SHADOWFALL

BLUE PRISM: A US GAMBIT BUT WEAKENING FUNDAMENTALS

FOR PROFESSIONAL CLIENTS ONLY. ShadowFall is short Blue Prism Group Plc (PRSM).

Blue Prism is a £1.6bn market cap AIM listed company which provides Robotic Process Automation (RPA) services.

We believe Blue Prism's prospect of ever reaching meaningful profitability in the highly competitive and commoditised RPA market is low and that its shareholders will have to contend with substantial losses for far longer than the market currently envisages.

Faced with this and what we see as a deterioration across almost all its key performance indicators (KPIs), as of yesterday's trading update, Blue Prism is now introducing the prospect of a US listing. Like other loss making, tech focused AIM companies of the past, such as Globo or Quindell, the gambit of a US listing is often used to get a UK investor base purring with excitement that US investors will fall over themselves to provide the listing with a higher valuation. We view this as little more than a tactic to distract from what appears to be deteriorating KPIs. After all, we find that the most searched for term in Google is Blue Prism's share price, not its product. If it materialises then we would welcome the greater scrutiny to the inconsistencies which we find within Blue Prism's filings.

As far as we can tell, Blue Prism is being left behind by its peers UiPath and Automation Anywhere, which have raised 6x and 4x more in funding than Blue Prism and taken far greater RPA market share. This outperformance by UiPath and Automation Anywhere, would in our view likely reflect poorly on Blue Prism should either company pursue a US listing.

We have further concerns regarding:

- Fewer customers appearing to be being won.
- Accelerating customer churn, possibly reflecting increased competition or dissatisfied customers.
- Upsells look to be declining.
- New deal sizes seem to be getting smaller as revenue per average customer appears to be declining, potentially from increasing competition or a lack of pricing power.
- Sales and marketing employees seem to show diminishing returns.
- Until lockdown, Blue Prism was having to spend ever increasing amounts on travel, entertaining and marketing to win clients.
- Commission rates, in our view, are eye-watering and it seems odd that they are now being paid on contract renewals when customer satisfaction and retention is claimed to be so high.
- The quality of Blue Prism's trade receivables appears to be markedly declining.
- We find consistent inconsistencies between the P&L statement and the corresponding notes in the accounts.
- We find gaps in the main subsidiary's filings.
- FY19's acquisition of Thoughtonomy (a Blue Prism re-seller) looks to have deteriorated sharply before it was acquired, and Blue Prism appears to have overstated its assets.
- The independence of the Board and significant management turnover.

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Summary of Findings

Blue Prism is a UK AIM listed provider of Robotic Process Automation (RPA) services with a market capitalisation of c. £1.6bn. The business describes its offering as "… about reimagining what's possible, making it happen, and freeing your people to do amazing things."

A highly competitive and commoditised market, losing share to deeper pocketed peers and looking to distract?

Blue Prism strikes us as a company where its investors believe that they've bought into a state-of-the-art business, gaining market share at the forefront of a fast-growing market. While the RPA market is growing, we believe Blue Prism sits on the more commoditised end, providing services such as website scraping, processing of customer email enquiries and data analysis. Further, as we go on to discuss in more detail, Blue Prism's competitors appear to be gaining considerably greater market share. Meanwhile, many of Blue Prism's KPI's appear to us to be deteriorating. As such, we view yesterday's announcement of a potential US listing as little more than a tactic used to distract from weakening fundamentals.

We can't blame Blue Prism for floating this prospect. It's been a tried and tested approach used in the past by several AIM listed companies, for example such distinguished companies as Globo plc, Quindell plc, or Burford Capital Ltd. Some investors believe that a US listing will materially mark-up an already racy 11x sales multiple, which Blue Prism is valued on. We find that these mooted US listings rarely result in a valuation mark-up. From our experience, US investors look through the dual listing to focus more on the fundamentals of a business, discerning between companies gaining market share such as UiPath or Automation Anywhere as compared to companies being left behind such, as Blue Prism.

If ever a US listing does occur, we would welcome this development as it may provide greater scrutiny over the financial statements Blue Prism furnishes to the market where we find a range of inconsistencies. The flirtation with a US listing aside….

Peers have raised 4x-6x more capital and are growing faster

We believe Blue Prism's larger peers are growing more rapidly due to the support of significant funding rounds. Since its 2016 IPO, Blue Prism has raised c. £255m, helping to fund its c. £182m in cumulative losses. Meanwhile, UiPath and Automation Anywhere have raised 6x and 4x as much; c. £920m and c. £650m respectively. We calculate that UiPath and Automation Anywhere are now the dominant leaders in RPA, with **a combined market share of c. 63%** (FY17: 17%). This compares to Blue Prism on 10% (FY17: 6%). If Blue Prism's investors wish for the company to compete, then we believe they will have to become accustomed to continued losses combined with further frequent and sizeable capital raises for longer than envisaged.

Plenty of fluff

Blue Prism details being in the Gartner Magic Quadrant, having 2,000+ customers, achieving 90% customer satisfaction rates, and achieving a 98% customer retention rate; although we calculate that the latter metric likely significantly deteriorated in FY20. Either way, retail investors love this sort of stuff. Maybe these talking points also help to keep its institutional investors' spirits up after they look at the group's P&L?

Total bookings down?

In the FY19 trading update, Blue Prism announced sales momentum driven by total business of £181m during FY19. In yesterday's update for FY20, Blue Prism reported "Full year bookings of £180m . . .". Further, Blue Prism ended FY19 with 1,667 customers as compared to over 2,000 in FY20. Not only has **total business declined year on year**, but **average business per customer has fallen by at least 17%.** It strikes us as sales momentum significantly deteriorated in FY20.

Other key metrics also discouraging

For other metrics with significant relevance to Blue Prism's prospects, we believe these also imply a deterioration in the performance of the business and a remarkable turnaround necessary to achieve consensus forecasts in FY21. Take for example the metric "Exit monthly recurring revenue" (MRR). Blue Prism reported MRR to be £11.6m at the end of 1H20 (2H19: £10.6m). Essentially MRR had increased by £1.2m in the six-month period to 30 April 2020. By 2H20 the exit MRR was reported to be £12.8m; another increase of £1.2m in the six-month period. Consensus projects revenue of £192.7m during FY21 (FY20: £141.7m). We calculate this to imply that Blue Prism needs to increase its FY21 exit MMR by £6.5m to meet the consensus forecast. **This level of gain would be 2.3x higher than the average the group has achieved each year since FY17. We view this prospect as unlikely.**

Winning Fewer Customers

In the FY19 trading update, Blue Prism reported that it added 685 **NET new customers** during 2019. In the FY20 trading update, Blue Prism reports winning 490 **new customers**. **No longer is a NET figure reported.** If 490 new customers were added for the full year, FY20, then this implies that 235 new customers were added in 2H20. **Blue Prism's rate of customer wins has fallen for the third consecutive half year.**

And more customers lost?

We calculate that in FY20, Blue Prism lost c. 9.4% of its starting customer base (FY19: 4.1%).

With such a rise in customer attrition, perhaps it is no wonder that in FY20 Blue Prism changed the language around its retention rates?

> **FY19:** "The Group added 685 net new customers during 2019 while maintaining a **customer retention rate of 96%** (2018: 97%)."
>
> **FY20:** "The Group added over 490 new customers during 2020 while maintaining a **gross revenue retention rate of around 98%**."

Revenue declines per average customer?

Despite a growing customer base and reaching 98% in recurring sales, we calculate that Blue Prism has experienced a sizeable decline in revenue per average customer over recent years. Further, **upsells as a percentage of opening customers looks to us to have declined from 67%+ in 2H17 to what we calculate to be 17% in 2H20**. We view this as indicative that Blue Prism is retaining customers on less preferential terms, facing pricing pressure or experiencing significant competition, but in all likelihood some combination of all three.

Sales and marketing employees show diminishing returns

Blue Prism's headcount has risen c. 1,500% since FY16, to an average of 1,005 employees in 1H20. However, revenue per average sales and marketing employee has rapidly declined during this period. It seems to us that Blue Prism's ever-increasing headcount is less capable of winning as much business. We believe that the only way Blue Prism can hope to meet its consensus revenue forecast is to employ considerably more sales employees resulting in little prospect of becoming profitable in the medium-term and quite possibly in the longer-term.

Ever increasing expenditure on travel, entertaining and marketing

During FY17 to FY19, while Blue Prism experienced a decline in revenue per average customer, at the same time the group spent ever-increasing amounts on travel, entertaining and marketing (TEM). **We calculate that TEM costs per customer gained has risen from an average of £13k per additional customer gained in FY17, to £37k per additional customer gained in FY19. This does not strike us as an encouraging trend for a company which is ultimately seeking to become profitable.** The lockdowns of this year could be a key reason why losses were better than projected by the market in FY20.

Commission rates make us wonder who benefits from Blue Prism - its sales force or its shareholders?

We believe that Blue Prism pays its sales staff eye-watering commission rates. For example, in FY19, Blue Prism paid out commission representing 28% of its total revenue for the year and **an astonishing 61% of additional revenue gained in the year**. Further, as of FY19, the group even began paying commissions on contract renewals. In our view, this is a strange development given claims of significant customer satisfaction and 98% recurring revenue. Blue Prism has, in our view, high base salaries across the group, we question why generous base pay is required when commission rates are so sizeable?

What does Blue Prism pay its staff?

Blue Prism's group accounts suggest that the average employee earnt an average salary of £104k in FY19 (FY18: £90k). We also calculate the pro-rata figure for 1H20 to be £94k (1H19: £81k). Then there is an additional average commission of £58k which was likely earnt per sales and marketing employee in FY19 (FY18: £69k). However, the latest Blue Prism job postings show 12 positions advertised with salary disclosures, averaging £50k. Even the highest salary advertised for a Group Financial Controller is £100k or £4k less than the average salary per average employee as indicated by the group's accounts.

DETERIORATING QUALITY OF TRADE RECEIVABLES?

In FY19 Blue Prism reports £3.2m in receivables which are 90+ days old and attaches a 2.48% or £0.1m expected credit loss (ECL) to this stock of trade receivables. However, prior to this ECL, Blue Prism had impaired £0.6m; an 18.75% impairment rate, i.e. it has already assumed it will not collect 18.75% of its receivables which are 90+ days old. A 2.48% ECL on the remainder, in our view seems low. Either-way, 18.75% impairment is large. By 1H20, Blue Prism shows a sharp rise in receivables past due as a percentage of total net receivables, from 35% in FY18, to 44% in 1H20. Meanwhile, Blue Prism significantly reduced its ECL rate by a factor of 10x on 90+ days, from 2.48% in FY19 to 0.25% in 1H20. **The apparent deterioration in receivables quality is, in our view, a worrying development when considering that customer churn appears to have increased in FY20.**

CONSISTENT INCONSISTENCIES BETWEEN THE P&L AND THE NOTES TO THE ACCOUNTS

In its FY19 P&L statement, Blue Prism reports operating expenses which total £173.5m (FY18: £81.1m). The statement then refers to note 6 for a breakdown of these expenses. However, when we review the costs within note 6, we notice that in FY19, they total £169.1m (FY18: £83.3m). It is unclear to us why in FY19, the P&L expenses are listed as £4.4m higher than they are in the accompanying notes. Further, why there is a £(2.2)m discrepancy in FY18. In fact, we note that material discrepancies have occurred between the P&L statement and the notes since FY15. **We are unable to reconcile why there is such a consistency to these inconsistencies.**

A GAP IN THE SUBSIDIARY FILINGS

The latest Blue Prism Limited (BPL) filings suggest that BPL incurred operating expenses of £46.5m in FY18; BPL accounted for 62% of group revenue in FY18. However, the notes to BPL's FY18 accounts show disclosure for £25.2m in costs. This leaves £21.3m in costs which are undisclosed. These costs could be in relation to travel and entertaining, legal costs and marketing. However, **at group level these costs total £15.4m, not the undisclosed £21.3m in costs in BPL's filings. There is still £5.9m of other costs for something**.

THOUGHTONOMY RAPIDLY DETERIORATED PRIOR TO PURCHASE AND ITS ASSETS SIGNIFICANTLY OVERSTATED?

Thoughtonomy appears to be little more than a Blue Prism re-seller. **We believe Blue Prism overstated Thoughtonomy's gross assets by 65%** or £2.2m. Thoughtonomy's 2018 filing also shows that its net assets were £282k. However, by 2019, **Thoughtonomy's balance sheet had deteriorated to show NET LIABILITIES of £3.9m**. Also in 2019, Thoughtonomy reported **a deterioration in its profit and loss account, suggesting its losses had risen from £(440)k in 2018 to £(4.3)m in 2019**.

AN UNINSPIRING BOARD?

We question the independence of several directors. Two of the independent directors have previously worked with the Executive Chairman and CFO. For what was the other independent director, who departed in September 2020, we would question how independent you can be if you **pledged Blue Prism stock worth c. £6m as security for a property related loan?** The CVs of some board members also do not instil great confidence in us. The stock pledging, former member was a non-executive for the corporate disaster, Avanti Communications. We also question the involvement Blue Prism's CFO had in corporate transactions when employed by Xchanging plc, **where a major acquisition was entirely written-off within a few years of purchase**. We also note that the **CEO and co-founder, Alastair Bathgate, left in April 2020 and Blue Prism had a COO for 3 months in 2019.**

Introduction

Blue Prism Limited was incorporated in July 2001 by its founders Alastair Bathgate (former CEO) and David Moss (current CTO). In 2004, the Risingstars Growth Fund became a shareholder alongside the founders. In July 2010, Dr Jason Kingdon (the current Chairman and CEO) became a shareholder. In September 2015, Blue Prism Group (Blue Prism) was incorporated, which became the holding company of Blue Prism Limited and subsequently the listed entity.

Blue Prism was floated on the UK's AIM market on 17 March 2016. Investec assisted the IPO and remains Nomad and Broker to the company. The shares were listed at 78p per share, raising gross proceeds of £10m, of which £8.8m in net proceeds were received by Blue Prism. Following Admission to AIM, £974,890 of the net proceeds appear to have been paid to Jagama Limited, a company controlled by Dr Jason Kingdon.

Blue Prism market information

	London Stock Exchange
Ticker	PRSM LN
Share price	1748 GBp
Market Cap (M)	£1,645
3 month average daily volume	275,570
3 month average daily value (M)	£4.8
Short interest	14.3%
Days to cover	49
Active available quantity (M)	1.4
Active available value (M)	24.5

	Top holders	% Out
1	HMI Capital LLC	8.0%
2	Invesco Ltd	7.9%
3	Jupiter Fund Management Plc	7.7%
4	Abrams Bison Investments LLC	7.5%
5	Jason Kingdon	6.2%
6	Alastair Bathgate	5.3%
7	FMR LLC	4.0%
8	Investec Plc	3.4%
9	Hawk Ridge Capital Management	2.8%
10	David Moss	2.7%
	Total	**55.4%**

Figure 1: Key market information. Source. Bloomberg Finance LP, Apps Black. Data accurate as of 1 October 2020

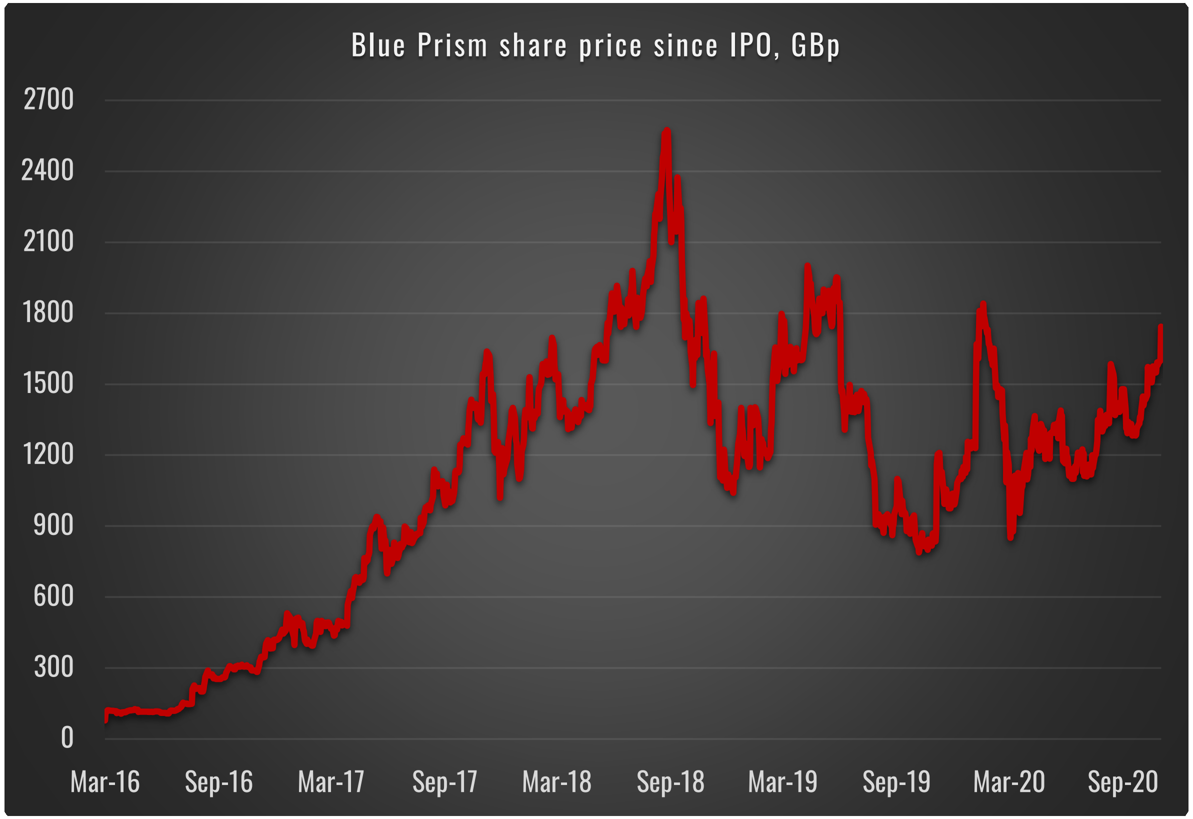


Figure 2: Blue Prism share price since its IPO in 2016. Source: Bloomberg Finance L.P.

Key Data

Blue Prism		2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Revenue	£m	4.5	6.1	9.6	24.5	55.2	101.0	142.8	192.7	244.7
Revenue growth	%	*52%*	*35%*	*59%*	*154%*	*125%*	*83%*	*41%*	*35%*	*27%*
EV/Sales	x							10.9	7.9	6.4
EBITDA	£m	(0.2)	(0.7)	(5.2)	(10.0)	(25.6)	(79.1)	(51.7)	(28.9)	(10.8)
EBITDA margin	%	*-5%*	*-12%*	*-54%*	*-41%*	*-46%*	*-78%*	*-36%*	*-15%*	*-4%*
Operating profit	£m	(0.2)	(0.8)	(5.3)	(10.1)	(26.0)	(81.4)	(59.2)	(37.4)	(22.3)
Operating margin	%	*-5%*	*-12%*	*-55%*	*-41%*	*-47%*	*-81%*	*-41%*	*-19%*	*-9%*
Commissions paid	£m		0.9	3.6	7.9	15.4	28.1			
Commissions as % of revenue	%		*14%*	*37%*	*32%*	*28%*	*28%*			
Commissions as % of revenue growth	%		*55%*	*100%*	*53%*	*50%*	*61%*			
Free cash flow	£m	0.7	0.4	(0.1)	4.0	(6.5)	(63.8)	(46.8)	(11.3)	(3.0)
Proceeds from issue of shares	£m			9.5	0.4	41.9	103.1	100.0		
Net cash/(debt)	£m	2.0	2.4	11.8	16.3	50.5	74.1	114.3	61.9	39.0
Net assets	£m	0.1	(0.6)	3.9	(4.8)	11.8	95.5			
Net tangible assets	£m	0.1	(0.6)	3.9	(4.8)	11.6	29.8			

Figure 3 Blue Prism key data and consensus forecasts. Source: Bloomberg Finance L.P., company filings.

