23 July 2020

GetBusy plc

("GetBusy" or the "Company" or the "Group")

2020 Half-year Results

Resilient recurring revenue growth

GetBusy plc (AIM: GETB), a leading developer of document management and productivity software products, announces its unaudited results for the six months ended 30 June 2020 (the "Period", "H1" or "H1 2020").

	H1 2020	H1 2019	Change	
	£'000	£'000	Reported currency	Constant currency+
Group total revenue	**6,972**	6,151	13%	13%
Group recurring revenue	**6,374**	5,386	18%	18%
Group adjusted loss before tax*	**(252)**	(284)	11%	n/a
Group loss before tax	**(712)**	(571)	(25)%	n/a
Net cash	**2,125**	1,946	9%	
SmartVault revenue	**2,742**	2,034	35%	32%
SmartVault adjusted loss before tax*	**(333)**	(449)	26%	n/a
Virtual Cabinet revenue	**4,230**	4,117	3%	4%
Virtual Cabinet adjusted profit before tax*	**1,994**	1,546	29%	n/a

Financial highlights

- Group recurring revenue up 18% from a combination of new business and higher revenue per user. SmartVault up 34% and Virtual Cabinet up 9%
- Gross margin increased to 93.1% (H1 2019: 92.2%) after cost optimisation in SmartVault
- Virtual Cabinet adjusted profit margin up 9 percentage points to 47%
- 11% reduction in adjusted loss before tax to £252k with additional product and growth investments offsetting revenue increase
- Statutory profit after tax of £800k (H1 2019: loss of £571k) driven by research and development tax refunds
- Net cash up £0.4m since 31 December 2019 to £2.1m

Operational highlights

- Smooth transition to full homeworking from March; team is in good health and has responded admirably
- Group annual revenue per user ("ARPU") up 8% to £201 since 31 December 2019
- Document Management paying users down 1% to 65,133 over Period due to churn of lower ARPU customers in Virtual Cabinet offset by SmartVault growth
- Over 100 paying users for GetBusy at 30 June albeit revenue in the Period was immaterial
- Net MRR Churn slightly higher at 0.6% for SmartVault and 0.2% for Virtual Cabinet

- SmartVault LTV:CAC ratio remained strong at 4.2:1, providing the basis for accelerated investment from H2 to drive higher future growth
- Share capital reorganisation completed in January

Daniel Rabie, CEO of GetBusy, comments:

"H1 2020 has been a unique period for every business across the world. I am very grateful to our versatile, dedicated and highly talented team for the way they have risen to the numerous operational and market challenges of the last 6 months, proving the resilience of our subscription business model with 18% growth in recurring revenue.

"The rapid changes to people's working lives accelerate trends towards fully digitised, paperless work practices that our document management products enable. The surge in remote working requires a new software toolset for many organisations and each of our products is a component of that toolset.

"In H2 we will capitalise on the enhanced growth opportunities that are in front of us, starting a program of accelerated investment in product capabilities and growth within our highly scalable SmartVault business to drive sustained growth in shareholder value over the coming years."

* 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 our alternative performance measures, together with a glossary of certain terms, 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.

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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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 Productivity software business that provides highly secure forms of digital document distribution, workflows and client chat. 1.9 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.

Group business review

During the turbulent economic environment in H1, we have benefitted from our resilient subscription revenue model and low levels of customer concentration. Demand from new customers for our products has generally been robust. Our people have risen admirably to the challenge of 100% remote working, with our wide use of cloud-based tools enabling a smooth transition. The core value of our products, enabling secure, digital working practices and remote working, has never been more apparent.

Total revenue increased by 13% to £7.0m. Recurring revenue increased by 18% to £6.4m, representing 91% of total revenue (H1 2019: 88%). Annualised recurring revenue as at 30 June 2020 was £13.1m, an increase of 7% over the Period (5% at constant currency).

Improved ARPU was a significant contributor for both Virtual Cabinet and SmartVault, with new users generally acquired at higher ARPU than those that have churned. Group ARPU increased over the Period by 8% (6% at constant currency) to £201, with both products contributing. This ARPU improvement was in part due to an improvement in the quality of the revenue base, with churn tending to be of lower value users. Total paying users were slightly down compared to 31 December 2019, with reductions of mostly lower ARPU users in Virtual Cabinet offset by increases in SmartVault.

Gross margin improved from 92.2% to 93.1%, principally due to SmartVault's improved cost efficiency within the Amazon Web Services ("AWS") environment, following the migration into AWS in early 2019.

