

microgen plc

Audited Preliminary Results for the year ended 31 December 2014

Martyn Ratcliffe
Philip Wood

Chairman
Group Finance Director

25 February 2015

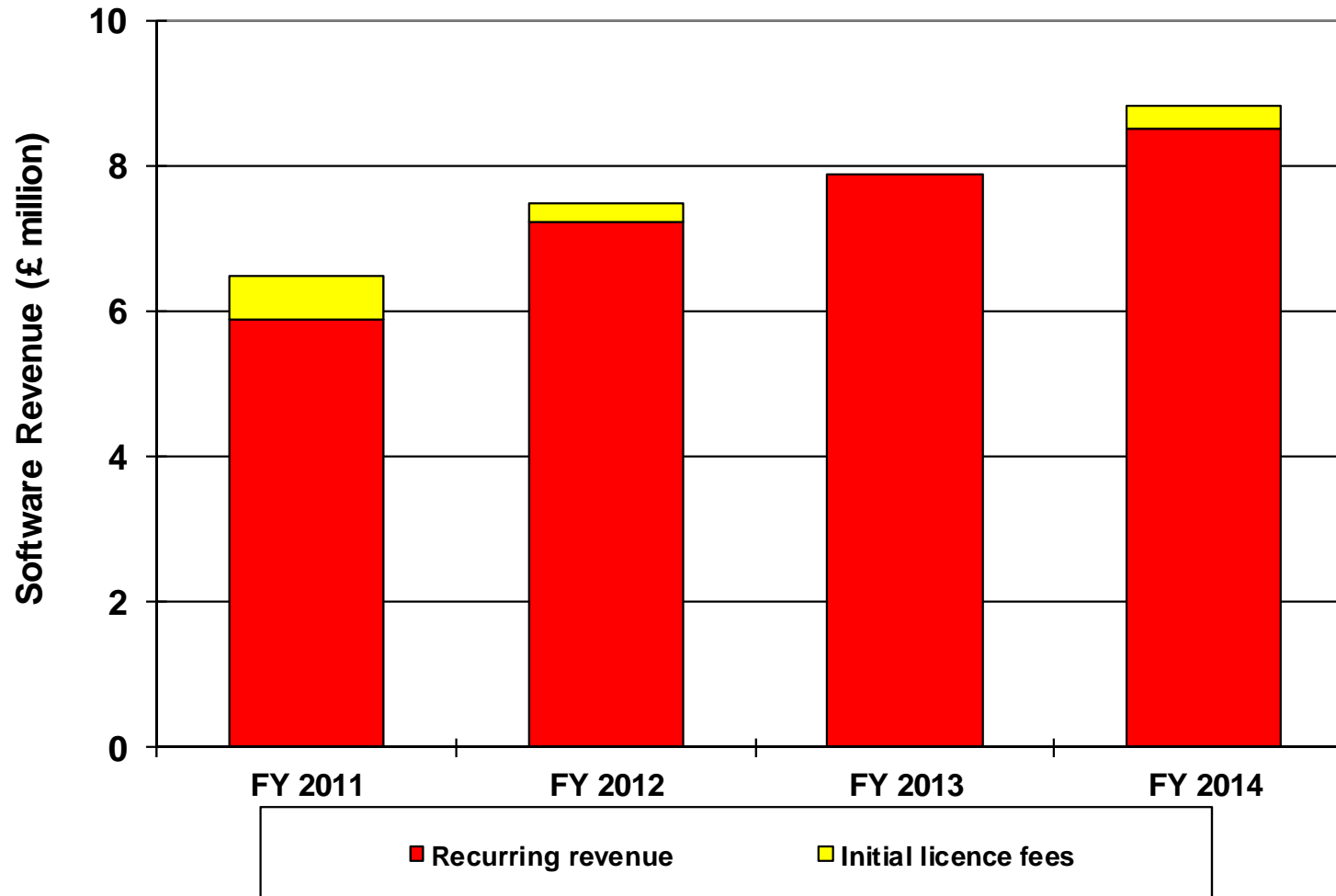
**To be read in conjunction with the audited preliminary
results announcement released on 25 February 2015**

- Group
 - Proposed return of approximately £20m in cash to shareholders (27 pence per share)
 - Cash of £40.9m (2013: £40.2m) and net funds of £24.6m (2013: £20.9m)
 - Adjusted earnings per share 7.2 pence (2013: 8.3 pence) in line with Board expectations and defined strategy
 - Proposed final dividend of 2.2 pence per share (2013: 2.2 pence) representing a full year dividend of 3.3 pence (2013: 3.3 pence in addition to a special dividend of 5.2 pence).
- Aptitude Software
 - Continued progress on strategic objectives
 - Software revenue growth of 12% to £8.8m (2013: £7.9m) with overall revenue increasing to £15.4m (2013: £14.7m)
 - Contract with top tier North American telecommunications company opens new sector
- Financial Systems
 - Acquisition of Jersey-based Unity Software
 - Substantial increase in ROCE to 42% (2013: 30%) following capital restructuring in 2013
 - Overall revenue of £14.4m (2013: £15.1m) in line with Board expectations
 - Adjusted operating margin 52% (2013: 54%)

