Eckoh Results for the half year ended 30th September 2020

Agenda

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Highlights – Resilient performance

- Results in line with Board expectations despite difficult conditions
- Continued strong progress and growth in US Secure Payments
- Underlying Group revenue slightly lower, excluding the Coral contract from last year, driven by the planned decline in US Support and the impact on the UK from the pandemic
- Profit level with prior year, but ahead excluding the Coral contract
- Total business contracted lower against a strong comparator, but the UK delivered growth
- COVID impact on deals in Q1, but good momentum in Q2 with sales pipelines at high levels
- Resilience in current trading with high recurring revenues of 73%, substantially underpinned by fixed fees and transaction volume commitments
- Strong cash generation, robust balance sheet enabling dividend
- The Board expects profits for this financial year to be comparable to the prior year

COVID – Update

- Well placed to continue to manage the impact of COVID due to high levels of recurring revenue, a record order book, blue chip enterprise clients and a strong balance sheet
- Trading
  - UK - although client volumes were highly impacted from March, because of the various commercial models this was not reflected proportionately in revenue. Volumes recovered by August but are again impacted in November, although the impact is so far much less than previously
  - US - all revenue is underpinned by fixed fees. New contracts were difficult in Q1, Q2 saw momentum build especially Cloud-based, as this proposition is best suited to customers' COVID operational challenges
- Operations
  - UK - remote working continues to be effective, employees who wanted to return to the office did so in September and October before the new lockdown; all can work from home including our Contact Centre
  - US - 70% of staff are permanently remote, but the Omaha office has had a controlled reopening
- Outlook
  - Encouraging trading, Eckoh's product portfolio can assist new and existing clients in responding to these challenging times, as the recent interest in CallGuard Remote demonstrates

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Financial highlights

	Revenue £15.7m 13% 12%[1] (H1 20: £18.0m)	**Operating profit[2]** £3.4m 0% (H1 20: £3.4m)	**Total business[3]** £14.0m 28% (H1 20: £19.4m)
Excluding Coral Contract	**Revenue** £15.7m 4% 3%[1] (H1 20: £16.3m[4])	**Operating profit[2]** £3.4m 34% (H1 20: £2.5m[4])	**Total business[3]** £14.0m 15% (H1 20: £16.4m[4])
	Recurring Revenue £11.5m 10% (H1 20: £12.8m)	**Deferred revenue** £14.0m 8% (H1 20: £15.2m)	**Net cash** £12.9m £2.0m (H1 20 : £10.9m)

1. Constant exchange rates (using last year's exchange rates)
2. Excluding expenses relating to share option schemes, amortisation of acquired intangible assets and acquisition costs
3. Contracted business including new business and renewals with existing customers
4. Excluding $3.8m new order, $2.1m revenue related to the Coral contract & £0.9m Operating profit

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Summary financials

£M	HY Sept 20	HY Sept 19	Variance	Excluding Coral Contract HY Sept 19 [1]	Excluding Coral Contract Variance
Revenue	**15.7**	**18.0**	***(13%)***	***16.4***	***(4%)***
Gross profit	12.8	14.2	*(10%)*	*13.3*	*(3%)*
Gross profit margin (%)	*81%*	*79%*	*+2pts*	*83%*	*-2pts*
Adjusted[2] EBITDA	**4.2**	**4.2**	***n.m.***	***3.3***	***+25%***
Adjusted[3] operating profit	3.4	3.4	*n.m.*	*2.5*	*+34%*
Profit after tax	**2.0**	**2.0**	*n.m.*		
Adjusted diluted EPS[4]	1.11p	1.10p	*+1%*		
Change in working capital	(1.8)	(0.7)			
Cash generated from operating activities	**2.2**	**3.2**			
Cash	**14.8**	**13.5**	***+10%***		
Net Cash	**12.9**	**10.9**	***+£2.0***		
Total business contracted[5]	**14.0**	**19.4**	***(28%)***		
New business contracted[6]	**7.9**	**11.8**	***(33%)***		

