

Craneware plc

Investec Best Ideas Conference

Keith Neilson – Chief Executive Officer & Co-founder

Together, We are
 **Craneware**[®]

Overview



Who we are and what we do

Craneware develops and provides financial and operational optimisation software & analytics (non-clinical)

- For US hospitals and clinics
- Delivered on an Annuity subscription basis
- Using proprietary aggregated data

Founded 1999, IPO 2007, over 350 employees in UK and US and over 1,500 customers across the US
\$65m+ annuity base

Our on-premise and cloud-based software solutions sit at the heart of our customers' operations, helping them to optimise their financial performance



What has driven our growth

Growth has been driven through:

- Increase in market share
- Increase in product set penetration (land & expand)
- Industry transition from fee for service to value-based care

Recently launched Trisus, a sophisticated cloud data aggregation & intelligence platform which will allow us to:

- Migrate our existing products to the cloud
- Leverage our data assets to expand our offering
- Integrate third party solutions to the platform

Helping to drive a shift in healthcare delivery & reimbursement through the use of data with powerful and insightful analytics

Large & growing market opportunity



Market drivers

- USA has **highest health spending per capita** in the world with one of **the lowest life expectancies** in the developed world¹
- Payors (insurance companies, charities, individuals, and Government) are exerting considerable pressure on US Healthcare providers to **better manage costs**
- This has brought pressure to move towards value-based care - a healthcare delivery model in which providers, including hospitals and physicians, are paid based on **patient health outcomes**

¹ OECD Health Statistics 2017



What the value-based market needs / opportunities

- A hospital's ability to participate in a value-based care system is dependant on the **collection of granular data** and the use of **insightful analytics** to understand the opportunity to deliver better value
- The North American healthcare analytics market forecast to grow **29.54% CAGR** from US\$3.13bn in 2020 to US\$11.4bn by 2025²

² North American Healthcare Analytics by Market Data Forecasts

COVID-19 has accelerated long-term growth drivers

Bipartisan support to achieve value for money in Healthcare

Review of FY20



Positive sales performance in first 9 months +30%

FY20 \$65.4m (FY19: \$63.1m)



Ongoing adoption of cloud platform

Trisus sales 14% of total New Sales (FY 2019: 13%)



Continued innovation

to deliver on growing market opportunity



High levels of visible revenue

3 Year Total Visible Revenue \$200.1m (FY19 same 3 year period: \$197.5m)



Robust financial position

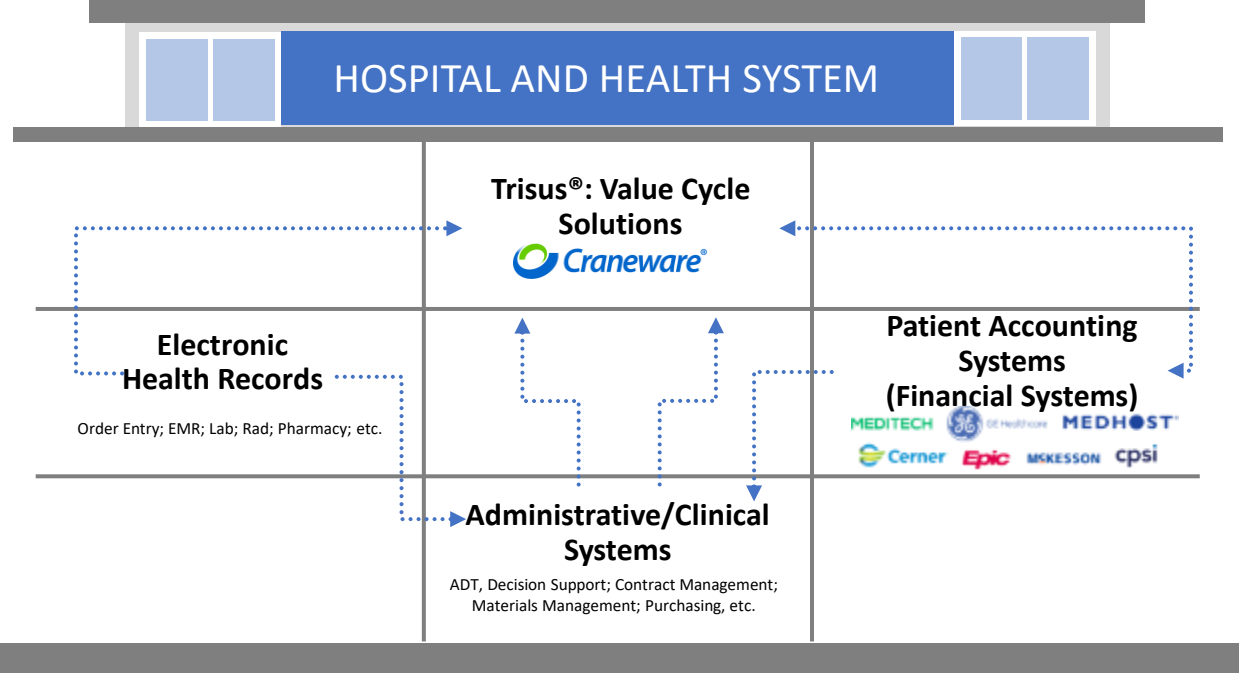
Strong margins, healthy cash balances, maintained dividend



