

AN INNOVATOR IN BILLING, CHARGING
& CUSTOMER MANAGEMENT SYSTEMS

cerillion

Cerillion plc - Interim Results

for the half-year ended 31 March 2023

15 May 2023

Louis Hall
Founder & CEO



- Led the MBO of the original business from Logica plc in 1999
- Over 30 years' experience in the software industry
- Previously held senior product, sales and management positions at Logica

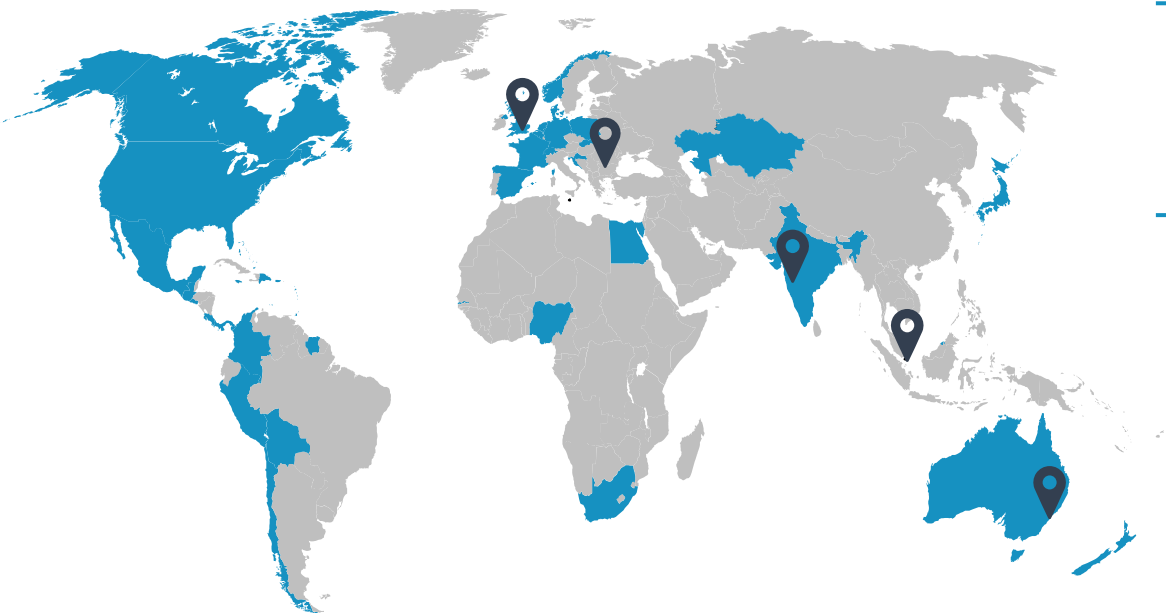
Andrew Dickson, FCA
CFO



- Joined as CFO in February 2022
- Formerly Group Director of Finance at The Vitec Group plc, global provider of premium-branded hardware and software solutions to the content creation market
- Over 20 years' experience in financial roles; early career at Deloitte LLP



Mission critical CRM & billing software for the global telecoms market



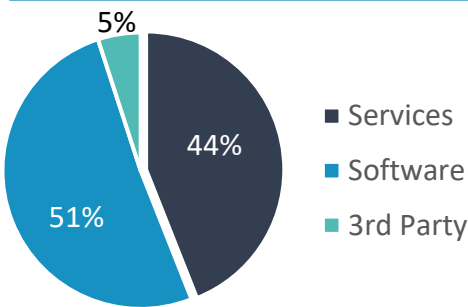
c. 80 customers
across c. 44
countries

H1 2023 REVENUE
£20.5m
(2022 £16.1m)

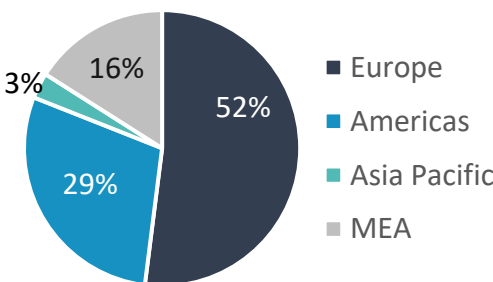
H1 2023 ADJ PBT
£9.2M
(2022 £6.3m)

