

Alfa[^]

H1 2018 Interim Results
4 September 2018

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In the tables accompanying this presentation the Company sets forth its supplemental non-IFRS figures for revenue at constant currency, Adjusted EBIT, Adjusted EBIT at constant currency, Adjusted EBIT margin, Adjusted Earnings and Adjusted earnings per share- diluted. Adjusted EBIT and Adjusted Earnings, exclude the effect of IPO-related charges and share based payment expenses, and the income tax effect of the non-IFRS adjustments on Adjusted Earnings. The tables also set forth the most comparable IFRS financial measure and reconciliations of this information with non-IFRS information.

See the “Definitions” slide at the back of this presentation for further information.



Agenda

- Financial review**
Viv Maclachlan, CFO
-

- Business and sales update**
Andrew Denton, CEO
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- Summary**
Andrew Denton, CEO
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- Q&A**
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- Definitions**
-



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Financial Review

Viv Maclachlan, CFO



H1 2018 – at a glance

Financial and operational highlights

£32.9 m

Revenue

H1 2017: £45.1m

(21%)

Revenue movement⁽¹⁾

At constant currency

£8.6 m

Operating profit

H1 2017: £21.4m Adjusted EBIT⁽¹⁾

26%

Operating profit margin

H1 2017: 47% Adj EBIT margin⁽¹⁾

337

Headcount

31 Dec 2017: 329

92%

Staff retention rate

Over the last twelve months

5

Ongoing Implementations

2017: 7

15

ODS customers⁽²⁾

H1 2017: 11

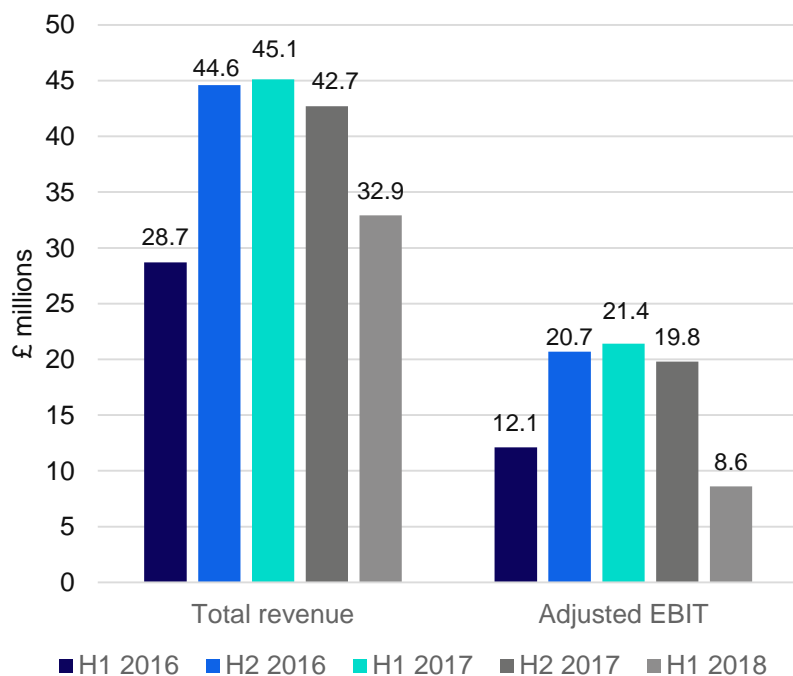
(1) Constant currency, Adjusted EBIT and Adjusted EBIT margin are not measures specifically defined by IFRS. See "Definitions" for further information.

