

A person in a black tank top and yellow shorts is performing a handstand on a dirt road. The background shows a desert landscape with mountains under a dramatic, cloudy sky at sunset or sunrise. The person's shadow is cast long on the ground.

# Annual Financial Results

## **FY 2017** Investor Presentation

Ian Manocha, CEO  
Rob Grubb, CFO (to 13<sup>th</sup> March 2018)  
Tom Mullan, CFO

13<sup>th</sup> March 2018



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# Proposed flow of discussion

- Performance in Context
- FY2017 Overview
  - Clareti wins & financials
- FY2017 Performance Analysis
  - Clareti revenues
  - Geographic region performance
  - Customer installed base
  - Legacy business
  - Gross margins
  - Costs & Investment strategy
  - Cash
- 2018 Themes
  - Field operations
  - Products
  - Corporate
  - Partners

## Vision & Strategic Plan

Gresham



“In a world awash with real-time streaming data, we want to be the first company you turn to when you need to be in control.”

- Build a high-margin, **recurring, revenue stream** based on term licence sales, subscriptions and cloud services
- Create a **valuable** global **enterprise financial technology** business through Clareti-led **growth** and **carefully selected** acquisitions
- **Focus** our product investment and sales efforts **on Clareti**
- Establish Clareti as the **enterprise data integrity** platform **“category leader”** in a world awash with **real-time streaming data**
- Leverage **Clareti** & **Clareti-as-a-Service Platform** to bring new **“Control”** applications to market

