



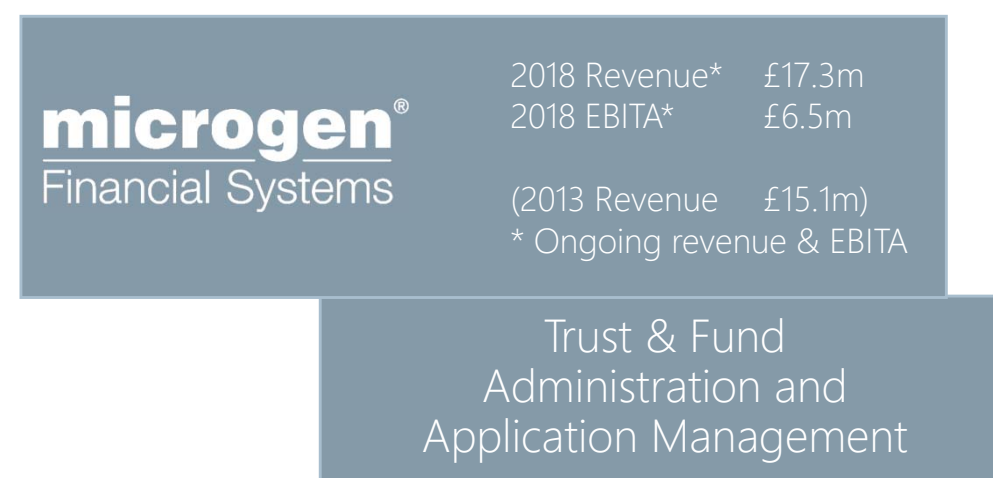
microgen plc
2018 Audited Preliminary
Results
Year ended 31 December 2018
25 March 2019

microgen[®]
Financial Systems

 **Aptitude**[™]
SOFTWARE

Group Overview

- Across its two operating businesses Microgen plc (“Microgen” or the “Group”) develops, implements and supports business-critical software and related services
- Both businesses benefit from high quality revenue streams with excellent forward visibility arising from their recurring revenue licence models, however, both businesses have different capital requirements and growth trajectories
- Historical benefits arising from the two businesses being within the same group largely reduced
- The Board has been exploring a range of strategic options to ensure the Group is positioned to enhance the long term interests of shareholders, clients and employees



Proposed Group Structure

- Microgen to be renamed Aptitude Software Group plc in early April 2019 to reflect new focus of the Group
- Proposed demerger of Microgen Financial Systems (“MFS”) and admission to AIM expected in 2019
- The future Group structure will facilitate:
 - A simpler and more focused business targeted at the specialised financial management software market served by Aptitude Software
 - Improved capital allocation
 - Greater employee engagement with incentive schemes targeted solely on the performance of Aptitude Software
- No complex re-organisation required as each business already benefits from strong management teams, separate branding and their own back office administration functions
- The Board believe the demerger will enhance the long term prospects and potential of both businesses for the benefit of shareholders, clients and employees

Demerger of Microgen Financial Systems

- Admission to AIM considered to provide MFS with the best ownership environment for its future growth
- Shareholders in Microgen to receive shares in the new demerged entity in proportion to their respective shareholdings in the Group
- Board of demerged MFS expected to be chaired by Peter Whiting, currently the Senior Independent Non-Executive Director of Microgen, providing both continuity and knowledge of the business in addition to extensive public company experience
- Management team of MFS to be led by Robert Browning, currently Chief Operating Officer of MFS. Robert will assume the role of Chief Executive Officer on demerger
- Precise mechanics of the demerger and admission to AIM will be communicated in due course
- The demerger is subject to shareholder approval and is expected to be completed in 2019

