

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

2017 AUDITED PRELIMINARY RESULTS

Year ended 31 December 2017
7 March 2018



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

- Excellent performance by the Group's two businesses
 - Revenue growth of 46%
 - Revenue growth of 37% excluding the benefit of recent acquisitions
 - Adjusted operating profit increased by 43%
- Strong organic growth by Aptitude Software complemented by the acquisition of RevStream
- 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)
- Proposed final dividend of 4.25 pence per share representing a full year dividend of 6.25 pence, an increase of 25%
- Both businesses confidently enter 2018 expecting to build on the progress achieved to date

EXCELLENT 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 68% to £44.3 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





FINANCIAL REVIEW

Year ended December 2017

7 March 2018

2017 RESULTS

Revenue

£62.6m

↑ 46% (43% C/C*)

(2016: £43.0m)

Adjusted
operating profit

£13.6m

↑ 43% (37% C/C*)

(2016: £9.5m)

Adjusted
EPS

17.1p

↑ 39%

(2016: 12.3p)

Full year
dividend

6.25p

↑ 25%

(2016: 5.0p)

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

EXCELLENT PERFORMANCE BY BOTH BUSINESSES

Aptitude Software
revenue

£44.3m

↑ 68% (65% C/C)

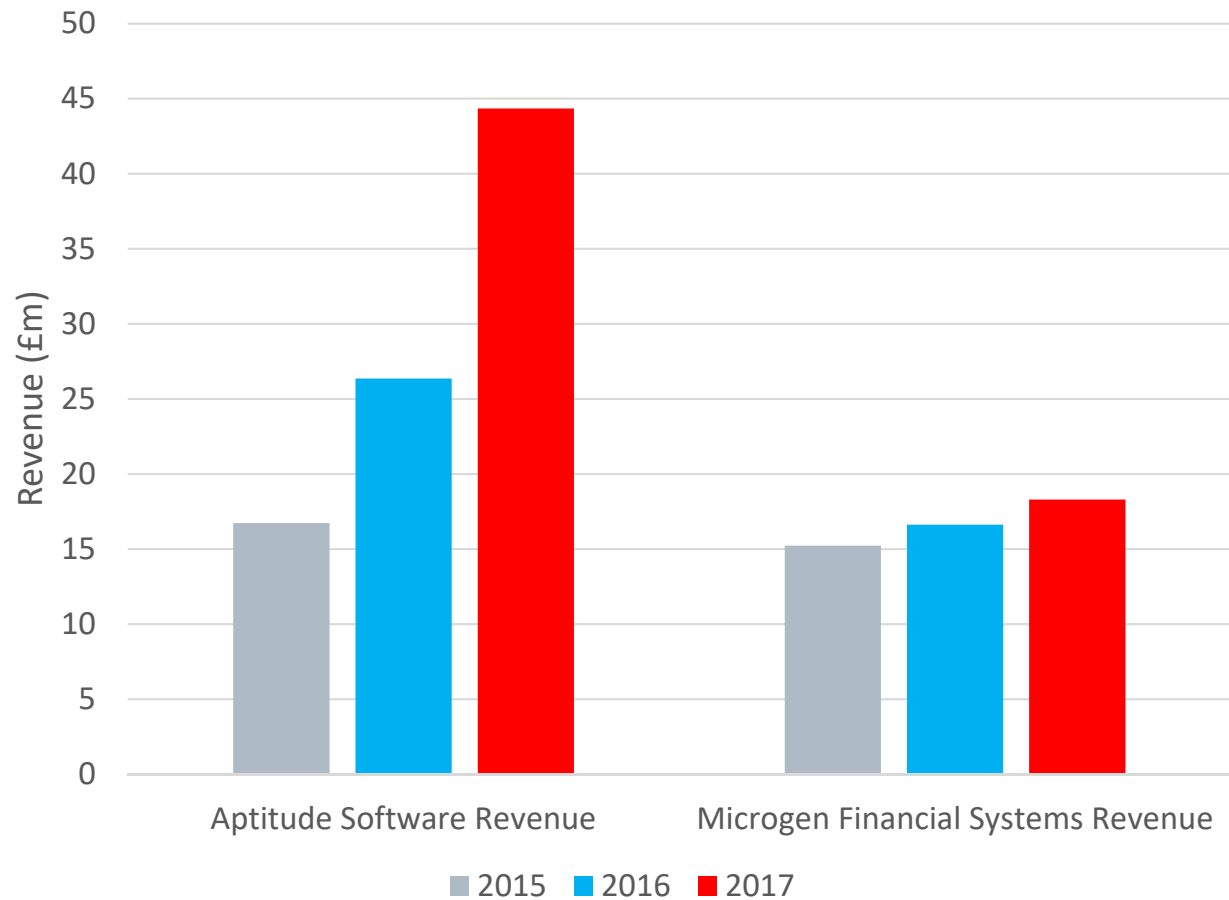
(2016: £26.4m)

