



Gresham

# Half Year Financial Results

**HY 2021** Investor Presentation

21 July 2021

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[www.greshamtech.com](http://www.greshamtech.com)

# 2021 Half Year Financial Results

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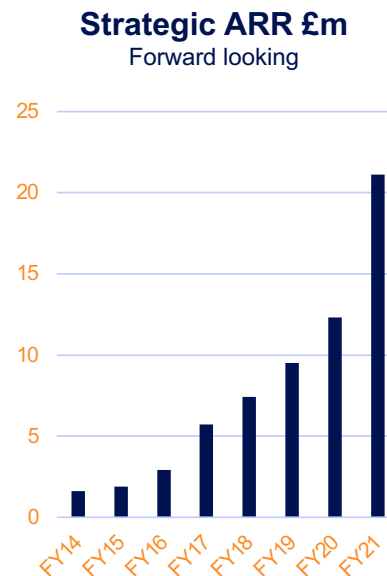


# Proposed Agenda

- The Opportunity
- ARR & Quality of Earnings
- Operational Highlights
- Group Financial Headlines
- Business Analysis (excluding Electra)
  - Clareti revenues
  - Clareti operating costs
  - Non-Clareti revenues & margins
  - Earnings & profitability
- Acquisitions
  - Inforalgo update
  - Electra investment case
  - Combined business and plans
- H2 Priorities



# Building a modern global financial technology powerhouse



- Mission-critical software
- Highly differentiated IP
- Proven at scale
- Sticky recurring revenues
- Global operating platform
- Organic & acquisitive growth
- Strong innovation agenda



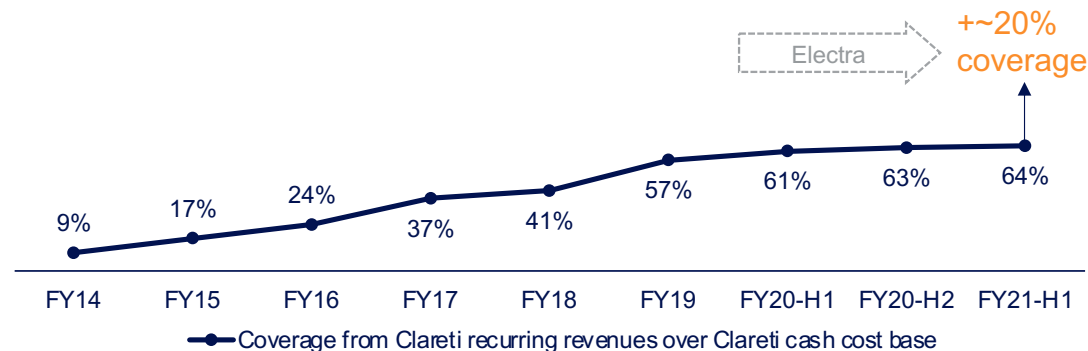
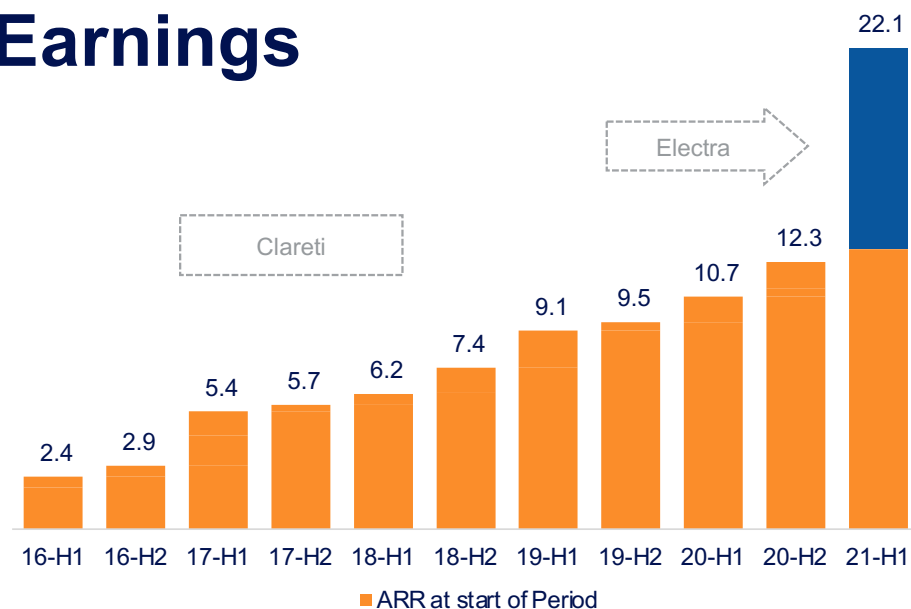
# Driving ARR & Quality Of Earnings