Microgen Financial Systems' Progress

- Strategic progress achieved since 2014 has established a robust and focused business benefiting from 75% recurring revenues, excellent operating margins and strong cash flow generation
- 70% of ongoing revenue from strategic Trust & Fund Administration ('T&FA') market vs. 33% in 2014, achieved by:
 - Continuing organic growth from Microgen Financial Systems' leading product, Microgen 5Series
 - Five targeted acquisitions of competitors to Microgen 5Series
 - Disposal of non-core Payments software business
- Establishment of strong management team led by Robert Browning with senior hires in key positions
- Material multi-year extensions received from a number of Application Management clients enhancing revenue visibility for the business



Financial Review

Year ended December 2018

25 March 2019

microgen

2018 Results

Revenue

£70.3m

↑ 12% (6% organic)

(2017*: £63.0m)

Adjusted
operating profit

£15.7m

↑ 9%

(2017*: £14.5m)

Adjusted
EPS

19.4p

↑ 8%

(2017*: 18.0p)

Full year
dividend

6.60p

↑ 6%

(2017: 6.25p)

Continued progress led by Aptitude Software

Aptitude Software
revenue

£52.3m

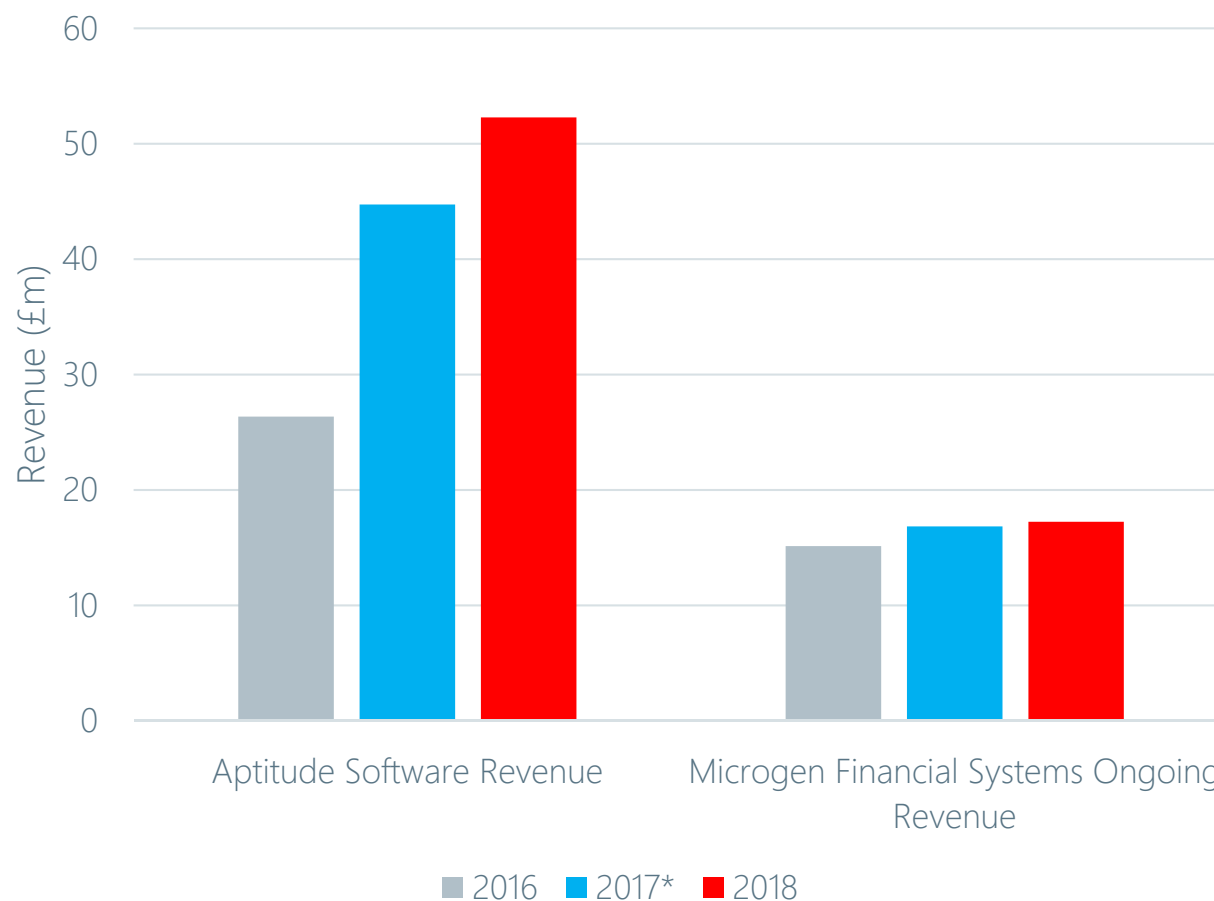
↑ 17% (7% organic)

