

# Audited Preliminary Results

for the year ended  
31 December 2019

11 March 2020

Aptitude<sup>™</sup>  
SOFTWARE

# Aptitude Software at a glance

Specialist provider of powerful financial management software

Implemented Aptitude Software in **16 countries globally**

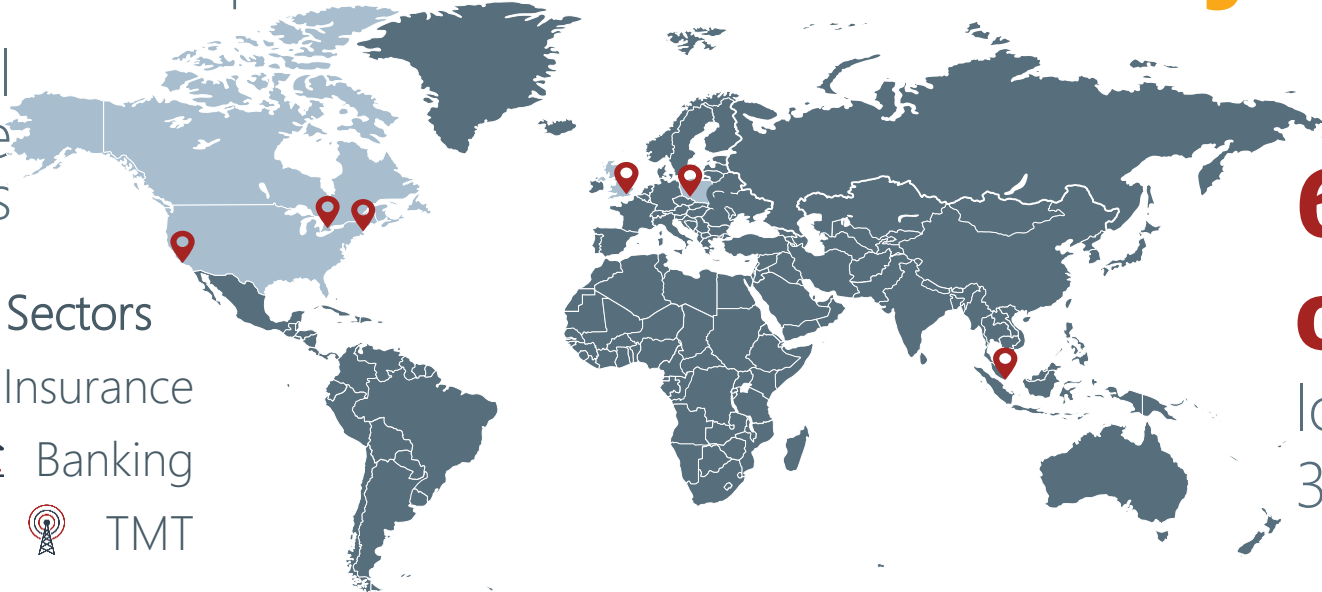
**c.70** global enterprise clients

Key Sectors

 Insurance

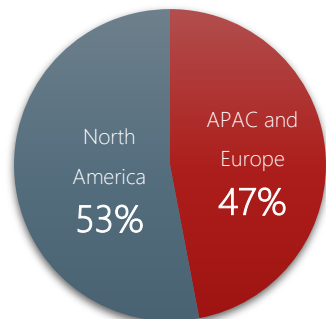
 Banking

 TMT

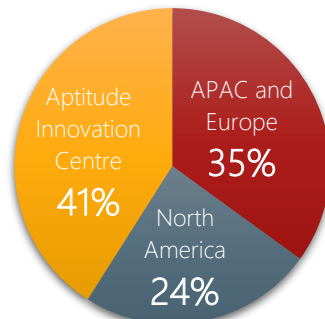


**6 office** locations in 3 continents

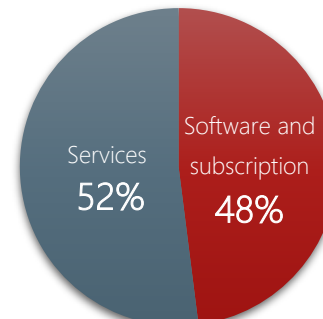
Revenue by Region



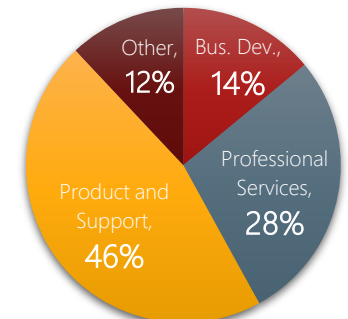
Employees by Region (c.330)



