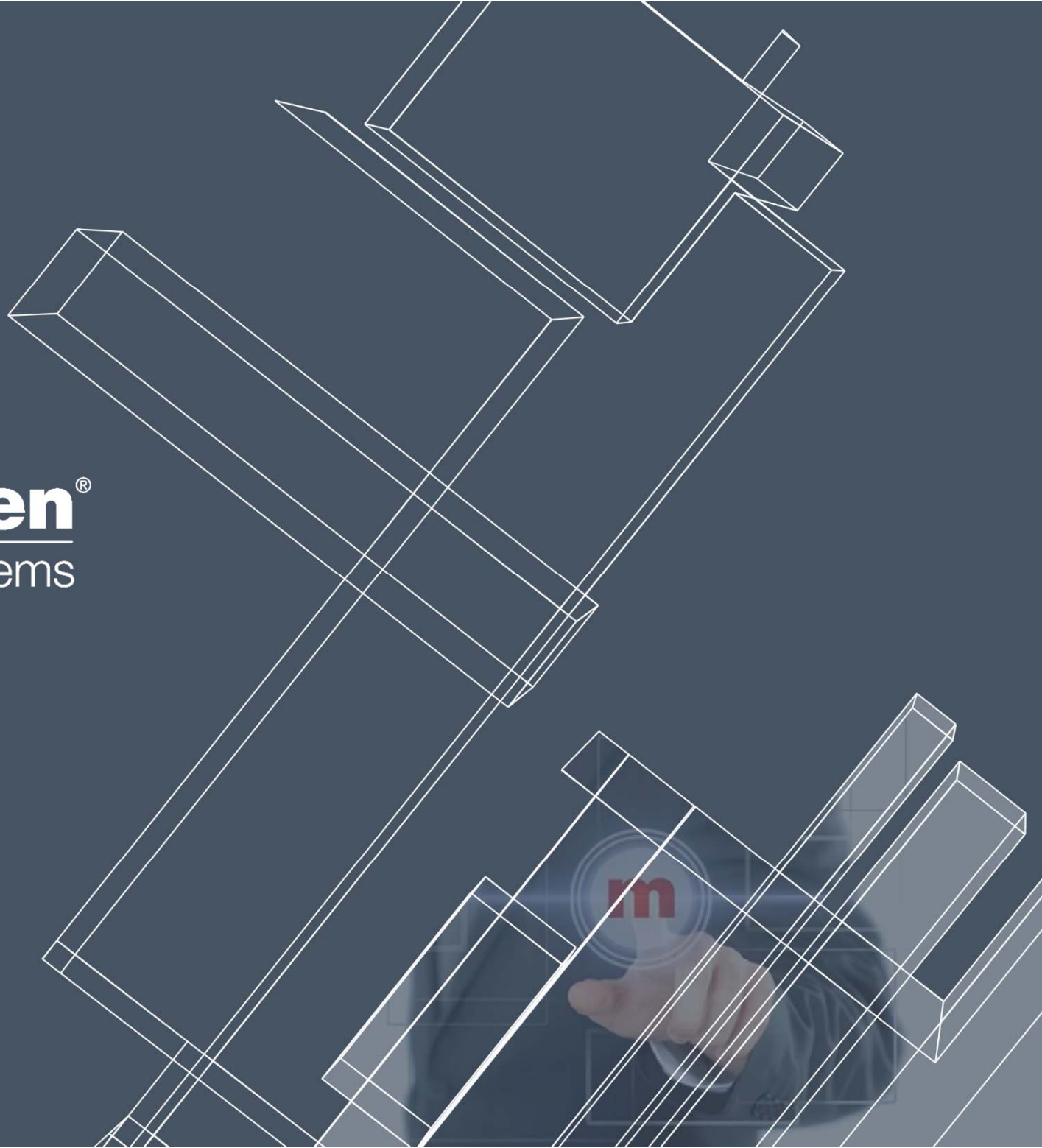
(H1 2017: £11.6m)