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Reg Tech



Fin Tech



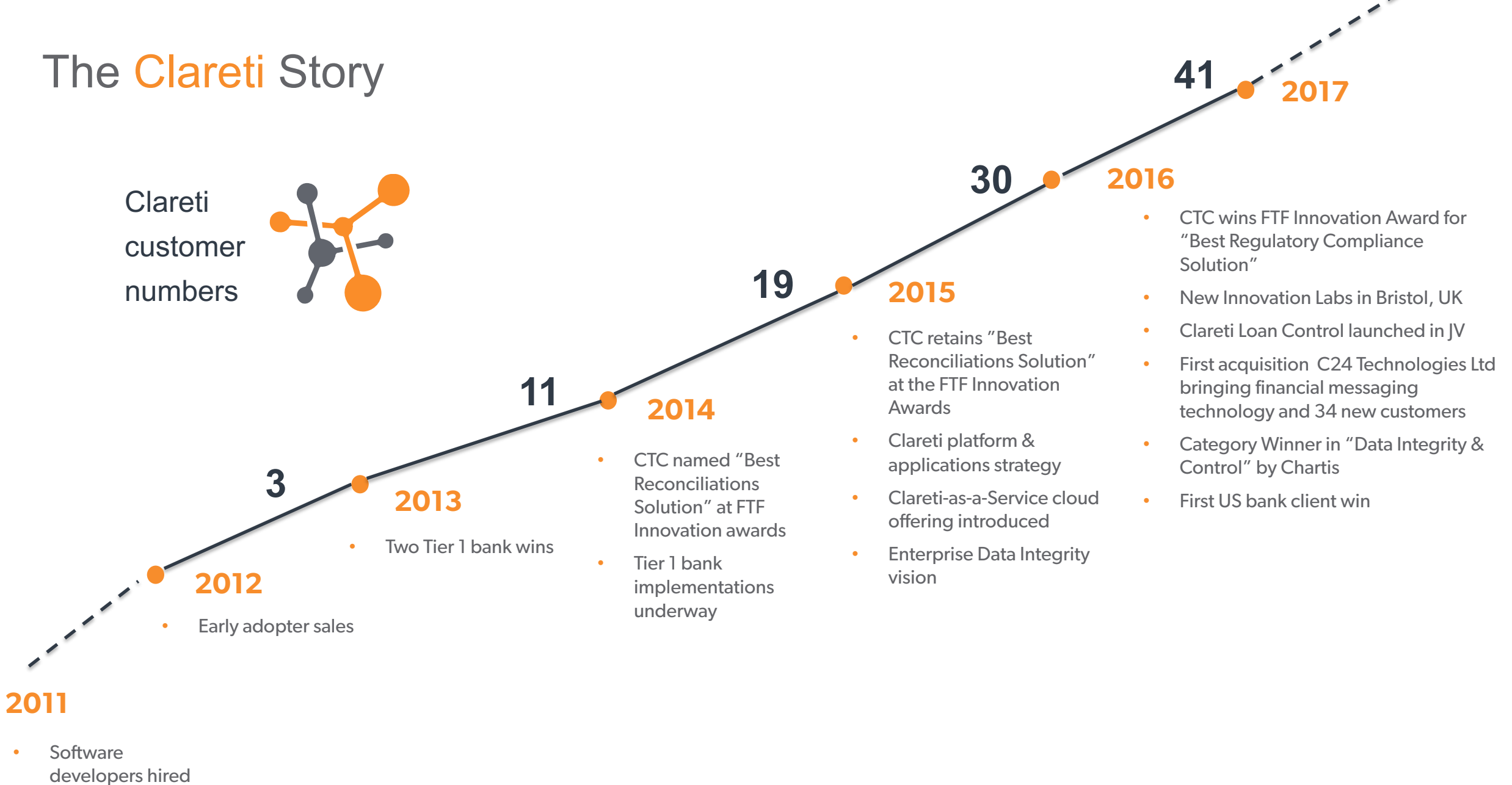
Risk Tech



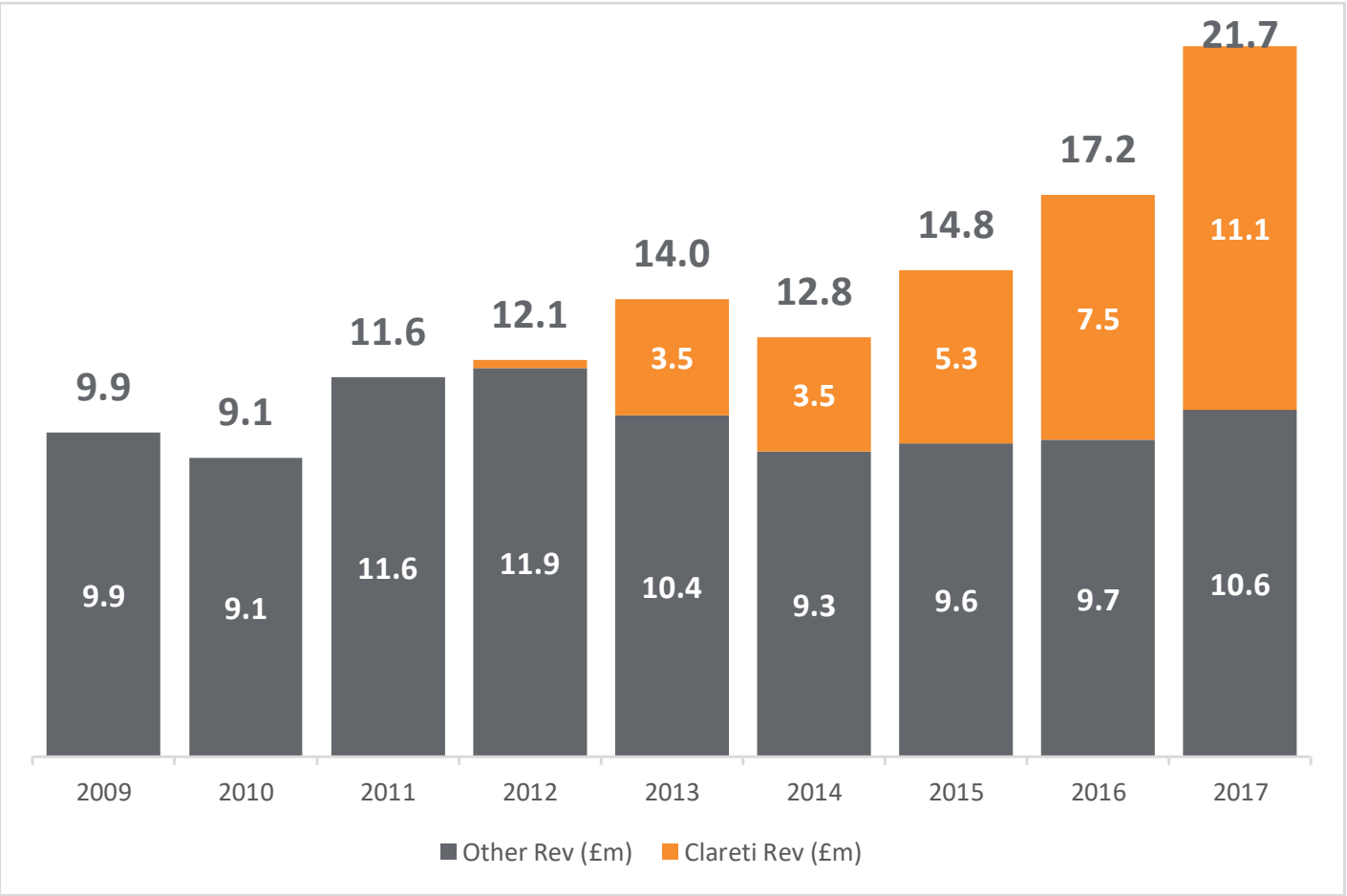


# The Clareti Story

Clareti  
customer  
numbers



# Clareti-led performance transformation



**FY 2009**

- Adj't EBITDA: £3.7m loss
- Market Cap: £12m
- Closing cash: £0.7m

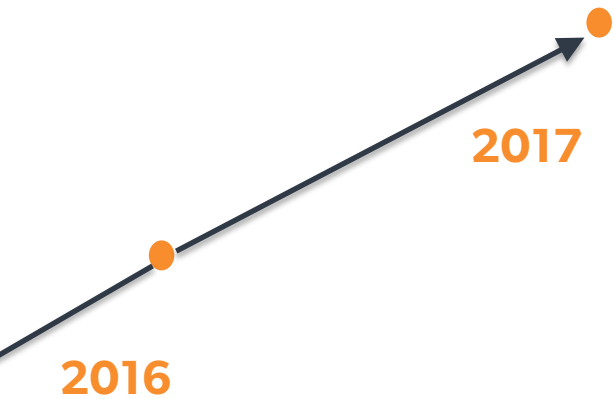
Gresham  
Computing plc

**FY 2017**

- Adj't EBITDA: £5.1m profit
- Market Cap: £120m
- Closing cash: £8.5m

Gresham  
Technologies plc

# Clareti Highlights 2017



- **15 new CTC** client wins including:
  - 2 x Regional European Banks
  - 2 x Major US Capital Markets
  - 2 x UK hedge funds
  - US asset manager
