

# Business review



**Wayne Story**  
Chief Executive Officer

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**During 2018 we delivered a strong performance, maintaining excellent momentum with our clear strategy underpinned by investment in our people and products.**

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2018 was another successful year for the Group. We maintained excellent momentum with a strong operational and financial performance underpinned by ongoing investment in our people, our products and our platform.

Civica is the leading software-based technology partner for our markets worldwide, providing the cloud software, digital solutions and automation behind vital services for over 90 million people. During the year we extended our prominent position organically and through acquisition to support the needs of our customers and the long term development of the business, including progress with our cloud strategy and technology innovation.

Overall we added 935 new colleagues in 2018. We acquired 6 great new businesses. We increased our employee and customer satisfaction ratings. And we secured a record number of new contracts including our largest to date. Civica has now grown net revenues by 76 per cent over the last 3 years, reflecting sustained demand for our products and services and the commitment of our team in the successful execution of our strategy.

#### **Trading results**

Group revenues in the year to 30 September increased 15 per cent to £373.2 million (2017: £324.7 million), led

by a strong organic performance across UK software and managed service divisions and significant growth in our international business. EBITDA\* increased to £77.7 million (2017: £68.7 million).

Our strategy to deliver ambitious growth through the provision of innovative digital and cloud-based solutions which deliver better outcomes for Civica's customers is aligned with evolving market needs. During the year we increased the Group's scale of activity with a robust trading performance including more than 290 major sales and our largest contracts to date in each of local government, health care and education.

We extended our product portfolio with the launch of innovative developments and new cloud-based software in keeping with our strategy and alongside provision of core customer requirements. Driven by long-term customer retention and successful delivery, including going live on time for our 3 largest contracts, proprietary software revenues increased by 20 per cent.

Cross-selling our products across markets and geographies remains a key strategic focus and during the year we saw improved momentum. Progress included sales of our platform financials software also into social housing and education sectors, together with the first wins for our UK-developed Cx Housing software in Australia and digital solutions for multiple sectors. We will build on this with further excellent opportunities via our latest acquisitions.

Civica's Digital business continued to respond to market focus on an improved customer experience and more effective digital services. Progress combined delivery of government and commercial programmes together with new engagements such as at the Home Office, Rail Delivery Group, the Police Service of Northern Ireland and The National Lottery Heritage Fund.

In our large platform-based managed service partnerships, existing contracts performed strongly while new wins included a seven-year agreement to operate shared services for East Kent Services and a contract worth approximately AUD200 million to deliver business services via the Civica-built fines administration system for the Victoria state government.

\*Earnings before interest, taxation, depreciation and amortisation.

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**Reflecting sustained demand for our products and services, the ongoing successful execution of our strategy and the investments we continue to make, Civica has now grown net revenues by 76 per cent over the last 3 years.**

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### Markets

Focused on the public sector and regulated services, the Group performed well across our major country markets. UK & Ireland revenues increased 7 per cent to £263.7 million (2017: £247.2 million) led by good growth in local & regional government and community protection.

Within this the Group continued to strengthen operations based in Northern Ireland, supported by local scholarship programmes. The team secured new contracts in devolved government, police and emergency services, social housing and health care, and won an innovation award as part of the Belfast Smart Cities programme.

International activities made up approximately 29 per cent of overall revenues. A very strong performance in Australia and New Zealand, including our largest contracts in government, education and health care, drove market share gains in the region and an impressive organic revenue growth of 47 per cent. The result strengthened our position to build further on the Group's established platform.

### People & social value

Our strength lies in Civica's people and culture. With deep domain expertise we create long-lasting customer relationships underpinned by a shared vision and commitment. Recognising this, we focus on recruiting, developing, supporting and rewarding great people and

maintaining our culture, underpinned by our 'Gold' Investors in People accreditation.

Adding more than 900 new colleagues in 2018 while also integrating prior acquisitions, we were very pleased with the further increase in our employee Net Promoter index to +36. We were also delighted to be recognised as one of the top 25 places to work in the 2019 Glassdoor Employees' Choice Awards, and as an employer of choice in the Australian Business Awards.

