

31 August 2023

## Alfa Financial Software Holdings PLC

### 2023 Half Year Report

#### Strong first half, full year expectations reiterated

Alfa Financial Software Holdings PLC (“Alfa” or the “Company”), a leading developer of software for the asset finance industry, today publishes its unaudited results for the six months ended 30 June 2023 (“the period”).

#### Financial summary

| <b>Results</b><br><b>£m, unless otherwise stated</b> | <b>H1 2023</b><br><b>Unaudited</b> | <b>H1 2022</b><br><b>Unaudited</b> | <b>Movement</b><br><b>%</b> |
|--|------------------------------------|------------------------------------|-----------------------------|
| Revenue  | 52.9                               | 43.9                               | 21%                         |
| Operating profit                                     | 16.9                               | 14.2                               | 19%                         |
| Profit before tax                                    | 16.6                               | 13.8                               | 20%                         |
| Earnings per share – basic (pence)                   | 4.52                               | 3.92                               | 15%                         |
| Earnings per share – diluted (pence)                 | 4.45                               | 3.85                               | 16%                         |
| Special dividend declared per share (pence)          | 4.0                                | 3.5                                | 14%                         |

| <b>£m</b> | <b>H1 2023</b><br><b>Unaudited</b> | <b>31 Dec 2022</b><br><b>Audited</b> | <b>Movement</b><br><b>%</b> |
|-----------|------------------------------------|--------------------------------------|-----------------------------|
| Cash      | 26.3                               | 18.7                                 | 41%                         |

| <b>Key measures <sup>(1)</sup></b><br><b>£m, unless otherwise stated</b> | <b>H1 2023</b><br><b>Unaudited</b> | <b>H1 2022</b><br><b>Unaudited</b> | <b>Movement</b><br><b>%</b> |
|--|------------------------------------|------------------------------------|-----------------------------|
| Revenue – constant currency  | 52.9                               | 45.0                               | 18%                         |
| Cash generated from operations   | 26.2                               | 17.8                               | 47%                         |
| Operating free cash flow conversion (%)                                  | 140%                               | 112%                               | 28%                         |
| Total Contract Value (TCV)   | 138                                | 138                                | 0%                          |

(1) See definitions section for further information regarding calculation of measures not defined by IFRS.

#### Financial highlights

- Revenue up 21% versus H1 2022, 18% at constant currency
  - Subscription revenues up 14%, supported by hosting up 33%
  - Software revenues up 33% driven by high customer funded development in the half
  - Services up 21% with increased headcount and strong chargeability

- Operating profit up 19% on H1 2022 as the business maintains investment in the future
- Continued strong cash generation at 140%
- Robust balance sheet position with £26.3m of cash and no bank debt
- Special dividend of 4.0 pence per share (£11.8m) declared

### **Strategic highlights**

- Diversified customer base. Top five customers make up 36% of revenues in H1 2023 compared with 64% four years ago
- Eighteen customers contributing revenue over £1m in the period compared with seven four years ago
- Strong pipeline, working with 11 customers in late-stage pipeline and in at least preferred supplier status with 10 customers overall
- TCV of £138m in line with 2022 H1
- Strong software delivery and Cloud Hosting performance
- Expansion of partner program in the US
- Continued investment in people and product for future growth
- Retention running at 95%
- Emission reduction targets validated by SBTi and commitment to Net Zero by 2050.

### **Outlook**

Whilst the market need for new software remains strong, we remain conscious of the uncertain economic outlook. We have built a resilient business with reduced customer concentration, operating across diverse markets both geographically and by asset class. The business is supported by a growing subscription revenue base, new business demand remains strong and buying behaviour is unchanged. We had a strong first half which was underpinned by a very good performance in Software. Looking into the second half, we will increase our investment in the software to ensure we stay in line with our full year product roadmap plans. As a consequence, our full year expectations remain unchanged.

### **Andrew Denton, Chief Executive Officer**

“We have remained focused on operational excellence and delivering our strategy and this is demonstrated by the very strong results we have produced in the first half of 2023. Our high level of customer funded development, weighted more towards the first half this year, helped fuel strong growth for the period along with the growth in the team. We remain confident in our ability to convert our exceptionally strong pipeline into new customers with a number of sizeable contracts to execute over the Autumn. This alongside the inherent robustness of the asset finance software market and our continued investment in high-quality people, underpins our strong confidence in the outlook for the business.”

## Enquiries

**Alfa Financial Software Holdings PLC** +44 (0)20 7588 1800  
Andrew Denton, Chief Executive Officer  
Duncan Magrath, Chief Financial Officer  
Andrew Page, Executive Chairman

**Teneo** +44 (0)20 7353 4200  
James Macey White  
Ed Cropley

**Barclays** +44 (0)20 7623 2323  
Robert Mayhew  
Tom MacDonald

**Investec** +44 (0)20 7597 4000  
Patrick Robb  
Virginia Bull

## Investor and analyst webcast

The Company will host a conference call today at 09:30am. To obtain details for the conference call, please email [alfa@teneo.com](mailto:alfa@teneo.com). Please dial in at least 10 minutes prior to the start time.

An archived webcast of the call will be available on the Investors page of the Company's website <https://www.alfasystems.com/en-eu/investors>

## **Notes to editors**

Alfa has been delivering software systems and services to the global asset and automotive finance industry since 1990. Our agile methodologies and specialised knowledge of asset and automotive finance enables the delivery of large software implementations and highly complex business change projects. With an excellent delivery track record now into its fourth decade, Alfa's experience and performance is unrivalled in the industry.

Alfa Systems, our class-leading technology platform, is at the heart of some of the world's largest asset and automotive finance companies. Alfa Systems supports both retail and corporate business for auto, equipment, wholesale and dealer finance on a multijurisdictional basis, including leases/loans, originations and servicing. A cloud-native, end-to-end solution with integrated workflow and automated processing using business rules, Alfa Systems provides compelling solutions to asset finance companies.

Alfa Systems is currently live in 38 countries. Alfa has offices in Europe, Australasia and North America. For more information, visit [www.alfasystems.com](http://www.alfasystems.com).

## **Forward-looking statements**

This Half Year Report (HYR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The HYR should not be relied on by any other party or for any other purpose. This report contains certain forward-looking statements. All statements other than statements of historical fact are forward-looking statements. These include statements regarding Alfa's intentions, beliefs or current expectations, and those of our officers, directors and employees, concerning (without limitation), with respect to the financial condition, results of operations, liquidity, prospects, growth, strategies and businesses of Alfa. These statements and forecasts involve known and unknown risks, uncertainty and assumptions because they relate to events and depend upon circumstances that will or may occur in the future and should therefore be treated with caution. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by applicable law, Alfa disclaims any obligation or undertaking to update the forward-looking statements or to correct any inaccuracies therein, or to keep current any other information contained in the HYR. Accordingly, reliance should not be placed on any forward-looking statements.

## **BUSINESS REVIEW**

### **Strong first half performance**

In the first half of 2023 we have remained focused on continuing to drive the business forward with good progress across all areas of our business along with strong financial performance. One of our differentiators is the quality of our delivery record and this has continued with fourteen delivery events in the first half. We have also continued to develop and enhance our software in advance of the launch of the sixth version of our software later in the year.

Financial performance in the first half was strong, in particular in Software, with revenue up 21% to £52.9m (H1 2022: £43.9m) with growth across all revenue streams. Operating profit performance was also strong, up 19% to £16.9m (H1 2022: £14.2m). Cash conversion was also very good at 140% (2022: 112%) and we finished the period with net cash of £26.3m (31 Dec 2022: £18.7m).

The very strong revenue performance we have seen in the first half, particularly with the first half weighting of customer funded development has meant that we have delivered a lot of our contracted work for customers. This has been reflected in our Total Contract Value ("TCV") which at £138m is in line with this time last year with increased Subscription TCV being offset by reductions in both Services and Software TCV. As yet our TCV does not include the three prospects in our late-stage pipeline that we are currently working with as we finalise commercial contracts. If these commercial contracts had been finalised at 30 June 2023, it would have increased overall TCV by c£30m and in particular the Services TCV would have been up 35% from this time last year.

We had eighteen customers contributing revenues of more than £1m in the period, up from fifteen last year and seven in H1 2019 and over the last four years we have significantly reduced our customer concentration, with our top five customers now representing 36% of our revenues in H1 2023, compared with 64% in H1 2019.