Revenue by Type



Employees by Function



# Overview of the year

Good progress strategically and operationally



Totally focused on Aptitude Software following disposal of Microgen Financial Systems



A good new business performance

£28.6m  
ARR

22% growth<sup>1</sup> in Annual Recurring Revenue<sup>2</sup>



Global businesses in multiple sectors added to high quality client list



Complete commitment to client and partner engagement



Continued innovation to realise the digital finance transformation opportunity

<sup>1</sup> Growth rates have been calculated on a constant currency basis by comparing the 2019 results with 2018 results retranslated at the rates of exchange prevailing during 2019.

<sup>2</sup> Annual Recurring Revenue ('ARR') is the value of Aptitude Software's continuing software and subscription recurring revenue at a specific point in time, normalised to a one-year period.

# Market Drivers

Digital Finance is driving a change in tools, process and expectations of what finance must deliver



# Aptitude Product Portfolio

Accounting Hub is our foundation product, complemented by regulatory focused engines



Aptitude  
**Revenue Management**  
(ARM)




Aptitude  
**RevStream**  
(AREV)

Revenue Management  
IFRS 15  
ASC 606



Aptitude  
**Revenue Recognition Engine**  
(ARRE)

Telco  
IFRS 15  
ASC 606




Aptitude  
**Lease Accounting Engine**  
(ALAE)

IFRS 16  
ASC 842



Aptitude  
**Insurance Calculation Engine**  
(AICE)

IFRS 17  
LDTI



Aptitude  
**Accounting Hub**  
(AAH)

Delivers finance transformation and  
a foundation for  
control and financial insights

# Product Portfolio Highlights

The key contributors to growth in 2019



Aptitude  
**Accounting Hub (AAH)**

## 2019 Highlights

- Largest contributor to growth in ARR
- New business sales include licences to a number of substantial insurers on a standalone basis
- Opportunity for AAH is significant across all key industries



Aptitude  
**Insurance Calculation Engine (AICE)**

## 2019 Highlights

- Material contributor to growth in ARR in 2019
- Significant sales across multiple continents
- Potential delay of 12 months to IFRS 17 effective date impacted small number of sales opportunities for 2019



Aptitude  
**Revenue Management (ARM)**

## 2019 Highlights

- Continuing new business success across a number of sectors
- Largest SaaS subscription sale achieved
- Further material sale at start of 2020

# Financial Highlights

Continued growth in annual recurring revenue

Total revenue

**£59.7m**

↑ 14% (2018: £52.3m)

Annual Recurring Revenue<sup>1</sup>

**£28.6m**

↑ 22% (2018: £23.5m)

Software and subscription revenue

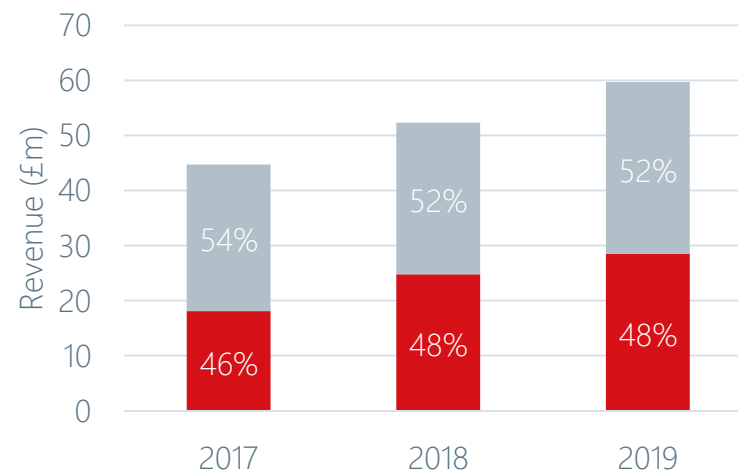
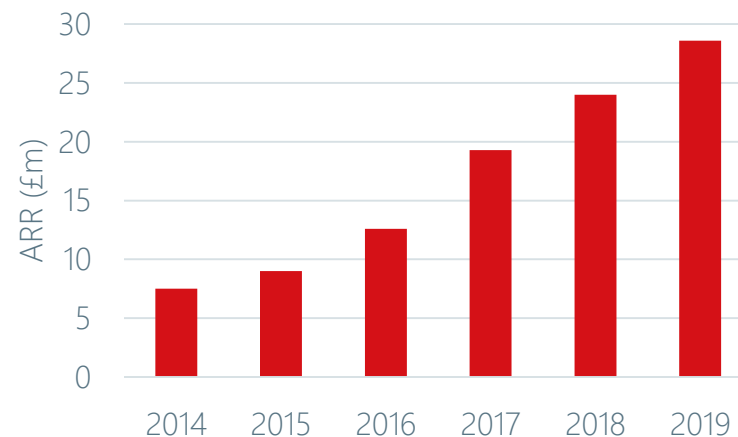
**£28.5m**

