SmartSpace Software Plc

Presentation

- Unaudited Final Results for the year to 31 January 2019

Frank Beechinor, CEO
Bruce Morrison, CFO

May 2019

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Operational Highlights

- Rebranded as SmartSpace Software plc in July 2018
- Focus on building software business
- Implemented new organisation structure
- Increased investment in software development
- SwipedOn - first acquisition - performing well
- Decision to withdraw from retail and not pursue new clients - allows focus on workplace and hospitality
- Strengthened sales and marketing capability – new website
- Evoko distribution agreement signed – access to 400 partners

Enterprise client wins

- Implementing major international bank – mapped 650 floors, 2800 meeting rooms, 86,000 employees
- Phase 1 live at major UK bank – London head office
- Major hospitality client signed in January 2019

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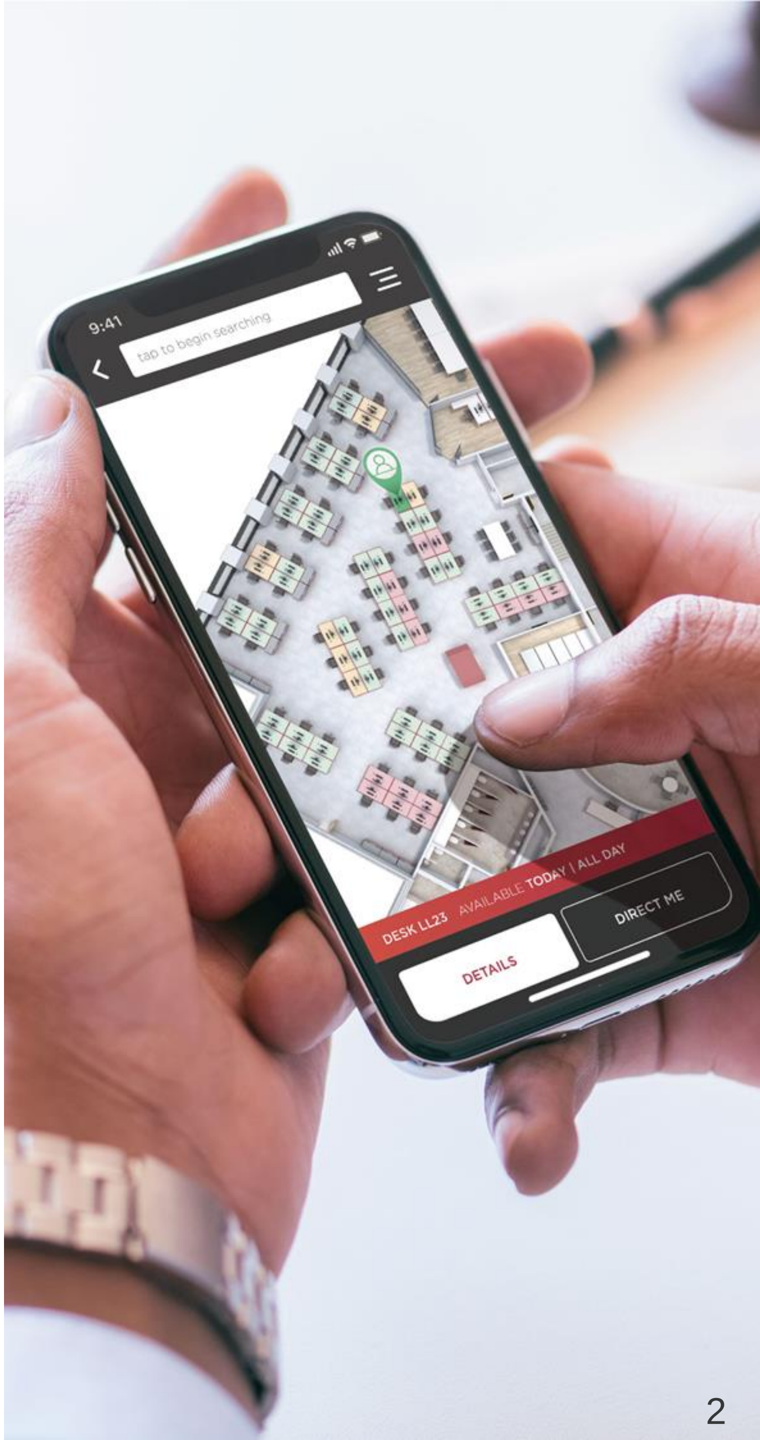

