

15 September 2020

**The SimplyBiz Group plc
("SimplyBiz", the "Company" or the "Group")
Half-year results for the six months ended 30 June 2020**

Resilient Performance - Digital Acceleration

SimplyBiz (AIM: SBIZ), a leading independent provider of compliance, technology and business services to financial advisers and financial institutions in the UK, today announces its unaudited results for the six months ended 30 June 2020.

Financial highlights:

- Revenue **of £28.9m** (H1 2019: £29.1m)
- Operating profit **of £5.0m** (H1 2019: £3.2m)
- Adjusted EBITDA*¹ **of £7.4m** (H1 2019: £8.0m)
- Adjusted EBITDA*¹ margin **of 25.5%** (H1 2019: 27.5%)
- Adjusted EPS *² **of 4.22p** (H1 2019: 5.57p)
- Free cash flow conversion*³ **of 65%** (H1 2019: 43%)
- 30 June 2020 net debt **of £25.8m** (30 June 2019: £30.1m)
- Full year guidance maintained - adjusted EPS no less than 11.0p (PY: 13.0p)

Operational highlights:

- Digital strategy accelerated
- Scale and growth in intermediary services
- Decisive cost control and efficiency improvements
- Strong performance and contribution from Defaqto
- Mortgage completions of £7.4bn
- Awarded Service Company of the Year

Operational Update

The company took strong and positive action within the first week of national lockdown to successfully ensure it could fully support its customers and colleagues. All services to intermediary customers were moved onto a proprietary digital platform and delivered without disruption. Decisive cost control and efficiency improvements were made which will deliver sustained margin benefits in the future. Fintech & Research remained resilient and robust over the period with continued product developments to support our future growth.

The Company's mortgage valuation business and events programme were significantly impacted by the lockdown, though volumes moderately increased in June. Management expects a continued slow recovery in the housing market during the second half of the year. Mortgage completions were consistent with prior year, further demonstrating the resilience of our customer base and services.

Management quickly and successfully moved to agile working, bringing forward and enhancing developments to the digital platform, enhancing the delivery of services.

Dividend

As stated in the Operational & COVID-19 Update announcement on 27 April 2020 and Pre-Close Statement on 23 July 2020, the Board does not intend to recommend an interim dividend in respect of the current financial year. A further update on the FY20 dividend will be provided in January 2021.

Matt Timmins, Joint CEO of The SimplyBiz Group plc, commented:

"We are delighted to report strong and resilient trading for H1 2020, demonstrating the robust nature of our business. We benefitted from an improving quality of our underlying earnings, under-pinned by six full months trading from Defaqto which helped offset a significant reduction in valuation income during the period. The quality of our revenues, the resilience of our customers, and the benefits of a stronger digital delivery platform have enabled strong trading during challenging times. We have responded quickly and decisively to deliver growth in key strategic areas, whilst improving the quality of our underlying earnings.

We have accelerated our digital strategy. This data led, digital delivery, will further improve our quality of earnings, margins and cash generation going forward, whilst also improving customer service."

"On behalf of the Board, I would like to thank all of our colleagues, customers, and wider stakeholders for 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.*

**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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SimplyBiz

via Instinctif Partners

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Notes to Editors

The SimplyBiz Group provides essential support services, software and data that enable professional financial advisers, financial intermediaries and product providers to deliver better outcomes for their customers.

The SimplyBiz Group supports 3,700 intermediary firms with regulatory and business support in addition to 1,900 customer firms of its fintech platform, while providing essential distribution support to over 400 financial institutions.

The Company's understanding of the changing regulatory landscape and deep insights into the needs of customers, advisers and product providers enables it to add unique value to the retail financial services sector.

For more information, please visit: www.simplybizgroup.co.uk/

Analyst presentation

An analyst briefing is being held at 09:30 BST on 15 September 2020 via an online video conference facility. To register your attendance please contact SimplyBiz@instinctif.com

JOINT CHIEF EXECUTIVES' STATEMENT

Overview

During the six months to 30 June 2020, SimplyBiz delivered a robust financial and operational performance, reacting quickly and decisively to COVID-19 restrictions. The robust nature of revenues, the resilience of its customers base, and a stronger delivery platform following the acquisition of Defaqto have enabled growth in key strategic areas offsetting reductions in valuations and marketing events. The company delivered a strong adjusted EBITDA margin with strong cash conversion.

Headline revenue was broadly consistent with the prior year at £28.9m (H1 2019: £29.1m), as the positive performance from Defaqto and growth in core Intermediary Services were offset by the impact of COVID-19 on the Distribution Channels division.

Adjusted EBITDA of £7.4m represented a robust 25.5% (H1 2019: 27.5%) margin flowing from the higher margin Fintech & Research division, coupled with the quick and efficient implementation of cost saving measures, including the utilisation of certain UK Government assistance packages.

