

Cerillion plc

Interim Results for the half-year to 31 March 2024

13 May 2024

cerillion



Louis Hall
Founder & CEO



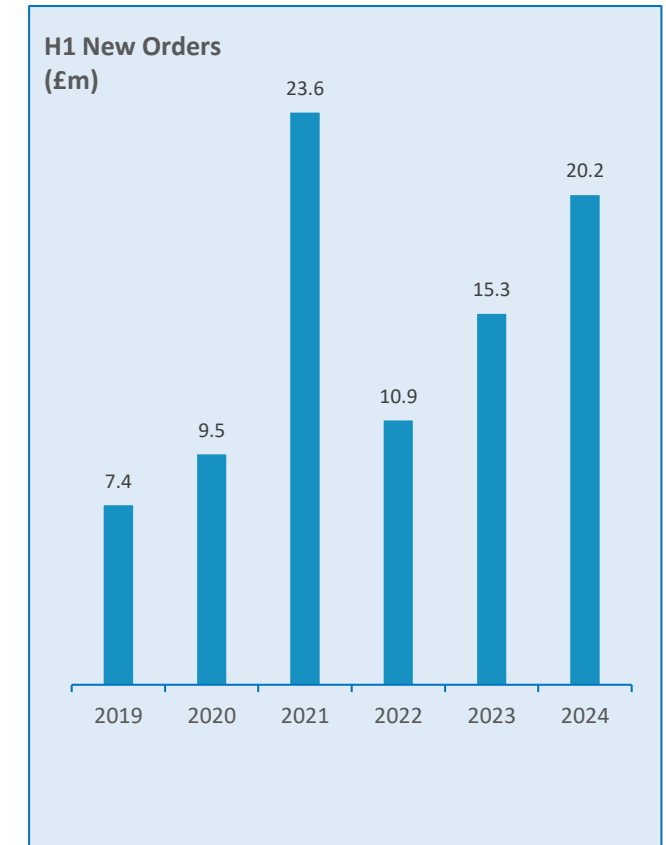
- Led the MBO of the original business from Logica plc in 1999 and the IPO of Cerillion in 2016.
- Over 30 years' experience in the software industry
- Previously held senior product, sales and management positions at Logica plc

Andrew Dickson
CFO



- Joined in 2022
- Over 20 years' experience; early career at Deloitte LLP.
- Previously Group Director of Finance at Vitec Group plc

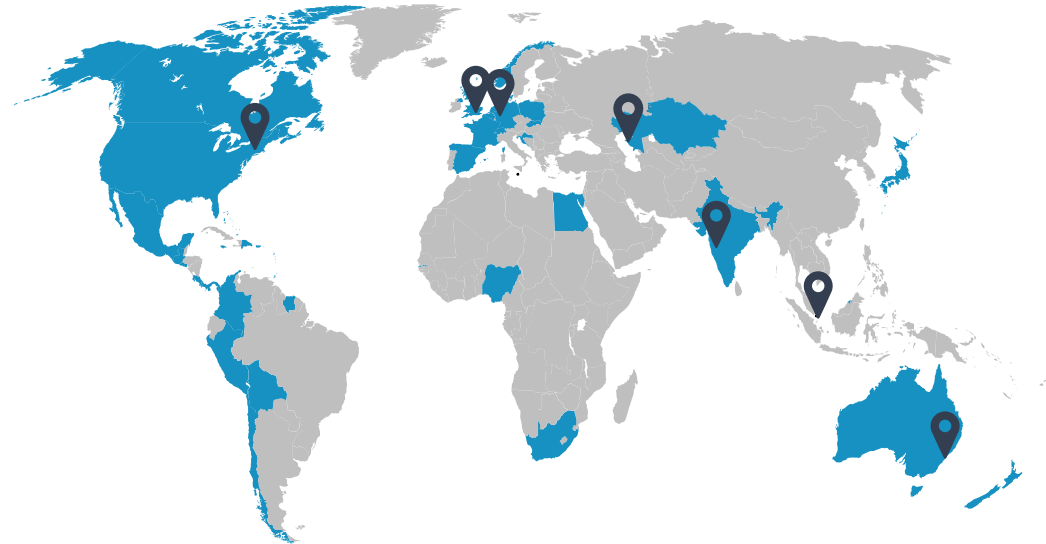
- > Strong trading with new record highs across all major KPIs:
 - > Revenue up 10% to £22.5m (H1 23: £20.5m) | adj PBT up 14% to £10.5m (H1 23: £9.2m)
 - > Annualised recurring revenue up 14% to £15.0m (H1 23: £13.1m)
 - > Net cash up 13% to £26.6m (H1 23: £23.6m)
- > Significant increase in new orders reflecting strong customer demand:
 - > Total new orders up 32% to £20.2m (H1 23: £15.3m)
 - > Major, €12.4m contract signed in the period with a new, European, tier-1 customer
- > New customer pipeline (pre new win) at record level – up 20% to £254m (H1 23: £212m):
 - > \$11.1m contract announced today with major new customer in Southern Africa
 - > New signings with additional new customers expected in H2 and beyond
- > Business remains very well positioned to achieve its growth targets
- > Interim dividend up 21% to 4.0p (H1 2023: 3.3p)



