

Financial review

"I am delighted to report another very strong financial and operational performance in which we achieved further significant organic growth while expanding our scale and capability through targeted investments."

Phill Rowland
Chief Financial Officer



Group revenues
increased by
14%
to £425.6 million



Recurring revenues
increased by
14%
to £215.2 million



Group EBITDA
increased by
15%
to £89.1 million



EBITDA margin
maintained at
21%



Closing order
book increased to
£846.9m

Financial review



Phill Rowland
Chief Financial Officer



With a strong platform, we remain in a good position to sustain our growth record into 2020.

Performance summary

In 2019, we sustained our strategic momentum and extended our unbroken history of growth with record revenues, profits and investment. The Group delivered a strong financial result despite some short-term uncertain market conditions. This combined good organic software revenue and contribution growth with the acquisition and integration of highly complementary businesses which expanded our market position, capability and scale.

During the year to 30th September 2019, Group revenues grew by 14 per cent overall to £425.6 million (2018: £373.2 million). Total net revenues* increased to £345.1 million. We've now produced growth of 90 per cent in net revenues since 2015, as we continue as we continue to create value for all stakeholders through our established position as a global leader in software for public services.

* Net revenue defined as gross revenue less third-party costs of delivery.

Group overview

	Year ended 30 Sep 19 £millions	Pro forma** Year ended 30 Sep 18 £millions	Year ended 30 Sep 17 £millions
Total revenue	425.6	373.2	324.7
Cost of sales	(80.5)	(52.6)	(44.0)
Gross profit	345.1	320.6	280.7
Administrative expenses	(256.0)	(242.9)	(212.0)
EBITDA	89.1	77.7	68.7
Cash flow from operating activities	77.9	68.3	64.6
Employees	4,776	4,389	3,454

** On 12th October 2017 the Group was acquired by Partners Group on behalf of its clients. To provide a better understanding of the trading results, comparative unaudited pro forma information has been shown above for the Group for the full 12 months period to 30th September 2018.

Consolidated financial statements for the Group are available at Companies House.

Accelerating cloud and innovation

This performance reflects the continued successful execution of our clear strategy which is focused on expanding the footprint of our cloud software and digital solutions across existing and adjacent market sectors. During the year we made further progress with key objectives to:

- Grow use of our software and digital solutions with existing and new customers globally
- Execute our cloud strategy at pace, building on our leading position
- Grow scope and scale of business activities globally on our established platform
- Extend our capability and opportunity through complementary acquisitions.

Progress was underpinned by our focus and investment in employee and leadership development, with further investments in the year to strengthen capability,

resources and management. Investment in product development amounted to 20 per cent of revenues.

Overall, we signed a record number of major sales in the year with the volume increased by 17 per cent. Two-thirds of these were cloud-based as we continued to extend the adoption of cloud software. Recurring revenues grew 14 per cent overall, increasing to 56 per cent of net revenues and supporting improved visibility and predictability of income. Additionally, our software IP and implementation revenues improved by 17 per cent.

Earnings before interest, taxation, depreciation, amortisation (EBITDA) and exceptional charges rose by 15 per cent to £89.1 million (2018: £77.7 million), representing a 21 per cent margin on sales. The Group generated cash flow from operations of £77.9 million,

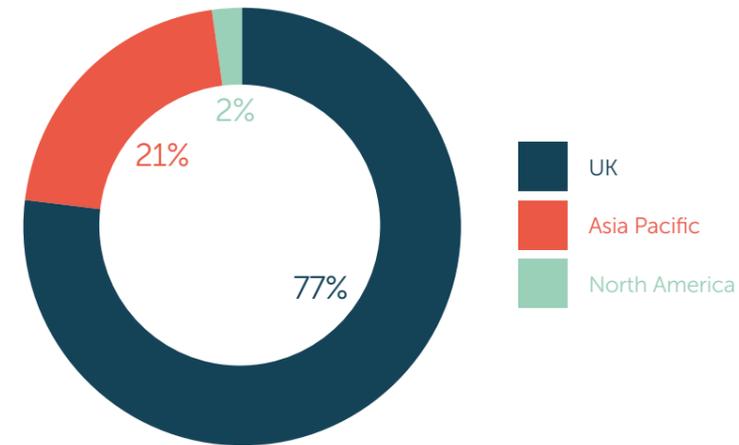
an increase of 14 per cent on the year before. We maintained tight discipline on operational and financial management including capital allocation, ending the year with cash in the bank of £37.8 million (2018: £39.1 million).

