FY 2017 YEAR END ROADSHOW

Fraser Fisher - CEO
Peter Brotherton - CFO

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OVERVIEW

- Its been a very difficult & challenging year for Redcentric but the past is nearly behind us and we are focussed on looking forward
- FY17’s results are in line with the Board’s revised expectations
- Our existing customers have stayed with us and we can develop those relationships
- We are focussing on winning new customers
- Our service offering is vibrant and can get even better
- Confident in the outlook for the business and a return to business as usual.

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FY17 FINANCIAL HIGHLIGHTS

- £104.6m revenue
- Recurring revenue of £90.2m (86.2% of total revenue)
- Adjusted EBITDA* of £17.3M, representing a margin of 16.5%
- Gross profit margin 58.6%
- Adjusted EPS** 4.45p. Statutory EPS loss of (1.60)p
- Adjusted profit after tax £6.6m
- Net debt £39.5m at March 2017
- No dividend. Policy to be reviewed by board on an ongoing basis.

***** Earnings before interest, tax, depreciation, amortisation of acquired intangibles, transaction and integration costs and share based payments.

****** Adjusted Earnings per Share excludes amortisation of acquired intangibles, transaction and integration costs and share based payments and replaces the reported tax credit with a notional tax charge at the full rate of corporation tax

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ACCOUNTING MISSTATEMENTS

- During the last seven months the March 2016 Balance sheet has been reviewed by:
  - Deloitte during the forensic review
  - PWC during the re-audit of the subsidiary accounts
  - KPMG during the 2017 audit
- Net asset prior year adjustments totalling £15.8m have been made to the 2016 accounts.
- The 2016 statutory accounts were re-audited following the forensic review
  - In order to fully validate the 2016 Income statement it would have been necessary to re-audit the 2015 balance sheet
  - The directors took the view that the timescales (four to five months) and the costs involved to do this were disproportionate and so the 2016 Income statement received a qualified audit opinion and this is reflected in this year's accounts.
  - All of the Group's balance sheets received clean audit opinions for both 2016 and 2017.
  - Post the forensic review, the Board considers that additional debtor provisioning over and above the original forensic review is appropriate and this has led to a further exceptional impairment charge of £2.9m.

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INCOME STATEMENT

	Note	Unaudited 2017 £000	Unaudited Restated 2016 £000
Revenue		**104,623**	102,363
Cost of sales		**(43,304)**	(44,553)
Gross profit		**61,319**	57,810
Operating expenditure		**(64,314)**	(62,756)
Operating Loss		**(2,995)**	(4,946)
Analysed as:			
Adjusted EBITDA*		**17,273**	14,380
Depreciation		**(7,507)**	(5,294)
Amortisation of intangibles		**(6,207)**	(6,016)
Non-recurring costs	2	**(5,474)**	(6,680)
Share-based payments		**(1,080)**	(1,336)
		(2,995)	(4,946)
Finance costs		**(1,253)**	(1,195)
Loss on ordinary activities before taxation		**(4,248)**	(6,141)
Tax (charge)/ credit on profit on ordinary activities		**1,870**	1,946
Loss for the year (attributable to owners of the parent)		**(2,378)**	(4,195)
Earnings per share			
Basic and diluted earnings per share	3	**(1.60)p**	(2.89)p

Operating costs comprise:	£’000
• UK staff costs	24,646
• Office and data centre costs	8,532
• Network and equipment costs	5,804
• Offshore costs	1,644
• Other S,G&A	3,420
	44,047

Non-recurring charges comprise:	£’000
• Impairment of trade debtors	2,933
• Forensic investigation costs	1,291
• Integration and restructuring costs	658
• Vacant property provisions	385
• Disposal of City Fibre network	207
	5,474

Further investigation and restructuring costs will be incurred in FY17/18.

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CASH FLOWS

	Unaudited 2017 £000
Operating cash flow before non-recurring costs and movements in working capital	**17,273**
Movements in inventories and trade and other receivables	1,785
Movements in trade and other payables	(9,616)
Non-recurring costs	(3,159)
Corporation tax received	71
Net cash inflow from operating activities	**6,354**
Cash flows from investing activities	
Proceeds on disposal of property, plant and equipment	5,000
Purchase of property, plant and equipment	(6,744)
Net cash outflow from investing activities	**(1,744)**
Cash flows from financing activities	
Dividends paid to shareholders	(4,406)
Interest paid	(1,209)
Repayment of borrowings	(2,435)
Drawdown on revolving credit facility	10,000
Proceeds of issue of shares less costs of issue	1,731
Net cash inflow from financing activities	**3,681**
Net increase (decrease) in cash and cash equivalents	**8,291**
Opening cash and cash equivalents (as restated)	(3,970)
Net increase (decrease) in cash and cash equivalents	8,291
Effect of exchange rates	19
Cash and cash equivalents	**4,340**