Continued high levels of customer retention

Churn less than 10%

Vision: to become the 4th main class of hospital software



The opportunity: Craneware Trisus® Platform sits on top of all three critical IT platforms

Extracting data from them, providing data integrity and allowing analysis

Enabling health systems to better understand: the critical factors of margin in their operational and administrative areas; to allow them to focus on better patient health outcomes

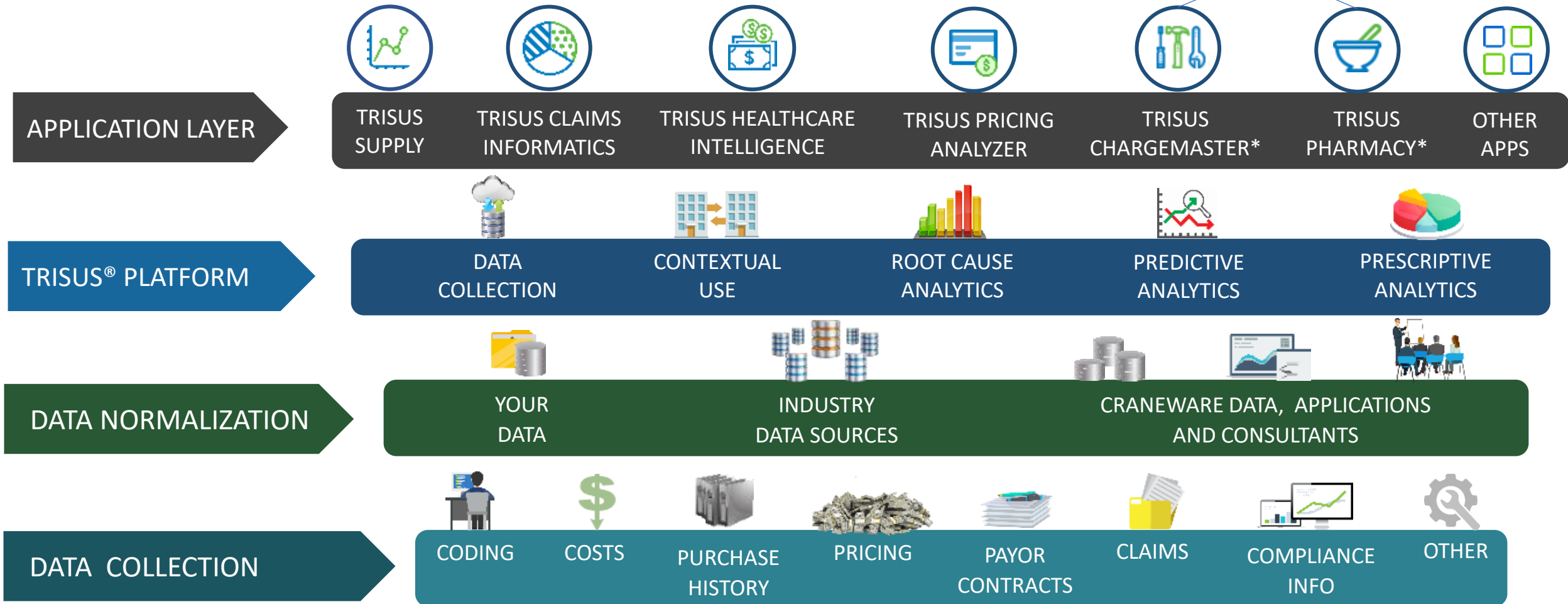
Clear white space for the Trisus platform to grow into

