23 July 2019

GetBusy plc

2019 Half-year Results

20% recurring revenue growth

GetBusy plc ("GetBusy", the "Company" or the "Group") (AIM: GETB), a developer of document management and communication software products, announces its unaudited results for the six months ended 30 June 2019.

	H1 2019	H1 2018	Change	
	£'000	£'000	Reported currency	Constant currency+
Group recurring revenue	**5,386**	4,496	20%	19%
Group total revenue	**6,151**	5,156	19%	18%
Group adjusted loss before tax*	**(284)**	(492)	42%	n/a
Net cash	**1,946**	2,357	n/a	n/a
Group loss before tax	**(571)**	(666)	14%	n/a
SmartVault revenue	**2,034**	1,576	29%	22%
Virtual Cabinet revenue	**4,117**	3,580	15%	16%
Virtual Cabinet adjusted profit	**1,546**	934	65%	n/a

Financial highlights

- Recurring revenue up 20% in reported currency and 19% at constant currency
- 29% total revenue growth in SmartVault (22% at constant currency)
- 65% growth in adjusted profit before tax for Virtual Cabinet with substantial operating margin improvement to 37%
- Adjusted loss before tax improvement of 42% to £(284)k
- Statutory loss before tax reduced by 14% to £(572)k

Operational highlights

- SmartVault AWS migration successfully completed
- SmartVault customer acquisition model showing significant scaling potential
- Low net MRR churn rates in Virtual Cabinet and SmartVault
- Full SmartVault sales and marketing function now in UK
- First active users for GetBusy productivity communication app
- GetBusy positioned for monetisation within 12 months

Daniel Rabie, CEO of GetBusy, comments:

"I am delighted with what our team has achieved in H1. Recurring revenue has increased 20% and our adjusted loss before tax reduced by 42%. Virtual Cabinet is demonstrating good profit and cash generation through strong operating leverage. SmartVault is scaling rapidly. GetBusy has a growing base of active users and we are positioning it for monetisation.

“We have consistently acquired new users across our products and have monetised our existing customer base better by delivering more valuable product features.

“The strong start to the year and the momentum that we have built has given us confidence that revenue for 2019 will be ahead of current market expectations.”

* Adjusted Profit / (Loss) before Tax has replaced Adjusted EBITDA as our headline financial performance metric. Adjusted Profit / (Loss) before Tax is Profit / Loss before share option costs, net capitalised development costs, finance costs that are not related to leases, and non-underlying items. A full list of alternative performance measures can be found in note 2.

+ Changes at constant currency are calculated by retranslating the comparative period at the current period’s prevailing rate of exchange.

A glossary of certain terms can be found in Note 2.

Ahead of today’s presentations to investors, a copy of the presentation to investors is now available on the Company’s website, at www.getbusy.com/about/investors

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014. THE PERSON RESPONSIBLE FOR MAKING THIS ANNOUNCEMENT ON BEHALF OF THE COMPANY IS PAUL HAWORTH.

About GetBusy

GetBusy is a global Document Management and Communication software business that provides highly secure forms of digital document distribution, workflows and client chat. 1.5 million users are now registered to share information through GetBusy's award-winning online client portals.

Further information on the Group is available at www.getbusy.com/about/investors

H1 2019 Group performance

Group recurring revenue increased by 20% (19% at constant currency) to £5.4m (H1 2018: £4.5m) and now comprises 88% of our total revenue. This increase largely reflects continued customer growth in both our Virtual Cabinet and SmartVault products, with paid users increasing by 12% to 65,589 (30 June 2018: 58,666). Total revenue of £6.2m was 19% ahead of H1 2018 (18% at constant currency), reflecting the ongoing switch to a pure subscription model in Virtual Cabinet.

Annualised monthly recurring revenue at 30 June 2019 was £11.4m, an increase of 20% compared to 30 June 2018 at constant currency. We expect continued growth over H2 through a combination of new customer acquisition and better monetisation of existing customers through upsell and plan enhancements.