Microgen Financial Systems
revenue

£18.3m

↑ 10%

(2016: £16.6m)



INCOME STATEMENT

	2017 £'000	2016 £'000
Aptitude Software Revenue	44,340	26,364
Microgen Financial Systems Revenue	18,300	16,624
Total Revenue	62,640	42,988
Aptitude Software Adjusted Operating Profit	7,946	3,842
Microgen Financial Systems Adjusted Operating Profit	7,502	7,219
Group Costs	(1,827)	(1,536)
Adjusted Operating Profit	13,621	9,525
Non-Underlying Items	(2,541)	(1,313)
Statutory Operating Profit	11,080	8,212
Net Interest	(303)	(331)
Profit Before Tax	10,777	7,881
Taxation	(7.8%) (841)	(20.8%) (1,638)
Profit After Tax	9,936	6,243

BALANCE SHEET

	2017 £'000	2016 £'000
Goodwill and intangible assets	68,925	49,031
Property, plant and equipment	1,825	1,330
Trade and other assets	15,650	9,209
Cash and cash equivalents	19,137	23,849
Total Assets	105,537	83,419
Bank loan	(9,818)	(10,250)
Deferred income	(26,328)	(20,617)
Trade and other liabilities	(11,065)	(7,739)
Taxation	(381)	(100)
Deferred taxation	(4,060)	(1,316)
Total Liabilities	(51,652)	(40,022)
NET ASSETS	53,885	43,397

CASH FLOW STATEMENT

	2017 £'000	2016 £'000
Cash generated from operations	13,551	13,032
Interest and tax paid	(2,841)	(2,457)
Cash flows generated from operating activities	10,710	10,575
Purchase of property, plant and equipment	(1,180)	(894)
Proceeds from sale of fixed assets	-	2,352
Acquisition of subsidiaries, net of cash	(10,460)	(1,430)
Interest received	13	66
Net proceeds from issue of ordinary share capital	106	29
Dividends paid	(3,345)	(2,540)
Repayments of loan	(12,250)	(3,000)
Drawdown of loan	11,818	-
Net cash used in investing/financing activities	(15,298)	(5,417)
Increase/(decrease) in cash and cash equivalents	(4,588)	5,158



OUR APPLICATION SUITE

- 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 technology 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
- Applications include:
 - Aptitude Accounting Hub
 - Aptitude Revenue Recognition Engine
 - Aptitude Lease Accounting Engine
 - Aptitude Insurance Calculation Engine
 - Aptitude Allocation Engine
 - Aptitude RevStream

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

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

First sale to an Asian insurance group completed in February 2018

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

Number of prestigious clients in North America, Europe and Asia including 3 of the 4 largest telcos in US

Addresses IFRS 15/
ASC 606 requirements

Standard effective for
periods from 1
January 2018

Sales continued in
2017 with a number
of implementations
now live

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

Ability to differentiate itself due to the complexity of accounting it is able to process

Addresses IFRS 16/
ASC 842 requirements

Standard effective for
periods from 1
January 2019

First sale in December
2017 to one of the
world's leading
technology businesses

ACQUISITION OF REVSTREAM INC.