  - US brokerage
  - Global Asset Manager
  - Russian Bank, Swiss branch
  - Energy logistics company
  - Australian Wealth Management
  - UK based Cap Markets service provider
- **12 Clareti 24 Adapter** sales (8 with CTC, 4 standalone)
- **1 new Clareti ARM** sale (existing CTC client)
- **1 new CaaS** cloud managed service customer
- **Clareti Analytics** launched and first sales won
- **Risk Tech 100®** moves up to #36
- HFM **Innovation Award**



# Financial Highlights 2017

Group Revenues (£'ms)

+ 26%



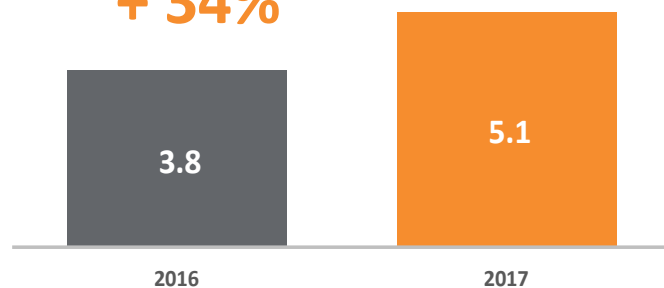
Clareti Revenues (£'ms)

+ 48%



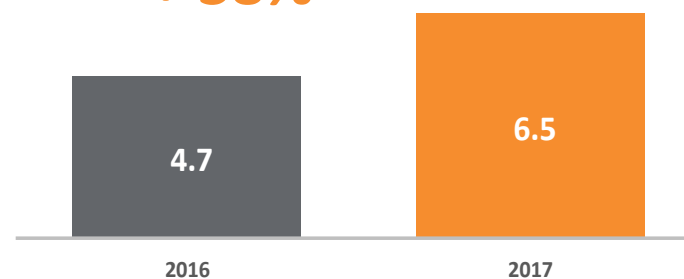
Adjusted EBITDA (£'ms)

+ 34%



Adjusted Diluted EPS (pence)