Adjusted loss before tax decreased by 42% to £(0.3m), a reflection of the increase in revenue offset by higher costs including investment in customer acquisition and channel expansion for SmartVault together with the build-out of operational infrastructure and early marketing campaigns for GetBusy. Statutory loss before tax decreased by 14% to £0.6m. At 30 June 2019 the Group's net cash remained healthy at £1.9m (31 December 2018: £2.4m).

Virtual Cabinet

Virtual Cabinet is a leading desktop document management, workflow and cloud portal tool targeted at a variety of medium to large professional services businesses. 62% of Virtual Cabinet's paying users are in the accounting, bookkeeping and tax industries, with significant concentrations also in financial services, insurance and insolvency.

Virtual Cabinet's financial objective is sustained growth in profit and cash generation.

Virtual Cabinet recurring revenue increased by 16% to £3.4m, a reflection of continued new customer wins together with additional revenue from the existing client base. The number of paid users increased over the half-year period by 7% to 45,423, ARPU increased by 1.6% to £158 and net MRR churn was 0.2%, compared with 0.3% for the year ended 31 December 2018. Annualised monthly recurring revenue at 30 June was £7.2m, an increase of 9% compared to 31 December 2018.

During H1, we delivered two of the largest deals in Virtual Cabinet's history. The first was to a leading UK insolvency services provider, which demonstrates our ability to grow outside of the core accounting vertical. The other was to a member firm of the BDO Alliance in the US. Virtual Cabinet's integrations with popular practice management systems in the US present an attractive value proposition to the larger end of the accounting market, complementing the coverage of SmartVault in the small and medium accounting and bookkeeping space. We will continue cautiously to explore opportunities for geographic growth for Virtual Cabinet in the US.

Non-recurring revenue, which includes consulting and perpetual licence sales, grew 7% to £0.7m. There remains strong demand for routine consulting services from our growing customer base, while perpetual licence revenue is expected to be replaced by higher value recurring subscription revenue as the UK Virtual Cabinet model continues its transition.

Total revenue of £4.1m was a 15% increase (16% at constant currency) compared to H1 2018 with the proportion of recurring revenue increasing from 83% to 84%, a trend we expect to continue. Gross margin remained reasonably consistent at 98%.

Development spend remained reasonably stable at £0.4m (H1 2018: £0.4m). However the key focus area of development was our suite of mobility products, collectively known as Virtual Cabinet Go; these products will augment the core Virtual Cabinet and portal applications, providing intuitive, secure on-demand access to documents from anywhere and without the time and hassle of negotiating local VPNs. This allows our customers to spend more time out of the office and face-to-face with their clients, without losing access to critical information.

SG&A costs decreased slightly to £2.1m, primarily due to lower staff costs. We have reduced the size of our consulting team in Australia in order to match delivery capacity with expected order intake. In addition, we have redeployed certain operational staff to other areas of the business as our efforts to use technology to automate internal processes bear fruit.

Adjusted Profit increased by 65% to £1.5m with operating margin improving significantly from 26% to 37%.

SmartVault

SmartVault is a cloud document management platform and portal for small and medium sized businesses. SmartVault's customer base similarly comprises 62% from the accounting, bookkeeping and tax markets, driven by very strong integrations with the leading SME cloud accounting software providers.

Our financial objective for SmartVault is to drive sustained growth in high quality recurring subscription revenue.

Continued new customer growth led to a 27% increase in recurring revenue to £1.9m (22% increase at constant currency). The number of paid users at the end of the period was 10.1% higher than 30 June 2018, at 20,166 and the average paid user base over the period was 8.9% higher than in H1 2018.

SmartVault is increasingly selling to higher value customers on premium plans. ARPU increased by 7.8% to £208 (7.3% increase at constant currency); ARPU for new customers over the period was 26% higher than for lost customers. Net MRR churn for the period was 0.2% per month (H1 2018: 0.2%), with upgrades, user expansion and account management activity largely offsetting lost revenue from churned customers and downgrades.

SmartVault's expansion into the UK is progressing well, with in-country marketing, sales and consulting staff now in place. This half has been about building brand presence and forging alliances with industry bodies and potential channel partners. As expected at such an early stage in the market, churn has been significantly higher than for the US, where we have an established market presence. However we are making new sales at an increasingly predictable run rate and have been encouraged by the progress that is being made.