Strategy



Trisus platform

Transition of all core products to Trisus during 2021: significant milestone



*Scheduled to be available in 2021

Positive Outlook



Strengthened customer relationships



Ongoing sales discussions with hospitals across the US



First signs of sales cycles normalising with Q1 sales ahead of prior year



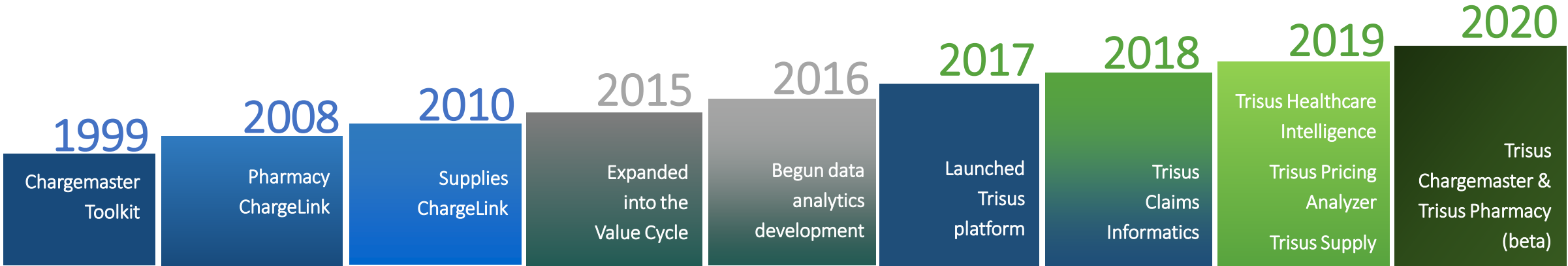
Strong balance sheet, high levels of recurring revenue, \$65m annuity base

Long-term transition to value-based care provides ongoing basis for growth

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 **Craneware**[®]

Appendix

Expanding addressable market



*Management estimates based on number of potential customers and average client spend

Annuity SaaS Model: Revenue Recognised

>85% Contracted Recurring Revenue
Prof Services

Craneware Annuity SaaS Model (>80%)

- Typical multi-year new contract over 4 years
- License fees invoiced annually in advance
- Revenue recognised equally over contract term
- High visibility of future revenues

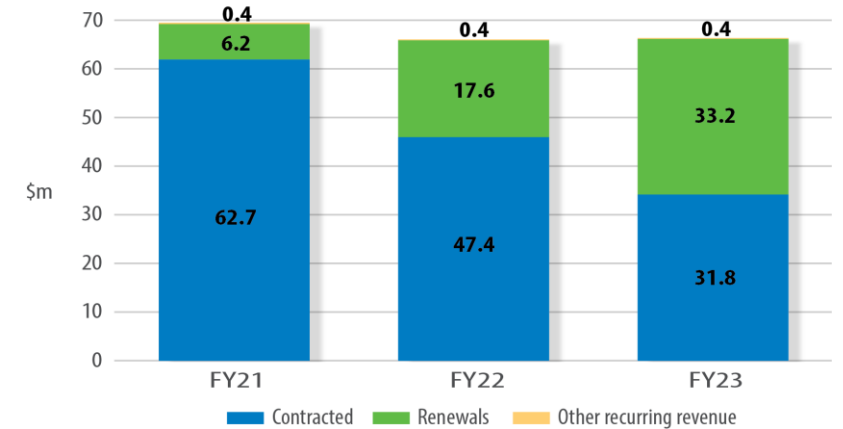
Success Management and other recurring revenue (<5%)

- Long Term PS Engagements
- Other Recurring revenue
 - Monthly invoicing and revenue recognition
 - ‘Transactional’ revenue

Professional services (balance)

- Client training and Education
- Consulting and Process re-engineering

Three Year Visible Revenue



As at 30 June 2020

Visible Revenue (at 30 Jun 2020)

