



Annual Financial Results

FY 2019 Investor Presentation

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10th March 2020

2019 Full Year Financial Results – March 2020

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Topics for discussion

- Progress vs Group Strategic Plan
- Operational Highlights
- Group Financial Headlines
- Business Analysis
 - Group Revenues (including Legacy)
 - Clareti Revenues
 - Clareti Annualised Recurring Revenues
 - Group Operating Costs & Investments
 - Margins, Earnings & Cash Generation
- Key Accounts
- Future Opportunity
- 2020 Priorities

"Clareti Revenues
up 31%"

"Clareti Forward
looking ARR up
30%"

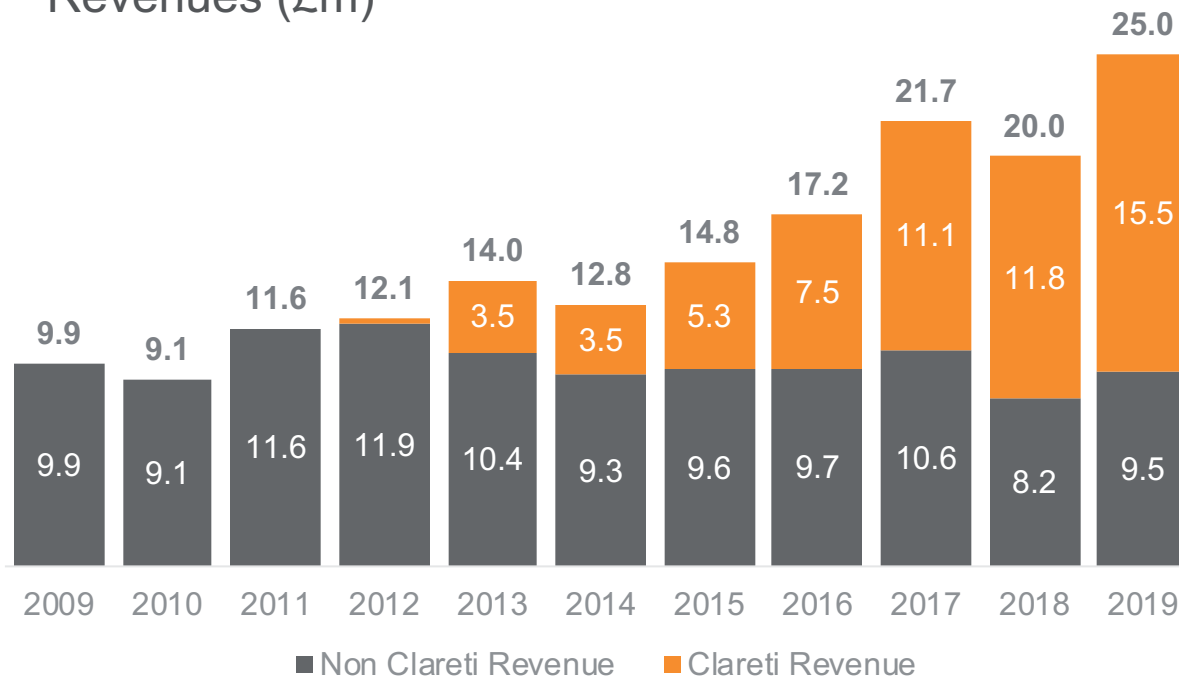
"15 new client wins"



Progress vs Group Strategic Plan

Continued Clareti-led transformation

Revenues (£m)



- Clareti Software CAGR of 59% over 5 years
- Clareti is now 62% of Group revenues*
- Clareti on track to be standalone cash profitable
- Successful transition to subscription software
- Non-Clareti YOY growth largely attributable to periodic movements in sub-contracting business

*Note: Non-Clareti revenue in FY19 does not include any discontinued operations. The FY18 and prior Non-Clareti revenues include the discontinued VME business (FY18: £0.7m, FY17: £0.9m) which was completed 31 Jan FY19

Operational Highlights

2019



- Record year for new business contracts
- Successful transition to subscription model
- 15 new Clareti clients & multiple new wins with existing customers
 - 3 strategic “legacy vendor replacement” deals
 - Two Tier 1 banks & a global investment manager
 - £1m+ deal with London based clearing house
 - Regulatory data quality deals in US and Europe
- Growth in Key Accounts
- Strong growth in US market
- Multiple new customer go lives & high levels of customer satisfaction
- Continue to strengthen sales and marketing organisation

Group Financial Headlines

FY19 vs FY18

Group revenues

£25.0m +30%



Clareti revenues

£15.5m +31%



Clareti annualised recurring revenues

£9.5m +30%



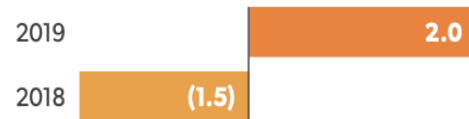
Adjusted EBITDA

£4.1m +351%



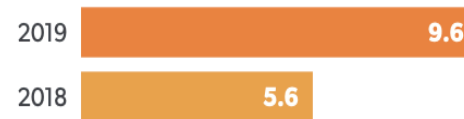
Adjusted diluted EPS

2.0p +3.5p



Net cash

£9.6m +71%



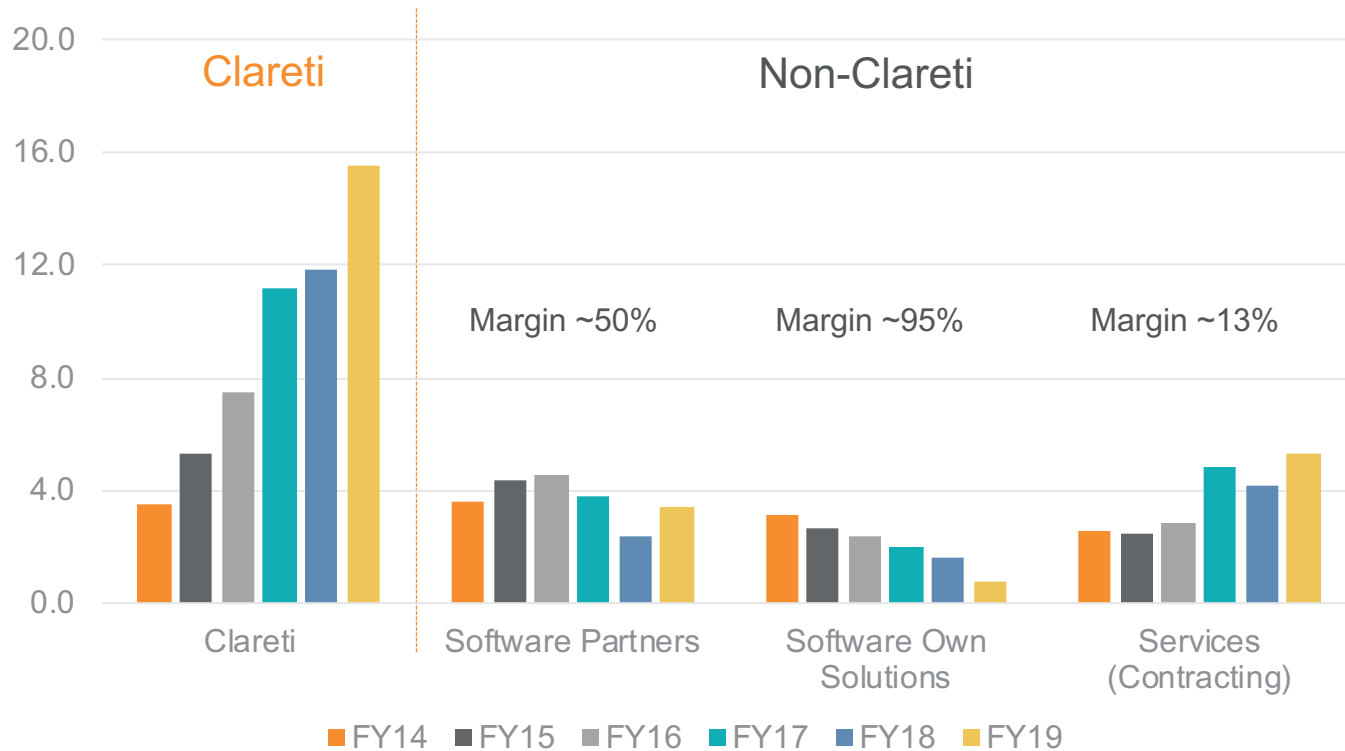
- Clareti recurring software revenues recognised up 55%
- Clareti cash EBITDA up £2.1m from £(5.2m) to £(3.1m)
- Strong earnings growth
- High cash generation