1. Excluding $3.8m new order, $2.1m revenue related to the Coral contract & £0.9m Operating profit
2. & 3. Excluding expenses relating to share option schemes and amortisation of acquired intangible assets
4. Adjusted diluted earnings per share (EPS) excludes share option schemes and amortisation of acquired intangible assets
5. Contracted business including new business and renewals with existing customers
6. New business contracted excluding renewals with existing customers

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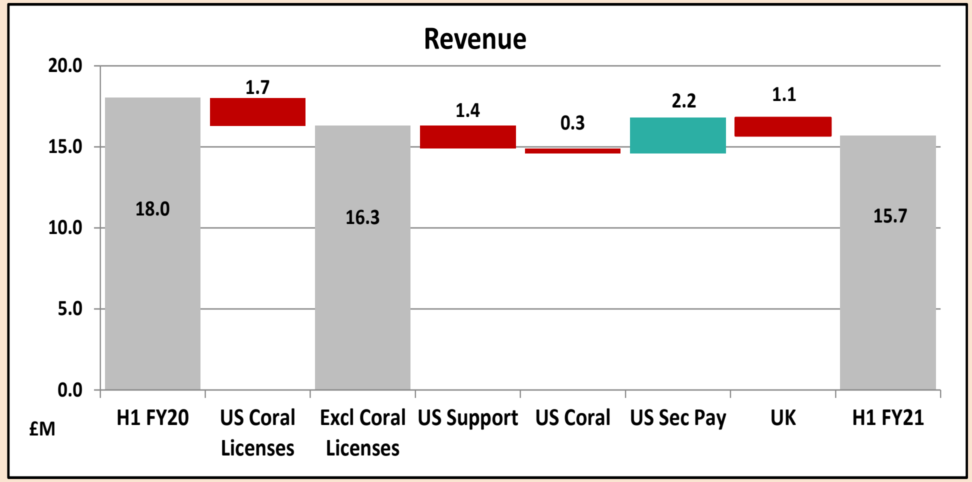
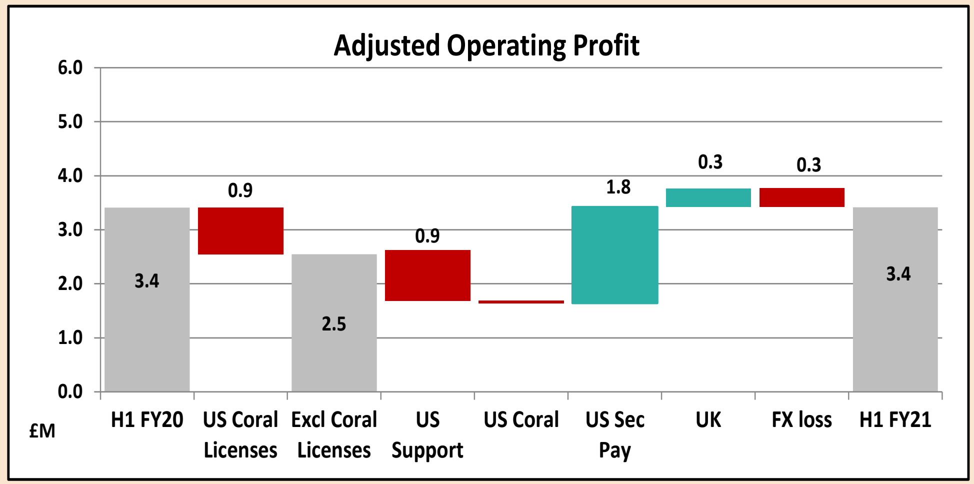
Adjusted Operating Profit and Revenue bridge

