3 March 2020

GetBusy plc

2019 Full-year Audited Results

Sustained recurring revenue growth

GetBusy plc ("GetBusy", the "Company" or the "Group") (AIM: GETB), a developer of document management and communication software products, announces its audited results for the year ended 31 December 2019.

	2019	2018	Change	
	£'000	£'000	Reported currency	Constant currency+
Group total revenue	**12,661**	10,865	17%	15%
Group recurring revenue	**11,388**	9,468	20%	19%
Group adjusted loss before tax*	**(595)**	(834)	29%	n/a
Group loss before tax	**(1,180)**	(1,205)	2%	n/a
Net cash	**1,743**	2,486	(30)%	
Virtual Cabinet revenue	**8,325**	7,556	10%	11%
Virtual Cabinet adjusted profit before tax*	**3,372**	2,375	42%	n/a
SmartVault revenue	**4,336**	3,309	31%	25%
SmartVault adjusted loss before tax*	**(972)**	(716)	(36)%	n/a

Financial highlights

- Group recurring revenue up 20% in reported currency and 19% at constant currency from user growth and higher ARPU
- 31% total revenue growth in SmartVault (25% at constant currency) driven by strong US performance
- 10% total revenue growth in Virtual Cabinet (11% at constant currency)
- 42% growth in adjusted profit before tax for Virtual Cabinet, with operating margin up 9 percentage points to 41%
- Adjusted loss before tax improvement of 29% to £(595)k
- Statutory loss before tax reduced by 2% to £(1,180)k

Operational highlights

- Document Management paying users up 4,307 to 65,850
- Portal users up 31% to 1.6 million
- Further improvements to net Monthly Recurring Revenue churn in Virtual Cabinet (0.1%) and SmartVault (0.0%)
- SmartVault signed first major channel and integration agreement in UK with TaxCalc
- £1m of investment made in SmartVault customer acquisition and development to support future growth, including £0.4m to launch into UK market
- First paying users for GetBusy product

Daniel Rabie, CEO of GetBusy, commented:

"There has been excellent progress towards the strategic objectives for each of our products in 2019.

"SmartVault's recurring revenue growth has been very strong on the back of the significant ongoing investments in customer acquisition and product capabilities. The new year has started very well; the level of new sales achieved in January was a record by a substantial margin.

"We are pleased with Virtual Cabinet's operating margin improvement and impressive cash generation and expect the business to increase its margin further this year. The product enhancements we have made during 2019, and continue to make, help to provide ever increasing value to our user base of over 45,000.

"Obtaining our first paying users for GetBusy has been an important milestone. We are confident that the product presents a distinct value proposition for team productivity and we look forward to building channels and taking the product to market in 2020.

"Within our product portfolio we have an established brand that is well-respected and highly profitable, a rapidly growing and very scalable SaaS product that has clear product market fit and a new entrant that is seeking to carve out a lucrative niche in a sector that is undergoing disruption. This unique combination of products is a key enabler of our aim to be a long-term sustainable growth business."

* 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 full reconciliation is provided in Note 5.

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

GetBusy plc

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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. 1.6 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

The Group has an international reach, rapidly growing existing products, a proven business model, and strong momentum moving into the future.

Chairman's Statement

The momentum built up during 2018 continued throughout 2019, with the Group delivering 20% growth in recurring revenue and a 29% improvement in Adjusted Loss before Tax. Allowing for significant investments in product and customer acquisition, we've been particularly pleased with the way in which SmartVault is scaling and also the ability of Virtual Cabinet to generate significant operating margins and cash. In addition, our eponymous product, GetBusy, is entering the exciting product market fit phase and we will be working hard over the coming year to prove a viable and scalable model.

In December we announced the share capital reorganisation and conditional placing, which was approved by shareholders and implemented in January 2020. This was designed to simplify the Company's share register, reduce the costs of compliance, provide an attractive exit to our many small overseas shareholders, for whom share trading costs can be very high, and provide additional share liquidity in the market. We are pleased to welcome two new institutional investors onto our share register as a result of this transaction.