CERILLION AT A GLANCE



Mission critical BSS/OSS¹ software for the global telecoms market



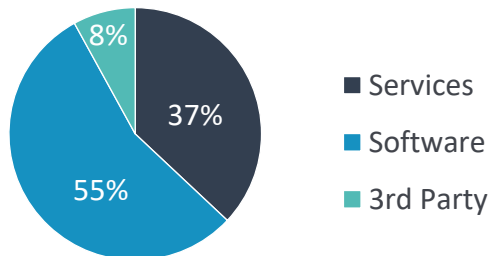
c.80 customers across
c.45 countries

H1 2024 REVENUE
£22.5m
(H1 2023: £20.5m)

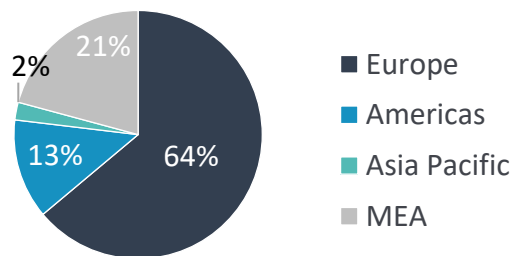
H1 2024 ADJ PBT
£10.5m
(H1 2023: £9.2m)

c. 350 staff
 📍 London, c. 110
 📍 India, c. 210
 📍 Sofia, c. 30

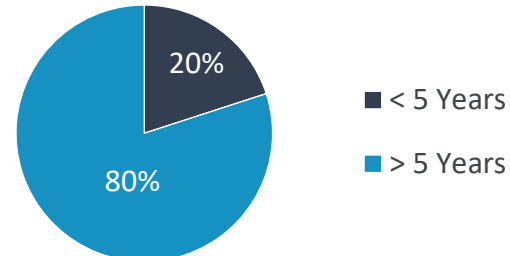
Revenue by Type



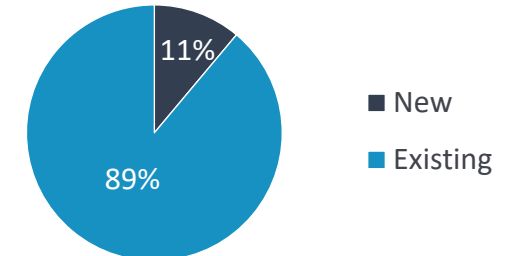
Revenue by Region



Customer Longevity



New v Existing Customer Revs




¹ Business Support Systems/Operations Support Systems




Customers

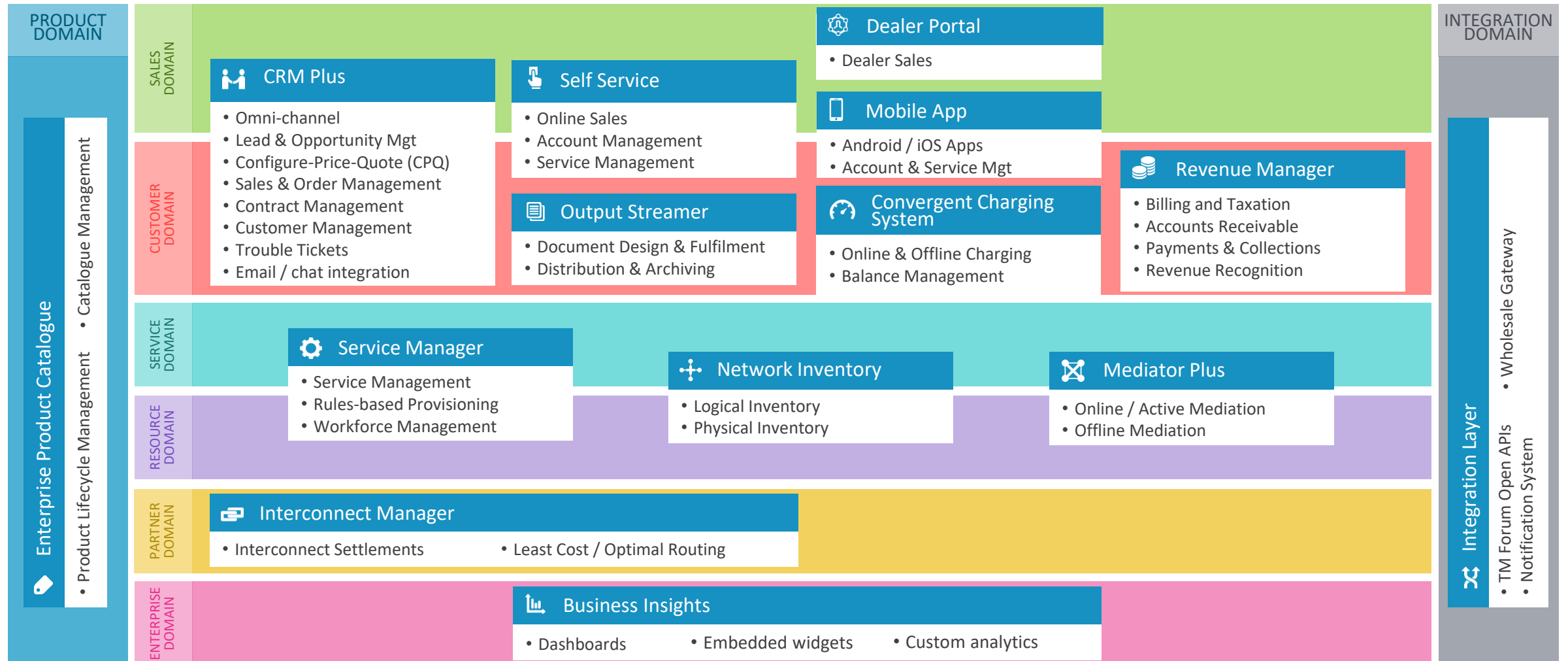


Business Support Systems (BSS)	Operations Support Systems (OSS)
Digital Engagement	Planning
Product Offerings	Capacity Management
Sales	Service Connection
Work-Flow	Work-Flow
Customer Care	Balance Management
Billing	Charging
Payments & Receivables	Top-Ups
Credit Control/Dunning	Service Disconnection
Analytics & Insights	Analytics & Insights