Divisional Performance

The **Intermediary Services division** provides compliance and business services to over 3,700 individual intermediary firms through a comprehensive membership model. Members, including financial advisers, mortgage advisers and wealth managers, conduct regulated activities and are regulated by the FCA.

The Company reacted quickly and decisively to accelerate its digital strategy and deliver a package of member benefits that enabled uninterrupted high quality delivery of all intermediary services, maintained customer scale and recurring subscriptions value, and strengthened the opportunities for future engagement and growth.

Membership fee income increased by 4% to £5.3m, compared to H1 2019. The Company continued to pursue its strategy of focussing on recruiting larger firms and wealth managers, with average fees increasing by 3%.

Increased regulation continues to drive demand for our services. Additional services income increased by 9% to £2.6m (H1 2019: £2.4m) and the acceleration of the Company's digital delivery in the period strengthened its growth potential.

Software licence users increased from 4,106 at 30 June 2019 to 4,580 (30 June 2020), contributing to a strong and accelerating 10% increase in software licence income to £2.7m.

Revenues in Zest Technologies, the Group's employee benefits software solution, were stabilised and grew marginally ahead of the prior year at £1.7m.

The **Distribution Channels division** was significantly impacted by the COVID-19 restrictions, with revenues reducing by 31% to £9.2m.

The Surveying business was unable to provide physical onsite valuations for 10 weeks, from late March, with the majority of its surveyors placed on furlough as a result. The market has subsequently improved with volumes currently around c50% of previous 'normal' levels. Valuation Services revenues in the period were £2.1m (H1 2019: £4.4m).

The temporary closure of the housing market also impacted Mortgage Services income, with lower than expected mortgage completions and reduced panel management transactions during Q2. Growth in the months prior to lockdown helped maintain total mortgage completion at £7.4bn, consistent with H1 2019. Mortgage Services revenues for the period were £2.3m (H1 2019: £3.1m) mainly due to a reduction in panel management services (surveying).

The Company's extensive events programme has also been impacted by lockdown restrictions, with all physical events suspended from the end of March. The Company acted quickly and decisively to develop an innovative new virtual events service that has attracted excellent attendance and superb customer feedback. Revenues from marketing agreements were £2.6m (H1 2019: £3.6m).

The **Fintech & Research division** contributed £7.4m of revenue for the period, compared with £4.2m for the three and a half months following the acquisition on 22 March 2019. The acquisition remains earnings enhancing. Defaqto continues to provide a significant strengthening of its delivery platform and remains a strategic priority for future quality earnings growth.

Strategy

The Company's strategy comprises organic and acquisitive growth. Organic growth is expected to be driven by growth in the Company's digital service and technology offering to its customers as well as increasing average revenue per customer. An accelerated digital strategy will deliver strong margin growth and greater cash and capital efficiency. The integration of Defaqto and the Company's enhanced ability to provide data driven, digitised services, will further improve the quality of earnings.

Management continue to pursue selective acquisitions to enhance the services offered, the technology capabilities it possesses and to build on the scalable platform of the Company, subject to prudent balance sheet management, particularly with regard to sensible leverage ratios.

Financial Results:

	Jun-20	Jun-19
	£m	£m
Group Revenue	28.9	29.1
Expenses	(21.5)	(21.1)
Adjusted EBITDA	7.4	8.0
Adjusted EBITDA margin %	25.5%	27.5%
Depreciation	(0.1)	(0.1)
Depreciation of lease asset	(0.4)	(0.3)
Amortisation of development expenditure and software	(0.5)	(0.5)
Adjusted EBIT	6.4	7.1
Operating costs of an exceptional nature	-	(3.0)
Share option charges	(0.4)	(0.3)
Amortisation of other intangible assets	(1.0)	(0.6)

Net finance costs	(0.6)	(0.5)
Profit before tax	4.4	2.7
Taxation	(1.6)	(1.3)
Profit after tax	2.8	1.4
Adjusted earnings per share (EPS)	4.22p	5.57p

Revenue

Revenues of £28.9m were 1% lower than the prior period, largely due to revenue reductions resulting from the COVID-19 restrictions. These reductions were balanced by underlying growth from both the Intermediary Services and Research & Fintech divisions, and a full six months' contribution from Defaqto.

Revenues in the Intermediary services division grew by 6% to £12.3m, as a result of growth in member numbers and improved penetration of additional services and software licences. Fintech & Research revenues increased by £3.2m (77%) as a result of the full period of trading vs three and a half months in 2019 and continued organic growth from Defaqto.

The Distribution Channels division has been impacted by the COVID-19 lockdown restrictions, with £3.2m (42%) lower revenues from Valuation and Mortgage Services that directly link to housing transactions, and from the £0.9m (26%) impact to marketing events being moved from physical to digital delivery.

Operating profit and adjusted EBITDA margin

Operating profit increased by 56% to £5.0m (H1 2019: £3.2m, after exceptional charges of £3.0m).

Adjusted EBITDA margin is calculated as adjusted EBITDA (as defined in note 6), divided by revenue. Whilst adjusted EBITDA is not a statutory measure, the Board believe it is a highly useful measure of the underlying trade and operations, excluding one-off and non-cash items.