+ 38%



**Cash £8.5m** (2016 £7.2m), no debt and continue to be cash generative

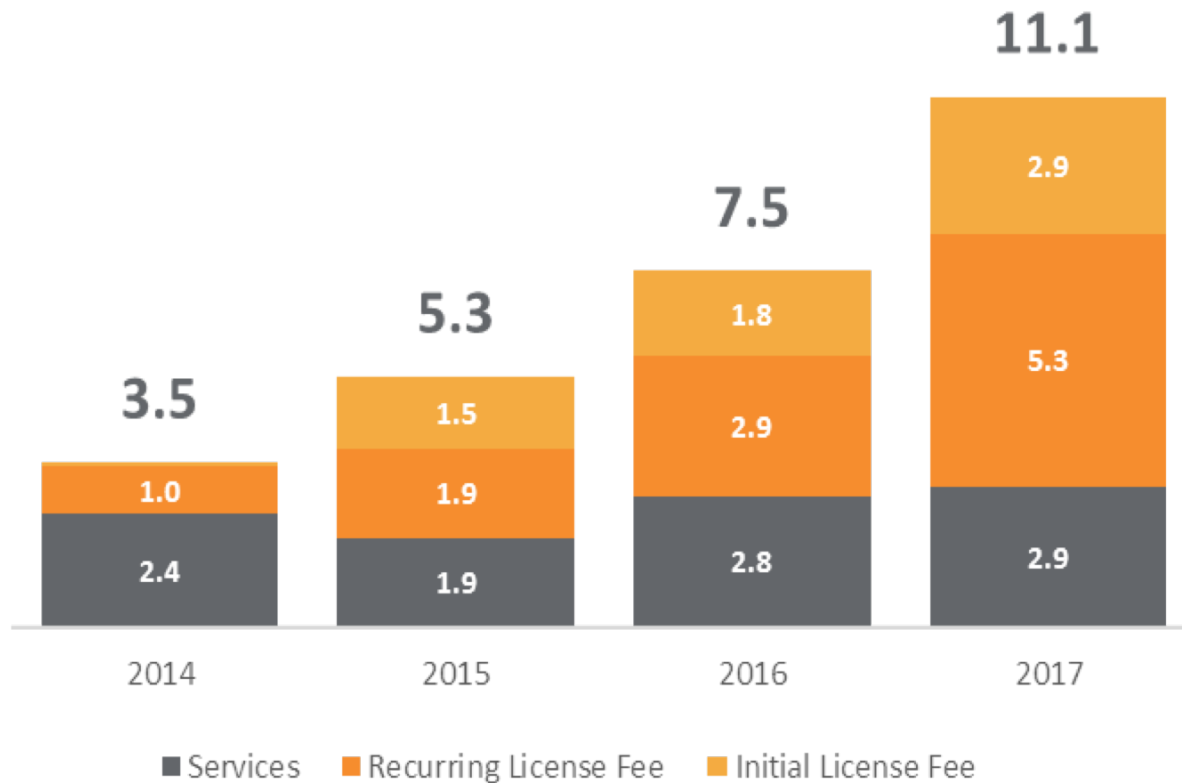


Progressive dividend policy initiated



Final dividend proposed  
**0.5 pence per share**

# Clareti Revenues by Type (£M)



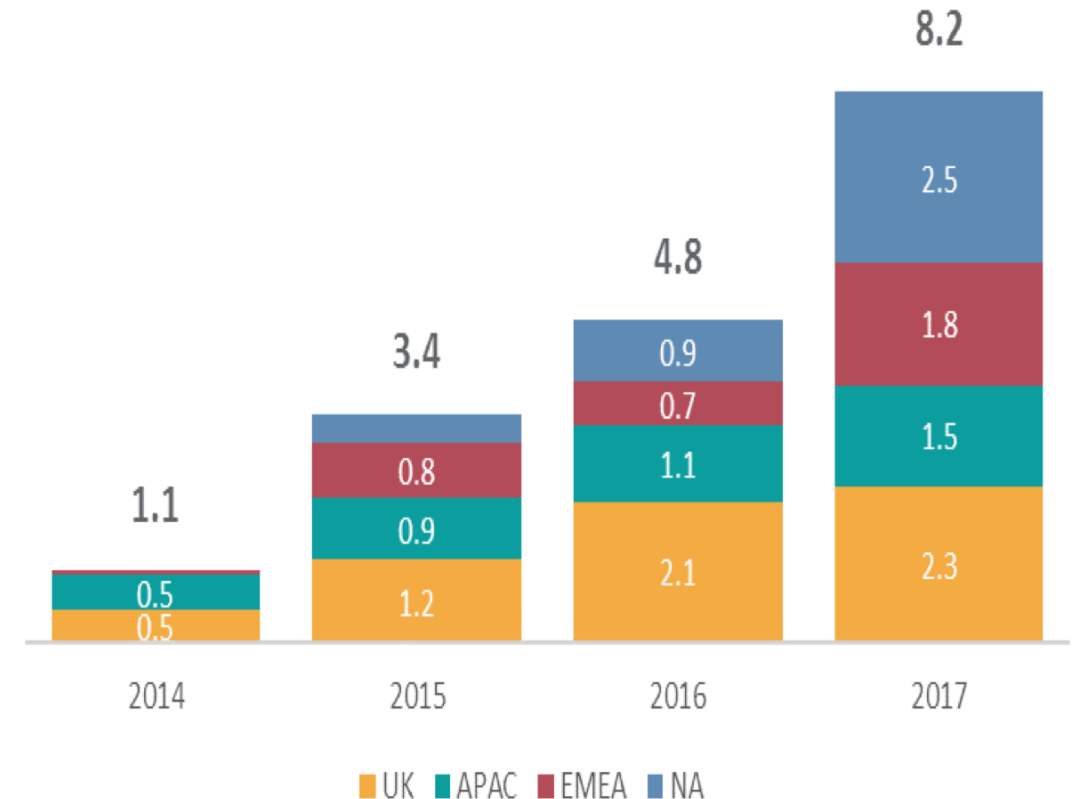
## Strong Clareti growth:

- Steadily growing recurring annuity base
- ILF growing with larger enterprise deals
- Profitable software related services being pulled through

# Clareti Software Revenues by Region (£M)

## International investments largely delivering to plan:

- UK – core market delivering steady licence growth
- Europe - New Luxembourg resource (2016) delivering strong incremental revenue on continent, supported by UK resources
- North America – investments delivering strong growth, further enhanced by C24 acquisition
- Asia Pacific – steady licence and services growth largely via bank white-label partners





# Clareti installed base - at 31 Dec 2017

excludes C24 'standalone' clients



## Industry

- Asset management
- Banks
- Insurance brokers
- Spread betters & FX
- Commodities
- Payments
- Large Corporates currently via Bank partners
- Solution providers to the FS community



## Geography

- 44% of customers are in UK
- 26% are in US & Canada
- 17% are in continental Europe & Middle East
- 13% are in Asia Pacific - Singapore or Australia



