



*Interim results for the six
months ended 30 June
2019
24 July 2019*

Presenting Team

Experienced team transitioning to new leadership

Tom Crawford, Chief Executive Officer

- Joined the Group in 2002 and appointed Chief Executive Officer of Aptitude Software in 2013
- Stepping down from the Board in 2020 as wife continues to recover from a serious health issue
- Working relationship expected to continue with the Group on a part-time basis

Jeremy Suddards, Chief Executive Officer Designate

- Joined Aptitude Software in January 2018 from Hewlett Packard
- Currently Chief Client Officer for the International region where he has driven growth with AICE and opened up Asia
- Joining the Board in September 2019 and transitioning to the role of Chief Executive Officer in the coming months

Philip Wood, Deputy Chief Executive Officer and Chief Financial Officer

- Joined the Group in 2007 in the role of Chief Financial Officer
- Overseen rationalisation of the Group to a business totally focused on Aptitude Software business
- Expansion of job title to include Deputy Chief Executive Officer reflects new focus

Overview

The successful start of a new era solely focused on the Aptitude Software business

- Successfully completed sale of Microgen Financial Systems on 28 June 2019 for aggregate cash consideration of £51.4 million. Proposed cash return of £45 million in Q3 2019
- Aptitude Software is now totally focused on the specialised provision of powerful financial management software to large global businesses
- Growth is driven by strong market fundamentals as technological advancement facilitates an increasingly automated approach to finance operations, augmented by the accelerators of regulatory requirements
- Strategy to focus on the growth of our recurring revenue base is bearing fruit with our Annual Recurring Revenue¹ ('ARR') increasing by 29% in twelve months to £27.5 million at 30 June 2019

¹ 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.

Financial Performance

13% organic revenue growth to £28.8 million

Software and
subscription
revenue

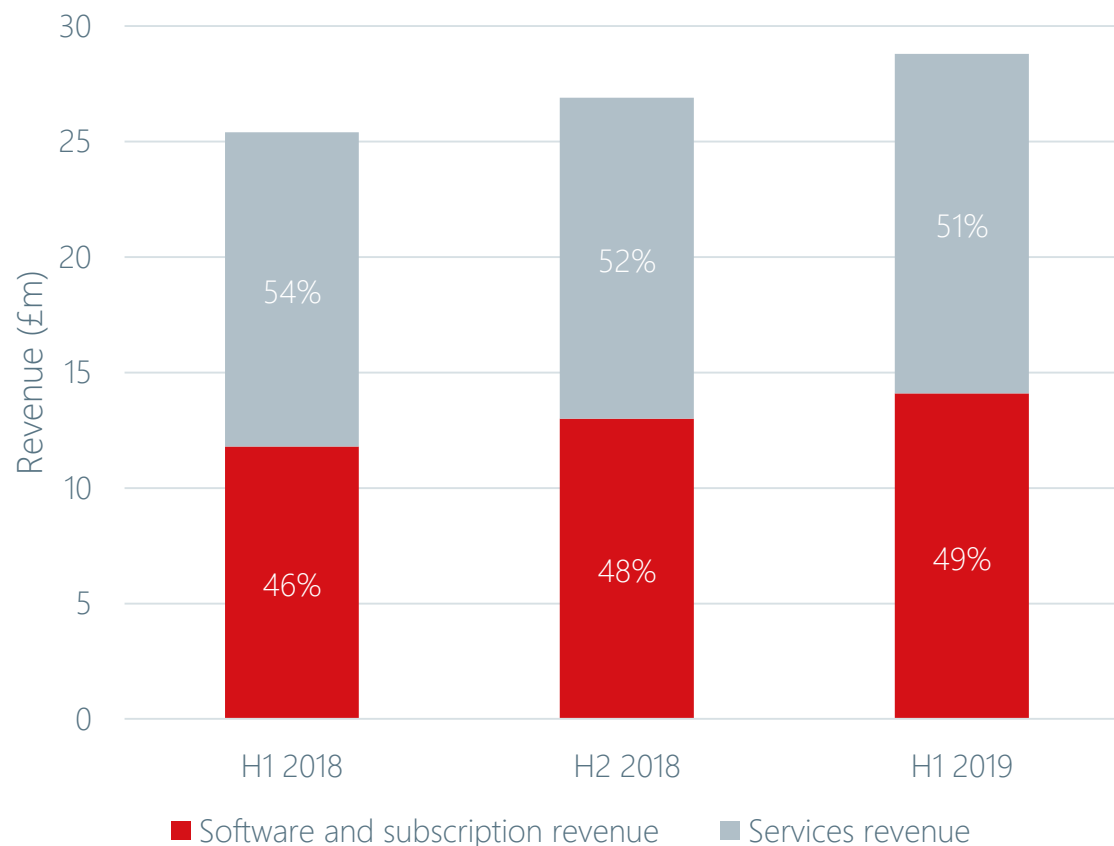
£14.1m

↑ 19% (H1 2018: £11.8m)

