



13 March 2019

# StatPro Group plc

## Solid growth in revenue and profit – market opportunities continue to develop

StatPro Group plc, (“StatPro”, “the Group”, AIM:SOG), the AIM listed provider of cloud-based portfolio analysis and asset pricing services for the global asset management industry, today announces its unaudited preliminary results for the year ended 31 December 2018.

|  | 2018            | 2017<br>Restated <sup>(1)</sup> | Change | Constant<br>currency <sup>(2)</sup> |
|--|-----------------|---------------------------------|--------|-------------------------------------|
| Revenue  | <b>£54.84m</b>  | £49.26m                         | 11%    | 13%                                 |
| Adjusted EBITDA <sup>(3)</sup>                 | <b>£9.01m</b>   | £6.84 m                         | 32%    | 34%                                 |
| Adjusted profit before taxation <sup>(3)</sup> | <b>£4.96m</b>   | £3.33 m                         | 49%    | 51%                                 |
| Loss before tax                                | <b>£(0.99)m</b> | £(3.47)m                        | n/a    |                                     |
| Adjusted earnings per share <sup>(3)</sup>     | <b>7.3p</b>     | 5.8p                            | 26%    |                                     |
| Loss per share – basic                         | <b>(0.8)p</b>   | (3.7)p                          | n/a    |                                     |
| Dividend per share – total for year            | <b>2.9p</b>     | 2.9p                            | -      |                                     |

### Financial highlights:

- Annualised Recurring Revenue (“ARR”) <sup>(4)</sup> up 5% to £55.68 million (2017: £53.04 million), 4% constant currency
  - *StatPro Revolution* ARR increased organically by 17% <sup>(5)</sup> (2017: 13%)
  - ARR from cloud services up 11% to £33.43 million (2017: £30.06 million)
  - Average ARR per customer up to £120,800 (2017: £106,100)
- Adjusted EBITDA <sup>(3)</sup> margin up to 16.4% (2017: 13.9%)
- Net cash inflow from operating activities of £12.84 million (2017: £10.68 million)

### Operational highlights

- ODDO BHF Risk Services (“ODDO-BHF”) made positive adjusted EBITDA contribution
- ‘Delta Continuity’ project on track - transition of clients from Delta to Revolution to be completely seamless - ensuring the future and growth of Delta
- Revolution Fixed Income Attribution launched – rapidly growing market
- Group structured into three divisions in 2019: Revolution, Source: StatPro and Infovest

(1) 2017 has been restated for the impact of IFRS 15

(2) At constant currency based on restating the prior year at the closing or average currency rate.

(3) Adjusted EBITDA, adjusted PBT and adjusted earnings per share are EBITDA, PBT and earnings per share after adjustment for amortisation of acquired intangible assets, acquisition and restructuring costs, fair value movement in non-controlling interest put option, fair value reduction in deferred consideration and share based payments (notes 5, 6 and 8).

(4) Annualised Recurring Revenue is the annual value of revenue contractually committed at year end.

(5) Organic ARR growth relates to Revolution excluding the acquired revenues from acquisitions and including conversions from Seven (see note 3)

**Justin Wheatley**, Chief Executive of StatPro, commented:

***“Strong organic growth of 17% in ARR for our flagship service – StatPro Revolution – has underpinned a solid year. Our adjusted EBITDA grew strongly as we continue to improve our underlying margins.***

***“Our strategic and technological positioning, by being the only cloud-based provider of portfolio analytics, gives us a real advantage with our fund administration clients, who are using our product and service capabilities to meet their growing customer demand.***

***“Our new 2019 divisional structure is already making a difference, releasing considerable entrepreneurial drive across the business. We have reduced ongoing costs and focused the business on key targets. We have started the year well.”***

**- Ends -**

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014 (MAR).

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*A briefing for analysts on the results will be held at 8.45am today at the offices of Instinctif Partners, 65 Gresham Street, London, EC2V 7NQ*

**About StatPro**

StatPro Group ([www.statpro.com](http://www.statpro.com)) provides cloud-based portfolio analytics, asset data services and data management tools for the global asset management industry and asset management service providers.

The Group has 10 offices in Europe, North America, South Africa and Australia, servicing around 500 clients in 40 countries. It is organised into three divisions: Revolution, Source: StatPro and Infovest.

*Revolution* is a global provider of award-winning portfolio analytics solutions. The cloud-based platform offers vital analysis of portfolio performance, attribution, risk and compliance. Revolution helps clients reduce costs, improve client communication and control investment decisions.

*Source: StatPro* is a global market data business and provides Data-as-a-Service to Revolution to enable analytics. The division's integrated and global data coverage includes millions of securities covering the full range of financial instruments and benchmarks.

*Infovest*, supplies data management solutions for the global asset management market, including data warehouse technology, ETL, compliance and reporting tools as well as portfolio management solutions.

StatPro Group plc shares are listed on AIM.

## Overview

StatPro has continued to consolidate its position, widen its customer base and add additional capabilities to its portfolio of multi-national businesses in the rapidly changing asset management industry.

The Group's strong position is based on StatPro Revolution's platform, its cloud-based, multi-tenant portfolio analytics solution that can provide such a broad range of functionality across performance, risk and regulation. As the platform has matured and developed with additional functionality, it has become increasingly attractive to more asset managers, fund administrators and asset management service providers.

Revenue in 2018 grew 11% to £54.84 million (2017: £49.26 million). Excluding the acquisition of ODDO-BHF and on a constant currency basis, revenues also rose 11%. Adjusted EBITDA grew 32% to £9.01 million (2017: £6.84 million) with an increased EBITDA margin of 16.4% (2017: 13.9%).

ARR grew 5% to £55.68 million (2017: £53.04 million), driven by 17% organic growth in ARR in StatPro Revolution (2017: 13%) as well as the acquisition of ODDO BHF.

The UK and Europe were the best-performing regions, but the Group had a very strong year in South Africa and sales picked up in the important North American market thanks to its focus on US fund administrators. StatPro expects to see further growth in 2019 in all the regions in which it operates.

Adjusted earnings per share rose 26% to 7.3p up from 5.8p in 2017. Cash generated from operations increased 20% to £12.84 million (2017: £10.68 million).

The Group has also restructured from the beginning of 2019 into three divisions to provide a clearer and simpler structure for clients and the operational management of these businesses.

## Current trading and outlook

2018 ended strongly, providing good visibility into the first half of 2019 with a solid pipeline of well-qualified prospects. The Group will maintain its focus on improving margins in the current year and continues to trade in line with expectations.

## Acquisitions

In March 2018 the Group acquired the remaining 27.3% of Infovest which it did not already own.

On 2 July 2018, StatPro acquired the Risk Service arm of ODDO BHF Bank in Frankfurt for a little less than one times annualised recurring revenues. StatPro gained new clients in Germany, the expertise of the ODDO BHF risk team and added to its existing managed services for valuations and performance measurement with risk reporting.

## Operational review

### New divisions

From 1 January 2019, the Group has been operating as three divisions to make the business clearer, to provide distinct divisional management focus and to enable growth in each division based on specific divisional priorities.

Each division is operating independently, run by a divisional board but providing to the other divisions highly complementary services. Acquisitions may be made when appropriate to boost each respective division and improve its capabilities.

The largest division, **Revolution**, contains all the Group's analytics services including Revolution, StatPro Seven, Delta and Alpha. It aims to be the best provider of portfolio analytics by covering the broadest range of functionality, ease of use and quality of service. All this is possible based on the

underlying cloud technology. The approximate proforma annual revenue of this division in 2018 was £46.50 million.

**Source: StatPro** contains data revenues from market data managed services, evaluated bond prices, index services, yield curves and complex asset pricing. It provides a sophisticated pricing service for the most complex assets. The Group's analytics capabilities allow the production of high-quality meta-data that other companies struggle to provide. StatPro has yet to exploit fully this rich source of intellectual property, but there is an excellent opportunity to do so now. The approximate proforma annual revenue of this division in 2018 was £8.50 million, including intercompany revenue of £3.00 million.

**Infovest** contains Infovest based in South Africa and SPM, the portfolio management service based in Canada and focussed on integration and data management. It offers configurable solutions for clients to manage their data flows in an effective and efficient way to reduce cost and complexity using the Group's data warehouse, ETL (Extract, Transform and Load) and reporting tools. This division puts together complete solutions for asset managers and fund administrators. The approximate proforma annual revenue of this division in 2018 was £5.64 million.

### **StatPro Revolution in 2018**

The Group continued to see strong sales growth from its flagship product, StatPro Revolution, to fund managers and administrators. Its largest fund administrator client added over 3,000 portfolios in the course of 2018 and is likely to add a similar number in 2019. The Group has now 48 fund administrators using StatPro Revolution with this market being the driver of growth.

StatPro's technology has been specifically developed to meet the very demanding needs of this high volume and high value regulated market. It also meets the increasing demand for asset managers to outsource their data management to asset management services companies, in order to reduce their costs and improve services.

