23 November 2022

Eckoh plc
("Eckoh" or the "Group")

Unaudited interim results for the six months ended 30 September 2022
- Trading in line with market expectations; on track to deliver material growth in FY23
- Group and North America ARR and total orders growing strongly
- Syntec integration progressing to plan – new security solutions portfolio and expanded addressable market enhancing future growth opportunity

Eckoh plc (AIM: ECK) the global provider of Customer Engagement Security Solutions, is pleased to announce unaudited results for the six months to 30 September 2022.

£m (unless otherwise stated)	**H1 FY23**	H1 FY22	*Change*
Revenue	**19.6**	14.7	*+33%*
Gross profit	**15.5**	11.9	*+31%*
Group ARR[1]	**27.8**	18.3	*+52%*
North America Security Solutions ARR[1] ($m)	**13.8**	8.1	*+71%*
Adjusted EBITDA[3]	**5.0**	3.5	*+44%*
Adjusted operating profit[4]	**4.2**	2.8	*+52%*
Profit before taxation	**2.9**	2.4	*+23%*
Adjusted diluted earnings (pence per share)[5]	**1.06**	0.80	*+32%*
Total contracted business[6]	**17.6**	11.5	*+54%*

Strategic highlights

- Results on track to deliver material growth in FY23, in-line with market expectations[7]
- Continued strong ARR[1] growth, driven predominantly by the North American market
- Integration of transformational Syntec acquisition and new product development progressing well and on plan
- Encouraging initial levels of cross selling from the new portfolio, which is extending the total addressable market
- Security Solutions sales activity continues to be driven by cloud deals and international mandates
    - Two large cloud deals signed in the half with a leading global hotel group and a large US retailer, both taking multiple products including voice security, digital payments and advanced speech
- Fundamental industry shift to remote working and ongoing migration to cloud supporting growth opportunity

Financial highlights

- Strong performance, as previously announced in Trading Update on 1 November 2022
- Group revenue grew by 33% to £19.6m from the addition of Syntec, and underlying, organic growth
- Group ARR[1] up 52%, reflecting the market opportunity, ongoing shift to cloud and successful renewals
- Recurring revenue[2] increased by 43% to £15.5m, representing 79% of total revenues (H1 FY22: £10.9m; 74%), reflecting the successful renewals in the North America territory in the period
- Adjusted operating profit[4] up 52% to £4.2m (H1 FY22: £2.8m) driven by continued revenue growth, the ongoing impact of prior year cost savings and benefit from FX movements
- Total contracted business[6] was £17.6m (H1 FY22 £11.5m), a strong recovery, increasing by 54%, with new business growing by 67% to £8.2m

1. ARR is the annual recurring revenue of all contracts billing at the end of the period. Included within Group ARR is all revenue that is contractually committed and an element of UK revenue that has proven to be repeatable, but not contractually committed.
2. Recurring revenue is defined as on-going revenue on a transactional basis, rather than revenue derived from the set-up and delivery of a new service or hardware.
3. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is the profit before tax adjusted for depreciation of owned and leased assets, amortisation of intangible assets, expenses relating to share option schemes, restructuring costs and transactional costs.
4. Adjusted operating profit is the profit before tax adjusted for amortisation of acquired intangible assets, expenses relating to share option schemes, restructuring and transactional costs
5. Adjusted earnings pence per share – the Group issued 36.2m new ordinary shares during FY22 in connection with the acquisition of Syntec which results in an increase in the weighted average shares in issue across the period.
6. Total contracted business includes new business from new clients and from existing clients as well as renewals with existing clients.
7. Eckoh believes that consensus market expectations for the year ending 31 March 2023 is revenue of £40.25 million and adjusted operating profit of £7.45 million.

- North America territory performed strongly:
  - ARR[1] of $13.8m, up 71% (H1 FY22: $8.1m) and 16% growth since end of March 2022 (which reflects like-for-like growth following the completion of Syntec)
  - Revenue of $10.6m, up 33%, (H1 FY22: $7.9m)
  - Recurring revenue up 9% to 73%, driven by successful renewals and continuing cloud adoptions
- UK, Ireland and ROW revenues returned to growth with single digit growth expected going forward
  - Revenue up 22%, to £10.9 m (H1 FY22: £9.0 m)
  - ARR[1] of £16.4m, up 32% from last year (H1 FY22: £12.4 m)
  - Excellent levels of successful renewals including the two largest this financial year
- Balance sheet remains strong following the £31m acquisition of Syntec in December 2021, with net cash of £4.4m at 30 September 2022 (H1 FY22: £12.7m)

Outlook

- Eckoh is trading in-line with market expectations[7]; on track to deliver material growth in FY23, without yet benefiting markedly from the new security solutions product set
- With an increasingly relevant product portfolio, resilient business model, high recurring revenues, and a robust balance sheet, Eckoh is well placed to continue the strong progress in the coming years

Nik Philpot, Chief Executive Officer, said: *"These are a great set of results, showing the anticipated strong progress in key areas. I am particularly pleased with the increasing organic and overall levels of ARR and contracted orders. They reflect our organic growth, the successful integration of Syntec, strong growth in the key North American market, and the ongoing momentum from cloud deployments.*

The customer engagement industry is already facing new security challenges from the permanent shift towards greater remote working, and a deteriorating global economic environment is likely to only exacerbate the number of security threats. Organisations who ignore these risks do so at their potential reputational and financial peril. We believe our enhanced set of security solutions will not only help companies to address these issues but also drive significantly better performance from their customer engagement and increase customer satisfaction.