The Company delivered a robust adjusted EBITDA margin of 25.5% (H1 2019: 27.5%) due to continued revenue growth in higher margin sectors, rapid and decisive cost saving measures, and £0.8m received through the UK Government's assistance schemes.

Operating costs of an exceptional nature

Exceptional operating costs in the prior year included £2.6m of professional fees in respect of the acquisition of Defaqto and £0.4m of termination costs.

Share-based payments

Share-based payment charges of £0.4m (H1 2019: £0.3m) have been recognised in respect of the options in issue. The increase in the charge reflects the full period of issue for options granted in 2019.

Financial income and expense

Net finance expenses of £0.6m (H1 2019: £0.5m) relate to drawdowns on the Group's revolving credit facility agreement.

Taxation

The tax charge for the period has been accrued using the tax rate that is expected to apply to the full financial year. The tax expense includes a deferred tax charge of £0.6m, being the deferred tax liability arising on intangible assets acquired with Defaqto, along with the change in the UK corporation tax rate from 17% to 19%.

Earnings per share

Earnings per share has been calculated based on the weighted average number of shares in issue in both periods.

Dividend

During the period the Company paid the final dividend in respect of FY19 of £2.8m. As announced in April, the Board does not intend to recommend an interim dividend in respect of the current financial year.

Cash flow and closing net debt

At 30 June 2020 the Company had net debt of £25.8m, compared to £27.0m at 31 December 2019 and £30.1m at 30 June 2019. Net debt is calculated as borrowings less cash and cash equivalents and amortised arrangement fees. In March 2020, the Company drew down the remaining £7.0m of the £45m Revolving Credit Facility to provide ongoing financial flexibility.

Free cash flow conversion was strong at 65% for H1 2020, vs 43% in H1 2019. In the prior period, cash flow conversion was lower due to the timing of Defaqto's cash receipts across the year.

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 6.

OUTLOOK

Trading has continued in line with the Board's expectation since the end of the period.

The Board remains confident of the Company's strong trading and cash generation and continues to expect that 2020 full year adjusted earnings per share shall be no less than 11.0p (2019 FY: 13.0p).

Matt Timmins and Neil Stevens
Joint Chief Executive Officers

Consolidated statement of profit or loss and other comprehensive income

for the six months ended 30 June 2020

	Note	6 months ended 30 June 2020 £000	6 months ended 30 June 2019 £000
Revenue	7	28,870	29,086
Operating expenses	8	(22,912)	(25,354)
Amortisation of other intangible assets	12	(994)	(550)
		<hr/>	<hr/>
Operating profit		4,964	3,182
Finance income	9	47	41
Finance costs	9	(666)	(562)
		<hr/>	<hr/>
Profit before taxation		4,345	2,661
Taxation	10	(1,583)	(1,234)
		<hr/>	<hr/>
Profit for the financial period		2,762	1,427
		<hr/>	<hr/>
Profit attributable to shareholders:			
Owners of the Company		2,707	1,416
Non-controlling interests		55	11
		<hr/>	<hr/>
		2,762	1,427
		<hr/>	<hr/>

Earnings per share - basic	11	2.80p	1.61p
Earnings per share - diluted	11	2.78p	1.59p

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

Consolidated Statement of Financial Position

As at 30 June 2020

	Note	Unaudited 30 June 2020 £000	Unaudited 30 June 2019 £000	Audited 31 December 2019 £000
Assets				
Non-current assets				
Property, plant & equipment	13	1,294	492	454
Lease asset		5,166	1,511	2,653
Intangible assets and goodwill	12	106,048	106,644	106,210
Deferred tax asset, non-current		80	-	1,262
Total non-current assets		112,588	108,647	110,579
Current assets				
Trade and other receivables		9,253	11,023	11,774
Deferred tax asset		91	116	194
Cash and cash equivalents -unrestricted		18,921	11,010	10,666
Cash and cash equivalents -restricted		-	545	-
Total current assets		28,265	22,694	22,634
Total assets		140,853	131,341	133,213
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital	15	968	968	968
Share premium account	15	64,755	73,149	64,755
Other reserves	16	(52,716)	(60,760)	(51,993)
Retained earnings		55,644	49,939	55,695
Equity attributable to the owners of the Company		68,651	63,296	69,425
Non-controlling interest		134	11	79
Total equity		68,785	63,307	69,504
Liabilities				
Current liabilities				
Trade and other payables		16,031	18,175	17,195
Lease liabilities, current		580	271	540
Current tax liabilities		230	1,315	651
Total current liabilities		16,841	19,761	18,386
Non-current liabilities				
Loans and borrowings	14	44,695	41,615	37,685
Lease liabilities, non-current		4,610	1,179	2,176
Deferred tax liabilities		5,922	5,479	5,462
Total non-current liabilities		55,227	48,273	45,323