c. 320 staff
London, c. 100
India, c. 200
Sofia, c. 20

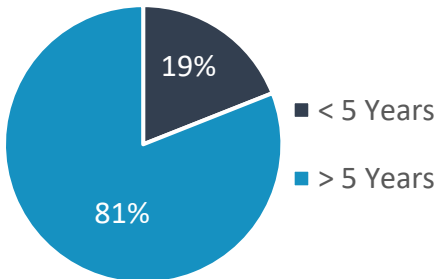
H1 Revenue by Type



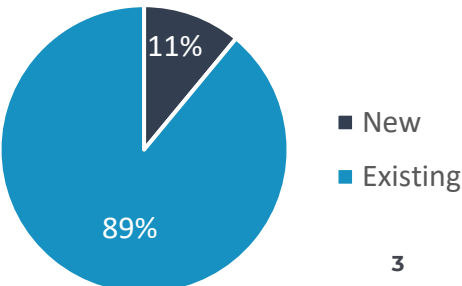
H1 Revenue by Region

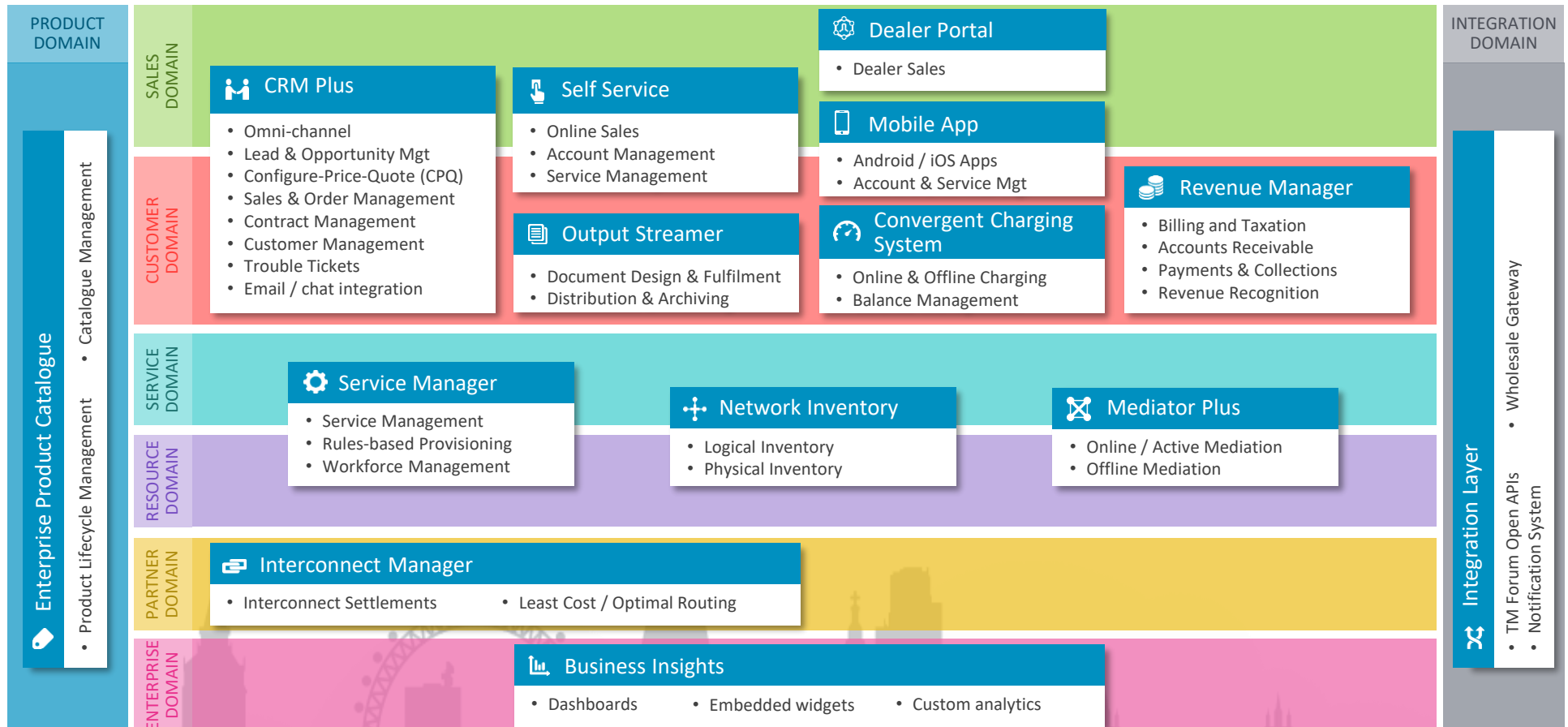


Customer Longevity

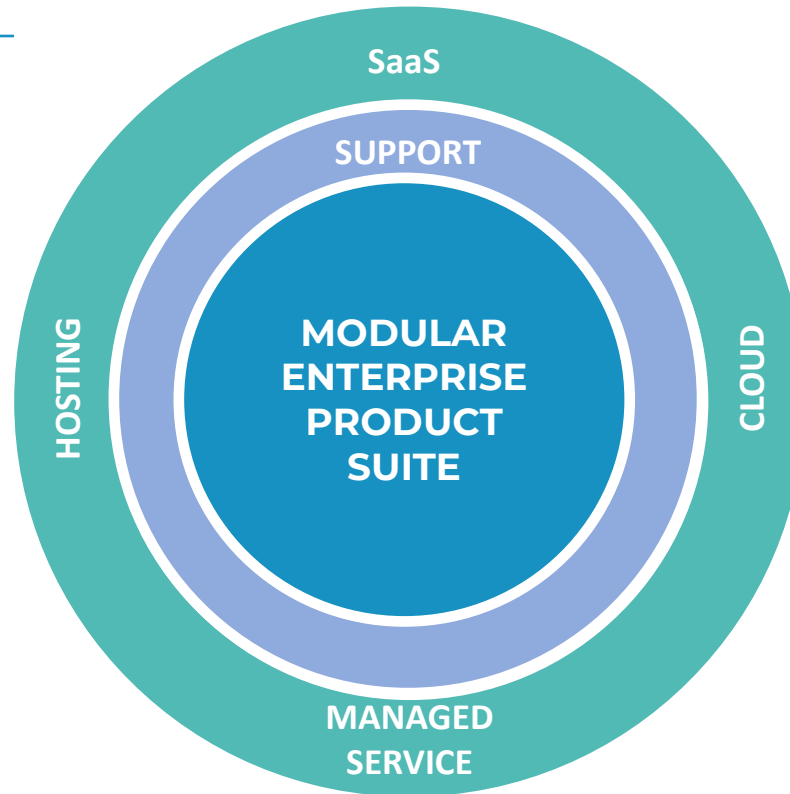


H1 New v Existing Customer Revs





-
- Cloud or On-premise
 - SaaS licence model
 - Sticky, long-term customers
-



-
- Pre-integrated BSS/OSS* modules
 - End-to-end or modular delivery
 - Large transformation projects
-

