

A graphic consisting of a series of white, overlapping geometric shapes (triangles and polygons) on a dark blue background, forming a stylized, abstract representation of a molecular or crystalline structure.

microgen

# 2016 AUDITED PRELIMINARY RESULTS

Year ended 31 December 2016  
**8 March 2017**



## GROUP OVERVIEW

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



## STRATEGIC FOCUS

- Aptitude Software:
  - Acceleration of organic growth by focusing specialised financial management software applications
  - Continue to strengthen growth by focusing and leveraging the existing expertise in high volume transaction sectors where complex detailed accounting is required
- Microgen Financial Systems:
  - 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 progress by the Group's two businesses in line with the declared strategy
- Revenue growth of 35%, adjusted operating profit increased by 26%
- Strong organic growth by Aptitude Software driven by demand for its specialised financial management software applications in both existing and new markets
- Microgen Financial Systems' transition to a T&FA focused business continues with organic growth in this sector complemented by add-on acquisitions (five since December 2014)
- Both businesses confidently enter 2017 expecting to build on the progress achieved to date

An abstract graphic on the left side of the page. It features a complex network of white, thin, overlapping lines that form a series of nested, irregular polygons. Within this geometric structure, there is a semi-transparent image of a mechanical component, possibly a turbine or engine part, with a prominent red section and blue/grey metallic parts. The background of the entire slide is a solid dark blue-grey color.

# FINANCIAL REVIEW

Year ended December 2016

8 March 2017

## 2016 RESULTS

Revenue

£43.0m

↑ 35% (29% C/C\*)

(2015: £32.0m)

Adjusted  
operating profit

£9.5m

↑ 26% (12% C/C)

(2015: £7.6m)

Adjusted  
EPS

12.3p

↑ 34%

(2015: 9.2p)

Full year  
dividend

5.0p

↑ 19%

(2015: 4.2p)

\* C/C = Constant currency growth, calculated by comparing 2015 results with 2016 results retranslated at the rates of exchange prevailing during 2015

## EXCELLENT PROGRESS IN BOTH BUSINESSES

Aptitude Software  
revenue

£26.4m

↑ 58% (48% C/C)

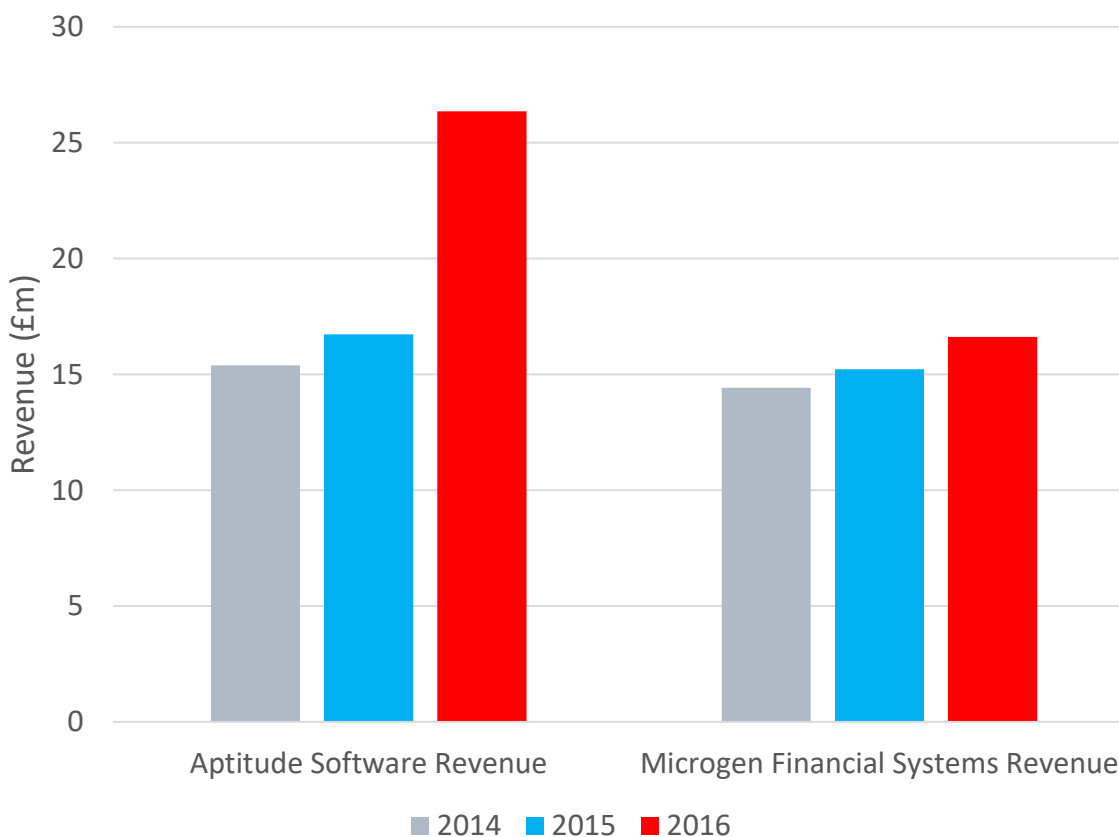
(2015: £16.7m)