Services revenue

£14.7m

↑ 8% (H1 2018: £13.6m)



Financial Performance

Financially strong, increasing profitability and robust balance sheet

Adjusted operating profit

£5.1m

↑ 31% (H1 2018: £3.9m)

Interim dividend cover maintained

1.8p

(2018: 2.2p)

Profit from discontinued ops

£22.4m

(2018: £2.3m)

Operating margin percentage

18%

(H1 2018: 15%)

Adjusted Continuing Basic EPS

6.0p

(2018: 4.7p)

Cash prior to £45m return

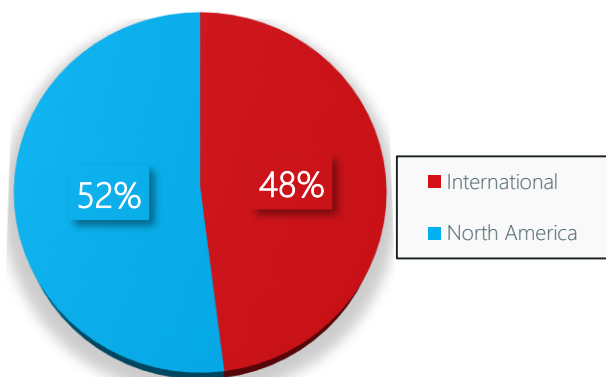
£69.9m

(H1 2018: £11.6m)

