

23 March 2021

Fintel plc

("Fintel", "the Company" or the "Business")

Full Year Results for the Twelve Months ended 31 December 2020

Resilient Trading, Robust Earnings, Strong Cash Flows and Digital Growth

Fintel (AIM: FNTL), the leading provider of fintech and support services to the UK retail financial services sector, today announces its audited consolidated results for the twelve months ended 31 December 2020.

Financial highlights:

- Resilient revenues - £61.0m (FY19: £62.8m)
- Stable operating profit - £11.4m (FY19: £12.0m)
- Strong adjusted EBITDA*¹ - £17.3m (FY19: £17.7m)
- Robust EBITDA*¹ margin - 28.4% (FY19: 28.2%)
- Solid adjusted EPS *² - 11.3p (FY19: 12.9p)
- Strong cash flow conversion*³ of 69% (FY19: 46%)

Operational highlights:

- Rapidly accelerated digital strategy
- Good growth in core intermediary customers
- Strong growth in fintech contracts and recommendations
- Robust growth in Defaqto Fund Mappings
- Resilience in mortgage completions
- Strengthened management team

Dividend

The Board announces its intention to recommend a full year dividend of 2.85p per share. The Board also announces its intention to adopt a progressive dividend policy going forward, reflecting the strong underlying growth in the earnings and cashflows of the business.

Matt Timmins, Joint CEO of Fintel plc, commented:

"We are delighted to report strong, resilient trading and substantial growth in our digital delivery during a challenging year. Rapid and ongoing digital acceleration enabled us to deliver resilient revenues with a strong adjusted EBITDA margin and adjusted earnings marginally ahead of our July 2020 guidance. Our speedy deployment of our proprietary technology enabled all our customers to continue to use our services digitally, without any disruption.

"Our continued strong cashflow enabled us to reduce net debt efficiently, whilst delivering an ambitious and exciting R&D programme for future growth.

"The importance and value of our embedded services for our customers enabled us to grow in our core membership services, Fintech contracts and recommendations. We were delighted to receive increased customer engagement and satisfaction in the year - something we never take for granted at Fintel.

"The quality and resilience of our mortgage adviser business enabled us to deliver modest year on year growth in lending volume, albeit with lower net fees due to product mix.

"On behalf of the Board, I would like to thank all our Fintel colleagues, customers, and wider stakeholders for all their support during these unprecedented times."

*¹ Adjusted EBITDA is earnings before interest, tax, depreciation, amortisation, share option charges and operating exceptional costs. Adjusted profit before and profit after tax exclude operating exceptional costs and amortisation of intangible assets arising on acquisition.

*² Adjusted Earnings Per Share is calculated as adjusted profit after tax, which excludes operating exceptional costs and amortisation of intangible assets arising on acquisition, divided by the average number of ordinary shares in issue for the period. EPS floor communicated on 23rd July 2020.

*³ Free cash flow conversion is calculated as adjusted EBITDA, less working capital movements, lease payments, CAPEX, development expenditure, corporation tax paid and interest, as a percentage of Adjusted EBITDA.

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Notes to Editors

Fintel is the UK's leading fintech and support services business, combining the largest provider of intermediary business support, SimplyBiz, and the leading research, ratings and Fintech business, Defaqto.

Fintel is the leading provider of digital, data led and expert services to product providers, intermediaries and consumers to help them navigate the increasingly complex world of retail financial services. Fintel provides technology, compliance and regulatory support to thousands of intermediary businesses, data and targeted distribution services to hundreds of product providers and empowers millions of consumers to make better informed financial decisions. For more information about Fintel, please visit the website: <http://www.wearefintel.com/>.

Analyst Presentation

An analyst briefing is being held at 09:30 GMT on 23 March 2021 via an online video conference facility. To register your attendance please contact fintel@instinctif.com

For more information, please visit: www.wearefintel.com

JOINT CHIEF EXECUTIVES' STATEMENT

Fintel - Inspiring Better Outcomes

We are Fintel.

We are delighted to have evolved to become Fintel.

Fintel reflects our relentless drive towards digitisation - putting people, technology, and insights at the heart of all we do. Our focus is to lead the industry we serve in the provision of digital, data led and expert services to help it evolve to its full potential.

Fintel harnesses the combined strength and reach of its established businesses, including SimplyBiz, the UK's largest provider of intermediary business support and Defaqto, the UK's leading research, ratings and Fintech business to achieve this.

Overview

We are delighted to report a resilient and robust financial performance in 2020, and the rapid progression of our digital delivery.

Revenues of £61.0m (FY19: £62.8m) demonstrate the resilience and underling quality of our business and the depth of our customer relationships during a highly disrupted year. Growth in SaaS and subscription revenues, along with a strong performance in our research and ratings, were impacted by the unavoidable reduction of property surveying and events income during the year.

Our digital acceleration coupled with cost saving efficiencies and some government funded support, contributed to a strong adjusted EBITDA*¹ margin of 28.4% (FY19: 28.2%). The resilience of our core business saw growth in both our subscription intermediary customers (FY20: 3,133, FY19: 3,056) and Fintech contracts (FY20: 1,195, FY19: 1,092).

The ongoing quality of our revenues and our continued focus on cash flow efficiency delivered strong free cash flow conversion*³ of 69% (FY19: 46%) and reduced net debt to £19.4m (31 December 2019: £27.0m) - representing a net debt to EBITDA ratio of 1.1 times (31 December 2019: 1.5 times).

Divisional Performance

Intermediary Services revenue increased 4% to £25.1m (FY19: £24.2m).

Our Intermediary Services division provides compliance and business services to financial intermediary firms through a comprehensive membership model. Members, including financial advisers, mortgage advisers and wealth managers, are regulated by the FCA. The division also provides employee benefits software to consultants and employers.

Financial Intermediaries

We reacted quickly and decisively to accelerate our digital strategy and deliver a package of member benefits, enabling high-quality delivery of our intermediary services without any disruption. Subscription value delivered an Average Revenue per Customer (ARPC) of £6,729 (FY19: £6,565) - an increase of 2%.