Our addressable market, which was already significant, has been expanded further by our new solution set, and the global opportunity supported by our enhanced cloud platforms will help drive our ongoing growth and the future exciting prospects for Eckoh."

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About Eckoh plc

Eckoh is a global provider of Customer Engagement Security Solutions, supporting an international client base from its offices in the UK and US.

Our Customer Engagement Security Solutions enable enquiries and transactions to be performed on whatever device the customer chooses, allowing organisations to increase efficiency, lower operational costs and provide a true omnichannel experience.

We help our clients to take payments and transact securely with their customers through all customer engagement channels. The solutions, which are protected by multiple patents, remove sensitive personal and payment data from contact centres and IT environments and are delivered globally through our multiple Cloud platforms or can be deployed on the client's site. They offer merchants a simple and effective way to reduce the risk of fraud, secure sensitive data and become compliant with the Payment Card Industry Data Security Standards ("PCI DSS") and wider data security regulations.

Eckoh has been a PCI DSS Level One Accredited Service Provider since 2010, and our extensive portfolio of typically large enterprise clients come from a broad range of vertical markets and includes government departments, telecoms providers, retailers, utility providers and financial services organisations.

For more information go to www.eckoh.com or email MediaResponseUK@eckoh.com.

Introduction and Financial Highlights

The Group performed strongly in the first half of the year, in line with expectations and on track to deliver material growth in the financial year.

Following the acquisition of Syntec in December 2021, the integration process is progressing well, and we are on track to complete integration by the end of the financial year. As previously highlighted, the two businesses were highly complementary and, due to the level of joint team activity, development and cross-selling already achieved, financial results have been presented on a combined basis.

Group ARR[1] showed strong progress and demonstrates the high level of visibility we have in our business model. As of 30 September 2022, Group ARR[1] was £27.8 million, an increase of 52% year on year, or 45% at constant exchange rates. This uplift included the addition of the ARR[1] from the Syntec acquisition. ARR[1] for the six-month period to 30 September 2022 increased by 11% (31 March 2022: £25.2 million), which demonstrates how the Group has continued to grow this metric on a like-for-like basis post completion of the acquisition of Syntec.

Historically we have focused solely on the UK and US markets, but with an increasingly cloud-based security proposition enabling increased activity to come from an expanding international market, we have shifted to segmenting our activity into North America (NA), UK and Ireland (UK & I) and Rest of World (ROW) revenue streams.

Total revenue for the period grew strongly to £19.6 million, a year-on year-increase of 33% (H1 FY22: £14.7 million) or 26% on a constant currency basis. Recurring revenue for the period was £15.5 million, (H1 FY22: £10.9 million). Recurring revenue increased significantly from 74% to 79% of Group revenues, a reflection of the increased number of North America renewals. The North America revenue continued to grow strongly, increasing by 33% to $10.6 million in the first half (H1 FY22: $7.9 million). The territory now accounts for 44% of total revenue and we expect that in FY24 the North America revenues will be of equal size to our UK&I market.

Gross profit was £15.5 million, an increase year on year of 31% (H1 FY22: £11.9 million), with a gross profit margin of 79% (H1 FY22: 81%). Group gross profit margin has decreased slightly year on year due to the increasing contribution from North America.

Adjusted operating profit[4] for the first half grew significantly by 52% to £4.2 million (H1 FY22: £2.8 million). The growth was driven by a continued focus on larger international clients, our Cloud-based offering and focus on innovation and the acquisition of Syntec, the cost benefits from the prior year, the synergy benefits of the integration of Syntec ("Syntegration") and a £0.7m EBITDA benefit of foreign currency gain (H1 FY22: £44k loss) arising from the strength of our North American activity. We have achieved this performance whilst ensuring that we continue to reflect the effects of inflation in the remuneration of our employees.

We have seen renewed activity for new business in the first half, following a challenging period last year. Order levels have recovered strongly and for the period new contracted business was £8.2 million, an increase of 67% (H1 FY22: £4.9 million). Total business contracted, which accounts for new business and client renewals, has grown similarly strongly to £17.6 million (H1 FY22: £11.5 million), an increase of 54%, or at constant currency an increase of 47%. This improvement in contracted business will underpin the increasing levels of ARR[1] and continue to improve revenue visibility.

Our balance sheet remains robust with a strong net cash position of £4.4 million, an increase of £1.6 million from the year end. The reduction in cash from last year (H1 FY22: £12.7 million) reflects the completed acquisition of Syntec in December 2021, which was part funded from our cash reserves. The business has a Revolving Credit Facility of £5 million, secured against the Group's UK head office, which is an asset we own outright. As at 30 September 2022, our revolving credit facility remains undrawn.

A clear growth strategy

Our mission is to set the standard for secure interactions between consumers and the world's leading brands. Our innovative products build trust and deliver value through exceptional experiences.

Our strategic objectives reflect our goal to become the global leader in our area of expertise: Customer Engagement Security Solutions.

Our key strategic goals are:

- Capturing further market leadership in Customer Engagement Security Solutions
- Capitalising on the fast-growing global market for technology solutions that help protect customer data
- Maximising client value and retention through cross-selling to generate higher levels of recurring income
- Making cloud our primary platform and using cloud technologies to develop and enhance our proprietary solutions
- Evaluating acquisition opportunities that can support our growth strategy in Customer Engagement security

Highly relevant suite of security solutions, designed to protect without compromising experience

Following the acquisition of Syntec we updated and unified our proposition into a new go-to-market vision of Customer Engagement Security Solutions. Our patented products already help organisations to reduce the risk of fraud; secure sensitive data; comply with the Payment Card Industry Data Security Standard ("PCI DSS") and wider security regulations such as the General Data Protection Regulation ("GDPR") or the US Consumer Privacy Acts. Eckoh prevents sensitive personal and payment data from entering IT and contact centre environments when customers make payments for goods and services.