Microgen Financial Systems  
revenue

£16.6m

↑ 9%

(2015: £15.2m)



# INCOME STATEMENT

	2016 £'000	2015 £'000
Aptitude Software Revenue	26,364	16,730
Microgen Financial Systems Revenue	16,624	15,228
<b>Total Revenue</b>	<b>42,988</b>	<b>31,958</b>
Aptitude Software Adjusted Operating Profit	3,842	1,664
Microgen Financial Systems Adjusted Operating Profit	7,219	7,247
Group Costs	(1,536)	(1,322)
<b>Adjusted Operating Profit</b>	<b>9,525</b>	<b>7,589</b>
Non-Underlying Items	(1,313)	(2,316)
<b>Statutory Operating Profit</b>	<b>8,212</b>	<b>5,273</b>
Net Interest	(331)	(388)
<b>Profit Before Tax</b>	<b>7,881</b>	<b>4,885</b>
Taxation	(20.8%) (1,638)	(23.6%) (1,151)
<b>Profit After Tax</b>	<b>6,243</b>	<b>3,734</b>



# BALANCE SHEET

	2016 £'000	2015 £'000
Goodwill and intangible assets	49,031	47,708
Property, plant and equipment	1,330	928
Trade and other current assets	9,209	5,225
Cash and cash equivalents	23,849	18,600
Assets classified as held for sale	-	2,350
<b>Total Assets</b>	<b>83,419</b>	<b>74,811</b>
Bank loan	(10,250)	(13,250)
Deferred income	(20,617)	(16,991)
Trade and other liabilities	(7,739)	(4,469)
Taxation	(100)	(448)
Deferred taxation	(1,316)	(1,082)
<b>Total Liabilities</b>	<b>(40,022)</b>	<b>(36,240)</b>
<b>NET ASSETS</b>	<b>43,397</b>	<b>38,571</b>