(2017*: £44.7m)

Microgen Financial
Systems Ongoing
Revenue⁺

£17.3m

(2017: £16.9m)



* 2017 results have been restated for changes in the Group's accounting policies. See appendix A for details.

+ Ongoing Revenue is calculated to exclude the contribution from the Payments software business, a non-core part of Microgen Financial Systems, disposed on 2 July 2018

Income Statement

	2018 £'000	2017* £'000
Aptitude Software Revenue	52,274	44,721
Microgen Financial Systems Revenue	18,012	18,300
Total Revenue	70,286	63,021
Aptitude Software Adjusted Operating Profit	10,401	8,619
Microgen Financial Systems Adjusted Operating Profit	6,964	7,535
Group Costs	(1,626)	(1,651)
Adjusted Operating Profit	15,739	14,503
Non-Underlying Items & Gain on Disposal of Non-Core Payments Business	1,036	(2,541)
Statutory Operating Profit	16,775	11,962
Net Interest	(433)	(459)
Profit Before Tax	16,342	11,503
Taxation	(15.6%) (2,549)	(8.7%) (1,000)
Profit After Tax	13,793	10,503

Balance Sheet

	2018 £'000	2017* £'000
Goodwill and intangible assets	62,979	68,925
Property, plant and equipment	5,417	5,543
Trade and other assets	19,042	17,221
Cash and cash equivalents	29,186	19,137
Total Assets	116,624	110,826
Bank loan and capital lease obligations	(11,813)	(14,056)
Deferred income	(28,276)	(26,671)
Trade and other liabilities	(7,644)	(10,997)
Taxation	(489)	(381)
Deferred taxation	(3,582)	(4,297)
Total Liabilities	(51,804)	(56,402)
NET ASSETS	64,820	54,424

Cash Flow Statement

	2018 £'000	2017* £'000
Cash generated from operations (97% cash conversion (2017*: 113%))	15,042	15,193
Interest and tax paid	(3,508)	(2,997)
Cash flows generated from operating activities	11,534	12,196
Purchase of property, plant and equipment	(985)	(1,180)
Disposal of subsidiary, net of cash	6,770	-
Acquisition of subsidiaries, net of cash	-	(10,460)
Interest received	47	13
Net proceeds from issue of ordinary share capital	58	106
Dividends paid	(3,928)	(3,345)
Repayment of loan, net of drawdown	(2,000)	(1,023)
Repayment of capital lease obligations	(1,314)	(895)
Net cash used in investing/financing activities	(1,352)	(16,784)
Increase/(decrease) in cash and cash equivalents	10,182	(4,588)



Strategic Focus

- Continuation of organic growth by focusing on specialised financial management software applications which have the common capability of unifying, analysing and rapidly processing high volume complex, business event-driven transactions, scenarios and calculations to deliver finance insight and control
- Continue to build on the success of our effective partner network in opening new geographies and verticals
- Continue to build on the cloud presence now established with the Aptitude RevStream and Aptitude Lease Accounting Engine applications

Our Portfolio

- A growing suite of applications with the Aptitude Insurance Calculation Engine successfully launched in 2018 building on the additions to the portfolio of Aptitude Lease Accounting Engine and Aptitude RevStream in 2017:
 - Aptitude Insurance Calculation Engine
 - Aptitude Accounting Hub
 - Aptitude Lease Accounting Engine
 - Aptitude Revenue Recognition Engine
 - Aptitude RevStream