2022 was a year of strong recruitment, especially as the year progressed, and as a consequence we expected a lower level of recruitment in 2023 partly due to the improving retention trend but also to ensure the quality of the experience for new joiners as we consolidate experience levels within the team as a whole. Retention at 30 June 2023 was 95% (H1 2022: 85%) with a headcount at 30 June 2023 of 462 (H1 2022: 417). Average headcount in the period of 453 (2022 H1: 399) was a 14% increase on last year. We anticipate that by the year end total headcount and average headcount will be up c10% over last year.

## **Strategic progress and Net Zero commitment**

Alfa is a leading asset finance software company with global scale. Our platform, Alfa Systems, is the world's leading asset finance software, and has been supporting some of the world's largest and most innovative companies for more than 30 years.

Our vision is to grow our company size naturally, but grow our impact rapidly – always retaining our underlying culture. Key to this is delivering more concurrent implementations of our world-class Alfa Systems product more efficiently. We will have a big company impact, but a small company feel.

Our strategic priorities are to:

- Strengthen – grow our differentiation of market leading People, Product & Delivery
- Sell – focus on cloud-hosted subscription sales
- Scale – increase our capacity for developing and delivering Alfa Systems
- Simplify – simplify our product and implementations
- Synergise – develop our partner ecosystem
- Start – improve our Alfa Start offering for smaller asset finance providers

We have continued to make good progress in all these areas in 2023, with the key areas highlighted below, but of particular significance is that we have had our emission reduction targets validated by the Science Based Target Initiative (SBTi). We have committed to reducing our Scope 1 and Scope 2 emissions by 42% by 2030, along with a commitment to Net Zero by 2050. This submission is an important milestone in our journey, six years on from our Environmental Impact community being created.

## **Subscription - Strong growth in revenues**

*Subscription revenues arise from recurring revenues from subscription licences, hosting and maintenance.*

Subscription revenues continued to grow strongly in the period, up 14%.

We have a cloud first approach to sales as we see real benefits in both the speed of implementation for customers and the reliability of the service and built-in tools, including automated monitoring, patching and scheduling, that our hosting service provides. We anticipate that the majority of new customers will choose a hosted service and in the late stage pipeline all customers except one are looking to acquire a subscription licence. We have eight customers using Cloud Hosting services for their live production environments and have another six customers taking hosting services during the design and implementation phase, most of which are expected to become live production customers.

Our hosted services are ISO 27001 and ISO 27018 certified and SOC1 and SOC2 audited to confirm compliance with controls around data security and availability. Given the mission critical nature of our systems to our customers, having such third party verification of our compliance with these standards is a key selling point.

## **Software - Strong growth in customer funded development revenues**

*Software revenues arise from development work for new and existing customers, along with perpetual licence recognition.*

Software revenue was up 33% on H1 2022. This was largely driven by the significant increase in customer funded development days which increased 31% over last year. Over a typical year about half of our engineering time is spent on chargeable work, with the balance on self-funded development along with fixing and support work. This strong first half has enabled more time for self-funded development in H2. The resource flexes between these areas depending on priorities, with Lisbon now supporting our London based engineering team. In 2022 the customer funded development was weighted towards the second half whereas in 2023 this has been more focused towards the first half and we expect more self-funded development in the second half.

Our strategy is to continue to develop our software, to ensure that we meet and exceed customer and market needs as they evolve and as the regulatory and commercial environment continues to change. We believe we have the industry leading software and we continue to invest to increase that lead, both through a balance of customer funded development and self-funded development.

We release an upgrade every 4 weeks and periodically we release a new version of Alfa Systems which highlights the step change functional and technical advancement that has been made since the last version. During the first half we have made progress in several eye-catching new areas, such as Alfa Compose and Environmental Accounting, which will be headline items for our next major version release, the sixth since Alfa was formed 33 years ago, due to be announced in the autumn of 2023.

## **Services - High quality Services and expansion of partnership programmes**

*Services revenues arise from work on implementations and other services.*

Overall Services revenue was up 21% on the prior period with very strong chargeability, particularly in Europe. We continue to implement a number of v4 to v5 upgrades, and these accounted for 17% of total services revenues. Other work for existing customers accounted

for 50% of our services revenues with the balance of 33% from new implementations. There are fourteen new implementations and v5 upgrades ongoing of which we expect five to go-live in the next six months, one of which one has already occurred in July. We expect lower chargeability in the second half as we transition people across from the projects coming to an end to the new large prospects that will be starting up.

We had two initial go-lives for customers in the period, one in America for automotive finance and an Alfa Start project in the UK. In addition, we had a customer go-live in a new country, Mexico, increasing the total number of countries where we are live to 38. Shortly after the period end we went live with our first African commercial asset finance portfolio, just over two years after we went live with the customer's retail portfolio, and also went live with the initial phase of a v4 to v5 project for a long-standing UK customer.

Increasing our use of partners is a key element of our longer-term strategy for increasing the number of implementations we can deliver and providing us with a more flexible implementation resource. Our program is well developed in Europe and now we have two partners in the US supporting us on two different client projects. At the moment partners augment our existing resources on projects, but very much work under our direction. We continue to work towards setting up the training, processes and tooling that would allow partners to lead on implementations whilst ensuring our excellent delivery reputation.

### **Alfa iQ – gaining traction**

As industry interest in AI continues to build, we seek to investigate further ways in which we can deliver value to the asset finance industry through the use of AI. With an existing key customer looking to greatly expand their usage of Alfa iQ in credit risk exposure and others showing significant interest in the workflow integrations, we look to continue building on the strong base of products and modelling techniques that we have demonstrated.

### **Strong engagement with our people**

We have continued to ensure timely and clear communications with our employees and are delighted to see that our retention rates have improved and now sit at 95%. We are focusing a lot of resources on enhancing our training programs not only for technical matters but also to support developing our leaders of the future and have integrated into our internal systems a diverse library of on-line training content.

We have settled into a post-Covid working pattern, making the most of in person events to maintain the culture whilst also being thoughtful on our travel and the emissions footprint that this generates. We continue to assess the ways we work to ensure that they work for both the individual and for the team as a whole.



## **Capital return**

We remain a strongly cash generative business, with 140% cash conversion in H1 2023. We continue to generate more cash than we need for our growth plans and are committed to returning excess cash to shareholders.

Our main mechanism for returning capital is the payment of a regular dividend, and our policy is to grow this progressively as our profits grow. We paid the 2022 final dividend of 1.2p per share amounting to £3.5m in the first half.

We have also made one-off returns of capital through special dividends. In the first half we paid a special dividend of 1.5p per share or £4.4m. This took total special dividend payments over the last three years to 33p or £98m.

In addition to the dividend payments, we announced in January 2022 an eighteen month share buyback programme which came to an end on 30 June 2023. In H1 2023 we purchased 1.9m shares at a cost of £3.1m. This took total purchases since the program started to 4.8m shares at cost of £7.7m. All the purchased shares are currently held in treasury.

Having executed this share buyback programme, we currently believe the quickest and simplest mechanism for returning cash to shareholders is via Special Dividends, but we will keep under review whether another Share Buyback program should be launched.

Even after returning cash in the period of £11.0m, we finished the period with a strong balance sheet with net cash of £26.3m and expect this to continue to grow. As a consequence, the Board has decided to declare a special dividend of 4.0 pence per share, with an ex-dividend date of 14 September 2023, a record date of 15 September 2023 and a payment date of 6 October 2023. The special dividend would amount to a total payment of £11.8m.

## **Steady market conditions**

The macro-economic outlook remains uncertain at the moment, with high levels of inflation and higher levels of interest rates trying to reduce it. Alfa Systems is now operational in 38 countries; in automotive finance, equipment finance and wholesale and loan finance; for OEMs, banks and independents and across all asset classes. The breadth and diversity of Alfa's business interests help to insulate us from economic uncertainty in individual geographies and sectors of our business.

Along with Alfa's diverse revenue sources providing insulation against the current economic uncertainty, the market itself provides some protection. The asset finance market is a more secure form of lending and it has a history of gaining market share in uncertain times compared

with non-asset backed lending markets although it is unlikely to be completely immune to these economic pressures. In addition, the need for software is not associated with new business alone, large players in our market will have significant extant portfolios to manage whether they are writing new business or not and these portfolios will be subject to the same drivers of technical change as growing businesses. Regulatory change, digitalisation and the growing need for flexibility continue to drive customers to review their systems, particularly those still running on legacy platforms, and they will continue to select more flexible modern systems.

We believe that the asset finance software market will remain robust. New business demand remains strong and buying behaviour is unchanged from this time last year. With our functional, flexible, modern, cloud-native system, we continue to be well positioned to capitalise on that end market demand.