- **Operating profit in line with H1 FY20**
- **Coral licenses** – $2.1m non-repeatable Coral licences in prior year
- **US Support** – planned transition from support with a further decline expected in H2 FY20
- **US Coral** – underlying Coral business year on year level
- **US Secure Payments** – strong momentum with 80% year on year growth in revenue and gross profit with limited additional costs
- **UK business** – despite decline in revenue, profit stronger due to prudent cost control
- **FX gain** – loss in the first half versus a FX gain of £0.3m in prior year





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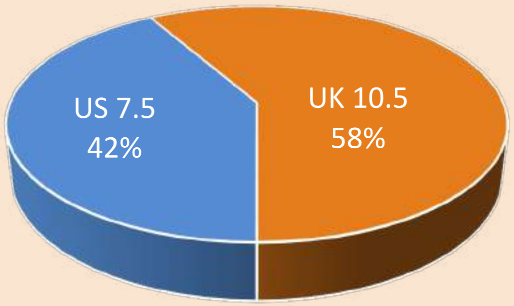
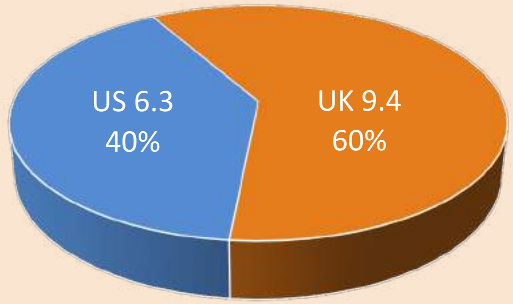
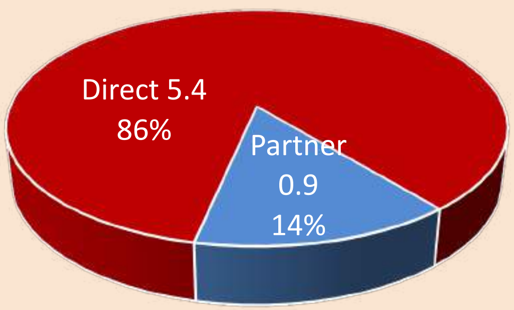
Divisional trading analysis

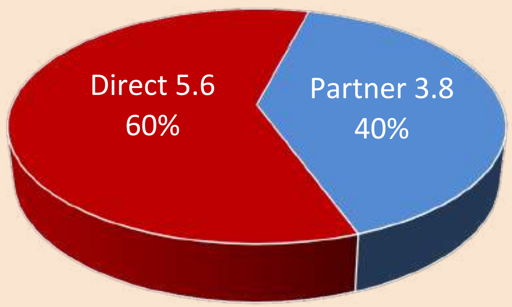
H1 FY20 (Revenue £m) H1 FY21





US (Sales split £m) UK





Main Partners: Intrado, NICE inContact, ribbon communications

Main Partners: CAPITA, BT, Teleperformance

- US now accounts for 40% of Group revenue (H1 FY20: 36% excluding $2.1m Coral licences)
- UK declined largely due to the transactional impact of COVID
- In the UK the partner share increased by 6% with large Capita deals going live and the service for the top 3 UK building society
- US partners % increased, illustrating the progress being made with our channel sales strategy