Readers will be aware of the devastating bushfires across Australia over the last few months. This has been a particularly difficult time for our team members in Sydney, many of whom reside in the outskirts and have been living under the sustained threat of evacuation. I am delighted at the response of our wider team to support their colleagues down under, with a deluge of goodwill messages and a substantial amount raised, and matched by the Company, to support efforts to stem the ecological damage caused by the fires. It is this compassion and sense of team that makes GetBusy a very special place to work.

Following requests from a number of parties to increase the level of independent oversight at board level, the Board decided earlier in 2019 to begin the search for a new independent non-executive director. Not wishing for the Board to be over-sized and cost inefficient for a company of GetBusy's size, Greg Wilkinson offered not to seek re-election as a Director at the next AGM. Greg, who will remain a substantial shareholder and passionate supporter of the business, founded Reckon Limited and has played a key role in the creation of the document management group which eventually demerged from Reckon to become GetBusy. I know I speak on behalf of all the Board by saying that his no-nonsense, pragmatic insight and good humour will be missed by all, and we wish him well for the future; his selfless decision to step down is a real testament to the man.

We warmly welcome Paul Huberman to the Board as an independent non-executive director and we look forward to his contribution and the benefit of his significant public company experience.

Finally, I would like to thank all our team for their hard work in 2019. GetBusy's unique values are lived out every day by people across the Group; these values, and each of our people, are the source of our past success and the value that we create in the future.

Business review

We are pleased to report Group recurring revenue growth of 20% (19% at constant currency) to £11.4m, with total revenue up 17% (15% at constant currency) to £12.7m. Growth came from both our Virtual Cabinet and SmartVault businesses, with a particularly strong year from the latter. Our subscription revenue growth has come from a combination of new business (paid-for users increased by 7% to 65,850) and improved monetisation of the existing customer base (Group Annual Revenue Per User - ARPU - increased by 12% to £186).

Annualised Recurring Revenue at 31 December 2019 was £12.2m, up 19% at constant currency from a year ago. Recurring revenue grew from 87% of total revenue in 2018 to 90% in 2019; in H2 it was 92% of total.

There has been tremendous progress across each of our businesses in 2019.

SmartVault's sales model has demonstrated excellent scalability, with Annual Contracted Value (ACV) from new customers up 27% on 2018 and investments in product, customer acquisition and retention that position us well for sustained strong growth. SmartVault was successfully migrated to Amazon Web Services, substantially improving the scalability, speed, stability and security of the product. We signed our first channel and integration agreement in the UK with TaxCalc and we have built out a dedicated customer success function to focus on reducing churn.

Virtual Cabinet launched its suite of mobility apps, collectively known as *Virtual Cabinet Go*, and introduced messaging and multiple branding into its portal, which reaches over 600,000 registered users. We also had some first successes in selling Virtual Cabinet into the US market, with some keystone clients among reputable mid-tier accounting networks.

GetBusy matured significantly as a product and now has an operational infrastructure around it as we attempt to prove the market and move to monetisation. We acquired our first paying users and we move into 2020 poised to learn rapidly in the product market fit phase.

Adjusted Loss for the year was £(0.6)m, a reduction of £0.2m compared to 2018. We continue to invest a significant proportion of incremental revenue back into growth where we see favourable leading indicators, such as in new customer acquisition for SmartVault. We finished the year with £1.7m of cash, down from £2.5m in 2018.

SmartVault

SmartVault is a cloud document management platform and portal for small and medium sized businesses. SmartVault's customer base 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.

Revenue

Continued new customer growth and better monetisation of the installed base led to a 30% (25% increase at constant currency) increase in recurring revenue to £4.2m. Total ACV from new customers was 27% ahead of 2018, a reflection of an increasingly well-honed lead generation engine and outstanding sales execution. 42% of product demonstrations in 2019 successfully converted to new customers.