### **Strong pipeline**

We continue to see strength in the late-stage pipeline with some very large prospects in both Europe and the US. If we convert these, they could provide not only large initial projects, but with the prospects of a very large tail of follow-on work. In total we have 11 prospects in the late stage of which five are at preferred supplier status and five where we are already working on implementations as we finalise commercial contracts. We also continue to see new prospects coming into the early-stage pipeline showing that the buying dynamics of the market remain unchanged. It was also pleasing to see the speed at which we won an Alfa Start project and started to implement. This is in line with an overall high decision and execution cadence in sales during the half.

Overall we remain confident in both the demand for our software and our ability to win work in the market.

### **Outlook**

Whilst the market need for new software remains strong, we remain conscious of the uncertain economic outlook. We have built a resilient business with reduced customer concentration, operating across diverse markets both geographically and by asset class. The business is supported by a growing subscription revenue base, new business demand remains strong and buying behaviour is unchanged. We had a strong first half which was underpinned by a very good performance in Software. Looking into the second half, we will increase our investment in the software to ensure we stay in line with our full year product roadmap plans. As a consequence, our full year expectations remain unchanged.

## FINANCIAL REVIEW

### Financial results

| £m                    | H1 2023<br>Unaudited | H1 2022<br>Unaudited | Movement<br>% |
|-----------------------|----------------------|----------------------|---------------|
| Revenue               | 52.9                 | 43.9                 | 21%           |
| Gross profit          | 33.7                 | 28.3                 | 19%           |
| Operating profit      | 16.9                 | 14.2                 | 19%           |
| Profit before tax     | 16.6                 | 13.8                 | 20%           |
| Taxation              | (3.3)                | (2.2)                | 55%           |
| Profit for the period | 13.3                 | 11.6                 | 15%           |

Revenues increased by 21% or £9.0m to £52.9m in the six months ended 30 June 2023 (H1 2022: £43.9m). Growth at constant currency was 18%.

Gross profit increased 19% to £33.7m (H1 2022: £28.3m) slightly behind the increase in revenue mainly due to increased headcount and salary inflation, with operating profit increasing by 19% or £2.7m to £16.9m (H1 2022: £14.2m) with profit before tax of £16.6m (H1 2022: £13.8m).

The Effective Tax Rate (“ETR”) for the 2023 half year is 19.9% (H1 2022: 15.9%), the increase being principally due to the increase in the UK Corporation tax rate from 19% to 23.5% for 2023 (which rises to 25% for a full year in 2024). For the full year 2023 we expect the ETR to be around 20% (2022: 15.2%). Profit for the period was £13.3m (H1 2022: £11.6m).

## Revenue

| Revenue – by type | H1 2023   | H1 2022   | Movement |
|-------------------|-----------|-----------|----------|
| £m                | Unaudited | Unaudited | %        |
| Subscription      | 15.4      | 13.5      | 14%      |
| Software          | 8.9       | 6.7       | 33%      |
| Services          | 28.6      | 23.7      | 21%      |
| Total revenue     | 52.9      | 43.9      | 21%      |

### Subscription revenues

Overall subscription revenues increased strongly by 14% to £15.4m (2022 H1: £13.5m) with growth across all three elements of licence, maintenance and hosting driven from both existing and new customers. Nearly all customers in the late stage pipeline are looking for a subscription licence contract, with the majority looking for hosting as well.

### Software revenues

Software revenues of £8.9m were up £2.2m or 33% on last year (H1 2022: £6.7m), driven by 31% growth in customer-funded development days. In contrast to last year when the development days were weighted to the second half of the year, this year they will be more weighted towards the first half.

There were one-off licence revenues of £0.3m (H1 2022: £0.2m) and revenue recognition from perpetual licence sales in previous years was in line with last year.

## Services revenues

Total Services revenues increased by 21% to £28.6m (H1 2022: £23.7m) at actual exchange rates. New implementation revenues were broadly in line with last year, with growth largely coming from existing customers either going through v4 to v5 upgrades (which accounted for 17% of total services work versus 14% last year) or ongoing services work.

## Total Contract Value (TCV)

| <b>TCV – by type (unaudited)</b> | <b>2023</b> | <b>2022</b> | <b>2022</b> |
|----------------------------------|-------------|-------------|-------------|
| <b>£m</b>                        | <b>H1</b>   | <b>FY</b>   | <b>HY</b>   |
| Subscription                     | 102         | 93          | 89          |
| Software                         | 15          | 20          | 18          |
| Services                         | 21          | 30          | 31          |
| Total TCV                        | 138         | 143         | 138         |

Definition of TCV is included in the definitions section of this Half Year Report

Total contract value (TCV) at 30 June 2023 was £138m (31 December 2022: £143m, 30 June 2022: £138m). Strong growth in subscription TCV was offset by reductions in Software and Services TCV along with a negative impact from currency which accounted for £2m of the £5m overall reduction. Services and Software TCV will increase once we have contracted with a number of prospects in the late-stage pipeline. At the moment we estimate that if we had signed three of the contracts that we are currently working with, TCV at 30 June 2023 would have been £30m higher.

Of the TCV at 30 June 2023, £60m (H1 2022: £60m) is currently anticipated to convert into revenue within the next 12 months, assuming contracts continue as expected and are not delayed or cancelled. This includes £6m (H1 2022: £8m) of Software revenues, £33m (H1 2022: £29m) of Subscription revenues and £21m (H2 2022: £23m) of Services revenues.

## Operating profit

The Group's operating profit increased by £2.7m, or 19%, to £16.9m in H1 2023 (H1 2022: £14.2m) primarily reflecting the 21% increase in revenue.

Headcount numbers were up 11% at 30 June 2023 at 462 (H1 2022: 417), with average headcount of 453 up 14% on last year (H1 2022: 399). Staff retention rate has progressively improved since the middle of 2022 and now stands at 95% on a 12 month basis, and this is up from 85% at 30 June 2022.

| <b>Expenses – net</b>                      | <b>H1 2023</b>   | <b>H1 2022</b>   | <b>Movement</b> |
|--|------------------|------------------|-----------------|
| <b>£m</b>                                  | <b>Unaudited</b> | <b>Unaudited</b> | <b>%</b>        |
| Cost of sales                              | 19.2             | 15.6             | 23%             |
| Sales, general and administrative expenses | 17.0             | 14.6             | 16%             |
| Other income                               | (0.2)            | (0.5)            | (60)%           |
| <b>Total expenses – net</b>                | <b>36.0</b>      | <b>29.7</b>      | <b>21%</b>      |

**Cost of sales** increased by £3.6m to £19.2m (H1 2022: £15.6m) to support the growth in the business. This was due to higher headcount and salary costs along with increased hosting costs from the increasing scale of that business along with the negative impact of exchange rates.

**Sales, general and administrative (SG&A)** increased to £17.0m in the six month period to 30 June 2023 (H1 2022: £14.6m). This included £0.5m of one-off costs associated with the possible offer for Alfa, without which they would have been up 13%. Salary costs were up 7% in the period to £6.4m (2022 H1: £6.0m). Profit Share Pay, including employer’s costs, in the period was £2.1m (2022 H1: £1.6m) because of higher profits. Share-based payment charges have increased over last year at £0.9m (H1 2022: £0.8m), principally due to increased provision for NI costs on the back of the increased share price. Foreign currency gains of £0.1m, were down from the gain of £0.6m last year. Travel and conference costs were broadly in line with last year, however we do expect these to increase in the second half of the year. Other costs totalling £7.4m increased £0.6m on last year (H1 2022: £6.8m).

### **Profit before Tax**

Overall Profit before Tax of £16.6m was up 20% on last year (H1 2022: £13.8m). Net finance costs reduced to £0.2m (H1 2022: £0.4m) benefiting from a full year of reduced lease costs and also a small amount of interest income.

### **Profit for the period**

Profit after taxation increased by £1.7m, or 15%, to £13.3m (H1 2022: £11.6m). The Effective Tax Rate (“ETR”) for the 2023 half year is 19.9% (H1 2022: 15.9%). For the full year 2023 we expect the ETR to be around 20% (2022: 15.2%). The increase in the ETR is principally due to the increase in the UK Corporation Tax rate from 19% to an average of 23.5% in 2023.

## **Earnings per share**

Basic earnings per share increased by 15% to 4.52 pence (H1 2022: 3.92 pence). Diluted earnings per share increased by 16% to 4.45 pence (H1 2022: 3.85 pence).

## **Cash flow**

Cash generated from operations was very strong at £26.2m in the period (H1 2022: £17.8m) up £8.4m on last year. Net cash generated from operating activities was also very strong at £22.6m (H1 2022: £13.4m) with tax payments of £3.4m down on the £4.0m for H1 2022.