The Group has focused on improving its capabilities to fund administrator clients, by streamlining its processes, adding to the transparency of workflow and providing managed services around its products.

The key to *StatPro Revolution's* platform is its ability to integrate with clients' other solutions via its Application Programme Interface ("API"). By making StatPro's services easy to use, it greatly reduces the total cost of ownership for clients, who can process their data faster and with far less effort to operate. The platform can also handle volume and complexity with equal ease.

StatPro also aims to broaden its range of services by offering to operate the processing of data for its clients. Performance measurement and risk management requires expertise to ensure accuracy. Not every client has the resources to engage, manage and reward adequately skilled employees to administer performance and risk software.

Also, many of the fund administration clients do not have the in-house expertise to operate a performance and risk service efficiently. For this reason, StatPro will leverage its employees' expertise to support its clients to deliver a better service.

The Group is generally targeting fewer, but higher value opportunities to improve the productivity of its sales teams. This is made possible by the ever-broader functionality of the Revolution platform.

Highlights from the year include the significant increase in portfolios the Group processes across all its fund administration clients, including a major win in the US of a three-year contract for a single client of one of the fund administration partners, totalling US\$1.5 million. StatPro is already seeing further growth from its fund administration clients in the first quarter of 2019 as the trend to outsource performance and risk accelerates.

### **Other operations**

Infovest has performed well in 2018 and profits have grown significantly. StatPro aims to expand the sale of Infovest products and is going to focus on its core European market. The data warehouse and compliance products are well suited for this market.

The recently acquired ODDO BHF is now part of the Revolution division. StatPro is switching ODDO BHF's risk service with the Revolution risk service in order to provide ODDO BHF's customers with a wider service and enhance the Group's operational efficiency. StatPro has completed the technical migration of all the ODDO BHF clients to the Revolution platform.

StatPro expects to grow this business as there is strong demand for an outsourced risk service from asset managers operating in the EU, including those based outside who wish to sell within the EU.

### **Product development**

In 2018, the Group achieved all its key milestones in its product development road map. StatPro also added many enhancements to existing functionality and launched its fixed income attribution service. The Group expects to secure sales with its first clients in the first half of this year.

StatPro has seen considerable demand for its fixed income service, not only with existing clients of StatPro Seven, but also with many prospects. The size and importance of fixed income assets has grown dramatically in the last decade, whilst the liquidity has reduced. Accurate analysis and pricing of assets is essential for good asset management. Faster growing markets like South Africa and Australia are key areas as well as the mature markets of North America and Europe.

The Group also launched its Global Fundamental Factor Model to add to the Australian Factor Model. This marks the beginning of a foray into the equity risk market. During the course of 2019, the Group will add the US, UK, European and South Africa models. The ability for clients to gain access to truly integrated equity and fixed income performance and risk analysis on the same platform is seen as a huge benefit and potential cost saving as well as being unique in the market.

StatPro also launched functionality for end users to create personal, configurable dashboards. This has proven to be very popular with clients as it lets them focus on the data and analysis they need for their role. Using sophisticated services like Revolution fully sometimes requires a change in culture at clients as they adapt to innovative ways of working, but increasingly end users see that they can get exactly what they want from the huge range of products StatPro now provides. As new services are added, end users are adding data to Revolution to extract more value from the platform.

The project to integrate Delta with Revolution remains on track. "Delta Continuity" is the theme that the Group has communicated to its Delta clients. The key aspect of this is that Delta clients will not have to change system, but instead Revolution will appear as though it has been added to Delta.

There will be no change in input or output files, nor with the reports that each client generates, making the transition from Delta to Revolution completely seamless for them. This message has been well received and new prospects are happy to buy the Delta service as they know that the platform has a long-term future.

## Financial review

### Revenue

Group revenue increased by 11% to £54.84 million (2017: £49.26 million). The table below shows the revenue bridge from last year and the impact of the acquisition and currency movements.

**Table 1 – Revenue bridge**

|  | £m           | Change year-on-year at constant currency |
|--|--------------|--|
| <b>Revenue bridge</b>                                | Total        |  |
| 2017 at actual rates (restated)                      | 49.26        |  |
| <b>Growth before acquisition and currency impact</b> | <b>5.38</b>  | 11%                                      |
| <b>Impact of acquisition and currency</b>            |              |  |
| Acquisition – ODDO-BHF                               | 0.83         | 2%                                       |
| Currency impact                                      | (0.63)       | (1%)                                     |
|  | <b>0.20</b>  |  |
| <b>2018 at actual rates</b>                          | <b>54.84</b> | 11%                                      |

96% of Group revenue in 2018 was recurring revenue (2017: 96%).

The Group achieved another high level of new contracts signed in the year, adding ARR of £4.99 million (2017: £4.79 million) excluding conversions from StatPro Seven.

The adoption of IFRS 15 has resulted in very marginally reduced revenue of £0.05 million for 2018 (2017: £0.08 million). The change arises because of earlier recognition of software licences on non-hosted contracts, but the impact is greater on the half year results than for the full year due to timing of renewals (see note 3) within the calendar year.

### Recurring revenue

The ARR at the end of December 2018 increased by 5% (2017: 35%) over the previous 12 months to £55.68 million (2017: £53.04 million). Excluding the impact of acquisitions and currency rates, the organic growth in Group ARR was 1% (2017: 1%). Approximately 85% of new recurring contracted revenue came from existing clients (2017: 82%).

The overall growth rate for StatPro Revolution's ARR was 11% (2017: 100%). The underlying growth in StatPro Revolution ARR was 17% (2017: 13%), excluding the impact of acquisitions and currency rates and including conversions from Seven (see note 3).

The ARR for StatPro Seven reduced by 5% (2017: 3%) at constant currency to £18.04 million (2017: £18.92 million). The ARR from cloud services (StatPro Revolution, Alpha, Delta and ODDO-BHF) is now £33.43 million (2017: £30.06 million), representing 60% of the Group total (2017: 57%).

### Acquisitions

The Group increased its shareholding in Infovest Consulting (Pty) Ltd. ('Infovest'), from 72.7% to 100% in March 2018. The consideration for the additional 27.3% shareholding was ZAR 30.4 million (£1.88 million) in cash.

On 2 July 2018, StatPro completed the acquisition of the regulatory risk service from ODDO BHF. An initial payment of €1.0 million (£0.89 million) was made in July 2018, out of a total cash consideration of approximately €1.42 million (fair value of £1.25 million), with the remainder being paid on 2 January 2019.

Further details on these investments are provided in note 15.

### SAAS-Based-KPIS

An important KPI for SaaS-based businesses is the cost of acquiring each customer ('CAC') in comparison with the lifetime value of the customer contracts ('LTV') and the table below shows the results for StatPro.

**Table 2 – SAAS-based KPIS**

|  | 2018         | 2017  |
|--|--------------|-------|
| <b>Average cost of acquiring customer ('CAC') (£'000s)</b> | <b>131.8</b> | 128.6 |
| Implied customer lifetime (years)                          | <b>9.2</b>   | 9.4   |
| Average ARR per customer (£'000s)                          | <b>120.8</b> | 106.1 |
| <b>Implied customer lifetime value ('LTV') (£'000s)</b>    | <b>1,114</b> | 997   |
| <b>LTV: CAC</b>  | <b>8.5</b>   | 7.8   |

Generally, a value of three or higher for the ratio of LTV:CAC is considered the industry benchmark for a successful SaaS business and for StatPro it is well above this figure.

### Operating expenses

Operating expenses, before amortisation of intangible assets and other adjusting items, increased by 6% (7% at constant currency) to £42.34 million (2017: £40.12 million). Excluding the impact of acquisitions and currency movements, there was an underlying reduction of 2%. The average number of employees increased to 304 (2017: 295).

### Acquisition-related and restructuring charges

Acquisition-related and restructuring charges of £2.98 million were incurred. These include: £1.27 million primarily for the acquisition of the regulatory risk service from ODDO-BHF, including onerous contracts. In addition, £1.71 million relates to restructuring of the core business as part of the creation of three divisional operating units.

### Finance income and expense

Net finance expense increased to £1.86 million (2017: £1.59 million). The increase was due to the increase in net debt following the acquisitions in 2017 and 2018. This was offset by the non-cash one-off benefit of £0.40 million arising from an agreed change to the timing of deferred consideration payable to UBS on the Delta acquisition (see note 5). Following a commercial discussion with UBS with regard to changes to the transition plan for Delta from the UBS platform to Revolution, a deferral of the remaining deferred consideration (notional value €4.25 million) to May 2022 was agreed.

### Profitability

The adjusted EBITDA was up 32% to £9.01 million (2017: £6.84 million). The impact of currency movements on the adjusted EBITDA was £0.15 million. The adjusted EBITDA margin increased to 16.4% (2017: 13.9%). The overall gross profit margin reduced marginally to 50.9% (2017: 51.9%). The allocation of the cost elements has been revised following a review (see note 3).

Adjusted profit before taxation increased by 49% to £4.96 million (2017: £3.33 million). The reconciliation from adjusted EBITDA to loss before taxation is shown in table 3.