Operational Highlights - SwipedOn

- Customer base increased by 19% since acquisition
- 2,713 SaaS customers, monthly subscription at 31st Jan 2019
- Revenues growing 100% YoY
- Growing by an average 123 new customers every month
- Clients in 39 countries - focus on US, UK, Canada & Australia
- Customer Acquisition Cost ("CAC") of NZ$1,264
- Life Time Value ("LTV") of NZ$6,901
- CAC:LTV 5.1
- Average Revenue Per User ("ARPU") $58.09 per month
- Churn 7.4% (user) 5.3% (revenue)
- High customer satisfaction - Net Promotor Score: 60+
- Launched new billing platform January – we can now accept payment in 9 currencies

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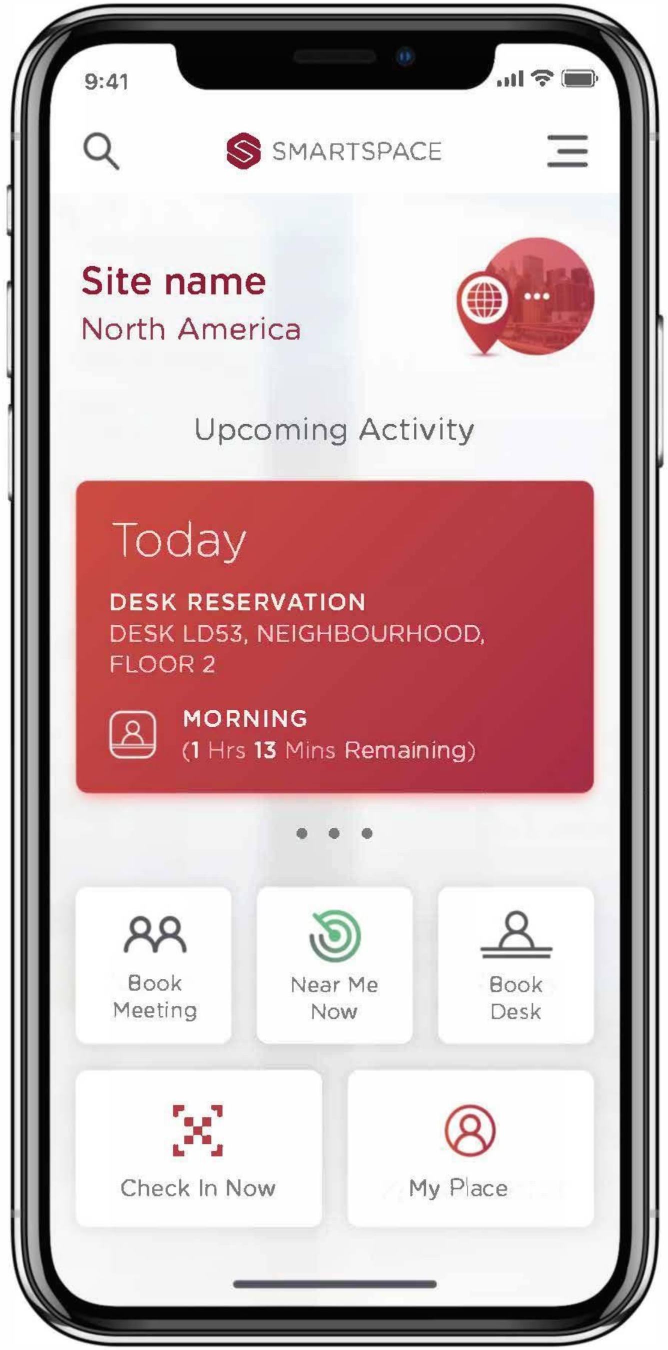
Financial Highlights

- Revenue from continuing operations of £6.3m (FY18: £6.1m)
- Adjusted LBITDA £2.7m (FY18: EBITDA: £0.2m)
- Loss before tax £4.21m (FY18: loss £0.7m)
- Profit from discontinued operations £1.9m (FY18: £1.9m) including gain on disposal of £2.9m (2018: £nil)
- Basic loss per share from continuing operations of 11.7 pence (FY18: 1.9 pence loss per share)
- Net cash position at 31 January 2019 of £7.6m (FY18: £1.2m)