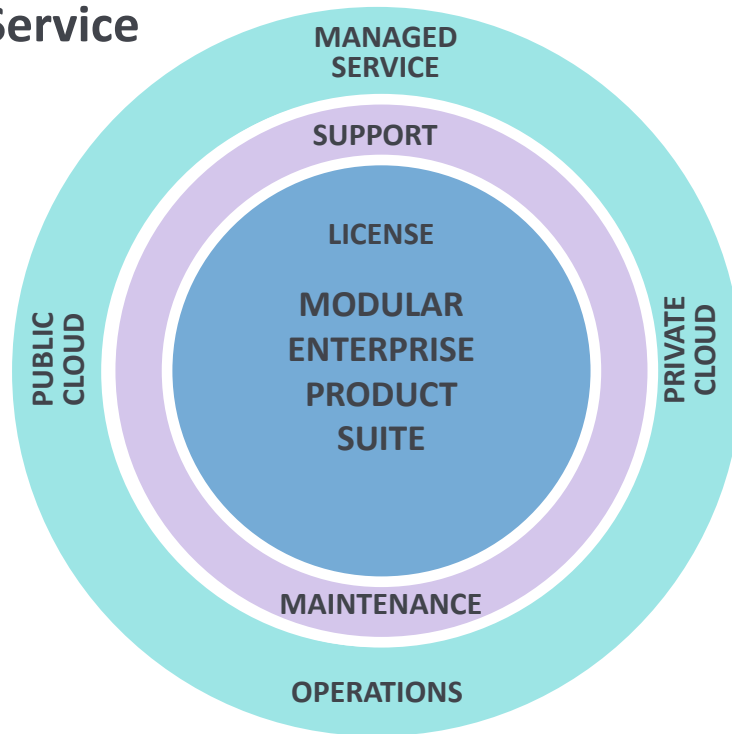


Network Infrastructure





Software-as-a-Service



Pre-integrated BSS/OSS modules

Common product for all customers

End-to-end or modular delivery

Large transformation projects

Cloud or on-premise deployment

Term licensing

5+ year subscription agreements



“We’re pleased to support the general availability of the Cerillion Enterprise BSS/OSS suite on Microsoft Azure. The combination of Cerillion’s modular and pre-integrated product set, adherence to industry standards like TM Forum’s Open Digital Architecture, and the cloud deployment flexibility of Azure, are a compelling proposition for communications service providers (CSPs) looking to accelerate time to market and increase operational agility.” **Rick Lievano, Worldwide Director of Technology Strategy, Microsoft**

GLOBAL CUSTOMER BASE

cerillion

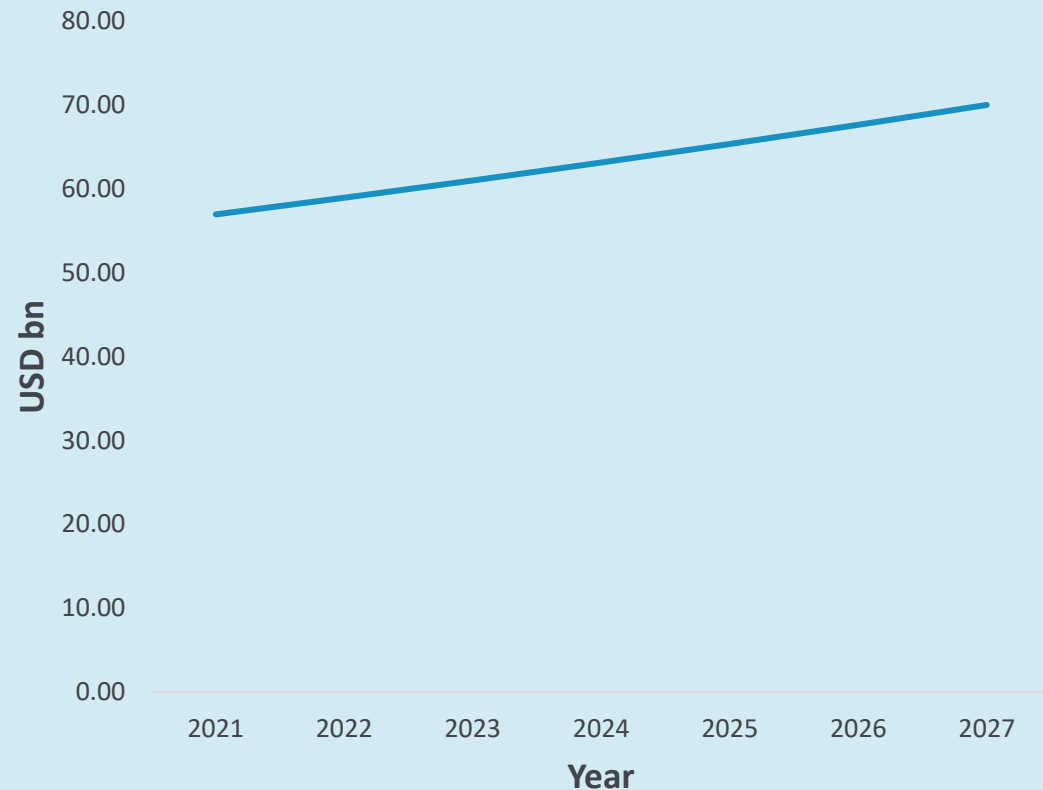


c.80 customers in c.45 countries



**“CSPs’ spending on OSS/
BSS software and services
will grow at CAGR of 3.5%
between 2021 and 2027
to exceed **USD70 Billion**”**