The loss before taxation reduced to £0.99 million (2017: £3.47 million), the results being impacted by adjusting items including amortisation of acquired intangible assets, acquisition and restructuring costs, and share-based payments.

**Table 3 – adjusted EBITDA**

|   | 2018           | 2017     | Change |
|---|----------------|----------|--------|
|   |                | Restated | %      |
|   | £'000s         | £'000s   |        |
| <b>Adjusted EBITDA</b>                        | <b>9,011</b>   | 6,838    | 32%    |
| Depreciation of property, plant and equipment | (1,593)        | (1,504)  |        |
| Amortisation on purchased intangible assets   | (204)          | (417)    |        |
| <b>Adjusted operating profit</b>              | <b>7,214</b>   | 4,917    | 47%    |
| Amortisation on acquired intangible assets    | (3,161)        | (2,243)  |        |
| Share-based payments                          | (207)          | (626)    |        |
| Other adjusting items                         | (2,977)        | (3,934)  |        |
| Total operating adjusting items               | <b>(6,345)</b> | (6,803)  |        |
| <b>Operating profit/(loss)</b>                | <b>869</b>     | (1,886)  | n/a    |
| Net finance expense                           | (1,857)        | (1,585)  |        |
| <b>Loss before taxation</b>                   | <b>(988)</b>   | (3,471)  | n/a    |

### Taxation

The tax credit was £0.48 million (2017: £1.17 million). The Group has benefitted from R&D tax credits in the UK and South Africa.

### (Loss)/earnings per share

Adjusted earnings per share increased by 26% to 7.3p (2017: 5.8p) as shown in note 8. Actual and diluted loss per share was 0.8p (2017: 3.7p), primarily driven by the impact of one-off adjusting items.

### Dividends

The directors are recommending maintaining the final dividend of 2.05p per share (2017: 2.05p) making a total dividend for 2018 of 2.9p per share (2017: 2.9p). The final dividend will be paid on 29 May 2019 to all shareholders on the register at the close of business on 26 April 2019.

The dividend cover, calculated as adjusted eps: dividends per share, was 2.5 times (2017: 2.0). Total dividends paid in 2018 were £1.98 million (2017: £2.01 million) including dividends of £0.08 million (2017: £0.14 million) paid to non-controlling interests.

### Balance sheet

The Group's net assets at the year-end reduced to £27.39 million (2017: £30.62 million), the reduction being primarily due to the loss in the year and the increase in financial liabilities. The increase in net debt arose due to acquisitions and investments in ODDO-BHF, Investor Analytics and Infovest using the Group's debt facilities. Net assets were also impacted by the goodwill and assets acquired with the acquisition in 2018.

Deferred income, which is a non-cash liability, was £17.08 million (2017: £17.89 million), the deferred tax liability was £2.40 million (2017: £2.19 million) and deferred tax assets reduced to £2.31 million (2017: £2.68 million).



## **Cash flow and financing**

StatPro continues to be cash-generative with cash generated from operations of £12.84 million (2017: £10.68 million). The Group ended the year with net debt of £24.64 million (2017: £20.22 million).

The free cash flow, after acquisition and restructuring payments, increased to £2.41 million (2017: £2.09 million).

The Group also makes use of finance leases for certain IT projects where there are commercial advantages to do so. Total finance leases (included in the net debt figure above) amounted to £1.29 million (2017: £1.46 million).

## **Research and development and capex**

The research and development team is now focused almost entirely on the Group's cloud-based solutions, the StatPro Revolution platform. R&D expenditure of £8.52 million was incurred (2017: £8.01 million). The increase of 6% was primarily driven by the full year impact of the Delta integration work and overall the expenditure as a proportion of revenue reduced to 15.5% (2017: 16.3%).

Development costs of £6.53 million were capitalised in the year (2017: £6.02 million) and amortisation on internal development was £5.29 million (2017: £4.44 million). Capital expenditure on property, plant and equipment was £1.79 million (2017: £2.30 million).

## **Financing facility**

The Group has a financing facility with Wells Fargo for acquisitions, share buybacks and general corporate purposes. At 31 December 2018, the Group had net debt of £24.64 million and total credit facilities of £38.7 million available, of which £34.7 million is committed to April 2022, subject to compliance with agreed covenants, primarily linked to recurring revenue, adjusted EBITDA and available liquidity. The financing costs are being amortised over the term of the loan. This facility strengthens the Group's long-term financial structure and therefore the Board believes that the Group is well positioned to manage the business risks.

## **Principal financial risks**

The principal business risks and uncertainties affecting the Group are described in the Group's Annual Report. For each category of risk, the directors have identified means by which the risk can be managed or reduced in a cost-effective way, whilst accepting that some risks cannot be completely eliminated.

The Brexit process in the UK, and its potential impact on the business, has been reviewed and considered by the Board. The approach has been to consider the impact in terms of the following key areas:

- Clients and sales contracts
- Employees and contractors
- Data/GDPR/other information security issues
- Currency and financing impacts
- European trademarks and other legal issues

Overall, the Board's view is that there is not expected to be any significant long-term company-specific adverse impact on the Group, which has operations in the UK and continental Europe, as well as North America, South Africa and Australia.

## Group income statement for the year ended 31 December 2018

|   | Notes | 2018<br>Existing<br>operations<br>£'000s | 2018<br>Acquisition<br>£'000s | 2018<br>Total<br>£'000s | 2017<br>Restated<br>£'000s |
|---|-------|--|-------------------------------|-------------------------|----------------------------|
| <b>Revenue</b>  | 3     | 54,010                                   | 831                           | <b>54,841</b>           | 49,260                     |
| Operating expenses before amortisation of intangible assets and other adjustments |       | (41,739)                                 | (597)                         | <b>(42,336)</b>         | (40,116)                   |
| Amortisation of acquired intangible assets  |       | (3,027)                                  | (134)                         | <b>(3,161)</b>          | (2,243)                    |
| Amortisation of other intangible assets   |       | (5,498)                                  | -                             | <b>(5,498)</b>          | (4,853)                    |
| Fair value movement on non-controlling interest put option                        | 5     | -  | -                             | -                       | (404)                      |
| Acquisition-related and restructuring costs                                       | 5     | (1,706)                                  | (1,271)                       | <b>(2,977)</b>          | (3,530)                    |
| <b>Operating expenses</b>   | 4     | (51,970)                                 | (2,002)                       | <b>(53,972)</b>         | (51,146)                   |
| <b>Operating profit/(loss)</b>  |       | 2,040                                    | (1,171)                       | <b>869</b>              | (1,886)                    |
| Finance income  |       |  |                               | <b>56</b>               | 61                         |
| Finance credit - Fair value reduction in deferred consideration                   | 5     |  |                               | <b>399</b>              | -                          |
| Finance expense   |       |  |                               | <b>(2,312)</b>          | (1,646)                    |
| <b>Net finance expense</b>  |       |  |                               | <b>(1,857)</b>          | (1,585)                    |
| <b>Loss before taxation</b>   |       |  |                               | <b>(988)</b>            | (3,471)                    |
| Taxation  | 7     |  |                               | <b>476</b>              | 1,173                      |
| <b>Loss for the year</b>  |       |  |                               | <b>(512)</b>            | (2,298)                    |
| Profit attributable to non-controlling interests                                  |       |  |                               | <b>21</b>               | 131                        |
| Loss attributable to equity shareholders  |       |  |                               | <b>(533)</b>            | (2,429)                    |
|   |       |  |                               | <b>(512)</b>            | (2,298)                    |
| <b>Loss per share – basic and diluted</b>   | 8     |  |                               | <b>(0.8)p</b>           | (3.7)p                     |

## Group statement of comprehensive income for the year ended 31 December 2018

|  | 2018<br>£'000s | 2017<br>Restated<br>£'000s |
|--|----------------|----------------------------|
| Loss for the year  | <b>(512)</b>   | (2,298)                    |
| Other comprehensive income to be reclassified to the income statement: |                |                            |
| Translation of foreign operations                                      | <b>(1,122)</b> | (431)                      |
| Total comprehensive loss for the year                                  | <b>(1,634)</b> | (2,729)                    |
| Attributable to:   |                |                            |
| Non-controlling interests  | <b>21</b>      | 113                        |
| Equity shareholders  | <b>(1,655)</b> | (2,842)                    |
| Total comprehensive loss for the year                                  | <b>(1,634)</b> | (2,729)                    |