Application Overview

APTITUDE INSURANCE CALCULATION ENGINE



The Aptitude Insurance Calculation Engine, in conjunction with the Aptitude Accounting Hub, offers the data capture, complex accounting capabilities & calculations organisations need to comply with IFRS 17

Extension in effective date for the standard provides insurers further time to select & implement more strategic and specialised software such as Aptitude Software

Further opportunities targeted for closure in the first half of 2019 with one material new business contract signed in March 2019

Addresses IFRS 17 requirements

Standard effective for periods from 1 January 2022 (recent extension in effective date of 12 months)

Multiple sales made across Asia, Europe and North America in 2018

Application Overview

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-GAAP, multi-currency accounting sub-ledger maintaining detailed and summary accounting balances

Opportunity for Aptitude Accounting Hub remains significant

Clients within telco, insurance and banking

Key component of a modern finance architecture

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

Application Overview

APTITUDE LEASE ACCOUNTING ENGINE



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

Cloud version of the application released in 2018

New business contracts secured in 2018 across a number of different industries including insurance, logistics, facilities management and manufacturing

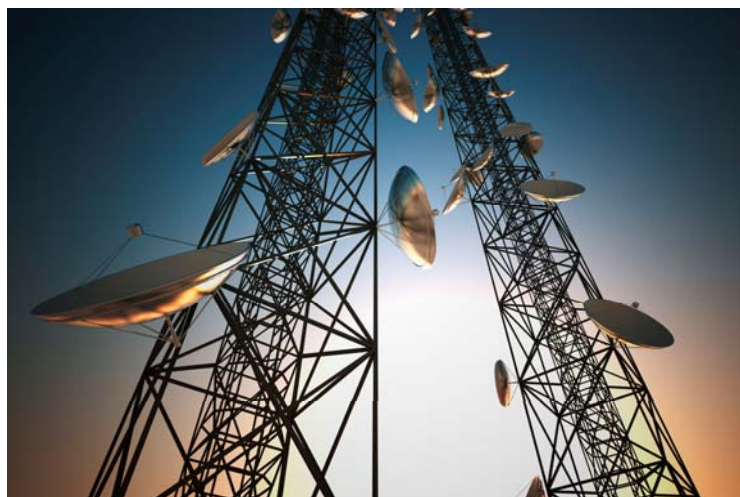
Addresses IFRS 16/
ASC 842
requirements

Standard effective
for periods from 1
January 2019

Cloud deployable
leveraging the
RevStream cloud
platform

Application Overview

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 account for wide ranging contract structures at depth

Opportunity to now expand footprint with clients through either increased product scope / modules or additional services

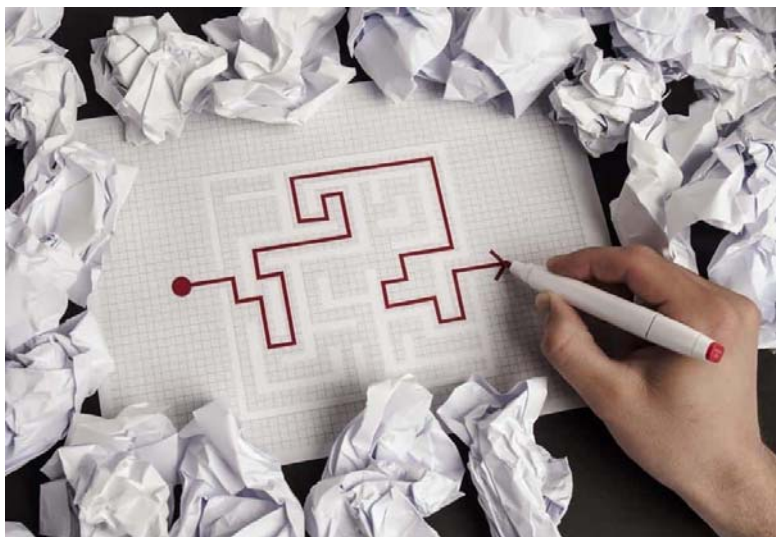
Addresses IFRS 15/
ASC 606
requirements

Further new
business signed in
H1 2018 together
with a Solution
Management
Service