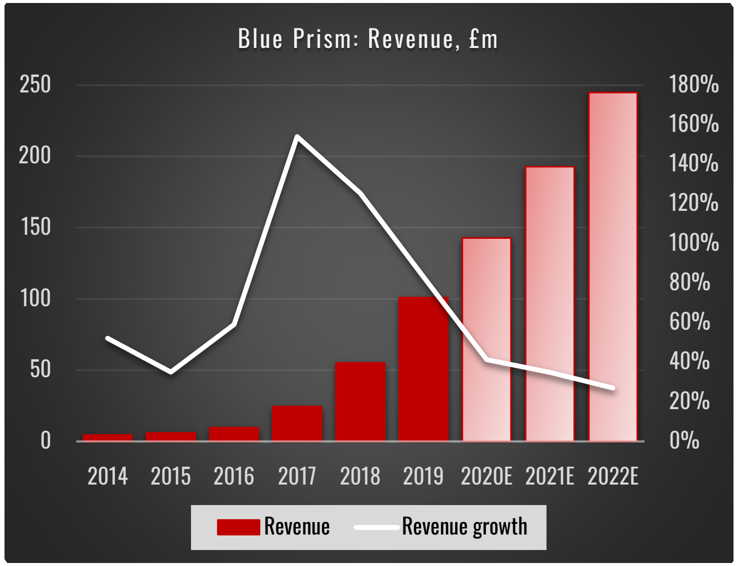


Figure 5 Blue Prism revenue and consensus forecast. Source: Bloomberg Finance L.P., company filings.

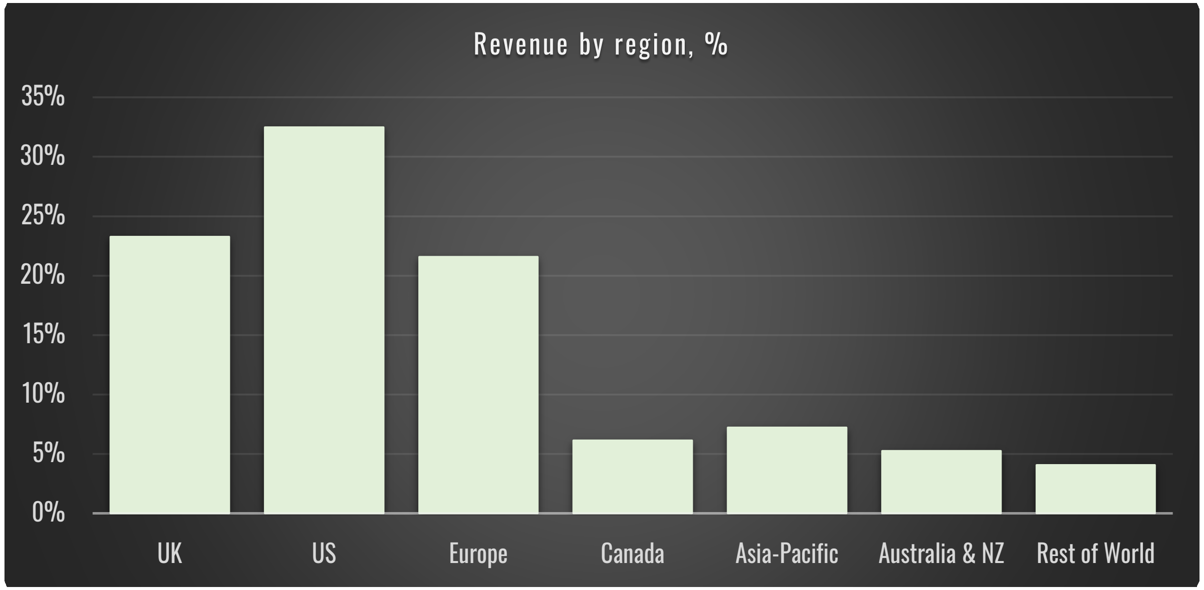


Figure 4 Blue Prism 2019 revenue by region. Source company filings.

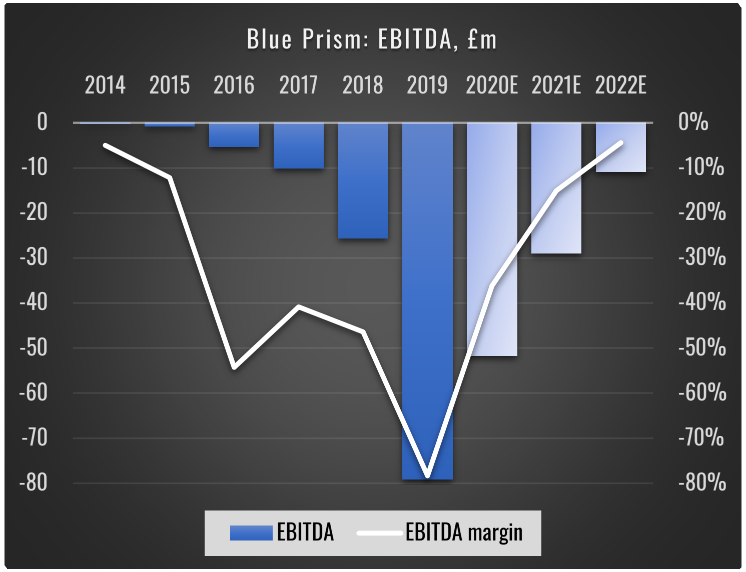


Figure 6 Blue Prism EBITDA and consensus forecast. Source: Bloomberg Finance L.P., company filings.

Key developments

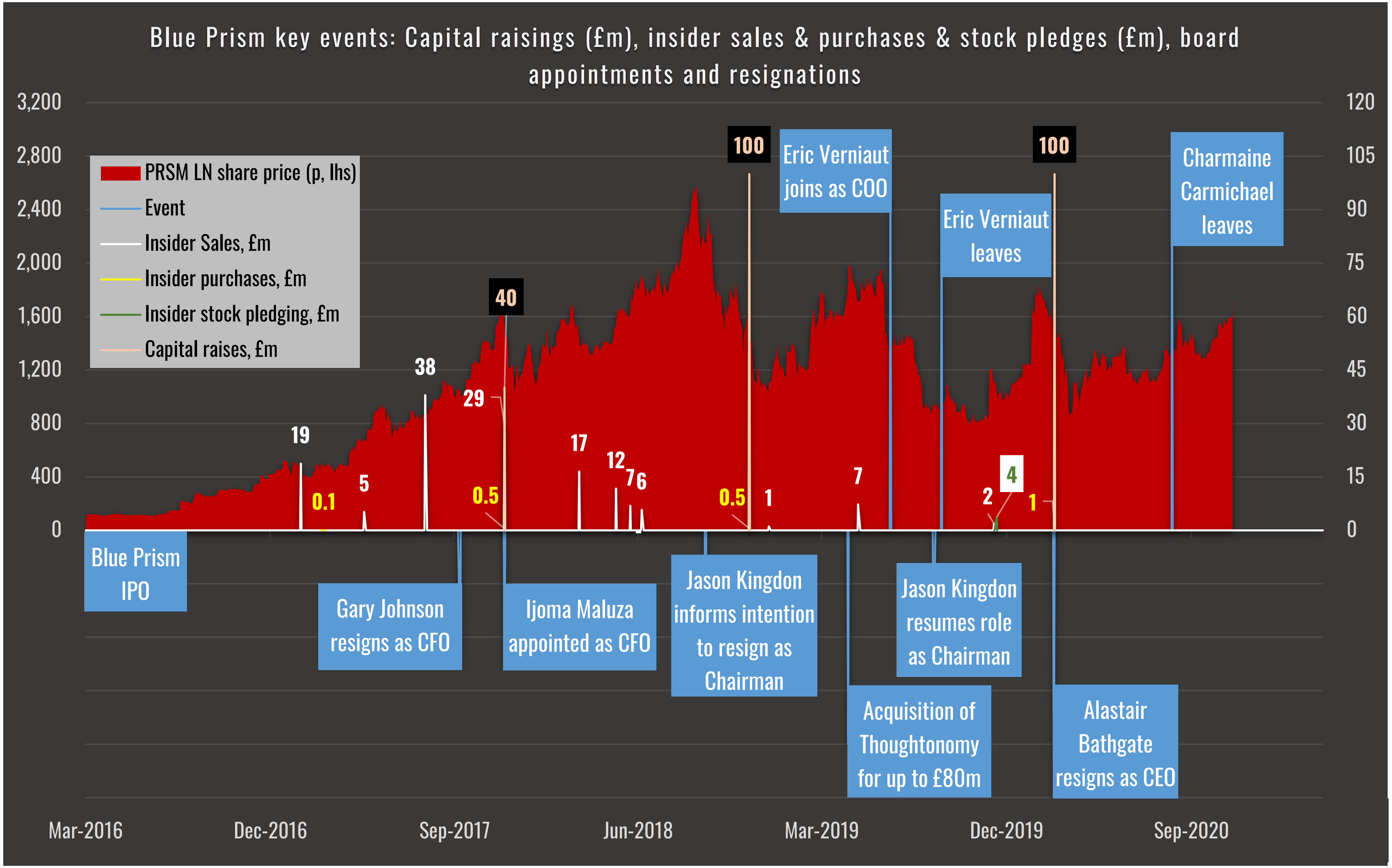


Figure 7 Blue Prism key events. Source: Company filings, Bloomberg Finance L.P., ShadowFall.

Blue Prism and the Robotic Process Automation 'Space Race'

According to the research and advisory company Gartner, Blue Prism is a leading provider of Robotic Process Automation (RPA) services, even though it trails UiPath and Automation Anywhere in both revenue and market share. We also note that Gartner has previous form in championing loss-making or even fraudulent companies, one notable example being the spectacular fraud that was Globo Plc, included in Gartner's Enterprise Mobility Magic Quadrant in 2015. To be clear, we are not suggesting that Blue Prism is a spectacular fraud like Globo. We're simply highlighting that Globo was a fraud and it was listed in Gartner's EMM Magic Quadrant. So, we believe that these sorts of publications are best viewed as little more than marketing documents, much like some audited accounts.

Fortunately for Blue Prism's investors, the RPA market is a fast-growing market, estimated to be worth c. US $1.9 billion in 2020, and forecast by Gartner to grow to US $2.4 billion by 2022. Unfortunately for Blue Prism's investors, competition in the sector is fierce and there are several larger peers who have raised significant capital over recent years, which appears to be resulting in those peers taking considerable market share. By contrast, Blue Prism's market share has been relatively static.

We believe that if Blue Prism wishes to increase its market share, then its investors may have to brace themselves for further and repeated capital raises and unless the existing investors participate in these raises, then they could face material dilution.

Company	Revenue, $m				Market share			
	2017	2018	2019	2020	2017	2018	2019	2020
UiPath	16	115	350	700	3%	14%	25%	37%
Automation Anywhere	74	108	250	500	14%	13%	18%	26%
Blue Prism	33	70	134	190	6%	8%	10%	10%
NICE	36	62			7%	7%		
Pegasystems	29	41			6%	5%		
Kofax	10	37			2%	4%		
NTT-ATT	5	29			1%	3%		
EdgeVerve Systems	16	21			3%	2%		
OpenConnect	15	16			3%	2%		
HelpSystems	10	14			2%	2%		
Others	273	334	666	510	53%	39%	48%	27%
Total	**517**	**846**	**1,400**	**1,900**	**100%**	**100%**	**100%**	**100%**
Gartner data								
Wikibon data								
Bloomberg consensus								

Figure 8 RPA market data. Source: Gartner, Wikibon, Bloomberg Finance L.P., ShadowFall.

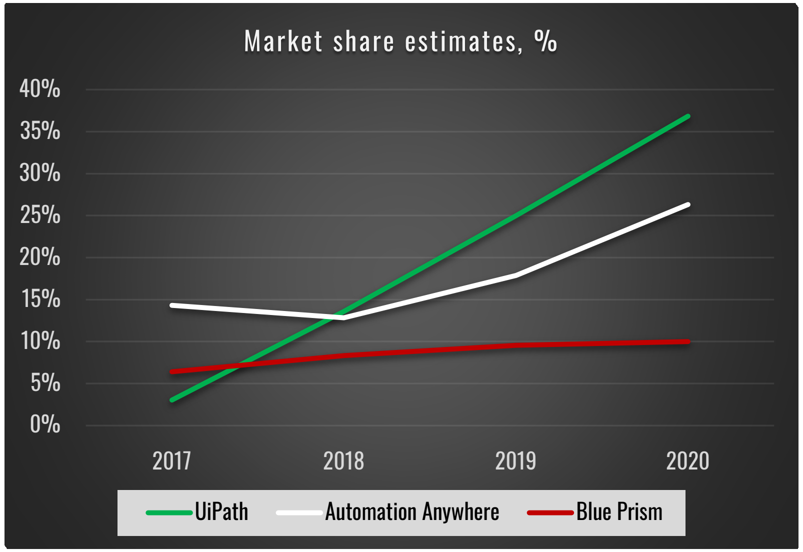


Figure 9 RPA market data. Source: Gartner, Wikibon, Bloomberg Finance L.P., ShadowFall.

The competition appears to us to be winning

Gartner puts Blue Prism in the Leaders section of its "Magic Quadrant for Robotic Process Automation", alongside other RPA leaders such as UiPath and Automation Anywhere. Both UiPath and Automation Anywhere have raised significant capital, resulting in each company taking considerable market share.

UiPath

UiPath started out in 2005 in Bucharest and is now headquartered in New York, USA. UiPath reports having 7,000+ enterprise customers and has raised over $1.2 billion to a valuation of $10.2 billion.

In its latest funding round from July 2020, UiPath raised $225 million, and reportedly had grown its RPA and Artificial Intelligence (AI) annual recurring revenue from $100 million to over $400 million in 24 months. Industry sources project UiPath to grow its revenue to US $700 million in 2020 or by 100% compared to 2019.

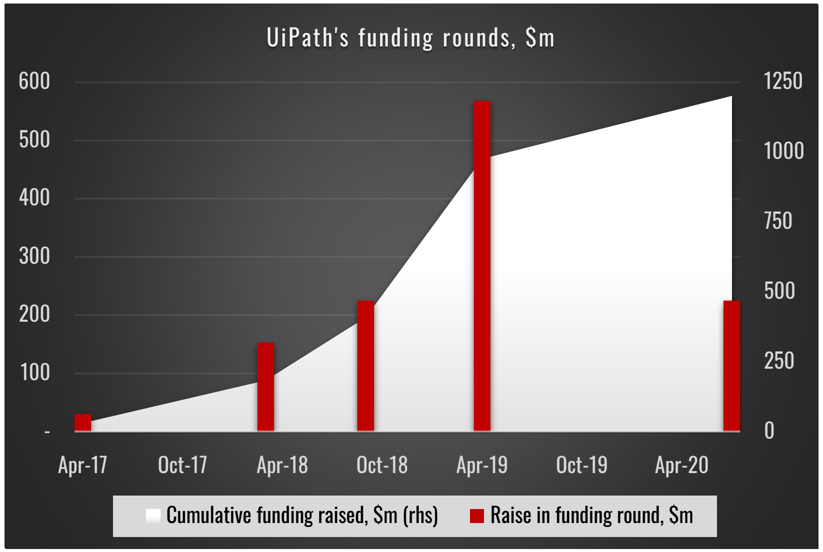


Figure 10 UiPath funding rounds. Source: UiPath

UiPath Funding Rounds

Date	Series	Funding $m	Recurring Revenue (ARR) $m	Valuation raised at $m	Implied ARR multiple x	Customers #	Employee base #	Key funders
13 Jul 2020	E	225	400	10,200	26	7,000	na	Alkeon Capital Management, Accel, Coatue, Dragoneer, IVP, Madrona Venture Group, Sequoia Capital, Tencent, Tiger Global, Wellington, T. Rowe Price Associates
30 Apr 2019	D	568	200	7,000	35	na	2,500	Coatue, Dragoneer, Wellington, Sands Capital, T. Rowe Price Associates, Accel, CapitalG, Sequoia, IVP, Madrona Venture Group
18 Sep 2018	C	225	100	3,000	30	1,800	1,700	CapitalG, Sequoia Capital, Accel,
06 Mar 2018	B	153	na	1,100	na	700	590	Accel, CapitalG, Kleiner Perkins Caulfield & Buyers, Digital East Fund, Credo Ventures, Seedcamp
27 Apr 2017	A	30	na	na	na	200	150	Accel, Earlybird Venture Capital, Credo Ventures, Seedcamp
		1,201						

Figure 11 RPA market data. Source: Gartner, Wikibon, Bloomberg Finance L.P., ShadowFall.

Automation Anywhere

Automation Anywhere is headquartered in San Jose, USA.

The group was last valued at US $6.8 billion, when it raised US $290 million in November 2019. To date, Automation Anywhere has raised US $840 million, with capital providers including Goldman Sachs Equity, Softbank Vision Fund and Salesforce Ventures.

Industry sources indicate that Automation Anywhere has grown its revenue rapidly over the past four years, from US $74 million in FY17 to a projected US $500 million in FY20 resulting in its market share rising to c. 26%.

Automation Anywhere Funding Rounds

Date	Series	Funding $m	Valuation raised at $m	Customers #	Key funders
21 Nov 2019	B	290	6,800	na	Salesforce Ventures, Softbank Investment Advisers, Goldman Sachs Equity
15 Nov 2018	A	300	na	1,000	Softbank Vision Fund
02 Jul 2018	A	250	1,800	1,000	NEA, Goldman Sachs Equity, General Atlantic, World Innovation Lab
		840			

Figure 12 Automation Anywhere funding rounds. Source: Automation Anywhere.

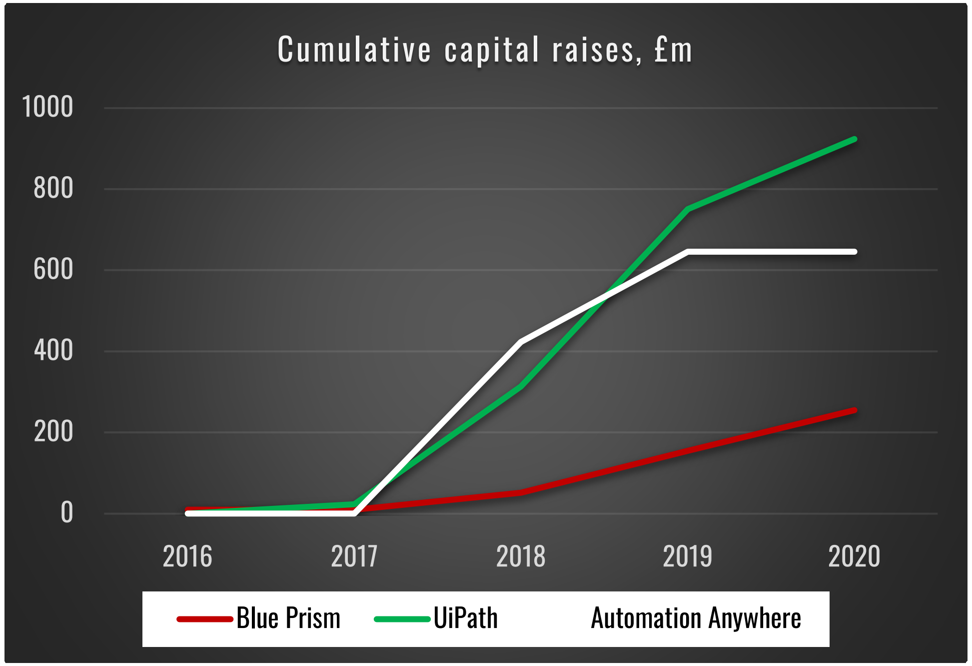


Figure 13 Capital raisings. Source: company filings.