* Adjusted EBITDA refers to earnings before interest, tax, depreciation, impairment and amortisation, adjusted for one-off exceptional charges and share-based payments. Both 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.

* All figures above reflect continuing operations only. Discontinued operations are solely related to the Group's VME business.

Group Revenues

View across portfolio (£m)



* FY18 and prior Includes discontinued operations

Clareti

- **Software:** Gresham developed & owned IP licensed on-premise or in the cloud, predominantly on a subscription basis.
- **Services:** Software related implementation services or chargeable product development services.

Non-Clareti Portfolio

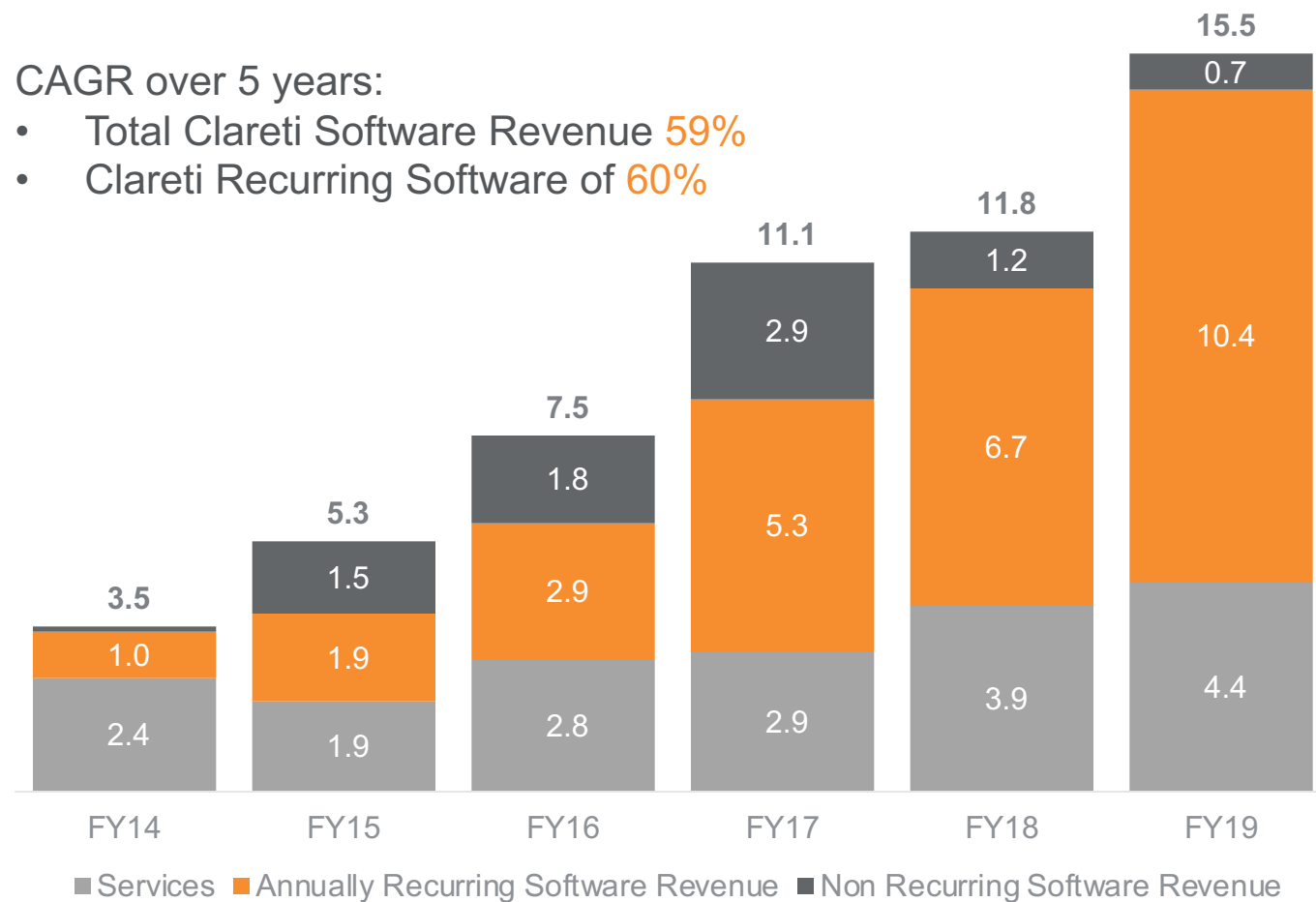
- **Software Partners:** Resale of Virtual Banking & Treasury Management software. Expected to decline over medium term.
- **Software Own Solutions:** Gresham legacy IPR: VME, EDT & Other. VME business sold effective 31 Jan FY19. Residual portfolio expected to continue to steadily decline.
- **Services (Contracting):** IT contracting services for Clareti banking partner in Australia. Expected to be stable at current levels over near term.