## Deployment

- 90% of customers choose on-premise
- 10% choose Clareti-as-a-Service Cloud



## Licence Model

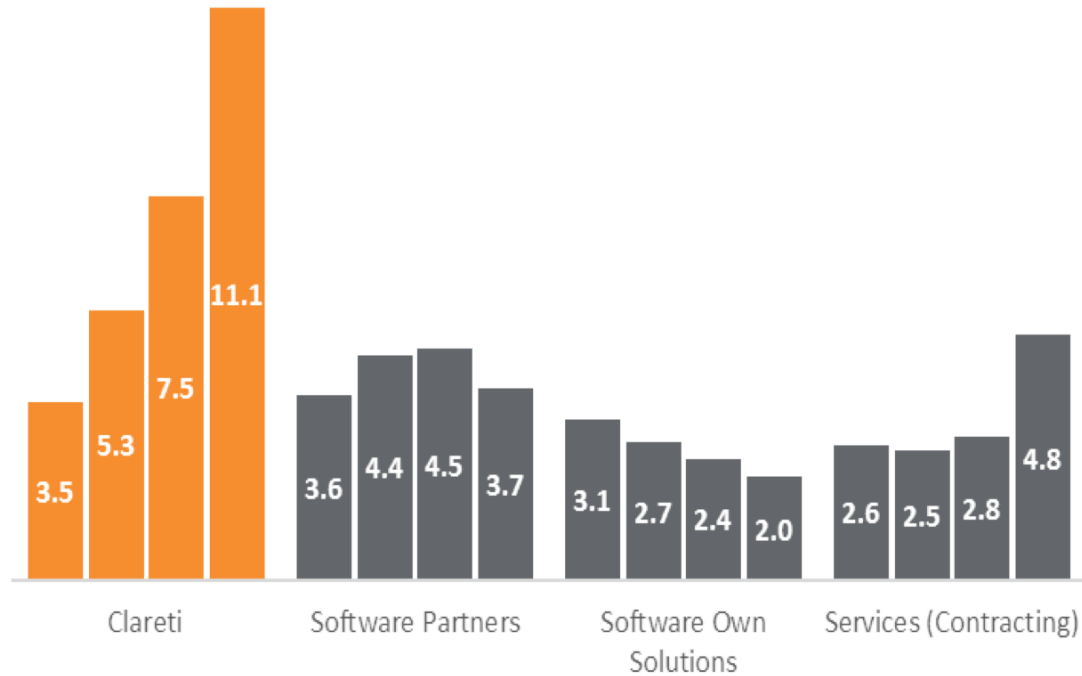
- 52% of contracts are Subscription
- 22% are Term with Initial Fee + Annual Fee at 20%
- 26 % are Perpetual (contracted prior to April 2016)
- Project (limited time project use or PoC)



## Customer Potential

- 1/3rd are "Key customers" with potential to deliver \$3M over 5 years

# Group Revenues by Type (£M)



FY's 2014 –2017

## Clareti Milestones

- **FY13** First Clareti software revenues
- **FY15** Clareti becomes largest software product by revenue
- **FY16** Clareti becomes > 50% of Group software revenues (excluding partner share)
- **FY17** Clareti becomes > 50% of Group revenues

## Non-Clareti Portfolio

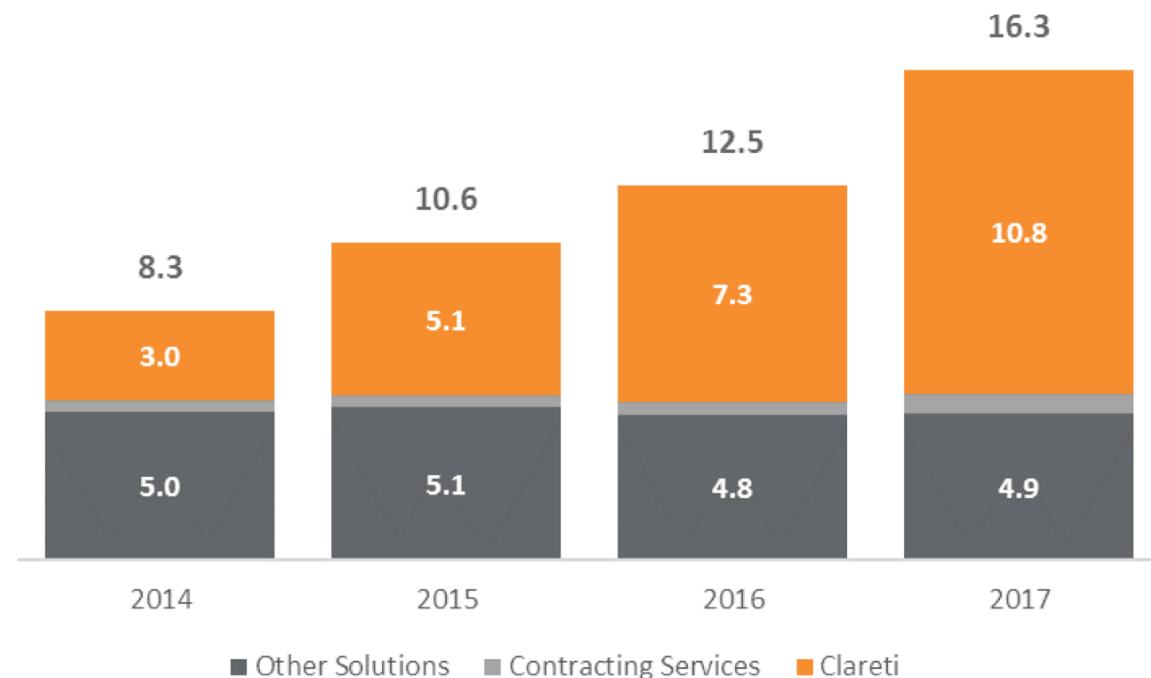
- **Software Partners** Virtual Banking & Treasury Management solutions
- **Software Own Solutions** Gresham legacy IPR: VME, EDT, & Other
- **Services (Contracting)** IT contracting services for Clareti banking partner