Total liabilities	72,068	68,034	63,709
Total equity and liabilities	140,853	131,341	133,213

Consolidated statement of changes in equity

	Share capital £000	Share premium £000	Other reserve £000	Non controlling interest £000	Retained earnings £000	Total equity £000
Balance at 1 January 2019	765	36,791	(61,067)	-	50,081	26,570
Total comprehensive income for period	-	-	-	11	1,427	1,438
<i>Transactions with owners, recorded directly in equity</i>						
Issue of share capital	203	36,358	-	-	-	36,561
Dividends	-	-	-	-	(1,569)	(1,569)
Share option charge	-	-	307	-	-	307
Total contributions by and distribution to owners	203	36,358	307	-	(1,569)	35,299
Balance at 30 June 2019	968	73,149	(60,760)	11	49,939	63,307
Total comprehensive income for period	-	-	-	68	7,120	7,188
<i>Transactions with owners, recorded directly in equity</i>						
Transfer to other reserves	-	(7,449)	7,449	-	-	-
Cost of share issue	-	(945)	-	-	-	(945)
Share option charge	-	-	205	-	-	205
Deferred tax on share options exceeding profit and loss charge	-	-	1,113	-	-	1,113
Dividends	-	-	-	-	(1,364)	(1,364)
Total contributions by and distribution to owners	-	(8,394)	8,767	-	(1,364)	(991)
Balance at 31 December 2019	968	64,755	(51,993)	79	55,695	69,504
Total comprehensive income for period	-	-	-	55	2,707	2,762
<i>Transactions with owners, recorded directly in equity</i>						
Dividends	-	-	-	-	(2,758)	(2,758)
Share option charge	-	-	390	-	-	390
Deferred tax on share options exceeding profit and loss charge	-	-	(1,113)	-	-	(1,113)
Total contributions by and distribution to owners	-	-	(723)	-	(2,758)	(3,481)
Balance at 30 June 2020	968	64,755	(52,716)	134	55,644	68,785

Consolidated statement of cash flows for the 6 months ended 30 June 2020

6 months
ended 6 months
ended

	30 June 2020 £000	30 June 2019 £000
Net cash generated from operating activities (note 18)	7,784	2,214
Cash flows from investing activities		
Finance income	47	41
Purchase of property, plant and equipment	(954)	(42)
Development expenditure	(1,355)	(930)
Acquisitions, net of cash received	-	(38,886)
Net cash used in investing activities	(2,262)	(39,817)
Cash flows from financing activities		
Finance costs	(279)	(475)
Loan repayments made	-	(27,676)
Drawdown of loans	7,000	37,500
Transaction costs related to borrowing	(45)	(420)
Payment of lease liability	(460)	(385)
Payment of deferred and other consideration	(725)	(725)
Issue of share capital	-	29,072
Dividends paid	(2,758)	(1,569)
Net cash generated from financing activities	2,733	35,322
Net increase / (decrease) in cash and cash equivalents	8,255	(2,281)
Cash and cash equivalents at start of period	10,666	13,836
Cash and cash equivalents at end of period	18,921	11,555

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Reporting entity

The SimplyBiz Group plc is a company domiciled in the UK. These condensed consolidated interim financial statements ('interim financial statements') as at and for the six months ended 30 June 2020 comprise the Company and its subsidiaries (together referred to as 'the Group'). The Group is primarily involved in the provision of compliance, technology and business services to financial advisers, including directly authorised IFAs, directly authorised mortgage advisers, workplace consultants and directly authorised wealth managers. It also provides marketing and promotion, product panelling and co-manufacturing services to more than 135 financial institutions, through access to its membership.

2. Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34 *Interim financial reporting* and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019 ('last annual financial statements'). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the Group's financial position and performance since the last annual financial statements.

The financial information set out in these interim financial statements for the six months ended 30 June 2020 and the comparative figures for the six months ended 30 June 2019 are unaudited. The comparative financial information for the period ended 31 December 2019 in this interim report does not constitute statutory accounts for that period under 435 of the Companies Act 2006.

Statutory accounts for the period ended 31 December 2019 have been delivered to the Registrar of Companies. The auditors' report on the accounts for 31 December 2019 was 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.

The interim financial statements comprise the financial statements of the Group and its subsidiaries at 30 June 2020. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases.

The interim financial statements incorporate the results of business combinations using the acquisition method. In the consolidated balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

These interim financial statements were authorised for issue by the Company's Board of Directors on 14 September 2020.

3. Use of Judgements and Estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

4. Changes in significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements in the 2019 Annual Report & Accounts.

Current taxes

The policy for recognising and measuring income taxes in the interim period is described in note 10.

Accounting for Government Support

Amounts receivable under the UK Government's Coronavirus Job Retention Scheme have been recognised in profit or loss on a systematic basis net of the expense for which the monies are intended to compensate, once any conditions related to the receipts are met.

5. Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Joint Chief Executives' statement.