Clareti Revenues

by Type (£m)

CAGR over 5 years:

- Total Clareti Software Revenue **59%**
- Clareti Recurring Software of **60%**



Software

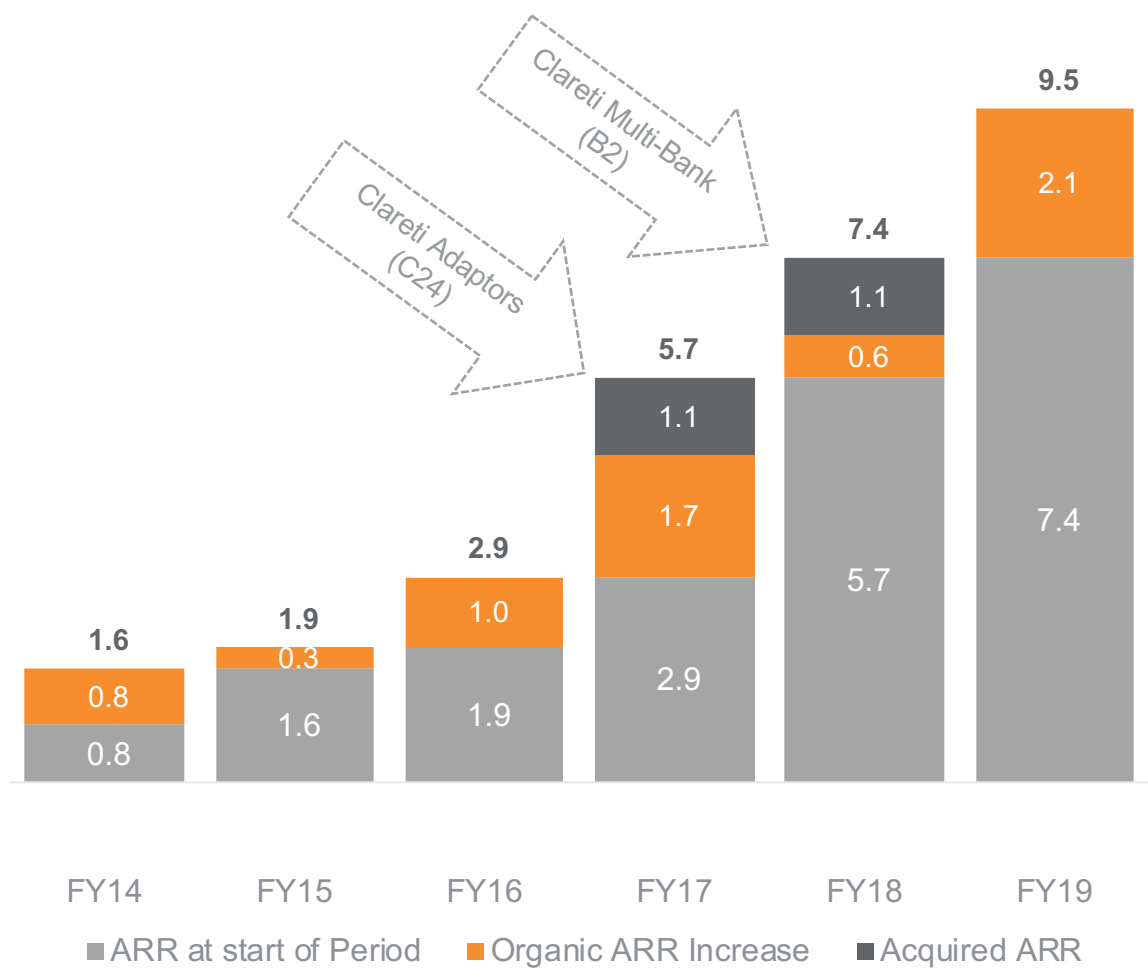
- Strong recurring revenue growth, reduced focus on 'lumpy' non-recurring software revenue
- **£9.5m** forward looking ARR underpins quality of future earnings
- **55% growth** in recurring software revenue
- **30% growth** in forward-looking Clareti ARR (Annualised Recurring Revenue).

Services

- **13% growth** in Clareti services
- Strong performance in all regions
- Positive order book into second half of 2020

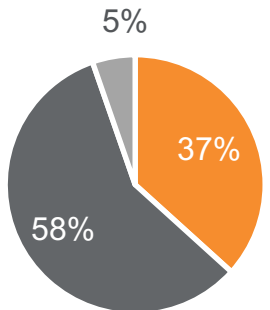
Clareti Annualised Recurring Revenue

Trends over time and by segment (£m)



Growth Initiative

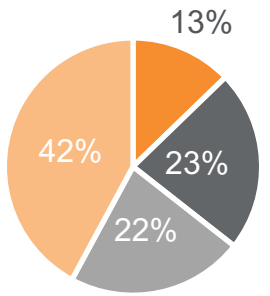
- Cash management & payments
- Data Integrity & control
- Regulatory



Region

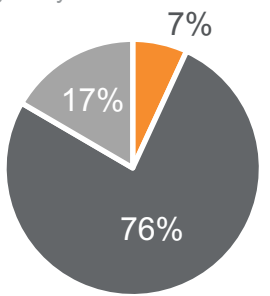
- APAC
- EMEA (exc UK)
- NAM
- UK

UK & EMEA both include global licenses.
ARR follows the location of contracting entity