Market sectors

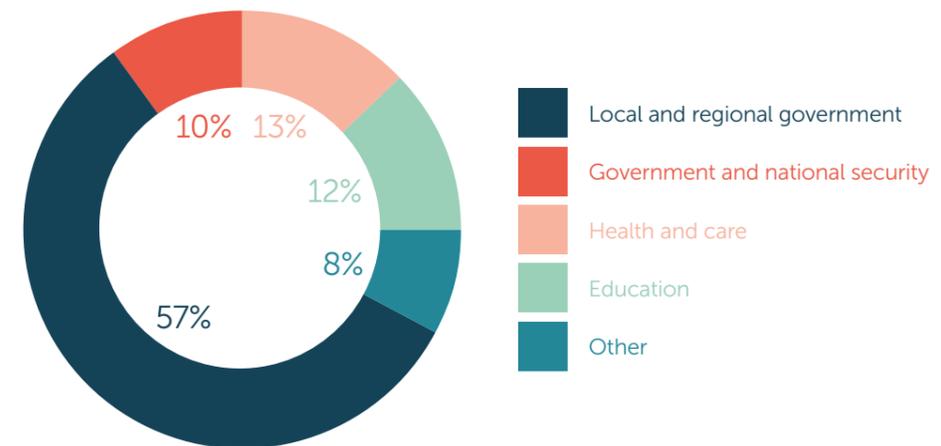
We have a highly resilient business model focused around core markets and capabilities. Globally-consistent operations are organised into market-oriented software divisions, including a new Democracy and Engagement division following the acquisition of ERS Group, supported by dedicated digital and managed service divisions.

Revenues in the UK and Ireland, our largest market, increased by 24 per cent to £327.3 million led by a strong performance from our local government software division. We continued to build on our Australia and New Zealand platform and our international activities overall accounted for 23 per cent of global revenues.

Revenues by geography



Revenues by market



Revenues in the UK and Ireland, our largest market, increased by 24 per cent to £327.3 million led by a strong performance from our local government software division.

Acquiring high quality software assets

We have a successful history of finding and acquiring complementary high-quality businesses which strengthen our capability and position, increase addressable market and create cross-selling opportunities. The Group completed five new acquisitions in 2019 aligned with our core strategy and markets, in particular adding new cloud software for government and healthcare.

In November 2018 we completed the acquisition of democratic and membership services group Electoral Reform Services, subsequently forming a new 250-strong Democracy and Engagement division within the Group which delivered an excellent performance operationally and financially post-integration.

We then acquired e-recruitment software provider to the health sector, Trac Systems, in December 2018 and in February 2019 added UK delivery management software-as-a-service specialist TranSend Solutions. Both acquisitions are highly complementary to our established activities in shared markets.

Building on our Australian operations, we acquired Asset Edge in March. A leading supplier of cloud software for highways management and mobile asset inspection and maintenance, the move extended our range of solutions for the Australia and New Zealand local and state government sector. The solutions now used by about 350 customer organisations.

Lastly, we acquired Warwick International Computing Systems in August, which provides occupational health and safety software supporting more than 200 customers in the UK and internationally.

Our selective acquisition strategy continues to add great new capability in core markets. During the year we increased our scale of involvement with customers and added significant enterprise value. With a strong pipeline of future opportunities we expect to support the growth of the business with further strategic developments.