SUMMARY

- Aptitude Software has successfully commenced the transition from its focus on the Aptitude Revenue Recognition Engine to the growing opportunity with the Aptitude Insurance Calculation Engine
- Sales of the strategically important Aptitude Insurance Calculation Engine completed in H1 2018 within both Asia and Europe. First software-as-a-service sale of the Aptitude Lease Accounting Engine leveraging the recently acquired RevStream cloud platform
- Continued development of Aptitude Software's high quality partner network with a number of significant alliances announced in the first half of the year
- As expected demand moderated for implementation services in H1 2018 as a result of the partner programme maturing, a number of the Aptitude Revenue Recognition Engine projects nearing completion and the transition of Aptitude Software's focus to its latest applications
- A number of further opportunities for the Aptitude Insurance Calculation Engine targeted for the second half of the year and subsequent periods

microgen[®]
Financial Systems



OVERVIEW

- Building an increasingly strong presence in the Trust & Fund Administration ('T&FA') sector with in excess of 350 customers in over 30 countries
- 69% of continuing revenues now from T&FA sector following sale of the small non-core Payments business in July 2018. Application Management business continues in line with expectations with excellent visibility from new long term customer commitments
- 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

H1 2018 FINANCIAL HIGHLIGHTS

Continuing revenue

£8.7m

↑7%

(H1 2017: £8.1m)

Continuing adjusted
operating profit

£3.0m

(H1 2017: £3.3m)

T&FA proportion of
continuing revenue growing

69%

(H1 2017: 61%)

Recurring revenue
proportion

75%

(H1 2017: 77%)

H1 2018 FINANCIAL HIGHLIGHTS

T&FA revenue growth

£6.1m

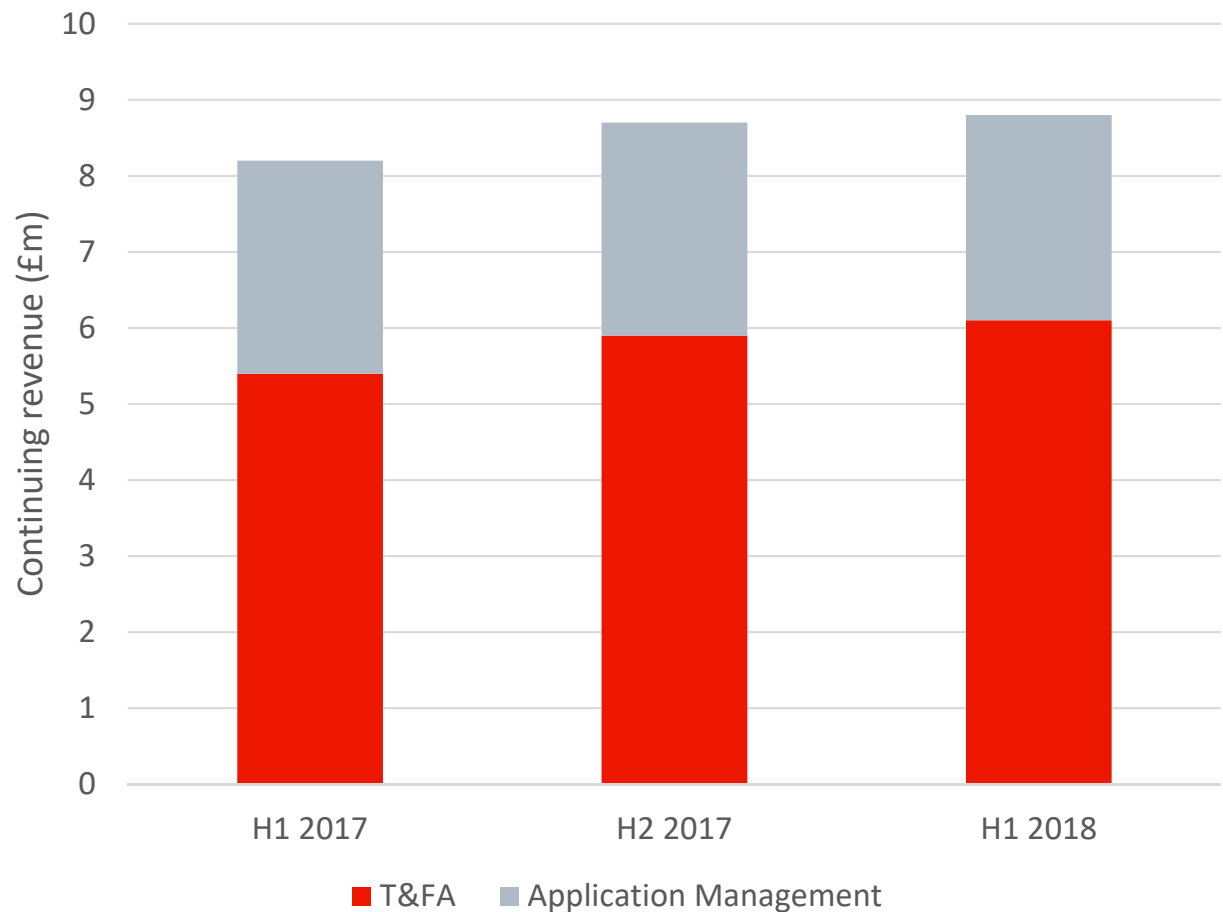
(10% organic growth)