Membership fee income increased by 4% to £10.7m (FY19: £10.3m) due to growth in customers of 2% and ARPC increasing by 2%.

Additional services income decreased by 4% to £5.0m (FY19: £5.2m). The acceleration of our digital delivery in the period strengthened its growth potential whilst increased regulation continues to drive demand for our services, however, overall revenues reduced year on year due to low margin discontinued activities.

Software license income grew by 8% to £5.5m (FY19: £5.1m), as member firms continued to adopt market leading practice management software offered through our reseller arrangements.

Employee Benefits

Revenues in Zest Technology, the Group's employee benefits software solution, grew 8% year on year to £3.9m (FY19: £3.6m).

Intermediary services delivered FY20 adjusted EBITDA of £5.5m (FY19: £5.9m) with adjusted EBITDA margin of 21.8% (FY19: 24.4%). Adjusted EBITDA margin reduced year on year through a higher allocation of central costs to the division, which are allocated proportionally to our divisional revenues.

Distribution Channels revenue reduced by 23% to £20.6m (FY19: £26.8m), with the division significantly impacted by COVID-19 restrictions.

The Distribution Channels division delivers distribution and marketing services to product providers.

Marketing services revenues of £5.7m (FY19: £7.2m) were significantly impacted by lockdown restrictions, with all physical events suspended from the end of March. However, we acted quickly and decisively to develop innovative new virtual events that attracted excellent attendance and superb customer feedback which we will continue going forward.

Mortgage Services revenues of £5.0m (FY19: £6.8m) reduced due to the impact of COVID-19 on surveying and a weaker overall product mix, against a strong lending performance of £16.4bn (FY19: £16.0bn).

Valuation Services revenues of £5.5m (FY19: £8.4m) were severely impacted by COVID-19 lockdown restrictions which saw us unable to provide physical onsite valuations for ten weeks. The majority of our surveyors were placed on furlough during this period and our use of government support largely related to the Job Retention Scheme for this area. The market has subsequently improved with volumes running at c.80% of previous levels.

Verbatim revenues of £2.3m (FY19: £2.3m) were broadly consistent with prior year and Insurance Services revenues of £2.2m (FY19: £2.2m) were also broadly consistent with the prior year.

Distribution Channels delivered FY20 adjusted EBITDA of £5.3m (FY19: £6.8m) with adjusted EBITDA margin 25.6% (FY19: 25.2%). Adjusted EBITDA margin increased year on year through a lower allocation of central costs to the division.

Fintech & Research delivered £15.3m of revenue in the period. FY19 revenues of £11.8m were part year for the period from 22 March 2019 (acquisition date).

Fintech and Research comprises our Defaqto business. Defaqto provides market-leading software, financial information and product research to product providers and financial intermediaries.

Software revenue of £7.4m (FY19: £5.7m) benefitted from a full year of ownership and underlying growth in new Fintech contracts. The aggregate value of advice recommendations on the Fintech platform grew to £30.1bn (FY19: £21bn) as adviser engagement accelerates.

Product Ratings revenue of £7.3m (FY19: £5.4m) was delivered from resilient trading from the Defaqto 'Star Ratings' service, a full year of ownership and growth in new research services aimed at investment funds.

Other income of £0.6m (FY19: £0.7m) was delivered from bespoke software and data projects for certain key customers.

Defaqto delivered a strong adjusted EBITDA*¹ margin of 43% (FY19: 43%)

Defaqto also delivered a full R&D roadmap for its future product innovation which along with the combination of its expanding customer base and enhanced software functionality will underpin the exciting growth and development for the business.

Strategic Priorities

The Company's strategy combines organic growth and selective acquisitions - whilst maintaining a prudent balance sheet. Organic growth is expected to be driven by growth in our core digital services and technology offering as well as increasing average revenue per customer - a key business focus. Our accelerated digital strategy will deliver strong margin growth and greater cash and capital efficiency. The full integration and realisation of the strategic synergies from Defaqto will further improve the quality of our underlying earnings.

Capital discipline and efficiency, along with a prudent balance sheet and leverage management, remains a key strategic priority for us, ensuring we can take advantage of selective and appropriate acquisition opportunities when they arise to further enhance shareholder value.

Outlook

The strong start to the current year is marginally ahead of the Board's expectations. Our strategic plan is being implemented efficiently and at pace. We therefore remain confident that the company is in a robust position to achieve its full year ambitions, and is moving forward with real agility.

We are Fintel.

Neil Stevens & Matt Timmins
Joint Chief Executive Officers

FINANCIAL REVIEW

| | Year ended 31 December 2020 £m | Year ended 31 December 2019 £m |
|--|---|---|
| Group revenue | 61.0 | 62.8 |
| Expenses | (43.7) | (45.1) |
| Adjusted EBITDA | 17.3 | 17.7 |
| Adjusted EBITDA margin % | 28.4% | 28.2% |
| Depreciation | (0.3) | (0.3) |
| Depreciation of lease asset | (0.8) | (0.7) |
| Amortisation of development expenditure and software | (1.1) | (0.6) |
| Adjusted EBIT | 15.1 | 16.1 |
| Operating costs of an exceptional nature | (0.8) | (2.0) |
| Share option charges | (0.9) | (0.5) |
| Amortisation of other intangible assets | (2.0) | (1.6) |
| Net finance costs | (1.2) | (1.2) |
| Profit before tax | 10.2 | 10.8 |
| Taxation | (2.0) | (2.2) |
| Profit after tax | 8.2 | 8.6 |
| Adjusted earnings per share ("EPS") | 11.3p | 12.9p |

Revenue

Revenues of £61.0m were 3% lower than the prior year, largely due to COVID-19 restrictions. This reduction was balanced by good underlying growth from both the Intermediary Services and Research & Fintech divisions, and a full year contribution from Defaqto.

