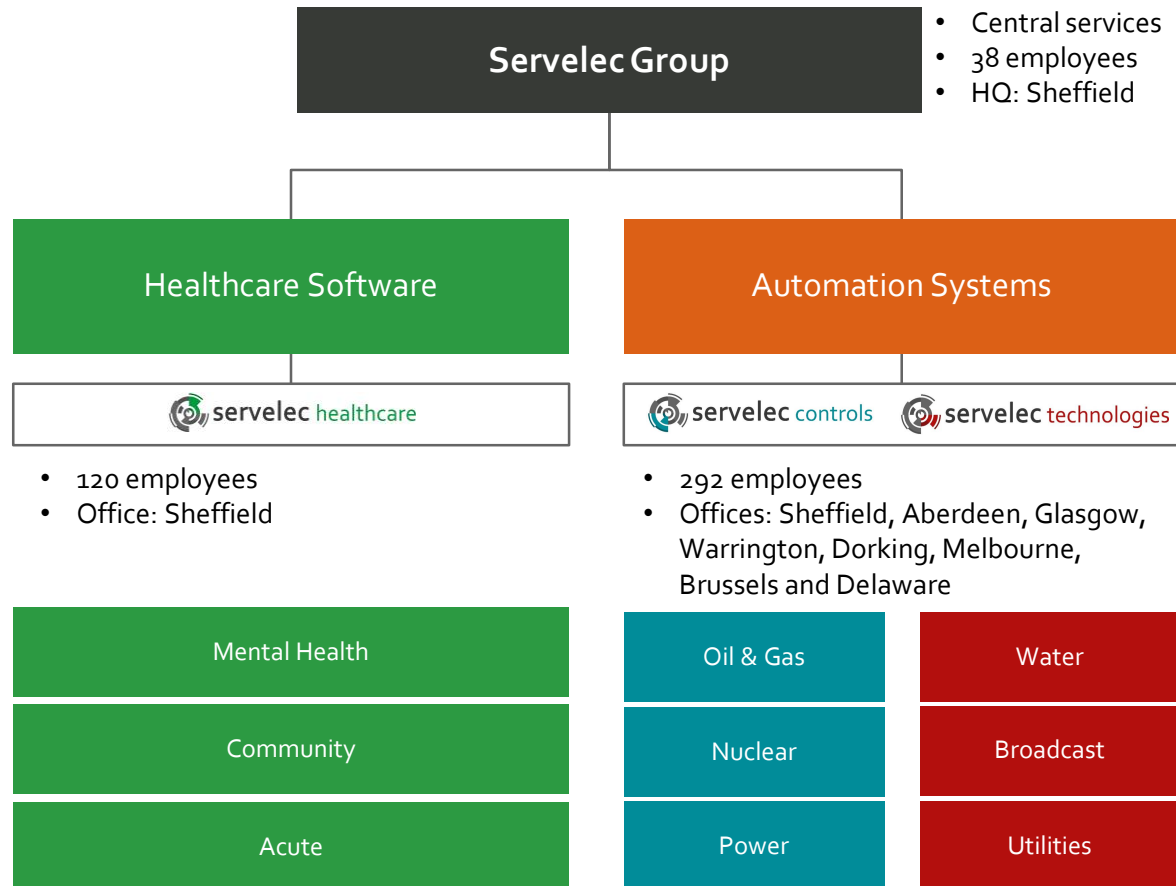




# Full Year 2013 Results Presentation

# Servelec Group is a UK-based technology company



## Full Year 2013 Highlights

- 2013 performance in line with expectations:

	2013 (£m)	2012 (£m)	Change %
Revenue	42.0	39.4	7%
Underlying operating profit	11.3	11.2	1%
Order entry	32.6	31.9	2%
Cash Conversion	83%	77%	7%
Net cash balances	7.5	8.5	(12)%

- Successful IPO on the main market of the London Stock Exchange
- Two acquisitions (Semaphore and Tynemarch) successfully integrated into Automation division; disposal of non-core Slovakian operation