Last five years:

- Year on year progress building recurring revenues organically and via small acquisitions
- Consistent year on year improvement in quality of earnings
- Clareti has progressed to become an attractive stand-alone business
- Cost base is increasingly covered by recurring software revenue

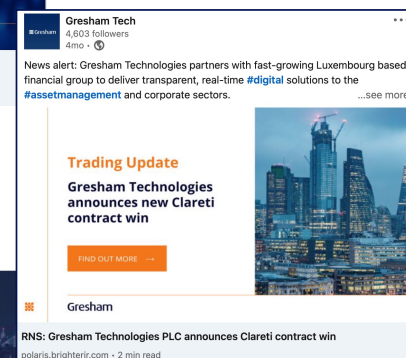
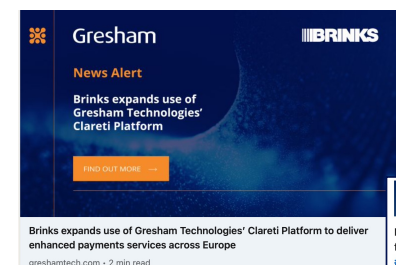
Today:

- **Clareti + Electra** creates a significantly more resilient and financially interesting business with opportunity to drive significant operational leverage
- Increased focus on gross and net ARR retention into the future



# H1 2021 Operational Highlights

- Transformative acquisition of Electra creates global platform for growth
- Thirteen new Clareti contracts including three new banks in Europe
- Significant contract win in new industry segment of audit
- Deepening key account relationships driving incremental opportunities
- Strong performance from Inforalgo business as we approach the first anniversary of acquisition
- Cash management innovation partnership with ANZ delivering to plan
- Strong sales team in place with strengthening pipeline
- 96% of planned (pre-Electra acquisition) full year Clareti revenues already contracted or highly visible entering the second half of 2021
- Non-Clareti portfolio continuing to prove resilient
- On track to achieve full year market expectations



13  
contract  
wins

Combined  
Clareti & Electra  
“Strategic ARR”  
£22.1m  
(June 2020: £10.7m)