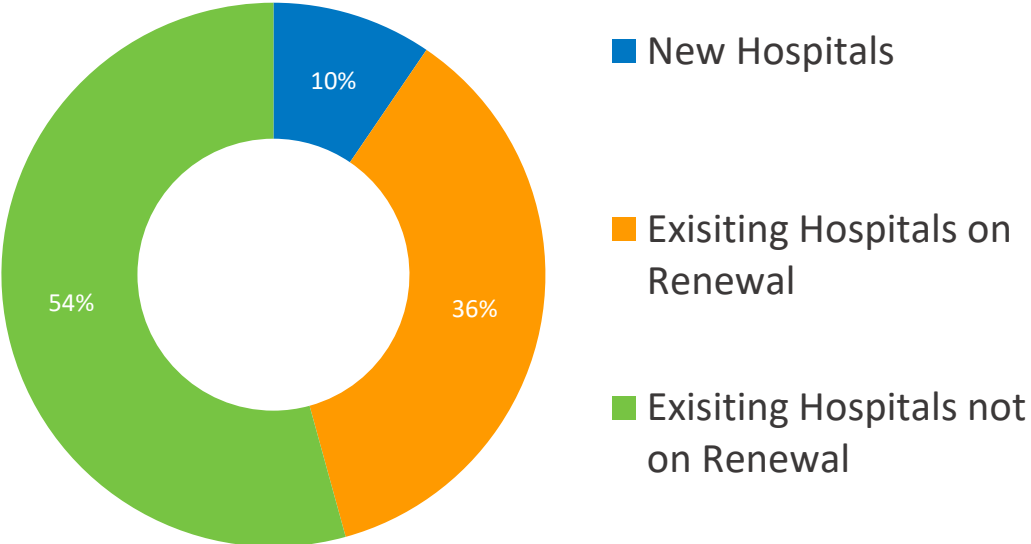
3 Year

\$200.1m

(30 June 2019: same 3 year period \$197.5m)

Review of FY20: Sales mix

FY20 – ‘New’ Sales TCV

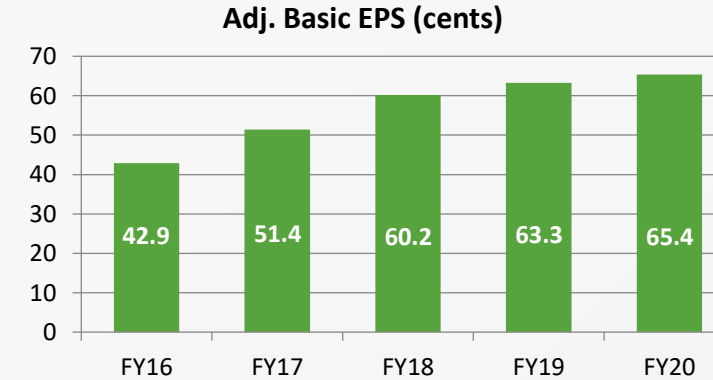
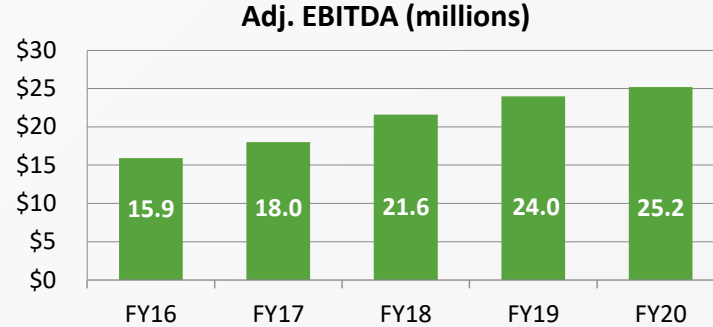
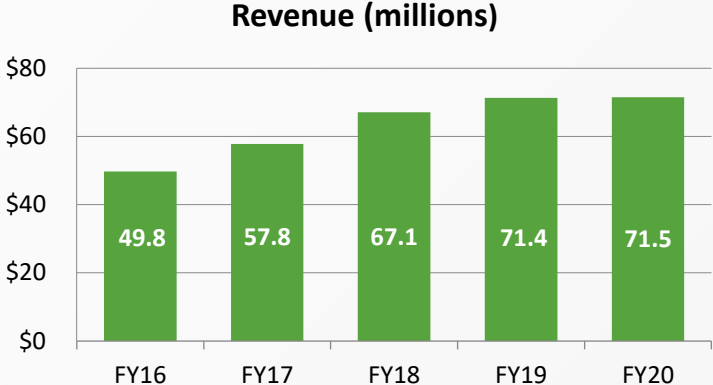


New contracts with ‘new’ hospitals and hospital systems add to ongoing sales to existing customers: Land & expand

- New Hospitals 10%**
New product and services sales to ‘new hospitals & hospital systems’ to Craneware
- Renewing Customers 36%**
Additional sales made to customers at the end of their multi-year contract as they renew their contracts
- Other Existing Customers 54%**
Additional sales of new products and services made to customers who are part way through their current contract
- Trisus related sales 14%**
(FY19: 13%)
High proportion of the customer base now using the Trisus platform, either through the Trisus Bridge or purchased products

Review of FY20: Results

- Revenue and earnings growth
 - Revenue increased to \$71.5m (FY19: \$71.4m)
 - Adjusted EBITDA increased to \$25.2m (+5%) (FY19: \$24.0m)
 - Adj. basic EPS increased to 65.4 cents per share (+3%) (FY19: 63.3 cents)