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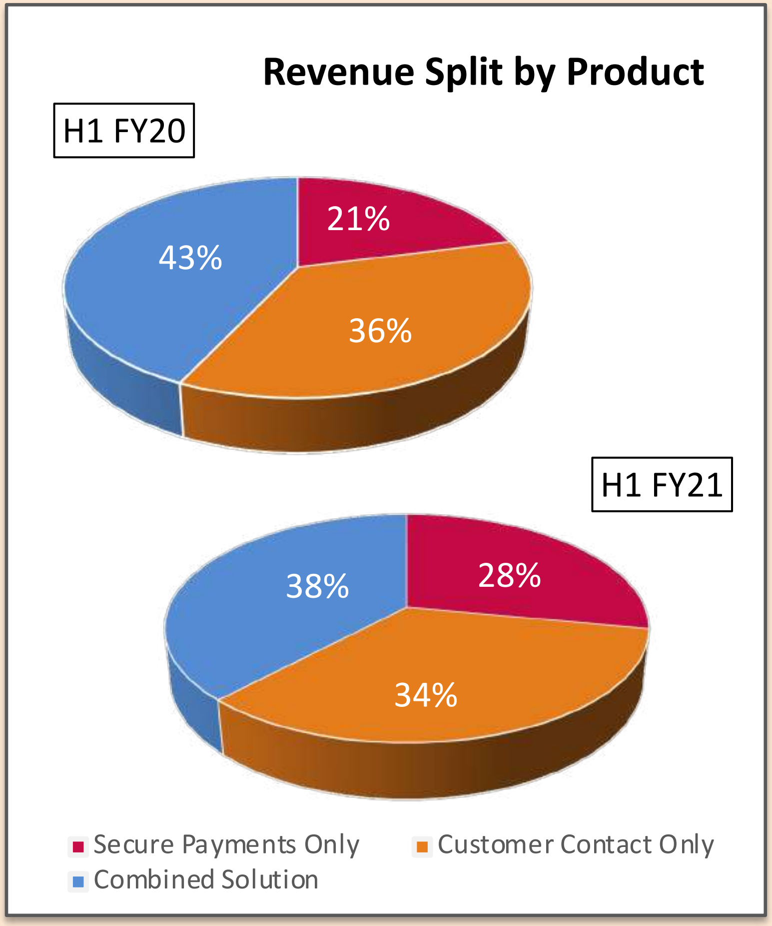
UK trading analysis

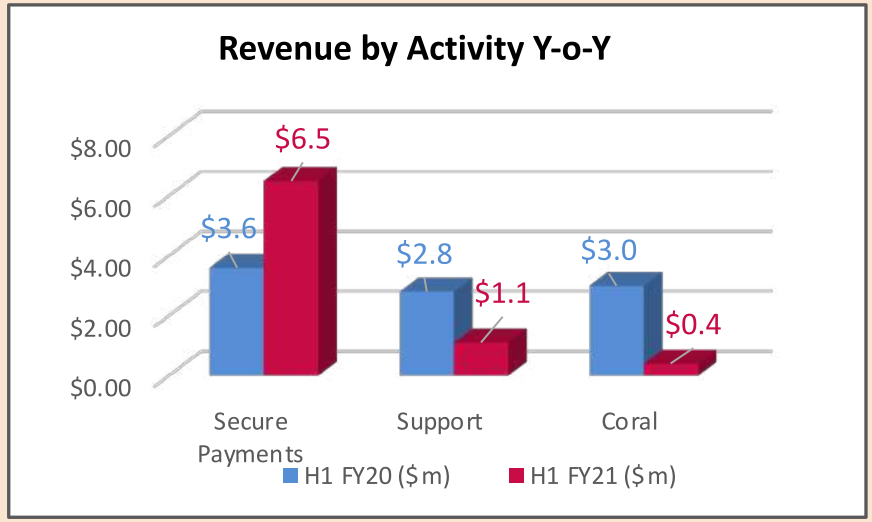
- Total contracted business[1] £8.6m, up 8% (H1 FY20: £7.9m)
- New contracted business[2] £3.2m (H1 FY20: £2.7m) up 17%
- Revenue down 11% to £9.4m (H1 FY20: £10.5m)
- Gross profit down 9% to £8.0m (H1 FY20: £8.8m)
- Gross profit margin 85% (H1 FY20: 84%)
- Recurring revenues at 85% (H1 FY20: 87%)
- Shift towards Secure Payments from CallGuard Remote, facilitating the taking of payments securely in remote working environments



1. Total contract value from new and existing clients
2. Total contract value from new contracts, excluding renewals of contracts with existing clients.