During H2 we implemented a rationalisation of pricing plans for existing customers. Over the 11 years of SmartVault's existence, there has been a proliferation of plans. In many cases for older customers, the value the product brings was significantly undervalued in the price being charged, including when compared to alternative offerings. In addition, the plan structures were complex, creating an operational burden to maintain. The plan rationalisation and simplification has contributed to a 22% ARPU increase over 2019; ARPU was £232 / $302 per year at 31 December.

The number of paid users at the end of the period was 7.7% higher than 31 December 2019, at 20,599. During H2 strong new user growth was offset by a reduction of 400 users from within a particularly large, old, non-accountant customer with a low ARPU (68% lower than SmartVault's average), together with customers subject to the pricing plan rationalisation removing dormant users to reduce costs.

Net Monthly Recurring Revenue (MRR) churn for 2019 improved to an average of 0.0% per month (2018: 0.5%), with the impact of the plan rationalisation having a strong positive impact. Removing the impact of the plan rationalisation leads to net MRR churn that is comparable with 2018. Churn reduction is a key focus for 2020 and beyond; during 2019 we created a customer success team to focus on customer retention and monetisation and we are investing significantly into product development to improve the user experience.

Non-recurring revenue of £0.1m comprises sales of electronic signatures through SmartVault's DocuSign integration, temporary seasonal licences for the busy tax-preparation season and premium onboarding and training services. The 62% increase compared to 2018 is a result of the first full year of the DocuSign arrangement, together with a larger installed base to which seasonal licences can be sold.

SmartVault's expansion into the UK is progressing well, with in-country marketing, sales and consulting staff now in place. This year has been about building brand presence and forging alliances with industry bodies and potential channel partners. In November we announced SmartVault's channel agreement with TaxCalc, a leading UK supplier of practice management, client management and compliance software to accountants and tax advisers with an installed base of over 8,000 accountancy practices and over 30,000 individual taxpayers across the UK. Under the agreement, TaxCalc has become a non-exclusive reseller of our SmartVault product to current and prospective TaxCalc customers in the UK and overseas. We are jointly developing an integration between the two products and will be co-marketing the integrated product suite.

SmartVault closed 2019 with ARR of £4.8m / $6.2m, which is 32% ahead of December 2018 in constant currency.

Gross margin

As expected, gross margin of 82% was lower than in 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 was 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. In H2 we worked to optimise costs and now have a sustainable balance of robustness and cost efficiency. The cash costs of operating in AWS compared to the previous environment are broadly 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 likely to remain in line with 2019 for the foreseeable future.

Overheads

Development costs of £0.9m were a little lower than 2018 owing to lower levels of resource in the first half of the year. Key areas of development during the year included the AWS migration, the development of functionality and customisation for our entry into the UK market, product enhancements to support the plan rationalisation. Towards the end of the year we launched a significant investment in product design and functionality, aimed at improving the user experience and broadening the appeal of SmartVault outside of our key accounting and tax vertical as well as increasing our capacity to create new integrations with partner apps, which can serve as channels. Additionally, we are examining product initiatives aimed at monetising SmartVault's base of over 1 million portal users, who currently interact with the product for no charge. Consequently, our development investment in 2020 will be roughly 75% higher than 2019, with most of the investment in additional people.

SG&A costs increased 36% to £3.6m due to the £1m of investments we have been making over the last year in customer acquisition teams, customer success teams and technology to capitalise on strong LTV : CAC ratios in the US and to establish our foothold in the UK. Commissions and employee incentive payments have also been significantly above the levels of 2018 following a record year.

Adjusted loss before tax was £(1.0)m, £0.3m higher than in 2018 due to the additional customer acquisition, customer success and development investments to support sustained future growth.

Customer acquisition efficiency

Our LTV : CAC ratio for SmartVault as a whole was 3.8 : 1, compared to 6:1 in 2018, primarily due to the expected drag caused by the relative inefficiency of our less mature UK customer acquisition spend and our previously announced accelerated investment in US customer acquisition. Our LTV : CAC for SmartVault in the US was 4.7 : 1 for the year as a whole, a figure which gives us significant confidence in the scalability of our customer acquisition model.