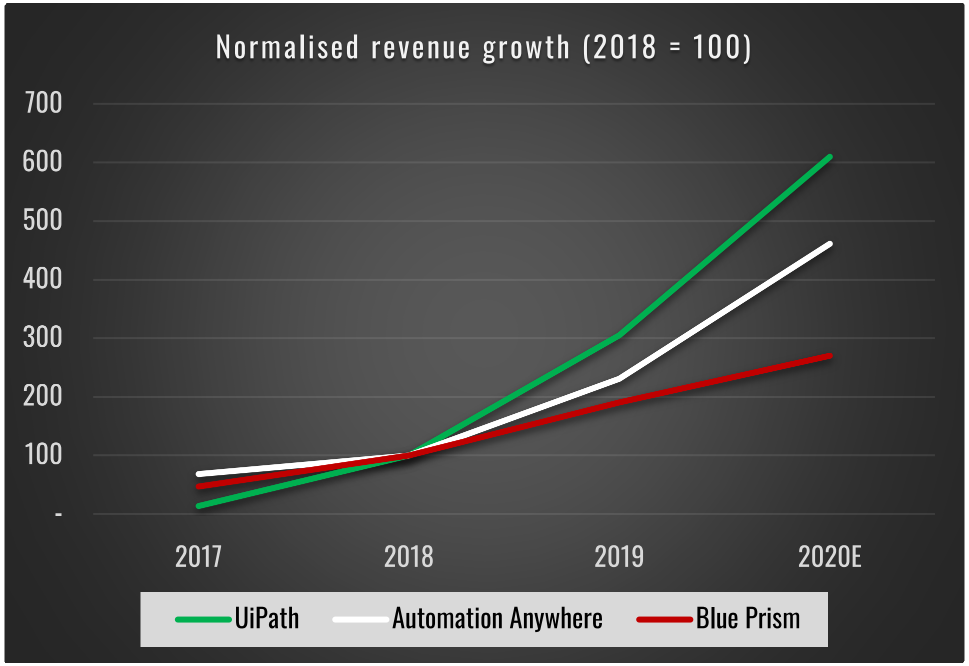


Figure 14 Normalised revenue growth. Source: Company filings, Gartner, Wikibon, ShadowFall.

Losing the 'Space Race'?

Worryingly, in our view, we note from Google Trends data, that searches for Blue Prism as a percentage of searches for Robotic Process Automation has declined rapidly over recent years. This is despite a significant increase in Blue Prism's marketing expenditure during this period. Similarly, searches for the industry leader UiPath have far outpaced those for Blue Prism. Further, we believe it is somewhat odd, **that related queries for Blue Prism sees its share price outrank related queries for RPA.**

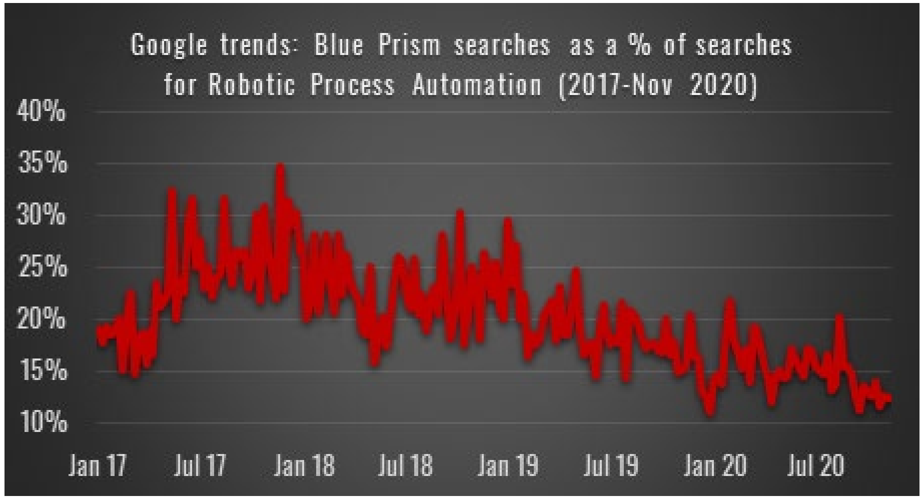


Figure 15 Search trends. Source: Google.

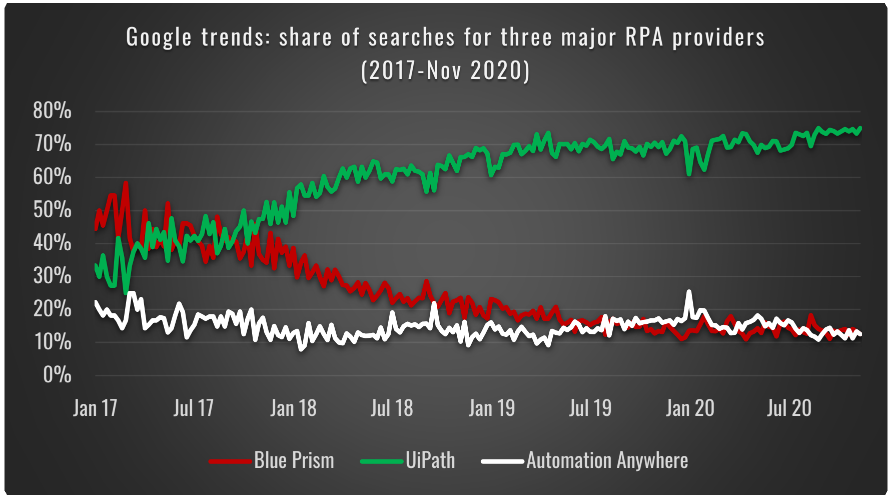


Figure 16 Search trends. Source: Google.

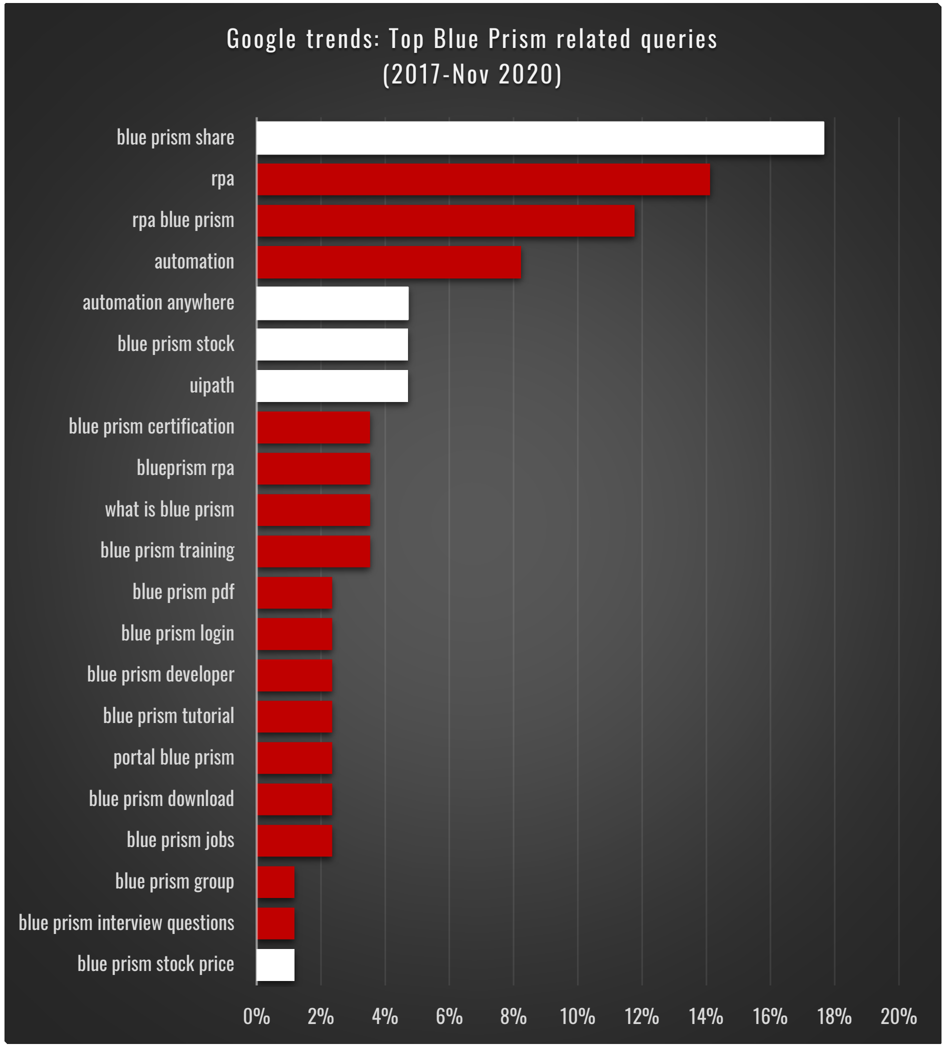


Figure 17 Search trends. Source: Google.

Robotic Process Automation (RPA) – what is it?

The RPA market is a growth market. The aim is to achieve greater operating efficiencies by automating processes that ordinarily may require human involvement.

Examples:

Website scraping – RPA software can be used for news, media, stock trading websites (among others), where specific information based on key words can be scraped and presented in a more condensed form for review. Benefits include: lower costs, relatively quick set-up, ability to collect social media data.

Customer order processing – when orders are placed with e-commerce websites, the data has to be packaged up, to accurately fulfil despatch of the orders and also used to maintain inventory records. Benefits include: an improved customer experience, elimination of manual entry time and improved accuracy of data, reduced costs.

Processing of incoming customer email inquiries – high traffic email processes can be segregated to relevant inquiry groups allowing responses to be performed more easily. Benefits include: increased scale and scope of email campaigns, cost savings.

Call center operations – website scraping for easier access to potential customer information. Benefits include: shorter average call duration, reduced errors, automated responses and triggers.

Payroll processing – extraction of hand written data from timesheets and calculation of pay and bank transfer. Benefits include: generation of accurate payslips, faster payroll circulation, calculation of expenses, bonuses and holidays.

Underwriting processing – processing customer details who request details regarding insurance products and ensuring those details are maintained.

Credit card applications – Banks can use RPA software robots to perform initial credit card applications, gathering requisite documents, making credit checks, making decisions on eligibility for credit.

DETERIORATING METRICS? THE IMPLICATIONS OF FY21 CONSENSUS EXPECTATIONS LOOK A TALL ORDER

We believe that some of the metrics which Blue Prism provides, if thought through, would imply a significant deterioration in the performance of the business and a remarkable turnaround necessary to achieve consensus forecasts.

Take for example the metric "Exit monthly recurring revenue" (MRR). Blue Prism reported MRR to be £11.6m at the end of 1H20. This compares to £10.4m in MRR reported for the end of 2H19 (£9.7m ex-Thoughtonomy). Essentially MRR had increased by £1.2m in the six-month period to 30 April 2020. By 2H20 the exit MRR was reported to be £12.8m; another increase of £1.2m (including Thoughtonomy) in the six month period. We would caveat that this has likely been affected by the economic impact of Covid-19 (C-19).

Nonetheless, despite the likely ongoing impact of C-19, consensus projects revenue of £192.7m during FY21 (FY20: £141.7m). We calculate this to imply that Blue Prism needs to increase its FY21 exit MMR by £6.5m to meet the consensus forecast. **This level of gain would be 2.3x higher than the average the group has achieved each year since FY17 (see figure 18). We view this prospect as unlikely.**

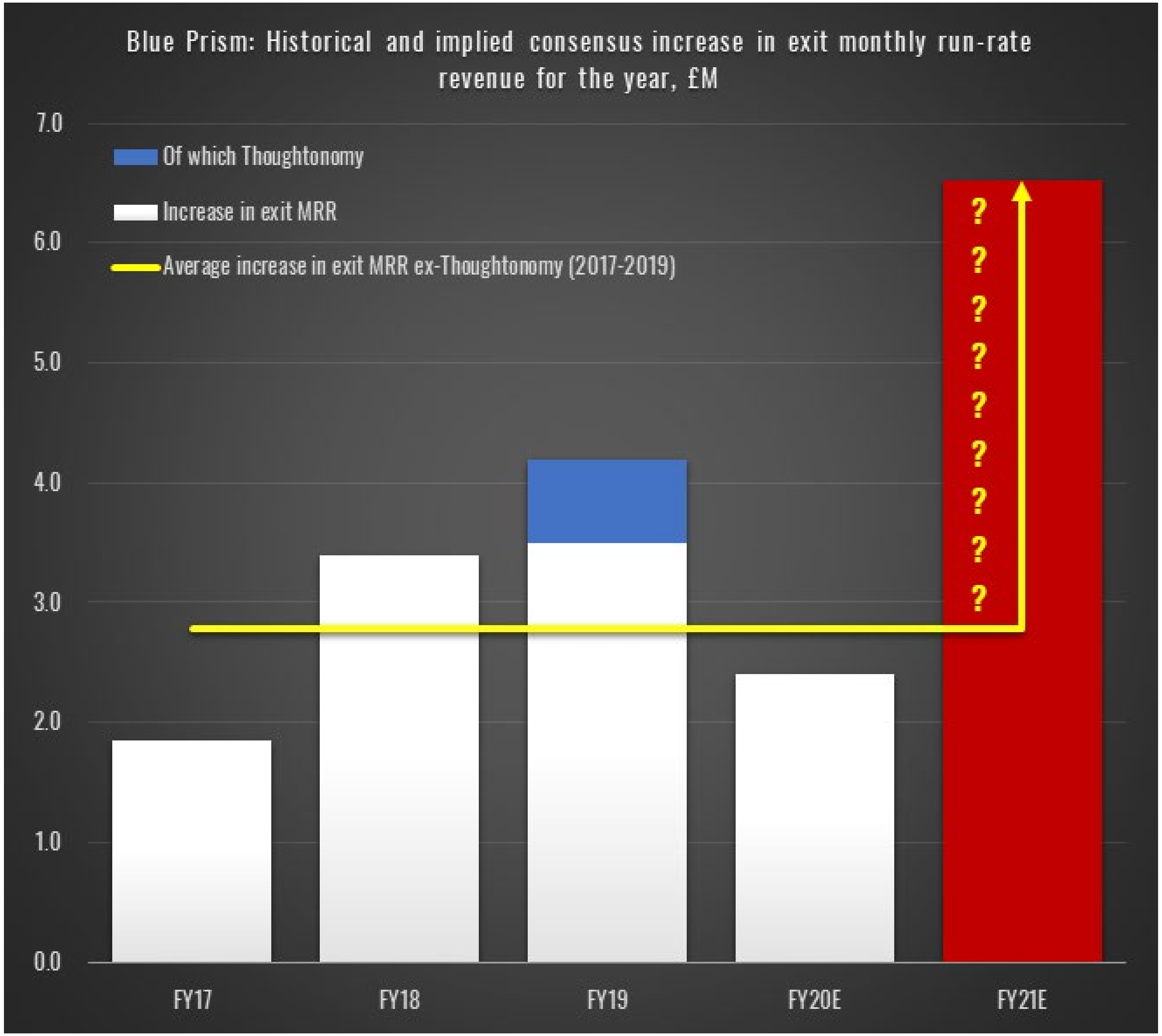


Figure 18 Implied historical average monthly run-rate revenue growth & consensus. Source: Company filings, Bloomberg Finance l.P., ShadowFall calculations.

FEWER CUSTOMERS WON

In the FY19 trading update, Blue Prism reported that it added 685 **NET new customers** during 2019. In the FY20 trading update, Blue Prism reports winning 490 new customers. **No longer is this a net figure**, meaning we do not know how many customer the group lost during the year. What we do know is that Blue Prism ended FY19 with 1,677 customers, lost 68 customers in 1H20, and added 255 customers in 1H20. If 490 new customers were added for the full year, FY20, then this implies that 235 new customers were added in 2H20. Blue Prism's customer wins have fallen for the third consecutive half year.

AND INCREASED CUSTOMERS LOST?

In the FY19 trading update, Blue Prism reported that its customer base was 1,677 at 31 October 2019. By the time of the FY20 trading update, the customer base is somewhat vaguely detailed as over 2,000. We presume it is closer to 2,000 than 2,100 otherwise this would have likely been stated. Why so specific in FY19 but not in FY20? Maybe because of the implications of increased losses?

In 1H20, Blue Prism indicated that it lost 68 customers. If Blue Prism started the year with 1,677 customers, lost 68 in 1H20, gained over 490 customers for FY20, and ended up with 2,010 customers by year end, then this would imply that the group lost 89 customers in 2H20 and 157 customers in FY20. Hence, **we calculate that in FY20, Blue Prism lost 9.4% of its starting customer base** (FY19: 4.1%).

With such a rise in lost customers it is no wonder that in FY20 Blue Prism changed the language around its retention rates.

FY19: "The Group added 685 net new customers during 2019 while maintaining a **customer retention rate of 96%** (2018: 97%)."

FY20: "The Group added over 490 new customers during 2020 while maintaining a **gross revenue retention rate of around 98%**."

Figure 19 Blue Prism additional new customers won during the period. Source: Blue Prism, ShadowFall calculations.

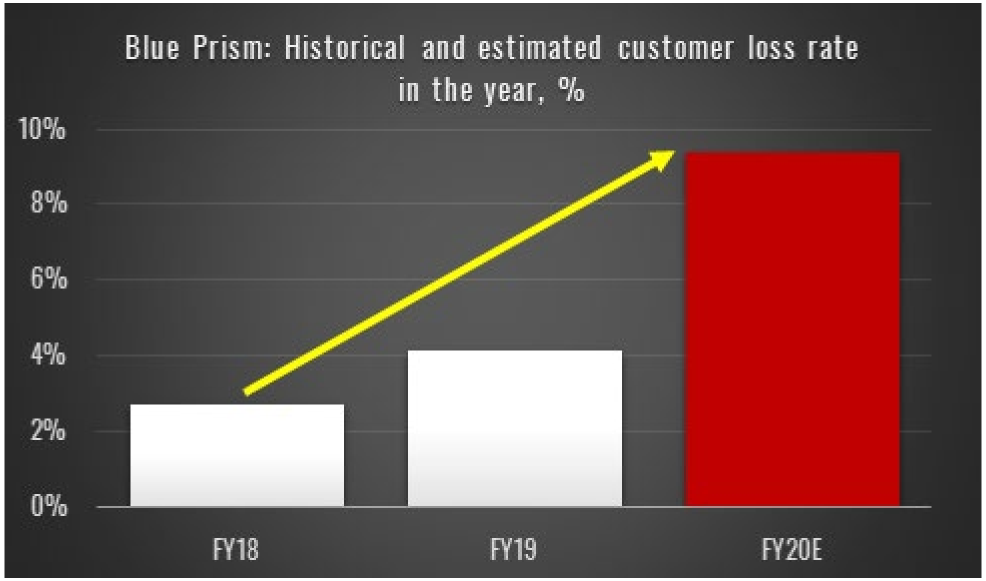


Figure 20 Blue Prism percentage of starting period customers lost during the year. Source: Blue Prism, ShadowFall calculations.

FURTHER DECLINES IN UPSELLS?

Blue Prism claims significant success in upselling to its customers.

For example, in its **FY19 trading update**, the group announced:

> "In 2019 the Group demonstrated its future upsell potential with significant success with the existing customer base **resulting in 1,139 upsells into 544 customers**."

However, in its **FY20 trading update**, Blue Prism details:

> "Upselling activity showed early signs of recovery in the second half of 2020 driving full year net revenue retention rate to improve to 113% (from 110% in the first half of 2020). **Over a third of the customer base at the year-end 2019 added extra licences to their digital workforce during the year**."

Blue Prism started FY20 with 1,677 customers. If over a third of that customer base added extra licences during the year, then this suggests that c. 559 customers were upsold during FY20. On the face of it this sounds encouraging.

However, in its [1H20 results], Blue Prism reports:

> "During the period Blue Prism upsold 635 times into 373 customers . . . "

But if there were 635 upsells in 1H20 and for the full year FY20, a third of the starting year customer base, c. 559 customers, added extra licences, then this would imply that 186 customers were upsold in 2H20.

Assuming the 2H20 upsold customers took as many upsells (1.7 per customer) as those that did in 1H20, then this would suggest 317 upsells in 2H20.