Acquisitions during the period

Company	Country	Date	Primary sector	Comments
ERS Group Ltd	UK	Nov 2018	Multiple	Democracy and engagement software and solutions
Trac Systems Ltd	UK	Dec 2018	Health and care	E-recruitment software for NHS
TranSend Solutions Ltd	UK	Feb 2019	Multiple	Software-as-a-service solutions for delivery management
Asset Edge Pty Ltd	Australia	Mar 2019	Local government	Cloud software for highways management
Warwick International Computing Systems Ltd	UK	Aug 2019	Multiple	Cloud software for occupational health and safety



Strong governance framework

The Civica Group is majority owned by funds managed and/or advised by Partners Group. It is controlled by a Board comprising Partners-nominated directors and Civica management.

The Group continues to operate a strong framework of corporate governance across the business to ensure the successful delivery of business outcomes in line with our strategy and priorities, management of risk and focus on delivery of excellent service to our customers. This framework is managed through the following components.

Group Board

The Board is responsible for the overall strategy of the Group and the effective management of risk and performance. It meets on a monthly basis to review business performance from a strategic, financial and operational perspective and to ensure that risks are appropriately managed, including major bids and investments. The performance review is closely aligned to the key priorities in respect of financial performance, products and services, people, customer service and operational efficiency. Business planning is conducted on an annual basis, again in line with the strategy and key priorities and is approved by the Board.

The Board was strengthened in April 2019 with the appointment of Guy Berruyer as a non-executive director. A former chief executive officer of Sage Group plc, Guy brings extensive international business insight and board experience. On 30th September 2019 the Board had an effective balance of executive (two) and non-executive directors (five).

Audit Committee

The purpose of the audit committee is to review the financial statements and controls of the Group on behalf of the Group Board. The committee is responsible for being assured that the principles and policies comply with best practice and accounting standards. The committee will also consult with the external auditors reviewing key risk areas, seeking to satisfy itself that the internal control and compliance environment is adequate and effective, and recommending to the Group Board the appointment and remuneration of the external auditors.

The audit committee is chaired by the Group's non-executive chairman, and comprises the chief executive officer and Group Board members from Partners Group. The chief financial officer is invited to attend but is not a member of the audit committee.

“ We remain a trusted partner for our customers, well placed to harness the opportunities that innovative technologies create. ”

Remuneration Committee

The function of the remuneration committee is to provide oversight of the terms and conditions and remuneration of senior employees on behalf of the Group Board.

The remuneration committee is chaired by the Group's non-executive chairman, and in addition comprises the chief executive officer and Group Board members from Partners Group.

Executive Management Board

The Executive Management Board consists of the chief executive and chief financial officers, the executive directors for the operating divisions and the chief officers for people,

marketing, business development, product strategy and technology. It meets every month to discuss strategic issues and the effective management of people and culture, opportunity, risk and business improvement. A short profile on each of the members of the Executive Management Board can be found at www.civica.com/en-GB/about-us/leadership-team/.

Monthly business reviews

Each unit within the Group is subject to a monthly business review by Executive Board members to assess the financial and operational performance and business risks, review the financial projections and review working capital management and cash-flow performance. Financial and operational key performance indicators in each unit are aligned to the key priorities of the Group as highlighted above. Specific business risks are identified and mitigated through this process.

Commercial, legal and project management controls

All acquisition, capital investment and business development activity is controlled through a methodical process of qualification, review and approval, which is dependent upon both value and complexity to ensure appropriate management of business risk and effective use of business resources.

Operational processes

As we continue to grow organically and through acquisition, we constantly review operational processes across the Group. This allows us to support effective

product and service development and efficient delivery to customers, as well as our internal administration. This is enhanced by a sustained cross-company improvement programme to strengthen our operating platform and to drive consistent best practice globally. This is underpinned by a wide range of management accreditations including ISO 9001 (Quality), ISO 14001 (Environmental), OHSAS 18001 (Health & Safety), ISO 22301 (Business Continuity), ISO 20000 (IT Service Management) and ISO 27001 (Information Security).