BSS/OSS Market Size



COMPETITIVE LANDSCAPE

Large ISVs¹

OUR DIFFERENTIATORS

- Lower TCO²
- Shorter time-to-market
- More flexible
- Market shift to SaaS

Equipment Vendors

OUR DIFFERENTIATORS

- Lower TCO²
- Shorter time to market
- More flexible
- Market shift to SaaS

Small ISVs¹

OUR DIFFERENTIATORS

- Greater breadth/depth
- Broader references

SaaS/Best-of-Breed

OUR DIFFERENTIATORS

- Lower TCO²
- Shorter time to market
- No integration
- Seamless upgrade path

Independent Analysis



FORRESTER®

OMDIA



WHY WE WIN

- True product model/SaaS delivery – lower TCO², faster time-to-market, seamless upgrades
- Functionally rich, end-to-end, convergent, carrier-grade CRM & billing product suite
- Unifies all service types, payment methods, customer segments and business models
- Customer focus: strong blue-chip references and track record of delivery
- Product recognised by leading independent global research consultancies
- Fully integrated product demos

1. Independent Software Vendor

2. Total Cost of Ownership

20+ years R&D
for a full suite
solution

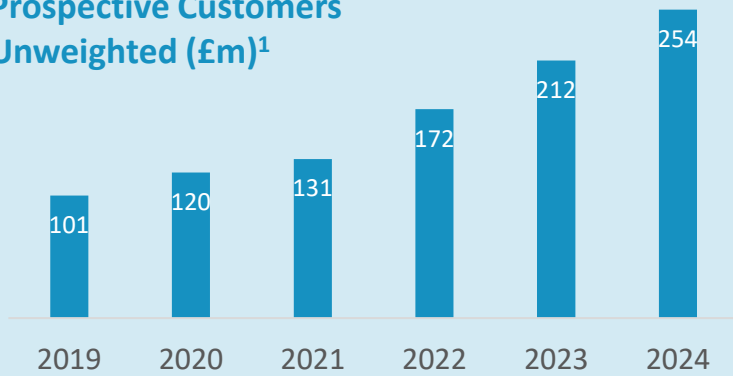
Access to the
right resources



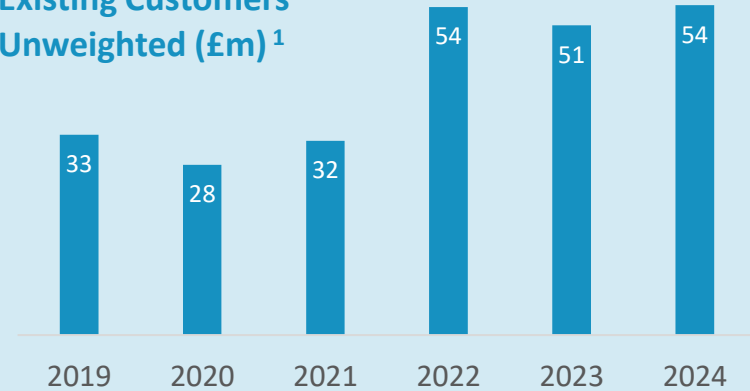
BSS/OSS is
mission-critical
software

A continually
moving target

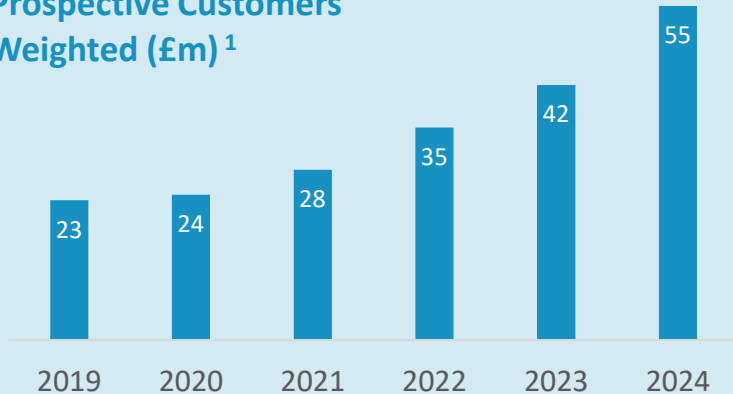
**Prospective Customers
Unweighted (£m)¹**