The Group Directors have prepared cash flow forecasts for the Group for the period to 31 December 2021 which indicate that, taking account of severe but plausible downside scenarios, the Group will have sufficient funds, to meet its liabilities as they fall due for that period.

The cash flow forecasts include the impact of the recent global outbreak of COVID-19, which has led to a net 1% drop of revenue in the first half of 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. Under these severe but plausible downside scenarios the Group continues to operate within its available facilities and does not incur any covenant breaches.

The Directors have considered these factors, the likely performance of the business and possible alternative outcomes and the financing activities available to the Group. Having taken all of these factors into consideration, including the impact on covenants relating to the external borrowing facility, the Directors confirm that forecasts and projections indicate that the Group has adequate resources for the foreseeable future and at least for the period of 12 months from the date of signing the half year report. Accordingly, the financial information has been prepared on the going concern basis.

6. 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 one-off items that are not considered part of ongoing trade. Amortisation of other intangible assets has been excluded on the basis that it is a non-cash amount, relating to acquisitions in the current and 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 only as non-cash costs.

The Group's "non-GAAP" measures are not defined performance measures in IFRS. The Group's definition of the reporting measures may not be comparable with similar titled performance measures in other entities.

Adjusted EBITDA is calculated as follows:

	6 months ended 30 June 2020 £000	6 months ended 30 June 2019 £000
Operating profit	4,964	3,182
add back:		
Depreciation	124	133
Depreciation of leased assets	359	321
Amortisation of other intangible assets (note 12)	994	550
Amortisation of development costs and software (note 12)	523	494
	<hr/>	<hr/>
EBITDA	6,964	4,680
Add back:		
Operating costs of exceptional nature (note 8)	-	2,997
Share option charges	390	307
	<hr/>	<hr/>
Adjusted EBITDA	7,354	7,984
	<hr/>	<hr/>

Adjusted profit before tax is calculated as follows:

	6 months ended 30 June 2020 £000	6 months ended 30 June 2019 £000
Profit before tax	4,345	2,661
add back:		
Operating costs of exceptional nature (note 8)	-	2,997
Amortisation of other intangible assets (note 12)	994	550
	<hr/>	<hr/>
Adjusted profit before tax	5,339	6,208
	<hr/>	<hr/>

Adjusted profit after tax is calculated as follows:

	6 months ended 30 June 2020 £000	6 months ended 30 June 2019 £000
Profit after tax	2,762	1,427
add back:		
Operating costs of exceptional nature (note 8)	-	2,997
Amortisation of other intangible assets, net of deferred tax charge / credit	1,323	471
	<hr/>	<hr/>
Adjusted profit after tax	4,085	4,895
	<hr/>	<hr/>

Free cash flow conversion is calculated as follows:

	6 months ended 30 June 2020 £000	6 months ended 30 June 2019 £000
Net cash generated from operating activities	7,784	2,214
Adjusted for:		

Operating costs of exceptional nature (note 8)	-	2,997
Finance income	47	41
Finance costs	(279)	(475)
Purchase of property, plant and equipment	(954)	(42)
Payment of lease liability	(460)	(385)
Development expenditure	(1,355)	(930)
	<hr/>	<hr/>
Free cash flow	4,783	3,420
Adjusted EBITDA (as above)	7,354	7,984
	<hr/>	<hr/>
Free cash flow conversion	65%	43%
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7. Segmental Information

During the year, the Company was domiciled in the UK and as such substantially all revenue is derived from external customers in the United Kingdom. Since the acquisition of Defacto in March 2019, 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, licenced 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.

6 months ended 30 June 2020	Intermediary Services £000	Distribution Channels £000	Research & Fintech £000	Group £000
Revenue	12,293	9,223	7,354	28,870
Adjusted operating expenses, before amortisation and depreciation	(9,886)	(7,164)	(4,466)	(21,516)
Adjusted EBITDA	2,407	2,059	2,888	7,354
Operating costs of an exceptional nature				-
Amortisation of other intangible assets				(994)
Amortisation of development costs and software				(523)
Depreciation				(124)
Depreciation of lease asset				(359)
Share option charges				(390)
Operating profit				4,964

6 months ended 30 June 2019	Intermediary Services	Distribution Channels	Research & Fintech	Group
	£000	£000	£000	£000
Revenue	11,605	13,329	4,152	29,086
Adjusted operating expenses, before amortisation and depreciation	(9,265)	(9,657)	(2,180)	(21,102)
Adjusted EBITDA	2,340	3,672	1,972	7,984
Operating costs of an exceptional nature				(2,997)
Amortisation of other intangible assets				(550)
Amortisation of development costs and software				(494)
Depreciation				(133)
Depreciation of lease asset				(321)
Share option charges				(307)
Operating Profit				3,182

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 reporting segments for management and the chief 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.