Going forward all our new customer engagement offerings will be underpinned with security features and capabilities to assist our clients to address security concerns and increasing regulation, but to do so in a way that doesn't compromise the quality of their customer's experience. An example of this is our live chat offering which incorporates our patented and unique ChatGuard capability, that enables payment or personal information to be entered by a customer into a live chat session without any of that information traversing our client's environment or being shared with an advisor.

Our new suite of solutions is designed for and delivered through our multi-vendor and global cloud platforms, allowing us to better service international contracts (but can also be deployed on-site). The procurement of security solutions to be deployed across multiple territories is certainly increasing, and we will continue to invest in and extend our cloud platforms to support this growth. We have already won a number of these types of contracts; an example would be the 2-year agreement we won in the first half with a leading global hotel brand that will ultimately see our solution deployed across 20 territories. This trend is one of the reasons why we have introduced the new revenue segmentation, with Rest of World ('ROW') becoming a more important component of our future revenue streams.

The growing proportion of cloud deployments we have already seen occur in the North American market will enhance our ability to sell and deliver additional services to some of our largest clients. With our product roadmap extending our security remit beyond payments and into a broader data security proposition, we expect to be able to increase the lifetime value of our clients and continue to have very low levels of churn.

Syntegration progress and output

As part of the integration of Syntec into Eckoh, we formed a cross-company group to work on the unification of people, process, product and technology, a project that we named "Syntegration".

Syntegration is a 3-phase project:

> In Phase 1 we concentrated on bringing the core technical teams together and delivering components of our existing voice security solutions (CallGuard and CardEasy) together to gain the most benefit in the least time – thus code base, call density, UI design and overall coordination across branding and core product capabilities.
>
> Phase 2, which we are currently working on, is focused on delivering a combined delivery infrastructure thus allowing for further cost / run-rate reductions whilst gaining operational and deployment efficiencies.
>
> Phase 3, from a people and process perspective will be focused on the operational teams' integration including a combined & cross-trained global support capability from Eckoh's Global Network Operations Centre (NOC). From a technology perspective, Phase 3 will be looking to deliver the first new products derived from the unified technical development team, namely the call recording and transcription.

The cornerstone of the new unified platform is what we are calling the Secure Voice Appliance ("SVA"). This redesigned appliance will handle four times the density of calls than the current appliance, allow sub-1 second mid-call failover, seamless upgrades without service interruption, a single code base for both cloud and physical on-site deployment, and highly sophisticated real-time observability and monitoring. This new appliance is now complete and will be used on all new deployments as well as being retrospectively implemented where appropriate.

The overall suite of solutions arising from Syntegration, which we display using a honeycomb visual, currently includes the following segments:

- Voice security – our core product to protect payments over the phone under the CallGuard or CardEasy brand
- Secure Chat – live web chat incorporating our patented ChatGuard solution to take payments securely
- Digital Payments – allowing customers to pay through a secure mobile link whilst connected live to an advisor
- DataGuard – securing other forms of personal data as well as payment information
- Advanced Speech – using speech recognition to take payment information securely where key entry is unviable
- Call Recording and Data Redaction – recording calls and redacting sensitive information live or post-call
- Transcription and AI – using real time transcription to enable agents to deliver more effective and fast assistance
- Verification and Fraud – improving the verification process to help identify fraudulent activity

The first five are all now available, and in the period, we cross sold all of these into customers who were already taking the Voice Security solution, a key strategic goal for the Group. The first release of the call recording and transcription solution will be completed and launched by the end of the financial year, delivered through the new SVA. Our first solution in the Verification and Fraud area is on the roadmap for FY24 and will include commercialising patents that we already have granted, notably our reverse authentication patent. This enables a consumer to conveniently and easily verify the identity of an adviser contacting them regarding potentially fraudulent activity on their account. This will streamline the process thereby improving efficiency for our client and increasing satisfaction for the end customer.

Our total addressable market, which is already significant, will be enhanced by the expansion and enhancement of our security suite and the global nature of our cloud platform. Given our long-standing cross selling experience in the UK market we believe it is entirely credible that potential customer value could double compared to what was achievable from just the sale of the core voice security product. What is uncertain at this point is how many additional organisations will be targets for the call recording, transcription and verification products, which arguably have an even wider applicability.

Industry trends create new growth drivers in a broadening global market

The target market for our security proposition has historically been any sizeable enterprise or organisation in the UK or US that either transacts or engages with its customers at scale and at volume. This activity will usually be supported either by an in-house or outsourced contact centre provider. However, with the launch of our unified go-to-market proposition of Customer Engagement Security Solutions, enhanced by the new products and delivered through our expanding cloud platforms, not only will this naturally extend our reach geographically, but it will also increase the opportunity within every client account. With regulation tightening and the financial impact of data breaches and fraud growing, organisations are increasingly looking for ways to move beyond the requirement of merely being compliant to secure themselves more comprehensively, leading to broadening information security budgets and remits.