- The cash flow statement reflects a £9.7m catch up of supplier payments:
  - Prior to the forensic review, suppliers payment terms were stretched to unreasonable levels in order to present a better net debt position.
  - This is a one off catch up as payment terms are now observed.
- Capital expenditure of £9.2m has been financed by cash payments of £6.7m and finance leases of £2.5m.
- Fixed asset disposals reflect the sale of network assets to CityFibre.
- Interest costs will increase in FY17/18 due to the refinancing of the Group’s banking facilities.
- Net debt at the end of March 2017 was £39.5m representing 2.3 times adjusted EBITDA.

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STRENGTHENING THE BUSINESS

- Finance team strengthened with new credit manager, financial controller and management accountants
- Improvements made to internal systems and controls with a robust process and control framework
- Legacy systems being replaced with standard integrated Microsoft product
- Additional key non-executive appointments of Jon Kempster & Steve Vaughan
- Balance sheet fully reviewed by 3 of the big 4 Auditors.
- Lending banks remain supportive with amended facilities agreed & in place
- Good progress made implementing the remedial plan & we are co-operating fully with FCA investigation
- Redcentric operational focus both now and for the medium term is unchanged:
  1. Win new name customers
  2. Increase customer size and share of spend, upselling and cross selling to the customer base
  3. Optimise cost within the business.

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EXISTING CUSTOMERS ARE STAYING

WHAT IT MEANS TO THE CUSTOMER

Consistent, proven, modern, reliable and secure hosting platform for critical and highly sensitive data which is fully supported.

WHAT WE WON – Retention of the DWP Data Warehouse platform as a service solution and oracle database as a service managed service provision

Department for Work & Pensions

HOW MUCH IT'S WORTH – £3.8m

CONTRACT TERM – 2 years from April 17

WHY WE WON – Redcentric's catalogue service description and commercial offering outscored our competitors. Colin Mee, Head of Technical Support and Solutions Group quoted "Redcentric have shown consistent proficiency and professionalism, with a technical quality allied to a customer centricity that gave us (DWP) confidence from the off that anything was indeed possible."

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WE CAN GROW EXISTING RELATIONSHIPS

WHAT IT MEANS TO THE CUSTOMER

Able to provide their teams with clinical, social care and back office systems at the touch of a button, enabling fast on-boarding and centralised management which is key for Virgin Care when taking on large service contracts.

WHAT WE WON – Virtual Desktop Infrastructure (VDI)

HOW MUCH IT'S WORTH – £2.9m

CONTRACT TERM – 5 years from Jan 17

WHY WE WON – Ability to offer a fully managed option with supported delivery, utilising our expertise and capability to scale quickly.

ROUTE TO MARKET – Competitive bid

WE ARE WINNING NEW BUSINESS

WHAT IT MEANS TO THE CUSTOMER

Operational effectiveness, reliability and wireless driven customer marketing potential.

WHAT WE WON – Wide Area Network, Hosted Telephony, Wi-Fi and Mobile Services

HOW MUCH IT'S WORTH – £4.6m

CONTRACT TERM – 5 years from Sept 16

WHY WE WON – Technical capability, service ethic and cultural fit.