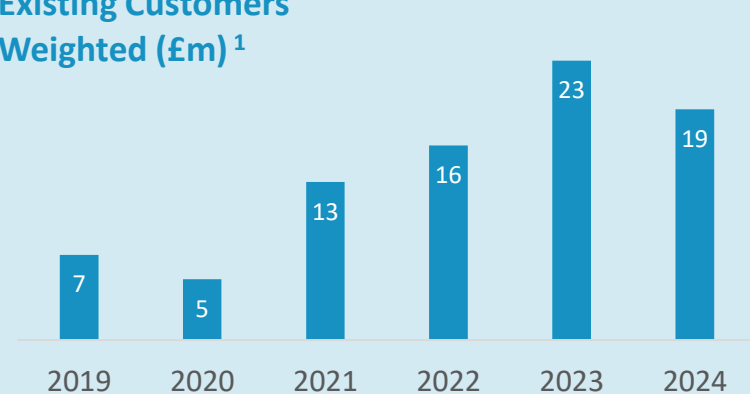
**Existing Customers
Unweighted (£m)¹**



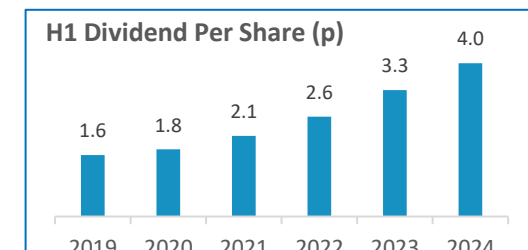
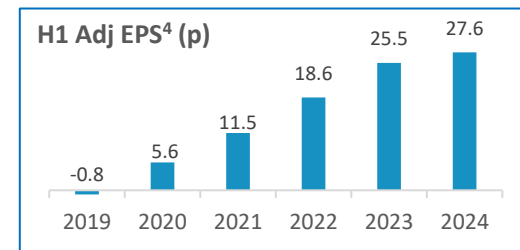
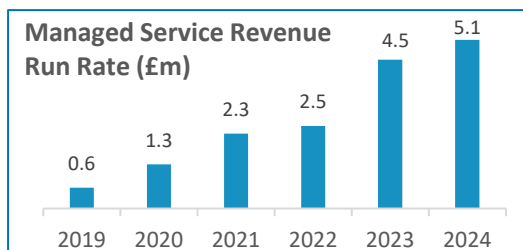
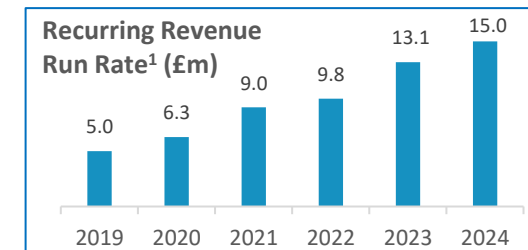
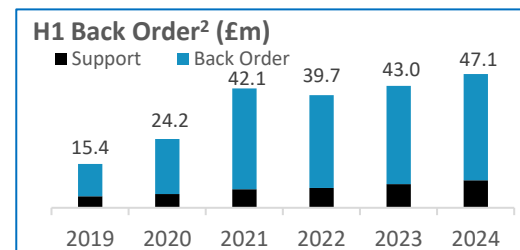
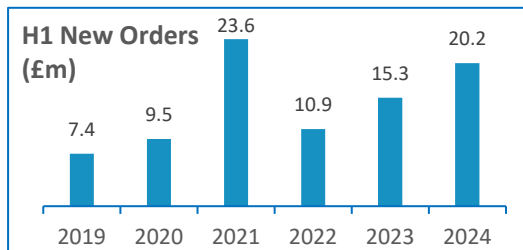
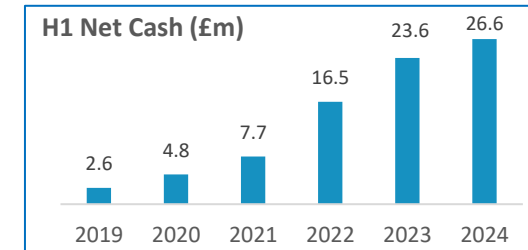
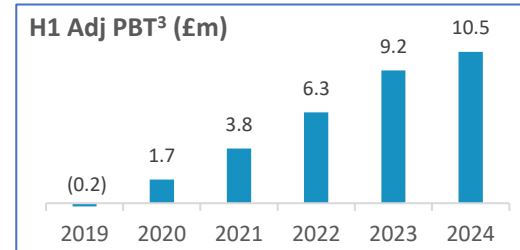
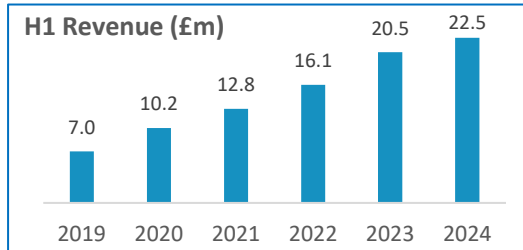
**Prospective Customers
Weighted (£m)¹**



**Existing Customers
Weighted (£m)¹**



¹ As at 31 March 2024. Estimated figures, based upon management accounts and management estimates.



1 Recurring annualised run rate as at 31 March 2024 includes annualised support and maintenance, managed service and Cerillion Skyline revenue.

2 Back-order book consists of £37.6m of sales contracted but not yet recognised at the end of the reporting period plus £9.5m of annualised support and maintenance revenue. It is anticipated that c. 40% of the £37.6m of sales contracted but not yet recognised as at the end of the reporting period will be recognised within the next 12 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.

- > **Product development:**
 - > 13,000 days of R&D planned for FY2024, 6,018 spent in H1 (H1 23: 5,130 days)
 - > Launched AI support for creation of new products and workflows
 - > Major overhaul of Digital Experience well underway
 - > AI tools deployed in software development and testing
- > **Expanded sales reach:**
 - > Resources added in FY2023 in US, Asia and Central Europe now adding to the pipeline
- > **New international subsidiaries:**
 - > Full subsidiary created in Bulgaria and terms agreed for larger office space to support expansion
 - > Full subsidiary in the process of being created in Singapore to support Asia Pacific sales activity
- > **Two major implementations completed:**
 - > CWS, the main provider of telecoms services in the Seychelles
 - > Telesur, the main provider of telecoms services in Suriname



Major transformation project for the main telecoms services provider in Suriname

“The successful completion of this BSS/OSS transformation project has taken a lot of preparation and hard work by the teams at Telesur and Cerillion, and I want to thank and congratulate all those involved on a fantastic achievement.”