Revenues in the Intermediary Services division grew by 4% to £25.1m, as a result of growth in membership and resilient penetration of additional services and software licenses. Fintech & Research revenues increased by £3.5m (30%) as a result of the full period of trading and good underlying growth.

The Distribution Channels division was most impacted by the COVID-19 restrictions, with £4.7m (39%) lower revenues from Valuation and Mortgage Services directly linked to housing transactions, and from a £1.5m (21%) impact from marketing events being moved from physical to digital delivery.

Operating profit and adjusted EBITDA margin

Operating profit reduced by 5% to £11.4m (2019: £12.0m).

Adjusted EBITDA margin is calculated as adjusted EBITDA (as defined in note 5), divided by revenue. Whilst adjusted EBITDA is not a statutory measure, the Board believes it is a highly useful measure of the underlying trade and operations, excluding one-off and non-cash items.

The Company delivered a strong adjusted EBITDA margin of 28.4% (2019: 28.2%) due to improved revenue mix with continued growth on higher margin business lines, rapid and decisive cost efficiencies, and £1.2m received from UK Government's assistance schemes.

Operating costs of an exceptional nature

Exceptional operating costs in the year of £0.8m, include £0.6m relating to the restructuring of the cost base in response to the impacts on the business from the COVID-19 pandemic, and £0.2m of Executive loss of office costs. In the prior year exceptional operating costs included £1.6m of professional fees in respect of the acquisition of Defaqto and £0.4m of termination costs.

Share-based payments

Share-based payment charges of £0.9m (2019: £0.5m) have been recognised in respect of the options in issue.

Financial income and expense

Net finance expenses of £1.2m (2019: £1.2m) relate to the utilisation of the Group's 5 year revolving credit facility, which is due for renewal in March 2024.

Taxation

The underlying tax charge of 21% (2019: 21%) for the period includes the beneficial impact of research and development claims for both Defaqto and Zest Technology, offset by disallowable amortisation of other intangible assets. Going forward we expect the tax charge to be c2% above the UK Corporation Tax Rate on a foreseeable basis.

Earnings per share

Earnings per share has been calculated based on the weighted average number of shares in issue in both years. Adjusted earnings per share in the year amounted to 11.3 pence per share (2019: 12.9 pence per share).

Dividend

During the year the Company paid the final dividend in respect of FY19 of £2.8m. The Board is proposing a full year dividend in respect of FY20 of 2.85 pence per share, payable on 7 May 2021, to shareholders on the register on 9 April 2021, with an ex-dividend date of 8 April 2021.

Cash flow and closing net debt

At 31 December 2020, the Company had net debt of £19.4m, compared to £27.0m at 31 December 2019. This represents a net debt to EBITDA ratio of 1.1 times (31 December 2019: 1.5 times). Net debt is calculated as borrowings less cash and cash equivalents and amortised arrangement fees.

Free cash flow conversion was strong at 69% in 2020 (2019: 46%). In the prior year, cash flow conversion was lower due to the phasing of Defaqto's cash receipts across the year. Free cash flow for the period of £11.9m (2019: £8.2m), is after the inclusion of £1.0m of non-recurring CAPEX for the new head office facility.

Free cash flow conversion is calculated as adjusted EBITDA, less working capital movements, lease payments, CAPEX, development expenditure, corporation tax paid and interest, as a percentage of Adjusted EBITDA. A reconciliation of free cash flow is provided in note 5.

Accounting policies

The Company's consolidated financial information has been prepared consistently in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRS").

Going concern

The Directors have undertaken a comprehensive assessment to consider the Company's ability to trade as a going concern for at least the next 12 months. The Directors have considered the Company's financial position and its committed borrowing facilities and performed various sensitivity analyses to assess the impact of more severe but plausible downside scenarios.

On the basis of the Company's current and forecast profitability and cash flows, and the availability of committed funding, the Directors consider and have concluded that the Company will have adequate resources to continue in operational existence for at least the next 12 months from the date of approving the financial statements. As a result, they continue to adopt a going concern basis in the preparation of the financial statements.

**Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 December 2020**

| | Note | Year ended 31 December 2020 £000 | Year ended 31 December 2019 £000 |
|---|------|---|---|
| Revenue | 6 | 61,005 | 62,774 |
| Operating expenses | 7 | (47,632) | (49,193) |
| Amortisation of other intangible assets | 10 | (1,988) | (1,579) |
| | | ————— | ————— |
| Group operating profit | | 11,385 | 12,002 |
| Finance income | 8 | 57 | 123 |
| Finance costs | 8 | (1,251) | (1,281) |
| | | ————— | ————— |
| Profit before taxation | | 10,191 | 10,844 |
| Taxation | | (2,027) | (2,218) |
| | | ————— | ————— |
| Profit for the financial year | | 8,164 | 8,626 |
| | | ————— | ————— |
| Profit attributable to shareholders: | | | |
| Owners of the Company | | 8,075 | 8,547 |
| Non-controlling interests | | 89 | 79 |
| | | ————— | ————— |
| | | 8,164 | 8,626 |
| | | ————— | ————— |
| Earnings per share - basic | 9 | 8.3p | 9.3p |
| Earnings per share - diluted | 9 | 8.3p | 9.0p |

There are no items to be included in other comprehensive income in the current year or preceding year.