We calculate that this would imply that upsells per opening customer had fallen for the sixth consecutive half year period, to 17% in 2H20 from 67% in 2H17.

However, Blue Prism states that "upselling showed early signs of recovery in the second half [2H20]". Maybe the recovery came in the last few months of 2H20?

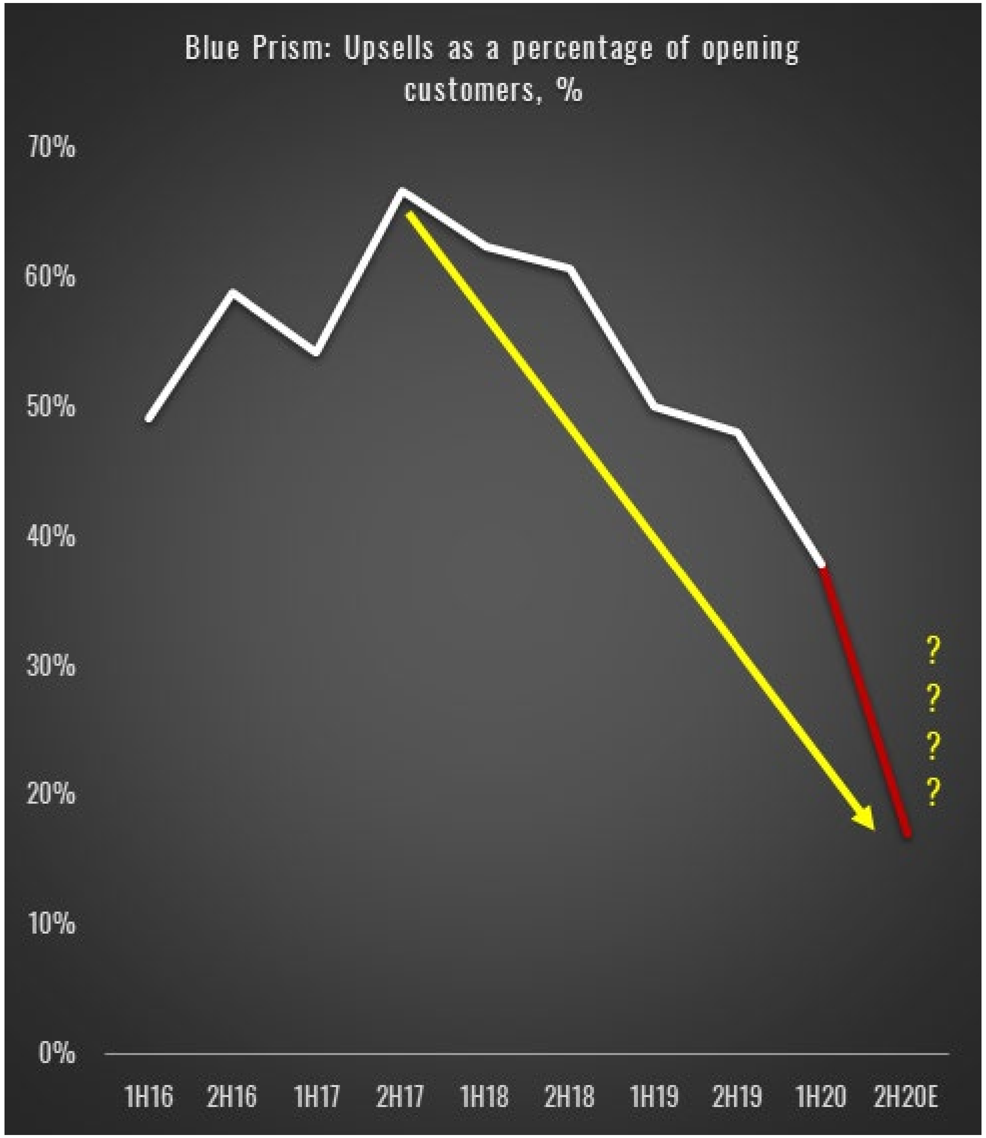


Figure 21 Blue Prism upsells as a percentage of opening customers. Source: Blue Prism, ShadowFall calculations.

SMALLER SIZE DEALS?

- ☑ Blue Prism's customer base has risen sharply over recent years from 153 customers in FY16 to over 2,000 customers in FY20.
- ☑ Recurring revenues have also risen sharply, from 85% of sales in FY16 to 98% of sales in 1H20.

However,

- ☒ Revenue per average customer appears to have declined sharply, from £55,422 per customer in 1H16 to £37,790 per customer in 1H20.

Given the group is reporting increasing customers and higher recurring revenue, but a diminishing average revenue per customer and upsell rate, it appears to us that Blue Prism could be retaining customers but on less beneficial terms, facing pricing or competitive pressure, or a combination of all these factors.

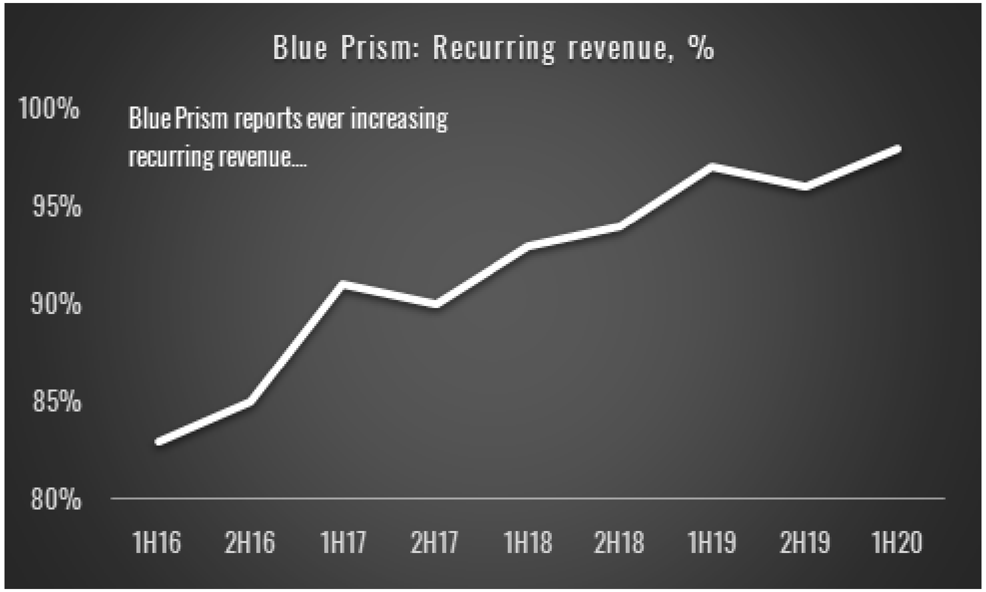


Figure 22 Blue Prism reported recurring revenue percentage. Source: Blue Prism, ShadowFall.

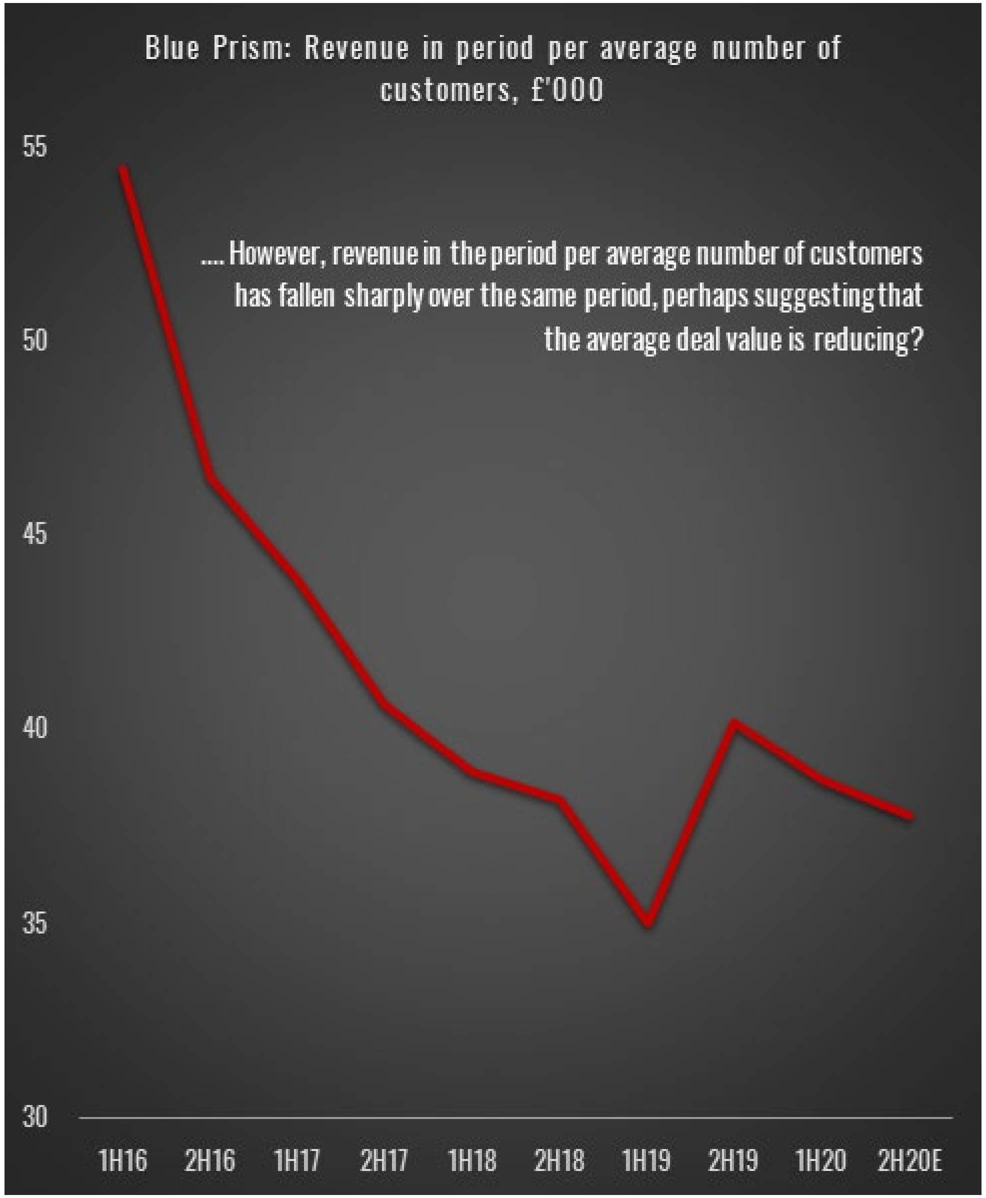


Figure 23 Blue Prism revenue in the period per average number of customers in the period. Source: Blue Prism, ShadowFall calculations.

Sales and marketing employees appear to be showing diminishing sales returns

Blue Prism's headcount has risen sharply over recent years, from an average of 64 employees in FY16, to an average of 1,005 employees in 1H20. Growth has been strong among the sales and marketing base. However, revenue per average sales and marketing employee has declined rapidly during this same period. It appears to us that Blue Prism's ever-increasing headcount has become less capable of winning new business. In figure 25 below we show how this revenue per average sales and marketing employee trend has developed and demonstrated how it needs to improve if Blue Prism wishes to constrain its employment base at its current level but also meet consensus revenue forecasts. Unless this trend can be improved, in our view the only way that Blue Prism can hope to meet its consensus revenue forecast is to employ considerably more sales employees. Naturally this comes at a cost, which we believe supports our view that Blue Prism has little prospect to become meaningfully profitable in the medium-term and possibly in the longer-term.

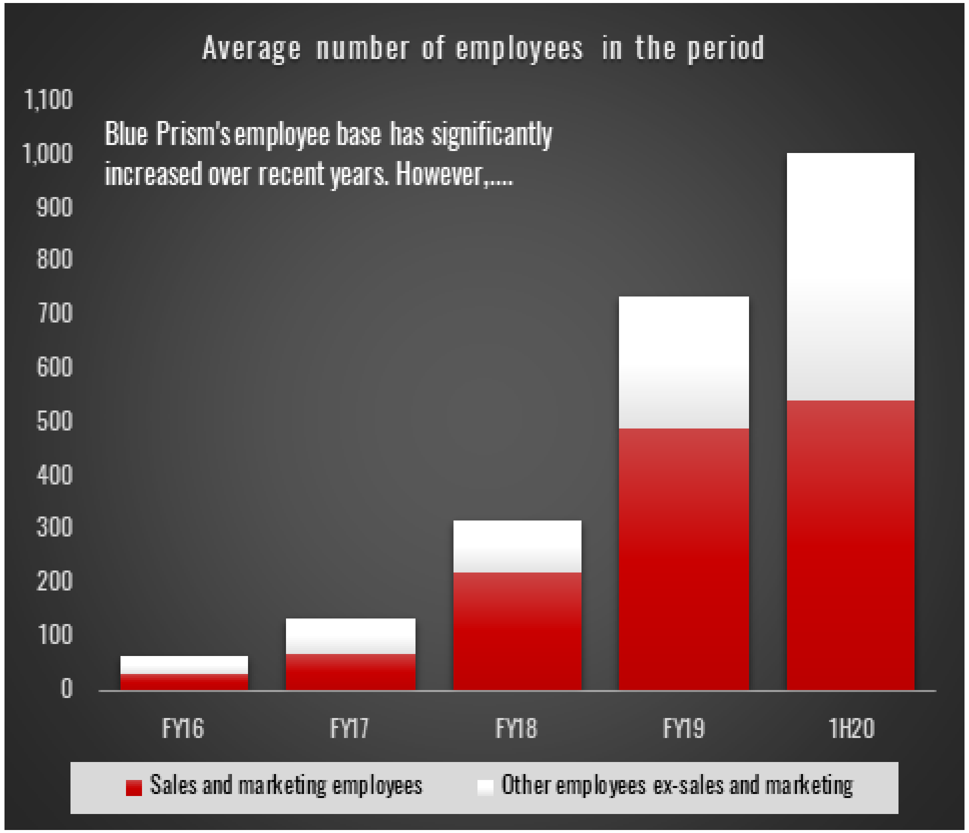


Figure 24 Blue Prism average number of employees in the period. Source: company filings, ShadowFall calculations.

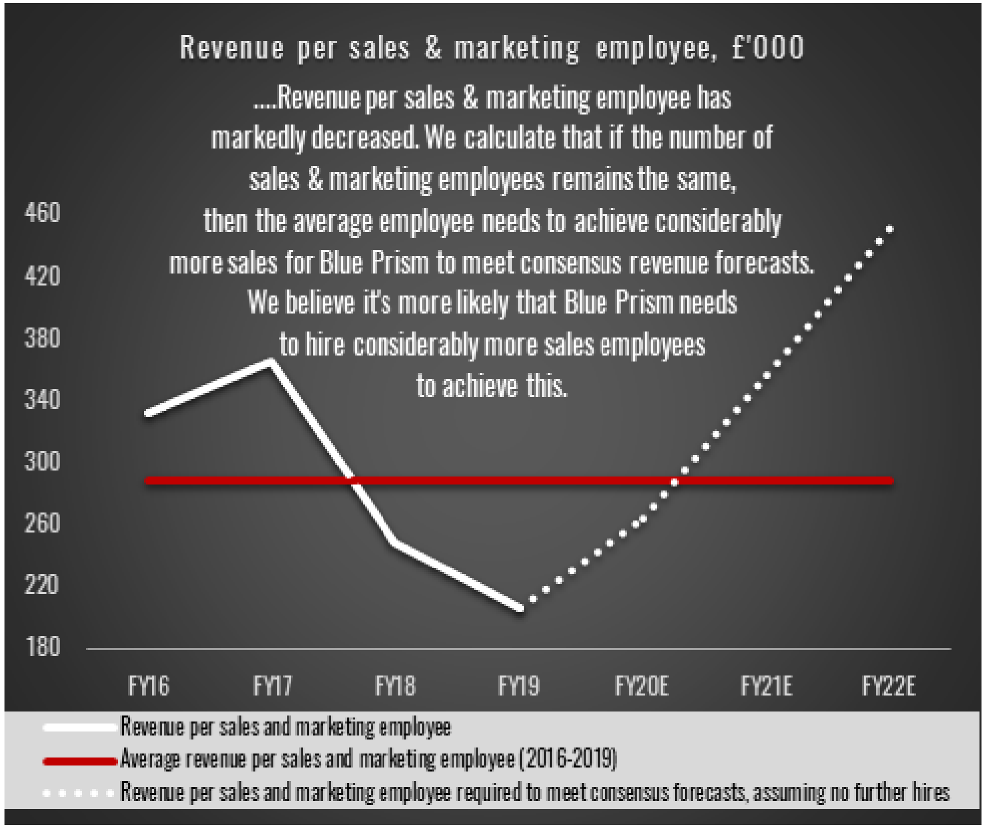


Figure 25 Blue Prism revenue per average number of sales & marketing employees in the period. Source: company filings, ShadowFall calculations.

Revenue per average customer stalling but spending ever more on travel, entertaining and marketing to win customers.

During the three years to FY19, whilst Blue Prism has experienced a decline in revenue per average customer, the group has **also had to spend ever-increasing amounts on travel, entertaining and marketing (TEM).**

In FY17, Blue Prism spent a combined £5.8m on TEM. By FY19, this had risen to £40.5m, so that the increase in TEM costs per net customer wins had risen from an average of £13k per additional customer in FY17, to £37k per additional customer in FY19.

Despite the increase in TEM spending, we believe that Blue Prism is demonstrating very little pricing power; and it appears to us that what success it achieves in growing its customer base has been mainly driven by growing its TEM expenditure. This does not strike us as an encouraging trend for a company which is ultimately seeking to become profitable. We believe that a key reason Blue Prism's EBITDA loss was inside of consensus is likely due to lower travel and entertaining costs in 2H20.

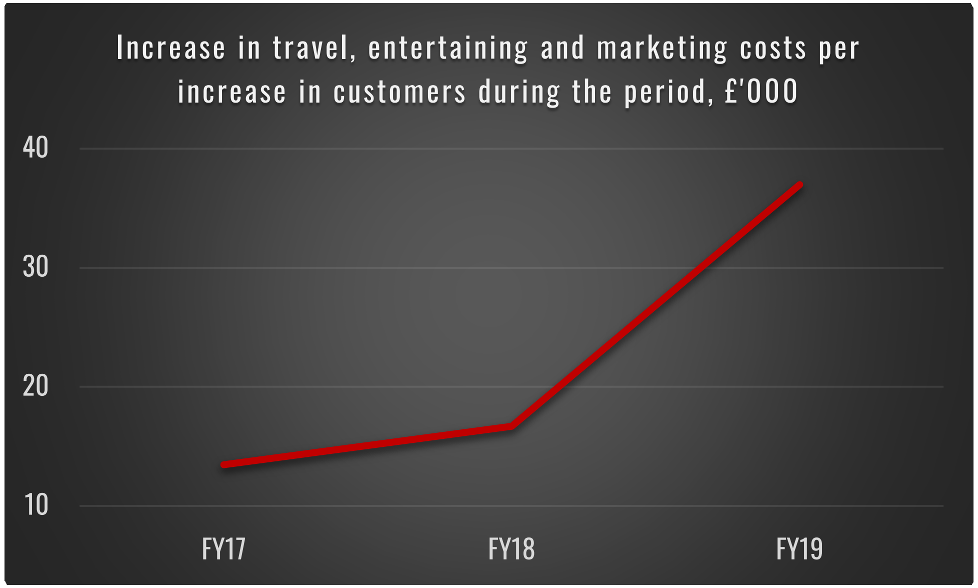


Figure 26 Blue Prism increase in travel, entertaining and marketing costs per increase in customers during the period. Source: Company filings, ShadowFall calculations.