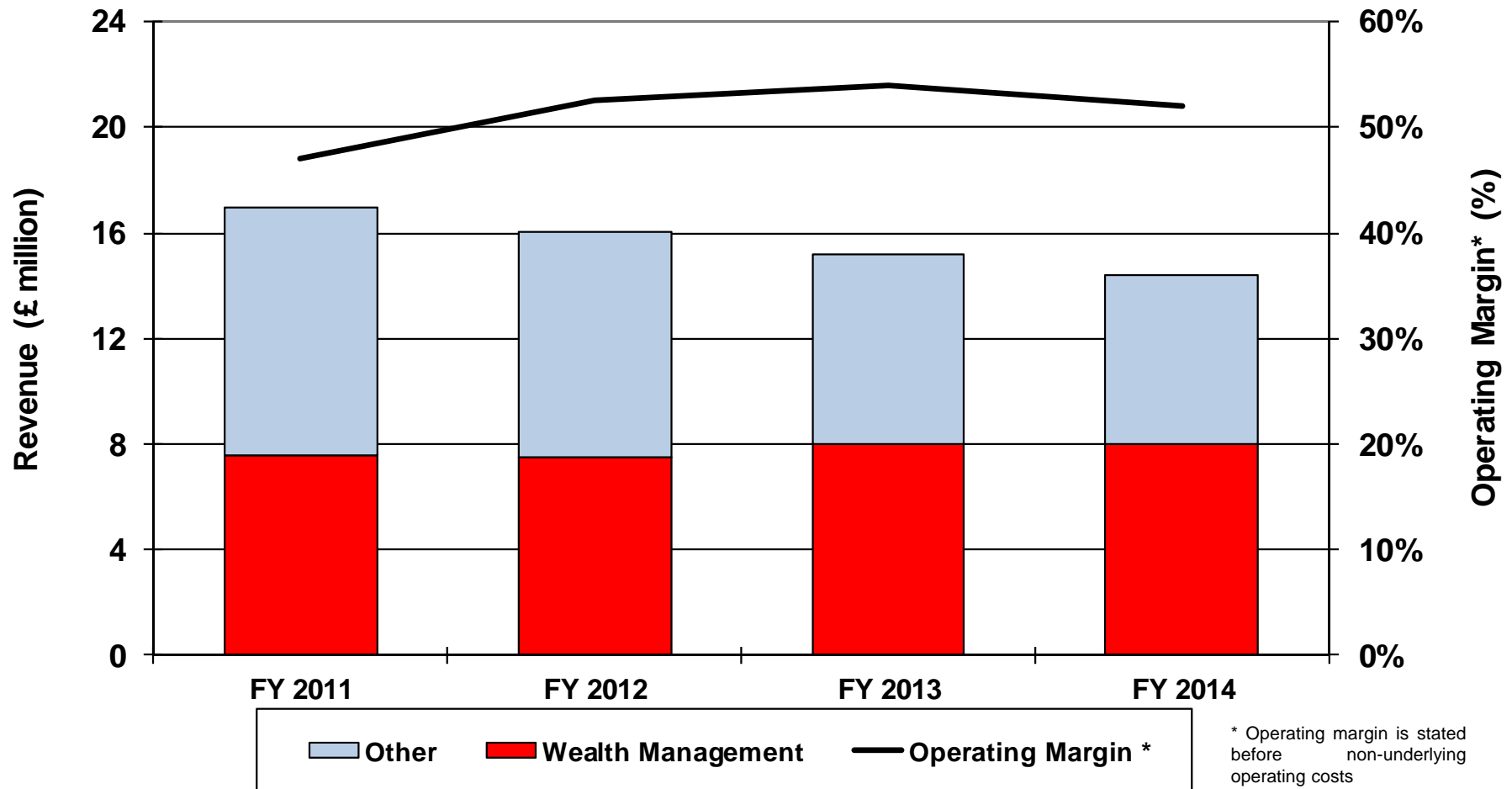
- Proposed return of £20m cash to shareholders by way of a B/C share scheme
 - Equivalent to 27 pence per share
 - B/C share model
 - Attractive to all shareholders
 - Chancellor's Autumn Statement proposes to remove this option from 6 April 2015
 - General Meeting 18 March 2015
 - Scheduled to complete by 1 April 2015
- Upon completion Microgen will have returned a total of £70m to shareholders since 2008 by a variety of mechanisms
 - Equivalent to 190% of October 2008 market capitalisation
- Group will continue to have sufficient cash resources to be a credible acquirer for add-on acquisitions
- Large acquisitions likely to be subject to shareholder approval due to main list class test parameters