Non-recurring revenue of £0.1m was double that of H1 2018, largely due to digital signature sales. This was the first US tax season with our integrated DocuSign digital signature solution. As customers have a number of digital signature options available to them, we regard this integration and reseller partnership as an enhancement to our product offering rather than a substantial revenue opportunity in its own right.

As expected, gross margin of 81% was lower than in H1 2018 due to higher integration fees and cloud hosting costs for the product. Early in H1 we migrated the SmartVault product from self-managed servers to Amazon Web Services ("AWS"), which provides a more secure, faster and highly scalable platform for growth. The migration has been very successful, with no unplanned product downtime during the key US tax season. Our priority has been to ensure the product is stable and providing an excellent customer experience in the new environment. We are now moving to the cost optimisation phase and will work to reduce the ongoing operating costs during the second half. It is our expectation that the normalised cash costs of operating in AWS will be at least neutral, however as a significant proportion of cost from the old self-managed servers was depreciation (and therefore not included in cost of sales), gross margin is unlikely to return to 2018 levels in the medium term.

Development costs of £0.4m were in line with H1 2018. Key areas of development in the half have been around the AWS migration and the development of functionality and customisation for our entry into the UK market. We are expecting to increase our SmartVault development resource over the coming months to support the more rapid iteration of product improvements and new feature sets as well as increasing our capacity to create new integrations with partner apps, which can serve as channels.

SG&A costs increased £0.5m to £1.7m due to the investments we have been making over the last year in customer acquisition teams and technology to capitalise on strong LTV : CAC ratios in the US and to establish our foothold in the UK. During H1, our LTV : CAC ratio for SmartVault as a whole was 4:1, compared to 5:1 in H1 2018, due to the drag caused by the relative inefficiency of our less mature UK customer acquisition spend. Our LTV : CAC for SmartVault in the US remains above 2018 levels. To capitalise on this scaling opportunity, we plan to make further customer acquisition investments in H2, which we expect to contribute to growth meaningfully in 2020.

Adjusted loss before tax in H1 was £(0.4m), £0.2m higher than in H1 2018 due to the additional customer acquisition investments, but consistent with the H2 2018 run rate.

GetBusy

GetBusy is our new product designed for busy teams that want to stay on task and get more done.

Our deep research around the way that teams work effectively has identified a set of problem statements that GetBusy seeks to address. These problems include challenges in keeping track of tasks, communicating around tasks, clearly assigning tasks to team members and clients, avoiding e-mail and chat-app clutter, having multiple conflicting tools for team, client and personal organisation, ineffective and inefficient communication and information security and privacy.

Currently in public beta, it is available as an iOS app, macOS app, Windows app and web app with a Rest API and is being rapidly iterated in response to continual user feedback and behavioural analysis.

During H1, we acquired our first active users. We have validated that well-defined customer pain points exist and that there is clear and strong demand for a solution. We have been encouraged by the average cost per lead during our beta marketing, which compares very favourably to our existing products and gives us confidence that marketing efforts will scale well.

Based on user feedback and our analysis of the data gathered to date, we will be positioning the product towards monetisation to prove we have a viable, scalable business. This will involve developing additional high-value feature sets, creating structured pricing plans and a coherent revenue model as well as implementing a scalable operational and customer acquisition infrastructure. In addition, we will closely monitor progress towards internal goals for lead-to-paid customer conversion, customer acquisition costs, active users, paid users and average sale price.

Total spend on GetBusy in H1 2019 was £0.6m, a £0.1m increase compared to H1 2018. The increase reflects the operational infrastructure that we have started to build around the product as well as spend on test marketing as we continue the journey to find product market fit.

Cashflow and balance sheet

Total cash reduced over the period by £0.5m to £1.9m. Adjusted loss before tax of £0.3m and a working capital outflow of £0.2m were the main contributing factors, along with fixed asset purchases of £0.1m, chiefly in the form of new ERP system implementation capitalised costs.