- A California-based provider of cloud-enabled revenue management enterprise software with a recurring revenue base at acquisition of £2.9 million
- Acquisition rationale:
 - Ability to offer broader revenue management functionality to augment the specialised capabilities of the Aptitude Revenue Recognition Engine
 - RevStream's broader cross-market offering complements Aptitude Software's strong presence within financial services, insurance and telco providing cross-selling opportunities
 - RevStream's expertise in cloud technologies can be applied to Aptitude Software's applications where cloud deployment is appropriate. Existing RevStream clients demonstrate our capability
 - RevStream's growing client base will strengthen Aptitude Software's North American presence, the key market for both businesses, whilst Aptitude Software will be able to open up international markets for the RevStream technology
- Consideration of £9.3 million, in addition Aptitude Software settled £2.5 million of debt and debt-like items which were outstanding at completion
- £2.7 million revenue recognised in the four months of Aptitude Software's ownership on a break even basis. Expected to be profitable in 2018 as recurring revenue base grows

2017 FINANCIAL HIGHLIGHTS

Revenue

£44.3m

↑ 68% (58% organic)

(2016: £26.4m)

Adjusted operating profit

£7.9m

↑ 107%

(2016: £3.8m)

Increasing proportion of
US Dollar revenues

57%

(2016: 53%)

Revenue on a constant
currency basis

£43.5m

↑ 65%

(2016: £26.4m)

Adjusted operating profit
on constant currency basis

£7.5m

↑ 97%

(2016: £3.8m)

Recurring revenue
base

£19.3m

↑ 53% (30% organic)

(2015: £12.6m)

2017 FINANCIAL HIGHLIGHTS

Software
revenue

£17.7m

↑ 43% (35% organic)

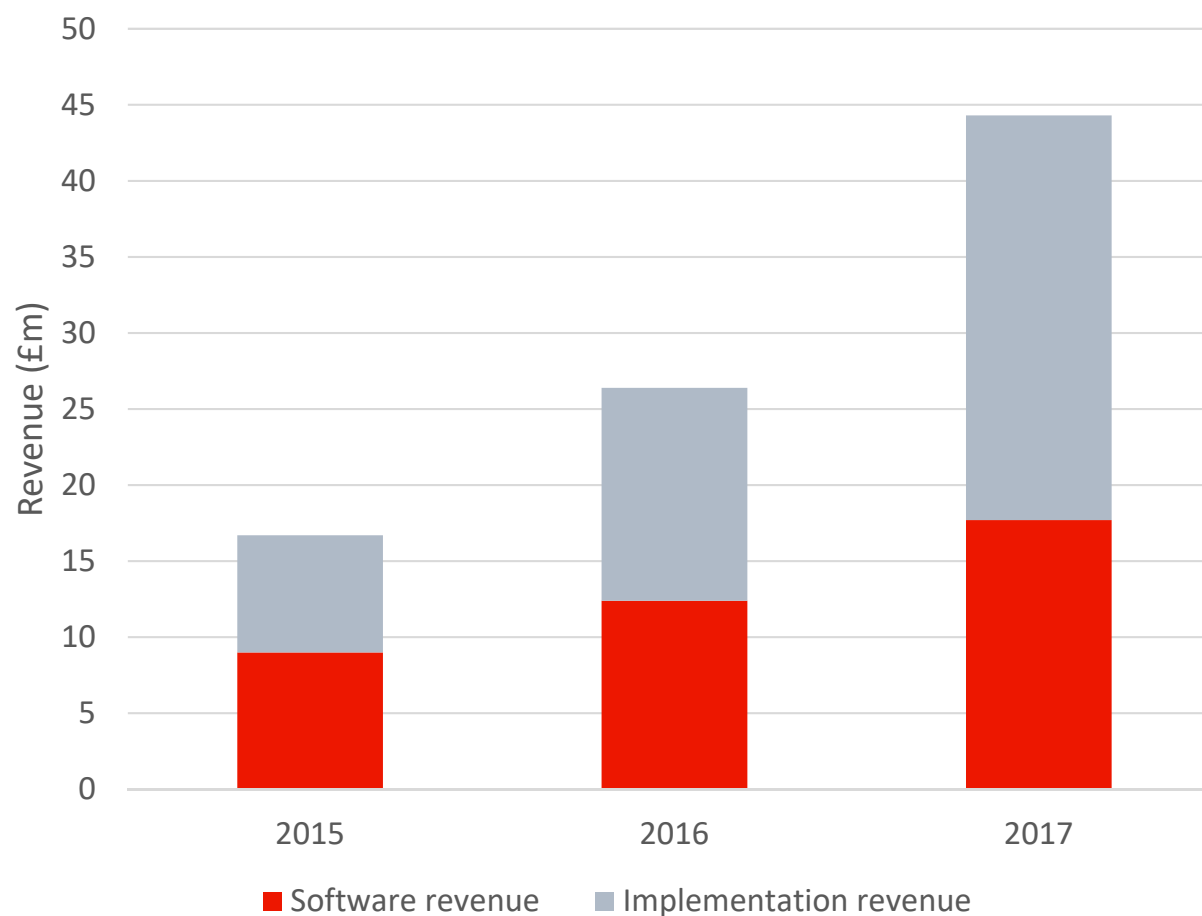
(2016: £12.4m)

