

# microgen plc

## **Audited Preliminary Results for the year ended 31 December 2013**

**Martyn Ratcliffe**  
**Philip Wood**

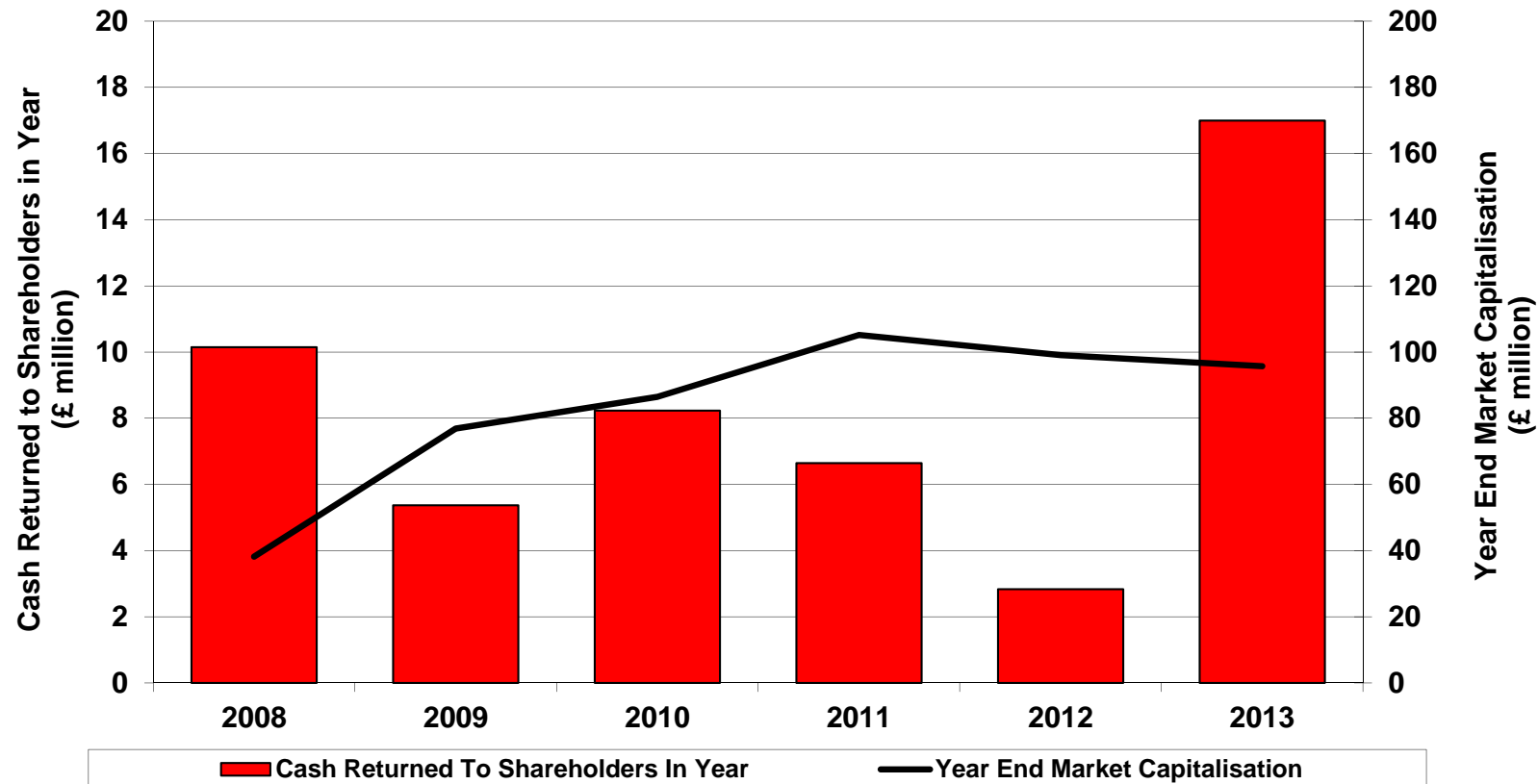
**Chairman**  
**Group Finance Director**