ROUTE TO MARKET – Tender response

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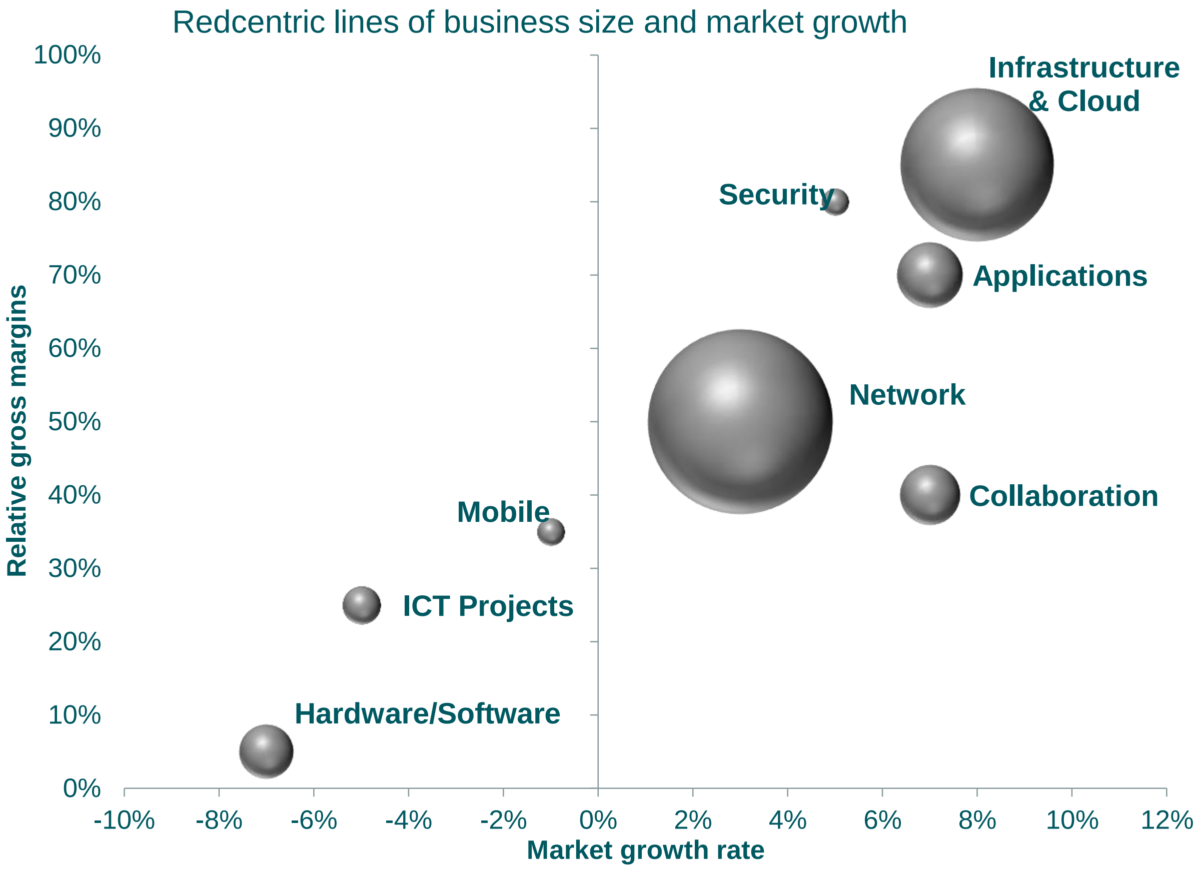
SALES MOMENTUM

KEY METRICS AND TARGETS

- 45 new name clients in H2, 88 new names in FY17 (£23.9m TCV)
- We continue to leverage client relationships & strength of our product suite to cross- sell additional services
  - 65% of new business was cross sell
- The team have worked hard maintaining client relationships – our high level of customer service has been unaffected
- Sales pipeline stands at £88.5m of contract and services opportunity (product no longer included)
- Key markets
- Still significant opportunity for cross-sell within current clients



Customers & approx. annual value	1 SERVICE	2 SERVICES	3 SERVICES	4 SERVICES	5 SERVICES
TOP 30 (£35m)	3	4	3	12	8
TOP 50 (£40m)	5	6	10	19	10
TOP 100 (£50m)	11	19	27	32	11

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OPERATIONAL PROGRESSION

OFFSHORING, AUTOMATION & COST REDUCTION

Hyderabad transition activities completed:

- Customer monitoring
- Router and Firewall patching
- Managed e-mail support
- Telephony service desk support
- ADSL (broadband) support
- Managed backup support
- Established project services capability
- Further transition through FY18

Cost Reduction

- Reduction in UK headcount cost
- London office closure
- 3rd party London Datacentre closure
- Review of 3rd party spend

Automation:

- Provisioning of all MPLS networks
- Provisioning of all Microsoft Updates
- Provisioning of all VOIP (voice over internet) products
- 75%+ of incidents automatically raised, assigned & escalated
- Diagnostic platform links our automated diagnostics platform to BTs

Capacity Management

Network
Internet - 25% utilisation,
Core - 50% utilisation

Datacentre
947 racks in use
253 racks immediately available
250 racks on hot standby in Harrogate and Shoreditch

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SUMMARY AND OUTLOOK

POSITIVE OUTLOOK

- Its been a difficult time for all of us
- Core business remains strong with high level of recurring revenues
- Redcentric has moved quickly and continues to strengthen its internal controls and processes through 2017
- Our existing customers have stayed with us and we can develop those relationships
- We can win new customers
- Our service offering is vibrant and can get even better
- We have returned to business as usual.