**Consolidated Statement of Financial Position
As at 31 December 2020**

| | Note | 31 December 2020 £000 | 31 December 2019 £000 |
|--------------------------------|------|-----------------------------|-----------------------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 11 | 1,454 | 454 |
| Lease assets | | 5,031 | 2,653 |
| Intangible assets and goodwill | 10 | 105,389 | 106,210 |

| | | | |
|--|----|----------------|----------|
| Deferred tax asset, non-current | | - | 1,262 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 111,874 | 110,579 |
| | | <hr/> | <hr/> |
| Current assets | | | |
| Trade and other receivables | | 10,173 | 11,774 |
| Deferred tax asset | | 265 | 194 |
| Cash and cash equivalents | | 10,284 | 10,666 |
| | | <hr/> | <hr/> |
| Total current assets | | 20,722 | 22,634 |
| | | <hr/> | <hr/> |
| Total assets | | 132,596 | 133,213 |
| | | <hr/> | <hr/> |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 13 | 968 | 968 |
| Share premium account | 13 | 64,791 | 64,755 |
| Other reserves | 14 | (52,192) | (51,993) |
| Retained earnings | | 61,012 | 55,695 |
| | | <hr/> | <hr/> |
| Equity attributable to the owners of the Company | | 74,579 | 69,425 |
| Non-controlling interest | | 168 | 79 |
| | | <hr/> | <hr/> |
| Total equity | | 74,747 | 69,504 |
| | | <hr/> | <hr/> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 17,455 | 17,195 |
| Lease liabilities | | 561 | 540 |
| Income tax liabilities | | 185 | 651 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 18,201 | 18,386 |
| | | <hr/> | <hr/> |
| Non-current liabilities | | | |
| Loans and borrowings | 12 | 29,719 | 37,685 |
| Lease liabilities | | 4,509 | 2,176 |
| Deferred tax liabilities | | 5,420 | 5,462 |
| | | <hr/> | <hr/> |

| | | |
|--------------------------------------|----------------|---------|
| Total non-current liabilities | 39,648 | 45,323 |
| | <hr/> | <hr/> |
| Total liabilities | 57,849 | 63,709 |
| | <hr/> | <hr/> |
| Total equity and liabilities | 132,596 | 133,213 |
| | <hr/> | <hr/> |

**Consolidated statement of cash flows
for the year ended 31 December 2020**

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|--|-----------------------------------|
| | £000 | £000 |
| Net cash generated from operating activities (note 16) | 16,690 | 10,388 |
| Cash flows from investing activities | | |
| Finance income | 57 | 123 |
| Purchase of property, plant and equipment | (1,290) | (208) |
| Proceeds from sale of property, plant and equipment | - | 58 |
| Development expenditure | (2,314) | (2,354) |
| Acquisitions, net of cash received | - | (38,864) |
| Net cash used in investing activities | (3,547) | (41,245) |
| Cash flows from financing activities | | |
| Finance costs | (1,048) | (1,104) |
| Loan repayments made | (15,000) | (31,676) |
| Drawdown of loans | 7,000 | 37,500 |
| Transaction costs related to borrowing | (45) | (420) |
| Payment of deferred and other consideration | (725) | (1,130) |
| Payment of lease liability | (985) | (677) |
| Issue of share capital | 36 | 29,072 |
| Cost of issuing share capital | - | (945) |
| Dividends paid | (2,758) | (2,933) |
| Net cash (used in) / generated from financing activities | (13,525) | 27,687 |
| Net decrease in cash and cash equivalents | (382) | (3,170) |
| Cash and cash equivalents at start of year | 10,666 | 13,836 |
| Cash and cash equivalents at end of year | 10,284 | 10,666 |

Operating costs of an exceptional nature, as per note 7, are included in net cash generated from operating activities. Payment of deferred and other consideration includes £725,000 (2019: £725,000) of deferred consideration payable for the acquisition of Landmark Surveyors Limited. In 2019, deferred consideration paid also included £405,000 in respect of the remaining share purchase for Zest Technology Limited. The deferred and other consideration is considered financing in nature given the time elapsed since the acquisitions.

NOTES TO THE ANNUAL FINANCIAL INFORMATION

1. General information and basis of preparation

The consolidated financial information has been prepared in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRS").

The financial information for the year ended 31 December 2020 and the year ended 31 December 2019 does not constitute the Group's statutory accounts for those periods. Statutory accounts for the period ended 31 December 2019 have been delivered to the Registrar of Companies. The statutory accounts for the period ended 31 December 2020 will be delivered to the Registrar of Companies following the Group's Annual General Meeting.

The auditors' reports on the accounts for 31 December 2020 and 31 December 2019 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

2. Going concern

The Board has concluded that it is appropriate to adopt the Going Concern basis, having undertaken a rigorous review of financial forecasts and available resources, with additional specific consideration given to the uncertain impacts to the Group resulting from the COVID-19 pandemic, including short-term disruption and potential longer-term changes.

The cash flow forecasts include the impact of the global outbreak of Covid-19, which has contributed to a net 3% drop of revenue in the year across the Group. Various sensitivity analyses have been performed to assess the impact of more severe but plausible downside scenarios to future trading including a 10% reduction in revenue streams for the period to April 2022, with the exception of a 50% reduction in revenue for the same period linked to the housing market. This downside is reflective of that experienced in the first lockdown in Q2 2020, albeit it the sensitivity is for a much longer period. These scenarios do not include any potential cost mitigating action plans. Under these severe but plausible downside scenarios the Group continues to operate within its available facilities and does not incur any covenant breaches.

3. Accounting policies

The accounting policies adopted are consistent with those used in preparing the consolidated financial statements for the financial year ended 31 December 2019.

4. Critical accounting estimates and judgements

The Company makes certain estimates and judgements regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and judgements. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Goodwill

The Group is required to test, on an annual basis, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cash flows and the choice of a discount rate in order to calculate the present value of the cash flows. The major source of estimation uncertainty relates to the estimation of future cash flows, particularly for the value-in-use calculation for the Research & Fintech CGU.

5. Reconciliation of GAAP to Non-GAAP measures

The Group uses a number of "non-GAAP" figures as comparable key performance measures, as they exclude the impact of items that are non-cash items and also items that are not considered part of ongoing underlying trade. Amortisation of other intangible assets has been excluded on the basis that it is a non-cash amount, relating to acquisitions in prior periods. Operating costs of an exceptional nature have been excluded as they are not considered part of the underlying trade. Share option charges have been excluded from Adjusted EBITDA as non-cash items.