↑ 15% (2018: £24.8m)

Services revenue

**£31.2m**

↑ 13% (2018: £27.5m)



■ Services revenue  
 ■ Software and subscription revenue

<sup>1</sup> 2018 Annual Recurring Revenue (£24.8m) has been calculated on a constant currency basis by comparing the 2019 results with 2018 results retranslated at the rates of exchange prevailing during 2019.

The financial highlights provided above exclude the results of the Microgen Financial Systems business which was disposed of on 28 June 2019 and presented as a discontinued operation

# Financial Highlights

Financially strong with excellent cash conversion

Adjusted  
Operating Profit<sup>1</sup>

£10.5m

↑ 20% (2018: £8.8m)

Dividend cover  
maintained

5.4p

(2018: 6.6p)

Disposal proceeds of  
Microgen Financial Systems

£51.4m

Subsequent return of value to  
shareholders (£46.4m)

Adjusted Operating  
Margin<sup>1</sup>

18%

(2018: 17%)

Net  
funds

£30.8m

↑ 78% (2018: £17.3m)

Cash  
Conversion<sup>2</sup>

135%

(2018: 97%)

<sup>1</sup> Adjusted Operating Profit and Adjusted Operating Margin excludes non-underlying operating items and the results of the Microgen Financial Systems business which was disposed of on 28 June 2019 and presented as a discontinued operation. Non-underlying items principally comprise intangible amortisation and the establishment in 2019 of a provision in relation to the Group's overseas taxation.

<sup>2</sup> Cash Conversion is measured by cash generated from operations as a percentage of operating profit adjusted for the non-underlying items with no cash effect.



# Go-to-Market and Client Engagement

Investing in the depth and breadth of our client engagement

- Direct salesforce in Boston, London and Singapore who leverage our Global Partner Network to source and influence prospects
- Investment in client engagement with the establishment of Client Advisory Boards and regional Account Management teams
- We target expanding the footprint of products already in use in a large enterprise across multiple divisions or higher volumes
- The growing portfolio enhances opportunity to cross-sell other products to existing clients to deliver insights, reporting or Solution Managed Services.

# Global Partner Network

## Source of new business and implementation capability

- Group now has alliances with all of the Big 4 accounting firms
- Source or influence most new business opportunities
- Leverage our partners' relationships, credentials and geographic reach to target new markets and new countries
- Dedicated partner management functions in APAC, Europe and North America
- Collaboration on multiple implementations, with our consultants typically focused on the configuration of our core applications
- Highlights in 2019 include the opening of the Australian insurance market for the Aptitude Insurance Calculation Engine and the development of new opportunities in the USA for the Aptitude Accounting Hub



# AptConnect

## Inaugural user conference

- First ever AptConnect event hosted during 2019 bringing together our clients, partners and prospects
- Conference was held in Boston and attended by over 80 North American delegates demonstrating the Group's strengthening focus on clients and partners
- Event covered a wide range of topics from the future of technology for the finance department to the latest developments in Aptitude Software's product portfolio
- Included speakers from our existing client base detailing their own successful implementation journey
- Big four sponsorship further enhanced Aptitude credibility
- AptConnect 2020 is scheduled with the event now an annual fixture in the Group's calendar