*BSS/OSS in telecommunications refers to business support systems and operating support systems

UPGRADE CYCLE

REVENUE GROWTH

Stimulate increased usage

Monetise network capabilities

Create data services value

Personalise services

OPERATIONAL EFFICIENCY

Reduce time-to-market

Revenue assurance

Consolidate BSS/OSS Systems

Reduce OPEX

TECHNOLOGY

Fibre Rollout/5G

Network consolidation (SDN/NFV)

Digital customer experience

Spectrum

REPLACEMENT CYCLE

During the past year, CSPs have been prioritizing their CM&X related projects/activities¹ :

1. Digitisation of sales and support channels

2. Support for new product types and business models

3. Improvement of customer lifetime value

4. Improvement of customer experience and engagement

1: Gartner, Market Guide for CSP Customer Management and Experience Solutions, 10 April 2023

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Market Segments

Channel Partners

Tier 1 & 2 Operator Groups

Tier 2 & 3 CSPs

Other Verticals



BSS consolidation for multi-country operational models

Point solutions / Best of breed sales to support specific brands or business functions

National Operators:
End-to-end transformation projects for multi-play service providers

Innovative Challengers:
End-to-end transformation projects and point solutions for complex or innovative business models

Subscription billing and usage-based charging for medium-sized and large enterprises



Tier 1 Systems Integrators



c. 80 CUSTOMERS IN c. 44 COUNTRIES

Large ISVs*

OUR DIFFERENTIATORS

- Shorter time to market
- More flexible
- Scaling to Tier-2/3

Equipment Vendors

OUR DIFFERENTIATORS

- Shorter time to market
- More flexible
- Less focus on software

Small ISVs*

OUR DIFFERENTIATORS

- Greater breadth and depth
- Broader references

Independent Analysis



WHY WE WIN

- Product model – enables easy upgrades and lower total cost of ownership
- Functionally rich, highly-configurable, end-to-end, convergent product suite
- Software-as-a Service delivery model/public or private Cloud
- Service agnostic – support for complex business models
- Customer focus, strong references and track record of delivery
- Rising market profile, including recognition in leading independent industry research reports

*ISV- Independent Software Vendor

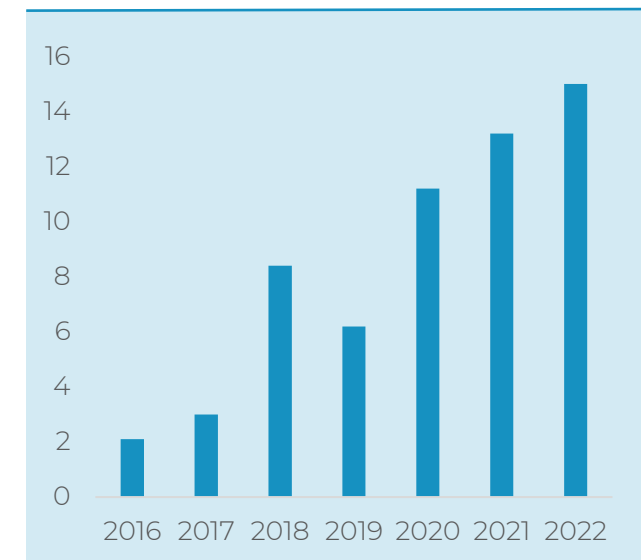
KEY HIGHLIGHTS

Six months to 31 March 2023

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- > Very strong trading with new record highs across all major KPIs :
 - > Revenue up 27% to £20.5m (H1 22: £16.1m)
 - > Adj. EBITDA up 38% to £10.0m (H1 22: £7.2m)
 - > Net cash up 43% to £23.6m (H1 22: £16.5m)
- > Significant increase in new orders reflecting strong customer demand:
 - > Total new orders up 40% to £15.3m (H1 22: £10.9m)
- > Expansion of resource base to support ongoing growth:
 - > Additional talent recruited in UK, Bulgaria and India
- > New customer pipeline up by 23% to record £212m (H1 22: £172m):
 - > Advanced-stage contract discussions with potential customers with new signings expected in H2 and beyond
- > Group is well-positioned for continued strong progress in H2