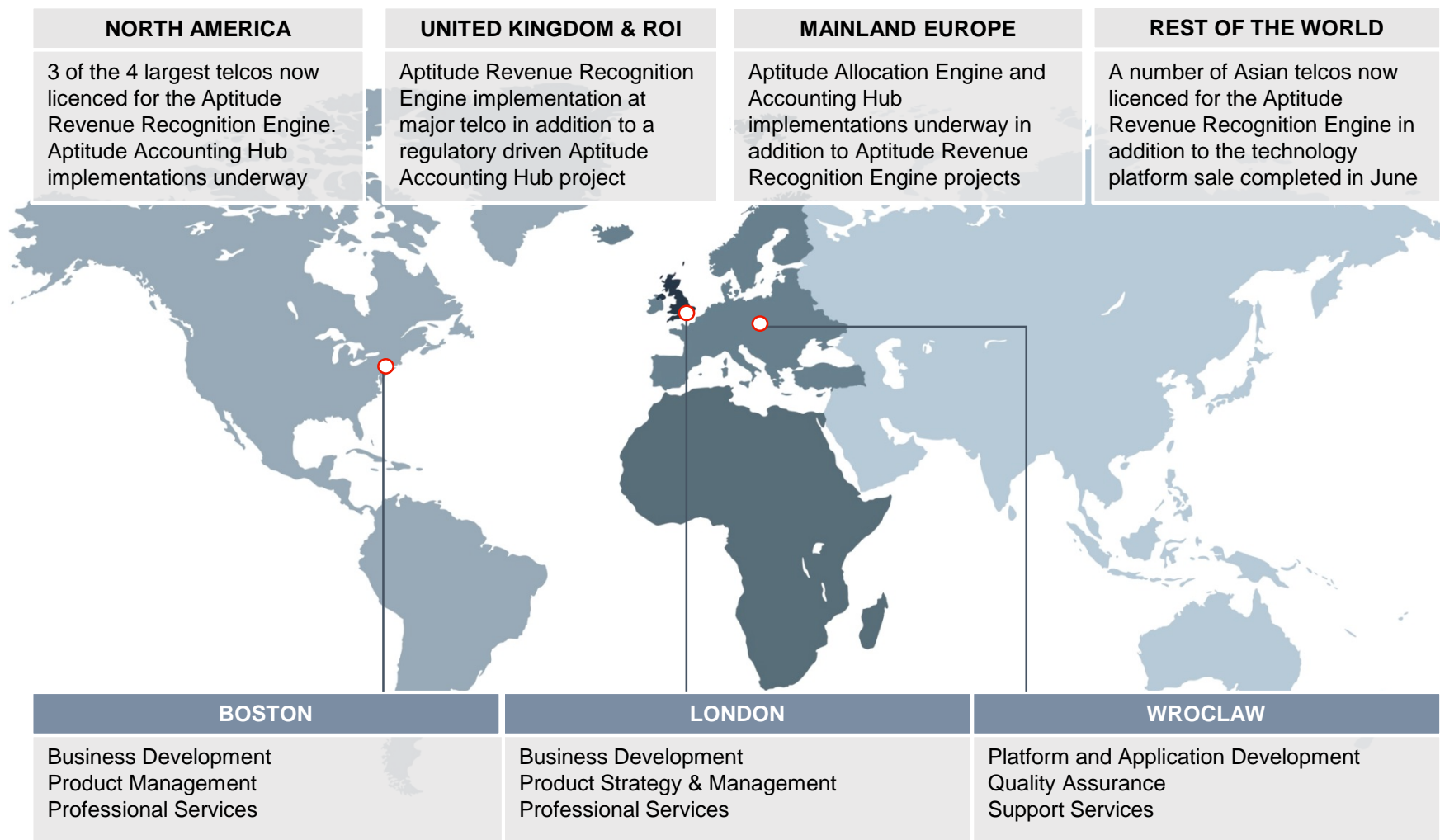
# CASH FLOW STATEMENT

	2016 £'000	2015 £'000
Cash generated from operations	13,032	7,495
Interest and tax paid	(2,457)	(1,681)
<b>Cash flows generated from operating activities</b>	<b>10,575</b>	<b>5,814</b>
Purchase of property, plant and equipment	(894)	(524)
Proceeds from sale of fixed assets	2,352	13
Acquisition of subsidiary, net of cash	(1,430)	(2,863)
Interest received	66	108
Net proceeds from issue of ordinary share capital	29	536
Dividends paid	(2,540)	(2,089)
Repayments of loan	(3,000)	(3,000)
Return of value to shareholders	-	(20,319)
<b>Net cash used in investing/financing activities</b>	<b>(5,417)</b>	<b>(28,138)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>5,158</b>	<b>(22,324)</b>