Intangible assets reduced by £0.1m to £0.5m over H1 due to capitalised development costs of £0.2m, offset by amortisation of £0.3m. Trade and other receivables increased by £0.2m over the period to £1.8m, largely due to the timing of annual renewal billings for Virtual Cabinet in the UK. This was partially offset by £0.1m increase in trade and other payables to £2.2m. Deferred revenue was almost unchanged from 31 December 2018 at £4.8m; the costs of "delivering" our deferred income include the ongoing costs of hosting our cloud products in AWS and staffing our phone and webchat customer support operations.

Potential share register rationalisation

The Company has almost 3,500 individual shareholders in Australia and New Zealand that collectively hold approximately 15% of the total share capital. Almost all these shareholders received their shares as a dividend in specie following the Group's demerger from Reckon Limited in 2017. The Board is aware of the very high costs and logistical complications of buying and selling the Company's shares for these overseas shareholders.

The Board is working with the Company's advisers to create a solution to improve the liquidity of the Group's shares, which may include a share consolidation and subsequent sub-division.

Update on long-term incentive arrangements

As disclosed in its 2018 report, the Remuneration Committee is undertaking a review of the Group's long-term incentive arrangements in order to better align the long-term interests of all stakeholders of the business.

The Remuneration Committee has now largely completed its deliberations and a proposed new scheme is in final draft. This will be discussed with the company's major shareholders over the coming weeks, prior to being put to a vote by the company's independent shareholders.

The existing scheme begins to accrue value to management at a share price above 37.9 pence per share. It is intended that the proposed new scheme, which would replace the existing scheme in its entirety for the executive directors, would increase the initial hurdle by over 21% but reward management more at higher share price levels. The proposed scheme would accordingly have a higher hurdle of 46 pence per share, some 67% above the three-month average trailing share price and 58% above the closing share price on 22 July 2019.

Outlook

Virtual Cabinet is demonstrating good profit and cash generation through strong operating leverage. SmartVault is scaling rapidly. GetBusy has a growing base of active users and is moving towards being a sellable product.

Our end markets remain strong and the security, efficiency and regulatory growth drivers that make our products attractive to our customers are more important than ever.

Our paid user base is growing. We are earning more revenue from each paid user. Our churn rates remain low.

As we move into H2, Virtual Cabinet will focus on disciplined investment and growth in recurring subscription revenues from new customers. SmartVault will invest in additional sales, marketing and development capability to support its scale-up in the US and UK, as well as improving ARPU across the customer base. GetBusy will continue to build out product functionality and build its base of active users as we position it towards monetisation.

Our strong H1 performance and encouraging leading indicators have given the Board confidence that, given the additional investments being made, 2019 revenue will be ahead of current market expectations.

Consolidated income statement

For the six months ended 30 June 2019

	Note	H1 2019 £'000	H1 2018 £'000
Revenue	3	**6,151**	5,156
Cost of sales		**(479)**	(287)
Gross profit		**5,672**	4,869
Operating costs		**(6,243)**	(5,535)
Net finance costs		**-**	-
Loss before tax	3	**(571)**	(666)
Loss before tax		**(571)**	(666)
Capitalised development costs		**(224)**	(160)
Depreciation and amortisation on owned assets		**359**	149
Share option costs		**151**	157
Demerger, flotation and other non-underlying costs		**-**	28
Finance costs / (income) not related to leases		**1**	-
Adjusted loss before tax		**(284)**	(492)
Tax		**-**	179
Loss for the period attributable to owners of the Company		**(571)**	(487)
Loss per share (pence)			
Basic and diluted		**(1.18)**	(1.01)

Consolidated statement of comprehensive income

For the six months ended 30 June 2019

	H1 2019 £'000	H1 2018 £'000
Loss for the period	(571)	(487)
Other comprehensive income / (expense)		
Items that may be reclassified subsequently to profit or loss		
Tax recognised in equity	-	(1)
Exchange differences on translation of foreign operations	(13)	(24)
Other comprehensive income / (expense) net of tax	(13)	(25)
Total comprehensive income for the period	(584)	(512)