Operating costs were 13.2% higher at £6.7m following the investment in SmartVault product, sales and marketing and GetBusy's customer acquisition team and operating infrastructure, offset by lower costs in Virtual Cabinet.

Adjusted Loss of £252k is an 11% reduction on H1 2019. Statutory loss before tax increased by 25% to £(712)k, reflecting higher non-cash share option costs following the implementation of a replacement incentive scheme that received shareholder approval in January 2020.

The tax credit of £1,512k is a result of the recognition of our UK R&D tax credit for 2017 and 2018, both of which have now been paid, and an estimate for the years 2019 and 2020. The tax credit contributes to a statutory profit for the 6 months of £800k, compared to a loss in H1 2019 of £(571)k.

Net cash increased by £0.4m to £2.1m. The receipt of UK R&D tax credit cash refunds, our US Paycheck Protection Program loan and a share subscription in January were offset by working capital movements and capital fitout expenditure on our new UK office.

SmartVault

SmartVault is a cloud document management platform and portal for small and medium sized businesses. Our financial objective for SmartVault is to drive sustained growth in high quality recurring subscription revenue.

Total revenue increased by 35% (32% at constant currency) to £2.7m. Recurring revenue was up 34% (32% in constant currency) to £2.6m, through a combination of new business and higher revenue per user. Annualised recurring revenue at 30 June 2020 was £5.6m, an increase of 16% (12% at constant currency) during the Period and 32% higher (30% at constant currency) than 30 June 2019.

The Annual Contract Value of sales to new customers in the Period was 37% higher than in H1 2019. The investments that we began making in 2019 to scale the sales and marketing functions are starting to bear fruit. The share of SmartVault recurring revenue generated in the UK increased from 1.7% in December 2019 to 2.6% in June as the UK customer acquisition model and TaxCalc channel started to mature. This growth was particularly pleasing given the challenging economic environment in the US, which was compounded by an emergency extension to federal tax deadlines, creating a degree of buying lethargy in our core accounting market.

LTV:CAC ratio, our measure of customer acquisition efficiency, averaged 4.2 in the Period (H1 2019: 4.1), meaning we expect to yield £4.20 of gross margin for every £1 of customer acquisition spend over the lifetime of a typical customer. These metrics remain consistent and favourable, warranting a sustained increase in customer acquisition investment.

The plan upgrades that were implemented in H2 2019 contributed towards an ARPU as at 30 June 2020 of $319 / £255, an increase of 6% since December 2019 and 20% higher than June 2019. Paying users increased by 5% over the period to 21,700.

Net MRR churn in H1 averaged 0.6% per month, compared to 0.0% over the whole of 2019. Whilst a little disappointing, we have significant projects underway to reduce churn rates in SmartVault, including product improvements and a wholesale overhaul of our customer success function, utilising state-of-the-art technology to improve customer interactions with the business.

Non-recurring revenue of £0.1m comprises sales of electronic signatures, temporary seasonal licences and premium onboarding and training services. The 43% increase is a result of an improved sales strategy for digital signatures, together with a larger installed base to which seasonal licences can be sold.

Overall overheads were 29% higher than H1 2019. A significant proportion of the increase is due to the expansion of the development team to implement improvements to the product more rapidly. This will support higher levels of investment in customer acquisition and give SmartVault greater capabilities to serve larger enterprises and alternative vertical markets.

SmartVault Adjusted Loss of £(0.3)m was a 26% reduction on the loss in H1 2019.

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

Total revenue was up 3% (4% at constant currency) to £4.2m. Recurring revenue was £3.8m, an increase of 9% (10% at constant currency). H1 was challenging for new customer acquisition. COVID-19 lockdowns in the UK and Australia had a significant impact on our ability to sell into new customers because the product often requires on-premise implementation and training; remote implementations tend to be for smaller, less complex customers. We saw some early signs of potential market recovery in June, which was a strong month for new orders, including securing a new UK Top 100 accountancy firm; the timing for implementation of those orders is more uncertain than usual at this stage, but receiving the orders was nonetheless encouraging.

Revenue growth was also adversely impacted by higher than usual customer downgrades during scheduled annual renewals. Whilst we have no material direct exposure to severely affected industries such as tourism, leisure and retail, clients in those sectors have tended to ask for support through contract suspensions or deferred payments, which we have accommodated where possible.

Net MRR Churn over the period was 0.2% per month (H1 2019: 0.1%). This reflects strong upsell revenue from customers and higher ARPU arising from annual price increases. Upgrade sales have been driven by add-on modules such as the Portal or mobile apps as customers have pushed these modules to a higher number of users that are now working remotely. These upgrades and ARPU improvements were offset by slightly higher customer churn, including two larger customers who were taken over by other firms that had mandated an alternative document management solution. Paying users decreased by 4% to 43,433 over the period, a reflection of the higher customer churn and limited new business, however this was offset by an ARPU increase of 4% to £173.