Net cash (including the effect of exchange rate changes) increased by £7.6m to £26.3m at 30 June 2023, from £18.7m at 31 December 2022. There was £22.6m of net cash generated from operating activities (H1 2022: £13.4m). In the period the 2022 Final Dividend and a 2023 Special Dividend were paid, totalling £7.9m (H1 2022: £12.2m). In addition, the purchase of own shares was £4.7m (H1 2022: £2.0m) for both the share buyback and to fund the EBT. Net capital expenditure of £1.7m was up on last year (H1 2022: £1.0m) with as expected increased capitalisation of software up to £1.0m (H1 2022: £0.7m) and with other capex of £0.7m (H1 2022: £0.3m) principally due to some increased investment in IT equipment.

The Group's Operating Free Cash Flow Conversion (FCF) of 140% (H1 2022: 112%) was particularly strong, benefiting as usual from maintenance payment receipts in the first half, but also from an increase in trade and other payables. As noted before, over time the ongoing trend for 12 month cash conversion will be around 100% as we move to a subscription license model.

The Board have declared a 4.0 pence per share special dividend, amounting to £11.8m, payable on 6 October 2023 with a record date of 15 September 2023 and an ex-dividend date of 14 September 2023.

## **Balance sheet**

The significant movements in the Group's balance sheet, aside from the cash balance which is described above, from 31 December 2022 to 30 June 2023 are detailed below.

Trade receivables reduced by £0.5m to £8.4m at 30 June 2023 (31 December 2022: £8.9m) remaining extremely well controlled. Accrued income increased from the year end position to £7.8m (31 December 2022: £6.5m) on the back of higher revenues in June compared with December.

Trade and other payables balance increased by £2.2m to £11.7m at 30 June 2023 (31 December 2022: £9.5m) mainly due to payroll taxes as a result of the LTIP vesting in June 2023. Contract liabilities increased by £5.6m to £20.4m at 30 June 2023 (31 December 2022: £14.8m) reflecting the timing of billing of a number of annual maintenance contracts on 1 May.

### **Subsequent events and related parties**

On the 9 June 2023, Alfa announced that it had received a number of unsolicited, non-binding proposals from EQT regarding a possible offer for Alfa. On 7 July 2023 EQT made a Rule 2.8 announcement that they did not intend to make an offer for Alfa. Included in H1 2023 results are £0.5m of costs incurred in association with the possible offer.

Details about related party transactions are disclosed in note 17.



## PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties which could have a material impact on the long-term performance of Alfa Financial Software Holdings PLC and its subsidiaries were set out in the Alfa Financial Software Holdings PLC Annual Report for the year ended 31 December 2022, dated 1 March 2023, and remain valid at the date of this report.

Those risks and uncertainties at the date of this report where the impact continues to be assessed as “Major” and where the probability of the event is assessed as at least “Possible” were:

- Socio-economic and geo-political risk: the risk of global and local recessions due to recent events including the Ukraine war and Brexit. There is also increased risk as a result of high inflation and interest rates.
- Risk to people, teams and skills: talent recruitment, training and retention may not keep pace with our forecasts, preventing us fulfilling obligations to customers or taking on new business.
- IT security and cyber risks: a targeted attack could adversely affect our customers’ or potential customers’ perception of Alfa Systems and could impact our ability to operate our business.

In addition, since the Annual Report, the following risk has been newly raised as a principal risk, with a probability of “Possible”, and an impact of “Major”:

- Competition risk: competitors may gain or steal our market share in target markets, impacting our growth potential.

Also, since the Annual Report, the following risk has been reassessed to have an increased probability, moving from “Possible” to “Likely”, still with an impact of “Moderate”:

- Legacy versions of Alfa Systems continue to be supported for a number of customers. The infrastructure management and support of these may become expensive, time-consuming and insecure in the period leading up to complete decommissioning.

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023**

| <b>£m</b>   | <b>Note</b> | <b>H1 2023<br/>Unaudited</b> | <b>H1 2022<br/>Unaudited</b> |
|---|-------------|------------------------------|------------------------------|
| <b>Continuing Operations</b>  |             |                              |                              |
| Revenue   | 3           | 52.9                         | 43.9                         |
| Cost of sales   |             | (19.2)                       | (15.6)                       |
| <b>Gross profit</b>   |             | <b>33.7</b>                  | <b>28.3</b>                  |
| Sales, general and administrative expenses  |             | (17.0)                       | (14.6)                       |
| Other operating income  |             | 0.2                          | 0.5                          |
| <b>Operating profit</b>   | 4           | <b>16.9</b>                  | <b>14.2</b>                  |
| Share of results of associates and joint ventures   |             | (0.1)                        | -                            |
| <b>Profit before net finance costs and tax</b>  |             | <b>16.8</b>                  | <b>14.2</b>                  |
| Finance income  |             | 0.1                          | -                            |
| Finance costs   |             | (0.3)                        | (0.4)                        |
| <b>Profit before tax</b>  |             | <b>16.6</b>                  | <b>13.8</b>                  |
| Tax expense   | 6           | (3.3)                        | (2.2)                        |
| <b>Profit for the period attributable to owners of<br/>the parent</b>                     |             | <b>13.3</b>                  | <b>11.6</b>                  |
| <b>Other comprehensive income</b>   |             |                              |                              |
| Items that may be reclassified subsequently to<br>profit or loss:                         |             |                              |                              |
| Foreign currency translation of foreign operations  |             | (0.2)                        | 0.4                          |
| Total comprehensive income, net of tax  |             | (0.2)                        | 0.4                          |
| <b>Total comprehensive income for the period<br/>attributable to owners of the parent</b> |             | <b>13.1</b>                  | <b>12.0</b>                  |
| <b>Earnings per share (in pence)</b>  |             |                              |                              |
| Basic   |             | 4.52                         | 3.92                         |
| Diluted   |             | 4.45                         | 3.85                         |

*The consolidated statement of profit or loss and comprehensive income should be read in conjunction with the accompanying notes.*

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE  
2023**

| <b>£m</b>                            | <b>Note</b> | <b>30 June<br/>2023<br/>Unaudited</b> | <b>31 Dec<br/>2022<br/>Audited</b> |
|--------------------------------------|-------------|---------------------------------------|------------------------------------|
| <b>Assets</b>                        |             |                                       |                                    |
| <b>Non-current assets</b>            |             |                                       |                                    |
| Goodwill                             | 7           | 24.7                                  | 24.7                               |
| Other intangible assets              | 8           | 3.4                                   | 2.9                                |
| Property, plant and equipment        | 9           | 1.4                                   | 1.0                                |
| Right-of-use assets                  | 10          | 6.6                                   | 7.1                                |
| Deferred tax assets                  |             | 1.0                                   | 1.6                                |
| Interests in joint ventures          |             | 0.2                                   | 0.2                                |
| <b>Total non-current assets</b>      |             | <b>37.3</b>                           | <b>37.5</b>                        |
| <b>Current assets</b>                |             |                                       |                                    |
| Trade receivables                    | 11          | 8.4                                   | 8.9                                |
| Accrued income                       | 12          | 7.8                                   | 6.5                                |
| Prepayments                          | 12          | 3.7                                   | 4.5                                |
| Other receivables                    | 12          | 0.5                                   | 0.2                                |
| Corporation tax receivable           |             | 0.5                                   | 0.2                                |
| Cash and cash equivalents            |             | 26.3                                  | 18.7                               |
| <b>Total current assets</b>          |             | <b>47.2</b>                           | <b>39.0</b>                        |
| <b>Total assets</b>                  |             | <b>84.5</b>                           | <b>76.5</b>                        |
| <b>Liabilities and equity</b>        |             |                                       |                                    |
| <b>Current liabilities</b>           |             |                                       |                                    |
| Trade and other payables             | 13          | 11.7                                  | 9.5                                |
| Lease liabilities                    | 14          | 1.4                                   | 1.3                                |
| Contract liabilities                 | 13          | 20.4                                  | 14.8                               |
| <b>Total current liabilities</b>     |             | <b>33.5</b>                           | <b>25.6</b>                        |
| <b>Non-current liabilities</b>       |             |                                       |                                    |
| Lease liabilities                    | 14          | 7.4                                   | 8.0                                |
| Provisions for other liabilities     | 13          | 0.6                                   | 0.9                                |
| <b>Total non-current liabilities</b> |             | <b>8.0</b>                            | <b>8.9</b>                         |
| <b>Total liabilities</b>             |             | <b>41.5</b>                           | <b>34.5</b>                        |
| <b>Capital and reserves</b>          |             |                                       |                                    |
| Share capital                        |             | 0.3                                   | 0.3                                |
| Translation reserve                  |             | 0.2                                   | 0.4                                |
| Own shares                           | 15          | (8.2)                                 | (7.5)                              |
| Retained earnings                    |             | 50.7                                  | 48.8                               |
| <b>Total equity</b>                  |             | <b>43.0</b>                           | <b>42.0</b>                        |
| <b>Total liabilities and equity</b>  |             | <b>84.5</b>                           | <b>76.5</b>                        |