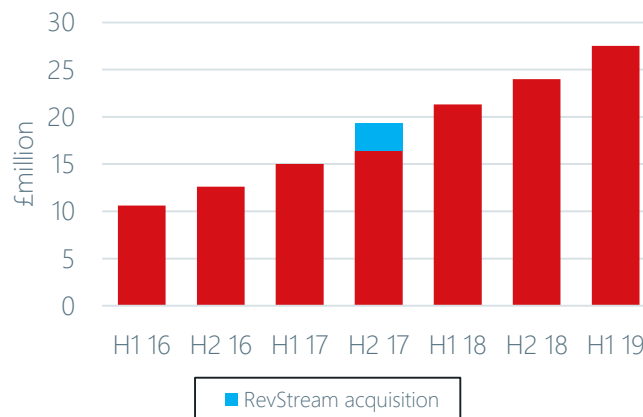
Aptitude at a Glance

Increasing global presence in multiple sectors

Revenue by Region, H1 2019



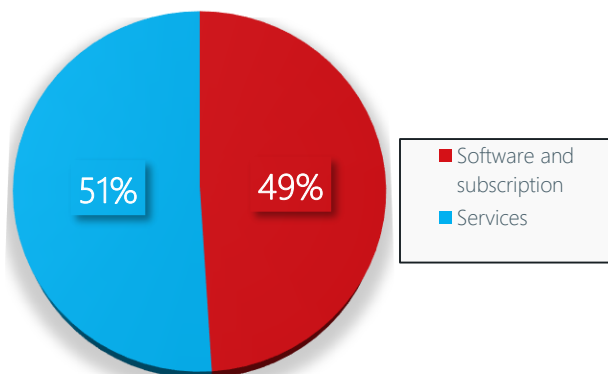
ARR, Continuing Growth



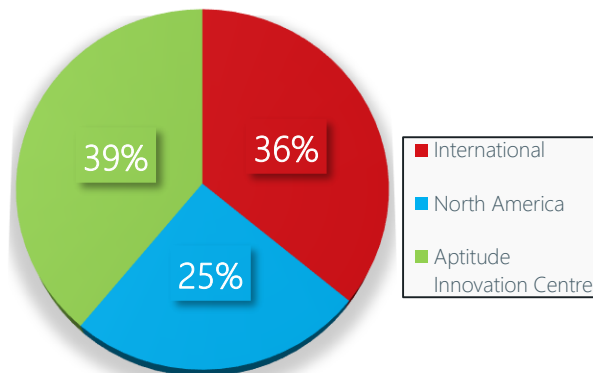
Key Sectors

- Insurance
- Banking
- TMT

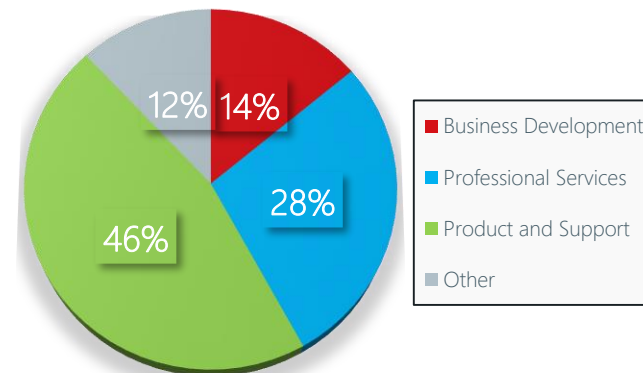
Revenue by Type, H1 2019



Employees by Region (c.300)



Employees by Function



Aptitude Product Portfolio

AAH is our foundation product, complemented by regulatory focused applications



Our products take data from:

- Complex systems
- Multiple siloed data sources
- Multiple business entities

To create a:

- Unified and single view of finance

Which allows:

- Financial insights
- Enhanced control
- Regulatory compliance

Aptitude Accounting Hub ('AAH')

Our core offering represents a significant opportunity for the group

- Key application for enterprises targeting transformation of their finance organisation
- Centralises and automates finance, accounting and reporting processes, delivering detailed financial data for business insights and decision making
- Used on a standalone basis or in conjunction with our other applications
- A high value offering providing the largest contribution to our Annual Recurring Revenue and a material contributor to professional services
- Clients in a number of sectors including banking, insurance, technology, media and telecom ('TMT') and healthcare
- A strategic and continuing opportunity



Aptitude
**Accounting
Hub (AAH)**

H1 2019 Highlights

- Largest contributor to growth in Annual Recurring Revenue
- New business sales include licences to a number of substantial North American insurers

Aptitude Insurance Calculation Engine ('AICE')

Aptitude Software's latest regulatory offering, key focus in short and medium term

- 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 and a strong contributor to professional services
- Significant new business opportunity continues



Aptitude
**Insurance
Calculation
Engine (AICE)**

H1 2019 Highlights

- Material contributor to growth in ARR in H1 2019
- Significant sales achieved across multiple continents

Aptitude Revenue Management ('ARM')

New business opportunity continues with SaaS revenue management offering

- Joint product management of SaaS-based Aptitude RevStream and the specialised Aptitude Revenue Recognition Engine to facilitate shared use of future functionality as products evolve
- 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, onboarding is functional & quick for SaaS offering
- Client base for SaaS offering focused on North America with opportunity for cross-sell to Europe & Asia. Clients in multiple sectors with a focus on TMT



Aptitude
**Revenue
Management**

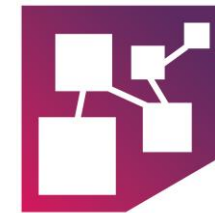
H1 2019 Highlights

- Continuing new business success across a number of sectors
- Largest SaaS subscription sale achieved

Aptitude Lease Accounting Engine ('ALAE')

SaaS offering allowing compliance with IFRS 16 / ASC 842

- Supports the more efficient and accurate implementation of IFRS 16 and ASC 842 lease accounting standards which came into force on 1 January 2019 driving continued demand across 2018/19
- Covers the most complex leasing requirements including: inter-company leases, all transition options and multi-GAAP & multi-currency reporting
- Higher volume offering with clients concentrated in Europe and across a number of sectors, onboarding is functional and quick



Aptitude
**Lease
Accounting
Engine (ALAE)**

H1 2019 Highlights

- New subscriptions secured in both Europe and North America
- Multiple clients entered live use
- Provides further scale to our growing SaaS operations

Go-To-Market and Client Engagement

Investing substantially 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
- Significant investment in Account Management continues with the establishment of Client Advisory Boards and Client Success practices
- We target expanding the footprint of products already in use in a large organisation
- With Aptitude Software's growing portfolio the opportunity to cross-sell other products to existing clients is increasing
- We have increased the depth of our client engagement through the establishment of Client Success teams who ensure that our clients are getting the most out of their software implementations