(2) ODS customers contributing >£100,000 in revenue in six month period

H1 2018 Income Statement analysis

An overview of key metrics

Key Financial Metrics	H1	H1	% Movement
	2017	2018	
	£m	£m	
Revenue	45.1	32.9	(27%)
Revenue – constant currency	41.8	33.0	(21%)
Operating profit	14.0	8.6	(39%)
Adjusted EBIT	21.4	8.6	(60%)
Adjusted EBIT – constant currency	18.7	8.7	(53%)
Profit for the period	10.1	6.7	(34%)

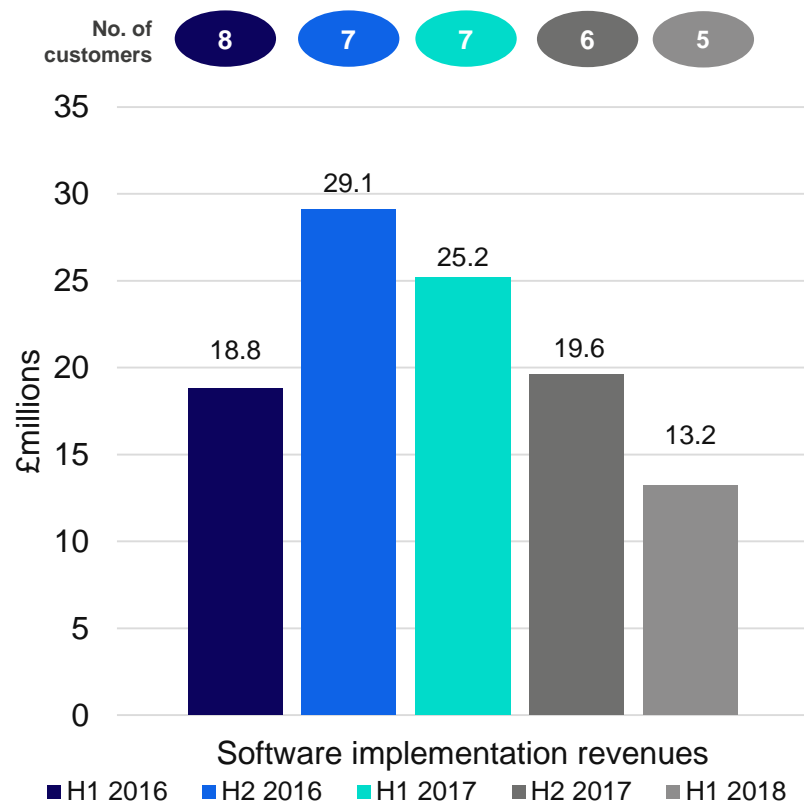


Overview

- Revenues impacted by:
 - Smaller number of software implementations with a lower TCV of new software implementations
 - Weakening of US dollar
 - Software implementation customer paused
 - Software implementation customer re-planned go-live, increased TCV overall with license write-back
- Operating profit margin impacted by:
 - Decreased revenue and
 - Marginal increase in administrative costs related to being a PLC
- TCV of £106 million, (Jan 2018: £111 million) comprising
 - £38 million software implementation revenues
 - £14 million ODS
 - £54 million maintenance

H1 2018 Income Statement analysis

Software implementation revenues



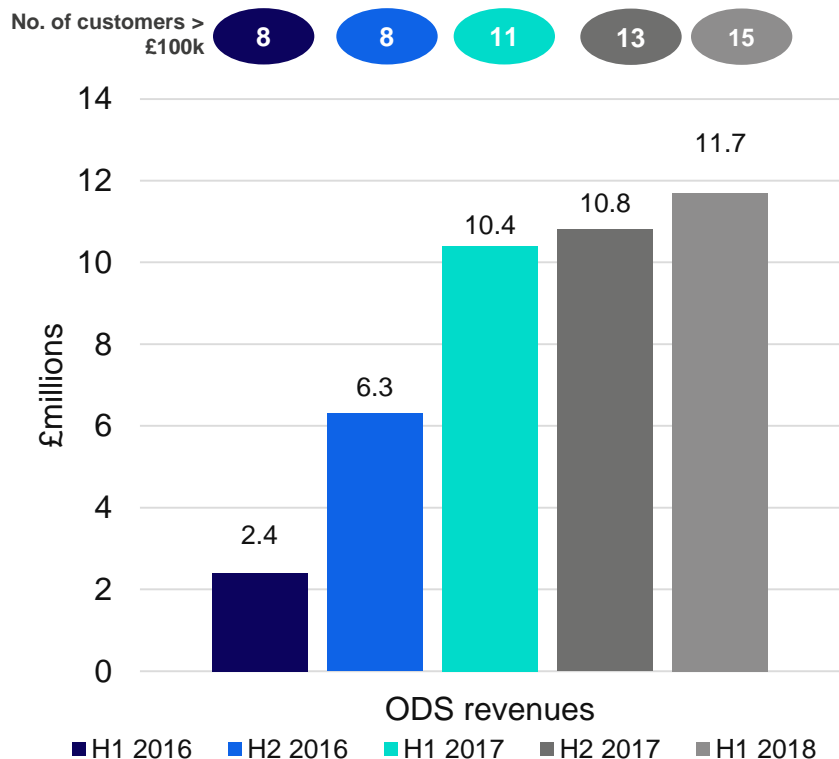
£m	H1 2017	H2 2017	H1 2018
New	-	3.6	7.2
Ongoing	12.5	11.4	6.1
Completed	11.8	4.4	-
Unrealised gain/(loss)	0.9	0.2	(0.1)
Total software implementation revenues	25.2	19.6	13.2