(H1 2017: £5.4m)

App Man resilient

£2.7m

(H1 2017: £2.8m)



T&FA GROWTH

- Revenue increased 13% to £6.1 million (H1 2017: £5.4 million), organic growth of 10%
- Investments made during the course of the year throughout the business to provide the potential to accelerate the rate of growth but dampen margin in short term
- T&FA now represents 69% of Microgen Financial Systems' continuing revenue (33% in 2014)
- T&FA recurring revenue base increased by 11% to £8.9 million (30 June 2017: £8.0 million), growth of 11%
- 62% of T&FA revenue generated from Microgen 5Series contracts (H1 2017: 56%)
- 38% of T&FA revenue from acquired or legacy products represents an opportunity to generate implementation fees and uplifts in annual licence fees from migrations to Microgen 5Series

DISPOSAL OF PAYMENTS BUSINESS

- Disposal of small, non-core Payments business for consideration of £6.9 million completed on 2 July 2018
- Business provided a series of BACS payment products and supporting services to a wide range of businesses
- UK national payments architecture in the early stages of fundamental government-driven structural change
- No synergies with Trust & Fund Administration business
- 2017 revenue of £1.4 million, operating profit £1.0 million
- Enables Microgen Financial Systems to concentrate its resources on T&FA, the strategic focus of the business
- Proceeds retained to support Microgen Financial Systems' acquisition strategy

SUMMARY

- Transition to a business which is focused on the Trust & Fund Administration ('T&FA') market through both organic and inorganic growth, accelerated by disposal of the small, non-core Payments business on 2 July 2018
- Combination of organic and inorganic growth continues to enhance our already strong market positioning in T&FA sector
- Investment continuing in the team and organisation to enable the business to realise future growth opportunities
- Signing of a number of material multi-year contract extensions within the Application Management business further strengthens Microgen Financial Systems' excellent future visibility
- Further acquisitions and add-on opportunities continue to be evaluated within T&FA and adjacent markets

IFRS 15 & IFRS 16 IMPACT

Appendix



INCOME STATEMENT RESTATEMENT, H1 2017

- IFRS 15, Minimal P&L impact on revenue and operating costs (commission) in H1 2017
- IFRS 16, Immaterial movement of expenditure from operating costs to finance costs

| | H1 2017 £'000 | IFRS 15 £'000 | IFRS 16 £'000 | H1 2017 Restated £'000 |
|---------------------------------|------------------|------------------|------------------|---------------------------|
| Revenue | 28,350 | 32 | - | 28,382 |
| Operating costs | (22,768) | 10 | 115 | (22,643) |
| Operating profit | 5,582 | 42 | 115 | 5,739 |
| Finance income | 7 | - | - | 7 |
| Finance costs | (164) | - | (71) | (235) |
| Profit before income tax | 5,425 | 42 | 44 | 5,511 |
| Income tax expense | (1,298) | (10) | (11) | (1,319) |
| Profit for the period | 4,127 | 32 | 33 | 4,192 |

BALANCE SHEET RESTATEMENT EXTRACTS, H1 2017

- IFRS 15, Establishment of an asset related to sales commissions paid, recognised over expected duration of customer agreement + increased deferral of revenue
- IFRS 16, Establishment of a £3.6 million 'right-of-use' asset in respect of property leases and corresponding capital lease obligation on balance sheet

| | H1 2017 £'000 | IFRS 15 £'000 | IFRS 16 £'000 | H1 2017 Restated £'000 |
|---------------------------------|------------------|------------------|------------------|---------------------------|
| Property, plant and equipment | 1,649 | | 3,641 | 5,290 |
| Deferred income tax assets | 741 | 63 | 100 | 904 |
| Other long-term assets | - | 1,021 | - | 1,021 |
| Trade and other receivables | 10,288 | 110 | - | 10,398 |
| Trade and other payables | (23,497) | (598) | - | (24,095) |
| Capital lease obligations | - | - | (4,123) | (4,123) |
| Deferred income tax obligations | (2,489) | (166) | (11) | (2,666) |
| NET ASSETS | 46,012 | 430 | (393) | 46,049 |