Consolidated balance sheet

At 30 June 2019

	30 June 2019 £'000	31 December 2018 £'000	30 June 2018 £'000
Non-current assets			
Intangible assets	**505**	569	427
Property, plant and equipment	**223**	218	249
Leases	**418**	-	-
Deferred tax asset	**-**	-	2
	1,146	787	678
Current assets			
Trade and other receivables	**1,820**	1,606	1,677
Current tax receivable	**74**	74	66
Cash and bank balances	**1,946**	2,486	2,357
	3,840	4,166	4,100
Total assets	**4,986**	4,953	4,778
Current liabilities			
Trade and other payables	**(2,167)**	(2,067)	(1,650)
Deferred revenue	**(4,541)**	(4,382)	(4,680)
Lease liabilities	**(328)**	-	-
Current tax payable	**-**	-	-
	(7,036)	(6,449)	(6,330)
Non-current liabilities			
Deferred revenue	**(251)**	(449)	-
Deferred tax liabilities	**(6)**	(6)	-
Lease liabilities	**(165)**	-	-
	(422)	(455)	-
Total liabilities	**(7,458)**	(6,904)	(6,330)
Net assets	**(2,472)**	(1,951)	(1,552)
Equity			
Share capital	**73**	73	73
Share premium account	**2,756**	2,756	2,756
Demerger reserve	**(3,085)**	(3,085)	(3,085)
Retained earnings	**(2,216)**	(1,695)	(1,296)
Equity attributable to shareholders of the parent	**(2,472)**	(1,951)	(1,552)

Consolidated statement of changes in equity

For the six months ended 30 June 2019

2019	Share capital £'000	Share premium account £'000	Demerger Reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2019 as originally stated	**73**	**2,756**	**(3,085)**	**(1,695)**	**(1,951)**
Effect of first time adoption of IFRS16				(88)	(88)
As restated	**73**	**2,756**	**(3,085)**	**(1,783)**	**(2,039)**
Loss for the period	-	-	-	(571)	(571)
Exchange differences on translation of foreign operations, net of tax	-	-	-	(13)	(13)
Total comprehensive loss attributable to equity holders of the parent	**-**	**-**	**-**	**(584)**	**(584)**
Share option costs	-	-	-	151	151
	-	**-**	**-**	**151**	**151**
At 30 June 2019	**73**	**2,756**	**(3,085)**	**(2,216)**	**(2,472)**

2018	Share capital £'000	Share premium account £'000	Demerger Reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2018	**73**	**2,756**	**(3,085)**	**(941)**	**(1,197)**
Loss for the period	-	-	-	(487)	(487)
Exchange differences on translation of foreign operations, net of tax	-	-	-	(24)	(24)
Tax recognised in equity	-	-	-	(1)	-
Total comprehensive loss attributable to equity holders of the parent	**-**	**-**	**-**	**(512)**	**(715)**
Share option costs	-	-	-	157	157
	-	**-**	**-**	**157**	**157**
At 30 June 2018	**73**	**2,756**	**(3,085)**	**(1,296)**	**(1,552)**

2018	Share capital £'000	Share premium account £'000	Demerger Reserve £'000	Retained earnings £'000	Total £'000
At 1 January 2018	**73**	**2,756**	**(3,085)**	**(941)**	**(1,197)**
Loss for the period	-	-	-	(1,010)	(1,010)
Exchange differences on translation of foreign operations, net of tax	-	-	-	(41)	(41)
Total comprehensive loss attributable to equity holders of the parent	**-**	**-**	**-**	**(1,051)**	**(1,051)**
Share option costs	-	-	-	297	297
	-	**-**	**-**	**297**	**297**
At 31 December 2018	**73**	**2,756**	**(3,085)**	**(1,695)**	**(1,951)**

