

# 2021 Financial Review

For the year ended  
30 September 2021



Martin Franks,  
Chief Financial Officer

"I am delighted with the performance of the Group in 2021. Not only have we generated outstanding financial results, we have continued to invest in our software capabilities across the Group, with improved outcomes for customers and communities globally. My thanks go out to all of our customers and colleagues."

# 2021 Highlights

59%

Recurring net revenues\*

£458.9<sub>m</sub>

Group revenues

24.1%

EBITDA margin  
improved from 21.9%

£249.0<sub>m</sub>

Recurring revenues

109%\*\*

Cash flow from operations  
at 109% of EBITDA

£110.5<sub>m</sub>

Group EBITDA

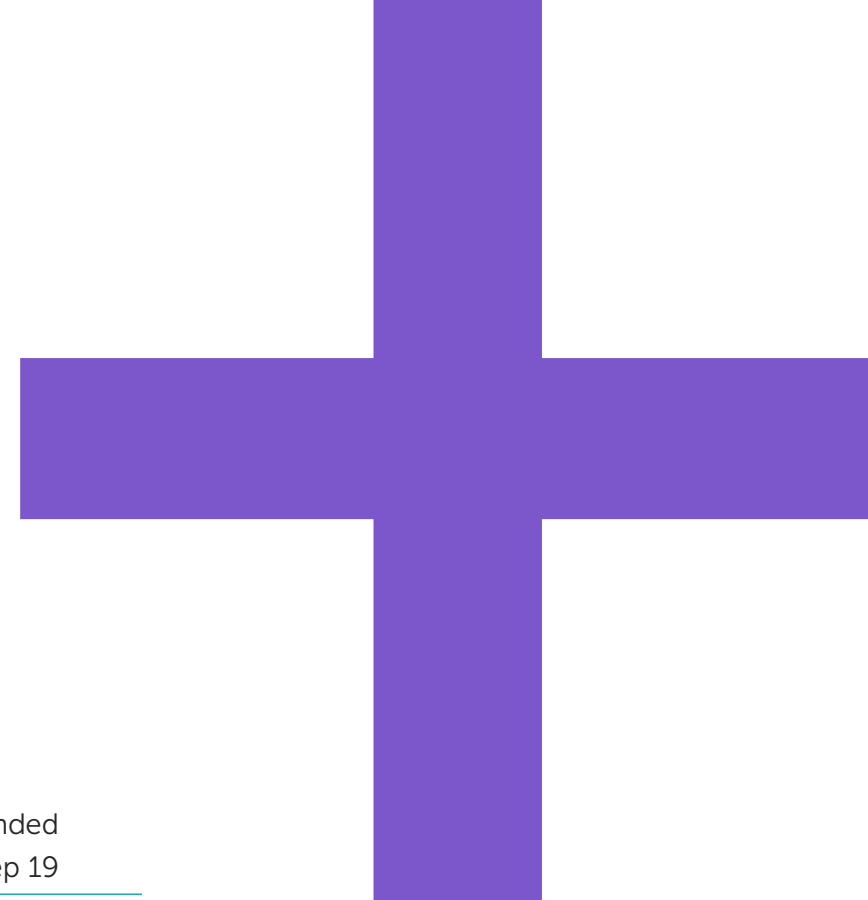
16%

Volume of major sales  
increased by 16%

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

\*\* Includes non-reoccurring items related to the year ended 30 Sept 2021 only

# Group Overview



£ millions	Year Ended 30 Sep 21	Year Ended 30 Sep 20	Year Ended 30 Sep 19
<b>Total Revenue</b>	<b>458.9</b>	<b>424.9</b>	<b>425.6</b>
Cost of sales	(80.2)	(78.5)	(80.5)
Gross Profit	378.7	346.4	345.1
Administrative expenses	(268.2)	(253.3)	(256.0)
<b>EBITDA</b>	<b>110.5</b>	<b>93.1</b>	<b>89.1</b>
Operating cash flow	120.2	87.8	77.9
Employees	5,733	4,815	4,776



# Building and consolidating

At the end of 2020, everyone continued to be faced with uncertainty from the Covid-19 pandemic. From the strong foundation generated in 2020 and prior years, the Group continued to adapt and evolve in 2021, driven by the extraordinary energy of our Civica colleagues worldwide, and our customers.

We continued to invest in strong delivery practices, maintained our focus and drive on appropriate and complementary acquisitions and backed and supported our colleagues in the new 'blended-working' world. This all contributed to the significant financial results within the year.

To the 30 September 2021 the Group produced revenues of £458.9 million (2020: £424.9 million) with total net revenues\* increasing to £378.7 million.