Adjusted EBITDA is calculated as follows:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|-----------------------------------|-----------------------------------|
| | £000 | £000 |
| Operating profit | 11,385 | 12,002 |
| Add back: | | |
| Depreciation | 290 | 286 |
| Depreciation of lease asset | 826 | 707 |
| Other intangible asset amortisation | 1,988 | 1,579 |
| Amortisation of development costs and software (note 10) | 1,147 | 633 |
| EBITDA | <u>15,636</u> | <u>15,207</u> |
| Add back: | | |
| Share option charges | 914 | 512 |
| Operating costs of exceptional nature (note 7) | 774 | 2,009 |
| Adjusted EBITDA | <u><u>17,324</u></u> | <u><u>17,728</u></u> |

Adjusted profit before tax is calculated as follows:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|-----------------------------------|-----------------------------------|
| | £000 | £000 |
| Profit before tax | 10,191 | 10,844 |
| Add back: | | |
| Operating costs of exceptional nature (note 7) | 774 | 2,009 |
| Amortisation of other intangible assets (note 10) | 1,988 | 1,579 |
| Adjusted profit before tax | <u><u>12,953</u></u> | <u><u>14,432</u></u> |

Adjusted profit after tax is calculated as follows:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|-----------------------------------|-----------------------------------|
|--|-----------------------------------|-----------------------------------|

| | £000 | £000 |
|--|---------------|--------|
| Profit after tax | 8,164 | 8,626 |
| Add back: | | |
| Operating costs of exceptional nature (note 7), net of tax | 627 | 2,009 |
| Amortisation of other intangible assets, net of deferred tax | 2,119 | 1,306 |
| Adjusted profit after tax | 10,910 | 11,941 |

Free cash flow conversion is calculated as follows:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|--|-----------------------------------|
| | £000 | £000 |
| Net cash generated from operating activities | 16,690 | 10,388 |
| Adjusted for: | | |
| Operating costs of exceptional nature (note 7) | 774 | 2,009 |
| Finance income | 57 | 123 |
| Finance costs | (1,048) | (1,104) |
| Purchase of property, plant and equipment | (1,290) | (208) |
| Proceeds from sales of property, plant and equipment | - | 58 |
| Payment of lease liability | (985) | (677) |
| Development expenditure | (2,314) | (2,354) |
| | <hr/> | <hr/> |
| Free cash flow | 11,884 | 8,235 |
| Adjusted EBITDA (as above) | 17,324 | 17,728 |
| | <hr/> | <hr/> |
| Free cash flow conversion | 69% | 46% |
| | <hr/> | <hr/> |

6. Segmental Information

During the year, the Company was domiciled in the UK and substantially all revenue is derived from external customers in the United Kingdom. The Group has an operation in Norway, which is wholly immaterial to the Group's revenues.

The Group has three operating segments, which are considered to be reportable segments under IFRS. The three reportable segments are:

- Intermediary Services;
- Distribution Channels; and
- Research & Fintech

Intermediary Services provides compliance and regulation services to individual financial intermediary Member Firms, including directly authorised IFAs, directly authorised mortgage advisers, workplace consultants and directly authorised wealth managers.

Distribution Channels provides marketing and promotion, product panelling and co-manufacturing services to financial institutions. This division of the Group also undertakes survey panelling and surveying work for mortgage lenders.

The Research & Fintech segment provides a Fintech platform for over 9,000 users, across 3,300 firms and providing independent ratings of 21,000 financial products and funds, licensed by 250 brands.

The reportable segments are derived on a product / customer type basis. Management have applied their judgement on application of IFRS 8, with operating segments reported in a manner consistent with the internal reporting produced to the chief operating decision makers ('CODM'). The chief operating decision makers are deemed to be the Joint CEOs. No aggregation of operating segments has occurred.

Segmental information is provided for Adjusted EBITDA, which is the measure used when reporting to the CODM.

The tables below present the segmental information.

| Year ended 31 December 2020 | Intermediary Services | Distribution Channels | Research & Fintech | Group |
|--|--------------------------|--------------------------|-----------------------|---------------|
| | £000 | £000 | £000 | £000 |
| Revenue | 25,113 | 20,621 | 15,271 | 61,005 |
| Adjusted operating expenses, before amortisation, depreciation, exceptional costs and share option charges | (19,627) | (15,344) | (8,710) | (43,681) |
| Adjusted EBITDA | 5,486 | 5,277 | 6,561 | 17,324 |
| Operating costs of an exceptional nature | | | | (774) |
| Amortisation of other intangible assets | | | | (1,988) |
| Amortisation of development costs and software | | | | (1,147) |
| Depreciation | | | | (290) |
| Depreciation of lease asset | | | | (826) |
| Share option charges | | | | (914) |
| Operating profit | | | | 11,385 |

| Year ended 31 December 2019 | Intermediary Services | Distribution Channels | Research & Fintech | Group |
|--|--------------------------|--------------------------|-----------------------|---------------|
| | £000 | £000 | £000 | £000 |
| Revenue | 24,153 | 26,838 | 11,783 | 62,774 |
| Adjusted operating expenses, before amortisation, depreciation, exceptional costs and share option charges | (18,264) | (20,070) | (6,712) | (45,046) |
| Adjusted EBITDA | 5,889 | 6,768 | 5,071 | 17,728 |
| Operating costs of an exceptional nature | | | | (2,009) |

| | |
|--|---------------|
| Amortisation of other intangible assets | (1,579) |
| Amortisation of development costs and software | (633) |
| Depreciation | (286) |
| Depreciation of lease asset | (707) |
| Share option charges | (512) |
| Operating profit | 12,002 |

In determining the trading performance of the operating segments central costs are allocated based on the divisional contribution of revenue to the Group.

The statement of financial position is not analysed between the reporting segments for management and the chief operating decision makers consider the Group statement of financial position as a whole.

No customer has generated more than 10% of total revenue during the period covered by the financial information.

