

microgen plc

Interim Results for the six months ended 30 June 2015

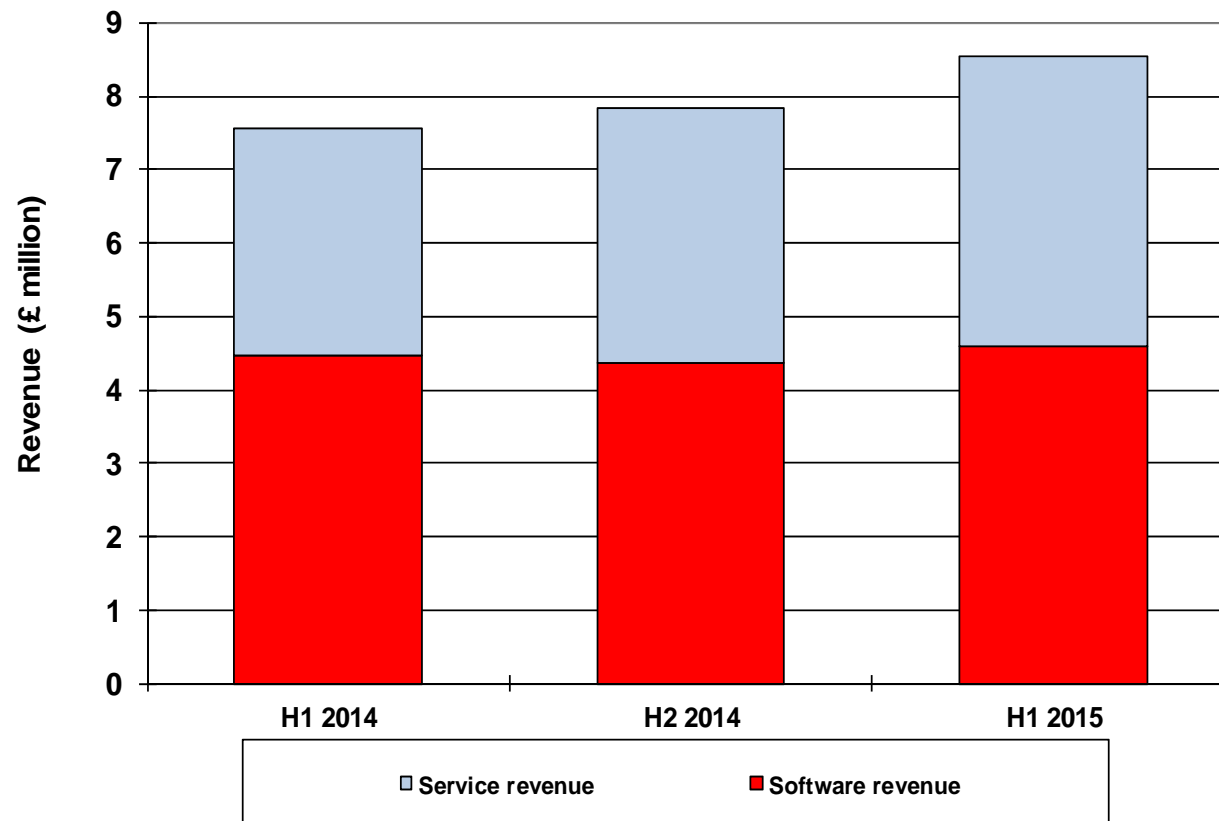
16 July 2015

To be read in conjunction with the interim results
announcement released on 16 July 2015

- **Group**
 - Revenue growth of 7% to £15.8m (H1-14: £14.7m). 88% of 2015 planned revenue now contracted with good visibility of 98% of current year plan revenue
 - Group adjusted operating profit increased to £3.9m (H1-14: £3.7m)
 - Adjusted basic earnings per share increased 19% to 4.3 pence (H1-14: 3.6 pence)
 - Interim dividend increased by 27% to 1.4 pence per share (2014: 1.1 pence per share)
 - Strong balance sheet with cash of £15.6m (H1-14: £37.9m) and net funds of £0.9m (H1-14: £20.2m) following corporate cash outflows of £23.6m in the past 12 months (returns to shareholders and acquisition consideration)
- **Aptitude Software**
 - Performance ahead of Board expectations led by strong demand for services
 - Revenue growth of 13% to £8.5m (H1-14: £7.6m)
 - Operating profit increase of 25% to £1.0m (H1-14: £0.8m)
 - Continued progress in the telecommunications sector with Aptitude Revenue Recognition Engine licenced to a further major North American telco in July 2015
- **Financial Systems**
 - Acquisition of Jobstream Group Limited separately announced today, following on from the acquisition of Unity Software (December 2014) and Finalysys (June 2015)
 - Revenue of £7.3m (H1-14: £7.2m) in line with Board expectations
 - Adjusted operating margin 49% (H1-14: 50%)
 - Trust & Fund Administration revenue growth of 20% to £2.7m (H1-14: £2.3m)