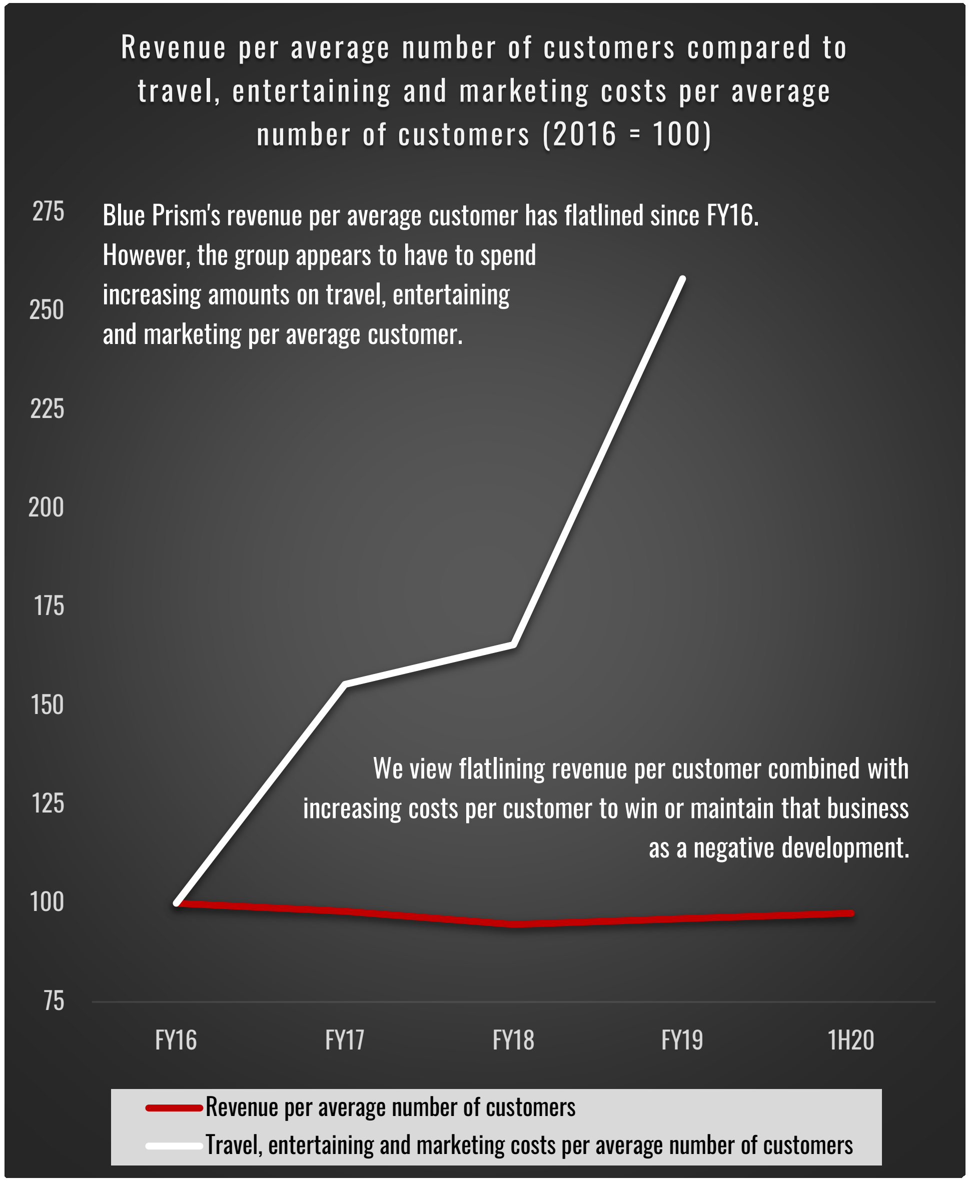


Figure 27 Blue Prism revenue per average customer compared to increase in travel, entertaining and marketing costs per increase in customers during the period. Source: Company filings, ShadowFall calculations.

Commission rates leave us wondering whether Blue Prism's business benefits its salesforce or its shareholders?

We believe that Blue Prism pays its sales staff eye-watering commission rates. For example, in FY19, Blue Prism paid out £28.1 million in commission representing 28% of its total revenue for the year and an astonishing 61% of additional revenue gained in the year. The company may contend that commissions are paid out on contractual revenues that will last for several years, however, the commissions are paid upfront, not over the duration of the contract. Given our concerns regarding the quality of Blue Prism's trade receivables (page 20), we question whether this upfront payment policy is appropriate. It appears to us, that **as of FY19, the group even began paying commissions on contract renewals**. In FY19, excluding commission, we calculate that the average Blue Prism employee was paid £104k. Sales and marketing staff made up 66% of the total staffing levels in FY19. With such high base salary rates across the group, in our view it begs the question why generous base pay is required when commission rates are also sizeable?

Further questions we have include:

1. What is the actual commission rate paid on the value of a contract?
2. How secure are contracts on which commissions have already been paid out?
3. Why does Blue Prism pay out commissions to its sales employees upfront and not defer commissions over the life of the contract to which they relate?
4. What happens with contract cancellations or if a client fails to pay?
    a. Does the salesperson return the commission?
5. Did the commission policy change in FY19 to include upsells or renewals on existing contracts? If so:
    a. Why when retention rates are so high at 98% is commission paid on renewals?
    b. Is the commission rate the same on an upsell or renewal or higher or lower?
    c. Does this imply that Blue Prism has become more concerned about customer retention or its ability to upsell, and as a result decided to further incentivise its sales employees?

We discuss Blue Prism's salary costs further in this note on pages 28-29.

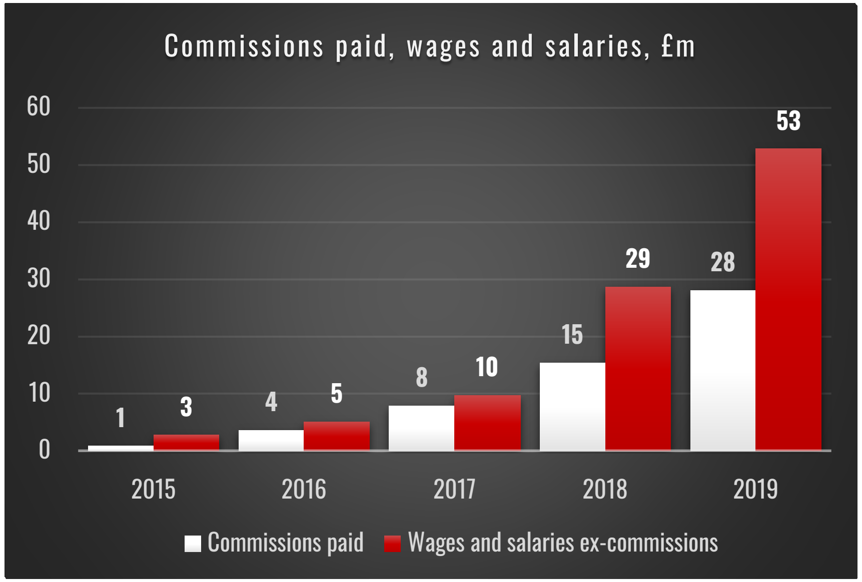


Figure 28 Blue Prism commission paid compared to wages and salaries. Source: Company filings, ShadowFall.

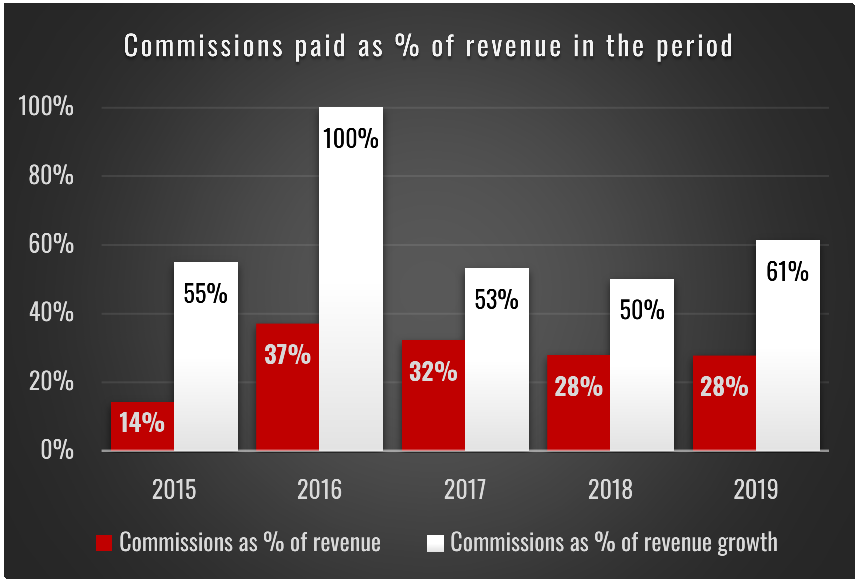


Figure 29 Blue Prism commission paid as a percentage of revenue growth. Source: Company filings, ShadowFall calculations.

IFRS 15, THE £4M REVENUE TAILWIND, £20M EBITDA TAILWIND AND THE WORKING CAPITAL DRAG

Blue Prism first implemented IFRS 15 - revenue from contracts with customers - on November 1, 2018 for FY19. The accounting standard implements a new framework for the booking of revenues in contracts and the associated costs in winning or delivering upon contracts.

Blue Prism reported that 'recurring licence revenue' accounted for 96% of total revenues in FY19. The impact from the new accounting standard has been significant. Below, we detail key changes to Blue Prism's accounting:

Costs to obtain contracts (code for Blue Prism's sizeable commission programme) are now capitalised and expensed over the life of the contract. Blue Prism state that the typical life of a contract is taken to be three years. Prior to IFRS 15 the commission payments were expensed in full upon the acquisition of a contract as part of COGS.

The effect of this is significant. Firstly, we note that there is no change to Blue Prism's commission policy. Blue Prism states that commissions are still paid in cash, in full, upon the receipt of cash from the first invoice of the contract. Commissions are calculated on a percentage of the total contract value, which Blue Prism states is between "the total contract value and half the contract value". If a contract has a typical life of three years this would imply that the typical life of a contract on which commissions are paid is between 1.5 and 3 years. One could cynically argue that the amortisation period for commissions capitalised should therefore fall between this range rather than at the maximum of the range. However, this would present a marginal further tailwind to EBITDA for the group.

The timing of the cashflow is unchanged, although there is now a material mismatch between the P&L and cashflow statements. Approximately 1/3 of the commission is expensed in the first year through the P&L however the full cash expense goes through the cashflow statement in the same year. This would inflate EBITDA whilst reducing cash conversion.

More aggressive revenue recognition. Blue Prism states that [our bold for emphasis]:

> *"Under previous accounting policies,* ***the Group recognised the entire price as revenue on a straight-line basis over the subscription term****. Under IFRS 15,* ***a portion of the transaction price will be recognised upon delivery*** *of the initial software (the licence) at the outset of the arrangement with the* ***remainder recognised over the term of the contract****"*

As a result of IFRS 15 and the identification of new performance criteria, namely the licence delivery, revenue is now recognised sooner by Blue Prism than under the previous account standards. In FY19 this was a £4.2m tailwind to revenue.

The **presentation of the impact of IFRS 15** we believe could be unclear. The figure below shows the presentation of the revenue and operating loss of the group under IFRS 15 and the prior accounting standard IAS 18. On a first glace it could appear to the reader that IFRS 15 results in less favourable figures being presented by Blue Prism, however the exact opposite is true. IFRS 15 has improved profitability by £20.2m in the year and increased revenue recognised in the year by £4.2m.

1 Accounting policies continued

Quantitative impact of policy changes on consolidated income statement

	Statutory as reported under IFRS 15 £'m	Impact of IFRS 15 £'m	Statutory under IAS 18 £'m
Revenue	101.0	(4.2)	96.8
Operating loss	(81.4)	(20.2)	(101.6)

Figure 30 Blue Prism IFRS 15 impact on the P&L, Source: Company filings

Trade receivables: Quality deterioration and ageing inconsistencies?

In FY19, Blue Prism began applying IFRS 9 – financial instruments – to how it reports its trade receivables. The accounting standard attempts to capture the difference between all contractual cash flows that are due (such as trade receivables) to a company, in accordance with the contract, as compared to all the cash flows that the company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. Ageing of receivables would likely be a key characteristic of credit risk associated with the receivables. The older the receivable is, the less likely cash collection may be for that receivable, equating to a higher credit risk.

Whereas in FY18, Blue Prism reported its trade receivables in age ranges of days overdue, from FY19 Blue Prism began reporting all its trade receivables (not just those overdue) in age ranges and with an expected credit loss associated with each age range. For example, as figure 30 shows, **in FY19 Blue Prism reports £3.2m in receivables which are 90+ days old and attaches a 2.48% or £0.1m expected credit loss (ECL) to this stock of trade receivables**.

We note several concerns with this.

- The gross receivables which are 90+ days old equate to £3.2m. Blue Prism has then specifically impaired £0.6m of these. This is an 18.75% impairment rate, i.e. it has already assumed it will not collect 18.75% of its receivables which are 90+ days old.
- Of the remaining £2.6m in receivables, Blue Prism has then attached an ECL of 2.48%, i.e. it has made a provision of £0.1m. We believe that this seems low, when considering that it has already impaired 18.75% of its receivables in this age range.

Expected credit loss allowance on trade receivables

	<30 Days	31–60 Days	61–90 Days	>90 Days	Total
Gross trade receivables (£'m)	25.9	4.6	1.7	3.2	35.4
Less: Specifically impaired receivables (£'m)	–	–	–	(0.6)	(0.6)
Net trade receivables (£'m)	25.9	4.6	1.7	2.6	34.8
Expected credit loss rate	0.01%	0.01%	0.01%	2.48%	
Expected credit loss (£'m)	–	–	–	(0.1)	(0.1)
Net carrying amount (£'m)	25.9	4.6	1.7	2.5	34.7

In FY19, Blue Prism impaired 18.75% of its trade receivables which were 90+ days old. For the remaining balance, it determined these had a 2.48% risk of loss.

Figure 31 Blue Prism expected credit loss on receivables. Source: Company filings, ShadowFall.

In FY19, somewhat oddly in our view, Blue Prism doesn't disclose the quantum of trade receivables which were past due but not impaired. Instead it repeats the figure provided for FY18. However, by 1H20, Blue Prism does state the value of trade receivables which were past due but not impaired. This shows a sharp rise in receivables past due as a percentage of total net receivables, from 35% in FY18, to 44% in 1H20. Meanwhile, despite the significant rise in receivables past due in absolute and share terms, together with the value and share of receivables which are 90+ days old, Blue Prism significantly reduced its Expected Credit Loss (ECL) rate by a factor of 10x on 90+ days, from 2.48% in FY19 to 0.25% in 1H20. **The apparent deterioration in receivables quality is, in our view, a worrying development when considering what now looks like to us to have been a 9.4% customer loss rate in FY20.**

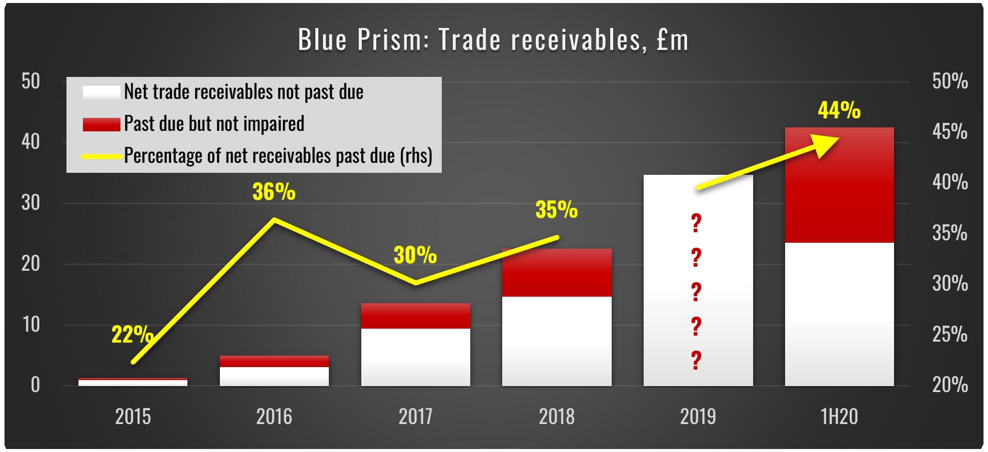
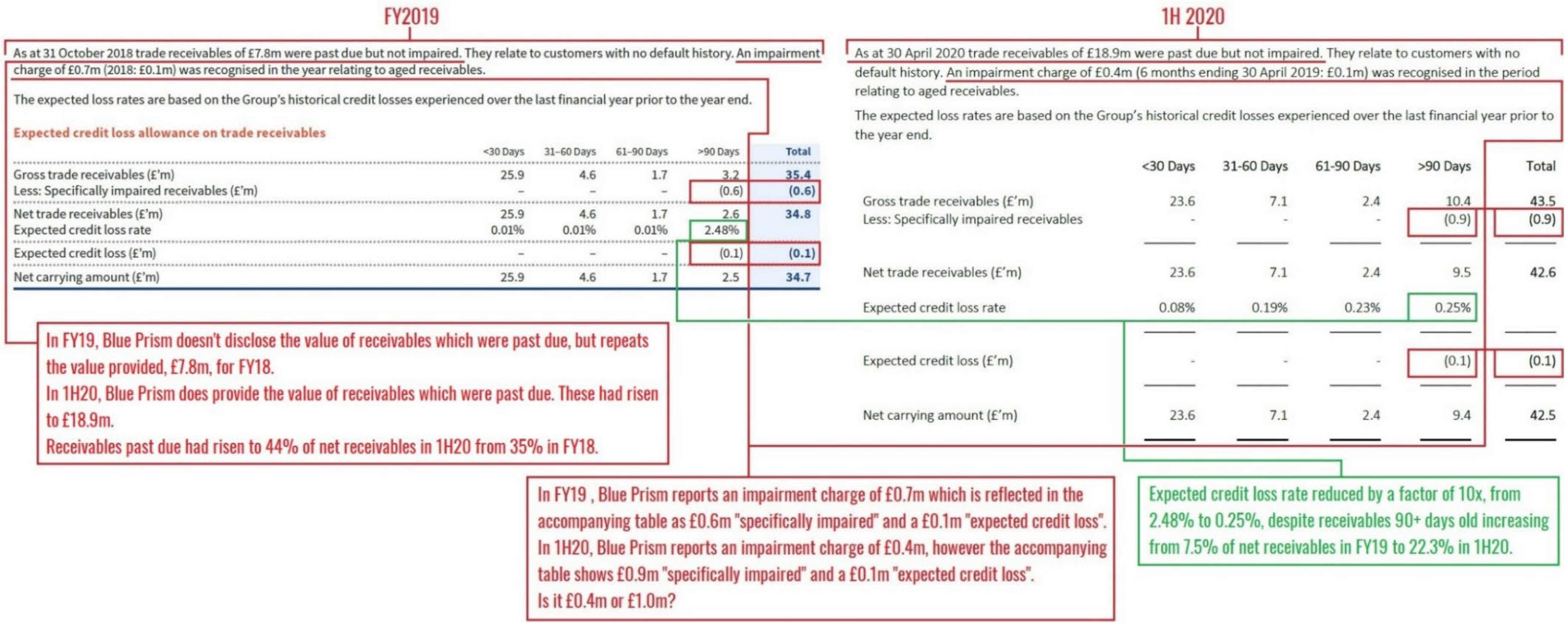


Figure 32 Blue Prism trade receivables. Source: Company filings, ShadowFall.



	<30 Days	31–60 Days	61–90 Days	>90 Days	Total
Gross trade receivables (£'m)	25.9	4.6	1.7	3.2	35.4
Less: Specifically impaired receivables (£'m)	–	–	–	(0.6)	(0.6)
Net trade receivables (£'m)	25.9	4.6	1.7	2.6	34.8
Expected credit loss rate	0.01%	0.01%	0.01%	2.48%	
Expected credit loss (£'m)	–	–	–	(0.1)	(0.1)
Net carrying amount (£'m)	25.9	4.6	1.7	2.5	34.7

	<30 Days	31-60 Days	61-90 Days	>90 Days	Total
Gross trade receivables (£'m)	23.6	7.1	2.4	10.4	43.5
Less: Specifically impaired receivables	-	-	-	(0.9)	(0.9)
Net trade receivables (£'m)	23.6	7.1	2.4	9.5	42.6
Expected credit loss rate	0.08%	0.19%	0.23%	0.25%	
Expected credit loss (£'m)	-	-	-	(0.1)	(0.1)
Net carrying amount (£'m)	23.6	7.1	2.4	9.4	42.5

Figure 33 Blue Prism trade receivables. Source: Company filings, ShadowFall.