Global Partner Network

Source of new business and implementation capability

- Most new business opportunities are sourced or influenced by our Global Partner Network
- We leverage our partners' relationships, credentials and geographic reach to target new markets and new countries
- Highlights in H1 2019 include the opening of the Australian insurance market for AICE and the development of new opportunities in the US for AAH to address the new regulation, Long Duration Targeted Improvement (LDTI)
- Aptitude Software works alongside partners on multiple implementations, with our consultants typically focused on the configuration of our core applications



Software and Subscription Revenue

Annual Recurring Revenue of £27.5 million (at 30 June 2019) 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 practice 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

Aptitude Innovation Centre

Long-established and high quality facility in Wroclaw, Poland

- High quality and long-established centre in Poland with over 100 software engineers meaning we can maintain our differentiation
- Modern development methodologies mean teams are able to rapidly and frequently release new functionality
- Increased investment in the group responsible for the design, development, management and support of our products
- Expenditure increased by £0.9 million to £6.2 million (H1, 2018: £5.3 million, FY 2018: £10.8 million). These costs were fully expensed and are approximately 44% of software and subscription revenues

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 anticipated to be materially complete by year end, separation costs should be no greater than £0.5 million
- Warranty and Indemnity insurance in place

Conclusion

Successful start to a new era

- Totally focused on the specialised provision of powerful financial management software to large global businesses
- Solid long-term growth prospects driven by enterprises moving to digitise their finance operations empowered by technological advancement
- Our strategic product roadmap is shaped by both this long-term opportunity and the additional growth accelerators of regulatory requirements
- Our focus is on constantly improving visibility of revenues by increasing our Annual Recurring Revenue
- Gradual shift to SaaS delivery over time to capitalise on deployment in the Cloud
- Aptitude Software enters the second half of 2019 and future years with confidence

Appendix

Income Statement

Strong organic growth in revenue and operating profit

	H1 2019 £'000	H1 2018 £'000	FY 2018 £'000
Software and Subscription Revenue	14,132	11,812	24,814
Services Revenue	14,699	13,611	27,460
Total Revenue	28,831	25,423	52,274
Operating Costs	(23,772)	(21,556)	(43,499)
Adjusted Operating Profit	5,059	3,867	8,775
Non-Underlying Items	(423)	(558)	(1,109)
Statutory Operating Profit	4,636	3,309	7,666
Net Interest	(223)	(190)	(403)
Profit Before Tax	4,413	3,119	7,263
Taxation	(1,059)	(655)	(1,847)
Profit After Tax	3,354	2,464	5,416
Profit from Discontinued Operations	22,433*	2,308	8,377
Retained Profit for the Year	25,787	4,772	13,793

*Amount includes the gain on disposal of the Microgen Financial Systems business totalling £20.3 million.

Cash Flow

Cash flow in-line with seasonal expectations

	H1 2019 £'000	H1 2018 £'000	FY 2018 £'000
Cash generated from operations	6,992	(1,098)	15,042
Interest and tax paid	(1,506)	(1,473)	(3,508)
Cash flows generated from operating activities	5,486	(2,571)	11,534
Purchase of property, plant and equipment	(429)	(508)	(985)
Disposal of subsidiary, net of cash	47,152	-	6,770
Interest received	57	18	47
Net proceeds from issue of ordinary share capital	40	33	58
Dividends paid	(2,715)	(2,588)	(3,928)
Repayment of loan	(8,000)	(1,000)	(2,000)
Repayment of capital lease obligations	(607)	(666)	(1,314)
Net cash used in investing/financing activities	35,498	(4,711)	(1,352)
Increase/(decrease) in cash and cash equivalents	40,984	(7,282)	10,182

Balance Sheet

Strong balance sheet with £45 million cash return scheduled for Q3

	H1 2019*	H1 2018	FY 2018
	£'000	£'000	£'000
Goodwill and intangible assets	30,696	67,951	62,979
Property, plant and equipment	3,653	5,630	5,417
Trade and other assets	19,108	22,334	19,042
Cash and cash equivalents	69,897	11,640	29,186
Total Assets	123,354	107,555	116,624
Bank loan and capital lease obligations	(2,541)	(13,189)	(11,813)
Deferred income	(21,206)	(25,986)	(28,276)
Trade and other liabilities	(8,746)	(7,350)	(7,644)
Taxation	(316)	(188)	(489)
Deferred taxation	(2,142)	(4,296)	(3,582)
Total Liabilities	(34,951)	(51,009)	(51,804)
NET ASSETS	88,403	56,546	64,820

*Amounts as at 30 June 2019 exclude balances attributable to the Microgen Financial Systems business.