*The consolidated statement of financial position should be read in conjunction with the accompanying notes.*

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2023**

| £m   | Note | Share capital | Own shares   | Translation reserve | Retained earnings | Equity attributable to owners of the parent |
|--|------|---------------|--------------|---------------------|-------------------|---|
| <b>Balance as at 1 January 2022</b>                              |      | <b>0.3</b>    | <b>(3.4)</b> | -                   | <b>46.5</b>       | <b>43.4</b>                                 |
| Profit for the financial period                                  |      | -             | -            | -                   | 11.6              | 11.6  |
| Other comprehensive income                                       |      | -             | -            | 0.4                 | -                 | 0.4   |
| <b>Total comprehensive income for the period</b>                 |      | -             | -            | 0.4                 | 11.6              | 12.0  |
| Equity settled share-based payment schemes                       |      | -             | -            | -                   | 0.7               | 0.7   |
| Dividends  |      | -             | -            | -                   | (12.2)            | (12.2)                                      |
| Own shares distributed   |      | -             | 0.2          | -                   | -                 | 0.2   |
| Own shares acquired  |      | -             | (2.2)        | -                   | -                 | (2.2)                                       |
| <b>Balance as at 30 June 2022</b>                                |      | <b>0.3</b>    | <b>(5.4)</b> | <b>0.4</b>          | <b>46.6</b>       | <b>41.9</b>                                 |
| <b>Balance as at 1 January 2023</b>                              |      | <b>0.3</b>    | <b>(7.5)</b> | <b>0.4</b>          | <b>48.8</b>       | <b>42.0</b>                                 |
| Profit for the financial period                                  |      | -             | -            | -                   | 13.3              | 13.3  |
| Other comprehensive income                                       |      | -             | -            | (0.2)               | -                 | (0.2)                                       |
| <b>Total comprehensive income for the period</b>                 |      | -             | -            | <b>(0.2)</b>        | <b>13.3</b>       | <b>13.1</b>                                 |
| Equity settled share-based payment schemes                       |      | -             | -            | -                   | 0.7               | 0.7   |
| Equity settled share based payment schemes – deferred tax impact |      | -             | -            | -                   | (0.4)             | (0.4)                                       |
| Dividends  |      | -             | -            | -                   | (7.9)             | (7.9)                                       |
| Own shares distributed   | 15   | -             | 4.0          | -                   | (3.8)             | 0.2   |
| Own shares acquired  | 15   | -             | (4.7)        | -                   | -                 | (4.7)                                       |
| <b>Balance as at 30 June 2023</b>                                |      | <b>0.3</b>    | <b>(8.2)</b> | <b>0.2</b>          | <b>50.7</b>       | <b>43.0</b>                                 |

*The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2023**

| <b>£m</b>   | <b>Note</b> | <b>H1 2023<br/>Unaudited</b> | <b>H1 2022<br/>Unaudited</b> |
|---|-------------|------------------------------|------------------------------|
| <b>Cash flows from operations</b>   |             |                              |                              |
| Profit before tax   |             | 16.6                         | 13.8                         |
| Net finance costs   |             | 0.2                          | 0.4                          |
| Share of net loss from joint venture  |             | 0.1                          | -                            |
| <b>Operating profit</b>   |             | <b>16.9</b>                  | <b>14.2</b>                  |
| Adjustments:  |             |                              |                              |
| Depreciation  | 9/10        | 0.9                          | 1.2                          |
| Amortisation  | 8           | 0.5                          | 0.4                          |
| Share-based payment charge  |             | 0.7                          | 0.7                          |
| Movement in provisions  |             | (0.3)                        | (0.2)                        |
| Movement in working capital:  |             |                              |                              |
| Movement in contract liabilities  |             | 5.6                          | 5.9                          |
| Movement in trade and other receivables                                     |             | (0.3)                        | (4.3)                        |
| Movement in trade and other payables<br>(excluding contract liabilities)    |             | 2.2                          | (0.1)                        |
| <b>Cash generated from operations</b>                                       |             | <b>26.2</b>                  | <b>17.8</b>                  |
| Interest element on lease payments  |             | (0.2)                        | (0.4)                        |
| Income taxes paid   |             | (3.4)                        | (4.0)                        |
| <b>Net cash generated from operating activities</b>                         |             | <b>22.6</b>                  | <b>13.4</b>                  |
| <b>Cash flows from investing activities</b>                                 |             |                              |                              |
| Purchases of property, plant and equipment                                  | 9           | (0.7)                        | (0.3)                        |
| Payments for internally developed software                                  | 8           | (1.0)                        | (0.7)                        |
| <b>Net cash used in investing activities</b>                                |             | <b>(1.7)</b>                 | <b>(1.0)</b>                 |
| <b>Cash flows from financing activities</b>                                 |             |                              |                              |
| Dividends paid to Company shareholders                                      | 18          | (7.9)                        | (12.2)                       |
| Principal element of lease payments   | 14          | (0.8)                        | (0.9)                        |
| Purchase of own shares  | 15          | (4.7)                        | (2.0)                        |
| <b>Net cash used in financing activities</b>                                |             | <b>(13.4)</b>                | <b>(15.1)</b>                |
| <b>Net increase / (decrease) in cash and cash equivalents</b>               |             | <b>7.5</b>                   | <b>(2.7)</b>                 |
| <b>Cash and cash equivalents at the beginning of the period</b>             |             | <b>18.7</b>                  | <b>23.1</b>                  |
| <b>Effect of foreign exchange rate changes on cash and cash equivalents</b> |             | <b>0.1</b>                   | <b>0.4</b>                   |
| <b>Cash and cash equivalents at the end of the period</b>                   |             | <b>26.3</b>                  | <b>20.8</b>                  |

*The consolidated cash flow statement should be read in conjunction with the accompanying notes.*

## NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

### *1. General information*

Alfa Financial Software Holdings PLC (“Alfa” or the “Company”) is a public company limited by shares and is incorporated and domiciled in England. Its registered office is at Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, United Kingdom. Alfa’s registration number is 10713517.

The principal activity of the Company and its subsidiaries (the “Group”) is to provide software solutions and consultancy services to the asset finance industry in the United Kingdom, United States of America, Europe and Asia Pacific.

These unaudited Half Year Financial Statements have been approved for issue by the Board of Directors on 30 August 2023. These Half Year Financial Statements have been reviewed but not audited.

### *2. Accounting policies*

#### *2(a) Basis of preparation*

The Half Year Financial Statements have been prepared in accordance with IAS 34 “Half Year Financial Reporting” as contained in UK-adopted International Accounting Standards and the Disclosure and Transparency Rules of the Financial Conduct Authority.

These Half Year Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Accordingly this report should be read in conjunction with the annual report for the year ended 31 December 2022 (the “Annual Financial Statements”) which was prepared in accordance with UK-adopted International Accounting Standards and any public announcements made by Alfa during the Half Year reporting period. The Annual Financial Statements constitute statutory accounts as defined in section 434 of the Companies Act 2006 and a copy these statutory accounts has been delivered to the Registrar of Companies. The auditor’s report on the Annual Financial Statements was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The accounting policies adopted in the preparation of the Half Year Financial Statements are consistent with those used to prepare Alfa’s consolidated financial statements for the year ended 31 December 2022 and the corresponding Half Year reporting period.

The preparation of the Half Year Financial Statements requires management to make judgements, estimates and assumptions 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. In preparing these Half Year Financial Statements, 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 that applied to the consolidated Annual Financial Statements described above. The Half Year Financial Statements have been prepared on a going concern basis, under the historical cost convention.

### *2(b) Going concern*

The half-yearly financial statements are prepared on the going concern basis. The Group continues to be cash-generative and the Directors believe that the Group has a resilient business model. The Group meets its day-to-day working capital requirements through its cash reserves generated from operating activities. The Group's forecasts and projections, taking account of planned dividend payments and reasonably possible changes in trading performance, show that the Group has sufficient cash reserves to operate for a period of not less than 12 months.

The going concern assessment performed also includes downside stress testing in line with FRC guidance which demonstrates that even in the most extreme downside conditions considered reasonably possible, given the existing level of cash held, the Group would continue to be able to meet its obligations as they fall due, without the need for substantive mitigating actions and taking account of planned dividend payments.