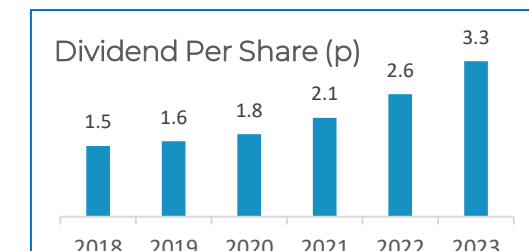
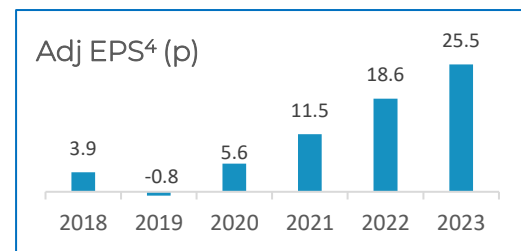
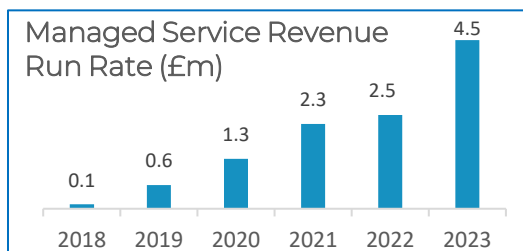
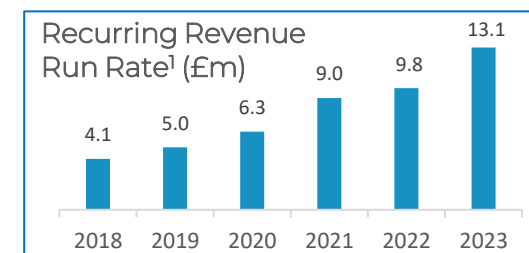
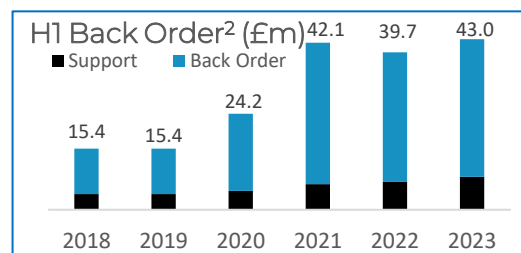
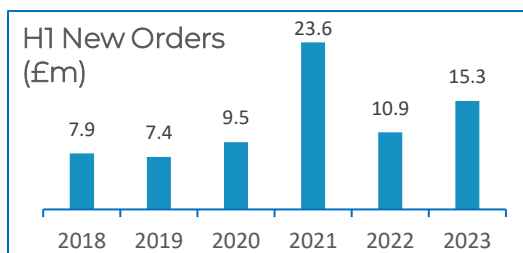
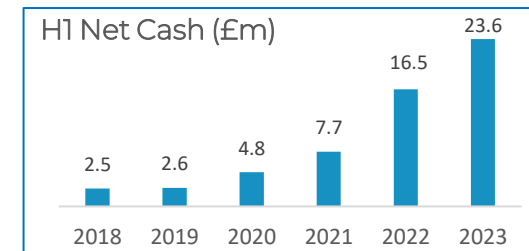
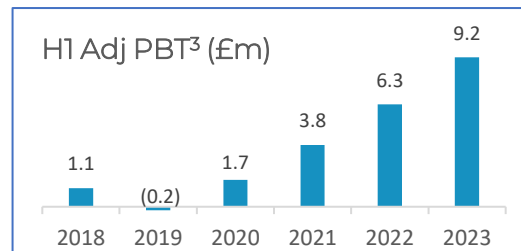
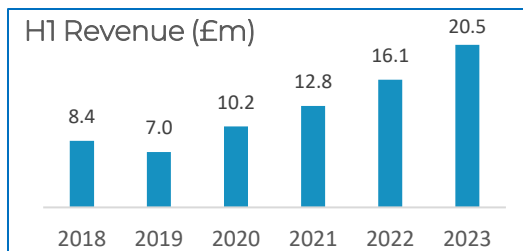
Value of Largest Contract (£m)



H1 2023 KPIs

Record New Highs

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¹ Recurring annualised run rate as at 31 March 2023, includes annualised support and maintenance, managed service and Cerillion Skyline revenue.

² Back-order book consists of £34.7m of sales contracted but not yet recognised at the end of the reporting period plus £8.3m of annualised support and maintenance revenue. It is anticipated that 75% of the £34.7m of sales contracted but not yet recognised as at the end of the reporting period will be recognised within the next 12-18 months.

³ Adjusted PBT is a non-GAAP, company-specific measure which is earnings excluding taxes, amortisation of acquired intangible assets, and share-based payments charges.

⁴ Adjusted EPS is a non-GAAP, company-specific measure which is earnings after taxes, excluding amortisation of acquired intangible assets, and share-based payments charges.

H1 2023 FINANCIAL HIGHLIGHTS

Record Highs



£m	H1 23	H1 22
New orders	15.3	10.9
Back-order book¹	43.0	39.7
Total revenue	20.5	16.1
Software ²	10.5	6.1
Services	8.9	9.0
Other	1.0	1.0
<i>Recurring revenue in period³</i>	6.5	4.8
<i>Gross margin</i>	81.5%	78.5%
Adj. EBITDA	10.0	7.2
<i>Adjusted EBITDA margin</i>	48.9%	44.9%
Adjusted PBT⁴	9.2	6.3
Adjusted EPS⁵	25.5p	18.6p
Dividend per share	3.3p	2.6p
Net cash	23.6	16.5

- Annualised recurring revenue now at £13.1m (H1 22: £9.8m); increasing SaaS revenue is key driver
- Increase in margins driven by higher proportion of software licence revenue
- Higher software licence revenue due to timing of software licence recognition.
- Net cash up 43% to £23.6m
- Interim dividend up 27%

¹ Back-order book consists of £34.7m of sales contracted but not yet recognised at the end of the reporting period plus £8.3m of annualised support and maintenance revenue. It is anticipated that 75% of the £34.7m of sales contracted but not yet recognised as at the end of the reporting period will be recognised within the next 12-18 months.

² Software revenue is made up of software licence, support and maintenance, managed service and Cerillion Skyline revenue. In the prior period, software revenue was only made up of software licence and support and maintenance revenue; managed service and Cerillion Skyline revenue were included within services. The prior year comparatives have been restated to reflect the updated definition, which is consistent with that used for year-end reporting.

³ Recurring revenue includes support and maintenance, managed service and Cerillion Skyline revenue.

