

Alfa[^]

2017 Annual Results Presentation

8 March 2018

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In the tables accompanying this presentation the Company sets forth its supplemental non-IFRS figures for revenue at constant currency, Adjusted EBIT, Adjusted EBIT at constant currency, Adjusted EBIT margin, Adjusted Earnings and Adjusted earnings per share- diluted. Adjusted EBIT and Adjusted Earnings, exclude the effect of IPO-related charges and Pre-IPO share based payment expenses, and the income tax effect of the non-IFRS adjustments on Adjusted Earnings. The tables also set forth the most comparable IFRS financial measure and reconciliations of this information with non-IFRS information.

See the “Definitions” slide at the back of this presentation for further information.



Agenda

- ❑ **Introduction and business update**

Andrew Denton, CEO

- ❑ **Financial review**

Viv Maclachlan, CFO

- ❑ **Summary**

Andrew Denton, CEO

- ❑ **Q&A**

- ❑ **Appendices**

2017 – at a glance

Financial and operational highlights

£87.8
million

Revenue

Increased from £73.3 million in 2016

20%

Revenue growth⁽¹⁾

9% at constant currency

£41.2
million

Adjusted EBIT⁽¹⁾

Increased 26% on 2016

47%

Adjusted EBIT margin⁽¹⁾

Increased from 45% in 2016

329

Headcount

Increased from 269 at December 2016

95%

Staff retention rate

Continued high level over the last twelve months

2

New customer wins

Across a number of geographies and verticals

5

Completed implementations

Continuing our excellent delivery track record

(1) Constant currency, Adjusted EBIT and Adjusted EBIT margin are not measures specifically defined by IFRS. See "Definitions" for further information.

Market outlook

A complex and highly regulated market with a myriad of challenges and opportunities

Macro

- A need to keep pace with innovations in technology and increasing demands of consumers, whilst continue to comply with regulatory oversight
- Automotive finance sector witnessing declining new car sales leading to a focus on increasing operational gearing, the rise of personal contract hire and the advent of consumption based financing
- Equipment finance seen its first year of growth after contraction during the financial crisis

Technology

- Increasing demand for cloud based solutions
- Digitalisation continuing to rise up the agenda for CIOs
- Focus on usership and mobility solutions increasing and delivering on the demands of the millennial generation

USA

- A healthy economic outlook, benefiting from a business-friendly administration
- Lending products evolving from more simplistic products to bundled or pay-per-use contracts
- Lending criteria in focus, although regulators report a clean bill of health following sub-prime lending investigation
- Lease accounting regulatory change leading to increased system reliance

Europe

- Entering 2018 with a positive outlook
- Market continues to be relatively consolidated but market participants operate with a fragmented systems landscape
- Increasing regulation including GDPR, Open banking legislation, PSD2
- Lenders monitoring Brexit process and the impact it will have on business



Push and pull factors

Focusing on customer

Continuing to listen and deliver



32

Customers

5

Implementations
delivered in 2017

Delivering for our customers in 2017

- Two new customer wins in June 2017 served to further diversify our geographic footprint and industry verticals
- Five successful software implementations delivered in 2017– record levels
- First cloud implementation in February 2017 with an additional two cloud-based customers starting in the second half of the year

New customer – March 2018

Type	Implementation
Region	Europe under a global master framework agreement
No. of countries	3
Type of asset	Equipment
Portfolio size	50,000+ contracts
Size of contract	Medium
Length of phase 1	9 - 18 months

Enabling business agility

We aspire to be ahead of the curve



Alfa is
operating in
26 countries

Adapting to changing regulation and market dynamics

- Global focus on regulation, technology, efficiency, and operational gearing – accelerating the adoption of new systems and increased IT investment
- Alfa Systems highly configurable and the key selling point is its ability to handle multi country portfolios on the same platform and in the same instance
- GDPR comes into play in May 2018 – during 2017 we have been working with customers to ensure they are business ready
- Focus on helping our customers increase their speed to market
- Servicing new lending products

Digital Directions

New channel to market



Key factors driving digitalisation

- Competition
- Cost and efficiency
- Customer behaviour and demand
- Regulation
- Fintechs