On this basis, whilst it is acknowledged that there is continued uncertainty over future economic conditions, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the half-yearly financial statements.

### *2(c) Changes in accounting policies*

The Group has not adopted any new accounting standards in the period. Other changes to accounting standards in the period had no material impact.

## *2(d) Seasonality*

The Group is not normally significantly influenced by seasonality or cyclical fluctuation because the Group's revenues are relatively consistent throughout the year. The Group's revenue is influenced by the number and maturity of software implementations during the period. Separately, the Group's cash flows are subject to seasonal fluctuations because the Group invoices a significant proportion of its customers for maintenance annually in advance in the first six months of each year, resulting in a higher inflow of cash receipts in the first half of the Group's financial year in respect of maintenance revenues.

## *2(e) Foreign currency*

The following exchange rates were used in the financial statements:

|                           | <b>USD</b> | <b>EUR</b> | <b>AUD</b> | <b>NZD</b> |
|---------------------------|------------|------------|------------|------------|
| Average rate 6 months to: |            |            |            |            |
| 30 June 2023              | 1.23       | 1.14       | 1.82       | 1.98       |
| 30 June 2022              | 1.29       | 1.19       | 1.81       | 1.96       |
| Closing rate:             |            |            |            |            |
| 30 June 2023              | 1.27       | 1.16       | 1.91       | 2.07       |
| 31 Dec 2022               | 1.21       | 1.13       | 1.77       | 1.90       |



### 3. Segment information and revenue from contracts with customers

#### 3(a) Revenue by stream

The Group assesses revenue by type of activity, being Subscription, Software and Services, as summarised below:

| <b>£m</b>            | <b>H1 2023<br/>Unaudited</b> | <b>H1 2022<br/>Unaudited</b> |
|----------------------|------------------------------|------------------------------|
| Subscription         | 15.4                         | 13.5                         |
| Software             | 8.9                          | 6.7                          |
| Services             | 28.6                         | 23.7                         |
| <b>Total revenue</b> | <b>52.9</b>                  | <b>43.9</b>                  |

#### 3(b) Revenue by geography

Revenue attributable to each geographical market based on where the customer mainly utilises its instance of Alfa, or where the service is rendered, is as follows:

| <b>£m</b>               | <b>H1 2023<br/>Unaudited</b> | <b>H1 2022<br/>Unaudited</b> |
|-------------------------|------------------------------|------------------------------|
| UK                      | 19.5                         | 14.2                         |
| US                      | 17.2                         | 16.1                         |
| Rest of EMEA (excl. UK) | 12.1                         | 9.6                          |
| Rest of the World       | 4.1                          | 4.0                          |
| <b>Total revenue</b>    | <b>52.9</b>                  | <b>43.9</b>                  |

#### 3(c) Revenue by currency

Revenue by contractual currency is as follows:

| <b>£m</b>            | <b>H1 2023<br/>Unaudited</b> | <b>H1 2022<br/>Unaudited</b> |
|----------------------|------------------------------|------------------------------|
| GBP                  | 24.1                         | 16.7                         |
| USD                  | 17.7                         | 16.5                         |
| EUR                  | 7.0                          | 6.7                          |
| Other                | 4.1                          | 4.0                          |
| <b>Total revenue</b> | <b>52.9</b>                  | <b>43.9</b>                  |

#### 3(d) Liabilities from contracts with customers

| <b>£m</b>                                   | <b>H1 2023<br/>Unaudited</b> | <b>H1 2022<br/>Unaudited</b> |
|---|------------------------------|------------------------------|
| Contract liabilities – deferred licence     | 9.3                          | 5.8                          |
| Contract liabilities – deferred maintenance | 11.1                         | 11.1                         |
| <b>Total contract liabilities</b>           | <b>20.4</b>                  | <b>16.9</b>                  |

### 3(e) Timing of revenue

Timing of revenue – the Group derives revenue from the transfer of goods and services as follows over time and at a point in time in the following revenue segments:

| H1 2023 - £m                            | Subscription | Software   | Services    | Total revenue |
|---|--------------|------------|-------------|---------------|
| At a point in time – time and materials | -            | 5.5        | 20.1        | 25.6          |
| At a point in time – fixed price        | -            | 0.3        | -           | 0.3           |
| Over time – time and materials          | -            | 2.0        | 8.5         | 10.5          |
| Over time – fixed price                 | 15.4         | 1.1        | -           | 16.5          |
| <b>Total revenue</b>                    | <b>15.4</b>  | <b>8.9</b> | <b>28.6</b> | <b>52.9</b>   |

| H1 2022 - £m                            | Subscription | Software   | Services    | Total revenue |
|---|--------------|------------|-------------|---------------|
| At a point in time – time and materials | -            | 2.3        | 15.9        | 18.2          |
| At a point in time – fixed price        | -            | 0.2        | 0.4         | 0.6           |
| Over time – time and materials          | -            | 3.9        | 7.4         | 11.3          |
| Over time – fixed price                 | 13.5         | 0.3        | -           | 13.8          |
| <b>Total revenue</b>                    | <b>13.5</b>  | <b>6.7</b> | <b>23.7</b> | <b>43.9</b>   |

### 4. Operating profit

The following items have been included in arriving at operating profit in the table below:

| £m  | H1 2023<br>Unaudited | H1 2022<br>Unaudited |
|---|----------------------|----------------------|
| Research and development costs                | 1.5                  | 1.1                  |
| Depreciation of property, plant and equipment | 0.3                  | 0.3                  |
| Depreciation of right-of-use lease assets     | 0.6                  | 0.9                  |
| Amortisation of intangible assets             | 0.5                  | 0.4                  |
| Foreign exchange gain                         | (0.1)                | (0.6)                |
| Share-based payments                          | 0.9                  | 0.8                  |
| Costs related to possible offer*              | 0.5                  | -                    |
| Gain on forward contract                      | (0.1)                | -                    |

\* Costs related to possible offer of £0.5m were incurred in the first half of 2023 (2022 H1: nil) and comprised legal fees and expenses incurred as a result of a possible offer for Alfa from a private equity firm called EQT. Refer to Note 19 for more details.

## 5. Employee costs

| <b>£m</b>   | <b>H1 2023<br/>Unaudited</b> | <b>H1 2022<br/>Unaudited</b> |
|---|------------------------------|------------------------------|
| Wages and salaries                                    | 19.6                         | 16.3                         |
| Social security contributions (on wages and salaries) | 2.3                          | 2.2                          |
| Pension costs   | 1.5                          | 1.2                          |
| Profit share pay*                                     | 2.1                          | 1.6                          |
| Share-based payments**                                | 0.9                          | 0.8                          |
| <b>Total employment costs</b>                         | <b>26.4</b>                  | <b>22.1</b>                  |

\* Profit share pay refers to a pool of money (that equates to approximately 10% of the Group's pre-tax profits before charging profit share) which is shared amongst the employees, excluding Directors and some other senior managers, as a percentage of basic salary. The amount disclosed includes the related social security contributions.

\*\* This includes the related social security contributions.

| <b>Average monthly number of people employed (including Directors)</b> | <b>H1 2023<br/>Unaudited</b> | <b>H1 2022<br/>Unaudited</b> |
|--|------------------------------|------------------------------|
| UK   | 330                          | 301                          |
| US   | 82                           | 70                           |
| Rest of the World  | 41                           | 28                           |
| <b>Total average monthly number of people employed</b>                 | <b>453</b>                   | <b>399</b>                   |

At 30 June 2023 the Group had 462 employees (30 June 2022: 417).

## 6. Income tax expense

Income tax expense is calculated on management's best estimate of the full financial year expected rate, which is then adjusted for discrete items occurring in the reporting period.

The income tax expense for the six-month period ended 30 June 2023 was £3.3m (H1 2022: £2.2m). The Effective Tax Rate ("ETR") for the 2023 half year is 19.9% (H1 2022: 15.9%).

The ETR for 2023 is impacted by the increase in the UK rate of corporation tax (2023: 23.5%, 2022: 19%), and benefits in respect of prior year items - H1 2023 a credit of £0.9m, H1 2022 a credit of £0.1m.

For the full year 2023 we expect the ETR to be around 20% (2022 actual: 15.2%).