“When failure is not an option, you need to know that your BSS/OSS supplier understands your business and will do everything it takes to get the job done. In Cerillion we have a partner that delivers certainty of outcome for mission-critical projects, and I am delighted with the results that we have achieved together.”

Mike Antonius, CEO of Telesur

FINANCIAL HIGHLIGHTS



£m	H1 24	H1 23
New orders	20.2	15.3
Back order book ¹	47.1	43.0
Total revenue	22.5	20.5
Software ²	12.4	10.5
Services	8.3	8.9
Other	1.8	1.0
Recurring revenue in period³	7.6	6.5
Gross margin	80.4%	81.5%
Adj. EBITDA	11.0	10.0
Adjusted EBITDA margin	48.9%	48.9%
Adjusted PBT⁴	10.5	9.2
Adjusted EPS⁵	27.6p	25.5p
Dividend per share	4.0p	3.3p
Net cash	26.6	23.6

- Continued revenue growth with 5-year CAGR at 26%
- Recurring revenue up 17% to £7.6m (H1 23: £6.5m) driven by higher SaaS revenue
- High margins reflect high proportion of software licence revenue
- Interim dividend up 21%

¹ Back order book consists of £37.6m of sales contracted but not yet recognised at the end of the reporting period plus £9.5m of annualised support and maintenance revenue. It is anticipated that c. 40% of the £37.6m of sales contracted but not yet recognised as at the end of the reporting period will be recognised within the next 12 months.

² Software revenue is made up of software licence, support and maintenance, managed service and Cerillion Skyline revenue.

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

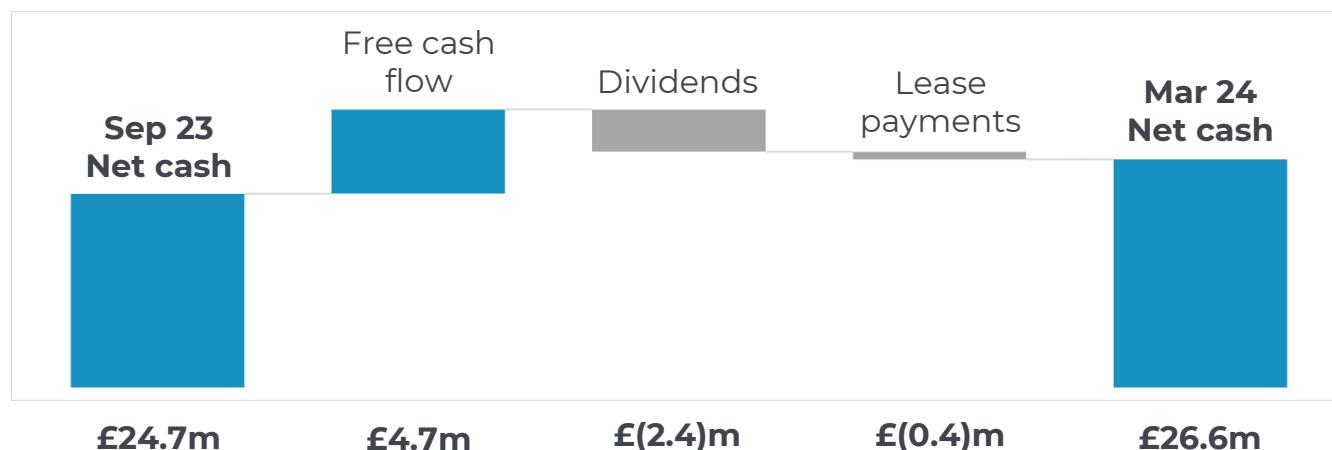
⁴ Adjusted PBT is a non-GAAP, company-specific measure which is earnings excluding taxes, amortisation of acquired intangible assets, and share-based payments charges.

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

£m	H1 24	H1 23
Adj. EBITDA	11.0	10.0
(Increase)/decrease in working capital	(3.9)	(2.2)
Cash generated from operations	7.1	7.8
Capitalisation of development costs	(0.6)	(0.5)
Purchase of PPE	(0.0)	(0.2)
Net interest and tax paid	(1.8)	(1.3)
Free cash flow	4.7	5.8

- Increase in working capital, as expected, due to high proportion of software license revenue
- Higher tax payments partly offset by higher interest income
- Free cash flow used to fund dividend and lease payments
- Closing net cash of £26.6m, up 13% (31 March 2023: £23.6m)



SUMMARY CONSOLIDATED INCOME STATEMENT¹

(£'000)	Unaudited H1 31 Mar 2024	Unaudited H1 31 Mar 2023
Total revenue	22,516	20,497
Cost of sales	(4,421)	(3,790)
Gross profit	18,095	16,707
<i>Gross margin</i>	<i>80.4%</i>	<i>81.5%</i>
Operating expenses	(8,063)	(8,254)
Impairment losses	(177)	(168)
Adjusted EBITDA¹	11,020	10,017
Depreciation and amortisation	(1,085)	(1,615)
Share-based payments charge	(80)	(117)
Operating profit	9,855	8,285
Finance costs	(45)	(65)
Finance income	626	371
Profit before tax	10,436	8,591
Tax	(2,379)	(1,671)
Profit after tax	8,057	6,920

- High gross margin driven reflects continued high proportion of software licence revenue, partly offset by higher third party revenue
- Reduction in opex includes non-repeat of £0.5m amortisation of acquired intangibles
- Higher tax charge due to 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