Opening up original ways of operating, selling and improving

- Alfa's digital direction is focused on enabling new products and services that would be impossible without technology
- Beyond omni-channel
- Alfa Digital Gateway exposes Alfa services and integrates technology such as IoT as well as external services
- Alfa Digital Apps support the customer journey and show the art of the possible
- Allows Alfa customers to:
 - Innovate and be more competitive
 - Respond to the demands of a new demographic
 - Utilise exponential technology such as IoT and robots
 - Reduce time to market for new products and services
 - Integrate with the Fintech ecosystem and unbundle services

Leading with the best technology

Fast, lower friction techniques proven and cloud offering productised



£37+m

Invested in research
and product
development over
the last 3 years

Fast, low-friction Alfa

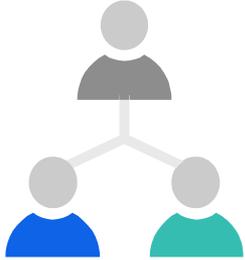
- Auto-start providing an edge in winning business with well progressed sales opportunities
- Next steps
 - Point interfaces increasing
 - Containerisation – early progress
- Additional business processes

Product roadmap

- Roadmap remains in place with success in shaping the digitalisation agenda and new UI
- 2018 will focus on the following;
 - New paradigm - Modularisation
 - Refining functionality - Wholesale, Credit, POSkit
 - Innovation - Alfa in-house innovation hub

Delivering with the best people

20% net increase in headcount in 2017 with similar growth planned for 2018



329

Alfa team members



glassdoor

4.1 ★★★★★



Recommend to a friend



Approve of CEO

Recruitment and retention

- Headcount of 329 as at 31 December 2017
- Planned recruitment of 15-20% for 2018
- Focus on increase in supervision levels and productivity, to be continued in 2018
- Retention stable at 95%

Partnership

- Executed a global master services framework agreement with a professional services partner
- Co-bidding on one late stage pipeline opportunity

Continuous improvement

- Full refresh of learning and development opportunities in progress
- Diversity and inclusion focus
- Ongoing CSR activities, giving back to the communities we operate in



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Financial Review

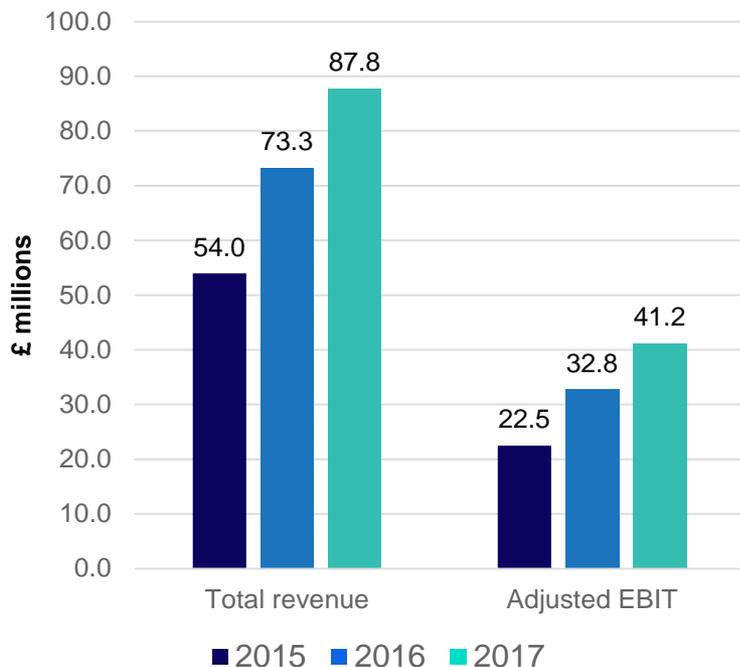
Viv Maclachlan, CFO



2017 Income statement analysis

An overview of key metrics

Key Financial Metrics	2017 £m	2016 £m	% Growth
Revenue	87.8	73.3	20%
Revenue – constant currency	86.1	79.1	9%
Operating profit	33.8	16.6	104%
Adjusted EBIT	41.2	32.8	26%
Adjusted EBIT – constant currency	39.6	33.8	17%
Profit for the period	25.9	9.9	162%
Adjusted earnings	33.0	24.1	37%