Consistent inconsistencies between the P&L and the notes to the accounts

In FY19, within its P&L statement, Blue Prism reports operating expenses which total £173.5m (FY18: £81.1m). The statement then refers to note 6 for a breakdown of these expenses. However, when we review the costs within note 6, we notice that in FY19, they total £169.1m (FY18: £83.3m).

It is unclear to us why in FY19, the P&L expenses are listed as £4.4m higher than they are in the accompanying notes. Further, why there is a £(2.2)m discrepancy in FY18.

In fact, we note that material discrepancies between the P&L statement and the notes have occurred since FY15.

We are unable to reconcile why there is such a consistency to these inconsistencies.

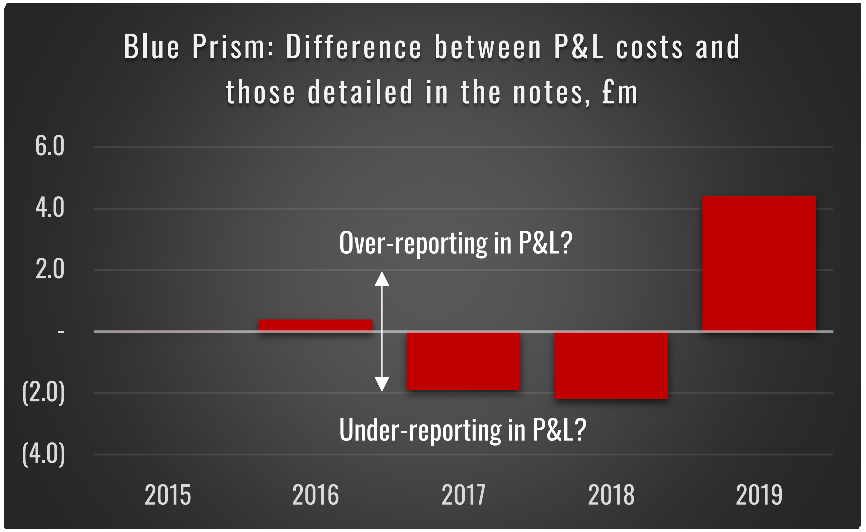


Figure 34 Blue Prism difference between P&L costs and note entries. Source: Company filings, ShadowFall.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 October 2019

	Note	2019 £'m Total	2018 £'m Total
Revenue	4	101.0	55.2
Cost of sales	5	(8.5)	–
Gross profit		92.5	55.2
Operating expenses	6	(173.5)	(81.1)
Operating expenses before share based payments		(166.3)	(77.1)
Share based payments		(7.2)	(4.0)
Net impairment losses on financial assets	13	(0.7)	(0.1)
Other operating income/tax credits		0.3	–
Operating loss		(81.4)	(26.0)
Interest received on bank deposits		0.7	–
Loss before tax		(80.7)	(26.0)
Income tax credit/(expense)	8	2.5	(0.2)
Loss after tax		(78.2)	(26.2)
Other comprehensive income/(loss)			
Exchange gains/(losses) on translation of foreign operations		1.8	(0.7)
Total other comprehensive income/(loss)		1.8	(0.7)
Total comprehensive loss for the year		(76.4)	(26.9)
Basic and diluted loss per share attributable to shareholders (p)	9	(104.96)	(39.96)

6 Operating loss

	2019 £'m	2018 £'m
Operating loss is stated after charging:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	0.2	0.1
Fees payable to the Company's auditor for other services:		
Audit of the accounts of subsidiaries	0.1	0.1
Audit-related assurance services	0.1	–
Tax services	0.1	–
Depreciation of property, plant and equipment (note 11)	0.5	0.3
Amortisation of intangible fixed assets (note 10)	1.8	0.1
Amortisation of cost to obtain contract assets (note 14)	7.6	–
Loss on disposal of property, plant and equipment (note 11)	0.2	–
Staff costs excluding share based payments (note 7)	100.0	57.5
Share based payments (note 19)	7.2	4.0
Travel and entertaining	18.8	8.1
Legal costs in respect of contracts	0.9	1.0
Research and development expense including staff costs	6.1	3.8
Marketing expense	21.7	6.3
Operating lease expense	3.8	2.0
	£169.1	£83.3

We note that while Blue Prism reports £173.5m in operating expenses in its FY19 P&L, when we refer to note 6 for the breakdown, the operating expenses appear to total £169.1m. It is unclear to us why this £4.4m discrepancy arises. We note there are further discrepancies in earlier reporting periods, for example FY18 the discrepancy is £2.2m.

Figure 35 Blue Prism difference between P&L costs and note entries. Source: Company filings, ShadowFall.

Blue Prism's FY18 accounts detailed a restatement for FY17 in relation to certain expense items. Overall FY17 operating expenses were modestly restated from £34.0m to £34.6m. The restatements included:

- An increase in share-based payments expense, from £1.1m to £1.7m.
- A decrease in audit related fees of up to £0.45m.

However, according to the notes, suddenly:

- £2.1m in R&D expenses appear which were not reported in FY17; and
- £2.6m in marketing expenses now also appear, again, which were unreported in the FY17 accounts.

Further, despite the FY18 filing showing a modest restatement of £0.5m for FY17's operating expenses in the P&L, **the notes reveal £5.3m of additional costs** which are apparently not reported in the group's P&L. Where these costs were apportioned, we do not know.

Consolidated statement of profit or loss and other comprehensive income
for the year ended 31 October 2018

	Note	2018 £'m	Restated 2017 £'m
Revenue	4	**55.2**	24.5
Cost of sales	5	–	–
Gross profit		**55.2**	24.5
Operating expense		**(81.2)**	(34.6)
Operating expenses before share based payments	6	**(77.2)**	(32.9)
Share-based payments	17	**(4.0)**	(1.7)
Operating expenses		**(81.2)**	(34.6)
Operating loss		**(26.0)**	(10.1)

6 Operating loss

	2018 £'m	Restated 2017 £'m
Operating loss is after charging:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.1**	–
Fees payable to the Company's auditor for other services:		
Audit of the accounts of subsidiaries	**0.1**	0.1
Audit-related assurance services	–	–
Tax services	–	–
Depreciation of property, plant and equipment	**0.3**	0.1
Amortisation of intangible fixed assets	**0.1**	–
Staff costs (note 7)	**57.5**	25.4
Travel and entertaining	**8.1**	3.2
Legal costs in respect of contracts	**1.0**	2.6
R&D expenses	**4.0**	2.1
Marketing expenses	**6.3**	2.6
Operating lease expense: Other	**2.0**	0.4

36.5

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2017

Blue Prism Group plc **ANNUAL REPORT AND ACCOUNTS 2017**

	Note	2017 £'000	2016 £'000
Revenue	4	**24,498**	9,644
Cost of sales	5	**(15)**	(67)
Gross profit		**24,483**	9,577
Operating expense		**(34,031)**	(14,851)
Operating expenses before share-based payments, IPO expenses and foreign exchange gains	6	**(32,862)**	(14,309)
Share-based payments		**(1,131)**	(362)
IPO expenses		**–**	(502)
Foreign exchange gains		**(38)**	322
Operating expenses		**(34,031)**	(14,851)
Operating loss		**(9,548)**	(5,274)

6 Operating loss

	2017 £'000	2016 £'000
Operating loss is after charging:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**10**	6
Fees payable to the Company's auditor for other services:		
Audit of the accounts of subsidiaries	**83**	36
Audit-related assurance services	**2**	19
Tax services	**32**	4
Corporate finance services	**–**	140
Depreciation of property, plant and equipment	**105**	39
Staff costs (note 7)	**24,841**	10,549
Travel and entertaining	**3,173**	1,439
Legal costs in respect of contracts	**2,559**	1,880
Operating lease expense: Other	**377**	175

31.2

Figure 36 Blue Prism difference between P&L costs and note entries. Source: Company filings, ShadowFall.

A gap in the subsidiary accounts?

Reading Blue Prism's subsidiary filings could provide further bewilderment. The latest filings available for Blue Prism Limited (BPL) to 31 October 2018, suggest that BPL incurred operating expenses of £46.5m in FY18; BPL accounted for 62% of group revenue in FY18. However, the notes to BPL's FY18 accounts disclose £1.7m in costs relating to audit, depreciation, R&D, operating lease etc, and a further £23.5m in staff costs. In total, disclosure is provided for £25.2m in costs. This leaves £21.3m in costs which are undisclosed.

When reviewing the group accounts for costs that aren't accounted for in BPL's filing, we see that they could relate to travel and entertaining, legal costs and marketing. **However, these costs total £15.4m, not the undisclosed £21.3m in costs in BPL's filings. Even if these group costs were absorbed by BPL, there is still £5.9m of other costs for something.**

Blue Prism Limited

Statement of profit or loss and other comprehensive income for the year ended 31 October 2018

	Note	2018 £'000	Restated 2017 £'000
Revenue	3	**34,437**	**15,548**
Cost of sales	4	**(3)**	**(7)**
Gross profit		**34,434**	**15,541**
Operating expense — Blue Prism Limited's P&L details £46.5m of operating expenses		**(46,496)**	**(19,452)**
Operating loss	5	**(12,062)**	**(3,911)**

5 Operating loss

However, the notes show £1.7m in costs

	2018 £'000	2017 £'000
Operating loss is after charging:		
Auditors remuneration – Audit	104	64
Auditors remuneration – Tax Services	2	2
Depreciation of property, plant and equipment	210	86
Foreign exchange losses/(gains)	32	(7)
Bad debt expense	76	15
Operating lease expense: Other	1,168	227
Research and development expenditure	83	-

6 Staff costs

And £23.5m in staff costs

	2018 £'000	Restated 2017 £'000
Staff costs (including directors emoluments) comprise:		
Wages and salaries	15,184	9,970
Social security contributions and similar taxes	1,775	1,025
Share-based payment expense	3,911	847
Pension costs	478	288
Other staff costs	2,159	86
Total staff costs	23,507	12,216

The notes do not disclose an additional £21.3m in costs

Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 October 2018

	Note	2018 £'m	Restated 2017 £'m
Revenue	4	**55.2**	24.5
Cost of sales	5	**–**	–
Gross profit		**55.2**	24.5
Operating expense		**(81.2)**	(34.6)
Operating expenses before share based payments	6	**(77.2)**	(32.9)
Share-based payments	17	**(4.0)**	(1.7)
Operating expenses		**(81.2)**	(34.6)
Operating loss		**(26.0)**	(10.1)

6 Operating loss

	2018 £'m	Restated 2017 £'m
Operating loss is after charging:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**0.1**	–
Fees payable to the Company's auditor for other services:		
Audit of the accounts of subsidiaries	**0.1**	0.1
Audit-related assurance services	**–**	–
Tax services	**–**	–
Depreciation of property, plant and equipment	**0.3**	0.1
Amortisation of intangible fixed assets	**0.1**	–
Staff costs (note 7)	**57.5**	25.4
Travel and entertaining	**8.1**	3.2
Legal costs in respect of contracts	**1.0**	2.6
R&D expenses	**4.0**	2.1
Marketing expenses	**6.3**	2.6
Operating lease expense: Other	**2.0**	0.4

But what are these costs for? From the group accounts, they could be travel, entertaining, legal and marketing. However, these costs total £15.4m, NOT £21.3m

Figure 37 Blue Prism Limited difference between P&L costs and note entries. Source: Company filings, ShadowFall.

What is happening with wage costs across the Group?

In our view, matters become odder still when we review the implied average wage and salary cost per average employee within BPL as compared to those remaining group employees outside this subsidiary. In FY18, BPL reported £15.2m in costs associated with wages and salaries. Also in FY18, BPL reported an average of 151 employees. On this basis, we calculate that the average BPL employee earnt an average of £101k in FY18. When reviewing Blue Prism's group accounts and extracting for the costs associated with BPL, we calculate that the average employee outside of BPL, earnt an average of £173k in FY18. This seems in our view to be remarkably high level across the board for wages and salaries, especially for those employees who work for either the group or other companies not under the BPL structure.

Further, as we show overleaf, these wage and salary levels also appear to be significantly higher than the typical advertised salaries for Blue Prism jobs.

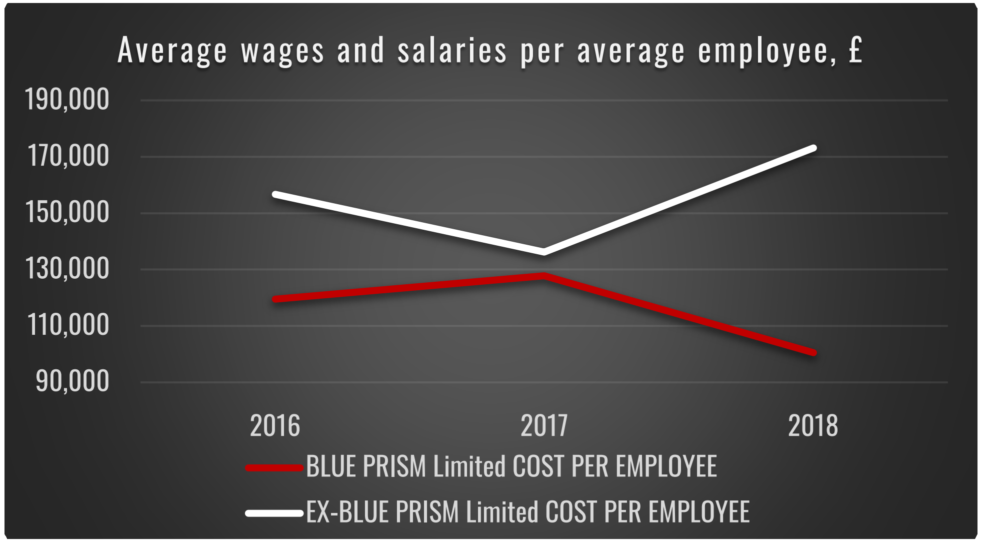


Figure 38 Blue Prism Limited staff costs and implied staff costs for those employees not employed by Blue Prism Limited. Source: Company filings, ShadowFall calculations.

BLUE PRISM Limited STAFF COSTS	2016	2017	2018
Wages and salaries	5.3	10.0	15.2
Social security contributions and similar taxes	0.5	1.0	1.8
Share based payment expense	0.2	0.8	3.9
Other staff costs	0.1	0.4	2.6
Total staff costs, £m	**6.1**	**12.2**	**23.5**

Average monthly number of employees (including Directors) during the period

	2016	2017	2018
Directors	7	6	6
Administration	4	10	12
Sales and marketing	14	27	87
Technical services	19	35	46
Total	**44**	**78**	**151**

BLUE PRISM Limited COST PER EMPLOYEE	2016	2017	2018
Wages and salaries	119,545	127,821	100,556
Social security contributions and similar taxes	10,955	13,141	11,755
Share based payment expense	4,909	10,859	25,901
Other staff costs	2,273	4,795	17,464
Average staff cost per average employee, £	**137,682**	**156,615**	**155,675**

IMPLIED STAFF COSTS EX-BLUE PRISM Limited	2016	2017	2018
Wages and salaries	3.4	7.6	28.9
Social security contributions and similar taxes	0.4	2.3	1.6
Share based payment expense	0.1	0.9	0.1
Other staff costs	0.5	2.4	3.4
Total staff costs, £m	**4.5**	**13.2**	**34.0**

Average monthly number of employees (including Directors) during the period

	2016	2017	2018
Directors	-	-	1
Administration	-	1	16
Sales and marketing	15	40	135
Technical services	7	15	15
Total	**22**	**56**	**167**

EX-BLUE PRISM Limited COST PER EMPLOYEE	2016	2017	2018
Wages and salaries	156,727	136,250	173,150
Social security contributions and similar taxes	16,000	40,625	9,731
Share based payment expense	6,636	15,232	533
	24,773	43,321	20,138
Average staff cost per average employee, £	**204,136**	**235,429**	**203,551**

Figure 39 Blue Prism Limited staff costs and implied staff costs for those employees not employed by Blue Prism Limited. Source: Company filings, ShadowFall calculations.

What exactly does Blue Prism pay its staff?

Blue Prism's group accounts suggest that the average employee earnt an average wage and salary (excluding commission, social security and pension costs) of £104k in FY19 (FY18: £90k). We also calculate the pro-rata figure for 1H20 to be £94k (1H19: £81k).

We are surprised that the typical salary within the group could be so high, especially when we calculate that an additional average commission of £58k was likely earnt per sales and marketing employee in FY19 (FY18: £69k). This is not included in the above.

Further, from a review of the latest Blue Prism job postings detailed on indeed.co.uk (see figure 40), there are 12 positions advertised with salary disclosures. The average salary for the 12 postings is £50k. Even the highest salary advertised for a Group Financial Controller is £100k or £4k less than the average salary per average employee as indicated by the group's accounts.

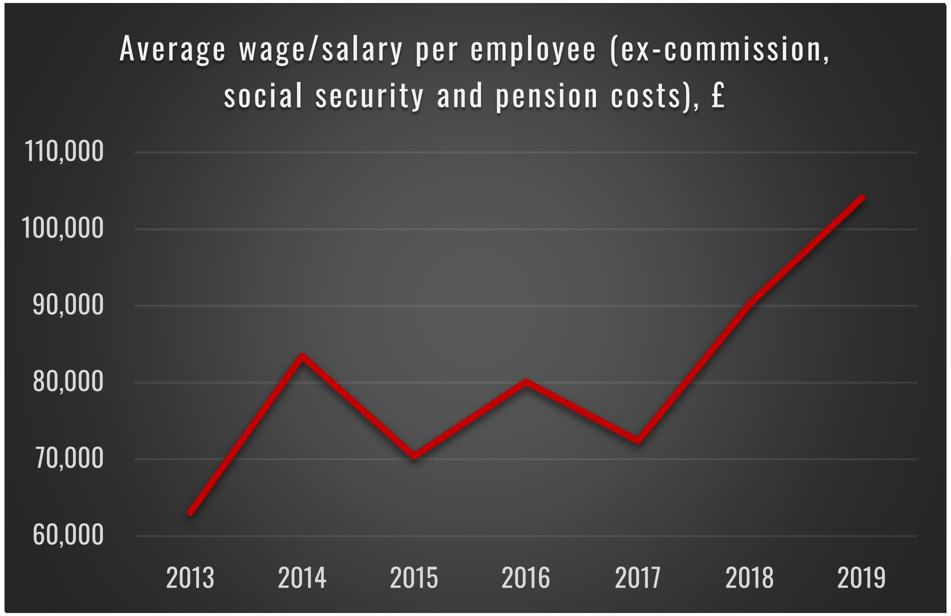


Figure 40 Blue Prism average employee costs ex-commission, social security, pension costs. Source: company filings, ShadowFall calculations.