US trading analysis

- Total revenue decreased 15% to \$8.0m (H1 FY20: \$9.4m), but increased by 18% excluding the \$2.1m from the one-off Coral contract
- Secure Payments revenue increased significantly by 80% to \$6.5m (H1 FY20: \$3.6m)
- Support revenue declined as planned to \$1.1m and we expect FY21 to be materially lower as the managed transition towards higher growth Secure Payments opportunities continues
- Coral revenue declined, as expected, but a stronger second half is anticipated
- Total business contracted[1] down 53% to \$6.9m (H1 FY20: \$14.5m), due to strong comparators
- New business contracted[2] down 48% to \$5.9m (H1 FY20: \$11.4m), down 33% excl. Coral contract
- Gross profit down 10% to \$6.0m (H1 FY20: \$6.6m)
- Gross margin 75% (H1 FY20: 71%)
- Recurring revenue 56% (H1 FY20: 49%)



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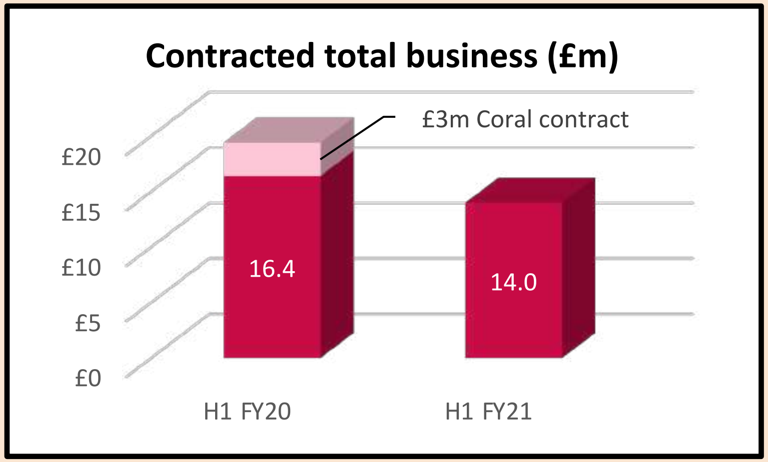
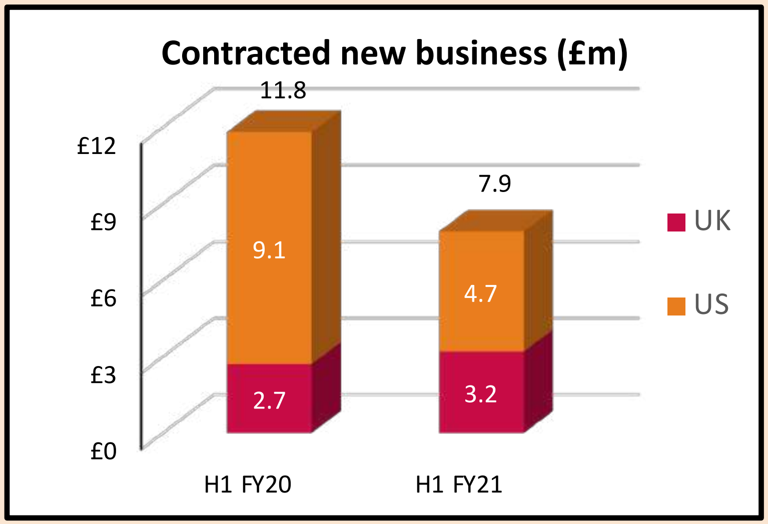
Contracted business – UK and US





- £14m total business contracted[1] in a challenging period, against record comparators
- UK total business grew 8% and new business 17%
- US Secure Payments new business[2] was 20% lower, but momentum grew in Q2 and it was a stronger half than H2 FY20
- US Secure Payments renewals likely to be meaningful in H2
- Continued strong UK renewals with further sizeable renewals expected in H2 FY21
- Summary guidance: profit flat year on year with revenue comparable to H1

1. Total contract value from new and existing clients
2. Total contract value from new contracts, excluding renewals of contracts with existing clients.