During the year we added to our leadership team. Julie Chell succeeded Wendy Merry as our new chief people officer and Harold de Neef arrived from SAP to drive our Cloud strategy. Mark Owens and Jenny Yow joined to head our Northern Ireland and Singapore operations respectively, and following the end of the financial year we were delighted to welcome Steve Thorn, as executive director for our Digital division.

Civica's team in Vadodara, India, has grown significantly to more than 340 colleagues, providing an excellent resource to support our activities globally. The majority of our business units have team extensions in Vadodara, and we opened a new office during the year to accommodate further growth.

Through our Academy, which provides a focus for learning & development and talent management, we delivered 124,000 hours of training, including new leadership programmes. With customers at the centre of all we do, we again delivered some great results alongside our customers with increased satisfaction ratings overall.

Through our work Civica helps organisations around the world to deliver better outcomes for communities and to improve lives. During the year we also proceeded to contribute through charitable and community initiatives, including support for Action for Children in the UK and Whitelion in Australia, and launch of a new partnership with Young Enterprise.

### Cloud & innovation

Across our business cloud adoption is having a greater impact through cloud-delivered functionality and as a foundation for digital transformation and technological innovation.

Civica is a cloud leader for our markets, supplying cloud software and solutions for more than 1,000 customers. Already the standard in many areas, in 2018 we continued strategically to increase our scale of activity organically and via acquisition. We introduced new products and services to support customers with migration, delivered large-scale digital solutions and signed more than 100 new agreements overall, with cloud-based solutions making up more than 80 per cent of major new deals for our international business.

Overall investment in developing our products and capabilities amounted to almost 20 per cent of Group revenues, and we strengthened Civica's focus on emerging technology through a common framework to engage customers and evolve our solutions. We also progressed innovation through CodeIT and CoderDojo initiatives, ahead of the 2019 launch of Civica's Innovation Partners initiative focused around machine intelligence and automation.

### Acquisitions

Acquisitions are an integral part of our strategy to strengthen our capability to support customers and to complement organic growth. Civica completed six highly complementary acquisitions in the year, adding specialist software capability and expanding our activity in current markets aligned with our cloud-centric strategy.

These included the following, adding strong new technologies and expertise:

- ▶ OneStep Solutions – cloud-based software for debt recovery and enforcement
- ▶ NRS – payment & cashless catering systems including identity management
- ▶ VisionWare – master data management and single customer view solutions
- ▶ Carelink – cloud-based software for community care services
- ▶ iCasework – software-as-a-service applications for case management

Acquisitions opened up new market opportunities for the Group, such as in the care sector in Australia for which Carelink provides a foundation for the further development of our international Health sector business.

Following the end of the fiscal year, we completed two further highly complementary acquisitions: democracy and engagement solutions leader ERS Group, and e-recruitment software provider Trac Systems. ERS, which employs over 200 people and works with public and private sector customers internationally, formed a new Democracy & Membership Services division for Civica, with chief executive Sian Roberts joining our executive team.

With a proven model and the support of our investors we remain active in reviewing further opportunities to expand scale and capability in core markets, for which a good pipeline exists.

### Global operating platform

We made further investments during 2018 to strengthen our operating capability and ensure a scalable platform to support our sustained growth. Initiatives are focused on driving a consistent approach globally for people and talent management, product management, sales and marketing, service delivery and business support, underpinned by a central project office.

### Outlook

In 2018 we sustained strong momentum with a record order intake underpinned by a stronger capability and consistent delivery.

Civica serves a large, diverse and growing market. With sustained social, economic and demographic pressures from housing and health care to high streets, organisations are critically dependent on technology and automation to provide efficient services and deliver a better customer experience. We remain committed to delivering the cloud software, digital solutions and innovation to transform their business activities.

Through continued investment in our products and people and our strong underlying earnings visibility we are confident that the Group has a strong foundation supporting our growth and strategic development. Underpinned by the combination of an outstanding team, market-leading capability, deep longer term customer relationships and continued financial investment, I believe Civica remains well placed as the partner of choice for the future as the leading provider of our kind.