The business has now produced compound annual revenue growth of 11 per cent and EBITDA growth of 15 per cent across 2016-2021 as we continue to create value for all stakeholders through our position as a leader in software for public services.

Across the longer term, Civica has delivered two decades of sustained expansion, bringing a broader base of innovative software to its growing base of customers.

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



# Accelerating cloud and innovation

This performance reflects the strong foundation of the business and further progress in the successful execution of our clear strategy. This is focused on the on-going and continuous adoption of our cloud software and accelerating digitisation and automation across the public sector to help our customers address rising consumer expectations and complex challenges.

The Group's performance is underpinned by our focus and investment in employee and leadership development, with further investments in the year to strengthen capability, resources and management.

With a leading product portfolio and a track record of technology innovation, we maintained the level of investment in our product development as a percentage of revenue. We also consolidated our investment in our Civica NorthStar innovation lab, sharing and accelerating the application of new ideas and technologies for customers.

We secured a strong order intake across the year. The volume of major sales increased by 16 per cent with over three quarters of major sales being cloud-based.

Cross-selling our products across markets and geographies remains a strategic focus and we achieved great strides forward with new products introduced to Australia and New Zealand under our Endeavour programme. From a base of £2.5m total contract value (TCV) in 2020, we achieved £16m TCV for 6 products within the programme in 2021.

Recurring revenues overall grew to £249.0 million, accounting for 59.2 per cent of net revenues and supporting our continued excellent visibility and predictability of earnings.

Gross margins amounted to 82.5 per cent of revenue. Earnings before interest, taxation, depreciation, amortisation and exceptional charges (EBITDA) rose by 18.7 per cent to £110.5 million (2020: £93.1 million), representing a 24.1 per cent margin on sales.

The Group generated cash flow from operations of £120.2 million, an increase of 36.9 per cent on the prior year.

We maintained tight discipline on operational and financial management including capital allocation, ending the year with cash in the bank of £56.3 million (2020: £48.4 million).



# Clear market focus

We have a clearly defined business model focused around core public sector markets and capabilities. Global operations are organised into market-oriented software divisions.

Revenues in the UK & Ireland increased to £350.7 million led by good performance from our health and care, social housing and democracy divisions. We continued to build our APAC software business with a key focus in Australia, New Zealand and Singapore. Our international activities overall, including North America, accounted for 24 per cent of global revenues.

# Acquiring high quality software assets

Civica has a successful history of finding, acquiring and integrating complementary high quality software businesses, and has completed more than 35 acquisitions in the last 10 years.

The Group completed seven new acquisitions in 2021 aligned with our core strategy and markets, in particular the UK healthcare and education sectors as well as the cross-sector fields of human capital management and governance, risk and compliance.

Supporting our Education sector, the Group acquired Parago Software Limited – a specialist in schools' asset and estate management and governance, in November 2020. Our people and workforce capability focus was further enhanced during the year through the acquisition of Agylia Group Limited (digitally focused global learning management platform) and Equiniti HR Solutions Limited (for HR, payroll, time and attendance capability). Both joined the Group in November 2020.

Governance, risk and compliance capability within the Group was expanded further, with the January 2021 acquisition of ntropy data Inc, an innovative software-as-a-service platform for community and stakeholder engagement. In February 2021, we acquired Calibrand Limited, a digital assessment capability and support for organisations building more skilful workplaces.

The Group continued to expand its offering to the Health and Care sector, with the acquisition of Medical Billing and Collection, the UK's number one medical billing service provider to the independent healthcare sector, joining the Group in February 2021. Our governance, risk and compliance capability was further expanded in February 2021 with the acquisition of ArborSafe Australia Pty Limited, a market leading tree asset management software solution.

With a strong pipeline of future opportunities, we expect to support the growth of the business with ongoing strategic developments.





## Continued investment in our platform

Our global operating platform underpins the Group's activities and ensures a scalable growth foundation. During the year we made strong progress with our structured operational excellence programme, Centum. This is used to drive improvement initiatives across the business. In particular in FY21 we have:

- Reviewed the opportunities to accelerate to an increasingly subscriptions-based offer responding to increasing demand from our customers
- Continued our programme of product investment to enhance our software's deployment in the cloud. In FY21 this ongoing programme of investment has resulted in approx. 75% of our major sales activity being cloud based with software for more than 6,000 customers being deployed in the cloud
- Expanded the scope of our Sales Excellence programme to refresh our approach to the recruitment of sales talent, launched new on-boarding training (using our Agylia Learning Management Systems), developed and launched a range of specific training for our pre-sales community and launched performance management dashboards for the sales community as the first suite of our Analytics & Business Intelligence ("ABI") platform
- Established a programme to enable the sale of products developed in the UK to similar markets in APAC, with early success achieved for the programme with our Costmaster product in Singapore and our Cx Housing Management product in Australia. We also continued the roll-out of our pricing-recommendation tools across our business in the UK.
- Sustained our investment in project & programme management with the launch of the Delivery Academy which with ongoing programmes has resulted in 35% improvement in the efficacy of our implementation projects in FY21
- Completed the roll-out of our framework for secure software development lifecycle and software development together with a standard framework for agile-based working, whilst expanding our specialist teams and tooling for software quality assurance and testing
- Grown our team in Vadodara, India, to over 850 colleagues providing an outstanding resource to support all parts of the business globally including back office and Group functions
- Delivered refreshed brand and positioning on existing strong customer and employee advocacy

## Positive outlook

Civica continues to increase its global profile and is valued for its combination of people, technology and business process expertise.

With a resilient business and well-developed strategy, we believe the Group is extremely well placed as a strong and trusted partner for our customers as they continue to respond to rapid and significant change, including the accelerating digitisation of public services.

## Strong governance framework

The Civica Group is majority owned by funds managed and/or advised by Partners Group, and is controlled by a Board comprising Partners Group-nominated non-executive 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, our 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 has an effective balance of executive (2) and non-executive (5) directors.

## 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 account 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.

## 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.

Across two decades, Civica has delivered consistent growth, including compound annual revenue growth of 11% and EBITDA growth of 15%, in the last 5 years.

Martin Franks, Chief Financial Officer



## 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 Group function directors for people, marketing, business development, product strategy, technology and infrastructure.

It meets on a monthly basis to discuss strategic issues and the effective management of people and culture, opportunity, risk and business improvement.

## Monthly business reviews

Each unit within the Group is subject to a monthly business review by Executive Management 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 Civica continues to grow organically and through acquisition, we constantly review operational processes across the Group 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 system certifications including ISO 9001 (quality), ISO 14001 (environmental), ISO 45001 (Health & Safety), ISO 22301 (business continuity), ISO 20000 (IT service management) and ISO 27001 (information security).







## Principal risks & uncertainties

The Board is responsible for the Group's approach to assessing risk and 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 across the Group.

The system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss.

As with all other entities providing similar specialist software, digital solutions and associated services, the main risks and uncertainties facing the Group surround the level of public sector funding available in future periods, the risks of technological advancement and the threat of competition.

## 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.

# Trading performance



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

	2021	2020
For the year ended 30 September	£ millions	£ millions
<b>Sales</b>		
Software and related services	385.1	346.7
Managed services	73.8	78.2
	<b>458.9</b>	<b>424.9</b>
<b>Cost of sales</b>	(80.2)	(78.5)
<b>Net revenues</b>		
Software and related services	326.4	297.7
Managed services	52.3	48.7
	<b>378.7</b>	<b>346.4</b>
<b>Direct employee costs</b>		
Technical and management	(192.2)	(176.9)
Sales	(23.3)	(20.7)
	<b>(215.5)</b>	<b>(197.6)</b>
<b>Contribution</b>	<b>163.2</b>	<b>148.8</b>
Central costs	(61.1)	(63.3)
<b>EBIT</b>	<b>102.1</b>	<b>85.5</b>
Depreciation	6.3	5.8
Project Centum*	2.1	1.8
<b>EBITDA</b>	<b>110.5</b>	<b>93.1</b>

## Registered head office

Camelia Investment  
1 Limited

South Bank Central  
30 Stamford Street  
London  
SE1 9LQ  
United Kingdom

Tel: +44 (0)3333 214 914

## Registered number

10969863

## Auditors

KPMG LLP  
15 Canada Square  
London  
E14 5GL

## Regional offices

United Kingdom and Ireland  
South Bank Central  
30 Stamford Street  
London  
SE1 9LQ

Tel: +44 (0)3333 214 914

10 Weavers Court  
Belfast  
BT12 5GH

Tel: +44 (0)3333 214 914

## Australia and New Zealand

Ground Floor  
277 William Street  
Melbourne  
VIC 3000

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

# CIVICA



**INVESTORS IN PEOPLE**  
We invest in people Gold

Certification No. 663

ISO 9001, ISO 27001, ISO 22301,  
ISO 14001, ISO 45001, ISO 20000

 [civica.com](https://civica.com)

 [linkedin.com/company/civica](https://linkedin.com/company/civica)

 [/CivicaUK](https://www.youtube.com/channel/UCvicaUK)

 [@CivicaUK](https://twitter.com/CivicaUK)