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# Group Financial Headlines

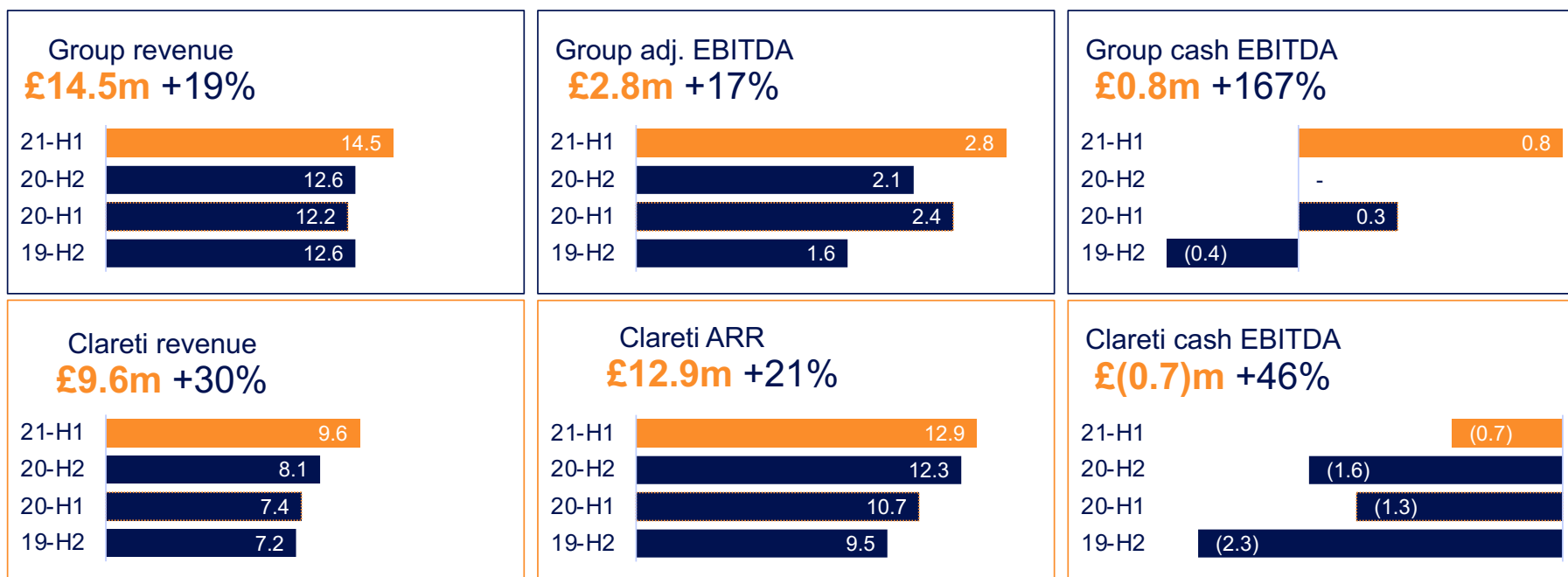
Excludes any Electra contribution

## H1 2021 vs H1 2020

**Adjusted EBITDA** refers to earnings before interest, tax, depreciation, impairment and amortisation, adjusted for one-off exceptional charges and share-based payments. All years are stated after the application of IFRS 16 (leases) which reclassified rental expenses as amortisation and interest. Discontinued operations are not included in either year.

**Cash EBITDA** refers to adjusted EBITDA less capitalised development spend and any IFRS 16 lease related cash payments.

+ All figures exclude the impact of the acquisition of Electra Information Systems, Inc on 22 June 2021



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# Clareti Revenues

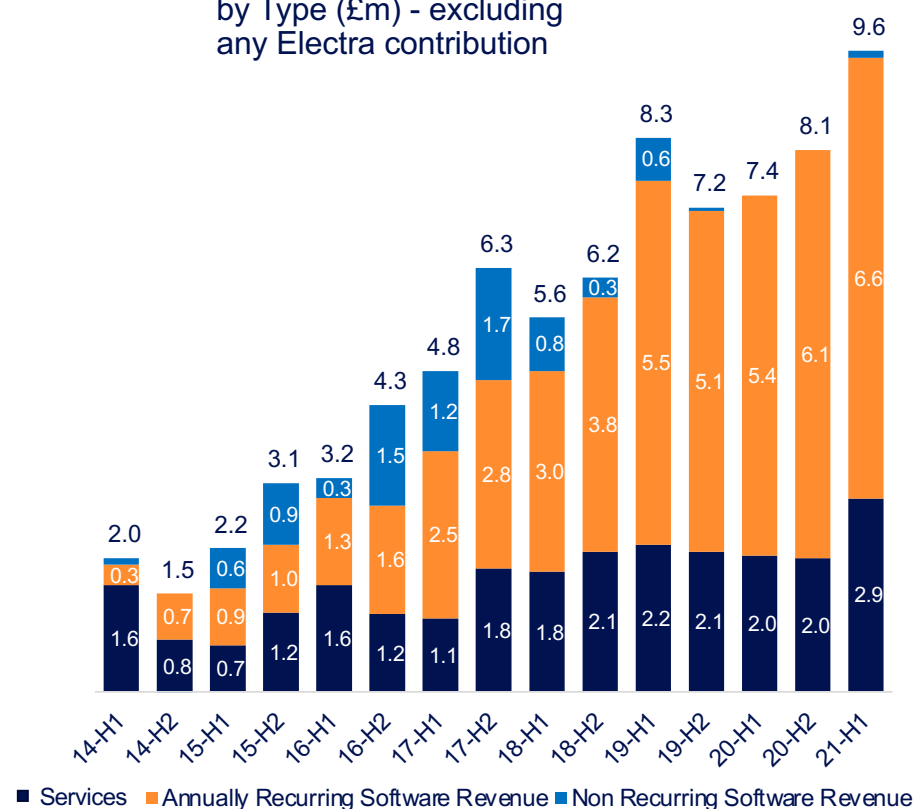
## Software

- 22% growth in recognized recurring revenues, excluding Electra acquisition, including Inforalgo acquisition
- 95%+ gross ARR retention across all Clareti product lines including acquired Inforalgo base
- Organic growth across Control and Connect product lines
- Inforalgo contribution affected by adverse FX movements due to US weighted customer base