Non-recurring revenue, which includes consulting and perpetual licence sales, decreased 30% to £0.5m. We expected a reduction due to the transition of the revenue model from an upfront, perpetual licence model to a higher value recurring subscription model. In addition, however, the volume of chargeable consulting work was down significantly because of access restrictions to client sites.

Overheads in H1 were 14% lower than H1 2019. This is largely a result of changes made in Australia during 2019 to reduce the size of our sales and consulting team to match delivery capacity with expected order intake. In addition, we have redeployed certain operational staff to other areas of the business following efforts to use technology to automate internal processes.

A handful of client-facing delivery engineers in the UK were temporarily furloughed as they were unable to access client sites, but all were back working full-time by mid-June.

Pleasingly, adjusted profit increased by 28% to £2.0m, with adjusted profit margin increasing from 38% to 47%, a level we would expect to maintain for the foreseeable future.

GetBusy

GetBusy is our new product that helps people organise, manage and collaborate around tasks. 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.

Over the Period, we have continued the journey of finding product-market fit for GetBusy through concurrent testing of different channels and value propositions. These channels include digital inbound lead generation, using pay-per-click and social advertising, developing relationships with integration partners to enable GetBusy to be sold into another product's installed user base, and upselling the product into our existing document management customer base. Product improvements, integrations and new features have continued to be released at a brisk rate.

It is still early days. Revenue in H1 2020 was immaterial, but we have seen some encouraging progress and leading indicators. By 30 June 2020, the number of paying users exceeded 100. The conversion of online product demonstrations into new paying customers has been at a rate that is comparable with SmartVault, a much more mature product that has clear product-market fit. Online public reviews of the product have been overwhelmingly favourable. We have got better at articulating the value that the product brings and the use cases, roles and industries where that value is strongest. We have secured our first integration partner, a global ERP software business with over 20,000 customers globally. Towards the end of H1 we started to generate leads at attractive costs that have potential to scale and generate favourable return. Each month we are improving our ability to gather data from leads, visitors to the website and product users, allowing us to gain insight into the customer journey and understand what is working and what isn't.

But, despite these efforts, we haven't yet proven its ability to scale. We don't yet have a sustained and consistent track record of cost-effective lead generation. We need to mature our pricing model to better reflect the value delivered. We don't yet have a well-defined, clearly addressable market in which GetBusy is proving indispensable.

So we will continue along that path during H2 2020. Our objective in the short term remains to identify at least one clear value proposition and channel in which the product is indispensable and which we can access economically. Additional product improvements, including the introduction of digital signatures, will support those efforts.

Our H1 spend of £1.1m compares to £0.6m in H1 2019, when we did not yet have a sales and marketing and operational infrastructure. We expect a similar run-rate during H2.

Cashflow and working capital

We are pleased to have seen an easing of the payment delays for Virtual Cabinet customers that we reported in our AGM trading update. Trade receivables are now broadly back to the position we would expect at this time in the year. Where possible, we converted customers to monthly billing arrangements and switched payment to direct debit, which requires less credit control effort.

We have had a number of significant cash inflows in H1. We received £682k in respect of our UK research and development tax credits for 2017 and 2018, £263k from the director share subscription in January and $515k / £419k as a loan from the Paycheck Protection Program ("PPP") in the US. Under the rules of the PPP, we will apply for the loan to be forgiven in the coming months and, to the extent that our application is successful, it will be recorded as other income during H2. We would expect the cash value of our R&D tax credit for 2019 and 2020 to be around £0.5m per year.

These inflows were offset by our adjusted loss of £(252)k, capital expenditure on the fitout of our new UK office of £284k, a working capital outflow, mostly in respect of the payment of costs that were accrued at 31 December 2019, and a £429k unwind of deferred revenue.

Net cash at 30 June was £2.1m, up £0.4m from our position at 31 December 2019.

Outlook

The unique business environment during H1 2020 has proved to us the resilience of our subscription business model. The changes to people's working lives accelerate trends towards fully digitised, paperless work practices that our document management products enable. The surge in remote working requires a new software toolset for many organisations and each of our products is a component of that toolset.

We believe these trends are a catalyst for significant growth potential over the medium and long term.

Our focus for GetBusy during H2 will be to continue the process of finding product-market fit and to identify scalable channels to allow us to access a broader addressable market.