# Gross Margin Contribution (£M)

## Clareti growth driving increase in GM:

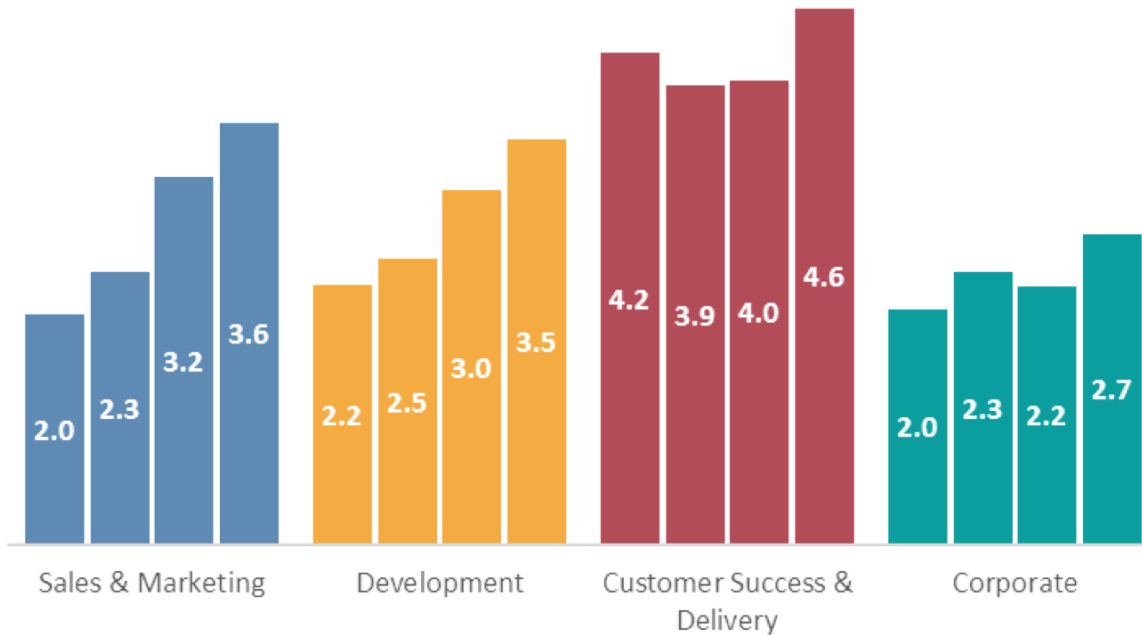
- Clareti revenues operate at 95%+ Gross Margin (all internal staff costs recorded in admin expenses below GM)
- Contracting Services\* have minimal earnings impact despite being material to Group revenues
- Other Solutions contribution (legacy income from our IPR and partner products) has remained stable as a portfolio, although we anticipate this will decline over the short to medium term

\*GM includes Contracting Services fully costed





# Group Operating Costs & Investments (£M)



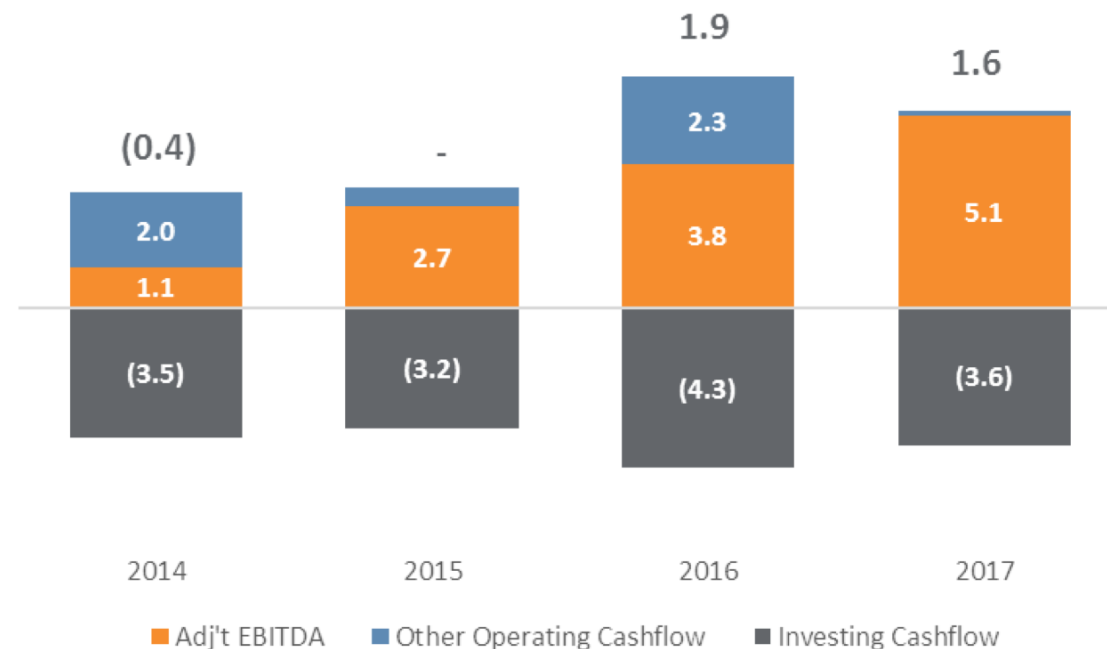
FY's 2014 –2017

## Continuing to invest in the business

- Sales & Marketing - direct sales, partner channels and global marketing
- Software Development total cash spend aligned to customer & market led opportunities
- Customer Success & Delivery investment to support Europe and North American customer wins
- Corporate increase following a full year of C24 amortisation and higher D&A (£0.4m) as well as new roles to support growth