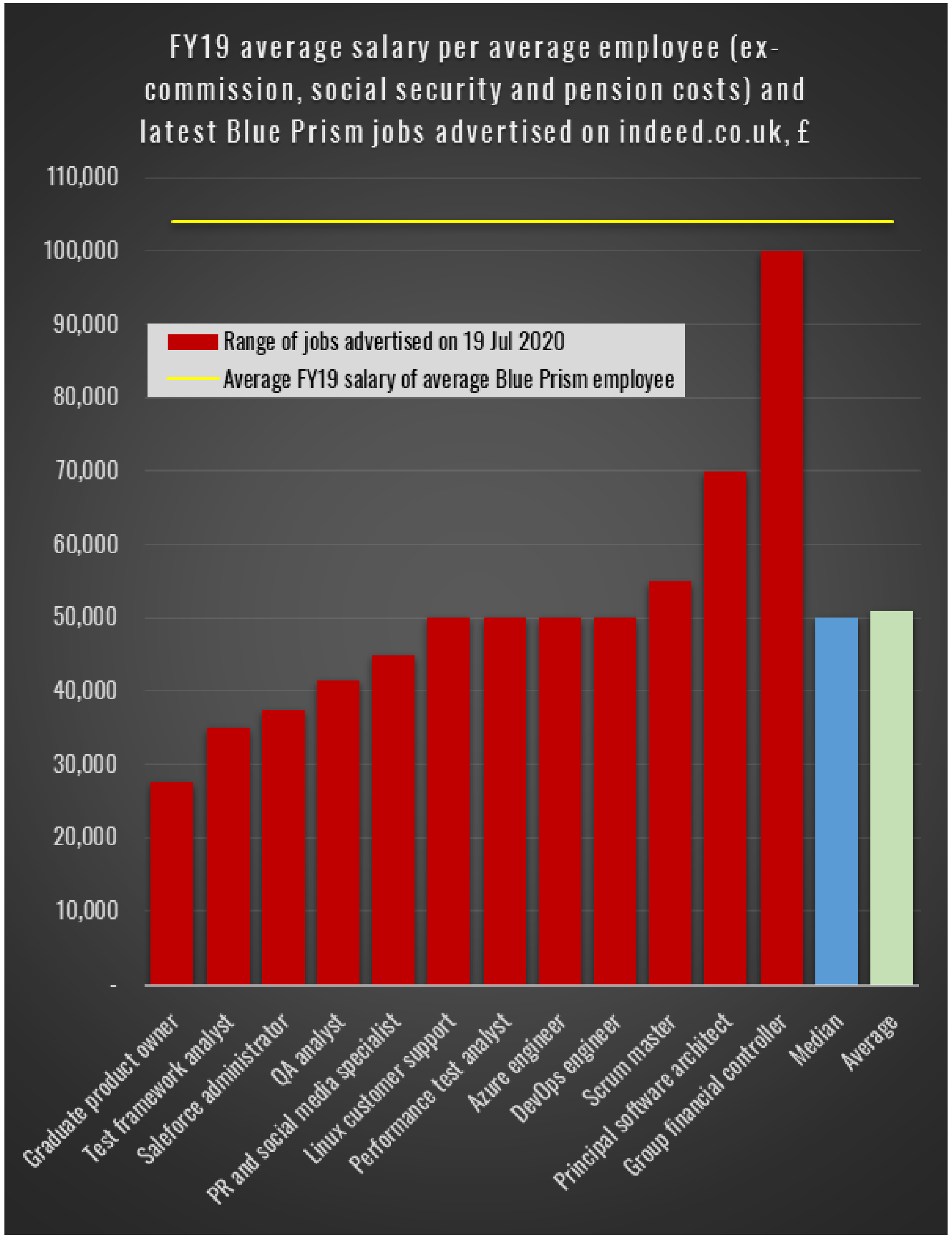


Figure 41 Blue Prism related jobs as advertised on indeed.co.uk on 19 July 2020. Source: indeed.co.uk/Blue-Prism-jobs.

Thoughtonomy acquired in 2019 for £80m. Its financial performance seems to have rapidly deteriorated just prior to purchase.

Questions:

- What percentage of Thoughtonomy's revenue were attributable to re-sales of Blue Prism's product offering?
- What margin or profit did Blue Prism achieve from Thoughtonomy in the year prior to its acquisition?
- Thoughtonomy appears to have incurred losses of c. £(4.3)m in the year to 31 May 2019. What was the actual quantum of Thoughtonomy's losses in the year prior to its acquisition?
- If Thoughtonomy had been acquired at the start of Blue Prism's year it is stated that it would have incurred a loss of £(5.2)m. Why did Thoughtonomy incur a significant loss in the year prior to its acquisition and did this loss widen post-acquisition, and if so why?
- Why did Blue Prism overstate Thoughtonomy's gross assets by 65%, indicating that Thoughtonomy had £5.6m in gross assets as at 31 May 2018, when contrary to this, Thoughtonomy's accounts show gross assets to be £3.4m for the same period?
- Upon its acquisition, £10.2m in value appears to have been recognised to "Technology" associated with Thoughtonomy. Prior to acquisition, Thoughtonomy held £0.2m in PPE and held no apparent "Technology" related assets. Thoughtonomy had previously claimed to use "RPA powered by industry leader Blue Prism". Thoughtonomy's technology appears to have been based on using Blue Prism's. What specific Technology was singularly attributable to Thoughtonomy to be valued at £10.2m?

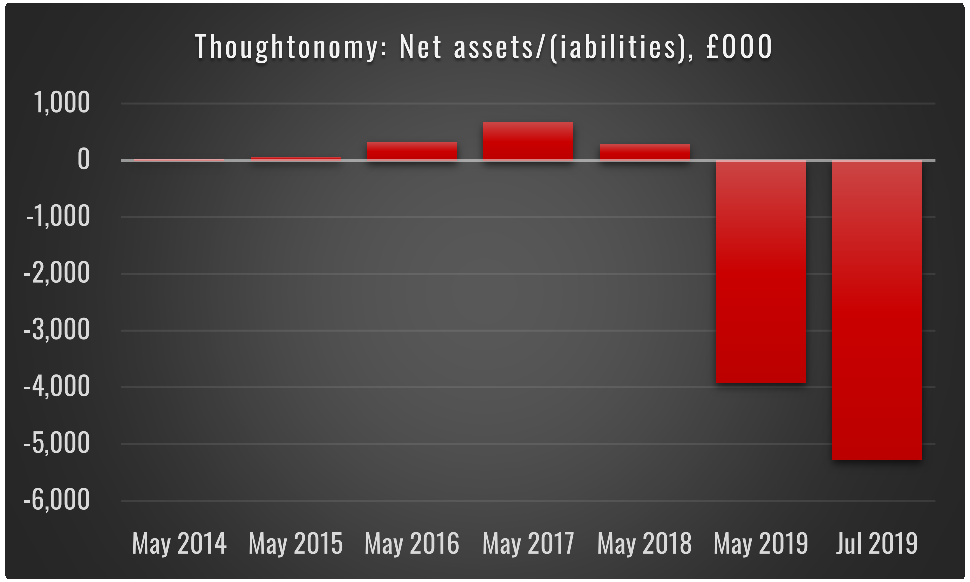


Figure 42 Thoughtonomy net assets. Source: Company filings.

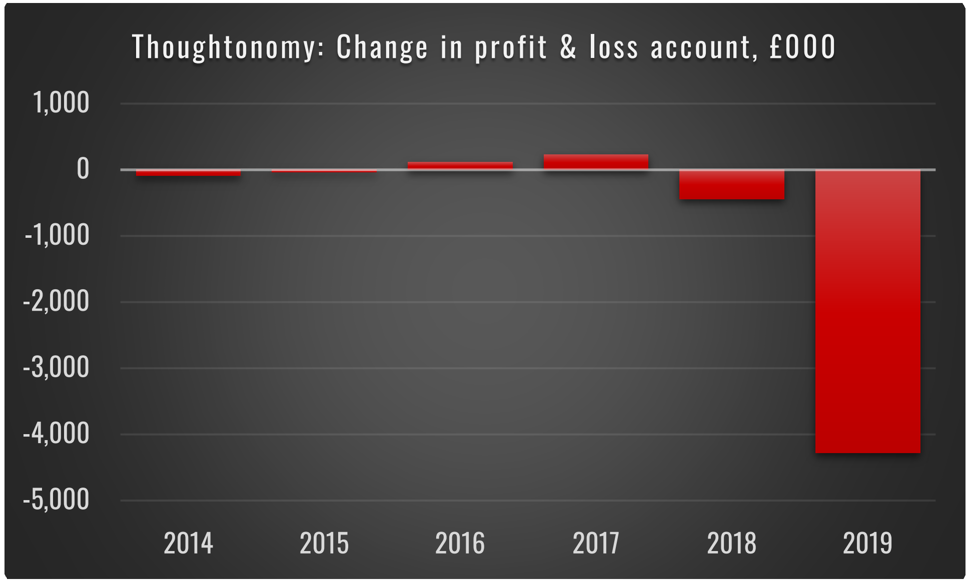


Figure 43 Thoughtonomy change in profit and loss. Source: Company filings.

THOUGHTONOMY A RE-SELLER OF BLUE PRISM'S RPA?

On 19 June 2019, Blue Prism announced it was to acquire Thoughtonomy for up to £80m. The transaction completed on 16 July 2019.

Thoughtonomy was founded in 2013, London based, and employed 54 employees at the time of acquisition.

Thoughtonomy provides intelligent, cloud-based automation services, seemingly reliant on Blue Prism's technology. Indeed, in a June 2019 release, Thoughtonomy's CEO and founder, Terry Walby, indicated that Thoughtonomy and Blue Prism had been working together since its foundation (our bold):

> ***"We've been working with Blue Prism since our foundation in 2013****, and we've built out our unique SaaS and intelligent automation capabilities to leverage their best in class RPA software," says Terry Walby, CEO and Founder of Thoughtonomy.*[1]

Further, in the acquisition statement, Blue Prism announced (our bold):

> *Acquisition will Advance Blue Prism's Cloud Strategy with a* ***Turnkey SaaS Offering*** *Available Across Market Verticals and into Mid-Tier Enterprises Worldwide.*

Since 2014, Thoughtonomy had described itself as (our bold):

> ***"Rather than deploying new tools, changing processes or writing complex system integrations, thoughtonomy technology uses RPA powered by industry leader Blue Prism*** *to deploy a virtual workforce to automate processes and workloads across service and support operations."*[2]

DIDTHOUGHTONOMY MAKE ANY MARGIN ON BLUE PRISM'S PRODUCT?

Pre-acquisition, as a supplier to Thoughtonomy, we believe Blue Prism would have constituted a sizeable portion of Thoughtonomy's cost base and potentially its revenue. For example, in the June 2019 announcement, Blue Prism highlighted (our bold):

> *For the twelve months to 30 April 2019, Thoughtonomy had reported revenues of £9.8m and an adjusted operating loss of £(3.6)m.* ***Adjusted revenue for the same period were £7.4m. Gross assets at 31 May 2018 were £5.6m.***

This could mean that Thoughtonomy's gross revenue was £9.8m and that once it was acquired, its net revenue would be £7.4m, since it would not be passing on costs associated with purchasing services from Blue Prism. However, we also note that Thoughtonomy's adjusted loss was unchanged. Since the elimination of this £2.4m in revenue appears to have had no impact of profit or loss, it might suggest that Thoughtonomy made minimal to zero margin on the re-sale of Blue Prism's product.

Further, we note that in the 12 months to 31 May 2019, Thoughtonomy reports an increase in its retained losses of c. £(4.3)m. When Blue Prism acquired Thoughtonomy, it indicated that if the business had been acquired at the start of its FY19 financial year (1 November 2018), then Thoughtonomy would have contributed losses of £(5.2)m. It would seem that Thoughtonomy was becoming more loss making as time progressed. Either-way, it would appear to us that as Thoughtonomy's revenue has grown, so far this growth has resulted in widening losses, which seems remarkably similar to the financial performance of Blue Prism.

[1] Blue Prism Agrees to Acquire Thoughtonomy to Extend Intelligent Automation Capabilities in the Cloud

[2] SELF SERVICE FOR ROBOTIC AUTOMATION 29/04/2014 PRESS RELEASES

WHY DID BLUE PRISM OVERSTATE THOUGHTONOMY'S GROSS ASSETS BY 65%?

We believe that when Blue Prism announced its acquisition of Thoughtonomy, it overstated Thoughtonomy's gross assets by 65% or £2.2m.

Somewhat oddly, in our view, Blue Prism reported Thoughtonomy's gross assets to be £5.6m as at 31 May 2018. However, Thoughtonomy's own filings show its gross assets to be £3.4m as at 31 May 2018, and a modest rise to £3.6m as at 31 May 2019.

Thoughtonomy's 2018 filing also shows that its net assets were £282k. However, by 2019, Thoughtonomy's balance sheet had deteriorated to show NET LIABILITIES of £3.9m.

Also in 2019, Thoughtonomy reported a deterioration in its profit and loss account, suggesting its losses had risen from £(440)k in 2018 to £(4.3)m in 2019.

19 June 2019

Blue Prism Group plc
("Blue Prism", the "Company" or the "Group")

Acquisition of Thoughtonomy Ltd ("Thoughtonomy")

For the twelve months to 30 April 2019, Thoughtonomy had reported revenues of £9.8m and an adjusted operating loss of £(3.6)m. Adjusted revenues for the same period were £7.4m. Gross assets at 31 May 2018 were £5.6m.

On announcement of its acquisition of Thoughtonomy, Blue Prism indicated that Thoughtonomy held gross assets of £5.6m as at 31 May 2018.

However, Thoughtonomy's filings indicate its gross assets were 39% lower at £3.4m.

The same filings suggest that Thoughtonomy's Net Assets were £0.3m as at 31 May 2018, and declined to NET LIABILITIES of £3.9m as at 31 May 2019.

THOUGHTONOMY LTD
REGISTERED NUMBER: 08534024

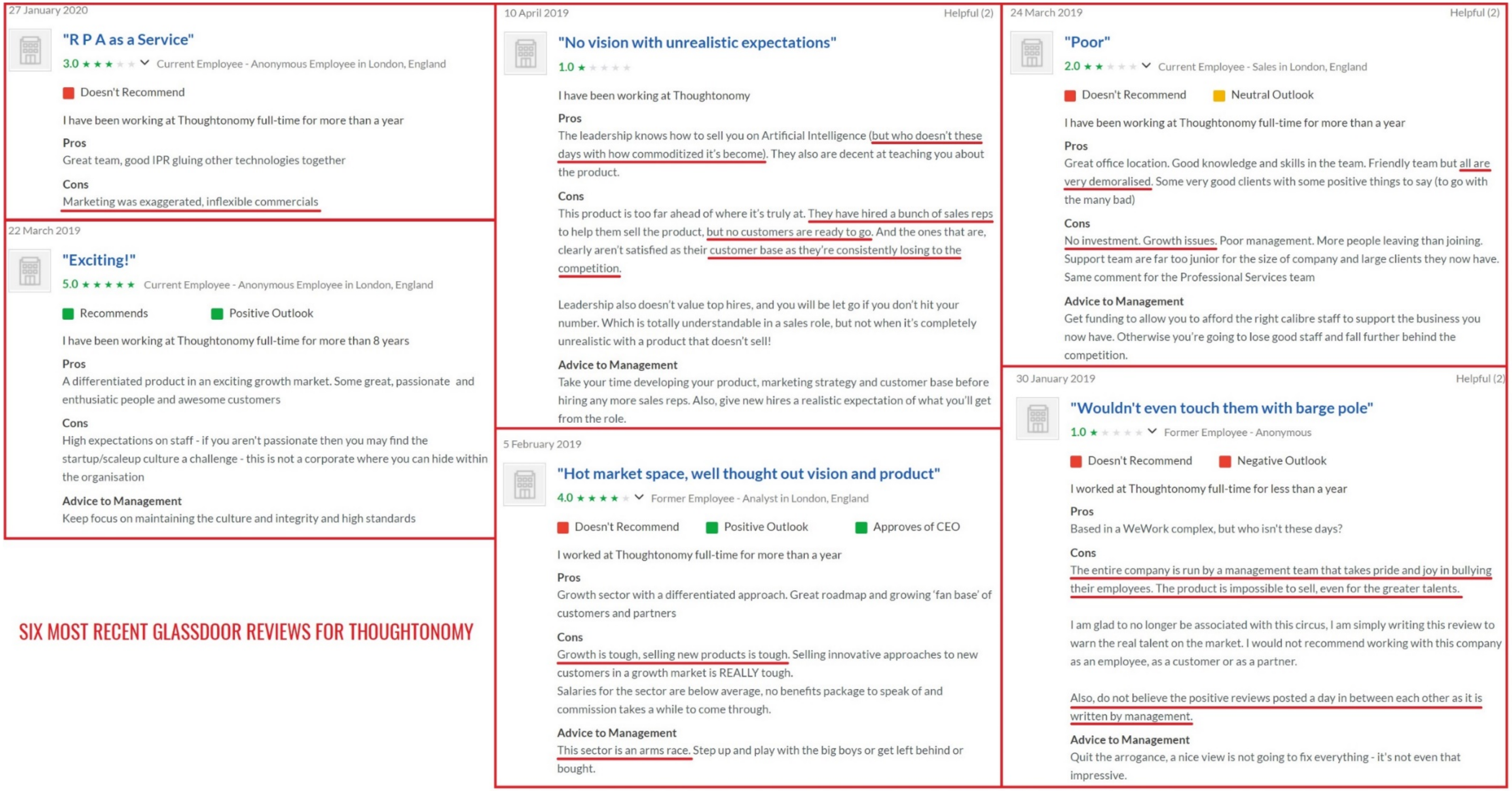
BALANCE SHEET
AS AT 31 MAY 2019

	Note		2019 £		2018 £
Fixed assets					
Tangible assets	4		33,178		30,036
Investments	5		8		8
			33,186		30,044
Current assets					
Debtors: amounts falling due within one year	6	3,116,046		2,535,268	
Cash at bank and in hand	7	474,803		892,648	
		3,590,849		3,427,916	
Creditors: amounts falling due within one year	8	(7,539,249)		(3,176,189)	
Net current (liabilities)/ assets			(3,948,400)		251,727
Total assets less current liabilities			(3,915,214)		281,771
Net (liabilities)/ assets			(3,915,214)		281,771

Figure 44 Thoughtonomy net assets. Source: Company filings.

THOUGHTONOMY'S MIXED GLASSDOOR REVIEWS

While Glassdoor reviews are inherently subjective and may not accurately reflect a business' culture and direction. Nonetheless, we find they can provide some marginal indications as to the drivers or challenges. In figure 44, we list Thoughtonomy's 6 most recent reviews. The comments are mixed, although the negative reviews appear to us to suggest a company facing significant competition and a difficulty in selling its product. On the plus side, the positive commentators view Thoughtonomy's market as offering good growth potential.



27 January 2020

"R P A as a Service"

3.0 ★★★ Current Employee - Anonymous Employee in London, England

Doesn't Recommend

I have been working at Thoughtonomy full-time for more than a year

Pros

Great team, good IPR gluing other technologies together

Cons

Marketing was exaggerated, inflexible commercials

22 March 2019

"Exciting!"

5.0 ★★★★★ Current Employee - Anonymous Employee in London, England

Recommends | Positive Outlook

I have been working at Thoughtonomy full-time for more than 8 years

Pros

A differentiated product in an exciting growth market. Some great, passionate and enthusiatic people and awesome customers

Cons

High expectations on staff - if you aren't passionate then you may find the startup/scaleup culture a challenge - this is not a corporate where you can hide within the organisation

Advice to Management

Keep focus on maintaining the culture and integrity and high standards

SIX MOST RECENT GLASSDOOR REVIEWS FOR THOUGHTONOMY

10 April 2019 Helpful (2)

"No vision with unrealistic expectations"

1.0 ★

I have been working at Thoughtonomy

Pros

The leadership knows how to sell you on Artificial Intelligence (but who doesn't these days with how commoditized it's become). They also are decent at teaching you about the product.

Cons

This product is too far ahead of where it's truly at. They have hired a bunch of sales reps to help them sell the product, but no customers are ready to go. And the ones that are, clearly aren't satisfied as their customer base as they're consistently losing to the competition.

Leadership also doesn't value top hires, and you will be let go if you don't hit your number. Which is totally understandable in a sales role, but not when it's completely unrealistic with a product that doesn't sell!

Advice to Management

Take your time developing your product, marketing strategy and customer base before hiring any more sales reps. Also, give new hires a realistic expectation of what you'll get from the role.