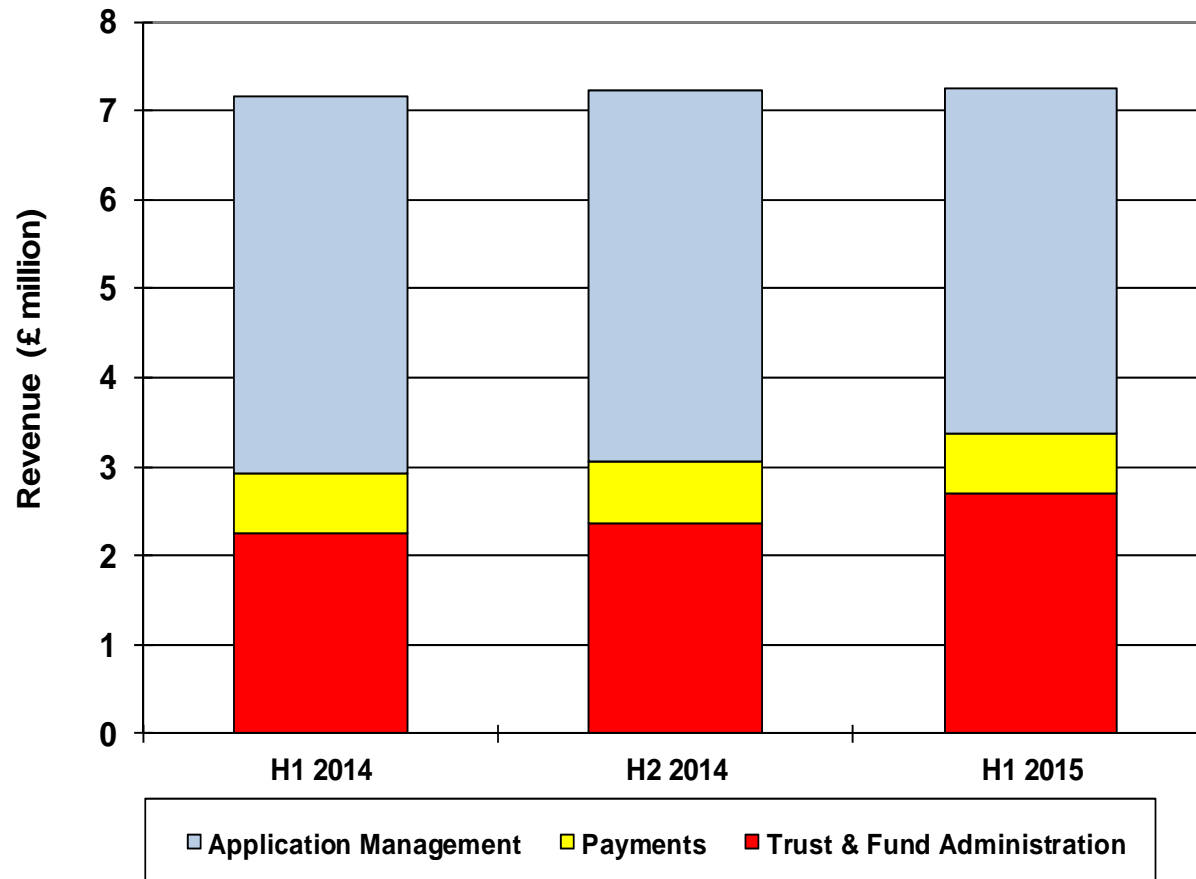
- Strategy
 - 2013 Strategic Review : good execution of defined programme
 - Delivering organic revenue growth with increasing profitability following investment phase in 2014
 - Continued execution with focus on Solutions using Aptitude technology
- Aptitude Technology
 - Aptitude Platform enables rapid build of high performance data driven solutions
 - Uses big data technologies including in-memory, in-database and in-Hadoop processing
 - Enables business users to control business rules and processes
 - Clients within digital media, financial services, telecoms, transport & other sectors
 - Multi-platform : SAP HANA scheduled in H2. (Oracle, IBM, Teradata, Hadoop available)
 - Aptitude-based applications
 - Aptitude Revenue Recognition Engine : addresses IFRS 15 requirements
 - Aptitude Accounting Hub : accelerates financial, management, statutory reporting and control while streamlining processes and building a single source of finance-accurate data
 - Aptitude Allocation Engine : enables strategic decision making regarding profitability of customers, products, channels etc
- Leadership
 - Tom Crawford Managing Director of Aptitude Software since 2013. Joined Group in 2003
 - Well established management team