Standard effective
for periods from 1
January 2018

Application Overview

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

Significant new business contract secured at the start of 2019 with a global data analytics business

Addresses IFRS 15/
ASC 606
requirements

Software-as-a-
service

A number of new
business contracts
completed in 2018

2018 Financial Highlights

Revenue

£52.3m

↑ 17% (7% organic)
(2017*: £44.7m)

Adjusted operating
profit

£10.4m

↑ 21%
(2017*: £8.6m)

Proportion of
US Dollar revenues

54%

(2017*: 57%)

Organic software
revenue growth

23%

(2017*: 35%)

Recurring revenue
base

£24.0m

↑ 24%
(2017: £19.3m)

R&D as %age of
software revenue

34%

(2017*: 33%)

2018 Financial Highlights

Software revenue

£24.8m

↑ 37% (23% organic)

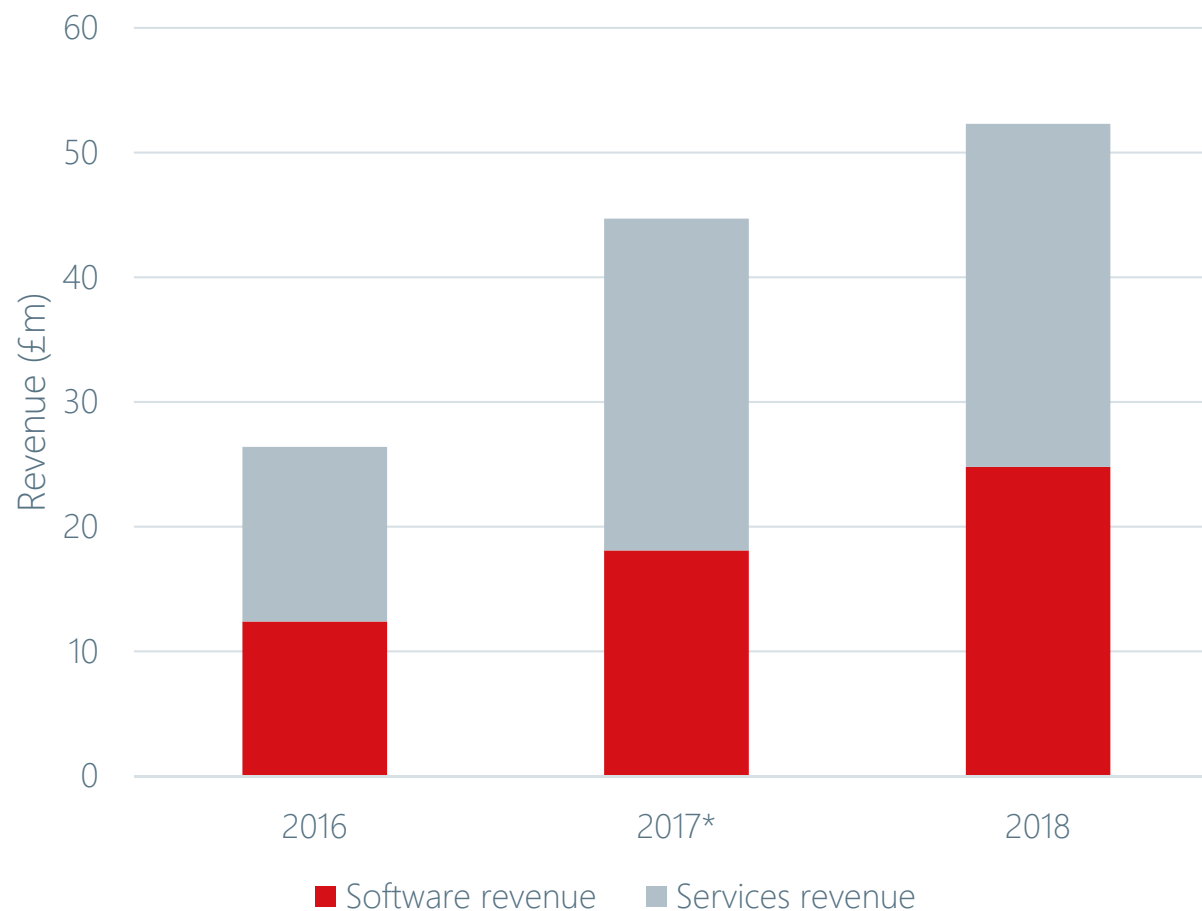
(2017*: £18.1m)