The contact centre industry in both the UK and US is extremely large, representing around 4% of the entire workforce in both markets. However, the impact of the pandemic and the current economic climate has fundamentally changed the way that it operates and the pressures it has to deal with. The most notable change in the industry is the shift to significant levels of remote or home working agents or advisors. Looking at the largest market, the US, the figures shown below, that were outlined in Contact Babel's 'US Contact Center's 2022-2026' research document, are particularly striking:

Percentage of US contact centres with more than 50% of agents working remotely	2019	2020	2021	2022 (estimate)
	10%	87%	89%	77%

Before the pandemic only 10% of US contact centres had more than 50% of their agents working remotely. When the pandemic struck traditional contact centre facilities were either temporarily closed or had significant restrictions in terms of how their space could be used, which massively reduced agent capacity. This led to a huge shift to using remote agents, which peaked in 2021 with 89% of US contact centres having more than half their agents working from home. In 2022 the estimate is that this figure is still at 77%, and it is now expected to remain at these levels for the foreseeable future. Even those organisations who were very reluctant to use remote working have been forced to adapt.

Contact Centres have found that if they wish to retain staff - and they have been under acute pressure to do so - remote working is one way that can help. The convenience of working from home is popular with agents and it also enables extra flexibility by making it feasible for agents to work short shifts to cope with unexpected demand. However, what many organisations have either not fully appreciated or reacted to, is the inherent new security risk that comes from a remote working agent. In a managed facility it is far easier to try and control security using traditional methods such as clean desks, CCTV, desktop scanning, physical supervision, and so on. In a remote location it is largely impossible to replicate such an environment and this presents a significant challenge if the agent is handling customer data and especially payment data. This can only benefit Eckoh as our security proposition enables companies to effectively further reduce or remove the risk of data breaches arising from one of the most challenging parts of their businesses.

Furthermore, with the retention and recruitment challenges organisations are facing they will be looking even more acutely at their agents' utilisation and turning increasingly to technology to grow customer self-service, and to maximise first contact resolution levels and reduce the average handling time for each contact where customers need live assistance. Eckoh's new product portfolio, notably the real time transcription solution incorporating sentiment analysis and AI led agent assistance, will ensure that customers can be dealt with swiftly and effectively, without compromising their customer experience or the security of their data.

The current economic challenges will also lead to greater numbers of consumers becoming either unwilling or unable to pay off charges for services. Managing those customers and trying to collect their payments successfully and sensitively will require more innovative and effective use of technology, and Eckoh's security proposition has proven success and a demonstrable return on investment in this area.

Operational Review

North America (NA) Territory (44% of group revenues)

The North American territory continues to deliver strong growth. This is best demonstrated through the ARR[1], which at the end of the first half was $13.8 million, a year-on-year increase of 71% (H1 FY22 $8.1 million) or from 31st March 2022, a 16% increase in the first six months of the year.

Revenue for the period was $10.6 million, an increase of 33% (H1 FY22: $7.9 million) and North America now accounts for a 44% share of Group revenue (H1 FY22: 42%). In FY24, we expect North American revenue will be of equal size to revenue from the UK and Ireland territory.

In the first half there has been, as anticipated, an increase in sales momentum, with new contracted business wins of $7.1 million. This is the highest half year level for three years and more than double the previous year (H1 FY22: $3.3 million). The combination of this new contracted business and the increasing number of contract renewals with existing clients has grown the total contracted business by 79% year on year to $9.8 million (H1 FY22 $5.5 million).

As we see more clients go through their first contract renewal, we will see the overall percentage of recurring revenue continue to increase, as at the point of renewal the hardware fees and implementation fees from the first contract are fully recognised. This is illustrated by the progress in recurring revenue, which has risen to 73% (H1 FY22: 64%), a 9% improvement, demonstrating both the successful renewals achieved in the year and the increased number of clients who deploy on our global cloud platform.

During the first half, we have successfully renewed a further six contracts, five of which were renewed for the first time and on similar terms, including the same length of contract as the initial contract term. One of the client renewals was renewed successfully for a third term. In the second half we have a further six clients expected to renew, two of which have already renewed in October. There was one client which did not renew because of a sale of the business. The successful renewals, the level of cloud deployments and the cross selling of additional product, will continue to increase our recurring revenue and gross profit.

The Company remains focused on winning new large enterprise contracts together with cross-selling the additional product introduced to the North America territory in the first half into new and existing clients. This is illustrated through the two large enterprise deals contracted in the period. The first was with a Fortune 100 retailer who purchased two product lines, the 3-year enterprise contract included a $1.4m fee for voice security to secure their phone agents and a $0.6m fee for digital payments to secure their live chat agents. Not only was this a multi-product contract it was also the first client to go-live on our new Azure cloud platform. The second new contract was the $1.3 million, 2-year contract with a leading, global hotel company, which will be deployed in the cloud and incorporate voice payment security, digital payments and advanced speech recognition. The implementation will cover more than 20 territories and an equivalent number of different speech recognition languages.

These two important contracts show the merit of Eckoh's longstanding strategy to pursue larger opportunities and the success of the plan to cross-sell from a broader product suite following the acquisition of Syntec in December 2021. These two contracts also show the continuing trend towards cloud adoption and more international mandates. The first contract is already live, showing the speed from contracting to deployment for cloud solutions and the second contract is due to go-live in the second half and in line with other cloud contracts will deliver higher levels of recurring revenue and margin.

An example of Eckoh's market leadership lies in our ability to offer our clients a choice of cloud platform, through which we will be able to deliver multiple SaaS solutions without any additional deployment effort. Alongside the development of our new product range one of our key strategic goals remains the expansion globally of our cloud platforms. There is no technical limitation now to this expansion, it will simply happen organically in line with the roll out of the many international contracts we have already won, and those we will win in the coming years.