## Services

- Strong performance across all regions
- Step up in revenues driven by ANZ innovation project as customer invests in production support services. Expected to be on-going requirement post go-live
- Initial wave of Tier 1 bank cash & securities implementations now into production and delivering results
- Services profitability positively impacted by new projects

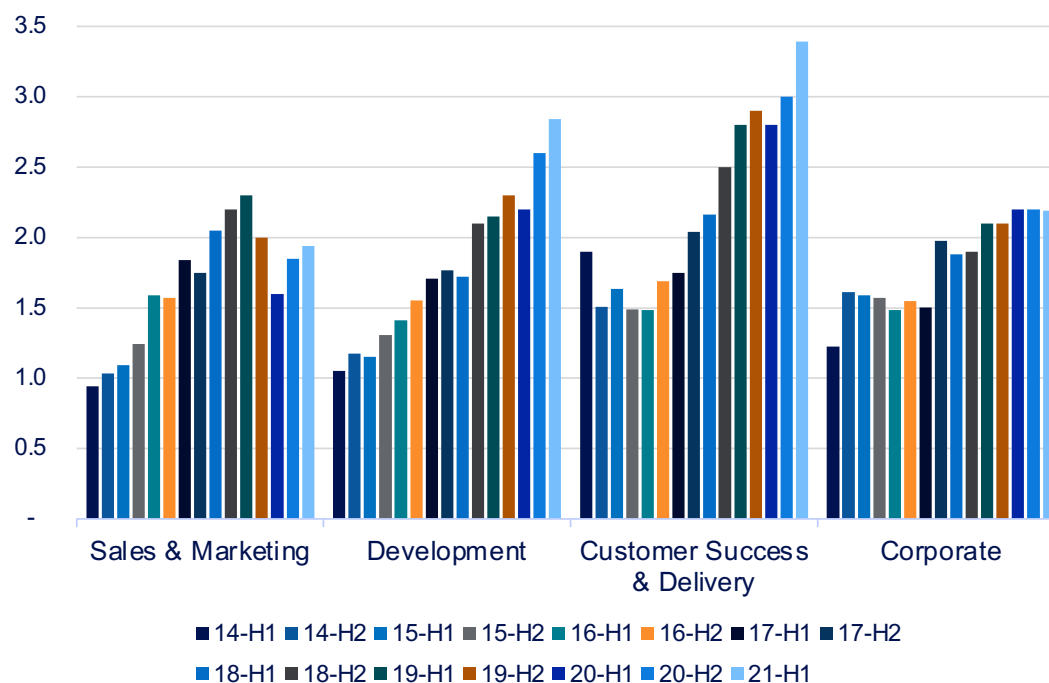
by Type (£m) - excluding any Electra contribution





# Clareti Operating Costs & Investments

Gross Cash Spend (£m) by Function (excludes any Electra costs)



- Investment pro-actively slowed in H1 2020 due to COVID-19
- Sales & marketing investment stepped up from Q3 2020
- Development spend increase largely driven by inclusion of Inforalgo resources from July 2020
- Increased spend in customer success driven by increased service revenues and integration of Inforalgo customer support resources
- Further investment in Corporate costs expected to support ongoing Electra governance & integration

\*Includes capitalised development spend and rental charges recorded as depreciation and interest in income statement



# Non-Clareti Revenues

Excludes Electra contribution

- Portfolio of three businesses remaining from period prior to Clareti investment
- Historically important for Group cash and profits
- Revenues remain stable at portfolio level
- Varying margins within portfolio
- High levels of visibility
- Performing to plan in H1 with potential for revenue upside in H2

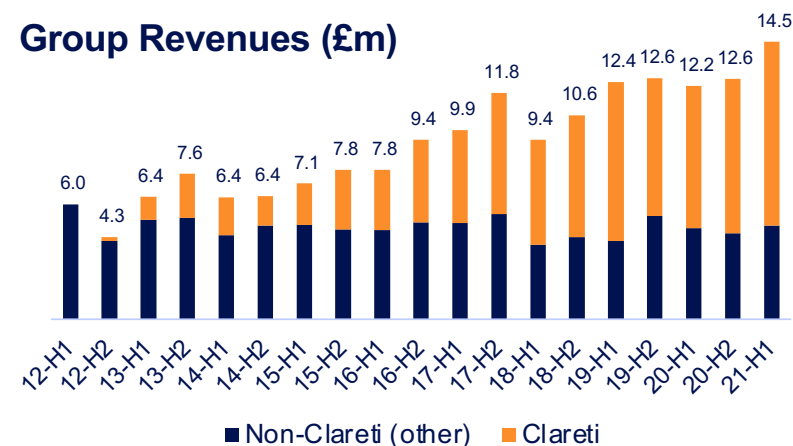
**Software Partners:** revenues from single bank customer from resale of Cashfac plc virtual bank account software. Revenues being driven by growth in number of corporate accounts which are expected to decline over mid-long term.