Strategic Goals

- Be the market leader for Contact Centre payment security in premised, hosted and Cloud delivery
- Capitalise on the fast-growing US market for Secure Payments
- Maximise client value through cross-selling to generate higher levels of recurring income
- Continue to enhance the Eckoh Experience Portal to enable faster and more flexible delivery of our solutions
- Use Cloud Native technologies to develop next-generation products and enhance our proprietary technologies
- Evaluate acquisition opportunities that can support our growth strategy in Contact Centre security and customer engagement

UK Overview – Strong order levels despite backdrop

- UK has a combination of fixed fees and transactional charges with a few longstanding clients having lower committed volumes
- Revenue impacted by COVID and declined 11% but saw a strong recovery in Q2, although the situation remains uncertain
- Total business grew strongly 8% over the prior year with new business £3.2m, 17% growth
- 68% of new business contracted was driven by cross selling to existing customers, showing the strength of Eckoh's relationships
- Growing interest in CallGuard Remote, including two major new clients, one of which was a major UK bank
- Strong year for large renewals, with no losses, including
  - Capita Transport for London contract renewed for six years, total contract value a minimum of £4m
  - Further sizeable renewals expected in the second half
- The pandemic is driving increased demand for remote working technology and advanced self-service, playing to Eckoh strengths

Dear Claire,

Join the many organisations turning to CallGuard to manage payment security for home-working agents.

CallGuard Remote is designed to help you extend PCI DSS compliance controls to contact centre agents taking card payments from home.

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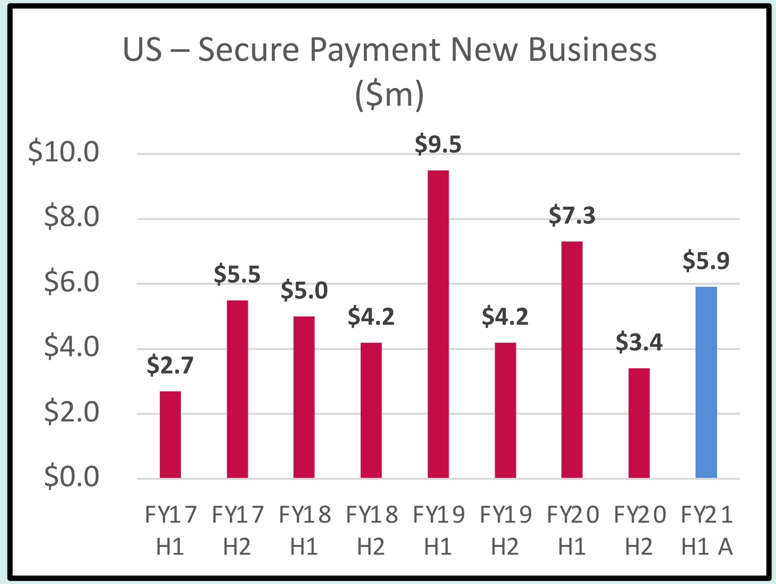
US Secure Payments – Continued momentum

- Strong momentum in Secure Payments, revenue grew 80% to \$6.5m (H1 FY20: \$3.6m)
- New Secure Payments contracted business \$5.9m (H1 FY20: \$7.3m); broader base than prior year
- Following disruption to Q4 in FY20 and Q1 this year by COVID, momentum has grown in Q2, with a larger number of deals signed
- Total unrecognised order book \$25.9m in line with March 2020 (H1 FY20: \$26.9m)
- Ten customers now contracted in the Fortune 250
- Marked shift in H1 FY21 to Cloud-based contracts, and the pandemic appears to have accelerated the planned move to the Cloud for larger enterprises
- Pipeline remains strong and growing, and some larger bid processes have recommenced