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APPENDICES

Fraser Fisher - CEO
Peter Brotherton – CFO
June 2017

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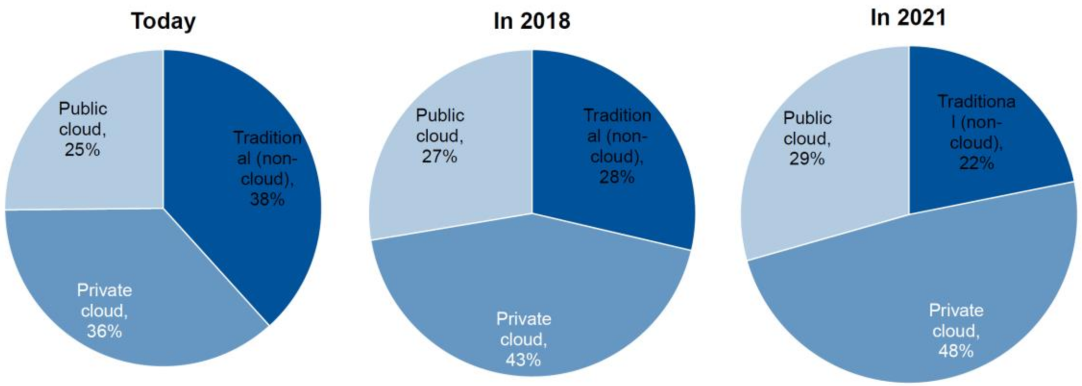
HYBRID CLOUD STRATEGY

Hybrid Cloud is the primary Cloud usage model for foreseeable future. (Gartner Datacentre survey).



Our strategy is to create fully managed, value add hybrid solutions within our competency areas, and work with the vendor sales teams to win and deliver transformational projects.

We will exploit our expertise in networking, governance, and assurance to differentiate.

Our initial focus is on Microsoft: Azure and Office 365.

Achievements

- Microsoft business unit established. Microsoft Cloud Solution Provider (CSP) Silver Cloud competency achieved, working to Gold
- Cloud Connectivity established to Microsoft, Amazon, VMware Delivery of N3/ HSCN into Amazon UK datacentre. UK Launch Partner
- Customer Projects underway. All hybrid not pure public cloud

Key Solutions

- Fully Managed Office 365 and Azure IAAS with cost control showback
- Community Azure Stack integrated with HSCN and PSN networks
- Citrix Virtual Desktops on Azure

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SECURITY MARKET OPPORTUNITIES

Principles

- Security, assurance and governance underpins everything we do. Our first priority is to protect our customers and earn their trust.
- Hybrid cloud creates new security challenges as workloads distribute across platforms and organisational boundaries. We will leverage our expertise and experience in this area.
- Clients largely want to procure security as a fully managed service as they do not have the expertise or scale.
- UK Cybersecurity spend rising at >10% PA

Current and planned solutions are described on the right.

Connectivity

- Assured Secure Cloud Connectivity (Amazon; Microsoft; PSN; HSCN)
- Managed UTM Cloud Firewall with Self Service & Reporting overlay
- Secure Internet/ Secure VPN

Cloud

- Managed Identity Management, Single Sign On, Auditing and Threat Analysis
- Cloud (SAAS) App Security

Communications

- Mobile Device Management
- Regulated Mobile (voice, data, SMS intercept)

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HIGH QUALITY SERVICE STANDARDS

DEMONSTRATING A HIGH QUALITY SERVICE

ISO9001:2008 Quality Management Dec 2011

Ensuring products and services consistently meet customers' requirements.

Alignment of internal processes, leading to increased productivity.

ISO27001:2013 Information Security Dec 2011

Provides assurance that Redcentric adhere to stringent controls to protect information assets &embed a culture of security.

ISO22301:2012 Business Continuity March 2016

Identifying and managing relevant threats to critical business functions & putting appropriate plans in place to address.

We do annual testing with NHS service management personal present.

ISO20000:2011 Service Management March 2017

Consistency in delivery of services.
A culture of continuous improvement – Key operational focus on Incident, problem, changes, capacity, availability management

We are aiming to **ISO14001 (Environmental Management)** in place by August.

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