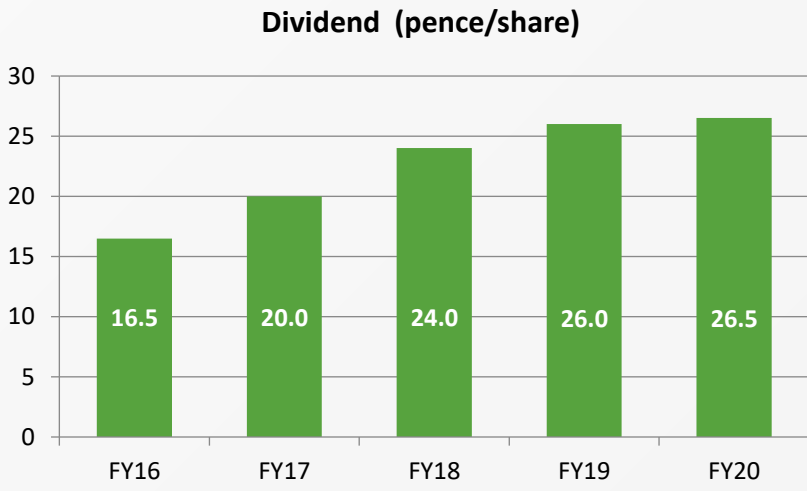
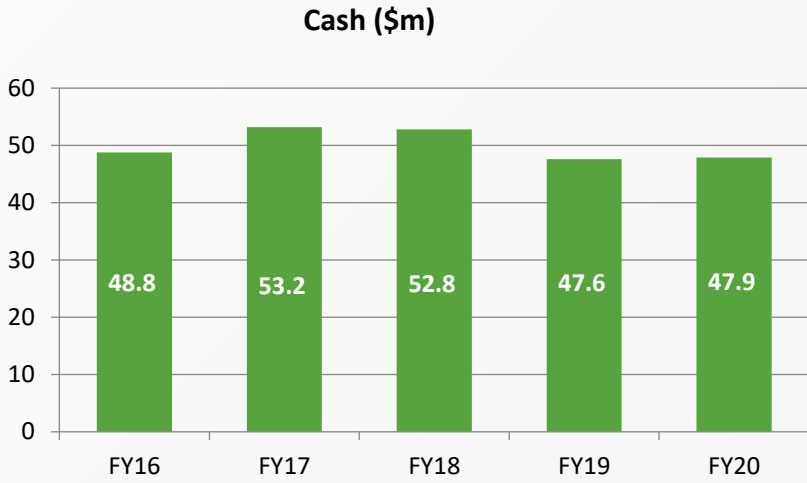


Review of FY20: Results

- **Strong cash levels support continued investment**
 - Cash at year end \$47.9m (FY19: \$47.6m) after:
 - \$9.1m dividends paid in the period (FY19: \$8.5m)
 - \$9.3m investment in future product development (FY19: \$9.6m)
 - \$2.7m of tax payments (FY19: \$1.9m)
 - Targeting approx. one year of costs held in cash on balance sheet

- **Increased dividend**
 - Proposed final dividend of 15.0p per share gives total dividend for the year of 26.5p (FY19: 26.0p per share)

+2%



Income statement

	2020 \$'000	2019 \$'000
Revenue	71,492	71,401
Cost of sales	(4,518)	(4,394)
Gross profit	66,974	67,007
Other income	9	-
Operating expenses	(47,777)	(49,003)
Operating profit	19,206	18,004
Analysed as:		
Adjusted EBITDA*	25,189	23,996
Share based payments	(1,318)	(1,296)
Depreciation of plant and equipment	(1,489)	(603)
Exceptional aborted acquisition costs	-	(1,168)
Amortisation of intangible assets	(3,176)	(2,925)
Finance income	192	318
Finance expense	(94)	-
Profit before taxation	19,304	18,322
Tax on profit on ordinary activities	(2,468)	(3,337)
Profit for the year attributable to owners of the parent	16,836	14,985
Other comprehensive (expense) / income		
Items that may be reclassified subsequently to profit or loss		
Currency Translation Reserve movement	26	28
Total items that may be reclassified subsequently to profit or loss	26	28
Total comprehensive income attributable to owners of the parent	16,862	15,013

Headline Results

Adj. EBITDA

↑5%

Adj. PAT*

↑4%

Margins

GP

94%

(FY19: 94%)

Adj. EBITDA

35%

(FY19: 34%)

R&D Spend

FY20

\$21.6m

(FY19: \$20.0m)

Capitalised

\$9.3m

(FY19: \$9.6m)

Eff Tax Rate

FY20

13%

(FY19: 18%)

*Adjusted for amortisation on acquired intangibles and exceptional costs

EPS

	2020	2019
Basic (\$ per share)	0.628	0.561
Adjusted Basic (\$ per share)	0.654	0.633
Diluted (\$ per share)	0.619	0.550
Adjusted Diluted (\$ per share)	0.644	0.620