Consolidated cash flow statement

For the six months ended 30 June 2019

	H1 2019 £'000	H1 2018 £'000
Adjusted loss before tax	(284)	(492)
Increase in receivables	(514)	(124)
Increase in payables	381	(41)
(Decrease) / increase in deferred income	(39)	318
Cash used in operations	(456)	(339)
Non-underlying costs	-	(28)
Income taxes received / (paid)	-	-
Interest received / (paid)	-	-
Net cash used in operating activities	(456)	(367)
Purchases of property, plant and equipment	(27)	(28)
Proceeds on disposal of property, plant and equipment	-	-
Purchases of other intangible assets	(49)	(30)
Net cash used in investing activities	(76)	(58)
Proceeds on issue of shares	-	-
Net cash used in financing activities	-	-
Net decrease in cash	(532)	(425)
Cash and bank balances at beginning of period	2,486	2,814
Effects of foreign exchange rates	(8)	(32)
Cash and bank balances at end of period	1,946	2,357

Notes to the financial information

1. **General information**

These interim financial statements are for the six months ended 30 June 2019. They do not require all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2018.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates.

2. **Basis of preparation and accounting policies**

The financial information set out above does not constitute statutory accounts within the meaning of section s434(3) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of EU adopted International Financial Reporting Standards ("IFRS").

The financial statements of GetBusy plc for the year ended 31 December 2018 were authorised for issue by the Board of Directors on 4 March 2019. The auditors have reported on these accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain any statements under s498 (2) or (3) of the Companies Act 2006.

These interim financial statements are prepared on the same basis as the financial statements for the year ended 31 December 2018, in which our full set of accounting policies, including critical judgements and key sources of estimation uncertainty, can be found. The exception to this is the adoption of IFRS16 *Leases* on the modified retrospective basis from 1 January 2019.

The impact of the adoption of IFRS16 has been an £88,000 reduction to reserves at 1 January 2019 and the creation at 30 June 2019 of a lease asset of £418,000 and lease liabilities of £493,000, split between current and non-current components.

Alternative performance measures

The Group uses a series of non-IFRS alternative performance measures ("APMs") in its narrative and financial reporting. These measures are used because we believe they provide additional insight into the performance of the Group and are complementary to our IFRS performance measures. This belief is supported by the discussions that we have on a regular basis with a wide variety of stakeholders, including shareholders, staff and advisers.

The APMs used by the Group, their definition and the reasons for using them, are provided below:

Recurring revenue. This includes revenue from software subscriptions and support contracts. A key part of our strategy is to grow our high quality recurring revenue base. Reporting recurring revenue allows shareholders to assess our progress in executing our strategy.

Adjusted Profit / Loss before Tax. This is calculated as profit / loss before tax and before certain items, which are listed below along with an explanation as to why they are excluded:

> *Depreciation and amortisation of owned assets.* These non-cash charges to the income statement are subject to significant judgement. Excluding them from this measure removes the impact of that judgement and provides a measure of profit that is more closely aligned with operating cashflow. Only depreciation on owned assets is excluded; depreciation on

leased assets remains a component of adjusted profit / loss because, combined with interest expense on lease liabilities, it is a proxy for the cash cost of the leases.

Share option costs. Significant judgement is applied in calculating the fair value of share options and subsequent charge to the income statement, which has no cash impact. The impact of potentially dilutive share options is also considered in diluted earnings per share. Therefore, excluding share option costs from Adjusted Profit / Loss before Tax removes the impact of that judgement and provides a measure of profit that is more closely aligned with cashflow.

Capitalised development costs. There is a very broad range of approaches across companies in applying IAS38 *Intangible assets* in their financial statements. There are also many examples of companies being criticised for using the capitalisation and amortisation of development costs as a method of manipulating profit, due to the substantial management judgement involved in applying the standard. To assist transparency, we exclude the impact of capitalising development costs from Adjusted Profit / Loss before Tax in order that shareholders can more easily determine the performance of the business before the application of that significant judgement. The impact of development cost capitalisation is recorded within operating costs. The cashflow statement reconciles from Adjusted Profit / Loss before Tax, and so there is no adjustment for development amortisation within operating cashflows and no adjustment for development capitalisation within cashflows from investing activities.

Non-underlying costs. Occasionally, we incur costs that are not representative of the underlying performance of the business. In such instances, those costs may be excluded from Adjusted Profit / Loss before Tax and recorded separately. In all cases, a full description of their nature is provided.