7. Operating Profit

Operating profit for the period has been arrived at after charging:

| | Year ended 31 December 2020 | Year ended 31 December 2019 |
|---|--|-----------------------------------|
| | £000 | £000 |
| Depreciation of tangible assets - owned | 290 | 286 |
| Depreciation of lease assets | 826 | 707 |
| Research expenditure | 689 | 472 |
| Operating costs of exceptional nature: | | |
| Restructuring costs | 573 | - |
| Professional fees for acquisitions | - | 1,621 |
| Loss of office expense | 201 | 388 |
| | <hr/> 774 <hr/> | <hr/> 2,009 <hr/> |

Operating costs of exceptional nature

Restructuring costs relate to a Group wide restructuring & redundancy programme, which was implemented during the COVID-19 pandemic. Professional fees for acquisitions relate to the purchase of Defaqto in 2019. Loss of office expenses relate to the redundancy of senior employees in 2019 and 2020.

8. Finance Expense and Income

| | Year ended 31 December 2020 £000 | Year ended 31 December 2019 £000 |
|---|---|---|
| Finance Expense | | |
| Interest payable on financial liabilities | (1,118) | (1,249) |
| Finance charge on lease liability | (133) | (32) |
| | <hr/> | <hr/> |
| | (1,251) | (1,281) |
| Finance Income | | |
| Bank interest receivable | 57 | 123 |
| | <hr/> | <hr/> |
| | 57 | 123 |
| Net finance expense | <hr/> | <hr/> |
| | (1,194) | (1,158) |
| | <hr/> | <hr/> |

9. Earnings per share

| Basic Earnings Per Share | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|--|-----------------------------------|
| Profit attributable to equity shareholders of the parent (£000) | 8,075 | 8,547 |
| Weighted average number of shares in issue | 96,792,089 | 92,386,063 |
| Basic profit per share (pence) | 8.3 | 9.3 |
| | | |
| Diluted Earnings Per Share | Year ended 31 December 2020 | Year ended 31 December 2019 |
| Profit attributable to equity shareholders of the parent (£000) | 8,075 | 8,547 |
| Weighted average number of shares in issue | 96,792,089 | 92,386,063 |
| Diluted weighted average number of shares and options for the year | 812,602 | 2,973,289 |
| | 97,604,691 | 95,359,352 |
| Diluted profit per share (pence) | 8.3 | 9.0 |

During 2020 and as at 31 December 2020, the Management Incentive Plan ("MIP") did not exceed the required equity hurdle.

As at 31 December 2020, 3,390,604 options issued to Members (intermediary customers) were less than the share price, making them "in the money". They have therefore been included in the diluted weighted average number of shares above.

An adjusted EPS has been calculated below based on the adjusted profit after tax, which removes items not considered to be part of underlying trading.

| Adjusted basic Earnings Per Share | Year ended 31 December 2020 | Year ended 31 December 2019 |
|--|--|-----------------------------------|
| Adjusted profit after tax (note 5) (£000) | 10,910 | 11,941 |
| Weighted average number of shares in issue | 96,792,089 | 92,386,063 |
| Adjusted earnings per share (pence) | 11.3 | 12.9 |

10. Intangible assets

| | Goodwill | Software | Other Intangible Assets | | | | Development expenditure | Total |
|------------------------------------|---------------|-----------|-------------------------|-----------------------|-------------------------------|--------------|-------------------------|-------|
| | | | Brand | Intellectual Property | Total other intangible assets | | | |
| | | | £000 | £000 | £000 | £000 | | |
| Cost | | | | | | | | |
| At 1 January 2019 | 19,770 | - | 115 | 897 | 1,012 | 2,790 | 23,572 | |
| Acquisitions | 56,406 | 34 | 2,940 | 23,551 | 26,491 | - | 82,931 | |
| Additions | - | - | - | - | - | 2,354 | 2,354 | |
| At 31 December 2019 | 76,176 | 34 | 3,055 | 24,448 | 27,503 | 5,144 | 108,857 | |
| Additions | - | - | - | - | - | 2,314 | 2,314 | |
| At 31 December 2020 | 76,176 | 34 | 3,055 | 24,448 | 27,503 | 7,458 | 111,171 | |
| Amortisation and impairment | | | | | | | | |
| At 1 January 2019 | 178 | - | 12 | 112 | 124 | 133 | 435 | |
| Charge in the year | - | 14 | 241 | 1,338 | 1,579 | 619 | 2,212 | |
| At 31 December 2019 | 178 | 14 | 253 | 1,450 | 1,703 | 752 | 2,647 | |
| Charge in the | - | 15 | 306 | 1,682 | 1,988 | 1,132 | 3,135 | |

year

| | | | | | | | |
|----------------------------|---------------|-----------|--------------|---------------|---------------|--------------|----------------|
| At 31 December 2020 | 178 | 29 | 559 | 3,132 | 3,691 | 1,884 | 5,782 |
| Net book value | | | | | | | |
| At 31 December 2020 | 75,998 | 5 | 2,496 | 21,316 | 23,812 | 5,574 | 105,389 |
| At 31 December 2019 | 75,998 | 20 | 2,802 | 22,998 | 25,800 | 4,392 | 106,210 |

Capitalised development expenditure relates to the development of the software platform in Zest Technology Limited, and technologies in Defaqto.

The goodwill impairment of £178,000 relates to a balance in a subsidiary company, where the specific service line has ended. This is separate from the goodwill that exists on consolidation, which is subject to a separate impairment review described below.

The carrying amount of goodwill is allocated across operating segments, which are deemed to be cash-generating units ("CGUs") as follows:

| | Year ended 31 December 2020 £000 | Year ended 31 December 2019 £000 |
|-----------------------|---|---|
| Intermediary Services | 15,049 | 15,049 |
| Distribution Channels | 12,923 | 12,923 |
| Research & Fintech | 48,026 | 48,026 |
| | 75,998 | 75,998 |

Goodwill is determined to have an infinite useful economic life. The Group has determined that, for the purposes of impairment testing, each segment is a cash-generating unit ("CGU"). The recoverable amounts for the CGUs are predominantly based on value in use, which is calculated on the cash flows expected to be generated using the latest projected data available over a five-year period, plus a terminal value estimate.