Services revenue

£27.5m

↑ 3%

(2017: £26.6m)



Acceleration of Investment

- Building on recent sales successes and in anticipation of the proposed new structure of the Group, the Board has accelerated investment in the future growth of the business to both maximise current opportunities and ensure the continued long-term development of the business. Overall, these investments moderate margin growth expectations for 2019 only.
- Strengthening of product development, product management and subject matter expertise with a particular focus on the Aptitude Insurance Calculation Engine ('AICE')
 - New business opportunity will be at its peak for AICE leading up to the effective date for IFRS 17 (accounting periods commencing on or after 1 January 2022)
- Additional investments include:
 - Senior appointment targeted to lead strategy and business in North America following on from recruitment of Chief Revenue Officer for International (Asia and Europe) and Chief Product Officer (Global) in 2018
 - Establishment of infrastructure for the new Solution Management Service and further investment in Cloud Operations for our SaaS proposition

Summary

- Excellent early success with the Aptitude Insurance Calculation Engine establishing an already valuable Recurring Revenue Base for this application
- Encouraging number of sales of its cloud-enabled applications, Aptitude RevStream and Aptitude Lease Accounting Engine
- Good progress made in developing new service offerings with the launch of Solution Management Services
- Early success achieved in the opening months of 2019 with material new business contracts secured for each of the Aptitude Insurance Calculation Engine and Aptitude RevStream applications
- Opportunity for Aptitude Software remains significant. Benefitting from a growing suite of products and services the business looks forward confidently to achieving continued success in 2019

The logo features a large, stylized 'X' shape on the left side, composed of two overlapping diagonal bands. The top-left band is light blue, and the bottom-right band is a darker blue. The background is split: the top-left is white, and the rest is a dark blue-grey. The text 'microgen' is in a bold, lowercase, sans-serif font with a registered trademark symbol, and 'Financial Systems' is in a smaller, all-caps, sans-serif font below it. Both text elements are white and positioned on the dark blue-grey background.

microgen[®]
Financial Systems

Overview

- A solid performance with an increasing focus on Trust & Fund Administration ('T&FA') following the disposal of the non-core Payments software business in the year for £6.9 million
- Ongoing revenues generated by T&FA increased to 70%. Application Management business continues to perform in line with management's 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, 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

2018 Financial Highlights

Ongoing Revenue⁺

£17.3m

↑ 2%
(2017: £16.9m)

Ongoing adjusted
operating profit⁺

£6.5m

(2017*: £6.5m)

Increasing
proportion of
T&FA revenue⁺

70%

(2017: 62%)

Recurring revenue
proportion

75%

(2017: 75%)