(£'000)	Consolidated	Unaudited 31 Mar 2024	Unaudited 31 Mar 2023
Non-current assets	Goodwill	2,053	2,053
	Intangible assets (software development)	2,428	2,172
	Property, plant and equipment	578	951
	Right of use asset	1,999	2,704
	Trade and other receivables	9,414	3,619
	Deferred tax assets	235	238
		16,707	11,737
Current assets	Trade and other receivables	16,262	13,961
	Cash and cash equivalents	26,610	23,645
		42,872	37,606
Total assets		59,579	49,343
Current liabilities	Trade and other payables	(13,789)	(13,878)
Non-current liabilities	Other payables	(718)	(469)
	Deferred tax liabilities	(671)	(624)
	Lease liabilities	(1,920)	(2,616)
Net assets		42,481	31,756
	Called up share capital	147	147
	Share premium account	13,319	13,319
	Foreign exchange reserve	(358)	(192)
	Share option reserve	423	254
	Retained profit	28,950	18,228
	Treasury stock	-	-
Total equity		42,481	31,756

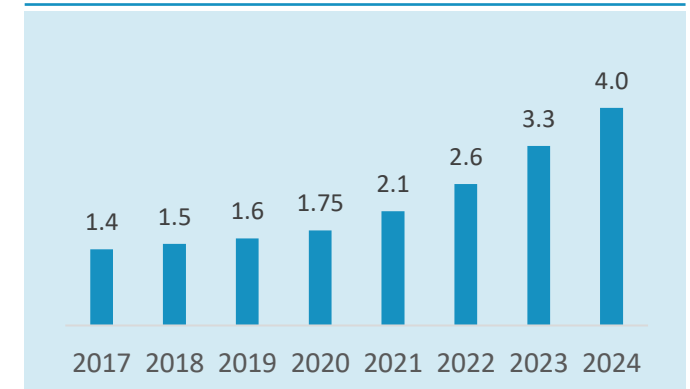
- Increase in trade and other receivables mainly reflects higher accrued income balance, driven by licence revenue recognised
- Balance sheet remains strong with closing net cash of £26.6m

SUMMARY CONSOLIDATED CASH FLOW STATEMENT

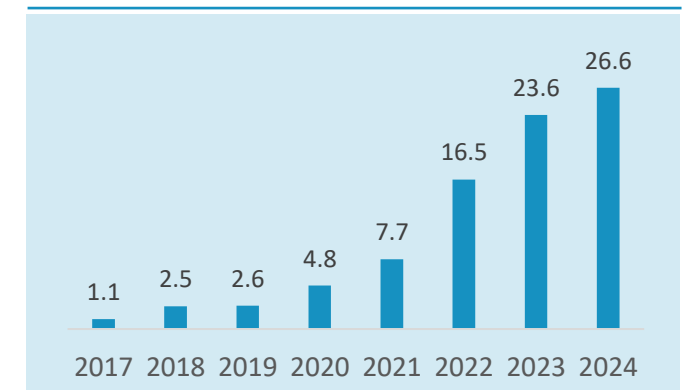
Consolidated (£'000)	Unaudited H1 to 31 Mar 2024	Unaudited H1 to 31 Mar 2023
Operating cash flows before movements in working capital	11,020	10,017
(Increase) / decrease in trade and other receivables	(5,258)	(4,061)
Increase / (decrease) in trade and other payables	1,318	1,897
Cash from-operations	7,080	7,853
Finance costs	(45)	(65)
Finance income	428	182
Tax (paid) / received	(2,160)	(1,371)
Net cash from operating activities	5,303	6,599
Capitalisation of development costs	(560)	(552)
Purchase of property, plant and equipment	(27)	(213)
Net cash used in investing activities	(587)	(765)
Dividends paid	(2,361)	(1,918)
Purchase of treasury stock/receipts from exercise of share options	(14)	-
Principal elements of finance leases	(444)	(430)
Net cash used in financing activities	(2,819)	(2,348)
Net increase/(decrease) in cash and cash equivalents	1,897	3,486
Translation differences	(25)	(90)
Cash and cash equivalent at beginning of period	24,738	20,249
Cash and cash equivalents at end of period	26,610	23,645

- > Strong trading with new record highs across all major KPIs
- > Market demand remains strong
 - > Upgraded BSS/OSS provides operational and efficiency benefits
 - > SaaS/Product approach continues to gain traction over traditional services-heavy offerings
- > Entered H2 with new customer pipeline at all-time high of £254m (pre new win):
 - > \$11.1m new customer contract announced today
- > Strong balance sheet; recurring revenues are growing, cash generation is strong and net cash stands at a new high of £26.6m
- > Group is well-positioned to achieve market expectations for FY2024 and beyond

H1 Dividend Record (p)



Net Cash (£m) at 31 March



Supplementary Information

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 20 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 Non-Executive Director of Tern Plc and Board member of Open Health Group and the Change Management Group.