# Aptitude Software Innovation Centre

Dedicated facility for development, cloud operations and support activities

- A growing community of engaged and experienced finance technology experts – focused on developing and enhancing Aptitude Software products for our clients



## Development

Encompasses the Group's entire product suite following the transfer in 2019 of Aptitude RevStream development

## Cloud operations

Increased focal point with single integrated centre leveraging the Cloud and connecting the whole portfolio 24x7

## Support

Increased collaboration across these teams as they provide software or associated services to our clients up to 24x7

- Product management, research and development expenditure increased to £9.3 million (2018: £8.2 million). These costs were fully expensed and are approximately 33% of software and subscription revenues

# 2020 Objectives

## Strategic repositioning enables sole focus on the Aptitude suite of software

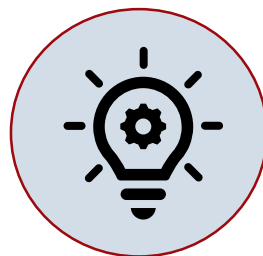
- Continued new business progress with the Aptitude Insurance Calculation Engine, Aptitude Revenue Management ('ARM') and the Aptitude Accounting Hub ('AAH')
- Positive start to 2020 achieved with a further significant sale of ARM
- Development of partner alliances to open entry into new markets and sectors
- Strategic product roadmap shaped by both the long-term opportunity of digital finance and the additional growth accelerators of regulatory requirements
  - Acceleration of AAH development to fully realise digital finance opportunity in the market
  - Drive further scaling of SaaS offerings
- Strengthening of the support function to enhance services to clients and investment in client and partner enablement
- Commencement of analysis into potential acquisition opportunities

# Successful start to a new era

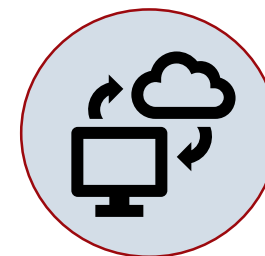
Ambition to be a world leading vendor of powerful financial management software to large global enterprises



Good new business performance



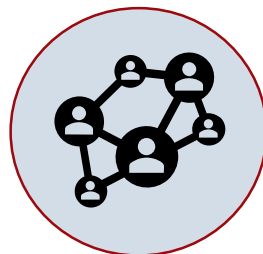
Growing portfolio of product & service offerings



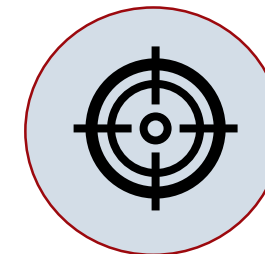
Growing SaaS capability



Increasing worldwide presence



Well-established partner network



New focus

Well positioned to realise the significant opportunity ahead



# Appendix

Aptitude™  
SOFTWARE

# Income Statement

14% growth in revenue, increase in operating margin to 18%

	2019 £'000	2018 £'000
Software and Subscription Revenue	28,494	24,814
Services Revenue	31,158	27,460
<b>Total Revenue</b>	<b>59,652</b>	<b>52,274</b>
Operating Costs	(49,150)	(43,499)
<b>Adjusted Operating Profit</b>	<b>10,502</b>	<b>8,775</b>
Non-Underlying Items	(1,559)	(1,109)
<b>Statutory Operating Profit</b>	<b>8,943</b>	<b>7,666</b>
Net Interest	(168)	(403)
<b>Profit Before Tax</b>	<b>8,775</b>	<b>7,263</b>
Taxation	(2,033)	(1,847)
<b>Profit After Tax</b>	<b>6,742</b>	<b>5,416</b>
<b>Profit from Discontinued Operations<sup>1</sup></b>	<b>22,430</b>	<b>8,377</b>
<b>Profit for the Year</b>	<b>29,172</b>	<b>13,793</b>

<sup>1</sup> On 28 June 2019 the Group disposed of the Microgen Financial Systems business which met the criteria of being presented as a discontinued operation. The amount in 2019 includes the gain on disposal of the Microgen Financial Systems business totalling £20.3 million.