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Consolidated Income Statement

	2019 £000	2018 £000
Revenue from contracts with customers	**6,307**	6,137
Cost of sales	**(2,558)**	(1,640)
Gross profit	**3,749**	4,497
Administrative expenses	**(7,901)**	(5,118)
Net impairment of financial and contract assets	**(30)**	-
Other income	**39**	-
Operating loss	**(4,143)**	(621)
Adjusted EBITDA	**(2,666)**	213
Reorganisation and transaction items	**(445)**	(389)
Depreciation	**(93)**	(73)
Amortisation	**(680)**	(291)
Impairment of intangible assets	**(297)**	-
Share based payment charge	**38**	(81)
Operating loss	**(4,143)**	(621)
Net finance costs	**(70)**	(120)
Loss before tax	**(4,213)**	(741)
Taxation	**1,730**	377
Loss for the year after tax	**(2,483)**	(364)
Profit for the year from discontinued operations	**1,884**	1,873
(Loss)/profit for the year	**(599)**	1,509
Basic (loss)/earnings per share		
Continuing operations	**(11.72p)**	(1.86p)
Discontinued operations	**8.89p**	9.55p
	(2.83p)	7.69p
Diluted (loss)/earnings per share		
Continuing operations	**(11.72p)**	(1.86p)
Discontinued operations	**8.89p**	9.55p
	(2.83p)	7.69p

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Segmental Reporting

Revenue by segment	2019 £000	2018 £000
Software		
UK	**3,348**	4,069
New Zealand	**272**	-
Total software	**3,620**	4,069
Hardware and system integration	**2,687**	2,068
Revenue	**6,307**	6,137

Revenue by type	2019 £000	2018 £000
Recurring revenue		
SaaS	**385**	105
Maintenance	**59**	20
Total recurring revenue	**444**	125
Non-recurring revenue		
Licences	**2,138**	3,088
Professional services	**960**	814
Hardware	**2,765**	2,110
Total non-recurring revenue	**5,863**	6,012
Revenue	**6,307**	6,137

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Operating Expenses

	2019 £000	2018 £000
Raw materials and consumables used	**1,848**	1,346
Employee benefits and expenses	**4,799**	2,838
Depreciation and amortisation	**773**	364
Impairment of intangible assets	**297**	-
Marketing	**460**	240
Contractor costs	**1,570**	652
Reorganisation and transactional costs	**445**	389
Other expenses	**2,050**	2,161
Less: capitalised employee and contractor costs	**(1,783)**	(1,232)
Total cost of sales, distribution costs and administration expenses	**10,459**	6,758

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Disposal of System Integration and Managed Services

Disposal of Subsidiaries

- On 18 June 2018, SmartSpace Software Plc completed the sale of the System Integration and Managed Services divisions for a total consideration of £21.6m
- The total consideration comprised:
  - £19.6m cash on completion
  - £2.0 of deferred consideration to be realised on completion of an already contracted projected (£1.0m received by 31st January 2019)
  - £1.4m waiver of intercompany from the divisions to the group
- £16.0m net proceeds received in the year (after deducting costs of £0.7m and net cash disposed of £3.9m)
- The remaining £1.0m of deferred consideration is due to be received shortly
- Gain on disposal of £2.95m recognised in the current year
- Under capital gains tax exemption rules, the disposal meets the exemption criteria, therefore the profit on disposal will not give rise to a tax charge
- The disposal is in line with our strategy of developing the company into a software-led business through both organic and acquisitive growth

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Profit on the Disposal of CHL & CL

	£000
Gain on sale	
Cash	19,600
Deferred consideration	2,000
Total consideration	21,600
Less associated expenses	(701)
Net proceeds	20,899
Carrying amount of net assets sold	(19,357)
Profit on disposal	1,542
Loan waiver	1,403
Net profit on disposal	2,945
Cash received	20,600
Less: costs of disposal	(701)
Less: cash in disposal assets	(3,929)
Total cash received	15,970

The carrying amount of assets and liabilities as at the date of disposal, 18 June 2018, are as follows:

	Total carrying value £000
Goodwill	10,252
Intangible assets	1,605
Property, plant and equipment	801
Cash at bank	3,929
Current assets	17,904
Current liabilities	(15,021)
Deferred liability	(113)
Net assets disposed of	19,357

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Earnings per Share

CONTINUING OPERATIONS	2019	2018
	£'000	£'000
Loss for the year	(2,483)	(364)
Adjustments to basic earnings:		
Integration and transactional costs	445	389
Tax credit on integration and transactional costs	(85)	(75)
Intangible asset amortisation	167	139
Deferred tax credit on intangible asset amortisation	(32)	(27)
Impairment of intangible asset	297	-
Deferred tax credit on intangible asset impairment	(56)	-
Share based payment charge	(38)	81
Deferred tax credit on share-based payment charge	7	(16)
Adjusted (loss)/profit attributable to owners of the company	(1,778)	127
Number of shares	**No.**	**No.**
Weighted average ordinary shares in issue	21,190,940	19,621,325
Weighted average potential diluted shares in issue	21,190,940	19,621,325
Earnings per share		
Continuing operations	(11.72p)	(1.86p)
Discontinued operations	8.89p	9.55p
Total earnings per share	(2.83p)	7.69p
Adjusted (loss)/earnings per share		
Continuing operations	(8.39p)	0.65p

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Consolidated Balance Sheet

	2019 £000	2018 £000
ASSETS		
Non-current assets		
Property, plant and equipment	**787**	1,614
Intangible assets	**11,252**	16,444
Deferred tax assets	**733**	34
Contract asset - accrued income	**1,560**	-
Total non-current assets	**14,332**	18,092
Current assets		
Inventories	**364**	224
Contract asset - accrued income	**698**	6,704
Trade receivables and other receivables	**2,023**	5,642
Other financial assets at amortised cost	**1,557**	206
Prepayments	**109**	1,053
Cash and cash equivalents	**8,053**	4,423
Total current assets	**12,804**	18,252
Total assets	**27,136**	36,344
LIABILITIES		
Non-current liabilities		
Borrowings	**402**	1,588
Long terms provisions	**5**	141
Total non-current liabilities	**407**	1,729
Current liabilities		
Trade and other payables	**2,541**	9,864
Deferred income	**754**	731
Borrowings	**24**	1,618
Total current liabilities	**3,319**	12,213
Total liabilities	**3,726**	13,942
NET ASSETS	**23,410**	22,402
Capital and reserves		
Share capital	**2,216**	2,078
Share premium	**1,058**	-
Reverse acquisition reserve	**(4,236)**	(4,236)
Translation reserve	**406**	-
Share options	**128**	433
Retained earnings	**23,838**	24,127
	23,410	22,402

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Cash Flow Statement

	2019 £000	2018 £000
Cash flow from operations		
Loss before income tax from continuing operations	**(4,213)**	(741)
Depreciation, amortisation and impairments	**1,070**	363
Other	**62**	201
Working capital	**(518)**	(1,637)
Cash flow from continuing operations	**(3,599)**	(1,814)
Profit from discontinued operations	**2,039**	2,189
Depreciation, amortisation and impairments	**283**	664
Profit on sale of discontinued operations	**(1,542)**	-
Other	**45**	87
Working capital	**(695)**	(3,441)
Cash flow from discontinued operations	**130**	(501)
Total cash flow from operations	**(3,469)**	(2,315)
Net interest	**(72)**	(116)
Income taxes paid	**-**	(54)
Net cash flow from operating activities	**(3,541)**	(2,485)
Cash flow from investing activities		
Acquisition of subsidiary	**(3,965)**	(1,249)
Purchase of property, plant and equipment	**(245)**	(395)
Software development costs	**(1,872)**	(1,408)
Proceeds of sale of discontinued operations (net of cash acquired)	**15,970**	-
Sale of property, plant and equipment	**63**	-
Net cash from investing activities	**9,951**	(3,052)
Cash flows from financing activities		
Issue of shares	**-**	6,240
Borrowings	**(1,800)**	(455)
Net cashflow from financing activities	**(1,800)**	5,785
NET CHANGE IN CASH & CASH EQUIVALENTS	**4,610**	248
Opening cash	**3,443**	3,195
CLOSING CASH	**8,053**	3,443

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Update - Post Period End

- Released latest version (v.2) of the SmartSpace platform March 2019
- In March 2019 established small US office in Austin Texas
  - 3 employees
  - pipeline building quickly
  - first order secured