Principal risks and uncertainties

The Board accepts that in creating value for Civica, the Group must take on and accept some risk. The executive directors are responsible for implementing the Board's policies on risk and control and monitoring compliance with these policies. As with other entities providing similar solutions, the main risks and uncertainties facing the Group surround the level of customer spending available in future periods, the risks associated with technological advancement, the threat of competition and the business risk of system, operational or compliance failures.

Brexit

Under Civica's governance framework we consistently review risks and uncertainties and as such we monitor and assess market and legislative developments, which include Brexit. As an international business headquartered in the UK, with operations also in Australia, India, Singapore and North America, the Group is therefore not reliant on

labour or product supply from the European Union and we benefit from a highly transferable skills base. We continue to monitor the situation and remain cautious while the full implications of Brexit are unclear. For example, we consider it possible that the potential need to implement a high volume of major legislative change could give rise to short-term market capacity issues across the industry. However, we believe the company is very well placed to support customers during a period of significant change. We remain committed and look forward to working with customers to mitigate any risk.

Pensions

The Group operates a number of defined contribution pension schemes, as well as operating a defined benefit scheme and being a participating employer in two further defined benefit pension schemes. All of the defined benefit pension schemes are closed to new entrants.

Positive outlook

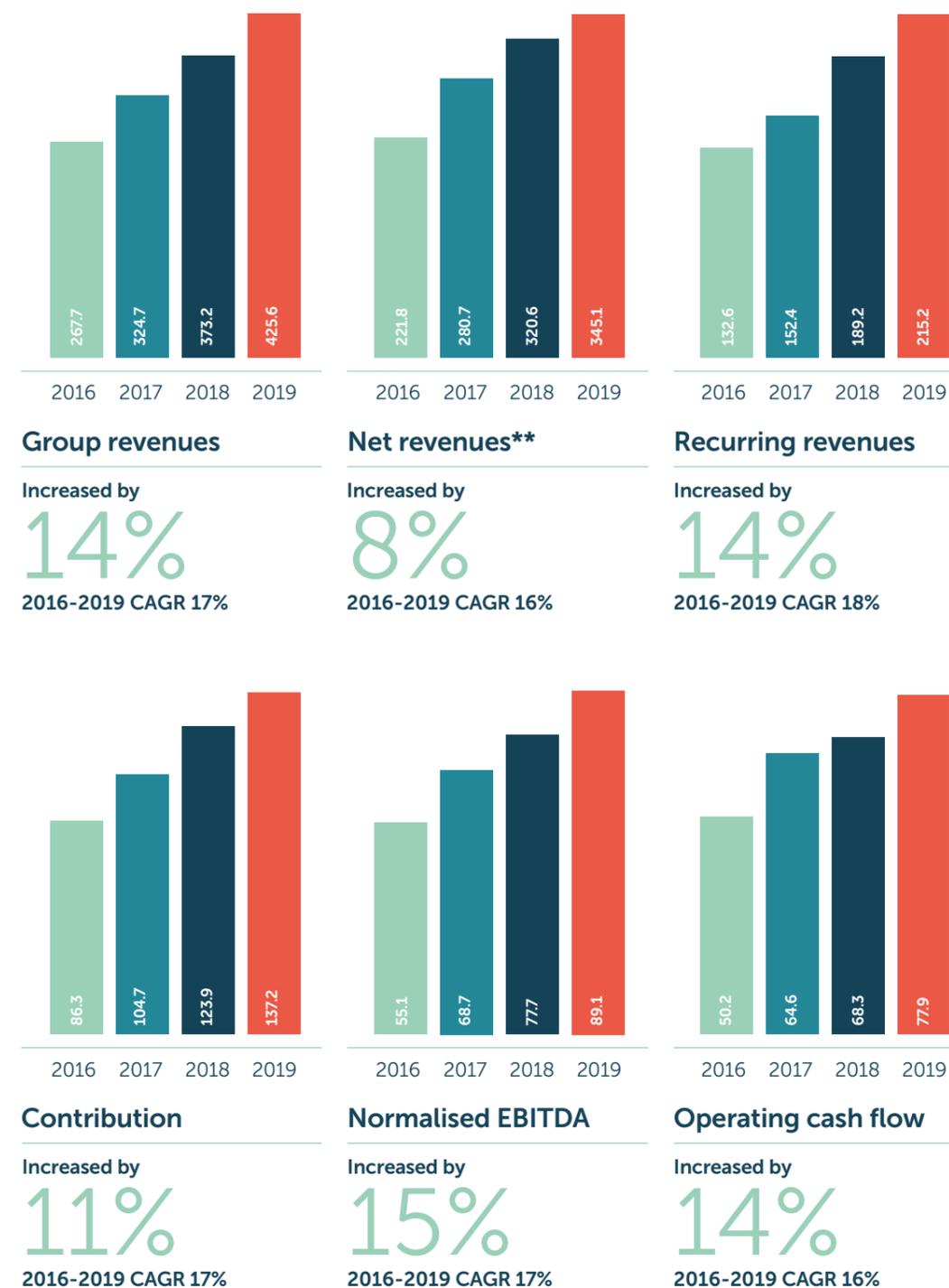
We remain a trusted partner for our customers, well placed to harness the opportunities that innovative technologies create to improve business activities. We're well positioned in attractive markets. Greater political stability in the UK in 2020 combined with our continued strong execution will present further market opportunities as customers seek to respond to major changes and increasing demands. With a strong platform and continued strategic development, we remain in a good position to sustain our growth record into 2020.