## PRODUCT SUITE

- The Aptitude Software business provides a series of highly specialised finance management software applications which have been developed on the Aptitude technology platform
- The Aptitude technology platform is an enterprise level application platform which facilitates the very rapid processing of very high volume complex, business event-driven transactions and calculations
- Capabilities of the Aptitude technology platform have enabled us to develop a series of high performance specialised finance applications:
  - Aptitude Accounting Hub
  - Aptitude Revenue Recognition Engine
  - Aptitude Allocation Engine
- Strong presence in telecommunications and financial services, recently entered the North American healthcare sector



## 2016 FINANCIAL HIGHLIGHTS

Organic revenue  
growth

£26.4m

↑ 58%

(2015: £16.7m)

Operating profit  
growth

£3.8m

↑ 131%

(2015: £1.7m)

Increasing proportion of  
US Dollar revenues

53%

(2015: 38%)

Revenue on a constant  
currency basis

£24.7m

↑ 48%

(2015: £16.7m)

Operating profit on a  
constant currency basis

£2.8m

↑ 71%

(2015: £1.7m)

Recurring revenue  
base growth

£12.6m

↑ 40%

(2015: £9.0m)

## 2016 FINANCIAL HIGHLIGHTS

Software  
revenue growth

£12.4m

↑ 38%

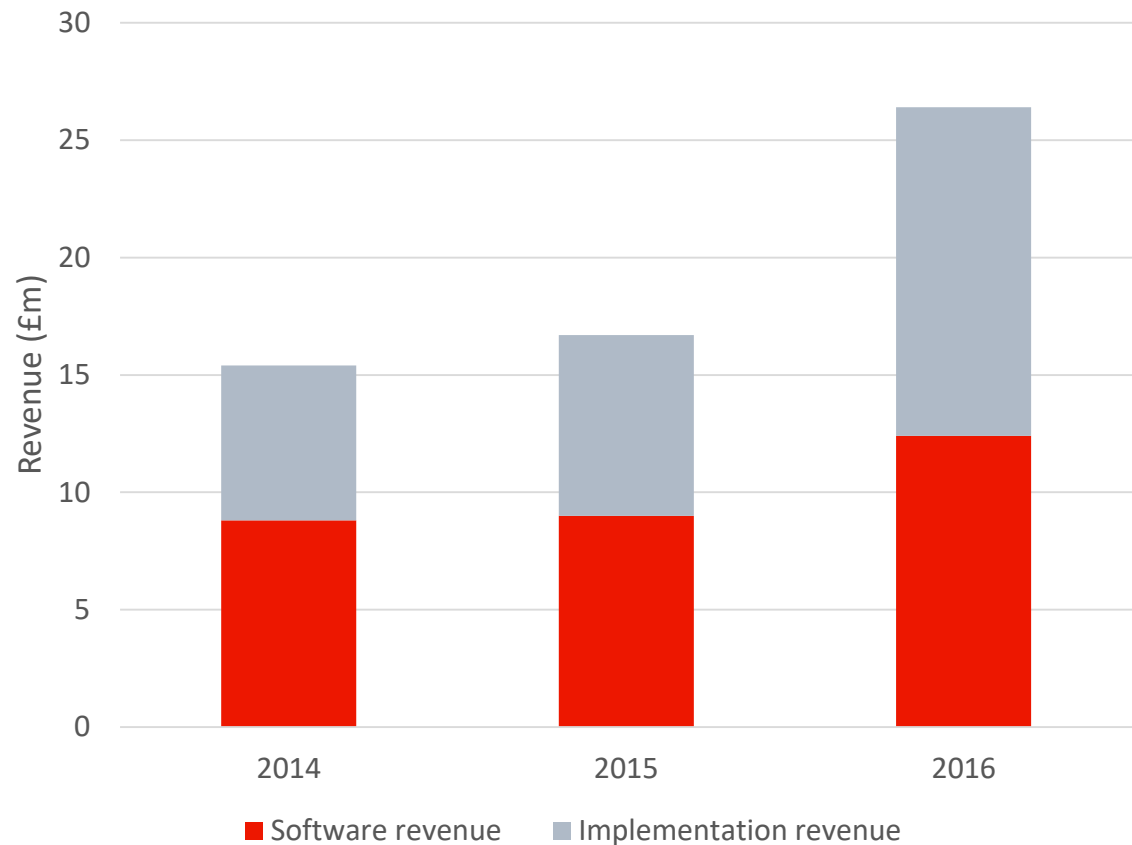
(2015: £9.0m)