⁴ Adjusted PBT is a non-GAAP, company-specific measure which is earnings excluding taxes, amortisation of acquired intangible assets, and share-based payments charges.

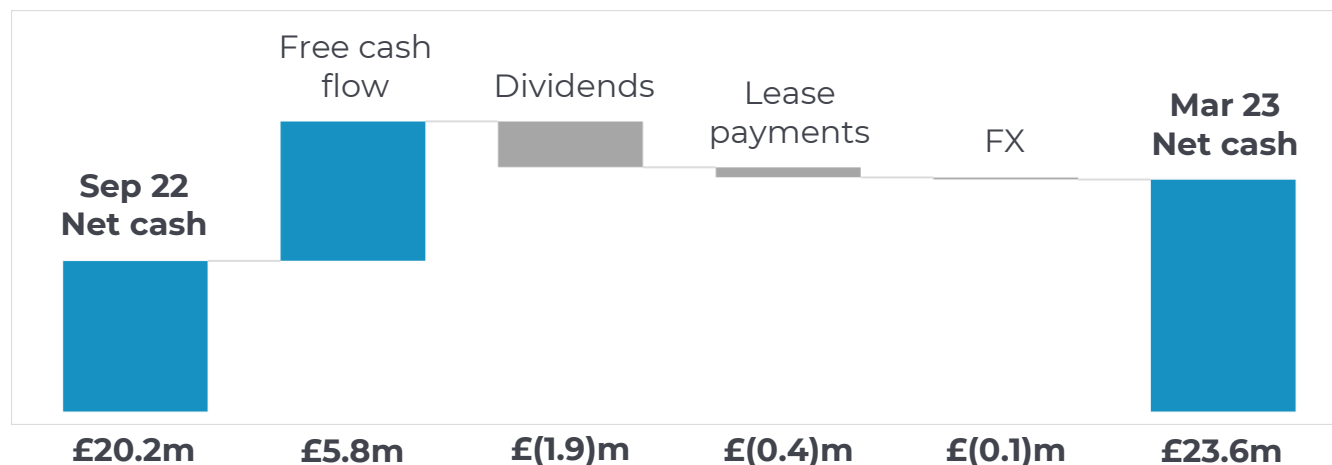
⁵ Adjusted EPS is a non-GAAP, company-specific measure which is earnings after taxes, excluding amortisation of acquired intangible assets, and share-based payments charges.

CASH GENERATION

> Strong cash generation

£m	H1 23	H1 22
Adj. EBITDA	10.0	7.2
(Increase)/decrease in working capital	(2.2)	0.7
Cash generated from operations	7.8	7.9
Capitalisation of development costs	(0.5)	(0.5)
Purchase of PPE	(0.2)	(0.1)
Net interest and tax paid	(1.3)	(1.4)
Free cash flow	5.8	5.9

- Increase in working capital, as expected, due to higher proportion of software licence revenue
- Free cash flow used to fund dividend and lease payments
- Closing net cash of £23.6m



SUMMARY CONSOLIDATED INCOME STATEMENT ¹



(£'000)	Unaudited H1 31 Mar 2023	Unaudited H1 31 Mar 2022
Total revenue	20,497	16,140
Cost of sales	(3,790)	(3,476)
Gross profit	16,707	12,664
<i>Gross margin</i>	81.5%	78.5%
Operating expenses	(8,254)	(7,018)
Impairment losses	(168)	-
Adjusted EBITDA¹	10,017	7,248
Depreciation and amortisation	(1,615)	(1,465)
Share-based payments charge	(117)	(137)
Operating profit	8,285	5,646
Finance costs	(65)	(73)
Finance income	371	82
Profit before tax	8,591	5,655
Tax	(1,671)	(802)
Profit after tax	6,920	4,853

- Increase in gross margin driven by higher proportion of software licence revenue
- Increase in opex driven by higher headcount and FX
- Higher tax charge due to significant increase in profit and higher UK corporation tax rate

¹ Adjusted EBITDA is a non-GAAP, Company-specific measure, which is earnings excluding finance income, finance costs, taxes, depreciation, amortisation, and share-based payments charge.

SUMMARY CONSOLIDATED BALANCE SHEET

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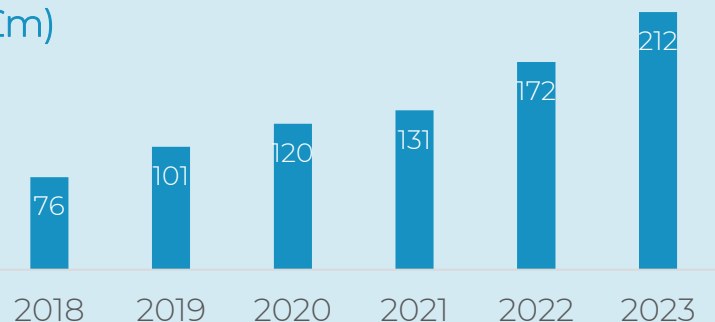
(£'000)	Consolidated	Unaudited 31 Mar 2023	Unaudited 31 Mar 2022
Non-current assets	Goodwill	2,053	2,053
	Intangible assets (software development)	2,172	3,097
	Property, plant and equipment	951	678
	Right of use asset	2,704	3,367
	Trade and other receivables	3,619	2,681
	Deferred tax assets	238	224
		11,737	12,100
Current assets	Trade and other receivables	13,961	11,319
	Cash and cash equivalents	23,645	16,514
		37,606	27,833
Total assets		49,343	39,933
Current liabilities	Trade and other payables	(13,878)	(12,274)
Non-current liabilities	Other payables	(469)	(428)
	Deferred tax liabilities	(624)	(767)
	Lease liabilities	(2,616)	(3,460)
Net assets		31,756	23,004
	Called up share capital	147	147
	Share premium account	13,319	13,319
	Foreign exchange reserve	(192)	(163)
	Share option reserve	254	219
	Retained profit	18,228	9,579
	Treasury stock	-	(97)
Total equity		31,756	23,004