Overview

- Revenue grew by 20% due to
 - Completed implementations
 - Increased ODS activity
- 2017 guidance met – high double-digit revenue growth
- Constant currency revenue growth 9%
- Continued vertical and geographical revenue diversification
- Adjusted EBIT growth 26% driven by
 - Revenue growth, specifically maintenance
 - Offset by higher personnel costs due to headcount increases and personnel mix
- Exceptional items in 2017
 - £4.4 million share-based payment cost
 - £3.0 million IPO-related expenses
- Effective tax rate 24%
- Adjusted effective tax rate 19%

2017 Income statement analysis

Revenue overview (by type)

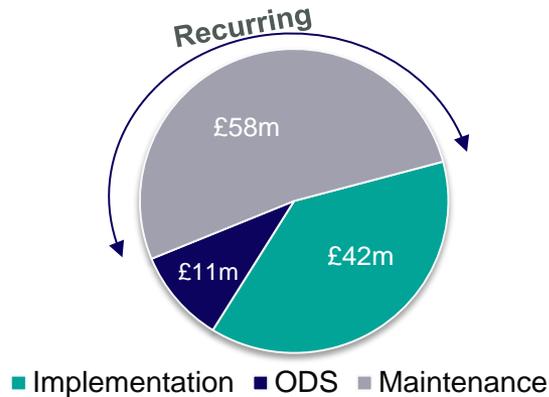
Implementation	<ul style="list-style-type: none"> 5 completed customer implementations in 2017, with all transitioning to ODS following completion Revenue excluding gains/losses on derivatives decreased by £8.1 million as implementations complete and customers moved into ODS H1 2017 customer wins contribute £3.4 million 	Implementation £million	2017	2016
		Revenue excluding unrealised gain/(loss)	43.7	51.7
		Unrealised gain/(loss)	1.1	(3.8)
		Total implementation	44.8	47.9
		No. of customers	6	7

ODS	<ul style="list-style-type: none"> £12.5 million increase year on year Strong organic growth from existing ODS customer base contributing £10.6 million £10.2 million generated from newly completed implementations 	ODS £million	2017	2016
		Revenue excluding unrealised gain/(loss)	20.9	8.7
		Unrealised gain/(loss)	0.3	-
		Total ODS	21.2	8.7
		No. of customers	14	8

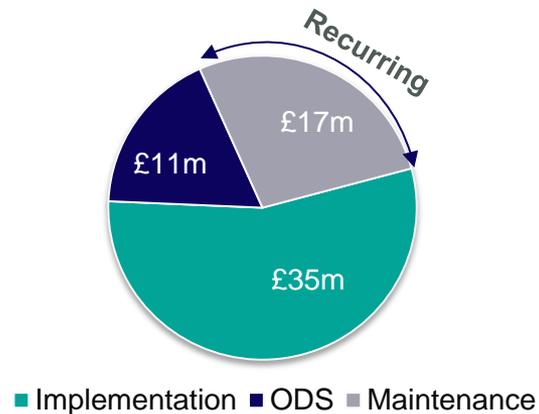
Maintenance	<ul style="list-style-type: none"> Ongoing maintenance increased by 6% One off catch up maintenance amounts of £3.3 million as customers increase portfolio sizes 	Maintenance £million	2017	2016
		Revenue excluding unrealised gain/(loss)	21.5	16.7
		Unrealised gain/(loss)	0.3	-
		Total maintenance	21.8	16.7
		No. of customers	30	26

High revenue visibility for 2018 and beyond

Total TCV as of 1 January 2018: £111m



Estimated 2018 TCV: £63m



TCV

- Total contracted value is calculated based on the following:
 - Minimum of 3 years maintenance payments to allow ongoing access to the Alfa platform
 - Remaining time to complete on implementations and deferred license amounts
 - ODS work which is contracted under a SOW
- 2018 TCV is calculated as 2017 maintenance amounts, estimated time to be spent on implementations, including the related recognition of license amounts and ODS work which is contracted under a SOW
- ODS work can be contracted for up to a year although in some cases, is undertaken on a rolling 60 days period
- ODS TCV for 2018 is an increase on steady state ODS as a number of large implementations have completed during 2017
- The number of ODS customers is expected to remain relatively stable in 2018