- Performance ahead of Board expectations led by strong demand for services from customer base both in North America and Europe
- Organic revenue growth of 13% to £8.5m (H1-14: £7.6m)
- Operating profit increase of 25% to £1.0m (H1-14: £0.8m)
- Continued progress in the telecommunications sector with Aptitude Revenue Recognition Engine licensed to a further major North American telco in July 2015



- Strategy
 - 2013 Strategic Review : good execution of defined programme
 - Increase proportion of revenue derived from the wealth management sector, and specifically T&FA, through both organic growth and acquisitions
 - Manage non-core business activities for profit and cash.
- Trust & Fund Administration ('T&FA')
 - Microgen 5Series
 - Product supports the core business operations of trust administrators, fund administrators, fiduciary companies, family offices, company secretaries and corporate service providers
 - Customers in 15 jurisdictions ranging from organisations with multiple global offices to smaller independent organisations with a single office
 - Overview of T&FA acquisitions since Strategic Review
 - Jobstream Group Limited. Completed in July 2015 for consideration of £3.5m.
 - Unity Software Limited. Completed in December 2014 for consideration of £1.3m
 - Finalsys Limited. Completed in June 2015 for consideration of £0.3m (£0.2m deferred)
- Leadership
 - Simon Baines Managing Director of Financial Systems since 2010
 - Well established management team

- Revenue of £7.3m (H1-14: £7.2m) in line with Board expectations
- Adjusted operating margin 49% (H1-2014: 50%)
- T&FA revenue growth of 20% to £2.7m (H1-14: £2.3m)
- Application Management revenues in line with Board expectations at £3.9m (H1-14: £4.2m). Payments revenues unchanged at £0.7m (H1-14: £0.7m)



- Revenue growth of 7% to £15.6m (H1-14: £14.7m). 88% of total planned revenue for 2015 contracted with 98% of current year revenue expected to be generated from existing customer base
- Group adjusted operating profit increased to £3.9m (H1-14: £3.7m). Group operating profit on a statutory basis of £3.9m (H1-14: £3.3m)
- Adjusted basic earnings per share increased by 19% to 4.3 pence (H1-14: 3.6p). Basic earnings per share increased to 4.2 pence (H1-14: 3.2p)
- Interim dividend increased by 27% to 1.4 pence per share (2014: 1.1 pence per share)
 - Total cost of dividend maintained at level prior to the 2015 share consolidation
 - On this basis, full year dividend would increase from 3.3 pence to 4.2 pence per share, a yield of 3.8% on the mid-market closing share price on 15 July 2015
- Strong balance sheet with cash of £15.6m (H1-14: £37.9m) and net funds of £0.9m (H1-14: £20.2m) following corporate cash outflows of £23.6m in the past 12 months
 - £22.2m returned to shareholders via dividends and B/C share scheme
 - £1.4m acquisition payments

- Vanda Murray heading sub-committee of the Nomination Committee to evaluate potential candidates for Chairman
- External search firm has been appointed to assist in the process
- Martyn Ratcliffe has agreed to continue in office to ensure smooth transition
- Tom Crawford, Managing Director of Aptitude Software, and Simon Baines, Managing Director of Financial Systems, to join the Microgen plc Board as part of transition from an Executive to a Non-Executive Chairman
- Both Managing Directors have been in their respective roles for several years, have well-established management teams in place and are performing well against the defined business strategies, as set out in the 2013 strategic review

