

System1 Group

Financial Results

Twelve months ended 31 March 2017



**Leading
exponent
of behavioural
economics and
system 1 thinking
in marketing and
research**

Founded in 1999

Floated on AIM in December 2006 at £1.08 per share

Track record of profitable organic growth and strong cash flow

Operating in 10 countries

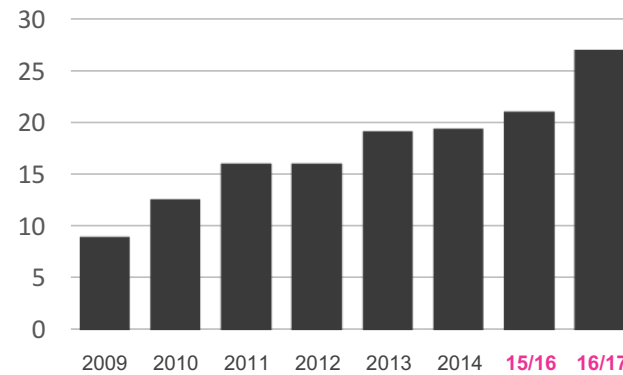
150 + employees

200 + large (mainly consumer goods) clients

Top-line returned to growth after two slower years

Gross profit (£m)

main top-line performance indicator



Revenue up 27% (13% in constant currency)

Gross profit up 29% (15% in constant currency)

Operating profit up 25%

Profit before tax up 25%

Profit after tax up 19%

Diluted EPS up 22%

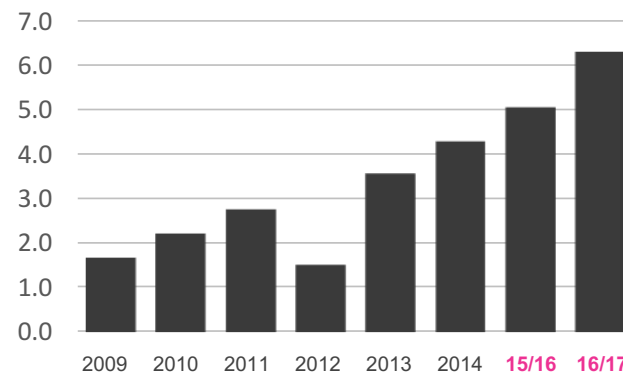
Cash inflow before financing £6.60m (164% of PAT)

Cash returned to shareholders: £5.19m

Cash balance: £8.27m and no debt

First financial year with new year end - March 2017

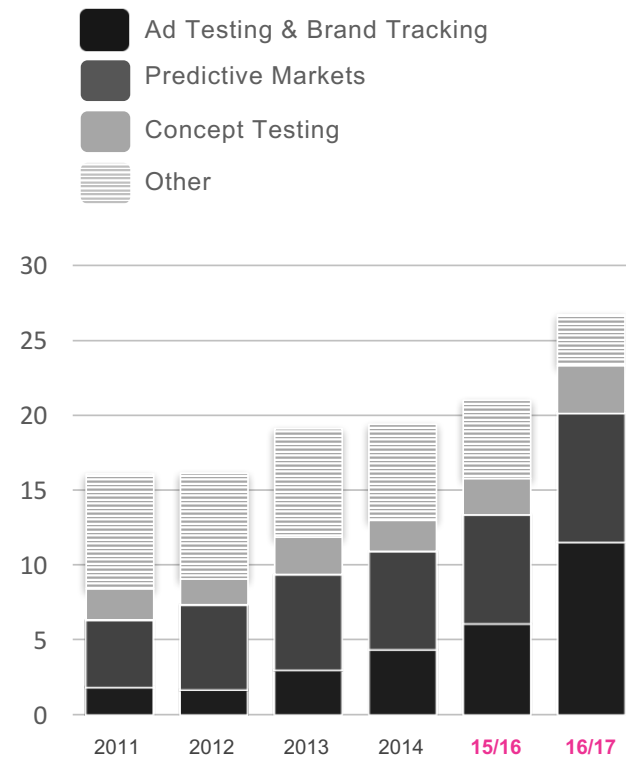
Profit before tax (£m)