**26 February 2014**

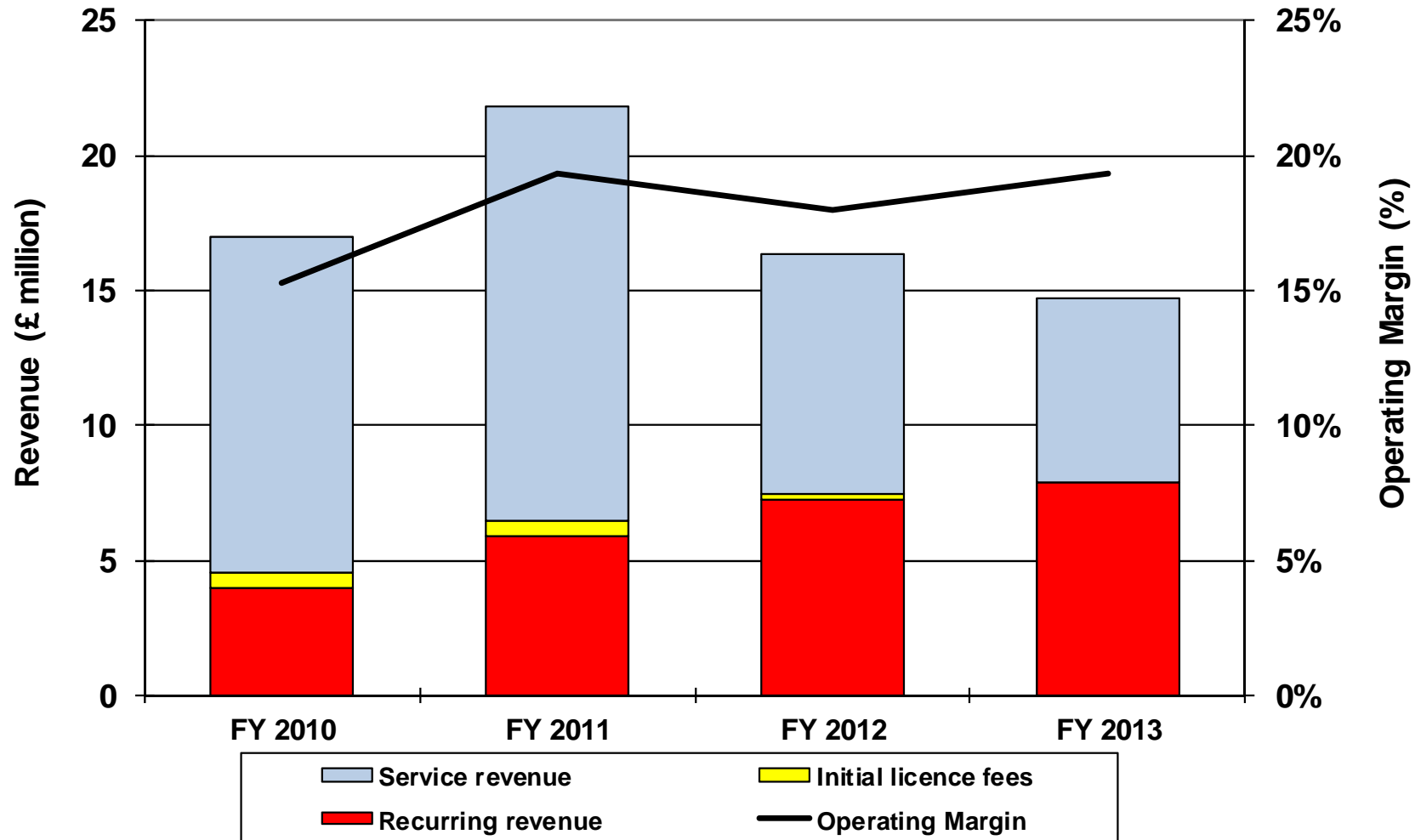
**To be read in conjunction with the audited preliminary  
results announcement released on 26 February 2014**