- Software revenue growth of 12% to £8.8m (2013: £7.9m)
- Overall revenue increased by 5% to £15.4m (2013: £14.7m)
 - FX impact : £0.2m negative revenue variance relative to 2013
- Operating margin lower at 8% (2013: 19%) due to strategic investment
- Large North American telecommunications company contracted in 2014 for the Aptitude Accounting Hub and, subsequent to the year end, the Aptitude Revenue Recognition Engine
- Seven software contracts signed during 2014 with new and existing customers
- Product developments include:-
 - New version of Aptitude which further extends the Big Data processing capabilities enabling users to build data-driven applications deploying Aptitude's in-memory, in-database and in-Hadoop processing
 - Release of three new Aptitude-based applications:-
 - Aptitude Allocation Engine – first customer contracted
 - Aptitude Revenue Recognition Engine – first customer contracted
 - Compact Edition of the Aptitude Accounting Hub

- Software revenue growth of 12%
- Primarily recurring annual licences on software
- Services revenue averages 48% of total revenue in the last 3 years



- ROCE increased to 42% (2013: 30%) following capital restructuring in 2013
- Acquisition of Unity Software Limited, a Jersey-based provider of wealth management software for the offshore finance industry
 - Consideration of £1.3m payable on completion
- Wealth management revenues represents 55% (2013: 53%) of overall revenue at £8.0m (2013: £8.0m)
- Revenue from payment software products remains in line with last year at £1.3m
- Application Management business, now incorporating the minor financial services products, reported revenue in line with expectations at £5.1m (2013: £5.8m)
- Overall revenue £14.4m (2013: £15.1m)
 - FX : Weakening of SA Rand produced £0.2m negative revenue variance relative to 2013
- Continuing strong adjusted operating margin of 52% (2013: 54%)
- Closure of office in South Africa



Appendix

Group Income Statement

microgen

	FY 2014	FY 2013
	£000	£000
Revenue		
Aptitude Software	15,395	14,676
Financial Systems	14,419	15,148
Total revenue	29,814	29,824
Operating costs (excl. Group overheads)	(21,162)	(18,881)
Adjusted operating profit before Group overheads	8,652	10,943
Adjusted operating profit before Group overheads (by operating business)		
Aptitude Software	1,202	2,837
Financial Systems	7,450	8,106
	8,652	10,943
Group overheads	(1,273)	(1,874)
Adjusted operating profit	7,379	9,069
Net finance cost	(395)	-
Profit before tax & non-underlying operating costs	6,984	9,069
Non-underlying operating costs	(1,218)	(381)
Taxation	(1,653)	(2,250)
Net profit for the period	4,113	6,438

Group Balance Sheet

microgen

	As at 31 Dec 2014 £'000	As at 31 Dec 2013 £'000
ASSETS		
Non-current assets		
Goodwill	41,774	41,774
Intangible assets	1,290	-
Property, plant and equipment	4,863	5,022
Deferred income tax asset	771	752
	<u>48,698</u>	<u>47,548</u>
Current assets		
Trade and other receivables	3,155	5,049
Financial assets – derivative financial instruments	-	94
Cash and cash equivalents	40,896	40,200
	<u>44,051</u>	<u>45,343</u>
LIABILITIES		
Current liabilities		
Financial liabilities – borrowings	(3,000)	(3,000)
Financial liabilities - derivative financial instruments	(427)	(47)
Trade and other payables	(18,812)	(18,186)
Current income tax liabilities	(499)	(701)
Provisions for other liabilities and charges	(15)	(33)
	<u>(22,753)</u>	<u>(21,967)</u>
Net current assets	<u>21,298</u>	<u>23,376</u>
Non-current liabilities		
Financial liabilities – borrowings	(13,250)	(16,250)
Provisions for other liabilities and charges	(261)	(269)
	<u>(13,511)</u>	<u>(16,519)</u>
NET ASSETS	<u>56,485</u>	<u>54,405</u>

Group Cash Flow

microgen

	Year ended 31 Dec 2014 £'000	Year ended 31 Dec 2013 £'000
Cash flows from operating activities		
Cash generated from operations	9,960	8,103
Interest paid	(591)	(119)
Tax paid	(1,454)	(1,728)
Net cash generated from operating activities	7,915	6,256
Cash flows from investing activities		
Purchase of property, plant and equipment	(612)	(427)
Acquisition of subsidiary, net of cash	(1,230)	-
Interest received	169	119
Net cash used in investing activities	(1,673)	(308)
Cash flows from financing activities		
Proceeds from bank loan	-	20,000
Net proceeds from issue of ordinary share capital	18	204
Dividends paid	(2,459)	(7,016)
Repayment of loan	(3,000)	(750)
Purchase of own shares	-	(10,269)
Net cash (used in)/ generated from financing activities	(5,441)	2,169
Net increase in cash and cash equivalents	801	8,117
Opening cash and cash equivalents	40,200	32,134
Effects of exchange rate changes	(105)	(51)
Closing cash and cash equivalents	40,896	40,200

microgen

microgen
www.microgen.com