## Group balance sheet at 31 December 2018

|   | Notes | 2018<br>£'000s  | 2017<br>Restated<br>£'000s | 2016<br>Restated<br>£'000s |
|---|-------|-----------------|----------------------------|----------------------------|
| <b>Non-current assets</b>                                   |       |                 |                            |                            |
| Goodwill  |       | 44,069          | 44,404                     | 44,759                     |
| Other intangible assets                                     |       | 19,632          | 20,389                     | 10,937                     |
| Property, plant and equipment                               |       | 3,447           | 3,303                      | 2,742                      |
| Other receivables   | 9     | 155             | 86                         | 134                        |
| Deferred tax assets   |       | 2,312           | 2,682                      | 516                        |
|   |       | <b>69,615</b>   | <b>70,864</b>              | <b>59,088</b>              |
| <b>Current assets</b>                                       |       |                 |                            |                            |
| Trade and other receivables                                 | 9     | 12,969          | 15,242                     | 12,256                     |
| Financial instruments – other                               |       | 47              | 39                         | -                          |
| Current tax assets  |       | 2,851           | 1,320                      | 2,674                      |
| Cash and cash equivalents                                   |       | 2,571           | 4,311                      | 4,356                      |
|   |       | <b>18,438</b>   | <b>20,912</b>              | <b>19,286</b>              |
| <b>Liabilities</b>  |       |                 |                            |                            |
| <b>Current liabilities</b>                                  |       |                 |                            |                            |
| Financial liabilities – borrowings                          |       | (7,791)         | (7,451)                    | (8,459)                    |
| Financial liabilities – non-controlling interest put option |       | -               | (1,816)                    | (2,557)                    |
| Financial instruments – other                               |       | (30)            | (67)                       | (32)                       |
| Trade and other payables                                    | 10    | (9,488)         | (10,435)                   | (7,573)                    |
| Current tax liabilities                                     |       | -               | (273)                      | (485)                      |
| Deferred income   |       | (17,054)        | (17,825)                   | (15,617)                   |
| Provisions  | 11    | (861)           | (304)                      | (680)                      |
|   |       | <b>(35,224)</b> | <b>(38,171)</b>            | <b>(35,403)</b>            |
| <b>Net current liabilities</b>                              |       | <b>(16,786)</b> | <b>(17,259)</b>            | <b>(16,117)</b>            |
| <b>Non-current liabilities</b>                              |       |                 |                            |                            |
| Financial liabilities – borrowings                          |       | (19,418)        | (17,076)                   | (5,961)                    |
| Other creditors and accruals                                | 10    | (3,605)         | (3,655)                    | (819)                      |
| Deferred tax liabilities                                    |       | (2,395)         | (2,192)                    | (1,989)                    |
| Deferred income   |       | (26)            | (66)                       | (67)                       |
|   |       | <b>(25,444)</b> | <b>(22,989)</b>            | <b>(8,836)</b>             |
| <b>Net assets</b>   |       | <b>27,385</b>   | <b>30,616</b>              | <b>34,135</b>              |
| <b>Shareholders' equity</b>                                 |       |                 |                            |                            |
| Share capital   |       | 688             | 687                        | 678                        |
| Share premium   |       | 24,600          | 24,454                     | 23,537                     |
| Shares to be issued   |       | -               | 63                         | 63                         |
| Treasury shares   |       | (2,298)         | (2,328)                    | (2,328)                    |
| Other reserves  |       | 7,718           | 6,911                      | 7,324                      |
| Retained earnings   |       | (3,372)         | 687                        | 4,567                      |
| Total shareholders' equity                                  |       | <b>27,336</b>   | <b>30,474</b>              | <b>33,841</b>              |
| Non-controlling interests                                   |       | 49              | 142                        | 294                        |
| <b>Total equity</b>   |       | <b>27,385</b>   | <b>30,616</b>              | <b>34,135</b>              |

## Group statement of cash flows for the year ended 31 December 2018

|   | Notes | 2018<br>£'000s  | 2017<br>£'000s |
|---|-------|-----------------|----------------|
| <b>Operating activities</b>   |       |                 |                |
| <b>Cash generated from operations</b>                                   | 12    | <b>12,839</b>   | 10,676         |
| Finance income  |       | <b>56</b>       | 61             |
| Finance costs   |       | <b>(1,929)</b>  | (1,288)        |
| Tax received  |       | <b>584</b>      | 1,022          |
| Tax paid  |       | <b>(1,347)</b>  | (1,166)        |
| <b>Net cash flow from operating activities</b>                          |       | <b>10,203</b>   | 9,305          |
| <b>Investing activities</b>   |       |                 |                |
| Acquisition of subsidiaries and other businesses (net of cash acquired) | 15    | <b>(3,417)</b>  | (10,269)       |
| Investment in intangible assets   |       | <b>(6,901)</b>  | (6,028)        |
| Purchase of property, plant and equipment                               |       | <b>(893)</b>    | (1,185)        |
| <b>Net cash flow used in investing activities</b>                       |       | <b>(11,211)</b> | (17,482)       |
| <b>Financing activities</b>   |       |                 |                |
| Net proceeds from bank loans and derivatives                            | 13    | <b>2,089</b>    | 9,966          |
| Net payments on finance leases  | 13    | <b>(1,051)</b>  | (840)          |
| Proceeds from exercise of share options                                 |       | <b>147</b>      | 926            |
| Dividends paid to non-controlling interests                             |       | <b>(76)</b>     | (135)          |
| Dividends paid to shareholders  |       | <b>(1,904)</b>  | (1,877)        |
| <b>Net cash flow from financing activities</b>                          |       | <b>(795)</b>    | 8,040          |
| <b>Net (decrease)/increase in cash and cash equivalents</b>             |       | <b>(1,803)</b>  | (137)          |
| <b>Cash and cash equivalents at 1 January</b>                           |       | <b>4,311</b>    | 4,356          |
| Effect of exchange rate movements                                       |       | <b>63</b>       | 92             |
| <b>Cash and cash equivalents at 31 December</b>                         |       | <b>2,571</b>    | 4,311          |

## Group changes in shareholders' equity for the year ended 31 December 2018

|  | Share<br>capital<br>£'000s | Share<br>premium<br>£'000s | Shares<br>to<br>be<br>issued<br>£'000s | Treasury<br>shares<br>£'000s | Other<br>reserves<br>£'000s | Retained<br>earnings<br>£'000s | Total<br>shareholders'<br>equity<br>£'000s | Non-<br>controlling<br>interests<br>£'000s | Total<br>equity<br>£'000s |
|--|----------------------------|----------------------------|--|------------------------------|-----------------------------|--------------------------------|--|--|---------------------------|
| At 1 January 2017                        | 678                        | 23,537                     | 63                                     | (2,328)                      | 7,324                       | 3,018                          | 32,292                                     | 294  | 32,586                    |
| Adjustment related to IFRS 15 (note 3)   | -                          | -                          | -                                      | -                            | -                           | 1,549                          | 1,549                                      | -  | 1,549                     |
| At 1 January 2017 as restated            | 678                        | 23,537                     | 63                                     | (2,328)                      | 7,324                       | 4,567                          | 33,841                                     | 294  | 34,135                    |
| Loss for the year                        | -                          | -                          | -                                      | -                            | -                           | (2,429)                        | (2,429)                                    | 131  | (2,298)                   |
| Other comprehensive income               | -                          | -                          | -                                      | -                            | (413)                       | -                              | (413)                                      | (18)                                       | (431)                     |
| <b>Total comprehensive income</b>        | -                          | -                          | -                                      | -                            | (413)                       | (2,429)                        | (2,842)                                    | 113  | (2,729)                   |
| Transactions with owners:                |                            |                            |  |                              |                             |                                |  |  |                           |
| Acquisition of non-controlling interests | -                          | -                          | -                                      | -                            | -                           | 130                            | 130  | (130)                                      | -                         |
| Share-based payment transactions         | -                          | -                          | -                                      | -                            | -                           | 251                            | 251  | -  | 251                       |
| Tax relating to share option scheme      | -                          | -                          | -                                      | -                            | -                           | 45                             | 45   | -  | 45                        |
| Shares issued                            | 9                          | 917                        | -                                      | -                            | -                           | -                              | 926  | -  | 926                       |
| Dividends                                | -                          | -                          | -                                      | -                            | -                           | (1,877)                        | (1,877)                                    | (135)                                      | (2,012)                   |
|  | 9                          | 917                        | -                                      | -                            | -                           | (1,451)                        | (525)                                      | (265)                                      | (790)                     |
| <b>At 31 December 2017</b>               | <b>687</b>                 | <b>24,454</b>              | <b>63</b>                              | <b>(2,328)</b>               | <b>6,911</b>                | <b>687</b>                     | <b>30,474</b>                              | <b>142</b>                                 | <b>30,616</b>             |