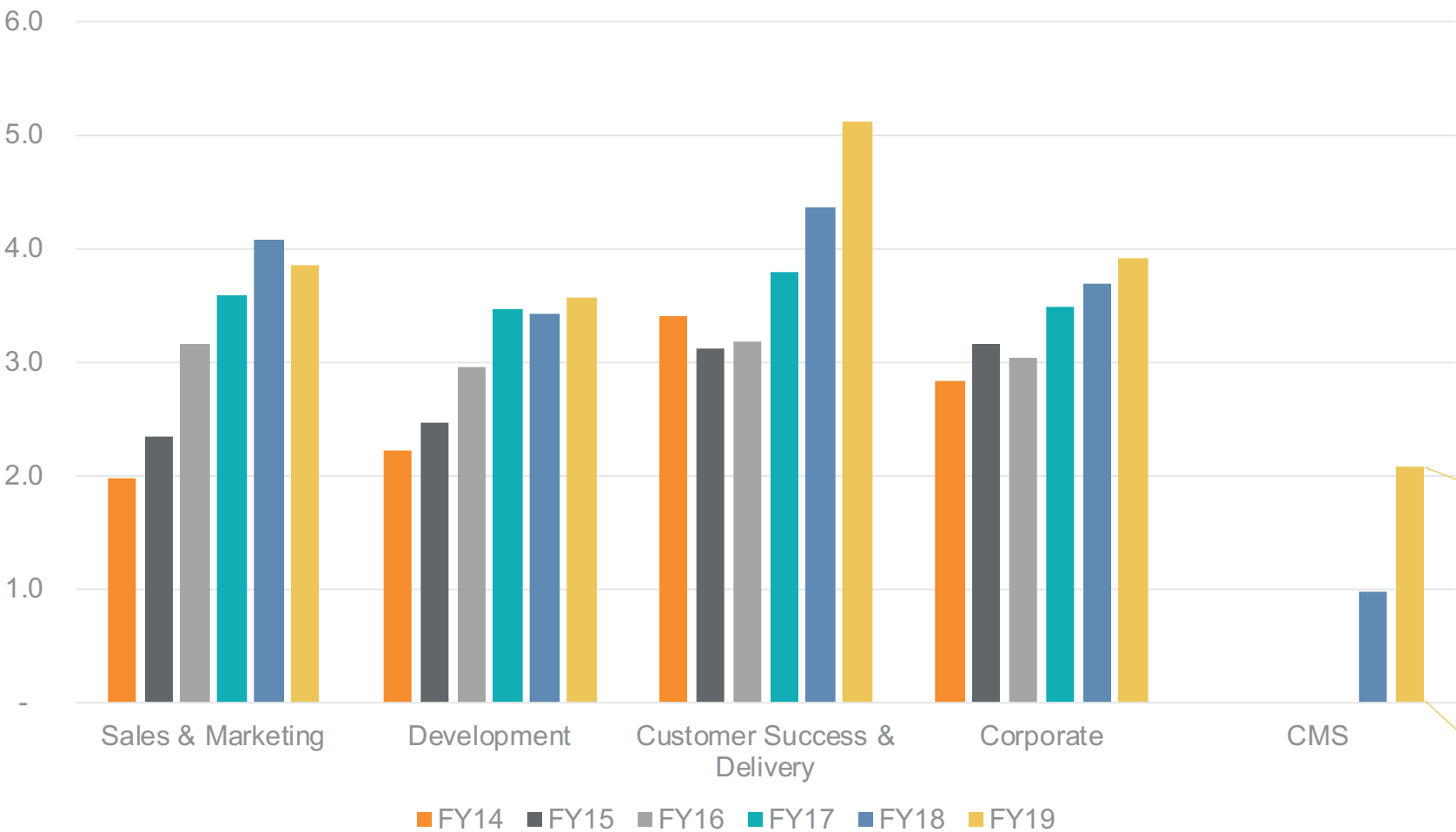
Licence Type

- Perpetual (M&S)
- Subscription
- Term (M&S)

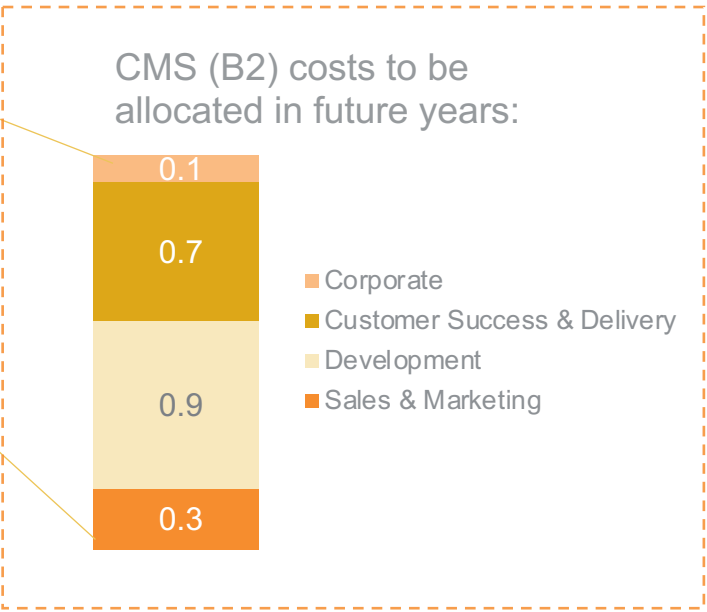


Clareti Operating Costs & Investments

Cash Spend (£m) by Function



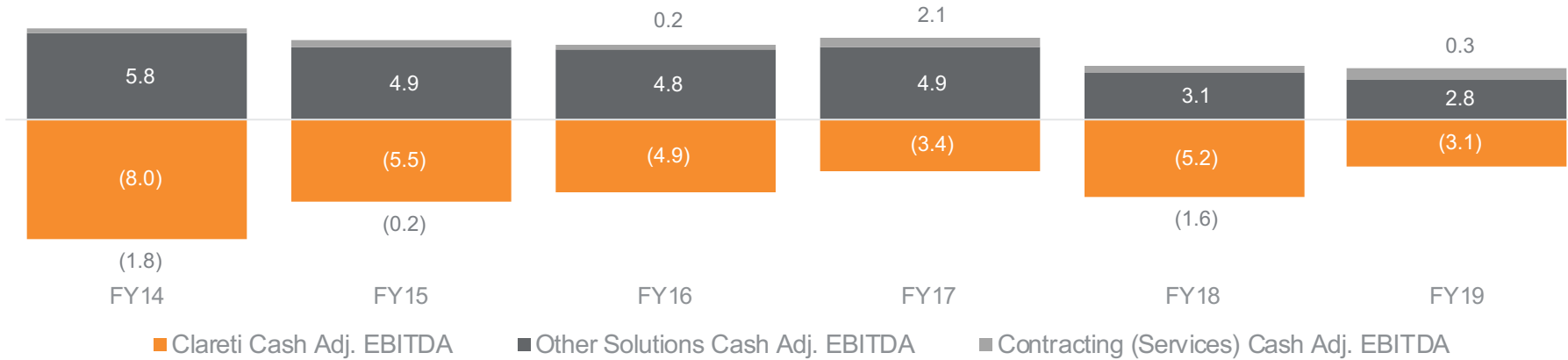
- Costs generally held steady throughout the year
- Sales and marketing investment will increase into 2020
- Cost increases in Customer Success and Delivery supported by services revenues



- Includes reallocations between categories from previous periods, including £0.4m internal IT costs previously reported within Customer Success & Delivery now shown in Corporate
- Includes capitalised development spend and rental charges recorded as depreciation and interest in income statement

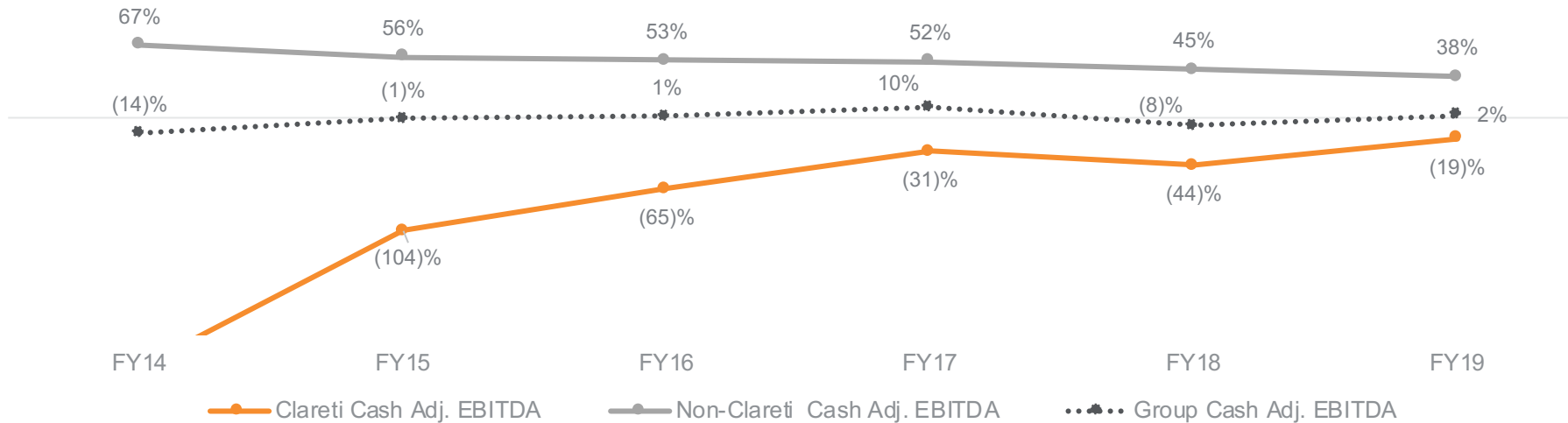
Group Earnings & Profitability

Cash EBITDA by business unit (£m)