## 7. Goodwill

|                   | H1 2023<br>Unaudited | FY 2022<br>Audited |
|-------------------|----------------------|--------------------|
| <b>Cost</b>       |                      |                    |
| At 1 January      | 24.7                 | 24.7               |
| <b>At 30 June</b> | <b>24.7</b>          | <b>24.7</b>        |

Goodwill arose on the acquisition of subsidiaries in 2012 as part of a group reorganisation and represents the excess of the consideration transferred and the amount of any non-controlling interest in the investment over the fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

We have assessed whether there are any indicators of possible impairment of goodwill. Considering in particular the fact that we have experienced strong trading performance during the six month period along with the carrying value of the assets for the Company remaining significantly below the market capitalisation of the Company, we found no indicators of possible impairment of goodwill. As a consequence no formal goodwill impairment test has been carried out.

## 8. Other intangible assets

| £m                         | Computer software | Internally generated software | Total      |
|----------------------------|-------------------|-------------------------------|------------|
| <b>Cost</b>                |                   |                               |            |
| At 1 January 2022          | 1.6               | 3.1                           | 4.7        |
| Additions                  | 0.1               | 1.5                           | 1.6        |
| Disposals                  | -                 | (0.3)                         | (0.3)      |
| At 31 December 2022        | 1.7               | 4.3                           | 6.0        |
| <b>Amortisation</b>        |                   |                               |            |
| At 1 January 2022          | 0.9               | 1.4                           | 2.3        |
| Charge for the period      | 0.1               | 0.7                           | 0.8        |
| At 31 December 2022        | 1.0               | 2.1                           | 3.1        |
| <b>Net book value</b>      |                   |                               |            |
| <b>At 31 December 2022</b> | <b>0.7</b>        | <b>2.2</b>                    | <b>2.9</b> |
| <b>Cost</b>                |                   |                               |            |
| At 1 January 2023          | 1.7               | 4.3                           | 6.0        |
| Additions                  | -                 | 1.0                           | 1.0        |
| At 30 June 2023            | 1.7               | 5.3                           | 7.0        |
| <b>Amortisation</b>        |                   |                               |            |
| At 1 January 2023          | 1.0               | 2.1                           | 3.1        |
| Charge for the period      | 0.1               | 0.4                           | 0.5        |
| At 30 June 2023            | 1.1               | 2.5                           | 3.6        |
| <b>Net book value</b>      |                   |                               |            |
| <b>At 30 June 2023</b>     | <b>0.6</b>        | <b>2.8</b>                    | <b>3.4</b> |

## Significant movement in other intangible assets

During H1 2023, Alfa developed new internally generated software at a cost of £1.0m (H1 2022: £0.7m). This software will be amortised over three to five years.

The total research and product development expense for H1 2023 was £1.5m (H1 2022: £1.1m) (see Note 4).

## 9. Property, plant and equipment

| <b>£m</b>                  | <b>Fixtures and fittings</b> | <b>IT equipment</b> | <b>Total</b> |
|----------------------------|------------------------------|---------------------|--------------|
| <b>Cost</b>                |                              |                     |              |
| At 1 January 2022          | 1.2                          | 3.5                 | 4.7          |
| Additions                  | 0.4                          | 0.3                 | 0.7          |
| Disposals                  | (0.1)                        | -                   | (0.1)        |
| At 31 December 2022        | 1.5                          | 3.8                 | 5.3          |
| <b>Depreciation</b>        |                              |                     |              |
| At 1 January 2022          | 0.8                          | 3.1                 | 3.9          |
| Charge for the period      | 0.2                          | 0.3                 | 0.5          |
| Eliminated on disposal     | (0.1)                        | -                   | (0.1)        |
| At 31 December 2022        | 0.9                          | 3.4                 | 4.3          |
| <b>Net book value</b>      |                              |                     |              |
| <b>At 31 December 2022</b> | <b>0.6</b>                   | <b>0.4</b>          | <b>1.0</b>   |
| <b>Cost</b>                |                              |                     |              |
| At 1 January 2023          | 1.5                          | 3.8                 | 5.3          |
| Additions                  | 0.1                          | 0.6                 | 0.7          |
| At 30 June 2023            | 1.6                          | 4.4                 | 6.0          |
| <b>Depreciation</b>        |                              |                     |              |
| At 1 January 2023          | 0.9                          | 3.4                 | 4.3          |
| Charge for the period      | 0.1                          | 0.2                 | 0.3          |
| At 30 June 2023            | 1.0                          | 3.6                 | 4.6          |
| <b>Net book value</b>      |                              |                     |              |
| <b>At 30 June 2023</b>     | <b>0.6</b>                   | <b>0.8</b>          | <b>1.4</b>   |

## 10. Right-of-use assets

| £m                         | Motor<br>vehicles | Property   | Total      |
|----------------------------|-------------------|------------|------------|
| <b>Cost</b>                |                   |            |            |
| At 1 January 2022          | 0.4               | 19.2       | 19.6       |
| Additions                  | 0.1               | -          | 0.1        |
| Disposals                  | -                 | (8.3)      | (8.3)      |
| At 31 December 2022        | 0.5               | 10.9       | 11.4       |
| <b>Depreciation</b>        |                   |            |            |
| At 1 January 2022          | 0.2               | 5.0        | 5.2        |
| Charge for the period      | 0.1               | 1.6        | 1.7        |
| Disposals                  | -                 | (2.6)      | (2.6)      |
| At 31 December 2022        | 0.3               | 4.0        | 4.3        |
| <b>Net book value</b>      |                   |            |            |
| <b>At 31 December 2022</b> | <b>0.2</b>        | <b>6.9</b> | <b>7.1</b> |
| <b>Cost</b>                |                   |            |            |
| At 1 January 2023          | 0.5               | 10.9       | 11.4       |
| Additions                  | 0.1               | -          | 0.1        |
| Disposals                  | (0.1)             | -          | (0.1)      |
| At 30 June 2023            | 0.5               | 10.9       | 11.4       |
| <b>Depreciation</b>        |                   |            |            |
| At 1 January 2023          | 0.3               | 4.0        | 4.3        |
| Charge for the period      | 0.2               | 0.4        | 0.6        |
| Disposal                   | (0.1)             | -          | (0.1)      |
| At 30 June 2023            | 0.4               | 4.4        | 4.8        |
| <b>Net book value</b>      |                   |            |            |
| <b>At 30 June 2023</b>     | <b>0.1</b>        | <b>6.5</b> | <b>6.6</b> |

## 11 Trade receivables

The Group holds the following trade receivables:

| £m                                   | H1 2023<br>Unaudited | FY 2022<br>Audited |
|--------------------------------------|----------------------|--------------------|
| Trade receivables                    | 8.4                  | 8.9                |
| Provision for impairment             | -                    | -                  |
| <b>Total trade receivables - net</b> | <b>8.4</b>           | <b>8.9</b>         |

## Trade receivables ageing

|                                    | H1 2023    | FY 2022    |
|------------------------------------|------------|------------|
| Ageing of net trade receivables £m | Unaudited  | Audited    |
| Within agreed terms                | 6.5        | 6.4        |
| Past due 1-30 days                 | 1.9        | 2.4        |
| Past due 31-90 days                | -          | 0.1        |
| Past due 91+ days                  | -          | -          |
| <b>Trade receivables - net</b>     | <b>8.4</b> | <b>8.9</b> |

The Group believes that the unimpaired amounts that are past due are fully recoverable as there are no indicators of future delinquency or potential litigation.

## 12 Other receivables

| £m                             | H1 2023     | FY 2022     |
|--------------------------------|-------------|-------------|
|                                | Unaudited   | Audited     |
| Accrued income                 | 7.8         | 6.5         |
| Prepayments                    | 3.7         | 4.5         |
| Corporation tax recoverable    | 0.5         | 0.2         |
| Other receivables              | 0.5         | 0.2         |
| <b>Total other receivables</b> | <b>12.5</b> | <b>11.4</b> |

Accrued income represents fees earned, but not invoiced, at the reporting date, which have no right of offset with contract liabilities – deferred licence amounts. Accrued income increased by £1.3m since last year-end driven by increased revenues and invoice timing.

Prepayments include £1.5m of deferred costs in relation to costs to fulfil contracts.