Implementation revenue

£26.6m

↑ 91% (78% organic)

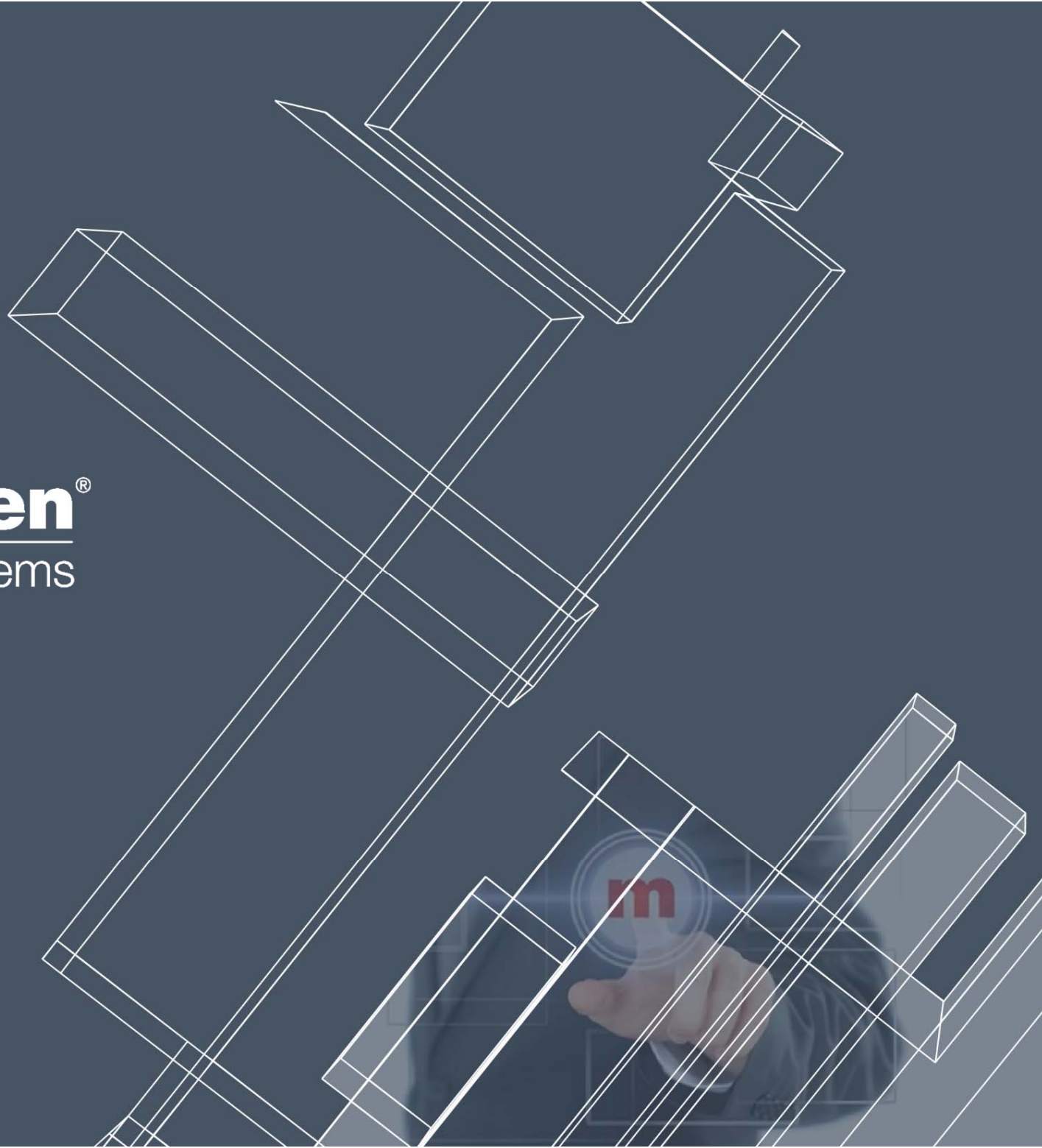
(2016: £14.0m)