**Software Own Solutions:** Gresham legacy tape storage software IPR expected to run off over ~2 years.

**Services (Contracting):** IT contracting services for customer in Australia (ANZ). Expected to be stable around current levels over near term.

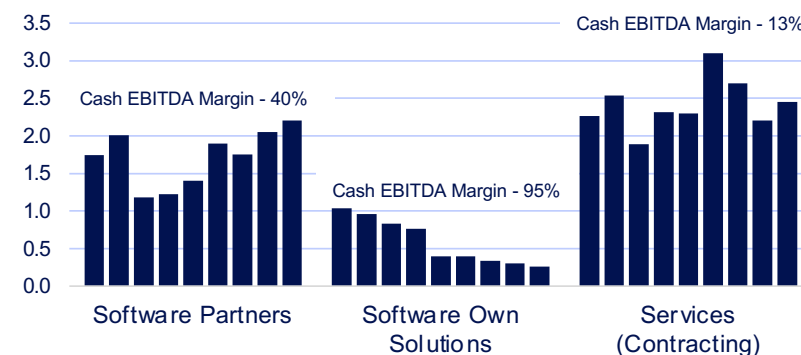
\* FY18 and prior Includes discontinued operations

## Group Revenues (£m)



## Non-Clareti Revenues (£m)

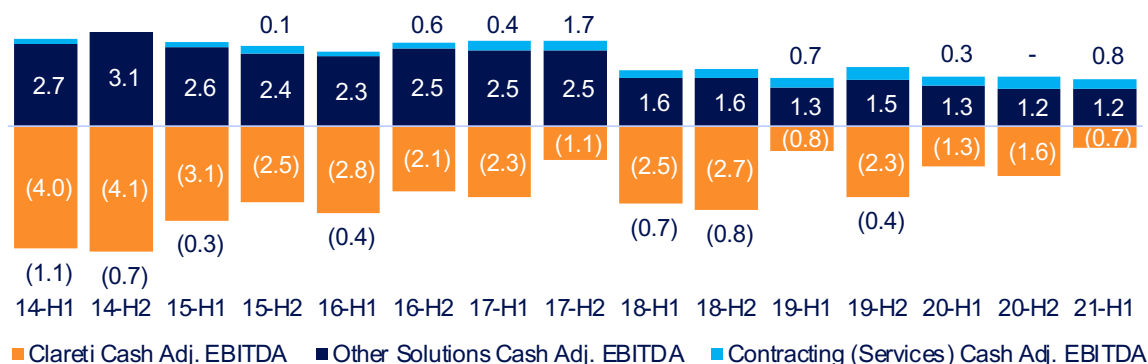
HY periods from H1 2017



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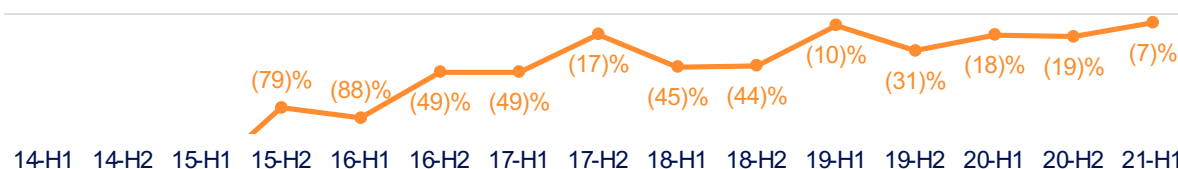
# Earnings & Profitability

Cash EBITDA contribution by business unit (£m) – excluding Electra contribution



- Clareti tracking positively towards cash profitability in line with plan
- Non-Clareti margins now relatively stable following sale of legacy VME in 2019 and end of multi-year run-off of Cashfac customer contract
- Positive impact from Electra expected in H2

Clareti standalone Cash EBITDA margin (%)



\*Cash EBITDA refers to earnings before interest, tax, depreciation, impairment and amortisation, less capitalised development spend and IFRS 16 lease related cash costs adjusted to add back share-based payment charges and exceptional items.