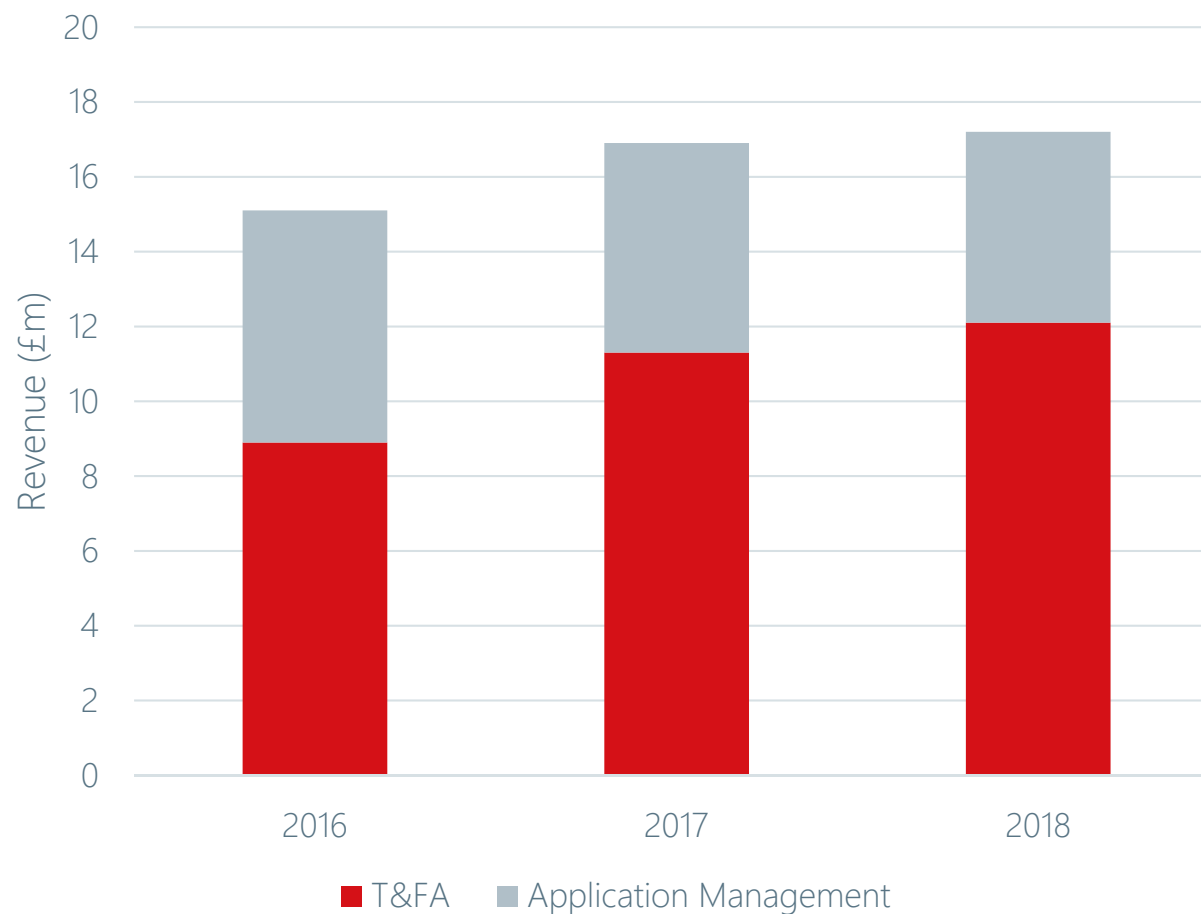
* 2017 results have been restated for changes in the Group's accounting policies. See appendix A for details.

+ Ongoing Revenue is calculated to exclude the contribution from the Payments software business, a non-core part of Microgen Financial Systems, disposed on 2 July 2018

2018 Financial Highlights

T&FA revenue
£12.1m ↑ 7%
 (2017: £11.3m)

App Man revenue
£5.1m
 (2017: £5.6m)



T&FA Growth

- Revenue increased 7% to £12.1 million (2017: £11.3 million)
- T&FA now represents 70% of Microgen Financial Systems' ongoing revenues (2017: 62%)
- T&FA recurring revenue base increased by 5% to £9.0 million (2017: £8.8 million)
- Growing opportunity in respect of additional services and regulatory functionality
- In preparation for being an independent business focused on T&FA, investment has been increased in senior management (CFO, HR), product and business development

Disposal of Payments Software Business

- Disposal of Payments Software business for consideration of £6.9 million on 2 July 2018
- Disposal enables further concentration of resource on the T&FA sector, the strategic focus of the business
- Gain on disposal of £3.2 million being the difference between the consideration received, net of directly attributable costs incurred and the net assets on date of disposal (principally goodwill)
- Business contributed in 2018 revenue of £0.8 million and operating profit of £0.4 million prior to disposal (on 2 July 2018)