|   | Share<br>capital<br>£'000s | Share<br>premium<br>£'000s | Shares<br>to<br>be<br>issued<br>£'000s | Treasury<br>shares<br>£'000s | Other<br>reserves<br>£'000s | Retained<br>earnings<br>£'000s | Total<br>shareholders'<br>equity<br>£'000s | Non-<br>controlling<br>interests<br>£'000s | Total<br>equity<br>£'000s |
|---|----------------------------|----------------------------|--|------------------------------|-----------------------------|--------------------------------|--|--|---------------------------|
| At 1 January 2018                                   | 687                        | 24,454                     | 63                                     | (2,328)                      | 6,911                       | 687                            | 30,474                                     | 142  | 30,616                    |
| Loss for the year                                   | -                          | -                          | -                                      | -                            | -                           | (533)                          | (533)                                      | 21   | (512)                     |
| Other comprehensive income                          | -                          | -                          | -                                      | -                            | (1,122)                     | -                              | (1,122)                                    | -  | (1,122)                   |
| <b>Total comprehensive income</b>                   | -                          | -                          | -                                      | -                            | (1,122)                     | (533)                          | (1,655)                                    | 21   | (1,634)                   |
| Transactions with owners:                           |                            |                            |  |                              |                             |                                |  |  |                           |
| Acquisition of non-controlling interests - Infovest | -                          | -                          | -                                      | -                            | 1,929                       | (1,842)                        | 87   | (87)                                       | -                         |
| Acquisition of non-controlling interests - Vesti.ai | -                          | -                          | -                                      | -                            | -                           | -                              | -  | 49   | 49                        |
| Share-based payment transactions                    | -                          | -                          | -                                      | -                            | -                           | 207                            | 207  | -  | 207                       |
| Lapse of share options related to past acquisition  | -                          | -                          | (63)                                   | -                            | -                           | 63                             | -  | -  | -                         |
| Tax relating to share option scheme                 | -                          | -                          | -                                      | -                            | -                           | (20)                           | (20)                                       | -  | (20)                      |
| Treasury shares issued on exercise of share awards  | -                          | -                          | -                                      | 30                           | -                           | (30)                           | -  | -  | -                         |
| Shares issued                                       | 1                          | 146                        | -                                      | -                            | -                           | -                              | 147  | -  | 147                       |
| Dividends   | -                          | -                          | -                                      | -                            | -                           | (1,904)                        | (1,904)                                    | (76)                                       | (1,980)                   |
|   | 1                          | 146                        | (63)                                   | 30                           | 1,929                       | (3,526)                        | (1,483)                                    | (114)                                      | (1,529)                   |
| <b>At 31 December 2018</b>                          | <b>688</b>                 | <b>24,600</b>              | <b>-</b>                               | <b>(2,298)</b>               | <b>7,718</b>                | <b>(3,372)</b>                 | <b>27,336</b>                              | <b>49</b>                                  | <b>27,385</b>             |

Other reserves include merger reserves of £2,369,000 (2017: £2,369,000), translation reserve of £5,349,000 (2017: £6,471,000) and a reserve for the put option held by non-controlling interest of a debit balance of nil (2017: £1,929,000). The merger reserve arose on acquisitions and represents the difference between the fair value of shares issued and the nominal value of the shares. The translation reserve incorporates the gains and losses on revaluation of the net assets and liabilities of subsidiary undertakings and other currency gains and losses that are treated as part of equity.

## **Notes to the financial statements for the year ended 31 December 2018**

### **1. Announcement**

This announcement was approved by the Board of directors on 12 March 2019. The preliminary results for the year ended 31 December 2018 are unaudited. The financial information set out in this announcement does not constitute the Company's statutory accounts for the years ended 31 December 2018 or 31 December 2017. The financial information set out in the announcement has been prepared on the basis of the accounting policies set out in the statutory accounts of StatPro Group plc for the year ended 31 December 2017, updated for the adoption of IFRS 9 and IFRS 15. This condensed consolidated financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The auditor's report on the financial statements for the year ended 31 December 2017 was unqualified and did not contain a statement under Section 498 of the Companies Act 2006. The financial statements for the year ended 31 December 2017 have been delivered to the Registrar of Companies.

### **2 Segmental information**

The Group's operating segments have been determined based on the information regularly reviewed by the Group Executive Board, which has been identified as the Chief Operating Decision Maker ("CODM"). With the strategic focus of the business to move fully to cloud technology solutions and following an analysis of the management information reviewed by the Chief Operating Decision Maker, the Board considers the business continued to operate throughout 2018 with one segment and one cash generating unit ("CGU").

All revenue, profit/(loss) before taxation and total assets are attributable to the principal activity of the Group, being the development, marketing and distribution of software, data solutions and related professional services to the global asset management industry. Additional disclosures of revenue by service are provided in these notes but, as there is only one segment and one CGU, there is no analysis of profit by service/type of revenue. During 2019, the Group plans to implement a new divisional structure.

### 3 Revenue analysis

Revenue by type of service was as follows:

|   | 2018                | 2018        | 2018         | 2017      |        |
|---|---------------------|-------------|--------------|-----------|--------|
|   | Existing Operations | Acquisition | Total        | Total     | Change |
|   | £ million           | £ million   | £ million    | £ million | %      |
| <b>Revenue</b>                                |                     |             |              | Restated  |        |
| StatPro Revolution                            | 29.40               | 0.83        | 30.23        | 23.47     | 29%    |
| StatPro Seven                                 | 18.62               | -           | 18.62        | 19.70     | (5%)   |
| Data fees                                     | 4.03                | -           | 4.03         | 4.07      | (1%)   |
| <b>Total recurring revenue</b>                | <b>52.05</b>        | <b>0.83</b> | <b>52.88</b> | 47.24     | 12%    |
| Professional services and other revenue       | 1.96                | -           | 1.96         | 2.02      | (3%)   |
| <b>Total revenue</b>                          | <b>54.01</b>        | <b>0.83</b> | <b>54.84</b> | 49.26     | 11%    |
| Percentage of total revenue that is recurring | 96%                 | 100%        | 96%          | 96%       |        |

**IFRS 15, 'Revenue from contracts with customers'**, deals with revenue recognition and establishes principles for reporting information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard replaces IAS 18, 'Revenue', and IAS 11, 'Construction contracts', and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018, and the Group has applied the full retrospective approach to the transition.

Particular consideration was given to accounting for some legacy term licences for a subset of StatPro Seven software products that are not hosted, i.e. they are installed on premise. The total annualised recurring contract value of these products is approximately £6.75 million and these are no longer sold to new customers as an on-premise solution. These licences are considered distinct from support and maintenance services included in the contract and provide a 'right to use' software that does not significantly change over the term of the contract.

The Directors have considered the contractual arrangements and determined that they contain a series of annual performance obligations as the Group is required to deliver a licence key annually. Therefore, whilst the monthly phasing of revenue differs under IFRS 15, there is no impact of the change within a financial year, unless contracts are not renewed. The impact on the full year revenue for 2017 and 2018 is not considered to be material, however the phasing between the first and second half of the year is greater and there is an impact on the opening balance sheet. The impact on 2018 revenue overall was a reduction of £0.05 million (2017: £0.08 million). The Group continues to transition to cloud-based services in line with its strategy.

The Directors consider that, for all other revenue streams, the customer contract cannot benefit from the licence without a related service provided by the Group and consequently, these are not considered distinct from other services included in the contract. There is therefore no change to revenue recognition for other revenue streams, other than from on-premise legacy term licences. The profile of cash receipts or payments is not affected by this standard.

## Non-GAAP Revenue Measures

A key performance indicator for the Group is the Annualised Recurring Revenue (“ARR”) from client contracts. The movement in ARR in the year was as follows:

|   | Revolution<br>(cloud)<br>£ million | Seven<br>(software)<br>£ million | Data<br>£ million | Total<br>£ million |
|---|------------------------------------|----------------------------------|-------------------|--------------------|
| As at 31 December 2017                                    | 30.06                              | 18.92                            | 4.06              | 53.04              |
| Net impact of exchange rates                              | 0.50                               | (0.01)                           | 0.03              | 0.52               |
| <b>At 1 January 2018 (at December 2018 rates)</b>         | <b>30.56</b>                       | <b>18.91</b>                     | <b>4.09</b>       | <b>53.56</b>       |
| ARR from ODDO-BHF acquisition                             | 1.51                               | -                                | -                 | 1.51               |
| New contracted revenue/increases                          | 3.45                               | 1.36                             | 0.18              | 4.99               |
| Conversions from Seven to Revolution                      | 1.14                               | (1.14)                           | -                 | -                  |
| Cancellations/reductions                                  | (3.23)                             | (1.09)                           | (0.06)            | (4.38)             |
|   | <b>1.36</b>                        | <b>(0.87)</b>                    | <b>0.12</b>       | <b>0.61</b>        |
| Net increase/(decrease)                                   | <b>2.87</b>                        | <b>(0.87)</b>                    | <b>0.12</b>       | <b>2.12</b>        |
| <b>Recurring licence fees as at 31 December 2018</b>      | <b>33.43</b>                       | <b>18.04</b>                     | <b>4.21</b>       | <b>55.68</b>       |
| Change in total ARR                                       | 11%                                | (5%)                             | 4%                | 5%                 |
| Change in ARR at constant currency                        | 9%                                 | (5%)                             | 3%                | 4%                 |
| Change in ARR at constant currency excluding acquisitions | 4%                                 | (5%)                             | 3%                | 1%                 |

Revolution ARR reported above includes cloud revenues acquired from Investor Analytics, Delta and ODDO-BHF. Excluding these components, the organic increase in Revolution ARR at constant currency was 17% (2017: 13%).