### Healthcare:

- NPfIT coming to an end
- Individual procurements progressing well

### Automation:

- Strong revenue and profit growth
- Pipeline building well

- Positive momentum set to continue in 2014

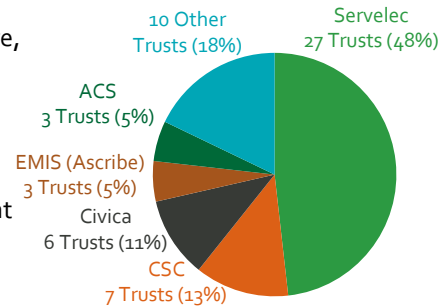


 **servelec** healthcare

## Mental Health product and market overview

- 56 Mental Health Trusts
- Highly configurable, capable of supporting local working practices
- Supports collaboration and converged care, in line with market direction and Government policy
- Everything in one place: combining the clinical and administration data for a comprehensive "single view" of the patient
- Support for payment and Trust revenue generation

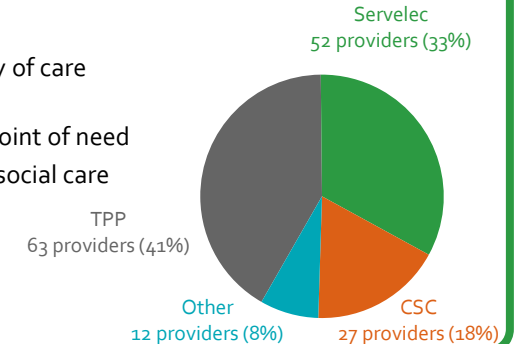
# RiO



## Community Health product and market overview

- 154 Community Organisations
- Community service provision
- Collaborative delivery of care
- Supports key life events for continuity of care planning
- Mobilised for delivery of care at the point of need
- Designed and built to accommodate social care information pathways

# RiO

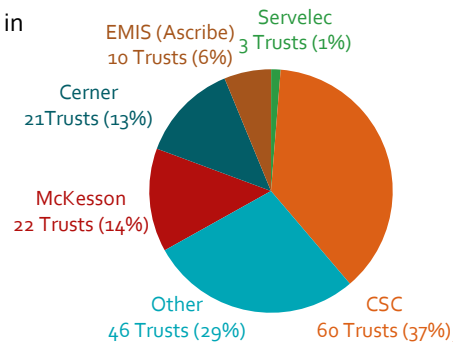


## Acute Health product and market overview

- 161 Acute Trusts
- Working in partnership with UHB clinicians
- Same product platform as RiO, deployed in Acute market which typically involves shorter episodes of care
- Designed to eliminate data entry errors
- Built for enterprise level transactions
- Designed to enable rapid deployment
- Local configuration

# ocean

# & PICS



## GPs

- 16,000 GP Practice Primary Care

## Main participants

- EMIS
- TPP
- iSoft
- INPS

## Servelec

- Servelec does not sell software or services to the GP market but interfaces with those software vendors who do

Note: Management estimates

## 6 Servelec Healthcare: Financial Results

£'000s	2013	2012	Variance	% Change
Segment Revenue	14,879	16,747	(1,868)	(11%)
Cost of sales	(6,498)	(7,306)	808	(11%)
Adjusted gross margin *	8,381	9,441	(1,060)	(11%)
Gross Margin %	56%	56%		
Overheads	(821)	(761)	(60)	8%
Adjusted segment profit*	7,560	8,680	(1,120)	(13%)
Net Margin	51%	52%		
Order entry	6,774	7,926	(1,152)	(15%)
Order bank	22,362	30,467	(8,105)	(27%)

\* 2012 excludes £165k of royalty charge from CSE Global Limited

- Inflexion point in the market
- Order entry – accounting policy is order on signed contract - 4 wins not entered, eg: Portsmouth
- Gross margins maintained
- Sales Team strengthened



# Servelec Healthcare: Markets and Opportunities

## RiO

- London refresh: 2014+ (39 Trusts of which 30 on the Camden framework):
  - Preferred supplier for first three London refresh Trust to have announced, winning two Lot 2 (Hosting): opportunity to upsell
- North Refresh from 2015: won and deployed 1 Community in the North
- New North opportunities from 2014: (12 Mental Health Trusts and 6 Community Health)
- Won 10 out of 15 New North contracts awarded so far in the North