The key assumptions in the value in use calculation are the pre-tax discount rate (range of 12.2% to 13.1%; 2019: range of 13.6% to 14.1%), annual adjusted EBITDA growth rate (range of 8% to 18.9%; 2019: 5% to 20%) and the terminal growth rate (2%; 2019: range of 2% to 3%). The discount rate is based on the Group's pre-tax cost of capital, which is compared with other discount rates in the sector, and considered to be a reasonable market participant's rate. The projected EBITDA growth rate is built up on the Board-approved budget and plan, taking into account historical trends. The terminal growth rate is based on the expected growth rate into perpetuity and the expected long-term growth rate of the UK economy.

Within the cash flow projections for the FY20 assessment, the Group has taken into account the anticipated increase in UK Corporation Tax to 25% from April 2023, that was announced in the budget in March 2021.

The Directors have reviewed the recoverable amounts of the CGUs and have identified that a reasonably possible change in the following assumptions for the Research & Fintech CGU could cause the carrying amount to exceed the recoverable amount. The Group would expect that the Research & Fintech CGU is likely to be the most sensitive to changes in assumptions, due to the recency of the acquisition. Additional sensitivity analysis has been performed to examine the impact on the carrying value of the current level of research and development expenditure being

maintained in the long term. Taking this sensitivity into account management conclude that the carrying value remains substantiated. Headroom on the carrying value of Goodwill in the other two CGUs is not considered to be sensitive to reasonable changes in assumptions, which would trigger an impairment.

The following table shows the amount by which these assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

| In percent | Assumption | | Change required for carrying amount to equal recoverable amount | |
|---|--------------|-------|---|----------|
| | 2020 | 2019 | 2020 | 2019 |
| Research & Fintech | | | | |
| Annual adjusted EBITDA growth (Yrs 1-5) | 11.0% | 15.0% | -142 bps | -300 bps |
| Discount rate | 13.1% | 13.6% | +65 bps | +150 bps |
| Long term growth rate | 2.0% | 3.0% | -110 bps | -190 bps |

11. Property, plant and equipment

| | Lease Assets | | | Owned Assets | |
|---|--------------|---------------------|--------------|------------------|--------------|
| | Property | Plant and Equipment | Total | Office Equipment | Total |
| | £000 | £000 | £000 | £000 | £000 |
| Cost | | | | | |
| At 31 December 2018 | - | - | - | 1,443 | 1,443 |
| Recognition of right-of-use asset on initial application of IFRS 16 | 343 | 225 | 568 | - | 568 |
| Adjusted balance at 1 January 2019 | 343 | 225 | 568 | 1,443 | 2,011 |
| Additions | 2,300 | 286 | 2,586 | 208 | 2,794 |
| Disposals | - | - | - | (216) | (216) |
| Acquisitions | 11 | 195 | 206 | 213 | 419 |
| At 31 December 2019 | 2,654 | 706 | 3,360 | 1,648 | 5,008 |
| Additions | 3,014 | 192 | 3,206 | 1,290 | 4,496 |
| Disposals | (429) | (35) | (464) | (178) | (642) |
| At 31 December 2020 | 5,239 | 863 | 6,102 | 2,760 | 8,862 |
| Depreciation and impairment | | | | | |
| At 1 January 2019 | - | - | - | 1,068 | 1,068 |
| Depreciation charge in the year | 407 | 300 | 707 | 286 | 993 |
| Disposals | - | - | - | (160) | (160) |
| At 31 December 2019 | 407 | 300 | 707 | 1,194 | 1,901 |
| Depreciation charge in the year | 522 | 304 | 826 | 290 | 1,116 |
| Disposals | (427) | (35) | (462) | (178) | (640) |
| At 31 December 2020 | 502 | 569 | 1,071 | 1,306 | 2,377 |
| Net book value | | | | | |
| At 31 December 2020 | 4,737 | 294 | 5,031 | 1,454 | 6,485 |
| At 31 December 2019 | 2,247 | 406 | 2,653 | 454 | 3,107 |

Plant and equipment includes IT equipment and motor vehicles. In February, the Group entered into a significant lease contract for its head office. The contract runs for a total of 15 years, with an option to purchase the building from August 2022 to January 2023, which management expect to exercise. The lease asset and liability were valued at £2.7m on inception, which includes the aforementioned purchase option, discounted at an incremental borrowing rate of 2.8%. The lease asset is being depreciated over 20 years, which is in line with the accounting policy.

12. Borrowings

| | 31 December 2020 | 31 December 2019 |
|----------------------------|-----------------------------|---------------------|
| | £000 | £000 |
| Current | - | - |
| Less loan arrangement fees | - | - |
| | <hr/> | <hr/> |
| Non-current | 30,000 | 38,000 |
| Less loan arrangement fees | (281) | (315) |
| | <hr/> | <hr/> |
| | 29,719 | 37,685 |
| | <hr/> | <hr/> |

On 21 March 2019, the Group repaid its loan facility provided by Yorkshire Bank and drew down £45.0m from a Revolving Credit Facility ("RCF") provided in two equal amounts of £22.5m from Yorkshire Bank and NatWest. The drawdown from Yorkshire Bank was net of the settlement of the previous funding. The RCF was a four-year facility, with the option of a one-year extension. The extension was exercised during 2020. The margin payable on the RCF is based on the net leverage of the Group with a range of 1.5% to 2.6% above LIBOR.

On 21 March 2019, the Group repaid the acquired debt of Defaqto of £24.7m (including accrued interest).

On 21 June 2019, the Group repaid £3.0m of the RCF, and on 23 December 2019 repaid £4.0m.

On 23 March 2020, the Group drew down £7.0m of the RCF. On 23 September 2020, the Group repaid £10.0m and on 24 December 2020, the Group repaid £5.0m.