SUMMARY

- Aptitude Software continues to benefit from the increased focus on the deployment of its specialised financial management software applications
- The partner model contributing strongly, influencing over 80% of new business contracts in 2017 and key to the adoption and success of new applications
- 2017 concluded with the first sale of the Aptitude Lease Accounting Engine to one of the world's largest technology businesses
- 2018 has commenced with the first sale of the Aptitude Insurance Calculation Engine, the expected success of which will be a key part of the continued development of the business
- The business made excellent progress in 2017 and looks to further build on this success in 2018 with new business wins from its growing product and service offerings

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
- Over 60% 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

2017 FINANCIAL HIGHLIGHTS

Revenue

£18.3m

↑ 10%

(2016: £16.6m)

Adjusted operating
profit

£7.5m

↑ 4%

(2016: £7.2m)

T&FA proportion of
revenue

62%

(2016: 54%)

Recurring revenue
proportion

76%

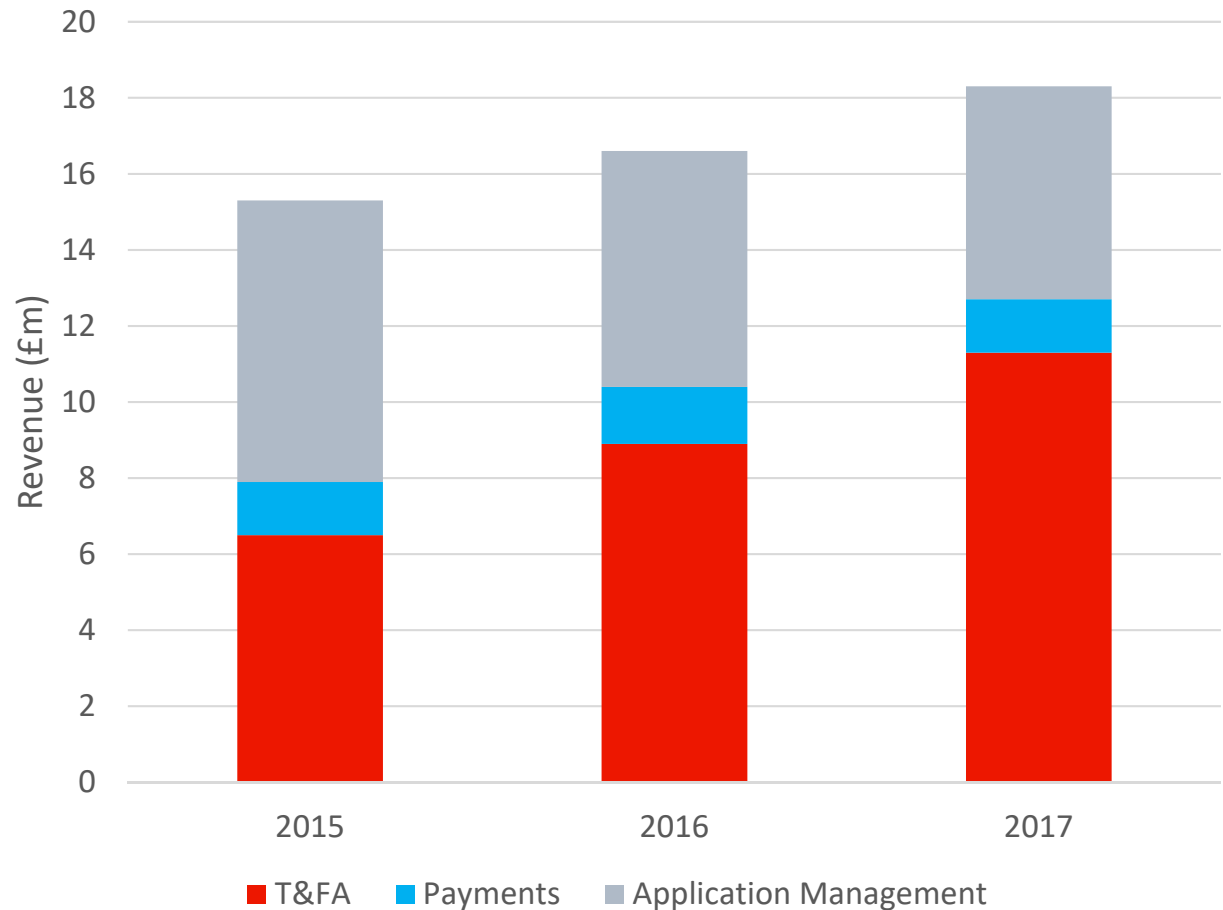
(2016: 80%)