5 February 2019

"Hot market space, well thought out vision and product"

4.0 ★★★★ Former Employee - Analyst in London, England

Doesn't Recommend | Positive Outlook | Approves of CEO

I worked at Thoughtonomy full-time for more than a year

Pros

Growth sector with a differentiated approach. Great roadmap and growing 'fan base' of customers and partners

Cons

Growth is tough, selling new products is tough. Selling innovative approaches to new customers in a growth market is REALLY tough.

Salaries for the sector are below average, no benefits package to speak of and commission takes a while to come through.

Advice to Management

This sector is an arms race. Step up and play with the big boys or get left behind or bought.

24 March 2019 Helpful (2)

"Poor"

2.0 ★★ Current Employee - Sales in London, England

Doesn't Recommend | Neutral Outlook

I have been working at Thoughtonomy full-time for more than a year

Pros

Great office location. Good knowledge and skills in the team. Friendly team but all are very demoralised. Some very good clients with some positive things to say (to go with the many bad)

Cons

No investment. Growth issues. Poor management. More people leaving than joining. Support team are far too junior for the size of company and large clients they now have. Same comment for the Professional Services team

Advice to Management

Get funding to allow you to afford the right calibre staff to support the business you now have. Otherwise you're going to lose good staff and fall further behind the competition.

30 January 2019 Helpful (2)

"Wouldn't even touch them with barge pole"

1.0 ★ Former Employee - Anonymous

Doesn't Recommend | Negative Outlook

I worked at Thoughtonomy full-time for less than a year

Pros

Based in a WeWork complex, but who isn't these days?

Cons

The entire company is run by a management team that takes pride and joy in bullying their employees. The product is impossible to sell, even for the greater talents.

I am glad to no longer be associated with this circus, I am simply writing this review to warn the real talent on the market. I would not recommend working with this company as an employee, as a customer or as a partner.

Also, do not believe the positive reviews posted a day in between each other as it is written by management.

Advice to Management

Quit the arrogance, a nice view is not going to fix everything - it's not even that impressive.

Figure 45 Thoughtonomy six most recent Glassdoor reviews to October 2020. Source: Glassdoor.com

The Board

We have concerns regarding the composition of Blue Prism's board.

In particular, we question the independence of several directors.

We note that two of the independent directors have previously worked with the Executive Chairman and CFO:

- Kenneth Lever was formerly the boss of CFO, Ijoma Maluza.
- Dr Jason Kingdon was formerly the boss of Christopher Battherham.

In terms of the other independent director, we would question:

- How independent you could be when you have pledged Blue Prism stock, worth c. £6m, as security for a property related loan?

The CVs of some members of the board doesn't instil great confidence in us either from a judgement perspective. For example, although recently departed, **one board member was a non-executive member of Avanti Communications' board**, which some will know to have been a dismal failure as a listed company. We would also question what input the CFO had into corporate transactions when employed by Xchanging plc, where **a major acquisition was entirely written-off** within a few years of purchase.

Further, we view

- The recent departure of the CEO and co-founder, Alastair Bathgate, in April 2020;
- The fleeting tenure of, Eric Verniaut, for 3 months as COO until October 2019, and
- The recent departure of Non-Executive Director, Charmaine Carmichael, in September 2020;

as possible evidence of discord among the board.

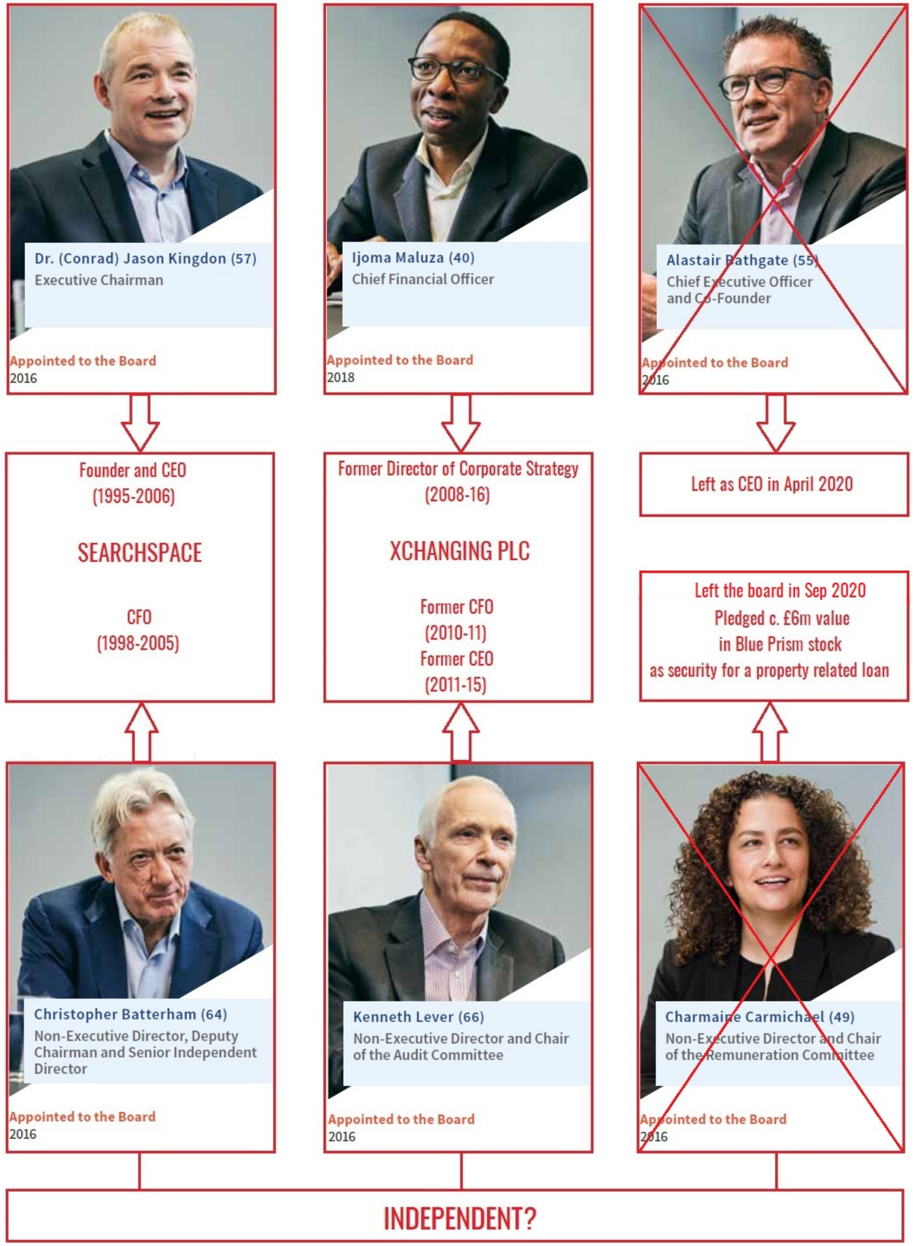


Figure 46 Blue Prism board members. Source: Company filings.

Ijoma Maluza: Chief Financial Officer – Mr Maluza is a Chartered Accountant and was appointed to the Blue Prism board in 2018.

We were drawn to Mr Maluza's **past experience at Xchanging** plc. Formerly listed, Xchanging is a UK Business Process Outsourcing (BPO) company.

According to his LinkedIn profile, Mr Maluza joined Xchanging in September 2008.[3] He is detailed as Director of Corporate Strategy and Development. In April 2009, **Xchanging acquired a 76% share of an Indian BPO, Cambridge Solutions, for £92.6m.** Cambridge Solutions had net LIABILITIES of £73.8m at the time of acquisition, resulting in goodwill acquired totalling £166.4m.

We believe that Cambridge Solutions was a disappointing acquisition. Just **over a year later, in 2010, Xchanging booked an impairment charge of £93.2m relating to Cambridge Solutions**.

Mr Maluza's LinkedIn profile suggests he was Director of Corporate Strategy during his time at Xchanging, however, it is unclear if he had any responsibility for the Cambridge Solutions acquisition.

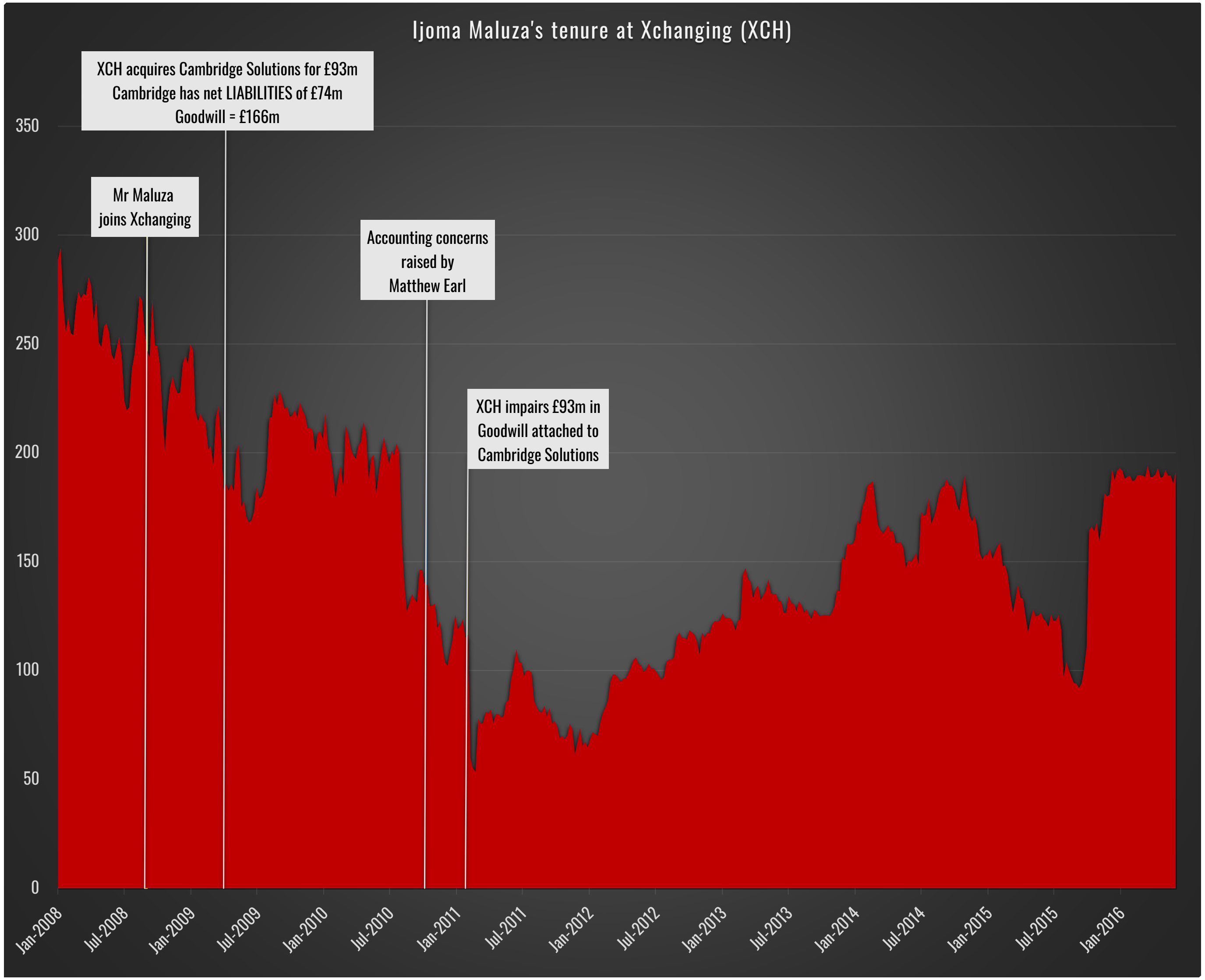


Figure 47 Xchanging Plc. Source: Company filings, Bloomberg Finance L.P., ShadowFall. Please note that the accounting concerns relating to Xchanging were raised by the author of this note.

Charmaine Carmichael: Former non-executive director, member of the Audit Committee and Chair of Remuneration Committee.

1. Ms Carmichael became a director of Blue Prism on 22 February 2016, shortly prior to Blue Prism's IPO on 18 March 2016. Ms Carmichael departed from Blue Prism in September 2020.

   As of the date of the publication of the Admission document to AIM, Ms Carmichael held nil shares in Blue Prism. On Admission to AIM, Ms Carmichael held 320,512 shares. The placing price was 78p per share, indicating a value of £250,000 for Ms Carmichael's holding. It is unclear to us if these shares were purchased at the initial offering value.

2. To Ms Carmichael's credit, since the IPO, she acquired further shares in Blue Prism so that as of the date of its most recent £100m placing on 21 April 2020, Ms Carmichael's shareholding totalled 365,807 shares. However, as of 24 January 2020, we note that **361,262 shares were pledged by Ms Carmichael for security for the draw-down of a loan to finance the purchase of a residential property**.[4] At that point in time, these shares would have had **a market value of c. £6.0m**, as compared to **a current value of £4.7m**. Despite a material movement in value of £1.3m, since there has been no update that we are aware of, we presume that the pledge remains outstanding. However, now that Ms Carmichael has stepped down from the board, there will be no need for further disclosure relating to her share transactions. Either-way, in the light of the pledging of this stock and any loan security risk which may centre on fluctuations in Blue Prism's valuation, we question whether Ms Carmichael should have ever been a member of the Audit Committee or Chair of the Remuneration Committee. We note that in FY19, Ms Carmichael attended half (2) of the (4) Audit Committee meetings she was eligible to attend.

3. We were drawn to a particular feature of Ms. Carmichael's previous board experience. From November 2014 to January 2017, **Ms. Carmichael was a non-executive director for the satellite communications company, Avanti Communications plc**. Following years of "jam tomorrow" hope as compared to the actuality of disappointing results, Avanti delisted in September 2019. However, in our view, Avanti was evidently a "basket case" from as far back as 2012, and indeed was highlighted as such.[5]

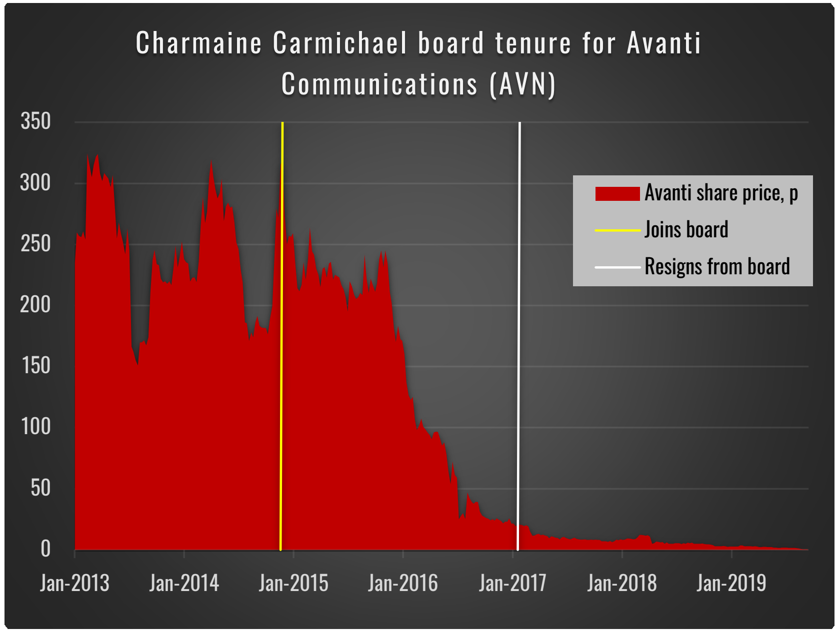


Figure 48 Charmain Carmichael board tenure at Avanti Communications. Source: Bloomberg Finance L.P., ShadowFall.

[4] https://www.investegate.co.uk/blue-prism-group-plc--prsm-/rns/director-pdmr-shareholding/202001270935339892A/

[5] https://www.lordshipstrading.com/search/label/Avanti

The management round-about

In addition to Charmaine Carmichael, the past 12 months have seen several further departures from the senior management and board of Blue Prism.

In August 2019, Blue Prism **announced the hiring of a new COO, Eric Verniaut.**[6] Mr Verniaut's role was to have overall responsibility for go-to-market operations, and he was to report directly into Alastair Bathgate, CEO (at the time).

Upon Mr Verniaut's appointment he was awarded:

- 76,989 Performance Shares
- 153,978 Restricted Shares

At the time of the award, the performance shares would have a market value of £731k.

Within three months, Mr Verniaut had departed. The Restricted Shares award probably lapsed following the discontinuation of his employment, however, what happened to the Performance Shares award is unclear. There is no mention of Mr Verniaut in the 2019 annual report.

In October 2019, **Dr Jason Kingdon apparently returned to the board** as full-time Executive Chairman.[7] Previously, in November 2018, Dr Kingdon had informed the company of his intention to step down as Chairman at some undetermined time in 2019, to "focus more time on his other technology start-up commitments."[8] By October 2019, Blue Prism announced that "Kingdon had previously communicated his intention to step back from the Board of Blue Prism to focus on AI projects, which have now largely been completed." **It doesn't seem to us that Dr Kingdon ever stepped down**. There is no disclosure of Dr Kingdon's resignation at UK Companies House, he Chaired 14 of 15 board meetings in 2019, and he received £65.6k in remuneration for FY19 (FY18: £55k).

On 20 April 2020 (the day Blue Prism announced an intention to raise £100m through equity issuance), the company announced that **its CEO, Alastair Bathgate, would be leaving his role within ten days' time** "to focus on other opportunities."[9] Dr Kingdon would assume the responsibility of both Chairman and CEO.

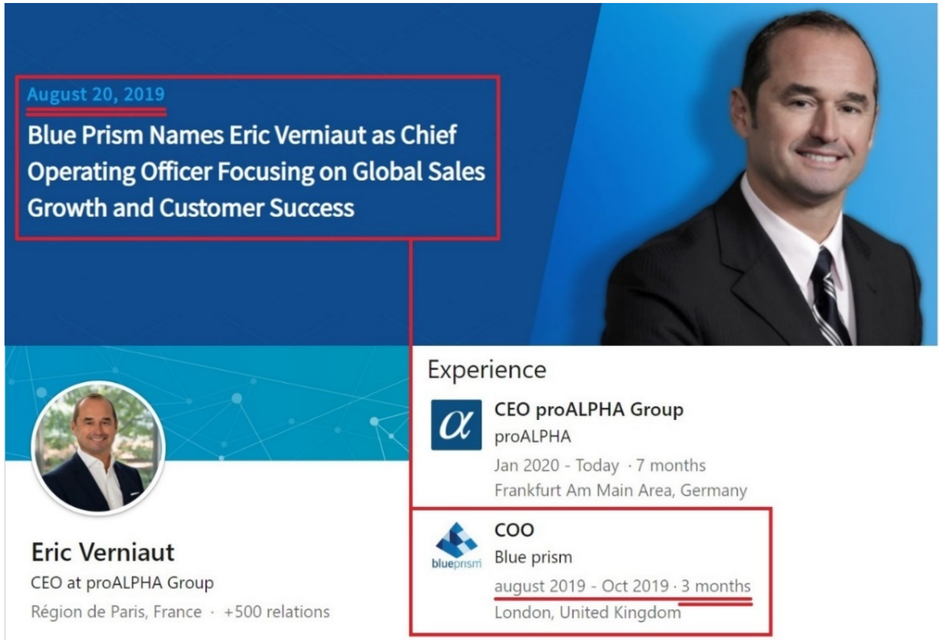


Figure 49 Blue Prism COO tenure for 3 months. Source: Company filings, LinkedIn, ShadowFall.

[6] https://www.investegate.co.uk/blue-prism-group-plc--prsm-/rns/director-pdmr-shareholding/201908190700064116J/
[7] https://www.investegate.co.uk/blue-prism-group-plc--prsm-/rns/board-changes/201910220700046229Q/
[8] https://www.investegate.co.uk/blue-prism-group-plc--prsm-/rns/board-change/201811150700134017H/
[9] https://www.investegate.co.uk/blue-prism-group-plc--prsm-/rns/directorate-change/202004201642592515K/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