# Cash Flow

135% cash conversion

	2019 £'000	2018 £'000
Cash generated from continuing operations	15,295	8,266
Cash generated from discontinued operations	3,125	6,776
<b>Cash generated from operations</b>	<b>18,420</b>	<b>15,042</b>
Interest and tax paid	(2,403)	(3,508)
<b>Cash flows generated from operating activities</b>	<b>16,017</b>	<b>11,534</b>
Purchase of property, plant and equipment	(828)	(985)
Disposal of subsidiary, net of cash	47,152	6,770
Interest received	158	47
Net proceeds from issue of ordinary share capital	1,368	58
Dividends paid	(3,859)	(3,928)
Repayment of loan	(8,000)	(2,000)
Repayment of capital lease obligations	(1,127)	(1,314)
Return of value to shareholders, including direct costs incurred	(47,020)	-
<b>Net cash used in investing/financing activities</b>	<b>(12,156)</b>	<b>(1,352)</b>
<b>Increase in cash and cash equivalents</b>	<b>3,861</b>	<b>10,182</b>

# Balance Sheet

Strong balance sheet with cash of £33 million and no debt financing

	2019 <sup>1</sup> £'000	2018 £'000
Goodwill and intangible assets	30,273	62,979
Property, plant and equipment	3,207	5,417
Trade and other assets <sup>2</sup>	14,706	19,042
Cash and cash equivalents	32,965	29,186
<b>Total Assets</b>	<b>81,151</b>	<b>116,624</b>
Bank loan and capital lease obligations	(2,123)	(11,813)
Deferred income <sup>3</sup>	(22,842)	(28,276)
Trade and other liabilities	(7,775)	(7,644)
Taxation	(485)	(489)
Deferred taxation	(1,502)	(3,582)
<b>Total Liabilities</b>	<b>(34,727)</b>	<b>(51,804)</b>
<b>NET ASSETS</b>	<b>46,424</b>	<b>64,820</b>

<sup>1</sup> Amounts as at 31 December 2019 exclude balances attributable to the Microgen Financial Systems business.

<sup>2</sup> If the impact of the Microgen Financial Systems disposal is removed, trade debtors decreased by 18% year on year (2019: £7,218,000, 2018: £8,785,000)

<sup>3</sup> If the impact of the Microgen Financial Systems disposal is removed, deferred revenue increased by 19% year on year (2018: £19,198,000)

# Microgen Financial Systems Disposal

Completed 28 June 2019, £51.4 million aggregate cash consideration

- £51.4 million aggregate cash consideration received on 28 June 2019
- Microgen Financial Systems' 2018 continuing revenue and adjusted operating profit were £17.3 million and £6.5 million respectively
- Net funds within Microgen Financial Systems at disposal of £4.3 million
- Transaction fees of £3.0 million as Board progressed both disposal and commitment to demerger
- Transitional Services now complete, separation costs of £0.4 million
- Warranty and Indemnity insurance in place
- £46.4m return of value to shareholders

# Business model

Strategic objective to increase proportion of higher margin software and subscription revenues

## Software and Subscription Revenue

Annual Recurring Revenue of £28.6 million provides future visibility

### On-Premise Annual Licence Fee Model

Appropriate deployment methodology for larger enterprise applications within product portfolio (often within a private cloud)

Annual Licence Fee paid annually in advance for minimum terms of up to 6 years, typically with automatic annual extensions thereafter

The above fee provides right to use the software, receive maintenance and upgrades

### SaaS Subscription Model

Currently established with Aptitude Revenue Management and Aptitude Lease Accounting Engine

Subscription Fee typically paid annually in advance for minimum terms of up to 6 years, typically with automatic annual extensions thereafter

Investment continues in Cloud Operations

## Professional Services

Growing contribution from Solution Management Services

### Implementation Services

Typically charged on a Time & Materials basis

Blended resource model of employees, contractors, partners and client resource

Organised on a regional basis strengthening long term client engagement and development

Global best practices adopted

### Solution Management Services

New service helping clients with post go-live business as usual operation including upgrade support, configuration extension and solution enhancements

Increasing focus with dedicated management

Recurring in nature, further enhances future revenue visibility

# Product Portfolio

Focused on digital finance transformation and smart compliance



## Aptitude Accounting Hub (AAH)

- Allows finance functions to take a leading role in driving the commercial performance of their business and provides the foundation for digital finance transformation
- Centralises and automates finance, accounting and reporting processes, delivering detailed financial data for business insights and decision making
- Provides the largest contribution to our Annual Recurring Revenue
- Clients in a number of sectors including banking, insurance, technology, media and telecom ('TMT') and healthcare
- Can be used on a standalone basis or in conjunction with other applications
- A strategic and continuing opportunity



