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Trading Statement

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TRADING, STRATEGY AND FUNDING UPDATE

[REGTECH OPEN PROJECT PLC](#)

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RegTech
OPEN PROJECT

RegTech Open Project plc

("RTOP" or the "Company")

Trading, Strategy and Funding Update

RegTech Open Project plc (LSE: RTOP), the technology business specialised in the automation, management, and optimisation of regulatory compliance operations, announces a trading, strategy and funding update ahead of its interim results for the period ended 31 December 2023 which, as announced on 29 February, will be published by 31 March 2024.

Highlights

- Over the 2023 calendar year, on average, nine out of ten customers renewed their subscriptions, and the total billed subscriptions revenues increased to exceed the prior year, including cancellations.
- Billings for recurring software subscriptions across all products increased 17% for the year to 31 December 2023 over the full year 2022.
- Revenue mix improved year on year in 2023: recurring revenues billed represented 58% of total billings, up from 32% in 2022
- The execution of the updated four-point strategic growth plan is underway with a focus on:
 1. Conversion of legacy product clients to subscription-based products targeting a net uplift in existing recurring revenues of c.£0.4m. Additional upselling opportunities with these clients target a further net uplift in recurring revenue of £0.7m over 12-24 months period.
 2. Capturing significant new sales opportunities driven by operational resilience regulation with a target to grow subscription based operational resilience business 10x over 5 years.
 3. Monetisation of non-core GRC (Government, Risk, Compliance) assets with a target to generate material net recurring revenues via a partnership or material net cash proceeds via a divestiture.
 4. Launch of an additional scalable business line in InsurTech aimed at corporate customers with a target to onboard first clients in 2024.
- Encouraging start to the year 2024 with confirmed bookings of £0.4m representing a material part of the management plan. Year-to-date operational resilience software renewals bookings show a 10% increase in like-for-like renewal revenues and in excess of 90% customer retention.
- 2024 trading outlook targets in excess of 120% net revenue retention in the customer base. The pipeline of new revenues includes several tenders with leading blue-chip organisations including a national central bank in the European Union and currently stands at £1.3m of which £0.45m is in technology and manufacturing sectors, a new focus area for RTOP.

- The Company continues to receive funds under the Shareholder Loan Agreement (SLA) albeit with delays. RTOP has received an additional £0.6m of funding to date in 2024 demonstrating the majority shareholder's commitment to the Company. The funds requested and not received by the Company under the SLA continue to accrue interest of 15% against funds received under the SLA accruing at 10%.

Trading to 31 December 2023 (unaudited)

Billings for software subscriptions of operational resilience software showed strong year-on-year performance, retaining over 100% of subscription revenues from existing customers. This was achieved with a customer churn (customers cancelling subscriptions) of 12%, with additional revenues from the retained customers exceeding the value of the cancelled subscriptions, indicating the ability to grow revenues within the customer base, and the value customers continue to realise from RTOP solutions.

With a focus on subscription (recurring revenue) business, RTOP achieved a 17% year-on-year increase in subscription billings. The mix of recurring and non-recurring revenues within the total revenues rose from 32% recurring revenues in the prior year to 58% in 2023, a positive move towards achieving the target of 80% by 2025

For the 12-month period to 31 December 2023, including pre-listing performance, total billed revenues reduced by c.£0.5m over the prior year. This reduction is a result of large additional one-off, project-based revenues occurring in 2022. The move to focus on high-margin recurring revenues is central to the growth strategy, necessitating the move away from the historical, low-margin one-off professional services projects.

Strategy update

To drive revenue growth and accelerate growth and profitability over the next 5 years, RTOP has embarked on the following four key strategic initiatives aimed at capitalising on our current position in the short and medium term and, in parallel building a new, innovative, highly scalable, high-margin business model to drive maximum future-value for our shareholders.