Software implementation revenues

- 5 ongoing software implementations
 - 2 ongoing projects which pre-date 1 Jan 17
 - 2 new customers won in June 2017
 - 1 new customer won in March 2018
- As announced on 1 June 2018, 1 paused ongoing software implementation
- 2nd ongoing project re-planned, contributing an additional £10.0 million to TCV, with £1.7 million write back of license in H1 2018
- 83% of software implementation revenues denominated in US dollars.
- Software implementation projects due to complete as follows;
 - 2019: 2
 - 2020: 1
 - 2021: 2

H1 2018 Income Statement analysis

ODS revenues



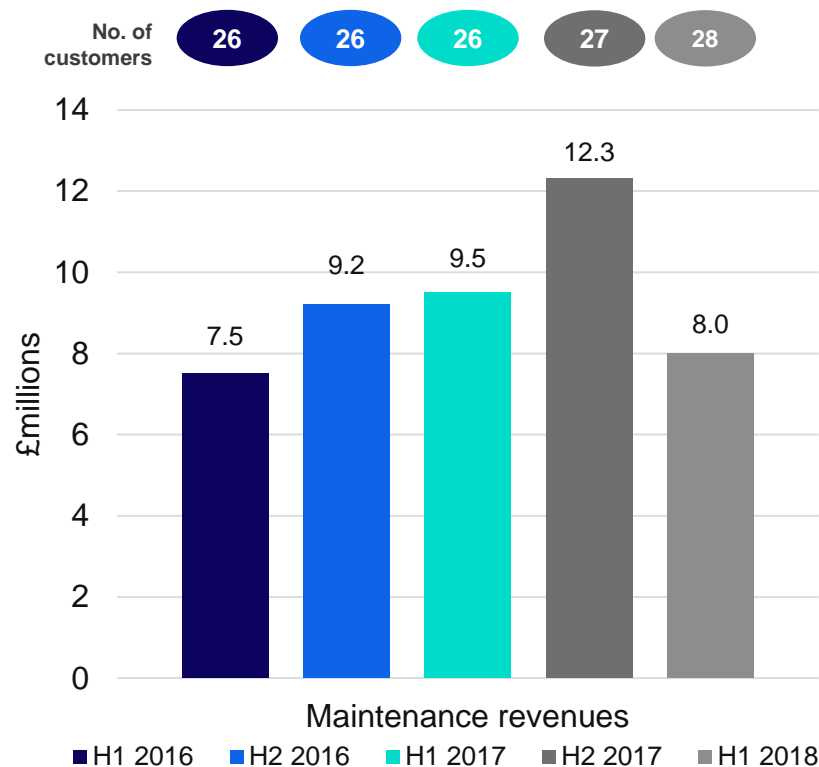
£m	H1 2017	H2 2017	H1 2018
New	0.4	2.9	4.9
Ongoing	7.7	6.9	6.8
Completed	-	0.9	-
Non-recurring	2.0	-	-
Unrealised gain/(loss)	0.3	0.1	-
Total ODS revenues	10.4	10.8	11.7