- Clareti on track to be cash profitable on a forward-looking basis during 2020
- Decline in Non-Clareti margins in FY19 largely due to sale of VME business and increased levels of Contracting (services)

Cash EBITDA margin by business unit (%)

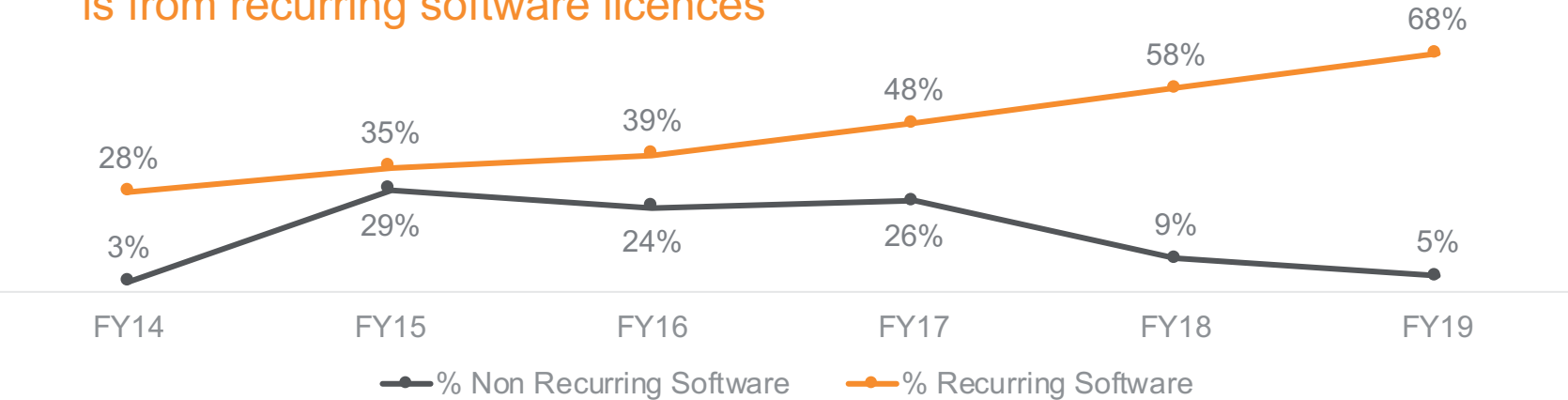


***Cash EBITDA** refers to earnings before interest, tax, depreciation, impairment and amortisation, less capitalised development spend and IFRS 16 property charges recorded as interest and amortisation adjusted to add back share-based payment charges and exceptional items.

These charts include discontinued operations for FY18 and prior.

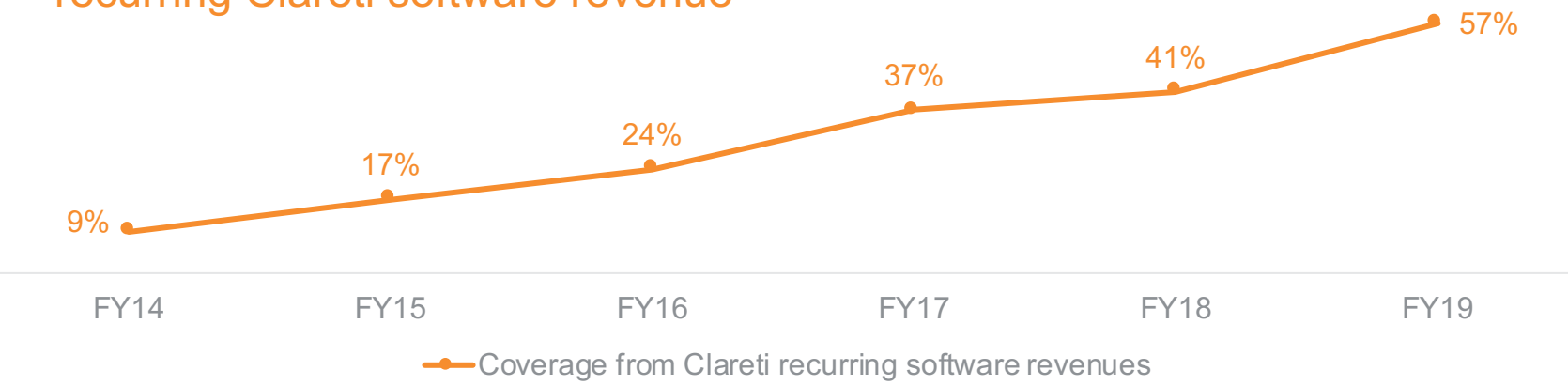
Quality of earnings

An increasing percentage of Clareti revenues is from recurring software licences



- Clareti on track to be an attractive successful stand-alone business
- Increased portion of Clareti revenue generated through recurring software revenues

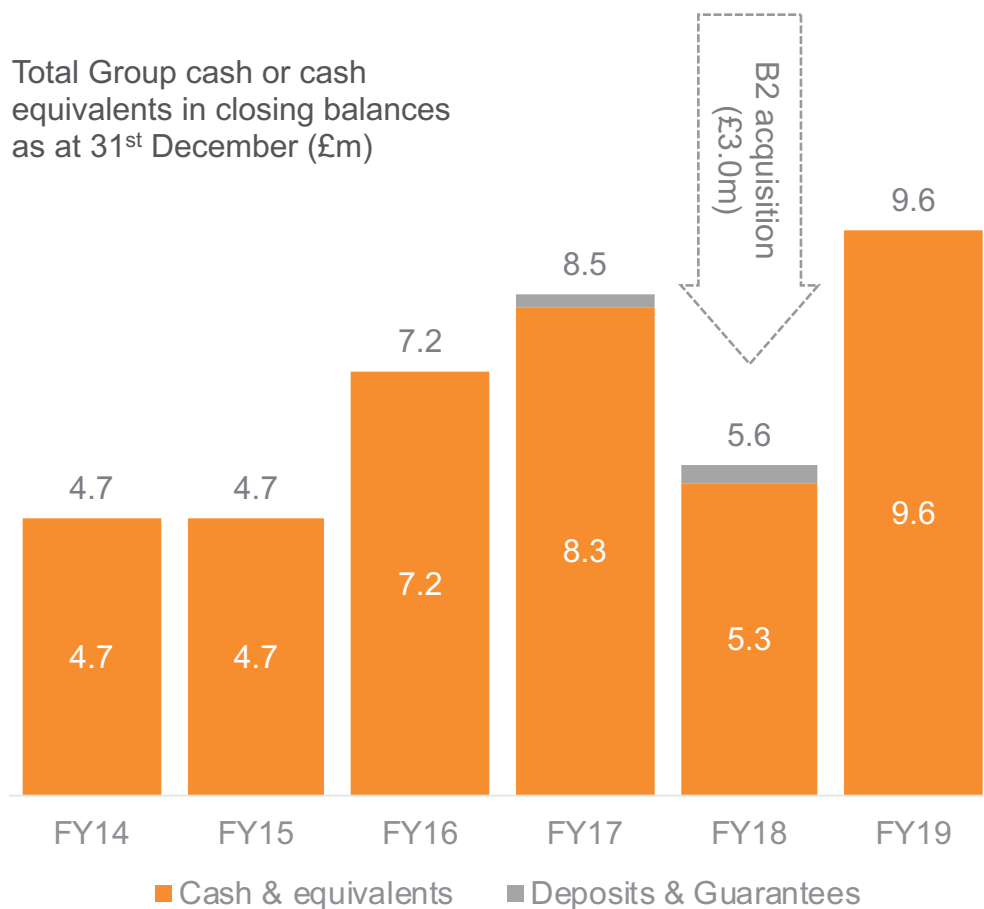
Cost base is increasingly covered by recurring Clareti software revenue