While cloud deployment remains a key goal and advantage, we still expect that many of the largest enterprises, especially those in North America, will take many years to achieve that objective. Therefore, retaining the capability to deploy as required in a client's own data centres and environment and then migrate those accounts to a cloud solution, continues to give us a tactical advantage over our competitors. During the first half, we have seen two clients upgrade from on-site deployments to our cloud platform and as part of the renewal process, we have seen a further three clients who have contracted to also migrate.

In the period, Coral had revenue of \$1.0 million (1H FY22: \$0.9 million Coral & third-party Support). Coral is a browser-based agent desktop that increases efficiency by bringing all the contact centre agent's communication tools into a single screen. It also enables organisations, particularly those who have grown by acquisition, to standardise their contact centre facilities, as Coral can be implemented in environments that operate on entirely different underlying technology. Coral contracts remain small in number but high in value when they occur, with a very long sales cycle. This makes the timing of any new agreements hard to predict. There is a proof of concept about to commence with a large global financial services company, however, there is no certainty at this stage if this will lead to a contract.

UK & Ireland (UK & I) Territory, and Rest of World (ROW) Territory (56% of group revenues)

The UK & Ireland territory, along with the ROW territory accounts for 56% of revenues. The ROW whilst small is expected to grow quickly as the international contracts begin to be deployed, but for FY23 will be reported together with the UK & Ireland. The majority of the global deals, which drive the revenue and growth in Ireland and the ROW have been contracted through the UK Sales team.

Revenue increased significantly in the period to £10.9 million (H1 FY22 £9.0 million), up 22%.

UK clients are contracted through a range of commercial models that have evolved over time, unlike the newer North American business (including the acquired CardEasy activity), which operates entirely on fixed fee contracts. Where the commercial model is transactional, which is common, it is usual for a client to commit to a high percentage of its expected volumes and in so doing achieve the most competitive buying rate. The portion of a client's revenue that is not committed is generally repeatable, even as we saw in the pandemic, where the UK activity levels were very significantly impacted but the revenue impact was only around 10%. Within the UK ARR[1] metric, we have had to make an assumption on the revenue that is not contractually committed but is, and has been, repeatable. UK, Ireland and ROW ARR[1] at the end of the period was £16.4m an increase on last year of 32% and level with March 22. This is due to the timing of when new business has been contracted in the half.

Gross profit in the period was £8.9 million, an increase of 17% (H1 FY22: £7.6 million) and gross margin in the UK decreased in the period by 3% to 81% (H1 FY22: 84%), due principally to the integration of the Syntec UK & Ireland and ROW business.

Total contracted business was £9.7 million compared to £7.5 million in the prior year and new contracted business £2.5 million, level year on year. During the first half we successfully renewed our largest contract scheduled for this financial year, a 5-year contract through Capita for a large public service organisation, which was £2.1 million over the term. The next largest renewal scheduled for this year was the security service we provide through BT to Ministry of Justice for taking payments for fixed penalty notices and magistrates fines. This contract has also been renewed after the end of the period. Other important renewals that have already been completed during the period include Kingfisher, Target, PowerNI, Transport for London and Allied Irish Bank.

We continue to see global deals or international deals being won from the UK Sales team. In the period, following a competitive tender, we won a contract for voice security with the Irish division of one of the world's largest insurance companies. The deal is worth £0.6 million and it is expected that this will be one of the first clients to utilise the new enhanced cloud platform that has been developed through the "Syntegration" project. At the end of the period a further new UK contract also worth £0.6million was won with a financial services company to provide voice security for their debt collection service.

Looking at the segmentation of UK, Ireland and ROW revenue, 79% came from clients who take at least one of our security solutions. The remainder of the revenue is from clients who are taking other customer engagement services from us that do not involve security, such as IVR services. These are typically long-standing clients who we have serviced over many years.

Current Trading and Outlook

The first half performance reflects the continued progress of Eckoh's strategy to pursue major opportunities for large blue-chip organisations, cross-sell from a broader product suite and continue the trend towards cloud adoption and more international mandates. With this approach, coupled with an encouraging pipeline, a resilient business model of high recurring revenues, operational efficiencies, on-going cloud adoption and a robust balance sheet, the Board remains confident in delivering its expectations[7] and achieving material growth in FY23.

Financial Review

Following the acquisition of Syntec in December 2021, the integration of the business is progressing well and we are on track to meet full integration by the end of the financial year. The combined product together with increased activity coming from a global market means we will now be reporting on North America (NA), UK & Ireland (UK & I) and Rest of World (ROW) revenues.

Revenue
Revenue for the period increased by 33.0% to £19.6 million (H1 FY22: £14.7 million) and at constant exchange rates by 26%. Revenue in the UK & Ireland and ROW, which represent 56% (H1 FY22: 58%) of total group revenues, increased by 21.8% to £10.9 million (H1 FY22: £9.0 million).

North America revenue represented 44% (H1 FY22: 42%) of total group revenues and revenues increased in the period by 50.5% to £8.7 million (H1 FY22: £5.8 million), revenues in local currency increased by 33.0% year on year to $10.6 million (H1 FY22: $7.9 million).

Further explanations of movements in revenue between the North America, UK & Ireland and ROW territories have been addressed in the Operational Review above.