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. He later went on to lead the IPO of Cerillion in 2016. 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 19 April 2024

MAJOR SHAREHOLDERS	%
Louis Hall	30.45
Gresham House Asset Management	10.28
Investec Wealth & Investment	6.47
Charles Stanley	5.36
Canaccord Genuity Wealth Management (Inst)	4.05
JPMorgan Asset Management	3.25
Rathbones	2.90
Hargreaves Lansdown, stockbrokers (EO)	2.72
Schroder Investment Management	2.47
BlackRock	2.01
Interactive Investor (EO)	1.85
Shore Capital, stockbrokers (ND)	1.51
Lazard Asset Management	1.40

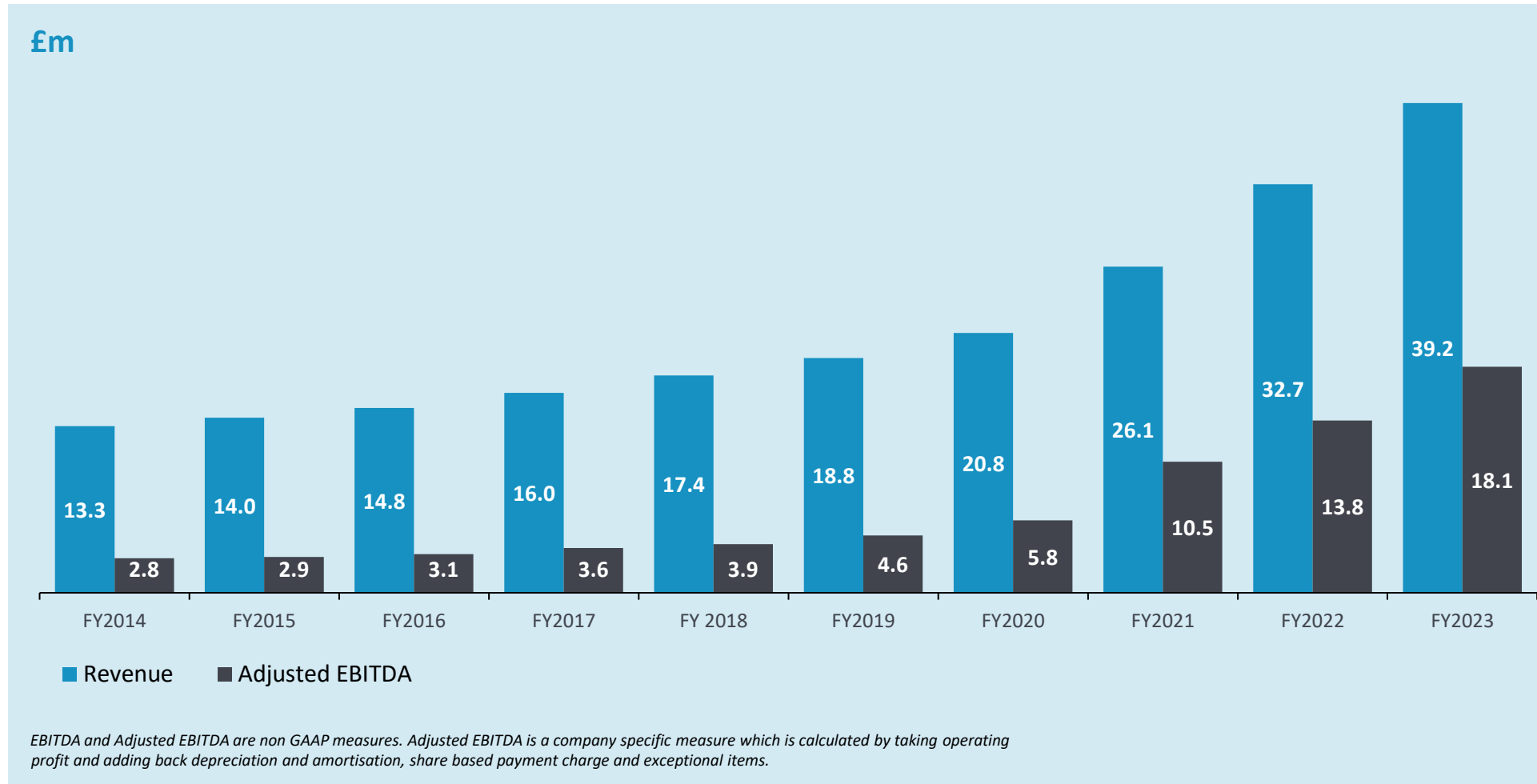
¹ Source: Equiniti Limited

EO – Shareholdings where all investment decisions are made by the client without consultation with the stockbroker.

ND – Investment manager must discuss investment strategies or planned movements with the client before any investment decision is taken.

PB – Shares held by a bank on behalf of private investors.

MAJOR SHAREHOLDERS	%
WH Ireland, stockbrokers	1.15
Goldman Sachs collateral account	1.13
Danske Bank Asset Management	1.06
Herald Investment Management	1.03
Royal London Asset Management	0.93
AJ Bell, stockbrokers (EO)	0.91
Lonvia Capital	0.85
Montanaro Asset Management	0.85
Mr and Mrs David Newlands	0.83
NBCN, Montreal (PB)	0.81
JM Finn, stockbrokers	0.79
Rowan Dartington, stockbrokers	0.77
Cazenove Capital Management	0.75



Maximising shareholder returns

Organic growth

Continued investment to:

- enhance offering
- improve service levels and deliver operational efficiencies
- expand sales team and marketing spend

Investment man-days:

- FY23: 10,964 days
- FY22: 9,063 days

Dividend policy

Progressive dividend policy:

- pay out a third to a half of free cash flows each year
- dividend cover on adj. EPS of three-to-four times

Interim FY23: 3.3p
(FY22: 2.6p)

Final FY23: 11.3p
(FY22: 9.1p)

Strategic investments

Strategic investments to support longer term growth

- strategic acquisitions of operating businesses to improve and enhance scope and scale of earnings

Other considerations

Maintain strong balance sheet to support strategy to partner with larger customers

Net cash

- maintain strong balance sheet

FY23: net cash £24.7m

FY22: net cash £20.2m