ODS revenues

- Customer numbers increased from H1 2017 due to completed implementations during 2017
- New ODS revenues generated £4.9 million
 - Average ODS revenue per new customer was £1.0 million; and
 - 3 of the 5 new ODS customers are 1 year post go-live
- Continued organic growth from existing ODS customer base in comparison to H1 2017
 - 10 customers over £100k (H1 2017:9)
- Previously disclosed £2.0 million non-recurring release of deferred revenue in H1 2017
- Of the £11.0 million TCV disclosed at year end, £8.5 million has been generated in H1 2018
- ODS demand remains in line with expectation

H1 2018 Income Statement analysis

Maintenance revenues



£m	H1 2017	H2 2017	H1 2018
Ongoing	6.8	8.4	7.7
New	-	0.1	0.2
Lost	0.9	1.0	0.1
Non-recurring	1.7	2.6	-
Unrealised gain/(loss)	0.1	0.2	-
Total maintenance revenues	9.5	12.3	8.0

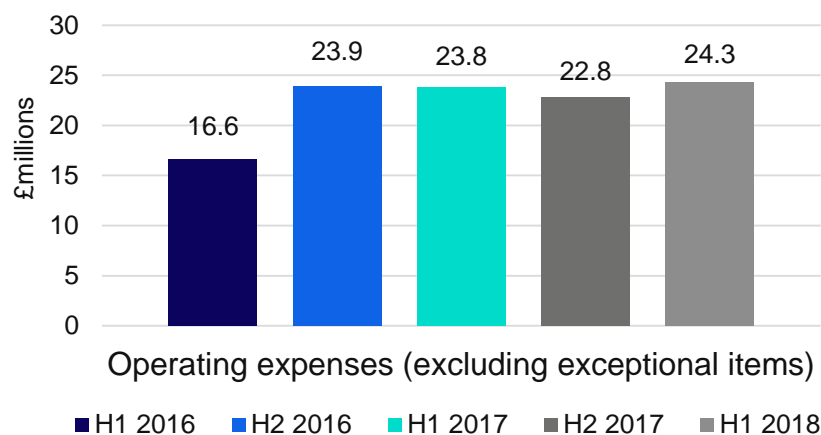
Maintenance revenues

- Ongoing maintenance increased by 11% in comparison to H1 2017 due to
 - Underlying annual increases generally agreed in May of each year; and
 - Benefits of increased portfolio sizes; offset by
 - Maintenance on paused project
- New maintenance relates to June 2017 and March 2018 customers won and currently in software implementation phase
- Lost contracts relates to 4 customers who had served notice to terminate during 2017
- Majority of maintenance agreements run May through April
 - £10.2 million of maintenance amounts collected in Q2 2018
- No non-recurring items in 2018

H1 2018 Income Statement analysis

Expense analysis

£m	H1 2017	H2 2017	H1 2018
Personnel expenses	18.2	16.3	18.1
Advertising and marketing	0.4	0.4	0.4
Depreciation and amortisation	0.2	0.3	0.4
Property costs	0.9	0.9	1.2
Travel costs	2.0	2.0	2.1
IT costs	0.7	0.5	0.6
Advisor and professional fees	0.5	1.2	1.0
Insurance	0.1	-	0.3
Forex	0.4	0.7	(0.2)
Other	0.4	0.5	0.4
Operating expenses (excluding exceptional items)	23.8	22.8	24.3
Pre-IPO share based payments	4.4	-	-
IPO related-expenses	3.0	-	-
Total operating expenses	31.2	22.8	24.3



Expenses

- Personnel expenses account for 74% of operating expenses (excluding exceptional items) (H1 2017:77%)
- Increased head count in period although average annualized cost per person fell in 2018
- Expenses other than personnel include:
 - Property costs increased due to additional floor in London office; and
 - Advisor and professional fees increased due to increased cyber security work and other PLC related costs
- Foreign exchange gain due to translation of USD balances
- Other expenses includes general administrative costs
- No exceptional items in the period following H1 2017 expenses relating to pre-IPO employee share plans and costs of the IPO