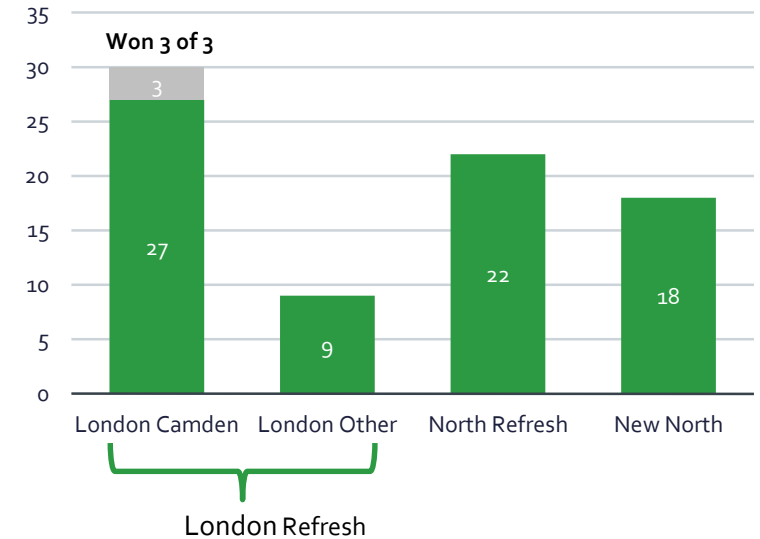
## ocean

- Market of 161 Acute Trusts where approximately 100 Trusts did not get a modern solution from the NPfIT (£2m/PAS or up to £10m for full EPR)
- Going live in UHB during 2014 – replacing iSoft iPMS PAS
- Third successful deployment of A&E module at Portsmouth (live in 3 months)

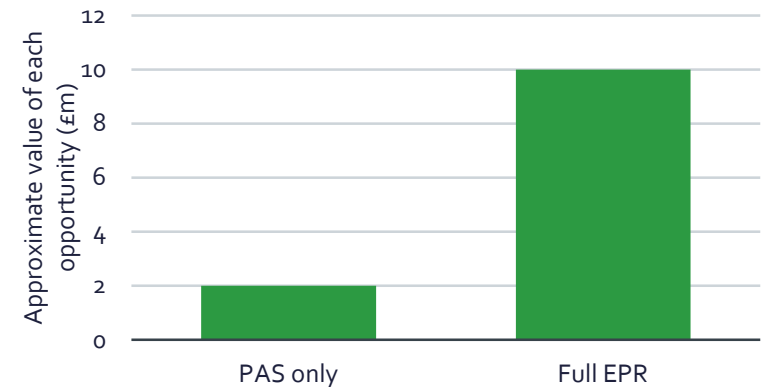


- Aligned to UK Government "Safer Hospitals, Safer Wards"
- Promising Sales Activity
- Birmingham Children's Hospital Selects PICS (£7m project)

RiO market opportunities



Oceano market opportunities per trust



# 8 Servelec Healthcare: Product Roadmap

## 2013

- Last BT contract deliverable is a restricted version of RiO (known as R2), which is being *rapidly* rolled out across London and the South
- RiO v.7 live in non-BT customers, meeting the Healthcare agenda and delivering competitive advantages
  - ✓ Direct Spine Connectivity
  - ✓ Inter-operability Toolkit Compliance, Suite of APIs
  - ✓ Full cross care setting Electronic Patient Record
  - ✓ Paperless Capability
  - ✓ Browser Independent
  - ✓ iOS and Android Mobile Capability
  - ✓ Disconnected Working
- RiO Mobile live in many Trusts and expanding rapidly
- RiO ePrescribing live
- Market leadership position

## Product roadmap for 2014

### Moving towards converged care


- Mobile Care Planning
- Save-N-Go Navigation
- Voice Control – Navigation & Data Entry
- Information Viewer – See Patient Information from GP, Acute or Social Care
- Patient Portal
- Improved Clinic Handling
- Improved Letter Templates