The ARR distribution profile for StatPro Revolution is as follows:

| Annualised revenue bands | Annualised revenue | Number of clients | Average revenue per client | Annualised revenue * | Number of clients | Average revenue per client * |
|--------------------------|--------------------|-------------------|----------------------------|----------------------|-------------------|------------------------------|
|                          | 2018<br>£'000s     | 2018<br>Number    | 2018<br>£'000s             | 2017<br>£'000s       | 2017<br>Number    | 2017<br>£'000s               |
| <£10k                    | 222                | 54                | 4.1                        | 308                  | 82                | 3.8                          |
| £10k-£50k                | 3,140              | 123               | 25.5                       | 3,181                | 127               | 25.0                         |
| £50k-£100k               | 3,657              | 50                | 73.1                       | 4,088                | 54                | 75.7                         |
| £100k-£200k              | 10,099             | 71                | 142.2                      | 10,312               | 74                | 139.4                        |
| >£200k                   | 16,312             | 43                | 379.3                      | 12,669               | 32                | 395.9                        |
| Total                    | 33,430             | 341               | 98.0                       | 30,558               | 369               | 82.8                         |

\*At constant currency



With effect from 1 January 2019, the Group is being managed on a divisional structure and going forward the divisions will present the reporting segments of the Group. The proforma annualised revenue as at 31 December 2018 by division is as follows:

|   | Revolution<br>Division<br>£ million | Source:<br>StatPro<br>Division<br>£ million | Infovest<br>Division<br>£ million | Total<br>£ million |
|---|-------------------------------------|---|-----------------------------------|--------------------|
| <b>ARR as at 31 December 2018 including internal</b>      | <b>45.22</b>                        | <b>8.50</b>                                 | <b>4.96</b>                       | <b>58.68</b>       |
| Professional services                                     | 1.28                                | -   | 0.68                              | 1.96               |
| <b>Proforma revenue as at 31 December 2018</b>            | <b>46.50</b>                        | <b>8.50</b>                                 | <b>5.64</b>                       | <b>60.64</b>       |
| <b>Intra-divisional ARR</b>                               | <b>-</b>                            | <b>(3.00)</b>                               | <b>-</b>                          | <b>(3.00)</b>      |
| <b>Proforma revenue as at 31 December 2018 - external</b> | <b>46.50</b>                        | <b>5.50</b>                                 | <b>5.64</b>                       | <b>57.64</b>       |

#### 4 Operating expenses

|  | 2018<br>£'000s | 2017<br>£'000s |
|--|----------------|----------------|
| Operating expenses relate to:                              |                | Restated       |
| Staff costs  |                |                |
| - Research and development                                 | <b>6,627</b>   | 6,600          |
| - Other staff costs  | <b>18,799</b>  | 17,319         |
| - Share-based payments                                     | <b>207</b>     | 626            |
| - Internal development costs capitalised                   | <b>(6,533)</b> | (6,023)        |
| Total staff costs  | <b>19,100</b>  | 18,522         |
| Depreciation of property, plant and equipment              | <b>1,593</b>   | 1,504          |
| Amortisation of intangible assets                          | <b>8,659</b>   | 7,096          |
| Operating lease rentals in respect of:                     |                |                |
| - Land and buildings                                       | <b>1,992</b>   | 1,797          |
| - Other  | <b>31</b>      | 20             |
| Auditors' remuneration                                     | <b>260</b>     | 247            |
| Fair value movement on non-controlling interest put option | -              | 404            |
| Acquisition-related and restructuring costs                | <b>2,977</b>   | 3,530          |
| Other operating expenses                                   | <b>19,248</b>  | 17,909         |
| Exchange differences                                       | <b>112</b>     | 117            |
| <b>Total operating expenses</b>                            | <b>53,972</b>  | 51,146         |

The results for 2017 were restated for the impact of *IFRS 15, 'Revenue from contracts with customers'*. Operating costs were amended due to the change in impact of sales commission. Under the Group's previous accounting policy, these were expensed immediately as incurred. Under IFRS 15, these are capitalised and written off over the life of the customer contract. The impact of this on the opening balance sheet was to increase brought forward reserves by approximately £0.21 million. The impact on 2018 EBITDA was a decrease of £0.01 million.

#### IFRS 16 'Leases'

IFRS 16 'Leases' is effective for the year ending 31 December 2019 and will require all leases to be recognised on the balance sheet. Currently, IAS 17 'Leases' only requires leases categorised as

finance leases to be recognised on the balance sheet, with leases categorised as operating leases not recognised. In broad terms, the impact will be to recognise a lease liability and corresponding asset for the operating lease commitments, and there is expected to be an impact on the opening balance sheet.

The Group currently intends to adopt the full retrospective application rather than the modified retrospective application.

It is currently expected that the all StatPro's office properties and data centres will be within scope as well as some additional right of use assets. Overall there is not expected to be a material impact on the profit and loss overall, although there will be a reduction in operating expenses and an increase in depreciation charges and finance costs as a result of the implementation of IFRS 16.

For the year ended December 2018, had IFRS 16 been applicable, the additional depreciation would have been approximately £1.6 million and additional interest £0.4 million; There would have been a corresponding reduction in operating costs in the order of £2.1 million. On initial implementation, it is expected that the net asset value of right of use assets for the Group would increase by approximately £5.6 million, and there would be a corresponding increase in financial liabilities of the order of £6.4 million. These are estimates and are sensitive to assumptions regarding discount rates and also assumptions around expected lease terms where there may be options to extend or shorten lease terms.

These balance sheet reporting changes will not have any impact on the financial covenants related to the Group's financial facilities.

## 5 Adjusting items

The profit and earnings have been adjusted for the following items in order to provide a fairer view of the underlying performance of the business as shown in the table below. Further details are provided in notes 6 and 8.

|   | 2018                | 2018           | 2018           | 2017           |
|---|---------------------|----------------|----------------|----------------|
|   | £'000s              | £'000s         | £'000s         | £'000s         |
|   | Existing operations | Acquisition    | Total          |                |
| <b>Fair value movement on non-controlling interest put option</b> | -                   | -              | -              | (404)          |
| <b>Acquisition-related and restructuring costs</b>                |                     |                |                |                |
| Acquisition transaction, redundancy and other integration costs   | -                   | (1,271)        | (1,271)        | (2,303)        |
| Redundancies and onerous contracts on restructuring (core)        | (1,706)             | -              | (1,706)        | (1,227)        |
| <b>Total of operating adjusting items</b>                         | <b>(1,706)</b>      | <b>(1,271)</b> | <b>(2,977)</b> | <b>(3,530)</b> |
| Finance credit - Fair value reduction in deferred consideration   | <b>399</b>          |                | <b>399</b>     | -              |
| <b>Total of adjusting items</b>                                   | <b>(1,307)</b>      | <b>(1,271)</b> | <b>(2,578)</b> | <b>(3,934)</b> |

### Acquisition related and restructuring charges

Acquisition-related and restructuring charges amounting to a total of £2.98 million were incurred. These include: £1.27 million primarily for the acquisition of the regulatory risk service from ODDO-BHF, including onerous contracts. In addition, £1.71 million relates to restructuring of the core business as part of the creation of three divisional operating units.

### Finance credit - Fair value reduction in deferred consideration

There was a non-cash one-off benefit of £0.40 million due to an agreed change to the timing of deferred consideration payable to UBS on the Delta acquisition (see note 15).

## 6 Adjusted profit before taxation, adjusted operating profit margin and adjusted EBITDA

In order to provide the reader of the accounts with profit measures that more clearly demonstrate the underlying business performance from year to year a number of adjusted profit measures are shown below.