Looking ahead

During 2020 our focus will be on successful scaling and sustained execution in the US market. While much of this growth will come from within existing verticals and channels, we expect to add to those channels and broaden our vertical market appeal outside of the accounting and bookkeeping sector during the year. Efforts to reduce churn will increase, with our dedicated customer success team taking a leading role, backed by investments in the product to improve the user experience. We aim to consolidate our foothold in the UK, growing our customer base within the TaxCalc channel, improving our UK product offering and brand recognition and developing a more predictable, growing sales model. While we expect our 2020 product development investments to have some benefit in the year, particularly around churn reduction, we expect much of the benefit in new customer acquisition to follow in subsequent periods.

SmartVault is well placed to capitalise on a sizeable opportunity to scale rapidly, with a committed, ambitious, motivated and aligned management team in place. We are confident that our additional investments will have a significant impact on the long-term sustainable future for the business.

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. 56% 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.

Revenue

Virtual Cabinet recurring revenue increased by 16% to £7.2m, a reflection of continued new customer wins together with additional revenue from the existing client base. The number of paid users increased over the period by 7% to 45,251, ARPU increased by 6.7%% to £165 and net monthly MRR churn was 0.1%, compared with 0.3% for the year ended 31 December 2018. Annualised monthly recurring revenue at 31 December was £7.5m, an increase of 14% compared to 31 December 2018.

Notable in 2019 has been the range of customer size for new Virtual Cabinet customers, from single user firms to as high as 600 users, which demonstrates the flexibility of the Virtual Cabinet product. The median customer size was 6 users. To support this range of deal sizes we have developed a remote delivery, installation and training model for the smallest and simplest customer situations, which saves travel costs and valuable consultant time.

During 2019 we have started to build Virtual Cabinet's presence in the US accountancy sector, a market that is four times the size of the UK and contains significantly more large-scale firms. 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, decreased 13% to £1.1m. This expected reduction is partly a product of the transition of the revenue model from an upfront, perpetual licence model to a higher value recurring subscription model. In 2019, only 31% of our new customer orders contained an upfront component, with the remainder on a pure subscription basis. In addition, the comparative period contained an unusually high volume of smaller one-off consulting projects related to the GDPR implementation deadline in May 2018.

Total revenue of £8.3m was a 10% increase (11% at constant currency) compared to 2018 with the proportion of recurring revenue increasing from 83% to 86%, a trend we expect to continue. Gross margin remained reasonably consistent at 98%.

Overheads

Development spend increased markedly compared to 2018 to £0.7m (2018: £0.4m) as a result of a reallocation of resources in H2 2018 to assist with the SmartVault migration to AWS. The key focus area of development in 2019 was our suite of mobility products, collectively known as Virtual Cabinet Go; these products 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.

Additionally, we have significantly enhanced the capabilities of the Virtual Cabinet Portal, including introducing a messaging capability, the option for multiple branding for customers (for example, an accountancy firm that has different brands for corporate work and private client work) and a doubling of the maximum document size.

SG&A costs decreased by 11% to £4.0m, primarily due to lower staff costs, sales commissions and travel. We have reduced the size of our sales and consulting team in Australia in order to match delivery capacity with expected order intake in a relatively saturated market for on-premise products. 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. These savings have been offset to an extent by redundancy costs in Australia.

Adjusted Profit increased by 42% to £3.4m with operating margin improving significantly from 31% to 41%.

Looking ahead

In 2020, we expect continued growth in recurring revenue for Virtual Cabinet, from a combination of new business and upsell to existing customers. This growth may be at a more modest rate than in 2019, which benefitted from two of Virtual Cabinet's largest ever installations in the first half. Non-recurring revenue will continue to decrease due to the impact of the shift in model to pure subscription. Generating operational leverage through cost control and the use of scalable technologies remains a priority for the team and we would expect to see a further increase in operating margin to the 42% - 45% range.

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.

GetBusy is a natural evolution of our existing products. We have over 20 years' experience addressing the universal need for businesses to work in a collaborative way and capture, organise, process, action, discover & share information. We believe GetBusy has the potential to open significantly larger addressable markets for the Group as the problems it solves are generic rather than specific to certain sectors.