# Cash (£M)

- Cash continues to be strong, closing FY17 with £8.5m (up from £7.2m FY16, and £4.7m in FY15).
- Cash from operating activities growing in line with adjusted EBITDA.
- Became cash generative in FY16 predominately due to working capital gains. Cash generative in FY17 excluding working capital gains and expect this trend to continue
- Group remains debt-free
- **Maiden dividend recommended at 0.5p per share**



FCF excluding cash flow from financing activities

# 2018 H1 Themes

## Field Operations

- Sustain new logo win rate
- Continue to drive up deal values through industry solution focus
- Increase major accounts focus & systematically re-visit installed base
- Build alliances & channels
- Increase sales focus on continental Europe
- Maintain US sales momentum
- Scale up delivery in US
- Expand major account relationships in AP
- Further ramp up marketing & brand

## Product

- CTC extend functionality into risk & regulatory use cases
- CTC further legacy vendor replacement functionality
- Clareti ARM – broaden cash capabilities
- Clareti Loan Control – enhance asset servicing & reporting

## Corporate

- New CFO & CMO
- M&A pipeline



# Clareti Partner Network

Growing a global ecosystem

## Programme



**Advisory firms that actively introduce Gresham to their clients**



**White-label solution providers who sell Clareti as part of their own solutions**



**Implementation providers**



**Resellers**

# Financial appendix



# FY17 Income Statement

	Notes	31 December 2017 £'000	31 December 2016 £'000
Revenue	3,4	21,668	17,156
Cost of sales		(3,283)	(2,984)
Gross profit		18,385	14,172
Adjusted administrative expenses		(14,602)	(11,488)
Adjusted operating profit		3,783	2,684
Adjusting administrative items:			
Exceptional items	4	(90)	(275)
Amortisation on acquired intangibles	13	(410)	(108)
Share-based payments	23	(239)	(117)
		(739)	(500)
Total administrative expenses		(15,341)	(11,988)
Statutory operating profit	4,5	3,044	2,184
Share of <u>post tax</u> loss of joint venture	15	(18)	-
Finance revenue	3,8	33	22
Finance costs	8	(2)	-
Profit before taxation		3,057	2,206
Taxation	9	744	399
Attributable to owners of the Parent	2	3,801	2,605
<i>Earnings per share</i>			
<i>Statutory</i>			
Basic earnings per share – pence	10	5.65	4.06
Diluted earnings per share – pence	10	5.45	3.92
<i>Adjusted</i>			
Basic earnings per share – pence	10	6.75	4.83
Diluted earnings per share – pence	10	6.51	4.67
All activities during the year were continuing.			

			2017	2016	Variance	%
<u>Clareti solutions</u>	Recurring	£m	5.3	2.9	2.4	83%
	Non-recurring	£m	2.9	1.8	1.1	61%
	Software	£m	8.2	4.7	3.5	74%
	Services	£m	2.9	2.8	0.1	4%
	Total KPI	£m	11.1	7.5	3.6	48%
<u>Other solutions</u>	Software - Partners	£m	3.1	4.0	(0.9)	(23%)
-	Software - Own solutions	£m	2.0	2.3	(0.3)	(13%)
	Services	£m	5.5	3.4	2.1	62%
	Total	£m	10.6	9.7	0.9	9%
<b>Total</b>	<b>KPI</b>		<b>21.7</b>	<b>17.2</b>	<b>4.5</b>	<b>26%</b>
<u>Annualised recurring revenue as at 31 December 2017</u>	Clareti	KPI £m	5.7	4.6	1.1	24%
	Other	£m	3.7	6.3	(2.6)	(41%)
	Total KPI	£m	9.4	10.9	(1.5)	(14%)

			2017	2016	Variance	%
Gross margin		£m	18.4	14.2	4.2	30%
Gross margin		%	85%	83%	2%	2%
Adjusted EBITDA	KPI	£m	5.1	3.8	1.3	34%
Adjusted EBITDA	KPI	%	23%	22%	1%	5%
Statutory profit after tax		£m	3.8	2.6	1.2	46%
Adjusted Diluted EPS	KPI	pence	6.5	4.7	1.8	38%