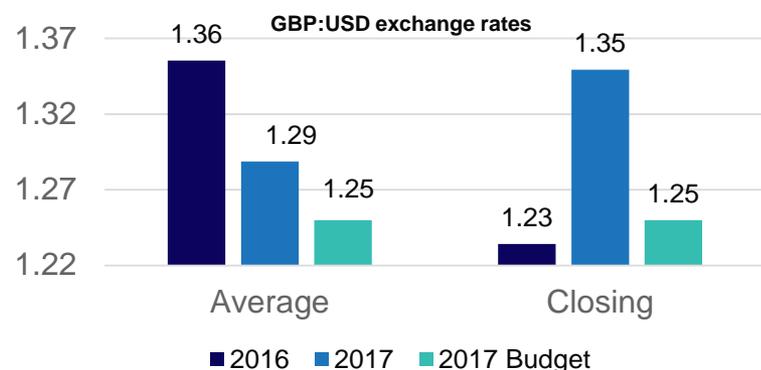
2017 Income statement analysis

Expenses and foreign currency

Costs by nature

	2017	2016
Personnel (including consultants, training and recruitment expenses)	34.6	30.8
Travel costs	4.1	2.6
Professional advisor costs	1.8	1.8
Foreign currency	1.1	1.3
Other	5.0	4.3
Operating expenses excluding exceptional items	46.6	40.5
Share based payments	4.4	16.2
IPO-related expenses	3.0	-
Total operating expenses	54.0	56.7

Foreign exchange impacts



Cost overview

- Personnel costs increased due to headcount increases and personnel mix
- Foreign currency impacts by USD strengthening
- Travel costs relate to software implementation projects and some ODS
- Other costs increased due to IT infrastructure spend related to headcount

US dollar forward settlements

- \$32 million USD forwards settled in period
- A further \$9 million in 2018
- Remaining forwards are expected to be settled from Q2 2018
- Exposure to be reassessed in line with contract wins

2017 Cash flow data

A high level analysis

Summary Cash Flow

£ million	2017	2016
Operating profit	33.8	16.6
Depreciation	0.5	0.4
Share based payments	4.4	16.2
Unrealised (gain)/loss on derivative financial instruments	(1.7)	3.8
Movement in trade and other receivables	0.3	0.9
Movement in trade and other payables	(1.1)	4.9
Movement in deferred revenue	(7.3)	(1.3)
Cash generated from operations	28.9	41.5
Capital expenditure	(0.7)	(0.4)
Settlement of derivative instruments	(2.7)	(4.0)
Operating Free Cash Flow generated	25.5	37.1
Tax paid	(6.9)	(5.8)
Loans and dividends paid to/(received from) Parent - net	(33.7)	(22.0)
Foreign exchange	0.1	2.8
Interest received	-	0.1
Cash (outflow)/inflow in period	(15.0)	12.2
Cash and cash equivalents at end of period	31.3	46.3
Operating Free Cash Flow Conversion ratio	69%	113%

Commentary

- No debt and strong cash position
- Cash outflow in period from pre-IPO dividends of £60.7 million, offset by settlement of loan to Parent of £27.0 million
- Asset light business with minimal capital expenditure in period
- Lower cash conversion due to:
 - £7.3 million non cash release of deferred revenue
 - £2.7 million loss on settlement of derivative instruments; and
 - £3.0 million in IPO-related costs
- Losses on settlement of derivatives expected to decrease over remainder of programme
- Operating Free Cash Flow Conversion decreased to 69% impacted by releases of deferred revenue, increased accrued income and loss on settlement of derivative instruments

2017 Balance Sheet

A high level analysis

Summary Balance Sheet

£million	2017	2016
Total non-current assets	26.2	53.1
Current assets		
Trade receivables and accrued income	12.4	13.2
Prepayments and other receivables	2.4	1.9
Cash and cash equivalents	31.3	46.3
Total current assets	46.1	61.4
Total assets	72.3	114.5
Current liabilities		
Trade payables	7.4	8.7
Deferred revenue	6.7	14.0
Other	4.0	6.6
Total current liabilities	18.1	29.3
Total non-current liabilities	0.1	0.6
Total liabilities	18.2	29.9
Capital and reserves		
Equity attributable to parent	54.1	84.6
Total liabilities and equity	72.3	114.5

Commentary

- Non-current assets decreased due to repayment of £27.0 million loan from the Parent.
- Cash and cash equivalents decreased due to pre-IPO dividends offset by repayment of loan to parent company.
- Trade receivables and accrued income decrease by £0.8 million relating to decreased activity at the 2017 year end.
- Deferred revenue decreased significantly by £7.3 million as implementations completed offset by new customer licenses.
- Other current liabilities reflect corporation tax payable and include a c.£3.5 million unrealised loss on derivative instruments in 2016.