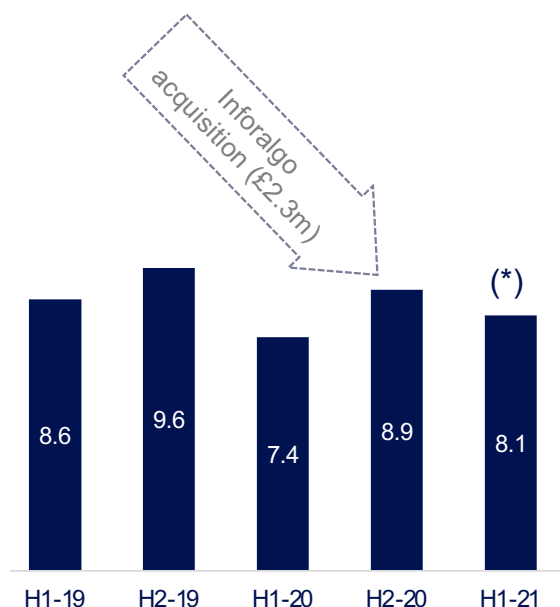
These charts include discontinued operations for FY18 and prior.



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# Cash & Dividends

Total Group cash or cash equivalents in closing balances as at end of stated period (£m)



## Strong cash position aligned with plan:

- Free cash flow exc. Tax of £(2.1)m (HY20: £(2.2)m)
  - Traditionally weaker H1 FCF with significant cycle of annual cash collection and deferred revenue build in Q4
- Tax payments of £(0.7)m (HY20: receipt of £0.5m)
  - 2020 included cash receipts from two years of R&D related surrendered tax losses
- Dividend paid of £0.5m (HY20: £0.5m)
- Share issue (net of direct issuance costs) of £20.2m (HY20: nil)
- Electra acquisition initial consideration of £17.7m (HY20: nil)

## FCF expected to cover remaining acquisition payments. However, \$15m revolving credit facility in place as an insurance policy:

- Electra remaining initial consideration of £3.0m payable in early H2 upon finalization of completion accounting (\*)
- Electra deferred consideration of up to £3.5m in FY22 and £3.5m in FY23
- Inforalgo deferred consideration of £0.9m H2 FY21 and £0.4m FY22



# Acquisitions

## Inforalgo



One  
Year

- Re-branded and integration materially complete
- Team and leaders retained and re-aligned within global organization
- Excellent level of customer retention
- Gresham sales team fully trained
- Strong H1 performance with new name wins and new projects driving 17% constant currency ARR growth and positive cash EBITDA
- Strong performance means full pay out of deferred considered is expected
- Inforalgo's next-gen technology now proven and being adopted for Clareti Connect

## Electra



One  
Month

- Continued confidence in investment case and integrity of our due diligence
- Continue to be impressed with team and collaboration
- Positive response from customers
- Tracking confidently to FY21 plan
  - Solid H1 as independent company
  - First new win under new ownership
  - Good pipeline for H2
- Substantial opportunity ahead



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# Electra acquisition

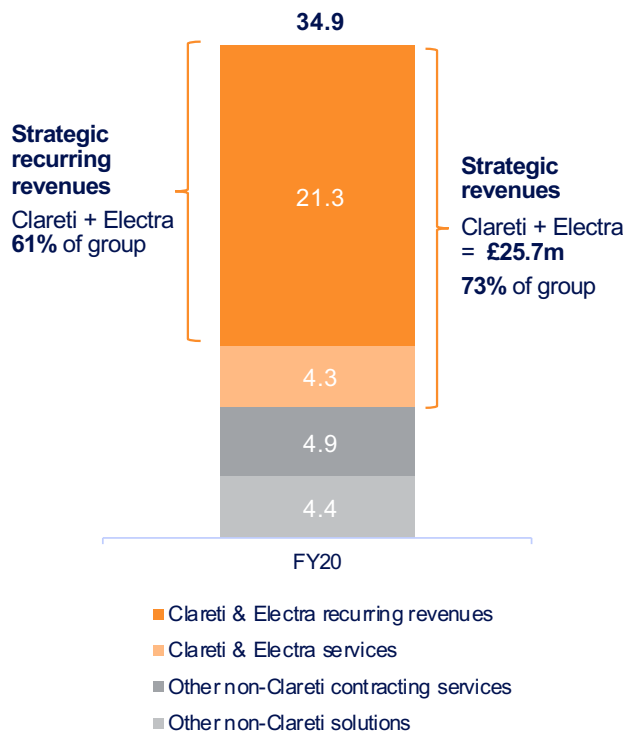
Strong deal rationale with both shorter term and strategic benefits