- Completion of Strategic Review in October 2013
- Adjusted operating profit in line with expectations and 2012 at £9.1 million
- Adjusted EPS marginally lower at 8.3 pence (2012: 8.5 pence) following changes in capital structure and resulting reduced net interest income
- Strong balance sheet with cash of £40.2 million (2012: £32.1 million). Net funds of £20.9 million (2012: £32.1 million) following return of £17.0 million in the year to shareholders by way of tender offer and dividends
- Proposed final dividend of 2.2 pence per share (2012: 2.2 pence) representing a full year dividend of 3.3 pence (2012: 3.3 pence)
- Aptitude Software
  - Annual software licence and recurring revenue growth of 9%
  - Consultancy reduced as anticipated and consistent with strategy
- Financial Systems
  - Wealth management revenue growth of 7% to £8.0 million
  - Other product revenues reduced to £7.1 million (2012: £8.5 million)

- The Group has returned cash to shareholders over last five year period equivalent to 130% of the October 2008 market capitalisation
- Group Strategy of “Acquire, Enhance and Realise Value”
- Strategies set for each of the Group’s current two business units

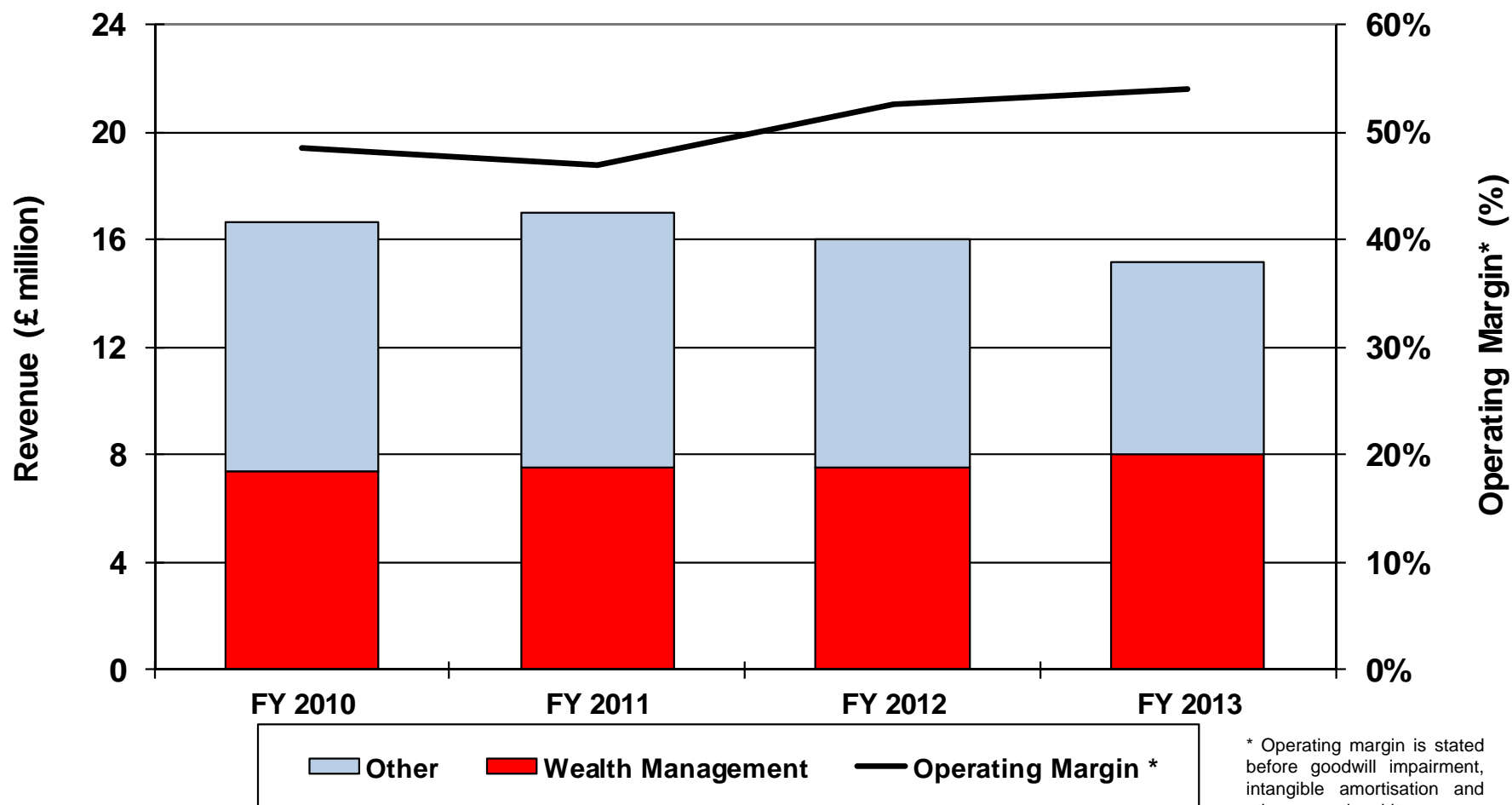


- Increase in investment in Aptitude Software business to pursue the potential Big Data market opportunity. Investment level set such that the business should remain profitable and cash flow positive
- Strategic Review reaffirmed preferred strategy of annual software licencing, producing recurring revenues, as the right approach to value creation. KPIs are revenue growth and recurring revenue growth
- Investments and initiatives include:-
  - Developing the indirect sales channel - IBM sales partnership launched
  - Strengthening of presence in USA
  - Recruitment of additional sales resources
  - Establishment of a cost effective near-shore consultancy pool to facilitate increased adoption of Aptitude software
  - Product development including Hadoop Hive Interface. Hadoop designated an Aptitude strategic technology platform (existing platforms include Oracle and Teradata)