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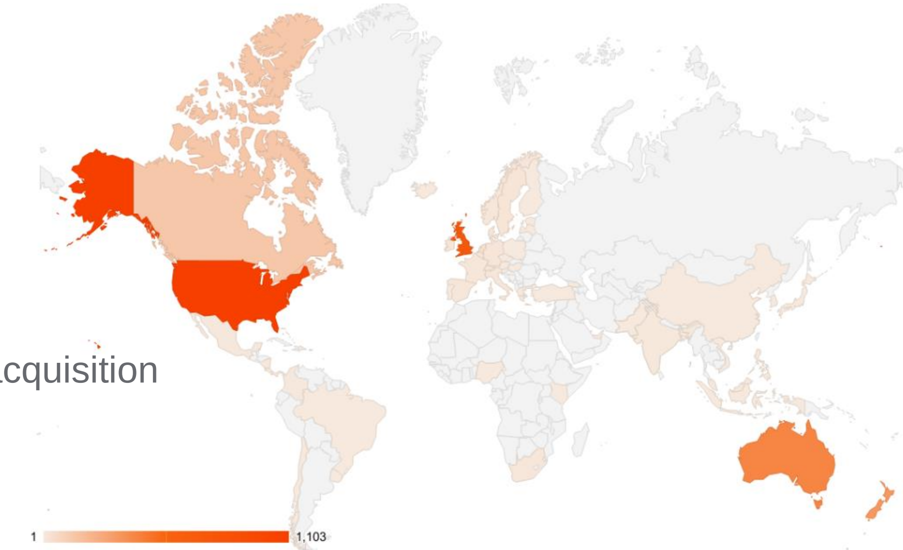
Post Period End – SwipedOn momentum continues

- At 30th April 2019 customer base 3,063, growth of 34% since acquisition
- 160 new customers signed in March 2019 - best ever month
- New customer trials – 500+ per month
- ARPU increased by 8% to achieved following launch of new price plan
- CAC - NZ$856, LTV – NZ$7,358 CAC:LTV 8.6 (5.1 at end of January)
- Other key metrics all in line, or better than management's plan
- Work progressing on first 'add-on' module; ***Deliveries***
- Good traction in new markets – without localised product and any significant in-country marketing spend (see table)
- In March 2019 7% sales came from partners – partners approached us.
- Formal partner programme launched using PartnerStack



Customers By Geography

Country	No. Companies
United States	1103
United Kingdom	725
Australia	415
New Zealand	341
Canada	143
Netherlands	35
Singapore	20
Germany	19
Denmark	17
Sweden	17
Ireland	16
Norway	15
Italy	14
Belgium	13
Malta	12
South Africa	12
Spain	12
Switzerland	11
United Arab Emirates	10

Summary

- Exciting opportunity to create a SaaS business in fast-growing workspace optimisation market
- Strong balance sheet
- Targeted acquisition strategy validated by success of SwipedOn acquisition since joining the Group
- Opportunity to increase ARPU and accelerate international markets
- Excellent customer base including blue chip enterprise clients
- Experienced management team
- Operating at three levels - enterprise, mid-market and self-serve (entry level)
- Clear competitive advantages over other vendors with no dominant provider in the market
- Robust revenue model – focus on SaaS - sticky, high margin in a high growth global market

Appendix

Business Background & Overview

Our History

2000 - 2014

Coms Plc

2000 – started life as an AiM company, struggled to get traction. Dave Breith joined as CEO and made a number of acquisitions in 2013/2014 creating a sprawling group covering telco, video/ animation and IT infrastructure

26 legal entities in group

FBC joined as Chairman in July 2014

- Excessive overheads
- Loss making
- After initial excitement developed poor reputation in public market

2014 - 2018

RedstoneConnect Plc

Dave Breith removed and SD, GvZ and MB joined the business. Entered phase of stabilisation followed by restructuring

360 employees

- Sold/closed loss-making businesses
- Disposed of properties
- 26 legal entities to 6
- Rebuild trust with shareholders
- Redstone profitable
- Smart building software solutions emerge
- Acquired ConnectIB, Comensus and Anders+Kern
- Disposed of Redstone Business for £21.6m