Implementation revenue  
growth

£14.0m

↑ 82%

(2015: £7.7m)



## CASE STUDY #1

### ASIA TELCO OPERATOR

#### APTITUDE REVENUE RECOGNITION ENGINE



20 million subscriber operator - largest in country, for which Aptitude Software now has very high market share for revenue recognition.

Highly complex billing environment required a high performance and centralised revenue recognition engine to enhance revenue financial control and automation pursuant to the introduction of IFRS 15.

A number of Asian Telcos now licenced for the Aptitude Revenue Recognition Engine demonstrating Aptitude Software ability to expand in to new regions.

20 million mobile subscriber operator

Complex billing and revenue recognition requirement

New region - growing Asian presence

Won against strong competition from SAP

Significant market share for client country



## CASE STUDY #2

### US HEALTHCARE COMPANY

APTITUDE ACCOUNTING HUB  
APTITUDE PLATFORM



Contract signed in January 2017.  
Strategic to both client and  
Aptitude Software

ERP vendor general ledger could  
not keep up with business  
complexity and volume. Client  
recognised need for a detailed  
finance data foundation in the  
form of a strategic Sub-ledger  
Accounting Hub plus calculation  
engine. Business case enhanced  
by need for enhanced financial  
control and automation over  
pharmacy rebate calculations.

Aptitude Software's entry into  
the healthcare sector  
demonstrating ability to apply  
Aptitude's existing technology to  
major players in new markets.