13. Share capital and Share premium

Share capital

| | Ordinary Shares |
|--|----------------------------|
| Number of fully paid shares: (nominal value £0.01) | |
| At 1 January 2019 | 76,470,588 |
| Issue of share capital | 20,311,708 |
| | <hr/> |
| At 31 December 2019 | 96,782,296 |
| Issue of share capital | 24,316 |
| | <hr/> |
| At 31 December 2020 | 96,806,612 |
| | <hr/> |

Share premium

| | £000 |
|------------------------|-------------|
| At 1 January 2019 | 36,791 |
| Issue of share capital | 28,909 |

| | |
|----------------------------|---------------|
| Cost of share issue | (945) |
| | <hr/> |
| At 31 December 2019 | 64,755 |
| Issue of share capital | 36 |
| | <hr/> |
| At 31 December 2020 | 64,791 |
| | <hr/> |

On 21 March 2019, the Company issued 20,311,708 new £0.01 Ordinary Shares for £1.80 per share, as part of the funding for the acquisition of Defaqto. 4,160,000 of these shares were issued in part consideration for the acquisition of Defaqto (note 14).

On 20 July 2020, the Company issued 21,728 new £0.01 Ordinary Shares for £1.70 per share to settle SAYE and MSOP share options. On 23 December 2020, the Company issued 2,588 new £0.01 Ordinary Shares for £1.70 per share to settle SAYE share options.

14. Other reserves

| | Merger reserve | Capital redemption reserve | Share option reserve | Total |
|--|-------------------|----------------------------------|----------------------------|-----------------|
| | £000 | £000 | £000 | £000 |
| At 1 January 2019 | (61,395) | 8 | 320 | (61,067) |
| Share option charge | - | - | 512 | 512 |
| Issue of shares | 7,449 | - | - | 7,449 |
| Deferred tax on share options exceeding profit and loss charge | - | - | 1,113 | 1,113 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2019 | (53,946) | 8 | 1,945 | (51,993) |
| Share option charge | - | - | 914 | 914 |
| Deferred tax on share options exceeding profit and loss charge | - | - | (1,113) | (1,113) |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| At 31 December 2020 | (53,946) | 8 | 1,746 | (52,192) |
| | <hr/> | <hr/> | <hr/> | <hr/> |

During 2019 the Company issued 4,160,600 new £0.01 Ordinary Shares at a value of £1.80 per share in part consideration for the acquisition of Defaqto, resulting in an increase in the merger reserve. The opening balance on the merger reserve arose during the introduction of a new ultimate parent company in 2015.

Other reserves in the Company relate to the share option reserve, as per the Group above, and the merger reserve, which includes the impact of shares issued in the Defaqto acquisition, described above.

15. Share-based payment arrangements

At 31 December 2020, the number and weighted average exercise prices of share options under the share option programmes were as follows:

| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
|-----------------------------------|----------------------|---------------------------------------|----------------------|--|
| | 31 December 2020 | 31 December 2020 £ | 31 December 2019 | 31 December 2019 £ |
| Outstanding at 1 January | 1,450,680 | 1.20 | 1,036,808 | 1.29 |
| Forfeited during the year | (148,095) | 1.66 | (128,930) | 1.70 |
| Exercised during the year | (25,238) | 1.70 | - | - |
| Granted during the year | 218,084 | 0.01 | 542,802 | 1.15 |
| Outstanding at 31 December | 1,495,431 | 0.98 | 1,450,680 | 1.20 |
| Exercisable at 31 December | - | - | - | - |

The options outstanding at 31 December 2020 had an exercise price in the range of £0.01 to £1.93 (2019: £0.01 to £1.93) and a weighted average contractual life of 2.6 years (2019: 2.9 years).

Issued in 2020

Company Share Option Plan ("CSOP")

In March 2020, the Group established an additional Company Share Option Plan ("CSOP"), which granted share options to certain key management personnel. The scheme is an unapproved scheme with a grant date of 11 March 2020. 218,084 options were issued. The terms and conditions of the share option schemes granted during the year ended 31 December 2020 are as follows:

| | Unapproved CSOP |
|---|--------------------|
| Fair value at grant date | £1.77 |
| Share price at grant date | £1.82 |
| Exercise price | £0.01 |
| Expected volatility | 45% |
| Option life (expected weighted average life) | 1.07 |
| Expected dividends | 2% |
| Risk-free interest rate (based on government bonds) | 1.0% |

16. Notes to the cash flow statement

| | Year ended 31 December 2020 £000 | Year ended 31 December 2019 £000 |
|--|---|---|
| Cash flow from operating activities | | |
| Profit after taxation | 8,164 | 8,626 |
| Add back: | | |
| Finance income | (57) | (123) |
| Finance cost | 1,251 | 1,281 |
| Taxation | 2,027 | 2,218 |
| | 11,385 | 12,002 |

| | | |
|--|---------------|---------------|
| Adjustments for: | | |
| Amortisation of development expenditure and software | 1,147 | 633 |
| Depreciation of lease asset | 826 | 707 |
| Depreciation of property, plant and equipment | 290 | 286 |
| Amortisation of other intangible assets | 1,988 | 1,579 |
| Share option charges | 914 | 512 |
| Research and development expenditure credit | (20) | - |
| Operating cash flow before movements in working capital | 16,530 | 15,719 |
| Decrease/(increase) in receivables | 1,601 | (282) |
| Increase/(decrease) in trade and other payables | 937 | (3,290) |
| Cash generated from operations | 19,068 | 12,147 |
| Income taxes paid | (2,378) | (1,759) |
| Net cash generated from operating activities | 16,690 | 10,388 |

17. Acquisitions

On 21 March 2019, the Group purchased 100% of the share capital of Regulus Topco Limited, owner of Defaqto, a financial services tech business for total consideration of £51.4 million. Acquired borrowings of £24.7 million were settled soon after completion of the transaction. No acquisitions occurred in 2020.

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