8. Operating Profit

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

	6 months ended 30 June 2020 £000	6 months ended 30 June 2019 £000
Depreciation of tangible assets	124	133
Depreciation of lease asset	359	321
Operating costs of exceptional nature:		
Restructuring costs	-	59
Professional fees for acquisitions	-	2,549
Loss of office expense	-	389
	-	2,997

Operating costs of exceptional nature

Professional fees for acquisitions relate to the purchase of Defaqto in 2019. Loss of office expense relates to the redundancy of a senior employee and restructuring costs relate to a restructure program in a single legal entity.

9. Finance Expense and Income

6 months ended 30 June 2020 £000	6 months ended 30 June 2019 £000
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Finance Expense		
Bank interest payable	(603)	(559)
Finance charge on lease liability	(63)	(3)
	<u>(666)</u>	<u>(562)</u>
Finance Income		
Bank interest receivable	47	41
	<u>47</u>	<u>41</u>
Net finance expense	<u>(619)</u>	<u>(521)</u>

10. Taxation

	6 months ended 30 June 2020 £000	6 months ended 30 June 2019 £000
Current tax charge	951	1,291
Deferred tax charge / (credit)	632	(57)
	<u>1,583</u>	<u>1,234</u>

Current income tax expense is recognised at an amount determined by multiplying the profit before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

11. Earnings per share

Basic Earnings Per Share ('EPS')	6 months ended 30 June 2020 £000	6 months ended 30 June 2019 £000
Profit attributable to equity shareholders of the parent	2,707	1,416
	<u>2,707</u>	<u>1,416</u>
Weighted average number of shares in issue	96,782,296	87,867,713
	<u>96,782,296</u>	<u>87,867,713</u>
Basic profit per share (pence)	2.80p	1.61p
	<u>2.80p</u>	<u>1.61p</u>

Earnings per share has been calculated based on the weighted average number of shares in issue in both periods.

Diluted Earnings Per Share	6 months ended 30 June 2020 £000	6 months ended 30 June 2019 £000
Profit attributable to equity shareholders of the parent	2,707	1,416
	<u>2,707</u>	<u>1,416</u>
Weighted average number of shares in issue	96,782,296	87,867,713
	<u>96,782,296</u>	<u>87,867,713</u>

Diluted weighted average number of shares and options for the period	483,999	1,203,045
	97,266,295	89,070,758
Diluted profit per share (pence)	2.78p	1.59p

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

Adjusted basic Earnings Per Share	6 months ended 30 June 2020 £000	6 months ended 30 June 2019 £000
Adjusted profit after tax (note 6)	4,085	4,895
Weighted average number of shares in issue	96,782,296	87,867,713
Adjusted earnings per share (pence)	4.22p	5.57p

12. Intangible assets and goodwill

	Goodwill	Software	Other Intangible Assets				Development expenditure	Total
			Brand	Intellectual property	Total other intangible assets			
	£000	£000	£000	£000	£000	£000	£000	
Cost								
At 1 January 2019	19,770	-	115	897	1,012	2,790	23,572	
Acquisitions	54,737	34	2,904	23,551	26,455	2,395	83,621	
Additions	-	-	-	-	-	930	930	
At 30 June 2019	74,507	34	3,019	24,448	27,467	6,115	108,123	
Additions	-	-	-	-	-	1,424	1,424	
Adjustments	1,669	-	36	-	36	(2,395)	(690)	
At 31 December 2019	76,176	34	3,055	24,448	27,503	5,144	108,857	
Additions	-	-	-	-	-	1,355	1,355	
At 30 June 2020	76,176	34	3,055	24,448	27,503	6,499	110,212	
Amortisation and impairment								
At 1 January 2019	178	-	12	112	124	133	435	
Charge in the period	-	4	60	490	550	490	1,044	
At 30 June 2019	178	4	72	602	674	623	1,479	
Charge in the period	-	10	181	848	1,029	129	1,168	
At 31 December 2019	178	14	253	1,450	1,703	752	2,647	
Charge in the period	-	4	153	841	994	519	1,517	
At 30 June 2020	178	18	406	2,291	2,697	1,271	4,164	

Net book value							
At 30 June 2020	75,998	16	2,649	22,157	24,806	5,228	106,048
At 31 December 2019	75,998	20	2,802	22,998	25,800	4,392	106,210
At 30 June 2019	74,329	30	2,947	23,846	26,793	5,492	106,644

Intellectual property is a single asset covering the three elements of customer relationships, technology and data. Capitalised development expenditure relates to the development of the software platform in Zest Technologies Limited, and technologies in Defaqto.