	H1 FY23 (UK, I & ROW) £000	**H1 FY23 (NA) £000**	**H1 FY23 Total £000**	H1 FY22 (UK, I & ROW) £000	H1 FY22 (NA) £000	H1 FY22 Total £000
Revenue	**10,925**	**8,665**	**19,590**	8,972	5,758	14,730
Gross Profit	**8,857**	**6,674**	**15,531**	7,571	4,280	11,851
Gross margin	**81%**	**77%**	**79%**	84%	74%	81%

The Group's gross profit increased to £15.5 million (H1 FY22: £14.7 million). Gross profit margin was 79% for the period, a decrease of 120 basis points year on year (H1 FY22: 81%). The UK & Ireland and ROW gross profit margin decreased by 3% to 81% due to the inclusion of the acquired Syntec business. In the North America territory, the margin in the period increased from 74% to 77%, increasing faster than previously indicated, due to the continued increase in Security Solutions being deployed in the cloud environment, the successful renewals in North America and the inclusion of the acquired Syntec business, which has a slightly higher gross profit margin than the underlying Eckoh business.

In the UK & Ireland and ROW territories, following the integration of the Syntec business and as the service is hosted on an Eckoh platform, there is typically no hardware provided to clients and the gross profit margin is expected to remain at approx. 81%. In the North America territory, we would expect the gross profit margin to continue to increase marginally from 77% to approx. 78% - 80% over the next two years. This is driven by the continued growth of the Security Solutions being deployed as cloud solutions coupled with clients renewing their contracts without additional significant hardware.

Administrative expenses
Total administrative expenses for the period were £12.6 million (H1 FY22: £9.4 million). Adjusted administrative expenses for the period were £11.3 million, an increase year on year of 25% (H1 FY22: £9.1 million). In the period we have continued to see the cost benefits from the prior year, the synergy benefits of the integration of Syntec ("Syntegration") offset by the effects of inflation in the remuneration of our employees. Restructuring costs in the period were nil (H1 FY22 £233k). Included in administrative expenses is a trading foreign currency gain of £0.7 million (H1 FY22: £44k loss).

Profitability Measures
Adjusted Operating profit[4] for the period was £4.2 million an increase of 52% on a total basis (H1 FY22: £2.8 million). Included in the first half profit for the current period was a foreign currency gain of £0.7 million (H1 FY22: £44k loss). Adjusted EBITDA[3] for the period was £5.0 million, an increase of 44% year on year (H1 FY22: £3.5 million).

	Six months ended 30 Sept 2022 £'000	Six months ended 30 Sept 2021 £'000	Year ended 31 March 2022 £'000
Profit from operating activities	**2,958**	2,405	2,386
Amortisation of acquired intangible assets	**1,237**	73	751
Expenses relating to share option schemes	**(6)**	42	241
Restructuring costs	**-**	233	866
Costs relating to business combinations	**-**	-	985
Adjusted operating profit[4]	**4,189**	2,753	4,749
Amortisation of intangible assets	**195**	184	392
Depreciation of owned assets	**354**	329	675
Depreciation of leased assets	**289**	230	498
Adjusted EBITDA[3]	**5,027**	3,496	6,794

Finance charges
For the financial period ended 30 September 2022, the net interest charge was £18k (H1 FY22: £22k). The interest charge is made up of bank interest receivable of £11k (H1 FY22: £3k) and interest on leased assets of £29k (H1 FY22: £25k).

Taxation
For the financial period ended 30 September 2022, there was a tax charge of £0.7 million (H1 FY22: £0.5 million), an effective tax rate of 23% (H1 FY22: 19%).

Earnings per share
Basic earnings per share was 0.77 pence per share (H1 FY22: 0.75 pence per share). Diluted earnings per share was 0.74 pence per share (H1 FY22: 0.73 pence per share). Adjusted diluted earnings per share was 1.06 pence per share (H1 FY22: 0.80 pence per share).

Client contracts
Client contracts are typically multi-year in length and have a high proportion of recurring revenues, usually underpinned by minimum commitments. With a greater proportion of contracts being delivered through the cloud, the initial set up fees and hardware costs associated with larger customer premise deployments will reduce. This will lead over time to an increase in operating margin. In the short-term this results in a reduction in the contract liabilities and a net cash outflow for working capital.

Contract liabilities and contract assets
Contract liabilities and contract assets relating to IFRS 15 Revenue from Contracts with Customers continue to decrease, principally as new contracted business in North America has been predominantly for cloud-based solutions. Where clients contract for their services to be provided in the cloud or on our internal cloud platforms, the level of hardware is significantly reduced and implementation fees are typically lower. This reduces the level of upfront cash received but

drives a greater level of revenue visibility and earnings quality. Total contract liabilities were £11.9 million (H1 FY22: £10.8 million) included in this balance are £8.6 million of contract liabilities relating to the Secure Payments product, hosted platform product or Syntec's CardEasy Secure Payments product, a decrease of £0.9 million from March 2022. Contract assets as at 30 September were £3.3 million compared to £3.8 million at March 2022 (H1 FY22: £3.9 million).

Cashflow and liquidity

Net cash at 30 September 2022 was £4.4 million, an increase of £1.6 million from the year end at 31 March 2022 and a decrease of £7.3 million to the previous year. The reduction in cash from last year reflects the completed acquisition of Syntec in December 2021, which was part funded from our cash reserves. The £1.6 million cash inflow from 31 March 2022 includes a net cash outflow for trade debtors, trade creditors, inventory and tax of £1.9 million (H1 FY22: cash outflow £1.8 million), in principle due to the unwinding of deferred revenue on the large enterprise on-premise solutions.