# FY17 Financial Position

	Notes	31 December 2017 £'000	31 December 2016 £'000
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	12	590	656
Intangible assets	13	20,479	18,794
Interest in joint venture	15	(18)	-
Deferred tax assets	9	1,894	1,151
		<b>22,945</b>	<b>20,601</b>
Current assets			
Trade and other receivables	17	5,477	4,759
Income tax receivable	17	109	2
Other financial assets-bank deposits	18	200	-
Cash and cash equivalents	18	8,280	7,206
		<b>14,066</b>	<b>11,967</b>
<b>Total assets</b>		<b>37,011</b>	<b>32,568</b>
<b>Equity and liabilities</b>			
Equity attributable to owners of the Parent			
Called up equity share capital	22	3,375	3,340
Share premium account	24	3,562	3,242
Other reserves	24	313	313
Foreign currency translation reserve	24	(10)	21
Retained earnings	24	18,275	14,235
<b>Total equity attributable to owners of the Parent</b>	<b>24</b>	<b>25,515</b>	<b>21,151</b>
Non-current liabilities			
Deferred income	19	592	267
Provisions	19	18	44
Deferred tax liability	9	596	680
Contingent consideration	19, 28	-	378
		<b>1,206</b>	<b>1,369</b>
Current liabilities			
Trade and other payables	19	9,820	9,060
Financial liabilities	19	-	71
Income tax payable	19	47	139
Provisions	19	67	20
Contingent consideration	19, 28	356	758
		<b>10,290</b>	<b>10,048</b>
<b>Total liabilities</b>		<b>11,496</b>	<b>11,417</b>
<b>Total equity and liabilities</b>		<b>37,011</b>	<b>32,968</b>

	2017 £'000	2016 £'000
Trade receivables	3,964	2,499
Provision for impairment	-	-
Trade receivables – net	3,964	2,499
Prepayments and accrued income	1,513	2,260
	<b>5,477</b>	<b>4,759</b>

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Currency translation £'000	Retained earnings £'000	Total £'000
At 31 December 2016		3,340	3,242	313	21	14,235	21,151
Attributable profit for the period		-	-	-	-	3,801	3,801
Other comprehensive expense		-	-	-	(31)	-	(31)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(31)</b>	<b>3,801</b>	<b>3,770</b>
Exercise of share options	22	35	327	-	-	-	362
Share transaction costs	22	-	(7)	-	-	-	(7)
Share-based payment expense	23	-	-	-	-	239	239
<b>At 31 December 2017</b>		<b>3,375</b>	<b>3,562</b>	<b>313</b>	<b>(10)</b>	<b>18,275</b>	<b>25,515</b>

	2017 £'000	2016 £'000
Trade payables	789	753
Other payables	1,881	1,929
Deferred income	7,150	6,378
	<b>9,820</b>	<b>9,060</b>

# FY17 Cashflow

	Notes	31 December 2017 £'000	31 December 2016 £'000
<b>Cashflows from operating activities</b>			
Profit after taxation		3,801	2,805
Depreciation, amortisation and impairment	5	1,855	1,355
Share-based payment expense	23	239	117
Share of post-tax loss from joint venture	15	18	
Increase in trade and other receivables		(781)	(737)
Increase in trade and other payables		495	2,551
Movement in deferred tax provisions		-	1
Movement in provisions		20	21
Fair value adjustment on deferred contingent consideration	28	(69)	-
Loss on disposal of property, plant and equipment		-	32
Net finance income	8	(31)	(22)
<b>Cash inflow from operations</b>		<b>5,547</b>	<b>5,923</b>
Net income taxes (paid)/received		(291)	216
<b>Net cash inflow from operating activities</b>		<b>5,256</b>	<b>6,139</b>
<b>Cashflows from investing activities</b>			
Interest received	8	31	22
Increase in financial assets – bank deposits		(200)	-
Purchase of property, plant and equipment	12	(280)	(508)
Disposal of property, plant and equipment		-	13
Net payments to acquire subsidiary undertaking	28	(711)	(3,014)
Payments to acquire intangible fixed assets	13	(3,199)	(3,779)
<b>Net cash used in investing activities</b>		<b>(4,359)</b>	<b>(7,286)</b>
<b>Cashflows from financing activities</b>			
Interest paid		-	-
Share issue proceeds	23	239	3,510
Share issue transaction costs	22	(7)	(101)
<b>Net cash generated from financing activities</b>		<b>232</b>	<b>3,409</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,129</b>	<b>2,282</b>
Cash and cash equivalents at beginning of year		7,206	4,888
Exchange adjustments		(55)	258
<b>Cash and cash equivalents at end of year</b>	18	<b>8,280</b>	<b>7,206</b>

		2017	2016	Variance	%
Operating cashflow excluding working capital	£m	5.5	4.3	1.2	28%
Movement in working capital	£m	(0.3)	1.8	(2.1)	(117%)
Capital expenditure - development costs	£m	(3.2)	(3.8)	0.6	16%
Capital expenditure - other	£m	(0.3)	(0.5)	0.2	40%
Placing & acquisition	£m	(0.7)	0.4	(1.1)	(275%)
Other	£m	0.1	0.3	(0.2)	(67%)
<b>Net increase in cash</b>	<b>£m</b>	<b>1.1</b>	<b>2.5</b>	<b>(1.4)</b>	<b>(56%)</b>
Cash	KPI £m	8.5	7.2	1.3	18%
Cash and cash equivalents	£m	8.3	7.2	1.1	15%
Bank deposits	£m	0.2	-	0.2	n/a

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