13. Property, plant & equipment

	Lease Assets			Owned Assets		
	Property £000	Plant & Equipment £000	Total £000	Leasehold improvements £000	Office Equipment £000	Total £000
Cost						
At 1 January 2019	-	-	-	-	1,443	1,443
Recognition of right of use asset on initial application of IFRS 16	343	225	568	-	-	-
	343	225	568	-	1,443	1,443
Additions	1,015	43	1,058	-	37	37
Acquisitions	11	195	206	-	213	213
At 30 June 2019	1,369	463	1,832	-	1,693	1,693
Additions	1,285	243	1,528	-	171	171
Disposals	-	-	-	-	(216)	(216)
At 31 December 2019	2,654	706	3,360	-	1,648	1,648
Additions	2,872	-	2,872	881	83	964
At 30 June 2020	5,526	706	6,232	881	1,731	2,612
Depreciation						
At 1 January 2019	-	-	-	-	1,068	1,068
Charge in the period	195	126	321	-	133	133
At 30 June 2019	195	126	321	-	1,201	1,201
Charge in the period	212	174	386	-	153	153
Disposals	-	-	-	-	(160)	(160)
At 31 December 2019	407	300	707	-	1,194	1,194
Charge in the period	276	83	359	-	124	124
At 30 June 2020	683	383	1,066	-	1,318	1,318
Net book value						
At 30 June 2020	4,843	323	5,166	881	413	1,294

At 31 December 2019	2,247	406	2,653	-	454	454
At 30 June 2019	1,174	337	1,511	-	492	492

Leasehold improvements relate to the new head office, which remained under construction at 30 June 2020.

14. Borrowings

	30 June 2020	30 June 2019
	£000	£000
Secured bank loan:		
Current	-	-
Non-current	45,000	42,000
Less loan arrangement fees	(305)	(385)
	44,695	41,615

On 21 March 2019, the Group repaid the loan facility provided by Yorkshire Bank and drew down £45.0m from an 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 is a four-year facility, with the option of a one-year extension. 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. In March 2020, the Group exercised the one-year extension for the facility.

On 21 March 2019, the Group repaid the acquired debt of Defaqto of £24,676,000 (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.

15. Share Capital & 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
At 30 June 2019 and 31 December 2019	96,782,296
Issue of share capital	-
At 30 June 2020	96,782,296

Share Premium

	£'000
At 1 January 2019	36,791
Issue of share capital	36,358

At 30 June 2019	73,149

Cost of share issue	(945)
Transfer to other reserves	(7,449)

At 31 December 2019	64,755
Issue of share capital	-

At 30 June 2020	64,755

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. 4,160,600 of these shares were issued in part consideration for the acquisition of Defaqto.

16. Other reserves

	Merger Reserve	Capital redemption reserve	Share Option Reserve	Total Other Reserves
	£'000	£'000	£'000	£'000
At 1 January 2019	(61,395)	8	320	(61,067)
Share option charge	-	-	307	307
	-----	-----	-----	-----
At 30 June 2019	(61,395)	8	627	(60,760)
Share option charge	-	-	205	205
Deferred tax on share options exceeding profit and loss charge	-	-	1,113	1,113
Transfer from share premium	7,449	-	-	7,449
	-----	-----	-----	-----
At 31 December 2019	(53,946)	8	1,945	(51,993)
Share option charge	-	-	390	390
Deferred tax on share options	-	-	(1,113)	(1,113)
	-----	-----	-----	-----
At 30 June 2020	(53,946)	8	1,222	(52,716)

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 (The SimplyBiz Group plc) in 2015.

17. Share-based payment arrangements

At 30 June 2020, the Group had the following share-based payment arrangements.

Issued in 2018

Company Share Option Plan ("CSOP")

On 4 April 2018, the Group established the Company Share Option Plan ("CSOP"), which granted share options to certain key management personnel. The CSOP consists of two parts,

and all options are to be settled by physical delivery of shares. The terms and conditions of the share option schemes granted during the year ended 31 December 2019 are as follows:

Scheme	Grant date	Number of awards	Vesting conditions	Contractual life of options
Approved Scheme	4 April 2018	229,412	3 years' service from grant date	3 to 10 years
Unapproved Scheme	4 April 2018	250,000	3 years' service from grant date	3 to 10 years

During the period 11,765 awards (2019: 5,882) under the above plans have been forfeited as a result of bad leavers.

Management Incentive Plan ("MIP")

On 4 April 2018, the Group established the Management Incentive Plan ("MIP") which invited eligible employees to subscribe for A shares in the Company's subsidiary SimplyBiz Limited. Participants have a put option to sell the A shares to the Company in exchange for Ordinary Shares of the Company at any point between three years and ten years after the date of grant, provided that they are still employed and an equity hurdle is met. The terms and conditions of the MIP are as follows:

Grant date	Number of awards	Vesting conditions	Contractual life of options
4 April 2018	2,250	3 years' service from grant date, subject to an equity hurdle of 40% above the IPO market capitalisation	3 to 10 years

If the equity hurdle is achieved, the A Shares are convertible into shares of the Company, based on 15% of the value created above 105% of the market capitalisation at IPO, subject to a 7.35% dilution cap on the issued share capital at the point of vesting.

As at 30 June 2020, the MIP was below the required equity hurdle.

The fair value of services received in return for share options granted is based on the fair value of the share options granted. The fair value has been measured using the Black Scholes model for the unapproved CSOP scheme, and the Monte Carlo model for the MIP and approved CSOP scheme.