Summary

- Independent business focused on T&FA which is proposed to be demerged and admitted to AIM during the course of 2019
- Combination of organic growth and targeted acquisitions to further enhance market positioning within T&FA
- Investment continuing in the team and organisation to further improve competitive position and accelerate growth within T&FA
- With recurring revenue accounting for 75% the business has strong future revenue visibility



Appendix A

Summary of Accounting Policy Change

Summary

- On 1 January 2018, the Group adopted a number of new standards, principally IFRS 15 and IFRS 16, and made changes to its accounting policies on a retrospective basis and consequently the Group's prior year financials have been restated
- IFRS 15 "Revenue from contracts with customers" changes the Group's assessment of when licence and maintenance revenue is recognised. Commission costs are now amortised across the contract life for each client
- IFRS 16 "Leasing" introduces a single lessee accounting model which recognises right-of-use assets and corresponding lease liabilities on the Group's property leases. These were previously accounting for as operating leases
- The overall impact of this adoption for 2018 was an increase in profit before tax of £0.9 million (2017: £0.7 million)
- Presented on the following slides are the summarised impact of the adjustments on the Group's income statement, balance sheet and cash flow statement for the year ending 31 December 2017.

Income Statement

	2017 As originally presented £'000	IFRS 15 £'000	IFRS 16 £'000	2017 £'000
Aptitude Software Revenue	44,340	381	-	44,721
Microgen Financial Systems Revenue	18,300	-	-	18,300
Total Revenue	62,640	381	-	63,021
Aptitude Software Adjusted Operating Profit	7,946	651	22	8,619
Microgen Financial Systems Adjusted Operating Profit	7,502	1	32	7,535
Group Costs	(1,827)	-	176	(1,651)
Adjusted Operating Profit	13,621	652	230	14,503
Non-Underlying Items	(2,541)	-	-	(2,541)
Statutory Operating Profit	11,080	652	230	11,962
Net Interest	(303)	-	(156)	(459)
Profit Before Tax	10,777	652	74	11,503
Taxation	(7.8%) (841)	(150)	(9)	(8.7%) (1,000)
Profit After Tax	9,936	502	65	10,503

Balance sheet

	2017 As originally presented £'000	IFRS 15 £'000	IFRS 16 £'000	2017 £'000
Goodwill and intangible assets	68,925	-	-	68,925
Property, plant and equipment	1,825	-	3,718	5,543
Trade and other assets	15,650	1,480	91	17,221
Cash and cash equivalents	19,137	-	-	19,137
Total Assets	105,537	1,480	3,809	110,826
Bank loan and capital lease obligations	(9,818)	-	(4,238)	(14,056)
Deferred income	(26,328)	-	-	(26,671)
Trade and other liabilities	(11,065)	(343)	68	(10,997)
Taxation	(381)	-	-	(381)
Deferred taxation	(4,060)	(237)	-	(4,297)
Total Liabilities	(51,652)	(580)	(4,170)	(56,402)
NET ASSETS	53,885	900	(361)	54,424

Cash flow statement

	2017 As originally presented* £'000	IFRS 16 £'000	2017 £'000
Cash generated from operations	14,142	1,051	15,193
Interest and tax paid	(2,841)	(156)	(2,997)
Cash flows generated from operating activities	11,301	895	12,196
Purchase of property, plant and equipment	(1,180)	-	(1,180)
Acquisition of subsidiaries, net of cash	(10,460)	-	(10,460)
Interest received	13	-	13
Net proceeds from issue of ordinary share capital	106	-	106
Dividends paid	(3,345)	-	(3,345)
Repayment of loan, net of drawdown	(1,023)	-	(12,250)
Repayment of capital lease obligations	-	(895)	(895)
Net cash used in investing/financing activities	(15,889)	(895)	(16,784)
Decrease in cash and cash equivalents	(4,588)	-	(4,588)