 **servelec automation**

# Servelec Automation – Two Divisions






**Best-of-Breed Systems Integrator**

Systems	Typical contract values
Production Control Systems (PCS)	£1m - £5m
Safety systems (Oil & Gas)	£0.5m - £5m
<ul style="list-style-type: none"> <li>Emergency shut down (ESD)</li> <li>Fire and Gas detection (F&amp;G)</li> </ul>	

**Proprietary IP (Hardware and Software) and System Integration**

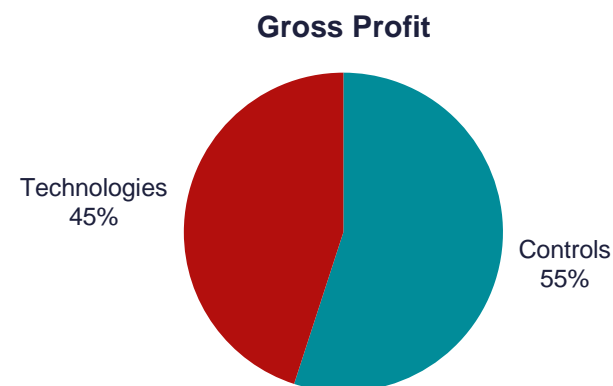
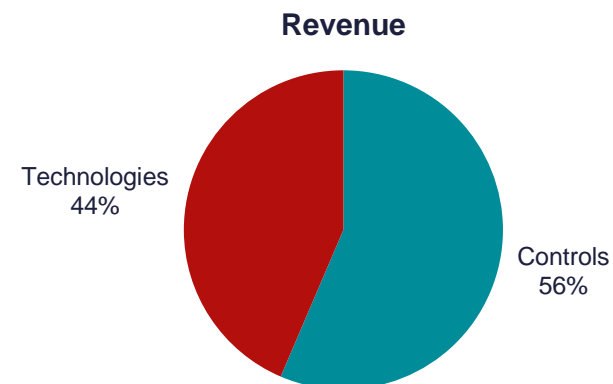
Systems	Typical contract values
Telemetry Systems (Utility)	
<ul style="list-style-type: none"> <li>Regional Control - SCOPE-X software</li> <li>Remote Telemetry Units ("RTUs")</li> <li>Business Optimisation Software</li> </ul>	<ul style="list-style-type: none"> <li>£1m upwards plus ongoing maintenance</li> <li>£1k / unit</li> <li>£50k+ plus share of savings</li> </ul>


# Servelec Automation: Financial Results

£'000s	2013	2012	Variance	% Change
Segment Revenue	27,116	22,614	4,502	20%
Cost of sales	(17,084)	(14,929)	(2,155)	14%
Gross profit	10,032	7,685	2,347	31%
Gross Margin %	37%	34%		
Overheads	(4,098)	(3,002)	(1,096)	37%
Segment profit	5,934	4,683	1,251	27%
Net Margin %	22%	21%		

Order entry	25,827	23,948	1,879	8%
Order bank	16,565	14,350	2,215	15%



## Servelec Controls: Financial & Operational Highlights

£'000s	2013	2012	Variance	% Change
Segment Revenue	15,302	16,276	(974)	(6%)
Cost of sales	(9,777)	(10,835)	1,058	(10%)
Gross profit	5,525	5,441	84	2%
Gross Profit %	36%	33%		
Overheads	(1,915)	(2,340)	425	(18%)
Segment profit	3,610	3,101	509	16%
Net Margin	24%	19%		

Order entry	13,573	15,428	(1,855)	(12%)
Order bank	6,244	7,973	(1,729)	(22%)

- Improving level of business on-shore, off-shore activity increasing in-line with our expectations and market outlook
- Growing labour force to maintain this design role and execute projects
- 2013 had significant manpower revenues with lower material purchases