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Summary

Andrew Denton, CEO

Summary

Momentum from recent wins provides a positive outlook for 2018

Customer focused

- 2 customer wins in the first half of 2017
- March 2018 announcement of transnational implementation customer win
- Strong and diverse pipeline with similar quantum of wins expected in 2018

Business agility

- Continued focus on digital and evolving lending products
- Increased IT spend as lenders meet increased regulatory and compliance demands
- Alfa Digital Gateway and Apps

Best people

- Headcount of 329 at 31 December 2017
- 2018 recruitment underway and tracking to plan
- Co-bid with global partner

Product

- Delivery in relation to product roadmap continues
- Working towards a fast, lower friction Alfa
- Auto Start providing a competitive edge

Financials

- 2017 revenue growth of 20% and 2017 Adjusted EBIT margin strong at 47%
- 2018 – low double-digit revenue growth, on a budget rate of £1:\$1.34, as weakening dollar constricts top line growth, mid double-digit on a constant currency basis
- 2018 revenue growth weighted to second half

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Q&A

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Appendices

Definitions

Measures not specifically defined by IFRS

Adjusted EBIT

- Adjusted EBIT is defined as profit from continuing operations before income taxes, finance income, IPO-related expenses and pre-IPO share based payments. Adjusted EBIT margin is calculated as Adjusted EBIT as a percentage of revenue.
- Management utilises this measure to monitor performance as it illustrates the underlying performance of the business by excluding items considered by management not to be reflective of the underlying trading operations.

Adjusted EBIT reconciliation £m	2017	2016
Profit for the period	25.9	9.9
Taxation	8.0	7.3
Interest income	-	(0.1)
Share based compensation	4.4	16.2
IPO related expenses	3.0	-
Adjusted EBIT	41.2	32.8
Adjusted EBIT margin	47%	45%

Constant Currency

- Management provide percentage increases or decreases in revenue or Adjusted EBIT to eliminate the effect of changes in currency values as we believe it is helpful to the understanding of underlying trends in the business.
- When trend information is expressed herein "in constant currencies", the comparative results are derived by re-calculating non British pounds denominated revenue and/or expenses using the average exchange rates of this year and applying it to the comparative periods results, excluding gains or losses on derivative financial instruments. The average rates are as follows:

	2017	2016
USD	1.2887	1.3554
EUR	1.1414	1.2163
SEK	11.0001	11.5210
NZD	1.8140	1.9497
AUD	1.6811	1.8252

Adjusted Earnings and Adjusted EPS, diluted

- Adjusted Earnings is defined as profit for the period from continuing operations attributable to equity holders of the Company, before IPO related expenses and IPO related share based compensation, less the tax effect of these adjustments.
- Adjusted Earnings is used in measuring profitability because it represents a group measure of performance which excludes the impact of certain non-cash or other charges not associated with the underlying operating performance of the business. Adjusted Earnings is used for the purposes of calculating diluted adjusted earnings per share.

Adjusted Earnings reconciliation £m	2017	2016
Profit for period attributable to shareholders	25.9	7.9
Share based compensation	4.4	16.2
IPO related expenses	3.0	-
Tax effect	(0.3)	-
Adjusted Earnings	33.0	24.1

Operating Free Cash Flow Conversion

- Operating cash conversion is calculated as cash from operations less gains or losses on settlement of derivative instruments and margin calls, less capital expenditures, as a percentage of Adjusted EBIT, after IPO-related expenses.

Operating cash £m	2017	2016
Cash generated from operations	28.9	41.5
Settlement of derivative financial instruments and margin calls	(2.7)	(4.0)
Capital expenditure	(0.7)	(0.4)
IPO-related expenses, excluded from Adjusted EBIT	3.0	-
Operating Free Cash Flow	28.5	37.1
Adjusted EBIT	41.2	37.1
Operating Free Cash Flow Conversion	69%	113%