Headline Results

Adj Basic

↑3%

Adj Diluted

↑4%

Adjusted for:

Amortisation of acquired
intangibles and exceptional costs

FY20: \$688k

FY19: \$1,914k

Shares In Issue

FY20: 26,826,539

FY19: 26,698,984

Balance Sheet

	2020 \$000	2019 \$000		
Assets	ASSETS			
	Non-Current Assets			
	Property, plant and equipment	3,798	1,274	
	Intangible assets	36,783	30,437	
	Trade and other receivables	3,915	4,946	
	Deferred tax	2,408	3,244	
		46,904	39,901	
	Current Assets			
	Trade and other receivables	21,003	18,789	
	Cash and cash equivalents	47,851	47,611	
	68,854	66,400		
	Total Assets	115,758	106,301	
Equity and Liabilities	EQUITY AND LIABILITIES			
	Non-Current Liabilities			
	Lease liability > 1 year	2,017	-	
	Current Liabilities			
	Deferred income	37,155	37,849	
	Current tax liabilities	797	1,085	
	Trade and other payables	7,394	7,532	
		45,346	46,466	
		Total Liabilities	47,363	46,466
	Equity			
Share capital	536	535		
Share premium account	21,097	20,022		
Capital redemption reserve	9	9		
Other reserves	4,148	3,549		
Retained earnings	42,605	35,720		
	Total Equity	68,395	59,835	
	Total Equity and Liabilities	115,758	106,301	

**Strong Software
Company Balance Sheet**

Healthy Cash Reserves

\$47.9m

Approx. 1 Years worth of costs

No Debt

\$50m Undrawn Facility

Cash Flow

Cash Flow	2020 \$000	2019 \$000
Cash flows from operating activities		
Cash generated from operations	23,134	15,078
Interest received	204	318
Tax(paid)/received	(2,668)	(1,933)
Net cash from operations	20,670	13,463
Cash flows from investing activities		
Purchase of plant and equipment	(187)	(654)
Capitalised intangible assets	(9,522)	(9,780)
Net cash from investing activities	(9,709)	(10,434)
Cash flows from financing activities		
Dividend paid to company shareholders	(9,077)	(8,497)
Proceeds from issuance of shares	614	246
Company shares acquired by employee benefit trust	(1,255)	-
Payment of lease liabilities	(1,003)	-
Net cash from/(used) in financing activities	(10,721)	(8,251)
Net (decrease)/increase in cash and cash equivalents	240	(5,222)
Cash and cash equivalents at the start of the period	47,611	52,833
Cash and cash equivalents at the end of the period	47,851	47,611

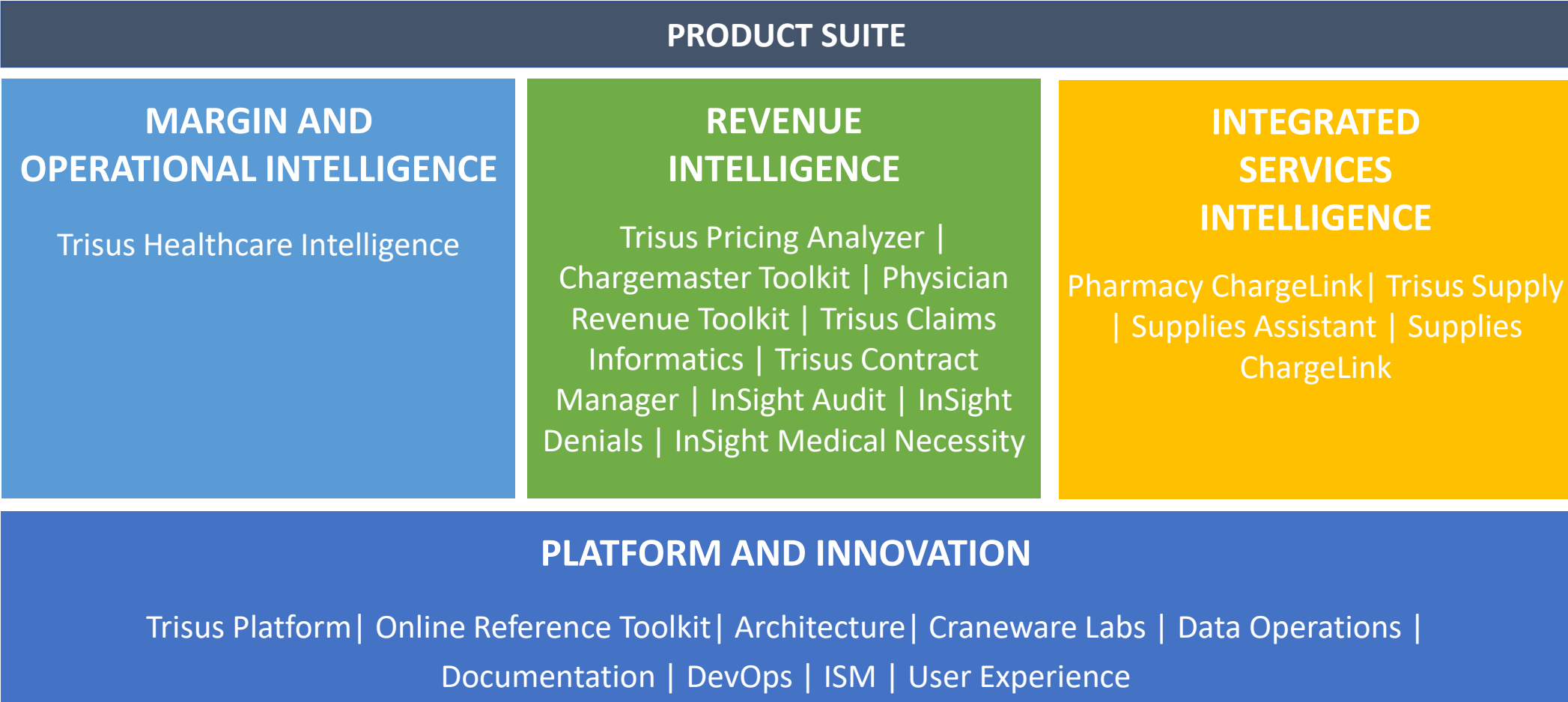
Operating Cash Conversion
Cash conversion achieved 92%
of EBITDA

