

Business review



Wayne Story
Chief Executive Officer



With demand in our markets growing for cloud software and a period of renewed investment expected in public services, Civica remains ideally placed to continue our momentum into 2020 and beyond.

In 2019, we delivered a strong performance and maintained our excellent multi-year momentum. We continued to progress well strategically, including executing our cloud strategy at pace. And as we grow organically and through acquisition, we continue to outperform the market.

Supporting the needs of our customers, during the year we added nearly 400 colleagues, invested 20 per cent of revenues into software development and acquired five great software businesses. Once again, we achieved strong employee and customer satisfaction ratings – and won a record number of contracts.

By continuing to focus our efforts on cloud adoption, software innovation and digital transformation that delivers for our customers – alongside our sustained emphasis on investing in people – the Group has delivered net revenue growth of 90 per cent over the last four years.

Growing across markets

Overall revenues for the year increased 14 per cent to £425.6 million (2018: £373.2 million), led by organic revenue and contribution growth across our software activities together with expansion in our capability and addressable market. EBITDA* increased to £89.1 million (2018: £77.7 million).

Our markets are large and attractive and we remain well positioned. By consistently delivering specialist cloud software and innovative digital solutions that meet our markets' needs, we've delivered above-market growth. And despite the unpredictable political

and economic factors, we achieved a very healthy 17 per cent increase in the volume of major sales.

The Group performed well across major country markets, with UK and Ireland revenues increasing 24 per cent to £327.3 million (2018: £263.7 million). This was chiefly driven by good growth across local government, strengthening our digital operations in Northern Ireland and the acquisition of ERS Group.

Building on the strong foundation we have in Australia and New Zealand, our Asia Pacific activities made up approximately 23 per cent of Group revenues. The launch of four new products in Asia Pacific has delivered additional pipeline, with further momentum continuing to gather through new opportunities and acquisitions.

Executing cloud at pace

The adoption of cloud software is now a recognised foundation for digital transformation and innovation. To capitalise on the opportunities, we accelerated the execution of our cloud strategy across the business in 2019. Through our continued strategic investment, we're building on a leading position to drive future growth.

Since 2017, we've quadrupled the number of customers using cloud solutions and in 2019, two-thirds of major new sales were cloud-based. Seventeen of our specialist applications are now sold 'cloud only' and during the year we introduced new products and services to support customers. We also combined the delivery of large-scale and award-winning digital solutions with the addition of high-quality software assets via acquisition.

* Earnings before interest, taxation, depreciation and amortisation

Powering innovation

Guided by our proven product strategy framework, we're continuing to apply emerging technologies to our software so we can help our customers deliver better services. Innovation runs throughout the business, focused through our unified software Development Tracks and nurtured with activities such as Fresh Thinking, our CodeIT initiatives and our Innovation Partners programme.

It's an exciting time for innovation. We've developed new Group-wide platforms, such as mobile working and digital engagement; we're using robotic process automation (RPA) to assist with high-volume service requests; and we've trialled new capabilities, such as distributed ledger technology for verifiable voting.

Building on our increased activity, we launched North Star to drive our position as an innovation leader for public services. It also enables us to explore and develop new opportunities systematically and to be faster in applying new ideas and technologies.

Complementary acquisitions

As well as expanding our capabilities and opening up new market opportunities, we completed five highly complementary acquisitions in the year. These added high-quality cloud software assets and will help grow Civica's activity across our markets aligned with our cloud strategy.

These included the following:

- ERS Group – a leader in the democracy and engagement sector
- Trac Systems – e-recruitment software for the healthcare sector
- TranSend Solutions – leading SaaS solutions for delivery management
- Asset Edge – cloud-based asset management, adding a new local government niche
- Warwick International – cloud-based occupational health and safety software.

The addition of ERS brought market-leading experience in election and voting management, community engagement and governance software, allowing us to form a new Democracy and Engagement division. In a year of unpredictable political movement in the UK, we were able to deliver over 4,500 customer projects and provide support at short notice for events including European, Conservative Party and UK general elections.

We remain active in reviewing further opportunities.

People and social value

Our strength lies in our people and our distinctive culture. With our deep sector expertise, we build durable long-term relationships based on a shared purpose and commitment. Recognising this, we focus on recruiting, developing, supporting and rewarding great people and maintaining our culture. In 2019, we renewed

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our Investors in People (IIP) Gold accreditation which is held by less than four per cent of IIP organisations.

We welcomed many new colleagues during the year, while integrating prior acquisitions. Our excellent employee Net Promoter Score of +32 was supported by strong Glassdoor ratings and we were delighted with our inclusion in the Financial Times' inaugural Diversity Leaders list.

Through our Learning Academy, we delivered 167,800 hours of developmental training, including our new Inspire leadership programme. With customers and communities at the heart of all we do, we won and delivered some great projects, with increased satisfaction ratings.

We also strengthened our leadership team and were thrilled to announce a number of appointments and progressions. Steve Thorn joined as Executive Director for our Digital division and Steve Brain succeeded David Roots as Executive Director for UK Health and Care. Ben Cowling succeeded Richard Fiddis as Executive Director for Australia and New Zealand, with Richard taking up the newly created role of Director for Asia Pacific focusing on business development. We were also delighted to welcome Sian Roberts to the leadership team following the acquisition of ERS Group.

Through our work, we continue to help organisations around the world deliver better outcomes for communities and improve lives. During the year we also supported a wider range of charitable and community initiatives, including broad involvement with Young Enterprise and Action for Children in the UK as well as Whitelion and Room to Read in Australia.

Continued investment in our platform

To enhance our global operations, we made strong progress with our structured business

improvement programme, building on our platform-based business model which is the cornerstone for scalable growth.

The programme supports our strategic development and the way we operate. During 2019, we invested in new sales and commercial management programmes, arming our sales teams with the enhanced tools and skills they need to meet our customers needs and further support our growth ambitions. We also initiated a programme to strengthen our brand positioning on existing strong brand awareness and advocacy.

I am also delighted with the growth of our team in Vadodara, India, which is almost 500 strong (from 60 in 2016). This has given us an outstanding resource to support all parts of the business globally through software development expertise and operational efficiency, including back-office and Group functions.

Growth outlook

In 2019, our broader capability and continuing strategic development led to record orders as we continued to build strong commercial relationships with existing customers and to win excellent new business.

With a leading position in a large and growing market, we remain committed to the continued execution of our successful strategy. Our aims remain to support both the needs of customers to improve public services and to achieve above-market growth for the Group.

The growing demand for cloud software and digital solutions, and a period of renewed investment expected in public services, bodes well. Civica is in a strong position to leverage this momentum and, with the enhancements to our global platform, we expect to drive sustained performance into 2020 and beyond.