Consolidated statement of comprehensive income
for the six months ended 30 September 2022

	Six months ended 30 September 2022 £'000	Six months ended 30 September 2021 £'000	Year ended 31 March 2022 £'000
Continuing operations			
Revenue	**19,590**	14,730	31,780
Cost of sales	**(4,059)**	(2,879)	(6,357)
Gross profit	**15,531**	11,851	25,423
Administrative expenses	**(12,573)**	(9,446)	(23,037)
Operating profit	**2,958**	2,405	2,386
Adjusted operating profit	**4,189**	2,752	5,229
Amortisation of acquired intangible assets	**(1,237)**	(72)	(752)
Expenses relating to share option schemes	**6**	(42)	(241)
Exceptional restructuring costs	**-**	(233)	(866)
Costs relating to acquisition	**-**	-	(985)
Profit from operating activities	**2,958**	2,405	2,386
Finance charges	**(29)**	(25)	(74)
Finance income	**11**	3	6
Profit before taxation	**2,940**	2,383	2,311
Taxation	**(682)**	(461)	(743)
Profit for the period	**2,258**	1,922	1,575
Other comprehensive income/(expense)			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	**(32)**	56	139
Other comprehensive (expense)/ income for the period, net of income tax	**(32)**	56	139
Total comprehensive income for the period attributable to the equity holders of the Company	**2,226**	1,977	1,714

Profit per share expressed in pence			
Basic earnings per 0.25p share	**0.77**	0.75	0.59
Diluted earnings per 0.25p share	**0.74**	0.73	0.51

Consolidated statement of financial position

as at 30 September 2022

	30 September 2022 £'000	30 September 2021 £'000	31 March 2022 £'000
Assets			
Non-current assets			
Intangible assets	**38,860**	6,508	39,664
Property, plant and equipment	**4,433**	4,074	4,189
Right -of-use leased assets	**1,282**	1,086	1,516
Deferred tax asset	**1,535**	2,761	1,789
	46,110	14,429	47,158
Current assets			
Inventories	**295**	218	268
Trade and other receivables	**13,556**	11,909	12,283
Cash and cash equivalents	**4,358**	12,672	2,840
	18,209	24,799	15,391
Total assets	**64,319**	39,228	62,549
Liabilities			
Current liabilities			
Trade and other payables	**(18,036)**	(15,382)	(18,286)
Lease liabilities	**(609)**	(516)	(609)
	(18,645)	(15,898)	(18,895)
Non-current liabilities			
Lease liabilities	**(740)**	(618)	(928)
Deferred tax liabilities	**(3,014)**	(302)	(2,983)
	(3,754)	(920)	(3,911)
Net assets	**41,920**	22,410	39,743
Shareholders' equity			
Called up share capital	**732**	654	732
Share premium account	**22,180**	2,663	22,180
Capital redemption reserve	**198**	198	198
Merger reserve	**2,697**	2,697	2,697
Currency reserve	**1,089**	1,038	1,121
Retained earnings	**15,024**	15,160	12,815
Total equity	**41,920**	22,410	39,743

Consolidated interim statement of changes in equity
as at 30 September 2022

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency reserve £'000	Retained earnings £'000	Total Shareholders' equity £'000
Balance at 1 April 2022	**732**	**22,180**	**198**	**2,697**	**1,121**	**12,815**	**39,743**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,258	2,258
Other comprehensive expense for the period	-	-	-	-	(32)	-	(32)
Contributions by and distributions to owners					**(32)**	**2,258**	**2,226**
Shares transacted through Employee Benefit Trust	-	-	-	-	-	-	-
Shares issued under the share option scheme	-	-	-	-	-	-	-
Shares purchased for share ownership plan	-	-	-	-	-	(72)	(72)
Share based payment charge	-	-	-	-	-	23	23
Transactions with owners recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**(49)**	**(49)**
Balance as at 30 September 2022	**732**	**22,180**	**198**	**2,697**	**1,089**	**15,024**	**41,920**

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency reserve £'000	Retained earnings £'000	Total Shareholders' equity £'000
Balance at 1 April 2021	638	2,663	198	2,697	982	13,239	20,417
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	1,922	1,922
Other comprehensive expense for the period	-	-	-	-	56	-	56
Contributions by and distributions to owners	-	-	-	-	-	1,922	1,970
Shares transacted through Employee Benefit Trust	-	-	-	-	-	(126)	(126)
Shares issued under the share option schemes	16	-	-	-	-	-	16
Shares purchased for share ownership plan	-	-	-	-	-	(72)	(72)
Share based payment charge	-	-	-	-	-	197	197
Transactions with owners recorded directly in equity	**-**	**-**	**-**	**-**	**56**	**(37)**	**(37)**
Balance at 30 September 2021	**654**	**2,663**	**198**	**2,697**	**1,038**	**15,610**	**22,410**