**Over \$10.6m collected since
period end**

\$2.7m tax payment
(FY19: \$1.9m)

\$9.1m Dividends paid
(FY19: \$8.5m)

Products by business functions



Board of Directors



Will Whitehorn, Chairman

Will joined Craneware as Chairman of the Board on 1 Jan 2020. Will joined Virgin in 1986 where he established a career as Sir Richard Branson's corporate affairs advisor & brand development director for the group globally. He helped develop Virgin Atlantic, Virgin Trains and Virgin Media as businesses and went onto become the first President of Virgin Galactic taking the business from a dream to reality. He is currently Chairman of Good Energy Group plc and Deputy Chairman of Stagecoach Group plc. Previously being a non-executive director of both Purplebricks Group plc and GVC Holdings plc.



Keith Neilson, Chief Executive Officer

Keith co-founded Craneware in 1999. Under Keith's guidance, Craneware became recognised as the pioneer in value cycle management & a leading provider of superior products & professional services. Keith received the UK Software & Technology Entrepreneur of the Year Award from Ernst & Young in 2008 and was the Insider Elite Young Business Leader of the Year in 2009. Prior to launching Craneware, Keith worked in international management, where he handled sales, marketing and technical consulting for companies with operations around the world. He studied Physics at Heriot-Watt University, Edinburgh, receiving a bachelor's degree in 1991. Keith is a member of the Young Presidents Organisation (Gold member) and a syndicate member and Partner in Par Equity LLP. He is a Trustee of the Neilson Family Foundation a charitable foundation set up to benefit Medical research and Young people's charities.



Craig Preston, Chief Financial Officer

Craig was appointed to the Board on 15 September 2008, just as the company was entering its second year as a publicly traded corporation on the London Stock Exchange. As CFO, he directs Craneware's financial operations in both the UK and US. Craig has significant experience in senior financial roles with other private and public technology companies, including those with a multi-national presence. Prior to Craneware, he was group director of finance and company secretary at Intec Telecom Systems plc. Earlier, he served as corporate development manager at London Bridge Software plc. During his time there, he also held the role of CFO for Phoenix International, a previously NASDAQ-traded software company, following its acquisition by London Bridge. Earlier in his career, Craig worked for Deloitte in both the United Kingdom and United States. Craig has a degree in Accounting and Financial Management from the University of Sheffield. He is also a member of the Institute of Chartered Accountants in England and Wales.



Alistair Erskine, Non-Executive Director

Alistair joined the board as Independent Non-executive Director in February 2020. Alistair has held a number of senior positions within the US healthcare sector. He is currently the Chief Digital Health Officer of Partners HealthCare, a US not-for-profit healthcare system which is a leader in the application of clinical information technology to care delivery. He has held academic and governmental roles, including lecturing at Harvard Medical School and a Board Member of the Health Information Technology Standards Committee of the Virginia General Assembly. He holds an MBA from MIT with specialism in Business Analytics and Artificial Intelligence.