- Continual increased coverage of Clareti cash cost base generated by recurring revenues

Cash & Dividends

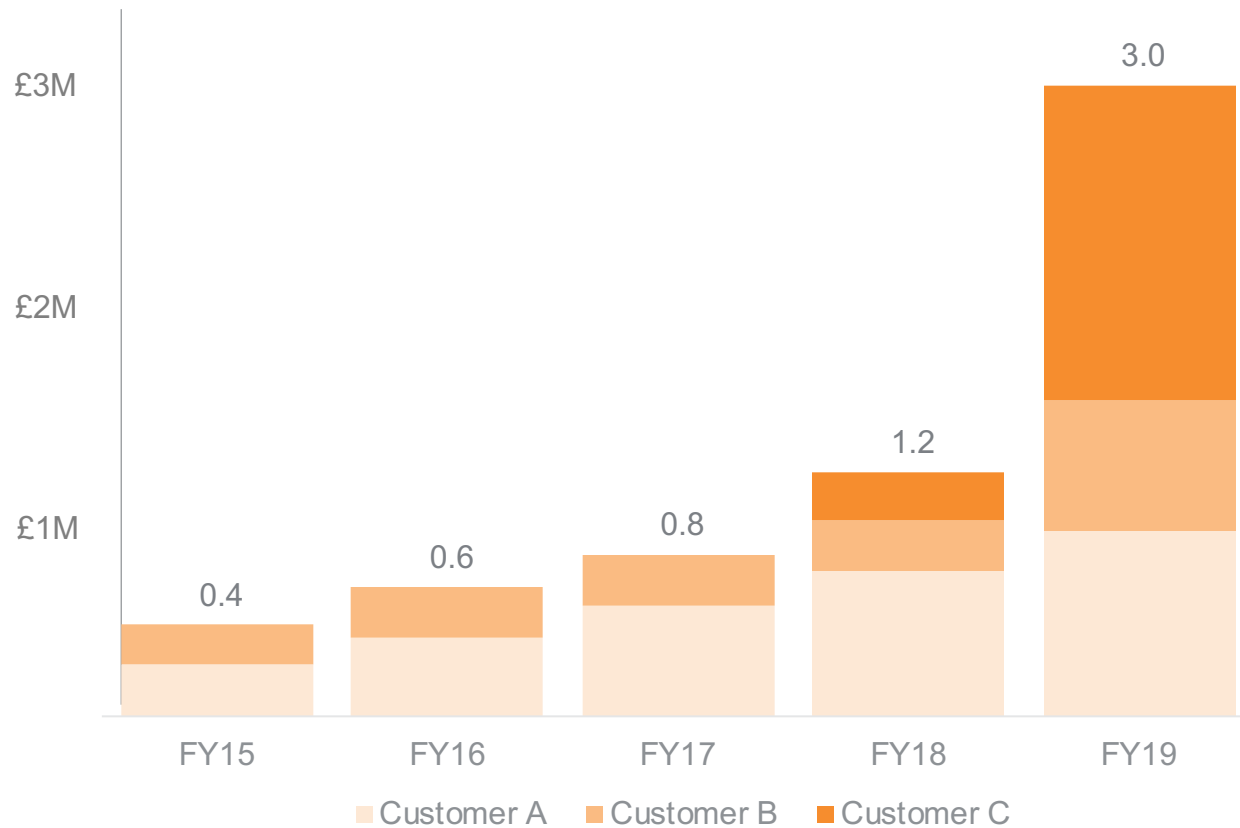
Total Group cash or cash equivalents in closing balances as at 31st December (£m)



- Record closing cash balances with normal operating inflows being aided by:
 - Net tax receipts of £1.3m (2018: nil)
 - Sale of VME business of £2.0m
 - FY19 Q1 Clareti customer paying for £1.0m pa subscription license three years upfront
- And offset by outflows of:
 - £1.0m multi-year funding of employee benefit trust in order to purchase shares for employee share scheme
 - £0.3m dividend payment in respect of FY18
- Dividend of 0.75 pence per share recommended for FY19 (FY18: 0.5 pps)

Winning & Growing Key Accounts

Clareti ARR (£m) for sample set of 3 key accounts



Key Accounts:

- Typically global or regional banks, global investment managers, large corporates
- Any account that has the potential to deliver >£500k Clareti ARR within 3 years
- Potential for additional consulting services, managed services, hosting and one-time fees
- Likely to be influencers of markets trends and product strategy

Licence growth comes from:

- Initial projects
- Framework Agreement
- Expansion of use cases
- Additional software instances
- Geographic / subsidiary growth
- Product x-sell
- Inflation

The Future

What has been achieved?



Sales & Marketing

~60% CAGR in recurring software sales over last 5 years despite limitations in sales capacity and capability

Established brand reputation in industry for recs, expanded addressable market into regulatory and cash management



Delivery

Delivered key references in core recs, regulatory and cash management. Built global support, hosting and consulting and service delivery org.



Technology

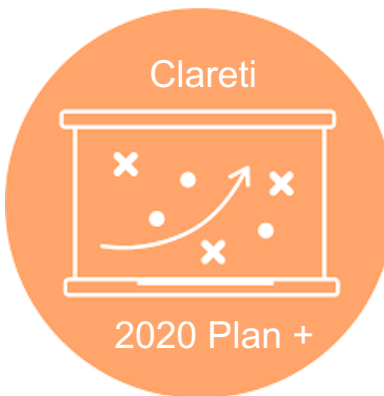
Built enterprise-grade Clareti platform and established clear leadership in complex non-standard recs

Enhanced platform offering with innovative applications in cash/stock, cash management



M & A

Proven success of buy-and-build strategy on Clareti platform through technology and business integration of B2 & C24



Where could we be in the medium term?