The progress in functionality that the GetBusy product has made over 2019 has been substantial. Multi-participant threads, teams, SmartViews, personal tags, contact imports and integrations with Google Drive, Dropbox and Instagram, have all been implemented during the year, together with a major visual design refresh and the launch of our Android app.

During 2019, in addition to the spend on developing the product, we built the operational architecture around the product. This included installing and configuring a billing system, payments gateway and analytics tools to provide us with valuable insight into users' behaviours. We have tested multiple value propositions for the product via a variety of marketing channels, generated a bank of content to help with onboarding and converting active users into paid users and started to test pricing plans. We enter 2020 with a healthy funnel of leads generated by this marketing effort, on which we will seek to capitalise in the coming months as we look to prove commercial viability

During Q4 we began to see our first small cohort of paying users, a significant milestone for the team. This has given us the confidence to recruit our first dedicated customer success and channel development team members in early 2020. This team is solely focussed on acquiring paying users and identifying and developing channel partners, with the ambition of demonstrating a scalable and economically viable customer acquisition cost.

Total spend on GetBusy in 2019 was £1.4m, a £0.5m increase compared to 2018. The increase reflects the operational infrastructure that we have started to build around the product as well as spend on test marketing and content generation as we continue the journey to find product-market fit.

Items reconciling Adjusted Loss with Loss before Tax

On an IFRS basis, we have capitalised £0.3m of development costs in 2019, which relates solely to work carried out on Virtual Cabinet and SmartVault. Capitalised amounts in 2019 relate, amongst other things, to the migration of SmartVault to AWS, the development of the *VC Go* suite of mobility apps and the creation of key integrations for SmartVault. No costs related to the development of GetBusy have been capitalised as there is insufficient certainty over the commercial viability of that product at this stage.

During H1 in 2020 our UK team will move to new office premises. The overlap of the new and old office premise leases has been treated as an onerous contract, with £40k of accelerated depreciation on the Right of Use – Leases asset for the old office and £22k of related expenditure.

The increase in depreciation on owned assets and amortisation is due to the impact of continued capitalisation of development costs.

The increase in share option costs to £0.4m is largely due to the increase in the provision for employment taxes due if options are exercised, which is driven by the Company's share price.

The loss for the year was £1,205k, an increase of £95k compared to 2018.

Tax

During 2019, the Group submitted claims for Research and Development tax relief in respect of financial years 2017 and 2018. The potential impact of these claims, which may lead to a material cash inflow in 2020, has not been recognised in the 2019 tax provision calculations in order to take a conservative stance before approval by HMRC.

The tax charge of £25k in 2019 (2018: credit of £195k) relates to our New Zealand company, which was profitable in the year. Taxable profits in other profitable jurisdictions are fully covered by brought-forward tax losses.

Balance sheet and cashflow

The most significant movement in non-current assets is the creation of the £220k right of use lease asset under IFRS16. This asset relates to the Group's leasehold offices in Cambridge, Houston and Sydney. The associated lease liability of £312k has been split between current and non-current.

The small increase in intangible assets is a result of the capitalised development spend offset by amortisation.

Overall working capital is in line with 2018, although there are some more significant movements within the constituent parts.

The reduction in trade and other receivables is partly due to the lower trade receivables in Virtual Cabinet in the UK, which is a result of the increasing proportion of customers who are on monthly billing, as opposed to annual, as we move to a pure subscription revenue model.

Trade and other payables increased £0.3m due to a combination of higher team bonus provisions, particularly in SmartVault, a £0.1m provision for an onerous lease for our existing UK offices (the lease for which will overlap with our new office for 5 months) and a higher rate of accrued spend in the final months of the year, the payment for which will be made in 2020.

Deferred revenue fell by £0.4m, mostly driven by the shift to monthly billing and pure subscription in Virtual Cabinet in the UK and the recognition of deferred revenue related to non-recurring revenue from licence and consulting deals in previous years.