1. **Convert legacy product clients to subscription-based products** - RTOP has a number of customers currently using Business Continuity Management (BCM) products on a license and maintenance basis, and we are actively working to convert these clients to our subscription-based operational resilience platform in 2024 ahead of January 2025 renewals. This is targeted to generate a net uplift in existing recurring revenues of c.£0.4m and create the opportunity to upsell additional products using this platform with a target further net uplift in recurring revenue of £0.7m over the next 12-24 month period.
2. **Capture significant new sales opportunities driven by DORA operational resilience regulation** - With the January 2025 compliance deadline for the Digital Operational Resiliency ACT (DORA) there is significant priority and momentum in financial services and among the ICT suppliers to invest in meeting their DORA obligations. Post-deadline, their priorities will be to demonstrate compliance and drive efficiencies in operational resilience activities. We estimate the addressable market to be c.£12bn globally, with the European market making up c.£3.5bn of this figure, with analyst predicted growth at 15% CAGR over the next 5 years. This market is directly in the sweet spot for RTOP, with the Orbit Open Platform being a highly comprehensive, specialised operational resilience solution, and represents an opportunity to grow RTOP's subscription based operational resilience business 10x over 5 years by completing its software solution to be best in class for operational resilience and generating significant new demand through its current big-four relationships, new value-added resellers, direct sales and digital marketing.
3. **Monetise non-core assets** - The Company has a portfolio of GRC products and customers that are related to, but not specifically core to the operational resilience focus of RTOP. Consequently, the Company is exploring the options to release the value embedded in these assets either via a licencing or reselling partnership to generate material net recurring revenues or a potential divestiture to generate material net proceeds to the Company. RTOP is in active discussions with institutions and potential partners as we evaluate value maximisation options for its non-core GRC product suite.
4. **Launch an additional scalable business line in InsurTech aimed at corporate customers** Representing a step-change in scale and profitability, this additional business line will offer a platform, route to market and revenue streams that are highly scalable, with low-touch and high profitability. Based on internal estimates, the market opportunity is circa £5bn in Europe with 1% penetration representing £50m of available annual revenues. Leveraging the MS Azure platform to provide corporate customers with market-specific insurance risk assessment for business resilience, RTOP will provide an intermediary facilitation service, creating a new relationship between insurance providers, brokers and corporate customers, enabling access to tailored insurance and financial products, as well as web-service-based monitoring solutions for compliance with the conditions of the policies. RTOP is in discussion with several insurance Managing General Agents (MGAs) and expects to launch the InsurTech business line by signing agreements to develop and pilot the first corporate customer solutions in the coming months.

Trading since 31 December 2023 to date (unaudited)

RTOP has made an encouraging start to 2024, with £0.4m booked year-to-date, representing a material part of the annual management plan. The majority of the booked amount is subscription renewals of operational resilience software, which has grown 10% over the equivalent renewals in 2023, and together with customer retention in excess of 90%, demonstrates RTOP's ability to retain and grow its customers in its core market.

In addition, RTOP has further increased its bookings to date with a material restructuring of a customer contract delivering an additional c.£100k in bookings to date, with the opportunity to increase this by an additional c.£200k in the second half of the year.

2024 Trading outlook

Net revenue retention, the revenue that RTOP achieves from existing customers after netting subscription renewals, upgrades, downgrades and up-sales, is targeted at >120% in 2024, driven by the successful incremental 10% increase in renewal fees, and the roll-out of a customer upsell program, which is expected to deliver additional customer revenues throughout the year, and generate a further increase in 2025 as customers add products during their annual renewal.

The 2024 sales pipeline for new bookings of software and related services from customers and new logos is currently £1.3m, with £0.85m in our traditional Banking, Financial Services and Insurance sectors, and £0.45m in our newer Manufacturing and Technology sectors. This pipeline includes several tenders with leading blue-chip organisations and a national central bank in the European Union. The bookings outlook would indicate the ability to perform against management plan this year.

Funding update

RTOP continues to receive funds under the Shareholder Loan Agreement (SLA), albeit with delays, and has received a total of £0.6m in funding in 2024. This is achieved through the efforts of the majority shareholder which, despite the initial setbacks post-listing, continues to demonstrate its commitment to the Company. It should also be noted that the funds requested and not received by the Company under the SLA continue to accrue interest receivable at a rate of 15% against interest payable on funds received under the SLA accruing at 10%. Whilst uncertainty remains over the performance under the SLA, the Directors continue to actively manage options to mitigate funding risks, including alternative funding sources.

Ian Halliday-Pegg, CEO commented:

"With the market for operational resilience set to expand rapidly in 2024 due to the DORA compliance deadline of January 2025, and the upcoming UK Critical Third Party extension to the UK regulators' operational resilience obligations, RTOP's focus on providing specialised and uniquely comprehensive operational resilience solutions positions it to capitalise on this expansion as financial services companies and their ICT suppliers strive to demonstrate compliance, and drive efficiency and effectiveness from operational resilience programs.

Initial progress on the strategic initiatives of subscription conversion and the exciting, highly scalable InsurTech additional business line are tracking against plan and herald a new era for RTOP as it moves away from its historical business into high-growth, high profit repeatable revenues.

2023 has been a significant transition year for RTOP, both committing to its operational resilience vision, and listing on the London Stock Exchange main market to leverage capital markets and enable investment in strategic initiatives to accelerate our growth. As a result, whilst overall revenues have reduced, the quality of revenues has improved - with the percentage of recurring revenues increasing from 32% to 58% and increases in subscription revenues year-on-year for our operational resilience solutions.

In 2024 the management team is focussed on executing the four-point new strategic plan, and trading in 2024 has begun to bear out some of the short-term plan with some positive increases, most notably in revenue retention year-on-year as we build a strong recurring revenue base from our customers to underpin the strategic growth initiatives. The pipeline of new business in our traditional market is healthy, and our investments will enable us to expand throughout the year to drive further growth."

- Ends -

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