- Track record of resilient financial performance continuing
- Good progress has been made by the operating management teams against the strategic plans defined in the 2013 strategic review
- Strong balance sheet retained even after substantial returns of cash to shareholders and acquisition payments
- Attractive dividend yield resulting from consistent financial performance and share consolidation
- Chairman succession progressing
- Group is well positioned to continue to deliver value to shareholders

Group Income Statement

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	Six months ended 30 June 2015 £000	Six months ended 30 June 2014 £000	Year ended 31 December 2014 £000
Revenue			
Aptitude Software	8,546	7,560	15,395
Financial Systems	7,256	7,151	14,419
Total revenue	15,802	14,711	29,814
Operating costs (excl. Group overheads)	(11,194)	(10,263)	(21,162)
Adjusted operating profit before Group overheads	4,608	4,448	8,652
Adjusted operating profit before Group overheads (by division)			
Aptitude Software	1,048	838	1,202
Financial Systems	3,560	3,610	7,450
	4,608	4,448	8,652
Group overheads	(672)	(751)	(1,273)
Adjusted operating profit	3,936	3,697	7,379
Net finance (cost)/income	(184)	(222)	(395)
Profit before tax & exceptional and other items	3,752	3,475	6,984
Exceptionals and other items	(65)	(427)	(1,218)
Taxation	(738)	(656)	(1,653)
Net profit for the period	2,949	2,392	4,113

Group Balance Sheet

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	As at 30 June 2015 £'000	As at 30 June 2014 £'000	As at 31 Dec 2014 £'000
ASSETS			
Non-current assets			
Goodwill	41,774	41,774	41,774
Intangibles	1,471	-	1,290
Property, plant and equipment	4,637	4,964	4,863
Deferred income tax asset	767	742	771
	48,649	47,480	48,698
Current assets			
Trade and other receivables	4,580	3,338	3,155
Financial assets – derivative financial instruments	-	104	-
Cash and cash equivalents	15,618	37,923	40,896
	20,198	41,365	44,051
LIABILITIES			
Current liabilities			
Financial liabilities – borrowings	(3,000)	(3,000)	(3,000)
Financial liabilities - derivative financial instruments	(429)	(125)	(427)
Trade and other payables	(14,680)	(14,415)	(18,812)
Current income tax liabilities	(848)	(767)	(499)
Provisions for other liabilities and charges	(12)	(32)	(15)
	(18,969)	(18,339)	(22,753)
Net current assets	1,229	23,026	21,298
Non-current liabilities			
Financial liabilities – borrowings	(11,750)	(14,750)	(13,250)
Provisions for other liabilities and charges	(437)	(266)	(261)
	(12,187)	(15,016)	(13,511)
NET ASSETS	37,691	55,490	56,485

Group Cash Flow

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	Six months ended 30 June 2015 £'000	Six months ended 30 June 2014 £'000	Year ended 31 Dec 2014 £'000
Cash flows from operating activities			
Cash generated from operations	(1,522)	2,037	9,960
Interest paid	(255)	(304)	(591)
Tax paid	(367)	(630)	(1,454)
Net cash flows (used in)/generated from operating activities	(2,144)	1,103	7,915
Cash flows from investing activities			
Purchase of property, plant and equipment	(103)	(336)	(612)
Proceeds from sale of property, plant and equipment	12	-	-
Acquisition of subsidiary, net of cash	(16)	-	(1,230)
Interest received	75	82	169
Net cash used in investing activities	(32)	(254)	(1,673)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital	-	6	18
Dividends paid	(1,277)	(1,639)	(2,459)
Repayments of loan	(1,500)	(1,500)	(3,000)
Return of value to shareholders	(20,145)	-	-
Costs associated with return of value	(175)	-	-
Sale of fractional shares	1	-	-
Net cash used in financing activities	(23,096)	(3,133)	(5,441)
Net (decrease)/increase in cash and cash equivalents	(25,272)	(2,284)	801
Opening cash and cash equivalents	40,896	40,200	40,200
Effects of exchange rate changes	(6)	7	(105)
Closing cash and cash equivalents	15,618	37,923	40,896

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