Overall net liabilities at 31 December 2019 was £2.9m (up from £2.0m at 31 December 2018). This net liabilities position is a result of historic and current year losses combined with the creation of the demerger reserve at the time of demerger in 2017.

Total cash outflow for the year was £743k, with closing cash of £1.7m. The adjusted loss of £595k, a working capital outflow of £180k and capital expenditure of £131k were offset slightly by an exchange rate gain of £88k. The cashflow statement also shows the impact of the adoption of IFRS16 *Leases*, with offsetting entries for depreciation on right of use assets and the principal payments and interest on lease liabilities.

Whilst cashflow broadly follows our adjusted profit / loss figure, less any capital expenditure, there are a number of material items that will or may have an impact on cashflow in 2020:

- The subscription in January 2020 for 500,000 new ordinary shares at a price of £0.525 per share;
- Any receipt of successful research and development tax claims for the financial years 2017 and 2018, which is expected be around £0.6m, with a further claim for 2019 to follow; and
- The fit-out costs for our new UK office and the extension of our US office, which collectively may be between £0.2m and £0.3m.

Outlook

We expect SmartVault's growth to continue to be strong, underpinned by a very encouraging start to the new year and investment in product development and customer acquisition that will be at a higher run-rate than in 2019. Improvements in Virtual Cabinet's operating margin will be driven by strong operating leverage and more modest recurring revenue growth. We are not forecasting any material revenue for the GetBusy product at such an early stage, although we remain encouraged by the initial progress thus far.

Consolidated income statement

For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Revenue	3	**12,661**	10,865
Cost of sales		**(948)**	(537)
Gross profit		**11,713**	10,328
Operating costs		**(12,854)**	(11,528)
Net finance costs		**(39)**	(5)
Loss before tax	3	**(1,180)**	(1,205)
Loss before tax		**(1,180)**	(1,205)
Capitalised development costs		**(331)**	(412)
Depreciation and amortisation on owned assets		**456**	317
Share option costs		**286**	297
Social security costs on share options		**113**	-
Non-underlying costs		**62**	164
Finance (income) / costs not related to leases		**(1)**	5
Adjusted loss before tax		**(595)**	(834)
Tax		**(25)**	195
Loss for the period attributable to owners of the Company		**(1,205)**	(1,010)
Loss per share (pence)			
Basic and diluted	4	**(2.49)p**	(2.09)p

Consolidated statement of comprehensive income

For the year ended 31 December 2019

	2019 £'000	2018 £'000
Loss for the period	(1,205)	(1,010)
Other comprehensive income / (expense)		
Items that may be reclassified subsequently to profit or loss		
Tax recognised in equity	-	-
Exchange differences on translation of foreign operations	14	(41)
Other comprehensive income / (expense) net of tax	14	(41)
Total comprehensive income for the period	(1,191)	(1,051)

Consolidated balance sheet

At 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Intangible assets		646	569
Right of use assets - leases	**6**	220	-
Property, plant and equipment		143	218
Deferred tax asset		-	-
		1,009	787
Current assets			
Trade and other receivables		1,353	1,606
Current tax receivable		-	74
Cash and bank balances		1,743	2,486
		3,096	4,166
Total assets		4,105	4,953
Current liabilities			
Trade and other payables		(2,265)	(2,067)
Deferred revenue		(4,233)	(4,382)
Lease liabilities	**6**	(219)	-
Current tax payable		(30)	-
		(6,747)	(6,449)
Non-current liabilities			
Deferred revenue		(200)	(449)
Deferred tax liabilities		(6)	(6)
Lease liabilities	**6**	(96)	-
		(302)	(455)
Total liabilities		(7,049)	(6,904)
Net assets		(2,944)	(1,951)
Equity			
Share capital		73	73
Share premium account		2,756	2,756
Demerger reserve		(3,085)	(3,085)
Retained earnings		(2,688)	(1,695)
Equity attributable to shareholders of the parent		(2,944)	(1,951)