January 2017 US  
contract

New sector with further  
opportunities

Accounting Hub and  
Aptitude Platform

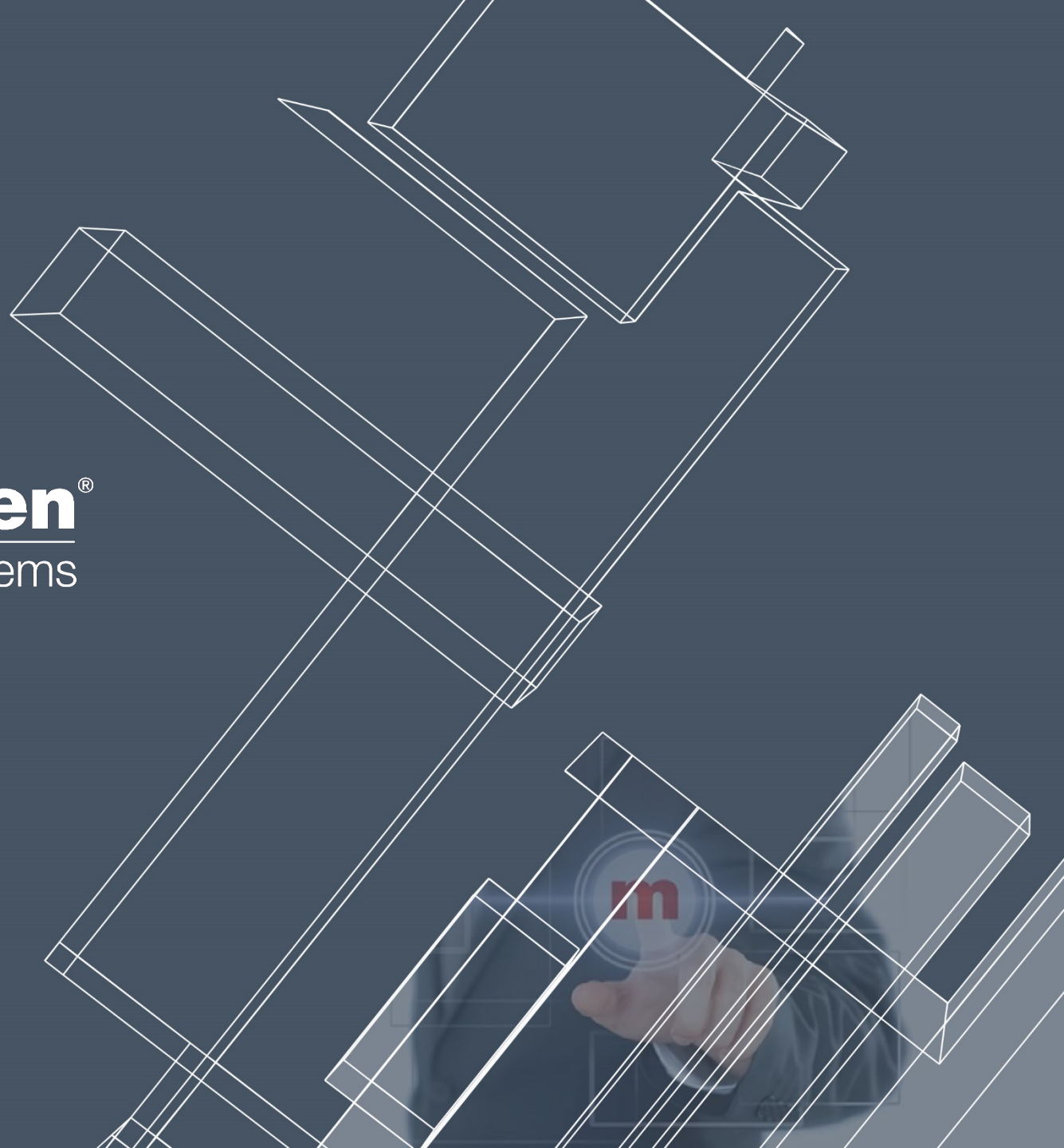
Need not met by ERP

Enhanced financial  
control and automation

## STRATEGY AND OUTLOOK

- Aptitude Software continues to benefit from the increased focus on the deployment of its specialised financial management software applications
- New geographic markets and new sectors have been opened with Aptitude Software's existing applications. Further penetration of these newly-entered markets and the opening of further markets is targeted in 2017.
- Assessment continues of new markets and opportunities which might benefit from the development of new applications
- Investment continues in infrastructure and people to deliver new projects
- The business has excellent visibility as it enters 2017 due to the contracts secured in 2016 and at the start of 2017

**microgen**<sup>®</sup>  
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
- Over 50% 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