July 2018

SmartSpace Software Plc

Disposal of Infrastructure business in June 2018

MB left the business

Now a pure-play software business with focus on smart environments – workplace, retail and hospitality

71 employees

- Single identity
- SmartSpace Software plc July 2018
- 3 offices – Luton, Bristol and Mildenhall
- New organization structure
- Implement acquisition strategy
- Organic growth

At a Glance

- Two brands

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- 130 employees
- 6 offices
  - Luton, Mildenhall, Bristol, London, Tauranga (NZ), Austin (TX)
- 3090 customers in 39 countries
- Sell direct and via partners
- 2 technology platforms
  - One aimed at mid-market/enterprises clients
  - The other for self-serve (entry level)

Our Product Offering

Workplace

Technology helps customers optimise commercial real estate

SmartSpace – 1 platform with 7 modules:

- Desk management
- Meeting room management
- Visitor management
- Wayfinding
- Employee & visitor car-parking
- Employee engagement & loyalty
- Reporting & analytics
- *Events management (launch H2 2019)

Hospitality

Platform to help clients manage corporate hospitality events

TIMs – multiple modules including:

- Ticketing
- Corporate hospitality
- Analytics

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Our Clients

Pricing Model

	Typical Deal Value	Deal Structure	Sales Cycle	Implementation Time
Enterprise	£200k - £2m+	Licence + Services + SaaS	6-18 months	12-18 months
Mid-Market	£500 to £10k per month	SaaS + Services	Up to 3 months	1-4 weeks
'Self-serve'	£30 - £500 per month	SaaS	14 Days	Instant

Our Market

- Market growing at 24.5% CAGR and will be \$4.6bn by 2022 (Memoori: 2018) - including US and Far East
- Historically, focus on IWMS software – 'Integrated Workplace Management Systems'
- Space management emerged as a fast growth segment in past 5 years, due to:
  - Financial efficiency – e.g. a desk in London now costs £28k per annum to operate
  - Need for greater real estate **flexibility**
  - Improved **employee well being** – creating the corporate workspace for the 21st century

Our competitors

- Enterprise/mid-market
  - Asure (US and UK) – Nasdaq, combined space management and HCM business - under invested technology
  - EMS (US) – P/E owned - focus on meeting room management
  - Condeco – (UK) P/E and founders - mainly meeting room. £140m valuation, Revenues £29m
- Entry level
  - Envoy (US) – P/E owned - 10,000 customers, recently valued at \$200m
  - ProxyClick (Belgium) – Founders + VC - 2,000 customers

Our differentiators

- Software 'of the time' – not a legacy technology and no burden of a 'siloed' heritage
- The only vendor with a fully integrated platform
- The only vendor with specialised expertise in wayfinding, loyalty and smart parking

Acquisition Strategy

- Aiming for 2-4 targeted acquisitions over 12-18 months - not 'buy and build' play
- Three categories of targets:

'Bulking up'

- Grow £ turnover
- Increase geographical reach
- Grow mid-market customer base
- Increase development capabilities
- Product migration

Address gaps in current offering

- Visitor management
- Workspace analytics

'Self-serve' solutions

- Bridgehead at entry level
- Rapidly increase customer base
- Cross/upsell opportunities
- Look for targets where we can accelerate growth and increase ARPU

Impact of Adoption of IFRS 15

IFRS 15 – Revenue from Contracts with Customers has been adopted by the Group with effect 1 February 2018.

Revenue streams:
1. Licences
2. Support & Maintenance
3. Professional Services
4. Hardware

Licences and Support
IFRS 15 contains new guidance on accounting for licences, which requires an entity to consider:

- whether the licence is distinct from other goods and services; and
- whether the licence provides a 'right to use' software in its current form or a 'right to access' content that changes over time.

SaaS, support and maintenance and hosting contracts have material ongoing future performance obligations associated with them and hence revenue will be recognised over time. These policies are in line with the Group's current accounting policies.

Professional Services & Hardware
The Group provides other services in the form of professional services work, which includes customisation of software, solution proposal, installation and hardware products. The professional services contracts provide for the Group to be reimbursed for these services as it is undertaken, accordingly the Group recognises revenue over time on a percentage completion basis, and this aligns with the new IFRS 15 guidance, therefore has not led to an adjustment to previously reported revenues.

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