## Aptitude Insurance Calculation Engine (AICE)

- AICE allows an insurer to perform all the calculations and complex accounting required to be compliant with IFRS 17 (comes into force 1 January 2022)
- In conjunction with AAH, AICE allows insurers to make strategic, transformational investment and delivers data, financial insights and decision support providing long-term benefits beyond compliance
- A high value offering, AICE provides a growing proportion of our Annual Recurring Revenue
- Significant new business opportunity continues



## Aptitude Revenue Management (ARM)

- Enables finance teams to automate and simplify the whole revenue lifecycle, from contract order to revenue recognition
- Incorporates SaaS-based Aptitude RevStream and the specialised Aptitude Revenue Recognition Engine
- SaaS offering enables finance teams to automate and simplify recognition and reporting processes going beyond the now effective IFRS 15 / ASC 606 requirements
- Material contributor to Annual Recurring Revenue
- Client base for SaaS offering focused on North America with opportunity for cross-sell to Europe & APAC. Clients in multiple sectors with a focus on TMT

# Board

## Experienced management team and Board

### **Jeremy Suddards, Chief Executive Officer**

Jeremy was appointed to the Aptitude Software Board as CEO Designate in September 2019 and assumed the role of CEO in January 2020. Jeremy joined Aptitude Software in January 2018 as the Chief Client Officer for Europe & APAC. Prior to joining Aptitude Software, Jeremy undertook a number of Executive roles at Hewlett Packard Enterprise including Vice President, Financial Services Industries EMEA & Vice President Global Accounts.

### **Philip Wood, Deputy Chief Executive Officer and Chief Financial Officer**

Philip Wood was appointed Chief Financial Officer on 2 January 2007. A Chartered Accountant, Philip spent seven years with AttentiV Systems Group plc and its group companies during which time he as Group Finance Director oversaw the group's flotation in 2004 and subsequent acquisition in 2005 by Tieto Corporation. Following the disposal of Microgen Financial Systems, in July 2019 Philip was appointed to the position of Deputy Chief Executive Officer and Chief Financial Officer.

### **Ivan Martin, Non-Executive Chairman / Chair of Nomination Committee**

Ivan Martin was appointed to the Board on 1 January 2016 and assumed the role of Non-Executive Chairman on 4 March 2016. Ivan is also Non-Executive Chairman of Church Topco Limited, trading as Xceptor (a London-based international software business backed by CBPE Capital). He is also a member of various Wulstan Capital LLPs and Parch Three Estates LLP. He has no other significant commitments.

### **Peter Whiting, Senior Independent Non-Executive Director / Chair of Remuneration Committee**

Peter Whiting was appointed as a Non-Executive Director on 2 February 2012 and has been Chair of the Remuneration Committee since April 2016. Peter has over twenty years' experience as an investment analyst, specialising in the software and IT services sector. He joined UBS in 2000, led the United Kingdom small and mid-cap research team and was Chief Operating Officer of UBS European Equity Research from 2007 to 2011. Peter is currently Senior Independent Director and Chair of the Remuneration Committee of FDM Group (Holdings) plc, Senior Independent Director and Chair of the Audit Committee of Keystone Law Group plc and a Non-Executive Director and Chair of the Remuneration Committee of D4T4 Solutions plc.

### **Barbara Moorhouse, Non-Executive Director / Chair of Audit Committee**

Barbara Moorhouse was appointed as a Non-Executive Director on 1 April 2017. Barbara has extensive senior experience in operating and financial roles across the public and private sectors. Her most recent executive roles were as Chief Operating Officer at Westminster City Council, and Director General at Ministry of Justice and Department for Transport. Earlier in her career, she was CFO at two international listed software companies – Kewill Systems plc and Scala Business Solutions NV. Barbara is Chair of the Rail Safety Standards Board, a Non-Executive Director of Balfour Beatty plc.

### **Georgina Sharley, Company Secretary**

Georgina Sharley was appointed as Company Secretary on 10 December 2018. She is a member of the Institute of Chartered Secretaries and Administrators and has 19 years' experience in supporting United Kingdom listed companies and groups with fulfilling their corporate governance and statutory compliance obligations.