Virtual Cabinet will see high levels of operating leverage from its growth in revenues and we expect it to remain a generator of significant cash resources for the Group.

As a cloud product with clear product-market fit and reliable customer acquisition efficiency metrics, SmartVault is demonstrating the potential to scale more rapidly. As a result, starting in H2 2020 we will be increasing our investment in product improvement, customer acquisition capabilities and operational infrastructure to support enhanced growth. Predominantly they will comprise additions to the sales, marketing and customer success teams.

Our favourable cash position at the end of June and a track record of successful UK research and development tax cash refunds provide us with a high level of confidence that we have adequate cash resources to pursue our document management business strategy. To provide additional headroom and flexibility, we have recently received credit approval for a £2m, 3-year, multi-currency revolving credit facility, details of which will be announced following completion.

The impact of these investments will be an increase in our cost base from H2 2020. Once embedded and proven, we would expect those investments to lead to sustained and potentially enhanced recurring revenue growth rates in our SmartVault business beyond 2021, together with an improvement to the adjusted profit margin of the overall document management business.

Consolidated income statement

For the six months ended 30 June 2020

	Note	H1 2020 £'000 *Unaudited*	H1 2019 £'000 *Unaudited*	FY 2019 £'000 *Audited*
Revenue	3	**6,972**	6,151	12,661
Cost of sales		**(484)**	(479)	(948)
Gross profit		**6,488**	5,672	11,713
Operating costs		**(7,182)**	(6,243)	(12,854)
Net finance costs		**(18)**	-	(39)
Loss before tax	3	**(712)**	(571)	(1,180)
Loss before tax		**(712)**	(571)	(1,180)
Capitalised development costs		**(192)**	(224)	(331)
Depreciation and amortisation on owned assets		**287**	359	456
Share option costs		**370**	151	399
Non-underlying costs		**-**	-	62
Finance costs / (income) not related to leases		**(5)**	1	(1)
Adjusted loss before tax		**(252)**	(284)	(595)
Tax		**1,512**	-	(25)
Profit / (Loss) for the period attributable to owners of the Company		**800**	(571)	(1,205)
Earnings / (Loss) per share (pence)				
Basic		**1.64**	(1.18)	(2.49)
Diluted		**1.42**	(1.18)	(2.49)

Consolidated statement of comprehensive income

For the six months ended 30 June 2020

	H1 2020 £'000 *Unaudited*	H1 2019 £'000 *Unaudited*	FY 2019 £'000 *Audited*
Profit/ (Loss) for the period	800	(571)	(1,205)
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations	(243)	(13)	14
Other comprehensive income / (expense) net of tax	(243)	(13)	14
Total comprehensive income for the period	557	(584)	(1,191)

Consolidated balance sheet

At 30 June 2020

	30 June 2020 £'000 *Unaudited*	31 December 2019 £'000 *Audited*	30 June 2019 £'000 *Unaudited*
Non-current assets			
Intangible assets	**565**	646	505
Property, plant and equipment	**425**	143	223
Leases	**790**	220	418
	1,780	1,009	1,146
Current assets			
Trade and other receivables	**1,299**	1,353	1,820
Current tax receivable	**847**	-	74
Cash and bank balances	**2,125**	1,743	1,946
	4,271	3,096	3,840
Total assets	**6,051**	4,105	4,986
Current liabilities			
Trade and other payables	**(2,464)**	(2,265)	(2,167)
Deferred revenue	**(3,903)**	(4,233)	(4,541)
Lease liabilities	**(302)**	(219)	(328)
Current tax payable	**(47)**	(30)	-
	(6,716)	(6,747)	(7,036)
Non-current liabilities			
Deferred revenue	**(102)**	(200)	(251)
Loans and borrowings	**(420)**	-	-
Deferred tax liabilities	**(6)**	(6)	(6)
Lease liabilities	**(685)**	(96)	(165)
	(1,213)	(302)	(422)
Total liabilities	**(7,929)**	(7,049)	(7,458)
Net assets	**(1,878)**	(2,944)	(2,472)
Equity			
Share capital	**74**	73	73
Share premium account	**3,018**	2,756	2,756
Demerger reserve	**(3,085)**	(3,085)	(3,085)
Retained earnings	**(1,885)**	(2,688)	(2,216)
Equity attributable to shareholders of the parent	**(1,878)**	(2,944)	(2,472)