Consolidated statement of cash flows
for the six months ended 30 September 2022

	Six months ended 30 September 2022 £'000	Six months ended 30 September 2021 £'000	Year ended 31 March 2022 £'000
Profit after taxation	**2,258**	1,921	1,575
Interest income	**(11)**	(3)	(6)
Interest payable	**29**	25	74
Taxation	**682**	461	743
Depreciation of property, plant and equipment	**354**	329	680
Depreciation of leased assets	**289**	230	495
Amortisation of intangible assets	**1,432**	256	1,143
Share based payments	**26**	197	241
Exchange differences	**(719)**	9	(95)
Operating profit before changes in working capital and provisions	**4,340**	3,425	4,850
(Increase)/ Decrease in inventories	**(27)**	(44)	(5)
(Increase)/ Decrease in trade and other receivables	**(1,273)**	568	2,423
(Decrease) in trade and other payables	**(252)**	(2,300)	(3,906)
Net cash generated from operating activities	**2,788**	1,649	3,362
Taxation (paid)/ received	**(335)**	-	88
Interest paid	**-**	(1)	(23)
Interest paid on lease liability	**(29)**	(24)	(51)
Net cash from continuing operating activities	**2,424**	1,624	4,288
Cash flows from investing activities			
Purchase of property, plant and equipment	**(501)**	(89)	(308)
Purchase of intangible fixed assets	**(164)**	(187)	(375)
Business acquisition	**-**	-	(22,500)
Interest received	**11**	3	-
Net cash utilised in continuing investing activities	**(654)**	(273)	(23,177)
Cash flows from financing activities			
Dividends paid	**-**	-	(1,559)
Repayment of borrowings	**-**	(975)	(975)
Principal elements of lease payments	**(188)**	(209)	(500)
Purchase of own shares	**-**	-	(126)
Shares purchased for share ownership plan	**(72)**	(72)	(110)
Issue of shares net of issue costs	**-**	-	13,311
Shares acquired by Employee Benefit Trust	**-**	(126)	(75)
Net cash utilised in continuing investing activities	**(260)**	(1,366)	9,966
Increase / (decrease) in cash and cash equivalents	**1,510**	(14)	(9,835)
Cash and cash equivalents at the start of the period	**2,840**	12,706	12,706
Effect of exchange rate fluctuations on cash held	**8**	(21)	(31)
Cash and cash equivalents at the end of the period	**4,358**	12,671	2,840

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2022

GENERAL INFORMATION
Eckoh plc is a public limited company and is incorporated and domiciled in the UK under the Companies Act 2006 (Company Registration number 03435822). The address of the Company's registered office is Telford House, Corner Hall, Hemel Hempstead, HP3 9NH.

Eckoh plc is a global provider of Secure Payment products and Customer Contact solutions.

These condensed consolidated interim financial statements for the six months ended 30 September 2022 comprise the Company and its subsidiaries (together the "Group").

1. Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 September 2022 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK. This report does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2022, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law).

The unaudited condensed consolidated interim financial information for the period ended 30 September 2022 does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2022 are extracted from the statutory financial statements which have been filed with the Registrar of Companies, on which the auditor gave an unqualified report, which made no statement under section 498(2) or (3) respectively of the Companies Act 2006 and did not draw attention to any matters of emphasis.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2022.

In reporting financial information, the Group presents alternative performance measures ("APMs"). The Directors consider that disclosing alternative performance measures enhances Shareholders' ability to evaluate and analyse the underlying financial performance of the Group. They have identified adjusted operating profit and adjusted EBITDA as measures that enable the assessment of the performance of the Group and assists in financial, operational and commercial decision-making. In adjusting for these measures, the Directors have sought to eliminate those items of income and expenditure that do not specifically relate to the underlying operational performance of the Group in a specific year.

These condensed consolidated interim financial statements were approved by the Board of Directors on 22 November 2022.

The accounting policies adopted in these interim financial statements are consistent with those of the previous financial year and the corresponding interims period.

Going concern
The Directors have, at the time of approving the condensed consolidated interim financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

New standards and interpretations not yet adopted
Amended standards and interpretations not yet effective are not expected to have a significant impact on the Group's consolidated financial statements.

2. Dividends

The proposed dividend of £2.0m for the year ended 31 March 2022 of 0.67p per share was paid on 21 October 2022.

3. Earnings per share

The basic and diluted earnings per share are calculated on the following profit and number of shares. Earnings for the calculation of earnings per share is the net profit attributable to equity holders of the parent.

	Six months ended 30 September 2022 £'000	Six months ended 30 September 2021 £'000	Year ended 31 March 2022 £'000
Earnings for the purposes of basic and diluted earnings per share	**2,258**	1,922	1,575
Earnings for the purposes of adjusted basic and diluted earnings per share	**3,212**	2,103	3,974

Reconciliation of earnings for the purposes of adjusted basic and diluted earnings per share

	H1 FY23 £'000	H1 FY22 £'000	FY 22 £'000
Earnings for the purposes of basic and diluted earnings per share	**2,258**	1,922	1,575
Taxation	**682**	461	743
Amortisation of acquired intangible assets	**1,237**	72	751
Expenses relating to share option schemes	**(6)**	42	241
Exceptional restructuring costs	**-**	233	866
Costs relating to acquisition	**-**	-	985
Adjusted profit before tax	**4,171**	2,730	5,161
Tax charge based on standard corporation tax rate of 23% (2022: 23%)	**(959)**	(627)	(1,187)
Earnings for the purposes of adjusted basic and diluted earnings per share	**3,212**	2,103	3,974

Denominator	**Six months ended 30 September 2022 '000**	Six months ended 30 September 2021 '000	Year ended 31 March 2022 '000
Weighted average number of shares in issue in the period	**292,893**	255,500	265,968
Shares held by employee ownership plan	**(2,062)**	(1,908)	(2,028)
Number of shares used in calculating basic earnings per share	**290,831**	253,592	263,940
Dilutive effect of share options	**12,428**	9,121	20,558
Dilutive effect of shares for acquisition Dec 21	**-**	-	7,889
Dilutive effect of placing Dec 21	**-**	-	18,494
Number of shares used in calculating diluted earnings per share	**303,259**	262,713	262,915

Profit per share	**H1 FY23 pence**	H1 FY22 Pence	FY22 Pence
Basic earnings per 0.25p share	**0.77**	0.75	1.09
Diluted earnings per 0.25p share	**0.74**	0.73	1.06
Adjusted earnings per 0.25p share	**1.10**	0.82	1.49
Adjusted diluted earnings per 0.25p share	**1.06**	0.80	1.28

4. Subsequent events to 30 September 2022

As at the date of these statements there were no such events to report.