SUMMARY

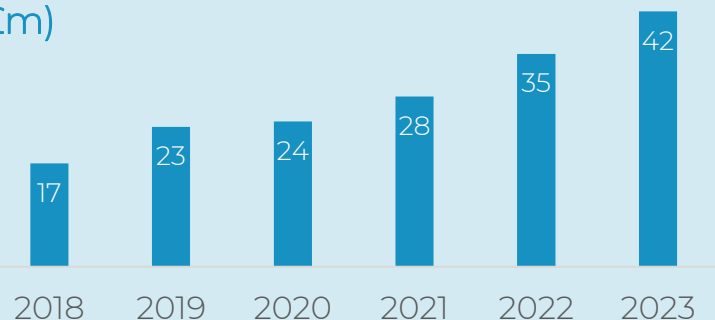
CONSOLIDATED CASH FLOW STATEMENT

Consolidated (£'000)	Unaudited H1 to 31 Mar 2023	Unaudited H1 to 31 Mar 2022
Operating cash flows before movements in working capital	10,017	7,248
(Increase) / decrease in trade and other receivables	(4,061)	(1,805)
Increase / (decrease) in trade and other payables	1,897	2,465
Cash from-operations	7,853	7,908
Finance costs	(65)	(73)
Finance income	182	82
Tax (paid) / received	(1,371)	(1,434)
Net cash from operating activities	6,599	6,483
Capitalisation of development costs	(552)	(486)
Purchase of property, plant and equipment	(213)	(85)
Net cash used in investing activities	(765)	(571)
Dividends paid	(1,918)	(1,476)
Purchase of treasury stock/receipts from exercise of share options	-	(719)
Principal elements of finance leases	(430)	(400)
Net cash used in financing activities	(2,348)	(2,595)
Net increase/(decrease) in cash and cash equivalents	3,486	3,317
Translation differences	(90)	23
Cash and cash equivalent at beginning of period	20,249	13,174
Cash and cash equivalents at end of period	23,645	16,514

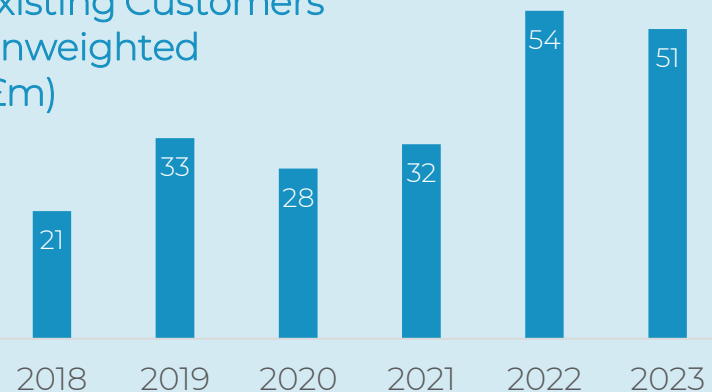
Prospective Customers
Unweighted
(£m)



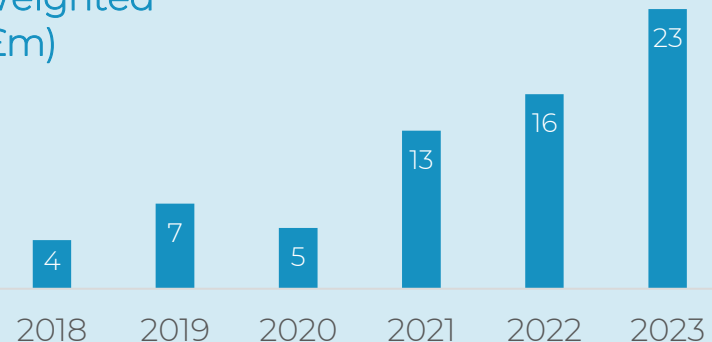
Prospective Customers
Weighted*
(£m)



Existing Customers
Unweighted
(£m)



Existing Customers
Weighted*
(£m)



Estimated figures as at 31 March 2023 based upon management accounts and management estimates

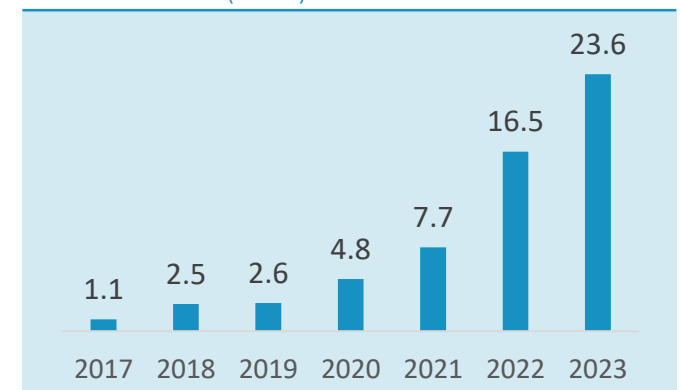
*Adjusted by estimated % likelihood of eventual closure