## Servelec Technologies: Financial & Operational Highlights

£'000s	2013	2012	Variance	% Change
<b>Segment Revenue</b>	11,814	6,338	5,476	86%
<b>Cost of sales</b>	(7,307)	(4,094)	(3,213)	78%
<b>Gross profit</b>	4,507	2,244	2,263	101%
<b>Gross profit %</b>	38%	35%		
<b>Overheads</b>	(2,183)	(662)	(1,521)	230%
<b>Segment profit</b>	2,324	1,582	742	47%
<b>Net Margin</b>	20%	25%		
<b>Order entry</b>	12,254	8,520	3,734	44%
<b>Order bank</b>	10,321	6,377	3,944	62%

- Major project for South West Water gone live
- Welsh Water framework signed
- Two acquisitions successfully integrated
- First orders for RTUs for un-adopted sites coming into AMP5
- Overhead increase because of Semaphore
- Lower Net Margin because of Semaphore

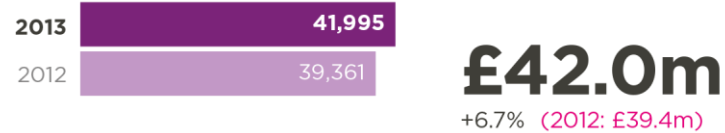


## Financials

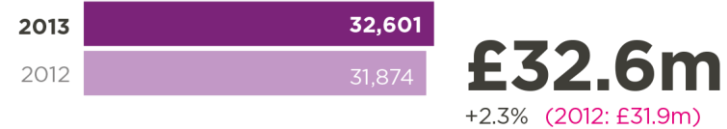


# Servelec Group: Financial Highlights

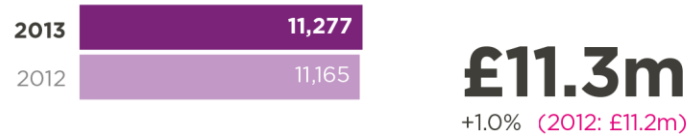
## Revenue (£'000s)



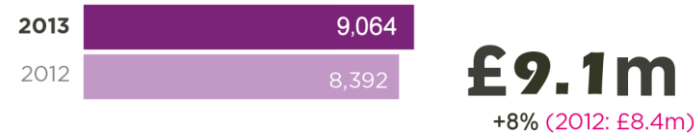
## Order Entry (£'000s)



## Adjusted EBITA \* (£'000s)



## Cash Flow from Operating Activities (£'000s)



## Cash Conversion



\* Adjusted EBITA is before royalty and share based payments



	2013	2012	Variance	% Change
	£'000	£'000	£'000	
Revenue:	41,995	39,361	2,634	7%
Cost of sales:	(23,582)	(22,235)	(1,347)	6%
<b>Adjusted Gross Margin (1):</b>	<b>18,413</b>	<b>17,126</b>	<b>1,287</b>	<b>8%</b>
	<b>44%</b>	<b>44%</b>		
Segment Overheads:	(4,919)	(3,763)	(1,156)	31%
Central Overheads (2):	(2,217)	(2,198)	(19)	1%
<b>Adjusted EBITA:</b>	<b>11,277</b>	<b>11,165</b>	<b>112</b>	<b>1%</b>
	<b>27%</b>	<b>28%</b>		
Royalty Charge from CSE Global Ltd:		(165)	165	-
Share based Payments:	(41)		(41)	100%
EBITA:	11,236	11,000	236	2%
Amortisation:	(384)	(163)	(221)	136%
Operating Profit from Continuing Operations:	10,852	10,837	15	0%
Net Finance Income:	56	48	8	17%
Profit Before Tax:	10,908	10,885	23	0%
Tax:	(1,983)	(2,436)	453	(19)%
Profit After Tax from continuing operations:	<u>8,925</u>	<u>8,449</u>	<u>476</u>	<u>6%</u>

(1) 2012 excludes £165k of royalty charge from CSE Global Limited

(2) Including CSE Global Limited management charge

### Adjusted EBITA in line with prior year

- Central overheads includes previous group management charge and ongoing plc costs
- EBITA margin impacted by new product lines
- Initial share based payments charge for 1 month in 2013 – will increase in 2014
- Amortisation is a combination of acquisitions and transferred IPR from previous Group – ongoing amortisation £0.9m per annum
- Tax rate 18% in 2013 due to time barred credits in Semaphore – underlying rate 23%