2009–2014: year to 31 December. 2015/16 and 2016/17: year to 31 March

Growth driven by core products, particularly Ad Testing and Brand Tracking

Product mix – gross profit £m



2011–2014: year to 31 December. 2015/16 and 2016/17: year to 31 March

Most of the business from our core 4 products

Building brands and comms: Ad Testing, Brand Tracking
 Innovation: Predictive Markets, Concept Testing

Building brands and comms

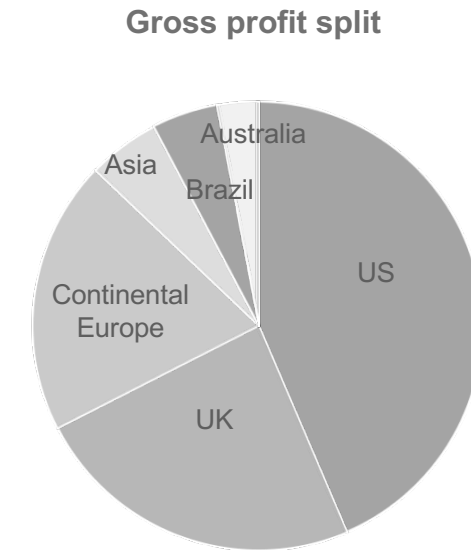
Ad Testing and Brand Tracking growing strongly - in part due to recently introduced Fame | Feeling | Fluency approach to brand building. Leading to more sole supplier status and regular repeat usage.

Innovation

Predictive Markets and Concept Testing growing, albeit at a slower pace, in part due to competitive pressures.

**US growing well, and Continental Europe bounced back.
UK down a little – market highly competitive**

	Gross profit		Operating profit	
US	£11.64m	+ 48%	£6.84m	+ 56%
UK	£6.39m	- 5%	£3.93m	- 11%
Continental Europe	£5.26m	+ 56%	£3.16m	+ 63%
Asia	£1.40m	- 21%	£0.64m	- 23%
Brazil	£1.27m	-	£0.59m	- 27%
Australia	£0.76m	NA	£0.53m	NA
Total Research	£26.72m	+ 27%	£15.69m	+ 27%
System1 Ad Agency	£0.26m	NA	£(0.20)m	NA
Total	£26.98m	+ 29%	£15.49m	+ 26%
Central Costs			£(9.18)m	+ 27%
Operating profit			£6.31m	+ 25%



Cost increase in large part due to increase in bonus accrual

	2016/17	2015/16	Growth
Underlying overheads	£17.04m	£15.30m	11%
Bonus	£2.22m	£0.09m	
System1 Advertising Agency	£0.46m	£0.09m	
Share-based payments	£0.75m	£0.14m	
One-off rebranding costs	£0.21m	-	
One-off due diligence	-	£0.16m	
One-off London office move	-	£0.16m	
Total overheads	£20.68m	£15.94m	30%

Modest underlying cost increase

Cost growth pre-bonus below gross profit growth

Capacity to scale several times current size in long term

without CAPEX and without costs growing as much as gross profit

Higher effective tax rate

36% in 2016/17 vs 32% in 2015/16, due to higher profits from US and Continental Europe

Strong cash flow and returning it to shareholders

Cash Flow

High cash conversion

Pre-financing cash flow £6.60m
(164% of profit after tax)

**Finished the period with £8.27m
cash and no debt**

**£2m standby committed facility
expired and not renewed**

Returns to shareholders

**Returned £5.19m
to shareholders in the year**

Dividends £2.05m

Share buy-backs £3.14m

**2016/17 proposed final dividend
6.4p plus 26.1p special dividend**

2016/17 interim + final dividends up
61% (over 2015) and covered over
4 times by diluted EPS

**Outlook ...
more of the
same**

**Made good progress
on 2016/17 objectives**

- Continue momentum in US ✓
- Grow in other regions as in US ✓✗
- Grow gross profit by more than headcount (in % terms) ✓
- Major on core products ✓
- Set up System1 Advertising Agency ✓
- Experiment with Zappistore ✗

**2017/18 objectives
are similar**

and ...

Investing in US and Ad Agency

but ...

De-emphasising Zappistore