Trading performance

For the year ended 30th September	2019 £millions	Pro forma 2018 £millions
Sales		
Software and related services	337.5	286.6
Managed services	88.1	86.6
	425.6	373.2
Cost of sales		
	(80.5)	(52.6)
Net revenues		
Software and related services	287.1	262.3
Managed services	58.0	58.3
	345.1	320.6
Direct employee costs		
Technical and management	(186.2)	(176.4)
Sales	(21.7)	(20.3)
	(207.9)	(196.7)
Contribution		
	137.2	123.9
Central costs	(56.8)	(51.9)
EBIT		
	80.4	72.0
Depreciation	5.2	3.9
Project Centum*	3.5	1.8
EBITDA		
	89.1	77.7

* Project Centum is a non-core investment programme to build a stronger platform for future growth.

Key performance indicators



All figures are in £millions

** Net revenue defined as gross revenue less third-party costs of delivery.

Group information

Registered head office

Camelia Investment 1 Limited
South Bank Central
30 Stamford Street
London
SE1 9LQ
United Kingdom
Tel: +44 (0)20 7760 2800

Registered number

10969863

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Principal bankers

Royal Bank of Scotland
62-63 Threadneedle Street
London
EC2R 8LA

Regional offices

United Kingdom and Ireland

South Bank Central
30 Stamford Street
London
SE1 9LQ
Tel: +44 (0)20 7760 2800

10 Weavers Court
Belfast
BT12 5GH
Tel: +44 (0)2890 725000

Australia and New Zealand

163-175 O'Riordan Street
Mascot, Sydney
NSW 2020
Tel: +61 (0)2 8324 3000

India

Notus Pride
Sarabhai Campus
Bhailal Amin Marg
Vadodara 390007
Tel: +91 (0)2652 335 557

Singapore

6 Harper Road
Leong Huat Building #04-08
Singapore 369674
Tel: +65 6511 7888

USA

52 Hillside Court
Englewood, Ohio
OH 45322
Tel: +1 937 836 4499

www.civica.com