Consolidated statement of changes in equity

For the six months ended 30 June 2020

2020 ***Unaudited***	**Share capital £'000**	**Share premium account £'000**	**Demerger Reserve £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2020	**73**	**2,756**	**(3,085)**	**(2,688)**	**(2,944)**
Profit for the period	-	-	-	800	800
Exchange differences on translation of foreign operations, net of tax	-	-	-	(243)	(243)
Total comprehensive profit attributable to equity holders of the parent	**-**	**-**	**-**	**557**	**557**
Issue of ordinary shares	1	262			263
Total transactions with owners of the Company	1	262	-	-	263
Share option costs	-	-	-	246	246
	-	**-**	**-**	**246**	**246**
At 30 June 2020	**74**	**3,018**	**(3,085)**	**(1,885)**	**(1,878)**

2019 ***Unaudited***	**Share capital £'000**	**Share premium account £'000**	**Demerger Reserve £'000**	**Retained earnings £'000**	**Total £'000**
At 1 January 2019	**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)**

2019 *Audited*	**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)**

Consolidated cash flow statement

For the six months ended 30 June 2020

	H1 2020 £'000 *Unaudited*	H1 2019 £'000 *Unaudited*	FY 2019 £'000 *Audited*
Adjusted loss before tax	**(252)**	(284)	(595)
Increase/ (decrease) in receivables	**251**	(514)	268
(Decrease) / increase in payables	**(117)**	381	(51)
Decrease in deferred income	**(429)**	(39)	(397)
Cash used in operations	**(547)**	(456)	(775)
Income taxes received	**682**	-	74
Interest received	**5**	-	1
Net cash from operating activities	**140**	(456)	(700)
Purchases of property, plant and equipment	**(284)**	(27)	(63)
Purchases of other intangible assets	**(3)**	(49)	(68)
Net cash used in investing activities	**(287)**	(76)	(131)
Proceeds on issue of shares	**263**	-	-
Proceeds from loans and borrowings	**419**	-	-
Net cash from financing activities	**682**	-	-
Net decrease in cash	**535**	(532)	(831)
Cash and bank balances at beginning of period	**1,743**	2,486	2,486
Effects of foreign exchange rates	**(153)**	(8)	88
Cash and bank balances at end of period	**2,125**	1,946	1,743

Notes to the financial information

1. General information

These interim financial statements are for the six months ended 30 June 2020. 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 2019.

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 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.

These interim financial statements are prepared on the same basis as the financial statements for the year ended 31 December 2019, in which our full set of accounting policies, including critical judgements and key sources of estimation uncertainty, can be found.

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 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 2020 ***Unaudited***	**Document Management**		**Task management**		
	Virtual Cabinet £'000	**SmartVault £'000**	**GetBusy £'000**	**Corporate & central £'000**	**Total £'000**
Recurring revenue	3,758	2,617	-	-	6,375
Non-recurring revenue	471	126	-	-	597
Revenue from contracts with customers	**4,229**	**2,742**	**-**	**-**	**6,972**
Cost of sales	(78)	(393)	(13)	-	**(484)**
Gross profit	**4,151**	**2,350**	**(13)**	**-**	**6,488**
Sales, general and admin costs	(1,788)	(1,959)	(569)	(819)	**(5,135)**
Development costs	(369)	(724)	(512)	**-**	**(1,605)**
Adjusted profit / (loss) before tax	**1,994**	**(333)**	**(1,094)**	**(819)**	**(252)**
Capitalisation of development costs					192
Depreciation and amortisation on owned assets					(287)
Share option costs					(370)
Other finance income / (costs)					5
Loss before tax					**(712)**

H1 2019 ***Unaudited***	**Document Management**		**Task management**		
	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)**

2019 Audited	**Document Management**		**Task management**		
	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)**

4. Earnings per share

The calculation of earnings per share is based on the profit for the period of £800k (H1 2019: loss of £571k).

Weighted number of shares calculation	**H1 2020 '000 *Unaudited***	**H1 2019 '000 *Unaudited***	**FY 2019 '000 *Audited***
Weighted average number of ordinary shares	**48,867**	48,400	48,400
Effect of potentially dilutive share options in issue	**7,342**	5,674	5,557
Weighted average number of ordinary shares (diluted)	**56,209**	54,074	53,957

Earnings / (Loss) per share	**H1 2020 pence *Unaudited***	**H1 2019 pence *Unaudited***	**FY 2019 pence *Audited***
Basic	1.64	(1.18)	(2.49)
Diluted	1.42	(1.18)	(2.49)

As required by IAS33 (Earnings per Share), the impact of potentially dilutive options was disregarded in H1 2019 and FY 2019 for the purposes of calculating diluted loss per share as the Group was loss making.