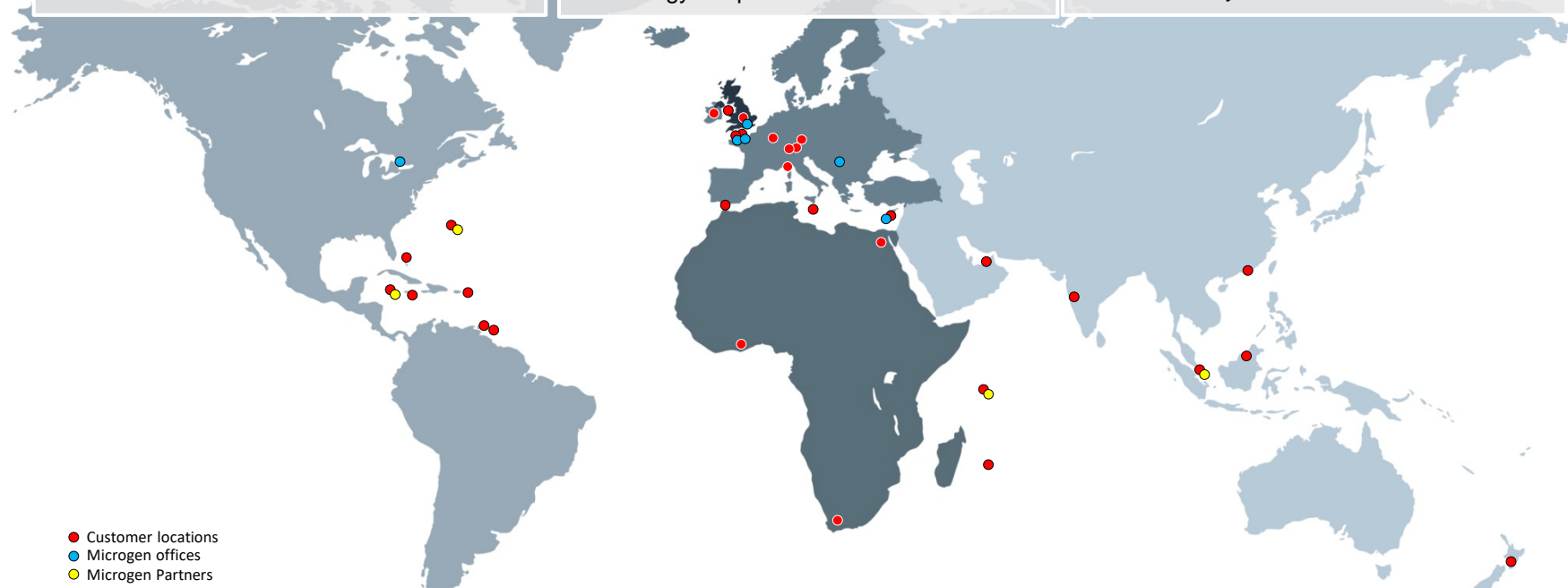
New business sales together with a number of upgrades to Microgen 5Series from acquired products

### EUROPE

Acquisition of Infoscreen and its predominantly Cypriot client base, a market with increasing regulation – a key driver of technology adoption

### REST OF WORLD

New client secured with multi-office T&FA organisation to roll out Microgen 5Series through its network. Acquisition of Toronto-based Primacy with its Caribbean focus.



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

## 2016 FINANCIAL HIGHLIGHTS

Revenue

£16.6m

↑ 9%

(2015: £15.2m)

Adjusted operating  
profit

£7.2m

(2015: £7.2m)

T&FA proportion of  
revenue increasing

54%

(2015: 43%)

Recurring revenue  
proportion

80%

(2015: 83%)

## 2016 FINANCIAL HIGHLIGHTS

T&FA revenue growth

**£8.9m ↑ 37%**

(2015: £6.5m)