Consolidated statement of changes in equity

For the year ended 31 December 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	-	-	-	(1,205)	(1,205)
Exchange differences on translation of foreign operations, net of tax	-	-	-	14	14
Total comprehensive loss attributable to equity holders of the parent	**-**	**-**	**-**	**(1,191)**	**(1,191)**
Share option costs	-	-	-	286	286
	-	**-**	**-**	**286**	**286**
At 31 December 2019	**73**	**2,756**	**(3,085)**	**(2,688)**	**(2,944)**

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, net of tax	-	-	-	297	297
	-	-	-	297	297
At 31 December 2018	**73**	**2,756**	**(3,085)**	**(1,695)**	**(1,951)**

Consolidated cash flow statement

For the year ended 31 December 2019

	2019 £'000	2018 £'000
Adjusted loss before tax	(595)	(834)
Depreciation of right of use asset - leases	296	-
Increase in receivables	268	140
(Decrease) / increase in payables	(51)	120
(Decrease) / increase in deferred income	(397)	469
Cash used in operations	(479)	(105)
Non-underlying costs	-	(34)
Income taxes received / (paid)	74	17
Interest received / (paid)	1	5
Net cash used in operating activities	(404)	(117)
Purchases of property, plant and equipment	(63)	(78)
Proceeds on disposal of property, plant and equipment	-	24
Purchases of intangible assets	(68)	(35)
Net cash used in investing activities	(131)	(89)
Principal portion of lease payments	(256)	-
Interest on lease liabilities	(40)	-
Proceeds on issue of shares	-	-
Net cash used in financing activities	(296)	-
Net decrease in cash	(831)	(206)
Cash and bank balances at beginning of period	2,486	2,814
Effects of foreign exchange rates	88	(122)
Cash and bank balances at end of period	1,743	2,486

<u>Notes to the financial information</u>

1. <u>General information</u>

GetBusy plc is a public limited company ("Company") and is incorporated in England under the Companies Act 2006. The company's shares are traded on the Alternative Investment Market ("AIM"). The Company's registered office is Unit G, South Cambridge Business Park, Cambridge, CB22 3JH. The Company is a holding company for a group of companies ("Group") involved in the development and sale of awesome software helping customers with electronic document management and communication.

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

2. <u>Basis of preparation and accounting policies</u>

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 2019 were authorised for issue by the Board of Directors on 2 March 2020. 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.

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 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. Lifetime 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 and determines the allocation of resources on that basis.

2019	**Document Management**		**Communication**		
	Virtual Cabinet £'000	**SmartVault £'000**	**GetBusy £'000**	**Corporate & central £'000**	**Total £'000**
Recurring revenue	7,187	4,201	-	-	11,388
Non-recurring revenue	1,138	135	-	-	1,273
Revenue from contracts with customers	**8,325**	**4,336**	**-**	**-**	**12,661**
Cost of sales	(178)	(770)	-	-	**(948)**
Gross profit	**8,147**	**3,566**	**-**	**-**	**11,713**
Sales, general and admin costs	(4,033)	(3,640)	(472)	(1,618)	**(9,763)**
Development costs	(742)	(898)	(905)	-	**(2,545)**
Adjusted profit / (loss) before tax	**3,372**	**(972)**	**(1,377)**	**(1,618)**	**(595)**
Capitalisation of development costs					331
Depreciation and amortisation on owned assets					(456)
Share option costs					(286)
Social security costs on share options					(113)
Non-underlying costs					(62)
Other finance income / (costs)					1
Loss before tax					**(1,180)**

2018	**Document Management**		**Communication**		
	Virtual Cabinet £'000	**SmartVault £'000**	**GetBusy £'000**	**Corporate & central £'000**	**Total £'000**
Recurring revenue	6,242	3,226	-	-	9,468
Non-recurring revenue	1,314	83	-	-	1,397
Revenue from contracts with customers	**7,556**	**3,309**	**-**	**-**	**10,865**
Cost of sales	(205)	(365)	-	-	**(570)**
Gross profit	**7,351**	**2,944**	**-**	**-**	**10,295**

Sales, general and admin costs	(4,533)	(2,673)	(52)	(1,519)	**(8,777)**
Development costs	(443)	(987)	(922)	-	**(2,352)**
Adjusted profit / (loss) before tax	**2,375**	**(716)**	**(974)**	**(1,519)**	**(834)**
Capitalisation of development costs					412
Depreciation and amortisation on owned assets					(317)
Share option costs					(297)
Non-underlying costs					(164)
Other finance income / (costs)					(5)
Loss before tax					**(1,205)**

Recurring revenue is defined as revenue from subscription and support contracts. Non-recurring revenue is defined as revenue from software licences, consulting and licence upgrades. No customer represented more than 10% of our revenue in either period.