## 13 Current liabilities

| £m   | H1 2023     | FY 2022     |
|--|-------------|-------------|
|  | Unaudited   | Audited     |
| Trade payables                                 | 0.4         | 0.8         |
| Other payables                                 | 11.3        | 8.7         |
| Contract liabilities – software implementation | 9.3         | 8.6         |
| Contract liabilities – deferred maintenance    | 11.1        | 6.2         |
| Lease liabilities                              | 8.8         | 9.3         |
| Provisions for other liabilities               | 0.6         | 0.9         |
| <b>Total trade and other payables</b>          | <b>41.5</b> | <b>34.5</b> |
| Less: non-current portion                      | (8.0)       | (8.9)       |
| <b>Total current liabilities</b>               | <b>33.5</b> | <b>25.6</b> |

## 14 Lease liabilities

The following table sets out the reconciliation of the lease liabilities from the 1 January 2022 to the amount disclosed at 30 June 2023:

| <b>£m</b>                                      | <b>Total</b> |
|--|--------------|
| Lease liabilities recognised at 1 January 2022 | 17.1         |
| Additions                                      | 0.1          |
| Disposals                                      | (6.3)        |
| Interest charge                                | 0.6          |
| Payments made on lease liabilities             | (2.2)        |
| <b>At 31 December 2022</b>                     | <b>9.3</b>   |
| Additions                                      | 0.1          |
| Disposals                                      | -            |
| Interest charge                                | 0.2          |
| Payments made on lease liabilities             | (0.8)        |
| <b>At 30 June 2023</b>                         | <b>8.8</b>   |

Additions to lease liabilities include extensions to existing lease agreements.

Below is the summary of timing of the lease payments:

| <b>£m</b>             | <b>H1 2023<br/>Unaudited</b> | <b>FY 2022<br/>Audited</b> |
|-----------------------|------------------------------|----------------------------|
| Non-current liability | 7.4                          | 8.0                        |
| Current liability     | 1.4                          | 1.3                        |
|                       | <b>8.8</b>                   | <b>9.3</b>                 |

Below is the maturity analysis of the lease liabilities:

| <b>Maturity analysis:</b>      | <b>H1 2023<br/>Unaudited</b> | <b>FY 2022<br/>Audited</b> |
|--------------------------------|------------------------------|----------------------------|
| No later than 1 year           | 1.8                          | 1.8                        |
| Between one year and 5 years   | 6.1                          | 6.2                        |
| Later than 5 years             | 2.0                          | 2.9                        |
| Total future lease payments    | 9.9                          | 10.9                       |
| Total future interest payments | (1.1)                        | (1.6)                      |
|                                | <b>8.8</b>                   | <b>9.3</b>                 |

The group's net debt is made up of cash and cash equivalents and lease liabilities. The movement during the period in lease liabilities is set out above. These are the only changes in liabilities arising from financing activities in the period. Movements in cash and cash equivalents are set out in the Cash flow statement.



## 15 Own shares

| <b>£m</b>                       | <b>H1 2023<br/>Unaudited</b> | <b>FY 2022<br/>Audited</b> |
|---------------------------------|------------------------------|----------------------------|
| Own shares at 1 January         | 7.5                          | 3.4                        |
| Own shares acquired             | 4.7                          | 5.6                        |
| Own shares distributed          | (4.0)                        | (1.5)                      |
| <b>At 30 June / 31 December</b> | <b>8.2</b>                   | <b>7.5</b>                 |

The own shares reserve represents the cost of shares in Alfa Financial Software Holdings PLC that have been:

- Purchased and held by the Group's employee benefit trust to satisfy options under the Group's share options plans. The number of shares held at H1 2023 was 740,221 (FY 2022: 2,163,952); and
- Purchased and held by the Group as a result of the share buyback programme that was launched on 18 January 2022. The number of shares held at H1 2023 was 4,775,119 (FY 2022: 2,832,073).

Own shares distributed relate to shares issued to employees for bonus awards deferred in shares.

## 16 Financial and liquidity risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Half Year Financial Statements do not include all financial risk management information and disclosures required in the Annual Financial Statements; they should be read in conjunction with the Annual Financial Statements. The responsibility for risk management has remained with the Board and there have been no changes to risk management policies since year-end.

## 17 Controlling party and related party transactions

The immediate and ultimate parent undertaking is CHP Software and Consulting Limited, which is the parent undertaking of the smallest and largest group in relation to these Half Year consolidated financial statements. The ultimate controlling party is Andrew Page. There was no trading between the Group and the Parent in H1 of 2023.

In H1 2022 the company had rental income of £443,186 from a short-term rental agreement with CHP Software and Consulting Limited for rental of the 9th Floor of Moor Place. There

was no such income in H1 2023 due to the assignment of the lease to the 9th floor of Moor Place, 1 Fore Street Avenue, London to the Ultimate Parent in July 2022.

In H1 2023 the company sold two debentures to CHP Software and Consulting Limited for £192,000 (H1 2022: nil). The transaction was at arm's length.

Dividends to the amount of £4,749,453 were paid to the Parent in H1 2023 (H1 2022: £8,103,472).

At 30 June 2023 there was £nil balances outstanding from, or to, the parent (30 June 2022: £nil).

### *18 Dividends*

The Board declared a 1.5 pence per share Special dividend, amounting to £4.4m, payable on 9 May 2023 with a record date of 14 April 2023. An ordinary dividend of 1.2 pence per share for the year ended 31 December 2022 equating to £3.5m was paid on 26 June 2023.

The Board declared on 30 August 2023 a special dividend of 4.0 pence per share, with an ex-dividend date of 14 September 2023, a record date of 15 September 2023 and a payment date of 6 October 2023. The dividend in total would amount to a total payment of £11.8m.

### *19 Subsequent events*

On 9 June 2023, Alfa announced that it had received a number of unsolicited, non-binding proposals from EQT regarding a possible offer for Alfa. On 7 July EQT made a Rule 2.8 announcement that they do not intend to make an offer for Alfa.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that these condensed consolidated Half Year financial statements (the 'Half Year Financial Statements') have been prepared in accordance with International Accounting Standard 34, 'Half Year Financial Reporting', as contained in UK-adopted international accounting standards and that the Half Year management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed Half Year Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The current directors are listed below all of whom were directors during the whole of the period:

Andrew Page  
Andrew Denton  
Duncan Magrath  
Matthew White  
Steve Breach  
Adrian Chamberlain  
Charlotte de Metz  
Chris Sullivan

By order of the Board

Duncan Magrath  
Chief Financial Officer  
30 August 2023

## INDEPENDENT REVIEW REPORT TO ALFA FINANCIAL SOFTWARE HOLDINGS PLC

### Conclusion

We have been engaged by Alfa Financial Software Holdings PLC ('the Company') to review the condensed set of financial statements of the Company and its subsidiaries (the 'Group') in the half-yearly financial report for the six months ended 30 June 2023 which comprises the consolidated statement of profit or loss and comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent material misstatements of fact or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ('ISRE (UK) 2410') issued for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with UK-adopted International Accounting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards.

## **Conclusions Relating to Going Concern**

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the Group and the Company to cease to continue as a going concern.

## **Responsibilities of Directors**

The half-yearly financial report, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Review of the Financial Information**

In reviewing the half-yearly financial report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

## **Use of our report**

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

RSM UK Audit LLP

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

30 August 2023

## DEFINITIONS

### Constant currency

When the Company believes it would be helpful for understanding trends in its business, the Company provides percentage increases or decreases in its revenues or operating profit to eliminate the effect of changes in currency values. When trend information is expressed herein "in constant currencies", the comparative results are derived by re-calculating comparative non-GBP denominated revenues and/or expenses using the average exchange rates of the comparable months in the current reporting period.

### Operating free cash flow (FCF) conversion

Operating FCF conversion is calculated as cash from operations, less capital expenditures and the principal element of lease payments, as a percentage of operating profit. Operating FCF is calculated as follows:

|                                     | H1 2023 | H1 2022 |
|-------------------------------------|---------|---------|
| Unaudited                           | £m      | £m      |
| Cash generated from operations      | 26.2    | 17.8    |
| Capital expenditure                 | (1.7)   | (1.0)   |
| Principal element of lease payments | (0.8)   | (0.9)   |
| Operating FCF generated             | 23.7    | 15.9    |
| Operating FCF Conversion            | 140%    | 112%    |

### Total contract value (TCV)

Total contract value ("TCV") - TCV is calculated by analysing future contracted revenue based on the following components:

(i) an assumption of three years of **Subscription** payments (including maintenance, Cloud Hosting and subscription licence) assuming these services continued as planned (actual contract length varies by customer);

(ii) the estimated remaining time to complete **Services** and **Software** deliverables within contracted software implementations, and recognise deferred licence amounts (which may not all be under a signed statement of work).

(iii) Pre-implementation and ongoing **Services** and **Software** work which is contracted under a statement of work. As TCV is a reflection of future revenues, forward looking exchange rates are used for the conversion into GBP. The exchange rates used for the TCV calculation are as follows:

| Exchange rates used for TCV | H1 2023 | H2 2022 | H1 2022 |
|-----------------------------|---------|---------|---------|
| USD                         | 1.30    | 1.25    | 1.30    |
| EUR                         | 1.18    | 1.18    | 1.16    |