2017 FINANCIAL HIGHLIGHTS

T&FA revenue
£11.3m ↑ 27%
(16% organic)
(2016: £8.9m)

Payments revenue
£1.45m ↓ 3%
(2016: £1.49m)

App Man revenue
£5.6m ↓ 10%
(2016: £6.2m)



T&FA GROWTH

- Revenue increased 27% to £11.3 million (2016: £8.9 million), growth of 16% excluding the benefit of recent acquisitions
- Investments made during the course of the year throughout the business to provide the potential to accelerate the rate of growth
- T&FA now represents 62% of Microgen Financial Systems' revenue (2016: 54%)
- T&FA recurring revenue base increased by 28% to £8.8 million (2016: £6.9 million), an increase of 16% excluding the benefit of the 2017 Primacy acquisition
- 51% of T&FA recurring revenue base represents Microgen 5Series contracts (growth of 32%)
- 49% of T&FA recurring revenue base attributable to acquired or legacy products represents an opportunity to generate implementation fees and uplift in annual licence fees paid
- Key objective in 2018 to accelerate the rate at which customers migrate to Microgen 5Series

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
- Rationalisation of acquired offices continues allowing further investment in Microgen 5Series at UK development centre
- 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 Primacy prior to acquisition

CASE STUDY

MAJOR CARIBBEAN BANK
WITH OVER 2,500 STAFF

MICROGEN 5SERIES



Microgen 5Series will be deployed across a number of the customer's Caribbean offices as the key business system for its trust and corporate services business

Replaces Microgen 4Series

Microgen's commitment to the market in acquiring five of its smaller competitors was viewed very positively during the selection process

Upgrade from legacy Microgen T&FA product

Significant increase in annual licence fees following upgrade

Microgen's experience in implementations at other large banking groups key factor in our selection

SUMMARY

- 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
- Investment continuing in the team and organisation to enable the business to realise future growth opportunities
- Further acquisitions and add-on opportunities continue to be evaluated within T&FA and adjacent markets
- With recurring revenue accounting for 76% the business has excellent future visibility

GROUP OUTLOOK

Year ended 31 December 2017



GROUP OUTLOOK

- Strong progress in 2017 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 and continued development of partner networks
- Good forward visibility and robust balance sheet
- Microgen well positioned as the Group enters 2018. Encouraging start to the year with a strategically important contract entered by Aptitude Software for its new Aptitude Insurance Calculation Engine