### a) Adjusted profit before taxation

|   | 2018<br>£'000s | 2017<br>£'000s<br>Restated |
|---|----------------|----------------------------|
| Loss before taxation  | <b>(988)</b>   | (3,471)                    |
| Add back: amortisation on acquired intangible assets                  | <b>3,161</b>   | 2,243                      |
| Add back: fair value movement on non-controlling interest put option  | -              | 404                        |
| Add back: acquisition-related, restructuring costs and finance credit | <b>2,578</b>   | 3,530                      |
| Add back: share-based payments  | <b>207</b>     | 626                        |
| <b>Adjusted profit before tax</b>                                     | <b>4,958</b>   | 3,332                      |

### b) Adjusted operating profit

|  | 2018<br>£'000s | 2017<br>£'000s<br>Restated |
|--|----------------|----------------------------|
| Operating profit/(loss)  | <b>869</b>     | (1,886)                    |
| Add back: amortisation on acquired intangible assets                 | <b>3,161</b>   | 2,243                      |
| Add back: fair value movement on non-controlling interest put option | -              | 404                        |
| Add back: acquisition-related and restructuring costs                | <b>2,977</b>   | 3,530                      |
| Add back: share-based payments                                       | <b>207</b>     | 626                        |
| <b>Adjusted operating profit</b>                                     | <b>7,214</b>   | 4,917                      |

### c) Adjusted EBITDA

|  | 2018<br>£'000s | 2017<br>£'000s<br>Restated |
|--|----------------|----------------------------|
| Operating profit/(loss)  | <b>869</b>     | (1,886)                    |
| Add back: depreciation of property, plant and equipment              | <b>1,593</b>   | 1,504                      |
| Add back: amortisation on purchased intangible assets                | <b>204</b>     | 417                        |
| Add back: amortisation on acquired intangible assets                 | <b>3,161</b>   | 2,243                      |
| Add back: fair value movement on non-controlling interest put option | -              | 404                        |
| Add back: acquisition-related and restructuring costs                | <b>2,977</b>   | 3,530                      |
| Add back: share-based payments                                       | <b>207</b>     | 626                        |
| <b>Adjusted EBITDA</b>   | <b>9,011</b>   | 6,838                      |
| <b>Adjusted EBITDA margin</b>  | <b>16.4%</b>   | 13.9%                      |

#### d) Gross profit margin analysis

Gross profit margin analysis helps us assess the profitability of incremental revenue as the business evolves into a pure cloud business and the cost drivers begin to change. As there are a number of methodologies for allocating costs, we have described how we have allocated the cost elements. Following a review in 2018, changes were made to the allocation of costs. The primary changes were to show all research and development costs in full and to allocate overhead costs (such as occupancy, communications and IT services as well as executive management costs) to the related functions.

##### **Definition of cost category for gross margin analysis:**

*Cost of services* includes Clients Services employee salaries and related costs, Data employee salaries and related costs, contractor costs, data costs, costs of software and hardware maintenance.

*R&D* includes all Research and Development employee salaries and related costs and direct IT costs

*Sales & marketing* includes Sales and Marketing employee salaries and related costs, external marketing costs and sales commissions.

*General & administration* includes the Finance, and HR employee salaries and related costs professional fees, and other general costs,

Communications costs, occupancy costs, travel and expenses, executive management and internal IT and projects costs have now been allocated to the relevant functions on an appropriate pro-rata basis.

|                                | 2018         | 2017    |
|--------------------------------|--------------|---------|
| Revenue                        | 100.0%       | 100.0%  |
| Cost of services               | (49.1)%      | (48.1)% |
| <b>Gross profit margin</b>     | <b>50.9%</b> | 51.9%   |
| R&D costs                      | (15.5)%      | (16.3)% |
| Sales & Marketing costs        | (11.9)%      | (13.5)% |
| General & Administration costs | (7.1)%       | (8.2)%  |
| <b>Adjusted EBITDA</b>         | <b>16.4%</b> | 13.9%   |

#### e) Free cash flow

|   | 2018         | 2017    |
|---|--------------|---------|
|   | £'000s       | £'000s  |
| Cash generated from operations before acquisition and restructuring costs | 14,707       | 13,765  |
| Net interest paid   | (1,873)      | (1,227) |
| Net tax paid  | (763)        | (144)   |
| Purchase of property, plant and equipment                                 | (893)        | (1,185) |
| Investment in intangible assets   | (6,901)      | (6,028) |
| <b>Free cash flow before acquisition and restructuring costs</b>          | <b>4,277</b> | 5,181   |
| Acquisition-related and restructuring costs                               | (1,868)      | (3,089) |
| <b>Free cash flow after acquisition and restructuring costs</b>           | <b>2,409</b> | 2,092   |

Property, plant and equipment amounting to £0.89 million (2017: £1.11 million) acquired under finance leases is excluded from the cash flow.

## 7 Taxation

|                                       | 2018         | 2017               |
|---------------------------------------|--------------|--------------------|
|                                       | £'000s       | Restated<br>£'000s |
| <b>Current tax</b>                    |              |                    |
| Current tax on profits for the year   | 401          | (85)               |
| Adjustments in respect of prior years | 626          | (1,142)            |
| <b>Total current tax</b>              | <b>1,027</b> | <b>(1,227)</b>     |
| <b>Total deferred tax</b>             | <b>(551)</b> | <b>2,400</b>       |
| <b>Income tax credit</b>              | <b>476</b>   | <b>1,173</b>       |

The tax impact of the adjusting items is as follows:

|   | 2018   | 2017               |
|---|--------|--------------------|
|   | £'000s | Restated<br>£'000s |
| Tax charge on profit before tax and adjusting items       | (141)  | 563                |
| Tax credit on adjusting items                             | 617    | 610                |
| Tax credit on profit before tax and after adjusting items | 476    | 1,173              |

The tax on the Group's profit before tax differs from the standard rate of corporation tax in the UK of 19.0% (2017: 19.25%) as follows:

|   | 2018         | 2017               |
|---|--------------|--------------------|
|   | £'000s       | Restated<br>£'000s |
| <b>Loss before tax</b>  | <b>(988)</b> | <b>(3,471)</b>     |
| Tax credit on loss before tax at standard rate of corporation tax in the UK of 19.0% (2017: 19.25%) | 188          | 668                |
| Tax effects of:   |              |                    |
| Non-taxable income and non-deductible expenses  | 970          | 1,186              |
| Unrecognised deferred tax movement  | (1,358)      | 188                |
| Recognition of previously unrecognised deferred tax asset   | -            | 543                |
| Adjustments in respect of prior years   | 626          | (1,142)            |
| Difference in overseas tax rates  | 94           | (199)              |
| Effect of change in tax rates   | (44)         | (71)               |
| <b>Tax credit</b>   | <b>476</b>   | <b>1,173</b>       |

## 8 Earnings per share

### Earnings per share – basic and diluted

|   | Earnings     | Weighted average number of shares | Earnings per share | Earnings | Weighted average number of shares | Earnings per share |
|---|--------------|-----------------------------------|--------------------|----------|-----------------------------------|--------------------|
|   | 2018         | 2018                              | 2018               | 2017     | 2017                              | 2017               |
|   | £'000s       | '000s                             | pence              | £'000s   | '000s                             | pence              |
|   |              |                                   |                    | Restated |                                   | Restated           |
| <b>Loss per share – basic and diluted</b> | <b>(533)</b> | <b>65,701</b>                     | <b>(0.8)</b>       | (2,429)  | 64,810                            | (3.7)              |

### Earnings per share – adjusted

|   | Earnings     | Weighted average number of shares | Earnings per share | Earnings     | Weighted average number of shares | Earnings per share |
|---|--------------|-----------------------------------|--------------------|--------------|-----------------------------------|--------------------|
|   | 2018         | 2018                              | 2018               | 2017         | 2017                              | 2017               |
|   | £'000s       | '000s                             | pence              | £'000s       | '000s                             | pence              |
|   |              |                                   |                    | Restated     |                                   | Restated           |
| Loss per share – basic  | (533)        | 65,701                            | (0.8)              | (2,429)      | 64,810                            | (3.7)              |
| Add back: Amortisation on acquired intangible assets                  | 3,161        | -                                 | 4.8                | 2,243        | -                                 | 3.5                |
| Add back: Non-controlling interest put option                         | -            | -                                 | -                  | 404          | -                                 | 0.6                |
| Add back: Acquisition-related, restructuring costs and finance credit | 2,578        | -                                 | 3.9                | 3,530        | -                                 | 5.4                |
| Effect of tax on adjusting items                                      | (617)        | -                                 | (0.9)              | (610)        | -                                 | (0.9)              |
| Add back: share-based payments  | 207          | -                                 | 0.3                | 626          | -                                 | 0.9                |
| <b>Adjusted earnings per share</b>                                    | <b>4,796</b> | <b>65,701</b>                     | <b>7.3</b>         | <b>3,764</b> | <b>64,810</b>                     | <b>5.8</b>         |
| Potentially dilutive shares   | -            | 3,497                             | (0.4)              | -            | 2,505                             | (0.2)              |
| <b>Adjusted earnings per share – diluted</b>                          | <b>4,796</b> | <b>69,198</b>                     | <b>6.9</b>         | <b>3,764</b> | <b>67,315</b>                     | <b>5.6</b>         |

The adjusted earnings per share information has been provided in order to assist the reader to understand the underlying performance of the business on a comparable basis. Potentially dilutive shares exclude any anti-dilutive share options.