Payments revenue growth

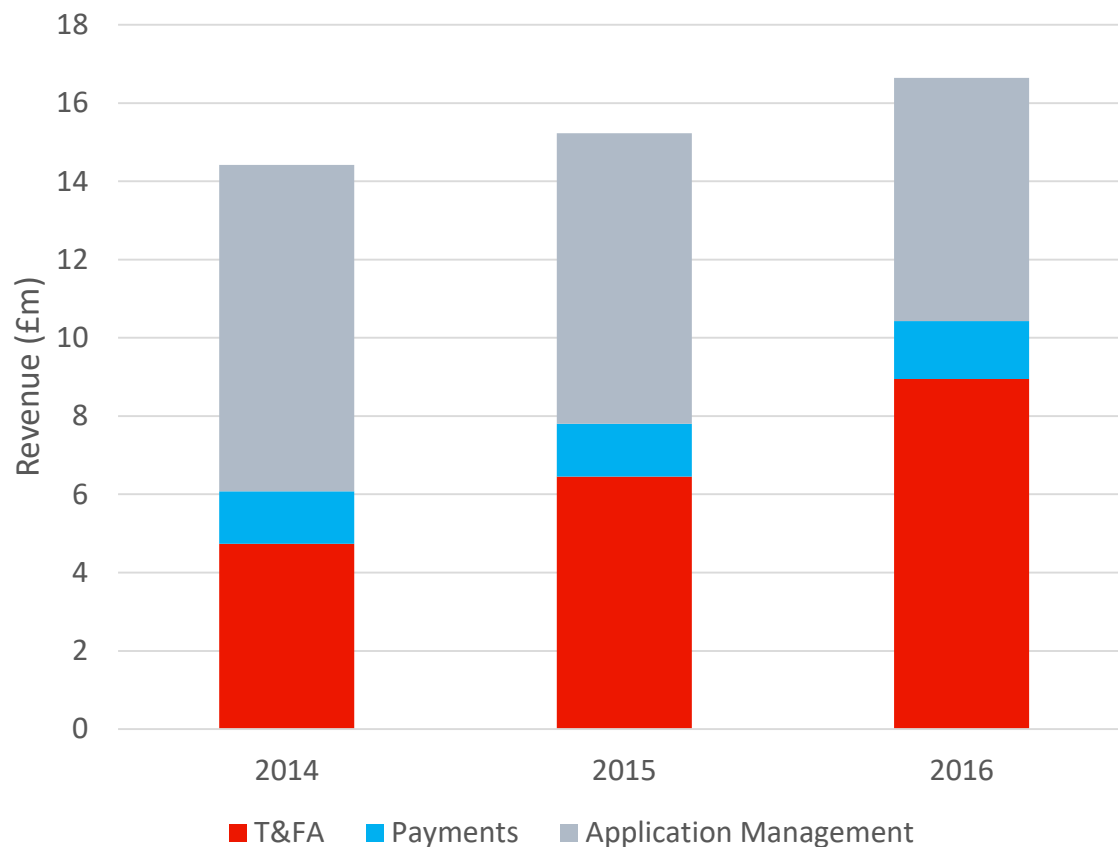
**£1.5m ↑ 15%**

(2015: £1.3m)

App Man managed decline

**£6.2m ↓ 16%**

(2015: £7.4m)



## ACQUISITION OVERVIEW

- Five acquisitions completed since December 2014 including Infoscreen (May 2016) and Primacy (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
- Infoscreen acquired in May 2016 for consideration of £1.4 million, plus settlement of vendor debt of £0.3 million
  - Revenue of £0.8 million
  - Operating profit of £0.1 million
- Primacy acquired in February 2017 for consideration of £3.4 million
  - Revenue of £1.2 million
  - Operating profit of £0.6 million

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 37% to £8.9 million (2015: £6.5 million)
- Microgen 5Series revenues within T&FA have increased to £6.6 million (2015: £5.0 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 £1.0 million (2015: £0.2 million) to the £6.6 million revenue from Microgen 5Series
- Remaining £2.3 million of T&FA revenue (2015: £1.5 million) generated from customers that to date remain on acquired products

## CASE STUDY

### INTERNATIONAL WEALTH MANAGEMENT SERVICES PROVIDER

#### MICROGEN 5SERIES



Microgen 5Series will be deployed across the customer's UK, Swiss and Caribbean offices as the key business system for its trust and corporate services administration activities

Replaces one of Microgen's recently acquired older software products.

The customer concluded that Microgen 5Series will present a significant step change in operational efficiency, management control and regulatory compliance.

User of one of  
Microgen's recently  
acquired products

Microgen 5Series  
provides superior  
functionality and  
modern technology

Client benefits from  
Microgen's repeatable  
migration process

## 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 80% the business has excellent future visibility

# GROUP OUTLOOK

Year ended 31 December 2016



## GROUP OUTLOOK

- Strong progress in 2016 for both businesses, successfully executing on strategic plans
- Continued organic growth strengthened by increasing recurring revenues and scale from strategic add-on acquisitions
- Expanding global footprint and entry into new industry verticals
- Good forward visibility and robust balance sheet
- Microgen well positioned as the Group enters 2017