# Combined Business – Revenues

Increased proportion of Group revenues from strategic recurring software

## FY20 Combined Proforma Gresham & Electra Group Revenues (£m)



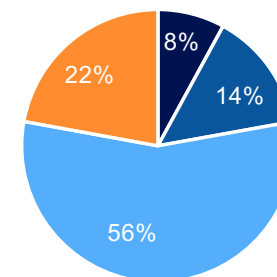
- Business now benefits from substantial increase in recurring revenues
- Geographically better diversified portfolio with much reduced customer concentration risk
- Mid-term expectation to elevate Electra ARR growth rates closer to the level of Clareti

## Strategic ARR

Combined Clareti & Electra ARR £22.1m as at 30 June 2021

### By Region:

- APAC
- EMEA (exc UK)
- NAM
- UK

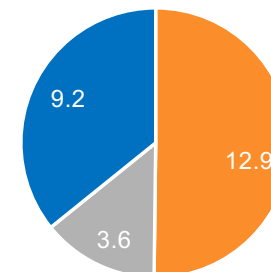


## Group ARR

Combined ARR £25.7m as at 30 June 2021

### By Product:

- Clareti
- GHT Non-Clareti
- Electra



# Creates a global platform for growth

Building a global fintech champion



## EMEA

### Bristol

- Innovation Lab
- 24/7 Customer Support Hub

### Solihull

- Innovation Hub
- 24/7 Customer Support Hub

### London

- HQ
- Sales & Service Delivery

### Southampton

- Internal Services

### Luxembourg

- Innovation Hub
- Cloud Delivery + Sales

## Americas

### New York

- Innovation Hub
- 24/7 Customer Support Hub
- Sales & Service Delivery

### Florida

- Service Delivery

## Asia Pacific

### Singapore

- Service Delivery + Sales

### Malaysia

### Australia

- 24/7 Customer Support Hub
- Service Delivery

### New Zealand

- Service Delivery



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# Electra Integration and Business Globalisation

Objective:

- To globalise our combined business
- One company that can deliver on vision, innovate faster, and win in the market

Completed	By end December 2021	H1 2022
<ul style="list-style-type: none"> <li>• Customer and employee communications</li> <li>• Establish Group standards for governance, controls and reporting</li> <li>• Integrate marketing platforms and deliver brand and sales impact</li> <li>• Communicate vision, establish change model and functional integration plans</li> <li>• Close H1 to plan</li> </ul>	<ul style="list-style-type: none"> <li>• Deliver respective FY21 revenue plans &amp; initial cross-sell campaigns</li> <li>• Complete Finance, People, IT, Legal, Compliance functional integration</li> <li>• Globalise product development organisation &amp; build detailed roadmap</li> <li>• Develop integration plans for cloud service, prof services, customer support, data and managed services</li> <li>• Initial synergy savings in executive management costs</li> </ul>	<ul style="list-style-type: none"> <li>• Global sales organisation in place to execute against 2022 go-to-market plan</li> <li>• Implement global cloud, prof services, support and go-to-market</li> <li>• Product roadmap well-advanced</li> <li>• Synergy savings from deferral of planned headcount and consolidation of cloud service delivery</li> <li>• Continue cross/upsells leverage platform to drive revenue synergies</li> </ul>

Current FY21 and FY22 internal financial plans are based on an aggregation of existing plans, with revenue and cost sharing synergies kicking in from FY23. Our objective is to bring synergies forward into FY22.