- Growth in annual software licence and other recurring revenue growth of 9% to £7.9 million representing 54% of revenue
- Services revenue reduced to £6.8 million (2012: £8.8 million), as anticipated
  - Revenue broadly consistent throughout 2013 (comparators reflect 2012 decline)
- Overall revenue of £14.7 million (2012: £16.3 million)
- Operating margin of 19% (2012: 18%) delivered an operating profit of £2.8 million (2012: £2.9 million)
  - All research and development costs expensed
  - Impact of investment programme minimal in 2013
- Significant new European client contracted in December 2013
- Launch of IBM sales partnership to further develop indirect sales channel
- Opportunities identified in a number of new sectors which will benefit from the capabilities of the Aptitude software

- The Financial Systems business strategy is to increase the proportion of revenue derived from the wealth management sector through both organic growth and add-on acquisitions
- Identification and appraisal of add-on acquisition opportunities
- Non-core business activities to continue to be managed for cash and profit to support investments in market sectors of higher potential
- £20 million bank loan on favourable terms announced on completion of strategic review. £5 million retained for add-on acquisitions and £15 million distributed to Microgen plc
- KPIs for Financial Systems are:-
  - Adjusted Operating Profit;
  - Return on Capital Employed (“ROCE”);
  - Recurring Revenue; and
  - Growth in Wealth Management sector





- Wealth management revenues grew by 7% to £8.0 million (2012: £7.5 million) now representing 53% (2012: 47%) of revenue
- ROCE improved to 30% (2012: 18%) benefitting from the change in capital structure
- Overall recurring revenues account for 79% (2012: 78%) of revenue
- 28% of revenue generated by top 5 clients (2012: 28%)
- Overall revenue of £15.1 million (2012: £16.0 million)
- Adjusted operating profit of £8.1 million (2012: £8.4 million) representing an adjusted operating margin of 54% in 2013 (2012: 53%)
- Wealth management product, 5Series, continues to be well received by the market with adoption increasing in line with expectations