## 9 Trade and other receivables

### Current assets: trade and other receivables

|                   | 2018          | 2017               |
|-------------------|---------------|--------------------|
|                   | £'000s        | Restated<br>£'000s |
| Trade receivables | 8,302         | 10,475             |
| Other receivables | 310           | 285                |
| Prepayments       | 2,604         | 1,962              |
| Accrued income    | 1,358         | 2,193              |
| VAT recoverable   | 330           | 195                |
| Rental deposits   | 65            | 132                |
|                   | <b>12,969</b> | <b>15,242</b>      |

### Non-current assets: other receivables

|                 | 2018       | 2017      |
|-----------------|------------|-----------|
|                 | £'000s     | £'000s    |
| Rental deposits | 155        | 86        |
|                 | <b>155</b> | <b>86</b> |

## 10 Trade and other payables

### Current liabilities: trade and other payables

|                                    | 2018         | 2017          |
|------------------------------------|--------------|---------------|
|                                    | £'000s       | £'000s        |
| Trade creditors                    | 1,255        | 1,398         |
| Other creditors and accruals       | 5,557        | 5,443         |
| Deferred consideration             | 376          | 738           |
| Other taxation and social security | 2,300        | 2,856         |
|                                    | <b>9,488</b> | <b>10,435</b> |

### Non-current liabilities: other creditors

|                              | 2018         | 2017         |
|------------------------------|--------------|--------------|
|                              | £'000s       | £'000s       |
| Other creditors and accruals | 321          | 151          |
| Deferred consideration       | 3,284        | 3,504        |
|                              | <b>3,605</b> | <b>3,655</b> |

The non-current "Other creditors and accruals" of £0.32 million (2017: £0.15 million) relate to lease inducements, which are amortised over the period of the relevant lease.

## 11 Provisions

Provisions of £0.86 million at 31 December 2018 (2017: £0.30 million) relate to contingent consideration and provisions for redundancies and onerous contracts. Total movement on provisions for the Group is as follows:

|                       | 2018<br>Contingent<br>consideration<br>£'000s | 2018<br>Redundancies<br>and onerous<br>contracts<br>£'000s | 2018<br>Total<br>£'000s | 2017<br>Total<br>£'000s |
|-----------------------|---|--|-------------------------|-------------------------|
| At 1 January          | 41  | 263  | 304                     | 680                     |
| Arising in the year   | -   | 2,977  | 2,977                   | 3,530                   |
| Utilised in the year  | -   | (2,422)  | (2,422)                 | (3,881)                 |
| Released in the year  | -   | -  | -                       | (21)                    |
| Exchange differences  | -   | 2  | 2                       | (4)                     |
| <b>At 31 December</b> | <b>41</b>                                     | <b>820</b>   | <b>861</b>              | <b>304</b>              |

The balance of the redundancies and onerous contracts is expected to be paid in 2019.

## 12 Reconciliation of loss before tax to net cash inflow from operating activities

|   | 2018<br>£'000s | 2017<br>Restated<br>£'000s |
|---|----------------|----------------------------|
| Loss before taxation  | (988)          | (3,471)                    |
| Net finance expense   | 1,857          | 1,585                      |
| Operating profit/(loss)   | 869            | (1,886)                    |
| Fair value movement on non-controlling interest put option                                  | -              | 404                        |
| Acquisition-related, restructuring costs and negative goodwill                              | 2,977          | 3,530                      |
| Depreciation of property, plant and equipment   | 1,593          | 1,504                      |
| Loss on disposal of property, plant and equipment   | -              | -                          |
| Amortisation of intangible assets   | 8,659          | 7,096                      |
| Decrease/(increase) in receivables  | 2,645          | (888)                      |
| (Decrease)/increase in payables and provisions  | (1,095)        | 2,971                      |
| (Decrease)/increase in deferred income  | (1,148)        | 408                        |
| Share-based payments  | 207            | 626                        |
| <b>Net cash inflow from operating activities before acquisition and restructuring costs</b> | <b>14,707</b>  | <b>13,765</b>              |
| Acquisition-related and restructuring costs   | (1,868)        | (3,089)                    |
| <b>Net cash inflow from operating activities after acquisition and restructuring costs</b>  | <b>12,839</b>  | <b>10,676</b>              |



### 13 Analysis of changes in net debt

|   | At 1<br>January<br>2018 | Cash<br>flow   | Non-<br>cash<br>changes | Exchange<br>differences | At 31<br>December<br>2018 |
|---|-------------------------|----------------|-------------------------|-------------------------|---------------------------|
|   | £'000s                  | £'000s         | £'000s                  | £'000s                  | £'000s                    |
| Cash and cash equivalents (per balance sheet)           | 4,311                   | (1,803)        | -                       | 63                      | 2,571                     |
| Overdrafts  | -                       | -              | -                       | -                       | -                         |
| Cash and cash equivalents (per statement of cash flows) | 4,311                   | (1,803)        | -                       | 63                      | 2,571                     |
| Finance leases  | (1,456)                 | 1,051          | (892)                   | 10                      | (1,287)                   |
| Bank, other loans and derivatives                       | (23,071)                | (2,089)        | (197)                   | (565)                   | (25,922)                  |
| <b>Net debt</b>   | <b>(20,216)</b>         | <b>(2,841)</b> | <b>(1,089)</b>          | <b>(492)</b>            | <b>(24,638)</b>           |

  

|   | At 1<br>January<br>2017 | Cash<br>flow | Non-<br>cash<br>changes | Exchange<br>differences | At 31<br>December<br>2017 |
|---|-------------------------|--------------|-------------------------|-------------------------|---------------------------|
|   | £'000s                  | £'000s       | £'000s                  | £'000s                  | £'000s                    |
| Cash and cash equivalents (per balance sheet)           | 4,356                   | (137)        | -                       | 92                      | 4,311                     |
| Overdrafts  | -                       | -            | -                       | -                       | -                         |
| Cash and cash equivalents (per statement of cash flows) | 4,356                   | (137)        | -                       | 92                      | 4,311                     |
| Finance leases  | (1,228)                 | 840          | (1,107)                 | 39                      | (1,456)                   |
| Bank, other loans and derivatives                       | (13,192)                | (9,966)      | (226)                   | 313                     | (23,071)                  |
| Net debt  | (10,064)                | (9,263)      | (1,333)                 | 444                     | (20,216)                  |

### 14 Contingent liabilities

As is normal for a group of this size and scope of operations, Group companies are involved in a number of potential legal claims and disputes from time to time arising from our activities, none of which are expected to have a material impact on the Group's financial results.

### 15 Acquisitions

During 2018, StatPro completed one acquisition and increased its investment in an existing subsidiary:

#### *Acquisition of further shares in Infovest*

In March 2018, StatPro South Africa (Pty) Ltd. purchased a further 27.3% shares in Infovest for ZAR 30.4 million (£1.88 million) taking the total Group interest in Infovest to 100%.

#### *Acquisition of ODDO BHF's regulatory risk service*

On 2 July 2018, StatPro completed the acquisition from ODDO BHF of its regulatory risk service. The acquisition adds a full, managed service for regulatory risk reporting capability, which will use StatPro's existing Revolution platform, thus expanding the service delivery options for StatPro clients. It also added ten new clients to StatPro's client base in Germany and Luxembourg. The service is being marketed by StatPro throughout the EU. Other highlights are:

- ODDO BHF risk services has annualised recurring revenues of approximately €1.7 million
- Enhances StatPro's solutions with managed regulatory risk services offering

StatPro has taken on the employees of ODDO BHF risk services in Frankfurt, where they will be integrated with StatPro's existing operations.

| <b>Fair value of assets acquired and liabilities acquired</b> | <b>Provisionally estimated fair value</b> |
|---|---|
|   | <b>£'000</b>                              |
| Trade debtors   | 372                                       |
| Intangible asset - Brand and client contract                  | 998                                       |
|   | <u>1,370</u>                              |
| Deferred income   | (372)                                     |
|   | <u>(372)</u>                              |
| Total identifiable net assets at fair value                   | 998                                       |
| Goodwill arising on acquisition                               | 247                                       |
| <b>Fair value of purchase consideration</b>                   | <u><u>1,245</u></u>                       |

The business was operated as part of a larger business unit and it is not practicable to disclose pre-acquisition results.

Total cash flows in 2018 on acquisitions of subsidiaries and other businesses (net of cash acquired) was as follows:

|                                     | <b>£ million</b>   |
|-------------------------------------|--------------------|
| Investor Analytics deferred payment | 0.70               |
| Infovest increase                   | 1.88               |
| ODDO-BHF initial payment            | 0.89               |
| Vesti.ai                            | (0.05)             |
| <b>Total</b>                        | <u><u>3.42</u></u> |

An additional deferred payment for ODDO-BHF amounting to £0.36 million was paid on 2 January 2019.

Following a commercial discussion with UBS regarding to changes to the transition plan for Delta from the UBS platform to Revolution, UBS agreed to a deferral of the remaining deferred consideration (notional value €4.25 million) to May 2022. This resulted in a fair value gain of £399,000.

## **16 Goodwill and other intangible assets**

The net reduction overall in goodwill of £0.34 million in 2018 is due to the impact of currency revaluations of goodwill, offset by the increase in goodwill of £0.25 million relating to the ODDO-BHF acquisition. Other intangible assets comprise internally generated development costs capitalised, acquired intangible assets (client contracts, technology and brands) and purchased intangible assets.

## **17 Share capital and treasury shares**

139,358 shares were issued during the year (2017: 880,642). At 31 December 2018, there were 68,833,650 shares (2017: 68,694,292 shares) in issue including 3,058,713 (2017: 3,098,713) held in treasury (65,774,937 excluding treasury shares). The treasury shares do not accrue dividends and are excluded from the earnings per share calculation.