H1 2018 Cash flow data

A high level analysis

£m	H1 2017	H1 2018
Operating profit	14.0	8.6
Depreciation and amortisation	0.2	0.4
Share based payments	4.4	0.1
Unrealised (gain)/loss on derivative financial instruments	(1.2)	0.1
Movements in trade and other receivables	(6.7)	(2.8)
Movements in trade and other payables	2.2	(3.0)
Movement in deferred license and maintenance	0.9	6.5
Cash generated from operations	13.8	9.9
Capital expenditure	(0.3)	(0.6)
Settlement of derivative instruments	(2.1)	-
Operating free cash flow generated	11.4	9.3
Tax paid	(3.5)	(4.1)
Amounts paid to Parent - net	(33.7)	-
Foreign exchange	-	(0.2)
Cash (outflow)/inflow in period	(25.8)	5.0
Cash and cash equivalents at end of period	20.5	36.3

Cash and cash equivalents

- Cash increase of £5.0 million
- H1 2018 Free Cash Flow Conversion of 109% compared to 53% in H1 2017 due to
 - Collection of £10.2 million maintenance amounts in Q2 2018;
 - Minimal losses on settlement of derivative instruments; offset by
 - Bonus payments in April and increased capital expenditure
- Non-cash license amounts recognised in 2018 decreased to £0.9 million in comparison to £2.8 million in H1 2017
- H1 2017 had £2.0 million of non-cash release of deferred revenue
- At 1 July 2018 there are \$3 million of USD forwards to settle at an average rate of £1.3590
 - To be settled in full during H2 2018

H1 2018 Balance Sheet

A high level analysis

£m	Dec 2017	Jun 2018
Total non-current assets	26.2	27.1
Current assets		
Trade receivables and contract assets	12.4	16.2
Prepayments and other receivables	2.4	1.5
Cash and cash equivalents	31.3	36.3
Total current assets	46.1	54.0
Total assets	72.3	81.1
Current liabilities		
Trade payables	7.4	4.6
Contract liabilities – software	1.7	3.9
Contract liabilities - maintenance	5.0	9.3
Other	4.0	1.8
Total current liabilities	18.1	19.6
Total non-current liabilities	0.1	0.4
Total liabilities	18.2	20.0
Equity attributable to parent	54.1	61.1
Total liabilities and equity	72.3	81.1

Balance sheet

- Non-current assets increase due to investment in HR and finance system
- Trade receivables and contract assets increased due to
 - £3.7 million license invoice raised in June 2018
- Prepayments decrease due to timing
- Trade payables decreased due to bonus payment in April 2018
- Deferred software revenue increased due to
 - £3.7 million license invoice raised in June 2018;
 - £1.7 million write back of license; offset by
 - £0.9 million license recognised in period and £2.3 million accrued income on projects
- Deferred maintenance revenue increased due to:
 - Collection of annual maintenance amounts offset by
 - Recognition of six months of maintenance



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Business and sales update

Andrew Denton, CEO

Enabling business agility...

Alfa continuing to enable change for our customers and potential customers



Alfa operating in

26 Countries

Market update

- We continue to see the following trends in H1 2018:
 - A drive towards multi-country systems consolidation
 - Operational efficiency
 - Digital
 - Cloud
- Total addressable market remains the same size as in late 2016
- Alfa well placed to capitalise on evolving market and customer requirements

Focusing on customers...

Pipeline remains healthy and recent conversion of medium sized opportunity with an existing customer



30
customers

25+
pipeline
opportunities

Ongoing customer relationships

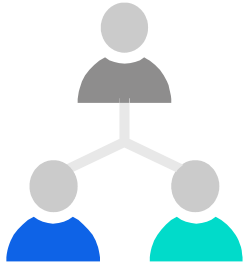
- Recent medium sized upgrade and extension
 - Leading retail bank
 - Existing customer with a new line of business
- 4 ongoing customer implementations and 1 paused
 - Completing in 2019-2021

Pipeline

- Pipeline remains healthy encompassing a good and diverse mix of opportunities across
 - Sectors
 - Geographies
 - Existing and new customers
- Increased activity in early stage pipeline
- Progression of late stage opportunities
- Timing of conversion remains fluid

Delivering with the best people...