- > Very strong results delivered in H1
- > Strong back-order book - Cerillion has maintained its strong order book, providing very good visibility of forward revenues
- > 23% increase in the pipeline of new customer prospects – potential to close significant new business in H2 and beyond
- > Cost-effectively adding new talent to support growth:
 - > new skill centre in Sofia, Bulgaria
 - > recruiting in satellite locations in India
- > Strong financial position with good cash flows and higher recurring revenue
- > Cerillion is well-positioned for growth in FY2023 and beyond
- > Interim dividend up 27%

H1 Dividend Record (p)



Net Cash (£m) at 31 March



AN INNOVATOR IN BILLING, CHARGING
& CUSTOMER MANAGEMENT SYSTEMS

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Supplementary Information

- Board of Directors
- Major Shareholders
- Financial Summary

BOARD OF DIRECTORS

The Cerillion logo is displayed in white lowercase letters on a blue rectangular background.

Alan Howarth Chairman

Alan Howarth has extensive senior executive experience in a range of national and international organisations in both the public and private sector. At Ernst & Young he was one of the founding partners of the UK Management Consulting practice. For the last 15 years he has managed a portfolio of non-executive appointments, as chairman of both public and private companies primarily in the UK and US Technology and Health sectors. He is Chairman of Essentia Trading Limited as well as a non-executive Director of Premier Technical Services Group plc (AIM:PTSG).

Louis Hall CEO

Louis Hall is the CEO and founder of Cerillion, having led the management buy-out of the original business from Logica PLC in 1999. Louis has worked in the enterprise software industry for over 30 years and prior to forming Cerillion held a number of product, sales and management positions at Logica.

Andrew Dickson CFO

Andrew joined Cerillion as CFO in February 2022. Prior to this he spent seven years at The Vitec Group plc in a number of senior financial roles, including Group Director of Finance based in London and Finance Director of a subsidiary business based in the USA. In his earlier career, Andrew worked for Smiths Group plc, the FTSE 100 international engineering business, and qualified as a chartered accountant with Deloitte LLP.

Guy O'Connor Non-executive Director

Guy is a co-founder of Cerillion and formerly led business development. Prior to joining Cerillion, Guy was Group Director for Matheson Investment International, a subsidiary of Jardine Matheson Group.

Mike Dee Non-executive Director

Mike Dee served as CEO of Manx Telecom plc from April 2011 to July 2015, overseeing its successful AIM IPO in February 2014. In 1987, Mike was part of the BT team involved in setting up Manx Telecom plc and served as Director of Finance and Company Secretary before stepping up to CEO. Mike is a qualified accountant and holds a BA (Hons) degree in Business Studies and CIMA qualification.

MAJOR SHAREHOLDERS¹

As at 21 April 2023



MAJOR SHAREHOLDERS	%
Louis Hall	30.45
Gresham House Asset Management	12.16
Canaccord Genuity Wealth Management (Inst)	8.16
Investec Wealth & Investment	6.91
Charles Stanley	5.47
JPMorgan Asset Management	3.57
Hargreaves Lansdown, stockbrokers (EO)	2.64
BlackRock	2.35
Interactive Investor (EO)	2.02
Montanaro Asset Management	1.58
Rathbones	1.52
Schroder Investment Management	1.29
Goldman Sachs collateral account	1.28

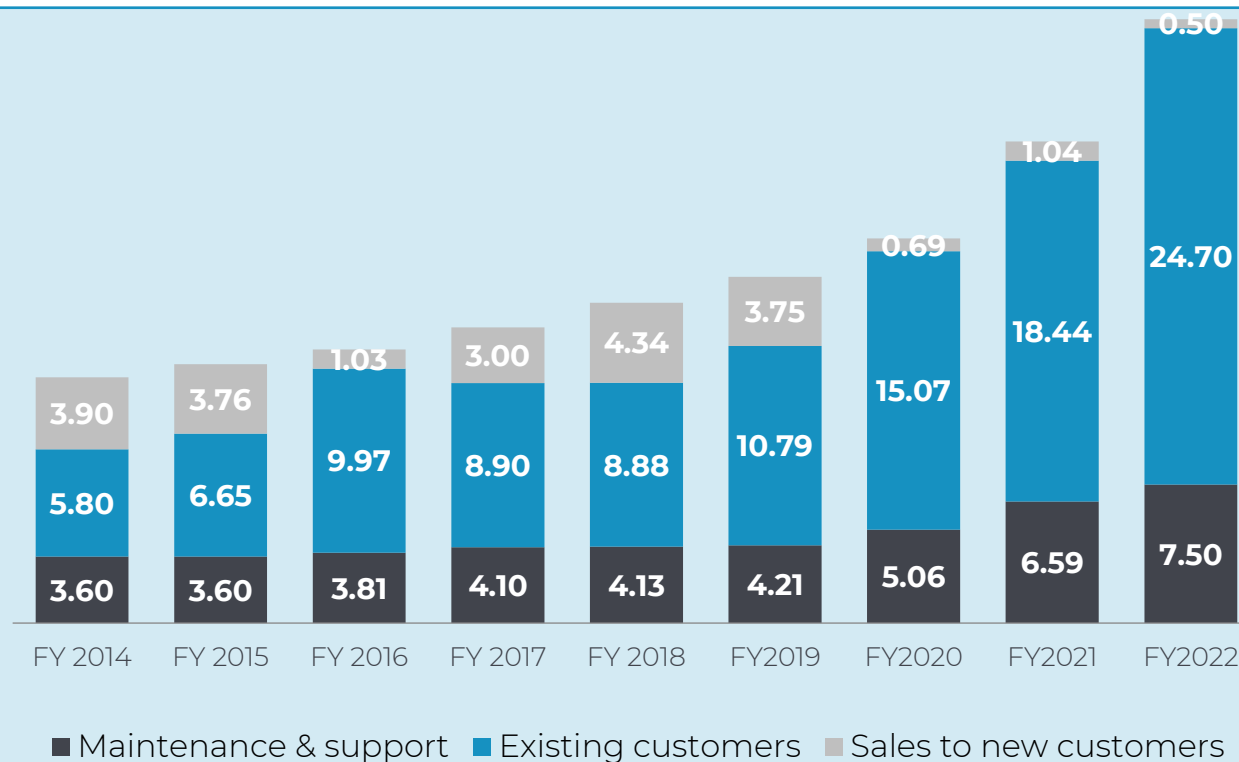
MAJOR SHAREHOLDERS	%
Shore Capital, stockbrokers (ND)	1.25
Royal London Asset Management	1.25
WH Ireland, stockbrokers	1.05
Herald Investment Management	1.03
Mr and Mrs David Newlands	0.92
Rowan Dartington, stockbrokers	0.91
Berenberg Asset Management	0.87
Lonvia Capital	0.86
AXA Framlington Investment Managers	0.85
AJ Bell, stockbrokers (EO)	0.84
Chelverton Asset Management	0.84
Barclays Smart Investor (EO)	0.79
JM Finn, stockbrokers	0.78