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	Approved CSOP	Unapproved CSOP	Management Incentive Plan
Fair value at grant date	£0.64	£1.59	£290.22
Share price at grant date	£1.70	£1.70	£1.70
Exercise price	£1.70	£0.01	£1.785
Expected volatility	40%	40%	40%
Option life (expected weighted average life)	3	3	3
Expected dividends	2%	2%	2%
Risk-free interest rate (based on government bonds)	1.2%	1.2%	1.2%

Save As You Earn ("SAYE") scheme

On 24 September 2018, the Group established the Save As You Earn ("SAYE") scheme and invited all Group employees to enter into a three-year savings contract linked to an option which entitles them to acquire Ordinary Shares in the Company.

537,618 options were issued under the scheme, with an exercise price of £1.70. The fair value of the shares at date of grant (1 December 2018) was £0.70, and the share options are due to vest in three years. Expected volatility, dividends and the risk-free interest rate have been assumed to be consistent with the approved CSOP scheme noted above.

During the period, 45,098 awards (2019: 119,631) under the above plans have been forfeited as a result of bad leavers. Assumed retention on the remaining options at 30 June 2020 is 90%.

Issued in 2019

Company Share Option Plan ("CSOP")

In September 2019, the Group established an additional Company Share Option Plan ("CSOP"), which granted share options to certain key management personnel. The CSOP consists of two parts, and all options are to be settled by physical delivery of shares. The terms and conditions of the share option schemes granted during the year ended 31 December 2019 are as follows:

Scheme	Grant date	Number of awards	Vesting conditions	Contractual life of options
Approved Scheme	26 September 2019	15,564	3 years' service from grant date	3 to 10 years
Unapproved Scheme	26 September 2019	61,302	2 years' service from grant date	3 to 10 years
Unapproved Scheme	26 September 2019	90,791	1.52 years' service from grant	3 to 10 years

The fair value of services received in return for share options granted is based on the fair value of the share options granted. The fair value has been measured using the Black Scholes model.

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	Approved CSOP	Unapproved CSOP	Unapproved CSOP
Fair value at grant date	£0.54	£1.84	£1.86
Share price at grant date	£1.93	£1.93	£1.93
Exercise price	£1.93	£0.01	£0.01
Expected volatility	45%	45%	45%
Option life (expected weighted average life)	3	2	1.52
Expected dividends	2%	2%	2%
Risk-free interest rate (based on government bonds)	1.3%	1.3%	1.3%

Save As You Earn ("SAYE") scheme

On 26 September 2019, the Group established the 2019 Save As You Earn ("SAYE") scheme and invited all Group employees to enter into a three-year savings contract linked to an option which entitles them to acquire Ordinary Shares in the Company.

375,145 options were issued under the scheme, with an exercise price of £1.58. The fair value of the shares at date of grant (1 December 2019) was £0.70, and the share options are due to vest in three years. Expected volatility, dividends and the risk-free interest rate have been assumed to be consistent with the approved CSOP scheme noted above.

During the period 21,870 awards (2019: 3,417) have been forfeited as a result of bad leavers. An assumed retention rate of 85% has been applied at 31 December 2019 on the outstanding shares.

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. All options are to be settled by physical delivery of shares. The terms and conditions of the share option scheme granted during the period ended 30 June 2020 are as follows:

Scheme	Grant date	Number of awards	Vesting conditions	Contractual life of options
Unapproved Scheme	11 March 2020	85,106	1 years' service from grant date	3 to 10 years

The fair value of services received in return for share options granted is based on the fair value of the share options granted. The fair value has been measured using the Black Scholes model.

The following inputs were used in the measurement of the fair values at grant date of the share-based payment plans:

	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)	1.52
Expected dividends	2%
Risk-free interest rate (based on government bonds)	1%

18. Notes to the cash flow statement

	6 months ended 30 June 2020 £000	6 months ended 30 June 2019 £000
Cash flow from operating activities		
Profit after taxation	2,762	1,427
Add back / (deduct):		

Finance income	(47)	(41)
Finance cost	666	562
Taxation	1,583	1,234
	<hr/>	<hr/>
	4,964	3,182
	<hr/>	<hr/>
<i>Adjustments for:</i>		
Amortisation of development expenditure and software	523	494
Depreciation of property, plant and equipment	124	133
Depreciation of lease asset	359	321
Amortisation of other intangible assets	994	550
Share option charge	390	307
	<hr/>	<hr/>
Operating cash flow before movements in working capital	7,354	4,987
	<hr/>	<hr/>
Decrease in trade and other receivables	2,518	491
Decrease in trade and other payables	(717)	(2,906)
	<hr/>	<hr/>
Cash generated from operations	9,155	2,572
Income taxes paid	(1,371)	(358)
	<hr/>	<hr/>
Net cash generated from operating activities	7,784	2,214
	<hr/>	<hr/>

19. Subsequent Events

No material subsequent events have arisen since the balance sheet date.

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