Finance costs / (income) not related to leases. These are finance costs and income such as interest on bank balances. It excludes the interest expense on lease liabilities under IFRS16 because, combined with depreciation on leased assets, it is a proxy for the cash cost of the leases.

Constant currency measures. As a Group that operates in different territories, we also measure our revenue performance before the impact of changes in exchange rates.

Glossary of terms

The following terms are used within these interim financial statements:

MRR. Monthly recurring revenue. That is, the monthly value of subscription and support revenue, both of which are classified as recurring revenue.

Annualised MRR. For a given month, the MRR multiplied by 12.

CAC. Customer acquisition cost. This is the average cost to acquire a customer account, including the costs of marketing staff, content, advertising and other campaign costs, sales staff and commissions.

LTV. Life time value, calculated as the average revenue per account multiplied by the average gross margin and divided by gross MRR churn.

MRR churn. The average percentage of MRR lost in a month due to customers leaving our platforms.

Net MRR churn. The average percentage of MRR lost or gained (if negative) in a month due to the combined impact of customers leaving our platforms, customers upgrading or downgrading their accounts and price increases or reductions.

ARPU. Annualised MRR per paid user at a point in time.

3. Revenue and operating segments

The Group's operating segments comprise its three software products (Virtual Cabinet, SmartVault and GetBusy) and a corporate and central segment. Our Chief Executive Officer assesses Group performance on that basis.

H1 2019	**Document Management**		**Communication**		
	Virtual Cabinet £'000	**SmartVault £'000**	**GetBusy £'000**	**Corporate & central £'000**	**Total £'000**
Recurring revenue	3,440	1,946	-	-	5,386
Non-recurring revenue	677	88	-	-	765
Revenue from contracts with customers	**4,117**	**2,034**	**-**	**-**	**6,151**
Cost of sales	(72)	(407)	-	-	**(479)**
Gross profit	**4,045**	**1,627**	**-**	**-**	**5,672**
Sales, general and admin costs	(2,148)	(1,691)	(184)	(788)	**(4,811)**
Development costs	(351)	(385)	(409)	**-**	**(1,145)**
Adjusted profit / (loss) before tax	**1,546**	**(449)**	**(593)**	**(788)**	**(284)**
Capitalisation of development costs					224
Depreciation and amortisation on owned assets					(359)
Share option costs					(151)
Demerger, flotation and other non-underlying costs					-
Other finance income / (costs)					(1)
Loss before tax					**(571)**

H1 2018	**Document Management**		**Communication**		
	Virtual Cabinet £'000	**SmartVault £'000**	**GetBusy £'000**	**Corporate & central £'000**	**Total £'000**

Recurring revenue	2,962	1,534	-	-	4,496
Non-recurring revenue	618	42	-	-	660
Revenue from contracts with customers	**3,580**	**1,576**	**-**	**-**	**5,156**
Cost of sales	(118)	(170)	-	-	**(288)**
Gross profit	**3,462**	**1,406**	**-**	**-**	**4,868**
Sales, general and admin costs	(2,183)	(1,198)	-	(704)	**(4,085)**
Development costs	(345)	(430)	(500)	**-**	**(1,275)**
Adjusted profit / (loss) before tax	**934**	**(222)**	**(500)**	**(704)**	**(492)**
Capitalisation of development costs					160
Depreciation and amortisation on owned assets					(149)
Share option costs					(157)
Demerger, flotation and other non-underlying costs					(28)
Other finance income / (costs)					-
Loss before tax					**(666)**

4. Loss per share

The calculation of loss per share is based on the loss for the period of £571k (H1 2018: £487k).

Weighted number of shares calculation	**H1 2019 '000**	H1 2018 '000
Weighted average number of ordinary shares	**48,400**	48,400
Effect of potentially dilutive share options in issue	**5,674**	5,177
Weighted average number of ordinary shares (diluted)	**54,074**	53,577

Loss per share	**H1 2019 pence**	**H1 2018 pence**
Basic and diluted	(1.18)	(1.01)

As required by IAS33 (Earnings per Share), the impact of potentially dilutive options has been disregarded for the purposes of calculating diluted loss per share as the Group is currently loss making.