¹ Source: Equiniti Limited

FINANCIAL SUMMARY - STICKY CUSTOMER BASE GENERATES HIGH LEVELS OF PREDICTABLE INCOME

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Revenue Sources (£m)



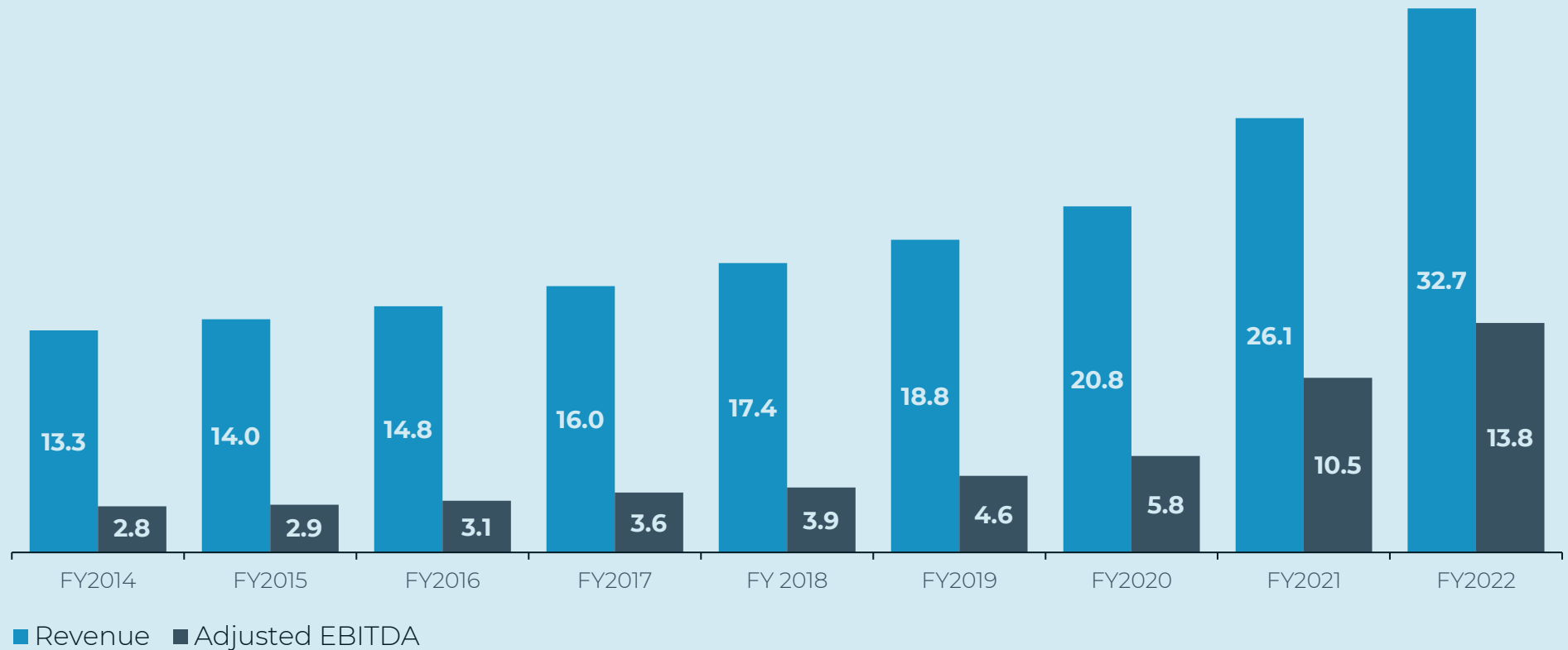
>70%

Annual income typically
derived from existing
customers

FINANCIAL SUMMARY – LONG TERM TRACK RECORD (CERILLION TECHNOLOGIES LTD)

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Long-Term Track Record (£m)



EBITDA and Adjusted EBITDA are non GAAP measures. Adjusted EBITDA is a company specific measure which is calculated by taking operating profit and adding back depreciation and amortisation, share based payment charge and exceptional items.