# 17 Cashflow

	2013	2012	Variance
	£'000	£'000	£'000
Profit before Tax:	10,908	10,885	23
Non cash adjustments:	949	311	638
	11,857	11,196	661
Working Capital Movements:	(2,793)	(2,804)	11
<b>Operating Cash Flow:</b>	<b>9,064</b>	<b>8,392</b>	<b>672</b>
<i>Cash conversion:</i>	<i>83%</i>	<i>77%</i>	
Net Interest Received:	56	48	8
Tax Paid:	(2,541)	(2,547)	6
<b>Net Operating Cash Flow:</b>	<b>6,579</b>	<b>5,893</b>	<b>686</b>
Capex (inc Intangibles):	(1,106)	(384)	(722)
Costs of Disposal:	(204)	-	(204)
Acquisition of Subsidiaries:	184	-	184
	5,453	5,509	(56)
Loan Receipt from Related Party:	-	1,500	(1,500)
Dividends Paid:	(6,500)	(2,000)	(4,500)
Share Issues:	281	-	281
Foreign Exchange:	(245)	(30)	(215)
	(1,011)	4,979	(5,990)
Opening Cash:	8,549	3,570	
Closing Cash:	7,538	8,549	

## Free cashflow of £5.5m

- Cash conversion at 83%
- Capex includes Healthcare IPR £0.8m as part of the IPO transfer
- Semaphore acquisition via share issue pre IPO resulting in net positive £0.2m cash movement for acquisitions
- Dividends paid to previous parent

	2013	2012	Variance
	£'000	£'000	£'000
Fixed Assets:	22,596	14,238	8,340
Inventories:	1,084	86	998
Receivables:	28,301	20,240	8,061
Cash:	7,538	8,549	(1,011)
	<u>36,923</u>	<u>28,875</u>	<u>8,048</u>
Payables:	(11,086)	(7,087)	(3,999)
Corporation Tax:	(2,137)	(1,095)	(1,042)
Provisions:	(520)	(150)	(370)
Deferred Tax:	(749)	(341)	(390)
	<u>(14,492)</u>	<u>(8,673)</u>	<u>(5,801)</u>
<b>Net Assets:</b>	<b><u>45,027</u></b>	<b><u>34,440</u></b>	<b><u>10,587</u></b>
Share Capital:	13,054	5,079	7,975
Other Reserves:	114	(88)	202
Retained Earnings:	31,859	29,449	2,410
<b>Total Equity:</b>	<b><u>45,027</u></b>	<b><u>34,440</u></b>	<b><u>10,587</u></b>

## Healthy balance sheet with cash balance of £7.5m and BT WIP to collect

- Cash includes £1.2m of PAYE payable in relation to the share reward
- Receivables includes £12.7m BT WIP to collect
- No capitalised R&D
- Intangibles transferred during IPO
  - Healthcare IPR £0.8m
  - Semaphore IPR £1.1m
- Includes £7.7m of shares issued to acquire Semaphore pre IPO



## Strategy and Outlook

Our strategy is made up of four principal elements:

- 1 Organic Growth of Automation and Healthcare
- 2 Continue to enhance our product capability
- 3 Develop our distribution channels to market
- 4 Acquire where beneficial to the business

## Positive start to the year

- Good wins in Healthcare (3 out of 3 in Camden) plus 2 hosting wins
- RiO deployments on schedule plus third A&E live
- RiO Mobile being rolled out
- Birmingham Children's Hospital chooses PICS
  
- Airport Automation Refresh – Phase 1 order received
- Integration of Semaphore going well – good early orders
- First RTU order for un-adopted sites received, more expected in AMP5 (2014)
- North Sea refurbishment moving forward in-line with expectations
- Miser pilots live in 2014
- Three RTU businesses to merge to realise benefits

**Positive momentum set to continue in 2014**