Data Integrity & Control

Achieve No 1 position (>25%) in global \$500M 'recs' market

Regulatory Solutions

25% of top 100 banks using Clareti technology in regulatory reporting control

OEM platform of choice for market infrastructure providers of regulatory solutions

Cash Management & Payments

Leader in bank to corporate cloud connectivity

Achieve global No 1 position in packaged software for client monies solutions

2020 Focus



- **Sales & Marketing**

- New sales & marketing leadership in place
- Hiring in US, Europe & Singapore
- Further Key Account wins & growth
- Win additional legacy replacements
- Win additional regulatory sales
- Take ANZ developed assets to market alongside existing cash management portfolio
- Recruit additional partners & OEM's

- **Customer Success & Delivery**

- Go-lives expected with four large legacy cash and stock system replacements
- Go-live with major US CAT regulatory project
- Cloud service enhancements across offerings
- ANZ Innovation Service

- **Technology**

- Clareti Cash Control and Clareti Securities Control now generally available to market alongside Clareti Transaction Control
- New web UI & service architecture roll-out
- New end-user self-service functionality
- Clareti Multi Bank & payments control platform increasingly based on services
- Clareti Cash Management to go-live with early adopter (ANZ)

- **Corporate**

- On-going work on ISO & Cyber
- Leadership & culture development
- Continue to explore strategic opportunities

FY19 Income Statement

	Notes	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Revenue	3,4	24,961	19,266
Cost of sales		(3,933)	(3,260)
Gross profit		21,028	16,006
Adjusted administrative expenses		(19,302)	(17,222)
Adjusted operating profit/(loss)		1,726	(1,216)
Adjusting administrative items:			
Exceptional items	4	(10)	(303)
Impairment of development costs	13	(647)	-
Amortisation on acquired intangibles	13	(794)	(605)
Share-based payments	23	(77)	(161)
		(1,528)	(1,069)
Total administrative expenses		(20,830)	(18,291)
Statutory operating profit/(loss) from continuing operations	4,5	198	(2,285)
Share of post tax profit from joint venture	16	66	75
Finance revenue	3,8	104	19
Finance costs	8	(65)	(6)
Profit/(loss) before taxation from continuing operations		303	(2,197)
Taxation	9	(443)	114
Loss after taxation from continuing operations		(140)	(2,083)
Net gain on sale of discontinued operations	28	1,985	-
Profit after taxation from discontinuing operations	28	53	667
Profit/(loss) attributable to the Parent		1,898	(1,416)
<i>Earnings per share</i>			
<i>Statutory</i>		<i>pence</i>	<i>pence</i>
Basic earnings per share	10	2.78	(2.09)
Diluted earnings per share	10	2.72	(2.09)
<i>Adjusted</i>			
Basic earnings per share	10	2.11	(0.50)
Diluted earnings per share	10	2.07	(0.50)
<i>Earnings per share – continuing operations</i>			
<i>Statutory</i>			
Basic earnings per share	10	(0.21)	(3.07)
Diluted earnings per share	10	(0.21)	(3.07)
<i>Adjusted</i>			
Basic earnings per share	10	2.04	(1.50)
Diluted earnings per share	10	1.99	(1.50)

			2019	2018	Variance	%	
<u>Clareti Solutions</u>	Recurring	£m	10.4	6.7	3.7	55%	
	Non-recurring	£m	0.7	1.2	(0.5)	(43%)	
	Software	£m	11.1	7.9	3.3	40%	
	Services	£m	4.4	3.9	0.5	13%	
	Total	KPI	£m	15.5	11.8	3.7	31%
<u>Other Solutions</u>	Software - Partners	£m	3.3	1.8	1.5	83%	
	Software - Own solutions	£m	0.8	0.9	(0.1)	(6%)	
	Services	£m	0.7	0.3	0.4	133%	
	Contracting services	£m	5.4	4.2	1.2	29%	
	Total		£m	9.5	7.5	2.0	27%
Total from Continuing Operations – note 3		KPI	£m	25.0	19.3	5.7	30%
<u>Discontinued</u>	Software – Own solutions	£m	0.1	0.7	(0.6)	(86%)	
Total revenue		KPI	£m	25.1	20.0	5.1	26%
<u>Annualised recurring revenue as at 31 December 2018</u>	Clareti	KPI	£m	9.5	7.4	2.1	30%
	Other		£m	2.8	2.8	-	-
	Total	KPI	£m	12.3	10.2	2.1	21%

			2019	2018	Variance	%
Gross margin		£m	21.0	16.0	5.0	31%
Gross margin		%	84%	83%	1%	n/a
Adjusted EBITDA	KPI	£m	4.1	0.9	3.2	351%
Adjusted EBITDA	KPI	%	20%	2%	18%	654%
Cash Adjusted EBITDA	KPI	£m	0.3	(2.1)	2.4	n/a
Cash Adjusted EBITDA	KPI	%	1%	(13%)	14%	n/a
Statutory profit after tax		£m	(0.1)	(2.1)	2.0	95%
Adjusted diluted EPS	KPI	pence	2.04	(1.50)	3.54	n/a

The Group operating profit/(loss) is stated after charging:				
	Notes	2019 £'000	2018 £'000	
Research and development costs written off		1,127	1,186	
Impairment of development costs	13	647	-	
Amortisation of deferred development costs recognised in administration expenses	13	1,502	1,259	
Total research and development costs		3,276	2,445	
Depreciation of property, plant and equipment	12	266	297	
Amortisation of right to use assets	15	461	-	
Amortisation of intangible assets (excluding development costs)	13	862	682	
Total depreciation, impairment and amortisation expense		1,589	979	
Employee benefit expenses	7	15,929	13,567	
Net foreign currency differences – losses		99	26	
Operating lease payments:				
Minimum lease payments		-	421	
		-	421	

FY19 Financial Position

	Notes	At 31 December 2019 £'000	As restated At 31 December 2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	387	480
Right-of-use assets	15	1,292	-
Intangible assets	13	25,575	25,340
Interest in joint venture	16	-	57
Deferred tax assets	9	489	1,166
		27,743	27,043
Current assets			
Trade and other receivables	18	4,978	4,639
Income tax receivable	18	43	821
Other financial assets - bank deposits/restricted cash	19	-	278
Asset held for sale	28	-	74
Cash and cash equivalents	19	9,605	5,323
		14,626	11,135
Total assets		42,369	38,178
Equity and liabilities			
Equity attributable to owners of the Parent			
Called up equity share capital	22	3,413	3,404
Share premium account	24	3,903	3,830
Own share reserve	22	(945)	-
Other reserves	24	536	536
Foreign currency translation reserve	24	(81)	(78)
Retained earnings	24	18,478	16,801
Total equity attributable to owners of the Parent		25,304	24,493
Non-current liabilities			
Contract liabilities	20	1,329	486
Lease liabilities	15	788	-
Deferred tax liability	9	952	1,083
Provisions	20	144	59
Contingent consideration	20	-	67
		3,213	1,695
Current liabilities			
Trade and other payables	20	12,976	11,575
Lease liabilities	15	457	-
Income tax payable	20	419	5
Liabilities held for sale	29	-	384
Provisions	20	-	26
		13,852	11,990
Total liabilities		17,065	13,685
Total equity and liabilities		42,369	38,178