Ron F Verni, Non-Executive Director

Ron is currently a director of On Deck Capital. Before that he served on the Board of Directors of Kewill plc., was President & CEO of Sage Software, Inc, and a member of the Board of Directors of the Sage Group plc. Prior to Sage Software, Ron was President and CEO of Peachtree Software, Inc., a leading pioneer in business management solutions for small to medium size businesses. Ron also was the President and CEO of NEBS Software, Inc., the founder and CEO of ASTEC Software, and Vice President of Marketing with Automatic Data Processing.



Colleen Blye, Non-Executive Director

Colleen Blye is the Executive Vice President and CFO for Montefiore Health System and Albert Einstein College of Medicine. Colleen is a premier academic medical center and includes the Albert Einstein College of Medicine. Colleen has a distinguished background in large, complex healthcare organizations. Prior to joining Montefiore, she served as Executive Vice President and CFO of Catholic Health Services of Long Island, an integrated healthcare delivery system comprising six hospitals and three nursing homes. Earlier, she served as Executive Vice President for Finance and Integrated Services at Catholic Health Initiatives, a health system with 102 hospitals across the United States. Colleen is a Certified Public Accountant and a member of the American Institute of Certified Public Accountants and the Healthcare Financial Management Association.



Russ Rudish, Non-Executive Director

Russ Rudish has more than 30 years' experience in serving the healthcare industry, both in the US and internationally. Russ holds a directorship in Rudish Health Solutions, LLC, and StarBridge Advisors, LLC, both healthcare professional services firms. Russ is also a principal in Healthcare IT Leaders and Run Consultants, both of which provide IT staff augmentation services. Between 2006 and 2014, Russ served as partner and Global Sector Leader for Healthcare at Deloitte Touche Tohmatsu, where he led the \$2 billion global consulting, audit, tax and financial advisory business, developing the firm's global health care strategy. He is an active speaker and contributor to thought leadership on today's most pressing healthcare business issues.

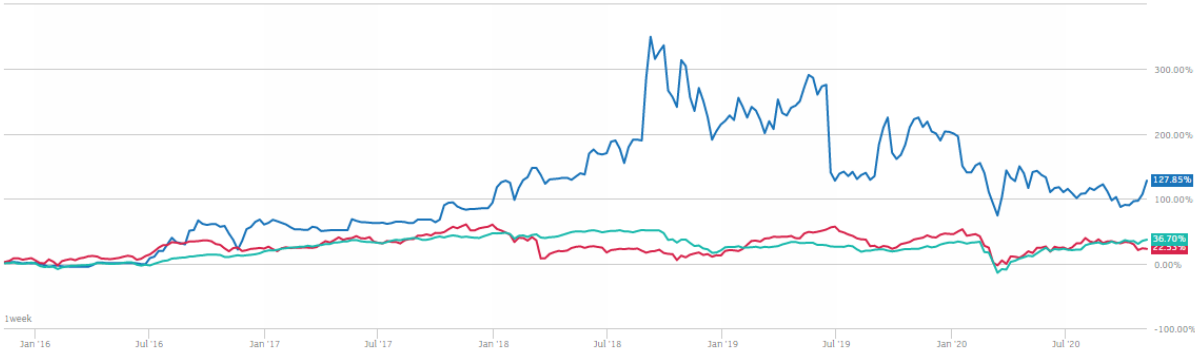


David Kemp, Non-Executive Director

David joined the board as Independent Non-executive Director from 1 March 2020. David has extensive UK Public company experience. He is currently CFO of the FTSE 250 listed business, John Wood Group PLC, the global projects, operations and consulting business, a position he has held since 2015. He has held a number of CFO and Non-Executive Director positions over the course of his career and is a member of the Institute of Chartered Accountants.

General information

- Share Price 1,800p (at 12 Nov' 2020)
- Market AIM
- Ticker CRW
- Market Cap. £483m
- Ord. shares in issue 26.8m
- Options Outstanding c. 1m



CRANWARE PLC | FTSE 350 Index - Software & Computer Services X | FTSE AIM All-Share Index X

Major shareholders

Shareholder	% of Issued Share Capital
Liontrust Investment Partners	13.5%
Keith Neilson (CEO)	12.7%
Gordon Craig (co-founder)	8.7%
Sanford Deland	6.6%
Canaccord Genuity Group	6.2%
AXA Investment Managers	3.8%
Fidelity International	3.2%
Rathbones	3.2%