Revenue by territory of operation is shown below

2019	**UK**	**USA**	**Aus / NZ**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Recurring revenue	5,370	4,200	1,818	11,388
Non-recurring revenue	987	133	153	1,273
Revenue from contracts with customers	**6,357**	**4,333**	**1,971**	**12,661**

2018	**UK**	**USA**	**Aus / NZ**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Recurring revenue	4,644	3,226	1,598	9,468
Non-recurring revenue	1,154	83	160	1,397
Revenue from contracts with customers	**5,798**	**3,309**	**1,758**	**10,865**

4. Loss per share

The calculation of loss per share is based on the loss for the period of £1,210k (2018: £1,010k).

Weighted number of shares calculation	**2019 '000**	2018 '000
Weighted average number of ordinary shares (basic and diluted)	**48,400**	53,834

Loss per share	**2019 pence**	**2018 pence**
Basic and diluted	(2.49)	(2.09)

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. At 31 December 2019, there were 5,557,643 shares under option (2018: 5,673,991) that would become dilutive if the Group became profitable.

5. Reconciliation of Alternative Performance Measures – constant currency

A number of our key performance indicators are provided at "constant currency". The percentage change in a KPI is shown assuming the current year exchange rate is used to translate both the current year and prior year figures. The table below reconciles the constant currency figures to those reported.

Performance measure	**2019**	**2018 as originally reported**	**Constant currency adjustment**	**2018 at constant exchange rates**	**Change at reported exchange rates**	**Change at constant exchange rates**
Group recurring revenue	£11,388k	£9,468k	£(108k)	£9,576k	20%	19%
Group total revenue	£12,661k	£10,865k	£(108k)	£10,973k	17%	15%
SmartVault recurring revenue	£4,201k	£3,226k	£144k	£3,370k	30%	25%
SmartVault total revenue	£4,336k	£3,309k	£147k	£3,456k	31%	25%
Virtual Cabinet recurring revenue	£7,187k	£6,242k	£(36k)	£6,206k	15%	16%
Virtual Cabinet total revenue	£8,325k	£7,556k	£(39)k	£7,517k	10%	11%
Group Annualised Recurring Revenue	£12.3m	£10.3m	£(0.1)m	£10.2m	20%	19%

6. Leases

The Group adopted IFRS16 Leases with effect from 1 January 2019.

At the date of transition, a right of use asset of £545k was recognised, together with a lease liability of £633k, leading to a £88k reduction in net assets. At 31 December 2019, all of the right of use assets relate to office property leases. The Group has no other material leases or leases for low-value assets.

A reconciliation is provided below.

Right of Use Asset - Leases	**2019**
	£'000
At 1 January (upon initial recognition)	545
Additions	-
Depreciation	(296)
Impairment	(29)
At 31 December	**220**

The impairment charge of £29k relates to the Group's previous office premises in the UK, and fully writes-down the right-of-use asset as at 31 December 2019. The interest rate used to discount lease liabilities is 8%.

Interest on lease liabilities of £40k was recorded in Net Finance Costs during the year (2018: £nil).

The cash outflow for the Group's property leases was £382k (2018: £375k).

The Group's lease liabilities mature as follows:

Maturity dates of lease liabilities	**2019**
	£'000
Within one year	219
Within 1 to 5 years	96
More than 5 years	-
At 31 December	**315**

On 17 January 2020, the Group completed a lease for new office premises in the UK. The estimated asset of £661k and associated liability has not been recognised at the balance sheet date.