	Development costs £'000	Patents and licences £'000	Separately identified intangibles on acquisition Software £'000	Customer relationships £'000	Goodwill £'000	Total £'000
2019						
<i>Cost</i>						
At 1 January	20,086	881	6,275	1,218	2,962	31,422
Additions	3,259	7	-	-	-	3,266
Disposals	-	(15)	-	-	-	(15)
Exchange adjustment	-	(1)	-	-	(19)	(20)
At 31 December	23,345	872	6,275	1,218	2,943	34,653
<i>Amortisation and impairment</i>						
At 1 January	(4,033)	(676)	(850)	(273)	(250)	(6,082)
Charge for year	(1,502)	(68)	(627)	(167)	-	(2,364)
Impairment	(647)	-	-	-	-	(647)
Eliminated on disposal	-	15	-	-	-	15
At 31 December	(6,182)	(729)	(1,477)	(440)	(250)	(9,078)
<i>Net carrying amount</i>						
At 31 December	17,163	143	4,798	778	2,693	25,575
At 1 January	16,053	205	5,425	945	2,712	25,340

	2019 £'000	2018 £'000
Trade receivables	3,344	3,231
Accrued income	166	446
Prepaid commission	445	132
Contract assets	3,955	3,809
Prepayments	856	1,408
Other receivables	167	-
	4,978	4,639

	2019 £'000	As restated 2018 £'000
Current		
Trade payables	1,591	684
Other payables	2,558	2,821
Contract liabilities	8,827	8,070
	12,976	11,575

	Notes	Share capital £'000	Share premium account £'000	Own share reserve £'000	Other reserves £'000	Foreign currency translation reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2018		3,375	3,562	-	313	(10)	18,253	25,493
Attributable loss for the period		-	-	-	-	-	(1,416)	(1,416)
Other comprehensive expenses		-	-	-	-	(68)	-	(68)
Total comprehensive expense		-	-	-	-	(68)	(1,416)	(1,484)
Exercise of share options	22	23	278	-	-	-	-	301
Share issue proceeds	22	6	-	-	223	-	-	229
Share transaction costs	22	-	(10)	-	-	-	-	(10)
Share-based payments	23	-	-	-	-	-	161	161
Dividend paid		-	-	-	-	-	(338)	(338)
At 31 December 2018 as reported		3,404	3,830	-	536	(78)	16,660	24,352
Prior year adjustment	2	-	-	-	-	-	141	141
At 31 December 2018 as restated		3,404	3,830	-	536	(78)	16,801	24,493
Effect of adoption of: IFRS 16	27	-	-	-	-	-	41	41
At 1 January 2019 as restated		3,404	3,830	-	536	(78)	16,842	25,534
Attributable profit for the period		-	-	-	-	-	1,898	1,898
Other comprehensive expense		-	-	-	-	(3)	-	(3)
Total comprehensive income		-	-	-	-	(3)	1,898	1,895
Exercise of share options	22	9	73	-	-	-	-	82
Purchase of own shares	22	-	-	(995)	-	-	-	(995)
Issue of shares held by Employee Share Ownership Trust	22	-	-	50	-	-	-	50
Share-based payments	23	-	-	-	-	-	77	77
Dividend paid	11	-	-	-	-	-	(339)	(339)
At 31 December 2019		3,413	3,903	(945)	536	(81)	18,478	25,304

FY19 Cashflow

Notes	Year ended 31 December 2019 £'000	Year ended 31 December 2018 £'000
Cash flows from operating activities		
Profit/(loss) after taxation	1,898	(1,416)
Depreciation of property, plant and equipment	12 266	297
Amortisation of intangible assets	13 2,364	1,940
Impairment of intangible assets	13 647	-
Amortisation of right-of-use assets	15 461	-
Share-based payments	23 77	161
Net gain on sale of discontinued operations	28 (1,985)	-
Share of post-tax profit from joint venture	16 (66)	(75)
Increase in trade and other receivables	(243)	(1,529)
Increase in trade and other payables	2,239	2,045
Movement in deferred tax provisions	9 546	610
Movement in provisions	59	2
Fair value adjustment on deferred contingent consideration	-	(30)
Net finance revenue/(costs)	8 39	(14)
Cash inflow from operations	6,302	1,991
Income taxes received	1,356	96
Income taxes paid	(75)	(118)
Net cash inflow from operating activities	7,583	1,969
Cash flows from investing activities		
Interest received	8 37	19
Decrease/(increase) in other financial assets – bank deposits/restricted cash	278	(78)
Purchase of property, plant and equipment	12 (178)	(188)
Proceeds from sale of property, plant and equipment	3	-
Net payments to acquire subsidiary undertaking	-	(1,947)
Proceeds from sale of discontinued operations	28 1,675	-
Payments to acquire intangible fixed assets	13 (3,266)	(2,603)
Net cash used in investing activities	(1,451)	(4,797)
Cash flows from financing activities		
Interest paid	8 (17)	(6)
Principal paid on lease liabilities	15 (511)	-
Dividends paid	11 (339)	(338)
Purchase of own shares	22 (995)	-
Issue of shares held by Employee Share Ownership Trust	22 50	-
Share issue proceeds	22 82	292
Net cash used in financing activities	(1,730)	(52)
Net increase/(decrease) in cash and cash equivalents	4,402	(2,880)
Cash and cash equivalents at beginning of year	5,323	8,280
Exchange adjustments	(120)	(77)
Cash and cash equivalents at end of year	19 9,605	5,323

		2019	2018	Variance	%
Operating cash flow excluding working capital	£m	3.8	0.9	2.9	322%
Movement in working capital	£m	2.6	1.1	1.5	136%
Net tax receipts	£m	1.3	-	1.3	N/a
Capital expenditure - development costs	£m	(3.3)	(2.6)	(0.7)	(27%)
Capital expenditure - other	£m	(0.2)	(0.2)	-	-
Sale of discontinued operation	£m	1.7	-	1.7	N/a
Purchase of own shares in employee benefit trust	£m	(1.0)	-	(1.0)	N/a
Shares issued as consideration and acquisition	£m	0.1	(2.0)	2.1	N/a
Dividend	£m	(0.3)	(0.3)	-	-
Other	£m	(0.7)	0.2	(0.9)	N/a
Net (decrease)/increase in cash and financial assets	£m	4.0	(2.9)	6.9	238%
Cash	KPI £m	9.6	5.6	4.0	71%
Cash and cash equivalents	£m	9.6	5.3	4.3	81%
Financial assets	£m	-	0.3	(0.3)	(100%)