Retaining talent whilst managing costs



337

Headcount at
30 June 2018

Recruitment and retention

- Recruitment plans slowed after Trading Update on 1 June 2018
 - No experienced hire recruitment in 2018
 - Graduate hires: 16 in H1 2018 and 6 in H2 2018
 - Geographically balanced across US and UK
- Increased focus on cost control
 - Localisation plan underway for US secondees
 - Managing natural attrition

Partnerships

- Strategic focus on building a sustainable partner ecosystem continues
 - One joint bid with a partner for an ongoing sales pipeline prospect
 - Work underway on preparing documentation and training materials to on-board partners when the opportunity presents itself
- Platform approach enables software development by partners

Leading with the best technology.....

Planning for the next generation of Alfa Systems



>50%

of customers
participated in User
Groups globally

Alfa next generation

- Focus in H1 2018 has been on
 - Functional development
 - Modularisation
 - Digital
- H2 2018 will see accelerated progress on our move to Platform
 - Faster, incremental delivery; increased stability; more competitive
 - Maintains core package but combines it with focused deployment
 - Opens the landscape to leading edge innovations
 - Enable Platform as a Service

Digital agenda

- Faster Agile development
- Increased API library
- Reusable UI components
- Enhanced user experience
- More than just an App
- Showcasing Alfa as a Platform



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Summary

Andrew Denton, CEO

Summary

Customer focused

- 4 ongoing software implementations and 1 paused
- ODS customers increasing activity and opportunity for additional work
- Pipeline still strong although pace of conversion has not changed materially

Business agility

- Secular growth trends including responding to regulatory change
- Trend towards multi-country consolidation playing to Alfa's strengths
- Alfa^Cloud gathering momentum

Best people

- Headcount increased marginally to 337
- Graduate recruitment continuing although overall recruitment slowed
- Partner programme gathering momentum

Product

- Completing move to Platform
- Digital agenda
- Focus on technical roadmap and enhanced user experience

Financials

- H1 2018 - 21% constant currency decline in revenue
- H1 2018 - Operating profit margin of 26%
- £106m TCV at July 2018

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Q&A

Definitions

Measures not specifically defined by IFRS

Adjusted EBIT

- Adjusted EBIT is defined as profit from continuing operations before income taxes, finance income, IPO-related expenses and share based payments.
- Management utilises this measure to monitor performance as it illustrates the underlying performance of the business by excluding items considered by management not to be reflective of the underlying trading operations of the Group or adding items which are reflective of the overall trading operations.
- Adjusted EBIT margin is calculated as Adjusted EBIT as a percentage of revenue.

Adjusted EBIT reconciliation £m	H1 2018	H1 2017
Operating profit	8.6	14.0
IPO related costs	-	3.0
Share based payments	-	4.4
Adjusted EBIT	8.6	21.4
Adjusted EBIT margin	26%	47%

Constant Currency

- When Management believes it would be helpful for understanding trends in its business, Management provides percentage increases or decreases in its revenue or Adjusted EBIT to eliminate the effect of changes in currency values.
- When trend information is expressed herein "in constant currencies", the comparative results are derived by re-calculating non GBP denominated revenue and/or expenses using the average exchange rates of the comparable period in the current year, excluding gains or losses on derivative financial instruments. The material applicable rates are as follows:

	H1 2018	H1 2017
	Average	Average
USD	1.3760	1.2586
Euro	1.1366	1.1626

Total contracted value

- TCV is calculated by analysing future contracted revenue based on the following components:
 - an assumption of three years of maintenance payments (actual maintenance contracted length varies by customer);
 - the estimated remaining time to complete any software implementations, expenses and deferred licence amounts; and
 - ODS work which is contracted under a statement of work.

Operating free cash flow conversion

- Operating cash conversion is calculated as cash from operations less gains or losses on settlement of derivative instruments and margin calls, less capital expenditures, as a percentage of Adjusted EBIT.

Operating cash £m	H1 2018	H1 2017
Cash generated from operations	9.9	13.8
Settlement of derivative financial instruments and margin calls	0.1	(2.1)
Capital expenditure	(0.6)	(0.3)
Operating free cash flow generated	9.4	11.4