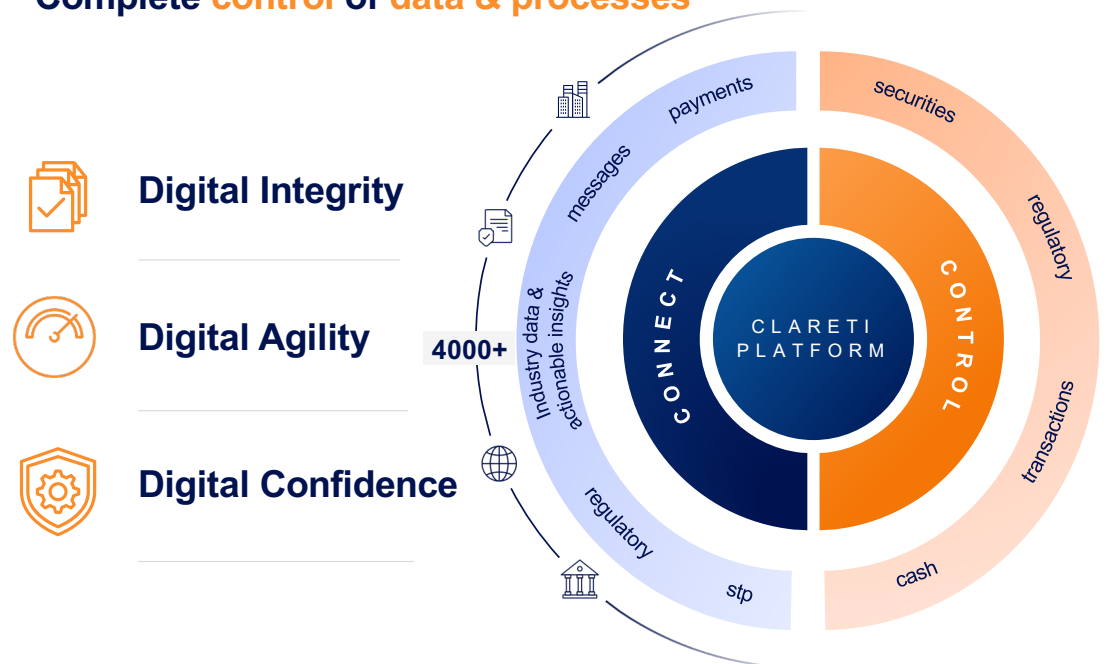
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# Our Vision – the **control** platform for **digital** business

## A post-digital world means...

- **Your industry**, re-imagined
- **Digital processes** at the heart of your operations
- Digital **partnerships** and industry **platforms**
- **More data, more connectivity**, more complexity
- **Artificial and human intelligence** combining to go beyond automation
- **Data-driven** decision making
- **Your business**, automated and transformed

## Complete **control** of data & processes



# Product Portfolio



- |  |   |  |   |
|--|---|--|---|
| <ul style="list-style-type: none"> <li>• Cloud service that enables firms to rapidly connect their banking, payments, trading, accounting and regulatory systems and external partners in real-time</li> <li>• Applicable to all industry segments</li> <li>• Cross sell to all other customers</li> </ul> | <ul style="list-style-type: none"> <li>• Cloud data collection &amp; aggregation service for investment managers and fund administrators</li> <li>• Cross sell to all buy-side customers globally</li> <li>• Up-sell with other Clareti Connect services such as regulatory and payments</li> </ul> | <ul style="list-style-type: none"> <li>• Cross-industry platform for reconciliation, exception management and control of 'any &amp; all' transaction data</li> <li>• Highly customisable and proven at massive scale in Tier 1 banks</li> <li>• Specialised solutions for cash, securities, inter-systems transactions and regulatory control in banking</li> <li>• Applicable to all industry segments including larger buy-side firms</li> </ul> | <ul style="list-style-type: none"> <li>• Specialised buy-side solution for reconciliations and exception management of cash, securities, transactions, ETD and NAV</li> <li>• Additional solutions for billing and settlements for buy-side</li> <li>• Out-of-the-box capabilities</li> </ul> |
|--|---|--|---|



## H2 Priorities

Land new 'key accounts' with Clareti enterprise platform from multiple large opportunities in pipeline

Deliver Electra account growth in US and close new names in Europe

Expansion of use in existing Clareti 'key accounts'

Achieve important milestones in digital banking innovation work

Successfully manage multiple large scale implementations

Further scale partnering activity in deal origination and project delivery

Electra integration & business globalisation

Hiring and talent management across technical roles

Momentum into FY2022 & beyond

The Opportunity



25+%

Data Integrity & Control Market

£100m  
ARR



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Thank you

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