- Microgen plc is the Corporate Parent of operating businesses
- Resilient performance from existing divisions
- Adjusted operating profit of £9.1 million in line with expectations and prior year
- Identifying and appraising technology businesses and strategic investments which the Board believes may benefit from being under Microgen's stewardship
- Cash at 31 December 2013 of £40.2 million (2012: £32.1 million) and net funds of £20.9 million (2012: £32.1 million)
- Cash returned to shareholders over the prior five year period equivalent to 130% of the October 2008 market capitalisation
  - £10 million tender offer completed in December 2013
  - Total of £17 million returned to shareholders in 2013 through the tender offer and dividends

# Appendix

# Group Income Statement

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	FY 2013	FY 2012
	£000	£000
<b>Revenue</b>		
Aptitude Software	14,676	16,316
Financial Systems	15,148	16,002
<b>Total revenue</b>	<b>29,824</b>	<b>32,318</b>
<b>Operating costs (excl. Group overheads)</b>	<b>(18,881)</b>	<b>(20,976)</b>
<b>Adjusted operating profit before Group overheads</b>	<b>10,943</b>	<b>11,342</b>
<b>Adjusted operating profit before Group overheads (by division)</b>		
Aptitude Solutions	2,837	2,928
Financial Systems	8,106	8,414
	<b>10,943</b>	<b>11,342</b>
Group overheads	(1,874)	(2,211)
<b>Adjusted operating profit</b>	<b>9,069</b>	<b>9,131</b>
Net finance income	-	174
<b>Profit before tax &amp; exceptional and other items</b>	<b>9,069</b>	<b>9,305</b>
Exceptionals and other items	(381)	(118)
Taxation	(2,250)	(2,238)
<b>Net profit for the period</b>	<b>6,438</b>	<b>6,949</b>

# Group Balance Sheet

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	As at 31 Dec 2013 £'000	As at 31 Dec 2012 £'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Goodwill	41,774	41,774
Property, plant and equipment	5,022	5,391
Deferred income tax asset	752	1,041
	<u>47,548</u>	<u>48,206</u>
<b>Current assets</b>		
Trade and other receivables	5,049	3,163
Financial assets – derivative financial instruments	94	69
Cash and cash equivalents	40,200	32,134
	<u>45,343</u>	<u>35,366</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Financial liabilities – borrowings	(3,000)	-
Financial liabilities - derivative financial instruments	(47)	(15)
Trade and other payables	(18,186)	(17,845)
Current income tax liabilities	(701)	(742)
Provisions for other liabilities and charges	(33)	(42)
	<u>(21,967)</u>	<u>(18,644)</u>
<b>Net current assets</b>	<u>23,376</u>	<u>16,722</u>
<b>Non-current liabilities</b>		
Financial liabilities – borrowings	(16,250)	-
Provisions for other liabilities and charges	(269)	(256)
	<u>(16,519)</u>	<u>(256)</u>
<b>NET ASSETS</b>	<u>54,405</u>	<u>64,672</u>

# Group Cash Flow

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	Year ended 31 Dec 2013 £'000	Year ended 31 Dec 2012 £'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	8,103	10,348
Interest paid	(119)	-
Tax paid	(1,728)	(2,023)
<b>Net cash generated from operating activities</b>	<b>6,256</b>	<b>8,325</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(427)	(624)
Interest received	119	174
<b>Net cash used in investing activities</b>	<b>(308)</b>	<b>(450)</b>
<b>Cash flows from financing activities</b>		
Proceeds from bank loan	20,000	-
Net proceeds from issue of ordinary share capital	204	59
Dividends paid	(7,016)	(2,691)
Repayment of loan	(750)	-
Purchase of own shares	(10,269)	(146)
<b>Net cash used in financing activities</b>	<b>2,169</b>	<b>(2,778)</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,117</b>	<b>5,097</b>
Opening cash and cash equivalents	32,134	26,971
Effects of exchange rate changes	(51)	66
<b>Closing cash and cash equivalents</b>	<b>40,200</b>	<b>32,134</b>

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