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US Overview – Benefiting from macro factors

- Secure payments market trends and updates
  - Our level 1 PCI DSS accreditation retained for the 11th successive year
  - Version 4 of the PCI code will tighten compliance further, making it harder and more expensive to comply
  - Tougher data privacy regulation both in US and globally, and meaningful fines (British Airways £20m and Marriot $24m) are also providing a tailwind to sales
  - Increasing cyber insurance premiums are proving to be another driver
  - Impact of COVID is expected to lead to a greater focus on the financial health and stability of supplier
- Support revenue $1.1m - as indicated previously we are focusing on the high growth Secure Payments opportunity and transitioning away from Support, which will continue to decline in H2
- Coral revenue of $0.4m - prior year includes the licenses of $2.1m, from the $3.8m contract with a Fortune 100 Telco
  - Timing of deals remains hard to predict, and sales cycle is long

PCI Security Standards Council®

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Technology and Innovation Update

- **CallGuard release Jan 2021** - There is a significant product update to CallGuard planned for early 2021 incorporating updated analytics, improved usability and additional payment methods
- **Further patent grants** – Since April we have had a further two patents granted taking our total to 14
- **Project Leapfrog** – Our initiative to transition to a Cloud Native methodology and environment is progressing well, with all external assistance now complete we have moved onto a business as usual footing
- **Cyber Essentials** was recently added to our list of accreditations against the growing number of global Information Security standards. Alongside our well-established PCI DSS, ISO-27001 and ISO-9001 accreditations, this addition reinforces our credentials as a high-calibre and secure supplier

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Summary

- Robust performance given impact of COVID
- US Secure Payments growth offset by impacted UK volumes
- Strong total order levels underpinning future trading
- Continued excellent progress and growth in US Secure Payments and despite the underlying climate it remains a huge opportunity
- Strong cash generation, robust balance sheet enabling dividend
- With a highly relevant product portfolio and resilient business model, Eckoh is well prepared to successfully manage the ongoing challenges and assist our clients to do the same
- Profit comparable to prior year, although outlook remains uncertain

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Investment Case

- Long term growth drivers
  - Significant market opportunity - largely untapped market
  - Patented IP and limited competitive threat - no homegrown US competitor
  - Macro factors - ongoing data breaches, increased regulation and cost of cyber insurance
- Strong momentum building
  - Strong levels of business - 8% growth in UK total contracted business and strong US Secure Payments
  - Low customer churn rates - retention almost 100%
- High revenue visibility
  - High recurring revenue - 73% at a group level
  - Growing order book and deferred revenue - US payments order book now at a record $25.9m
- Scalability - capacity for growth without significant investment
- Attractive financial model with strong operational gearing and cashflow

Thank you

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Appendix 1 - Eckoh history

- Dec 1999 Float on FTSE as 365 Corporation
- Jan 2002 Sale of internet business
- May 2002 Change of name to Eckoh, new customer engagement strategy
- Jun 2003 Eckoh moves to AIM
- Jul 2006 Symphony share sold to Redstone for £11m
- Oct 2010 Level 1 PCI DSS Accreditation received, growth from EckohPay product
- Jan 2012 EckohPROTECT launched generating significant sales interest
- Jun 2013 Acquisition of Veritape Limited (On-premise payments solution provider)
- Nov 2013 Eckoh Inc incorporated, US trading begins April 2014
- Nov 2015 Acquisition of Product Support Solutions ('PSS Help') for $8m to expand US operation
- Jul 2016 Acquisition of Klick2Contact for £2.35m (Omnichannel customer engagement specialist)
- Mar 2017 Transformational year for US payments business with $8.3m contract value secured
- Feb 2018 Two key US patents awarded for Eckoh Secure Payments
- Sep 2018 Largest ever payment deal worth $7.4m
- June 2020 Record total business contracted and market conditions support further long-term growth

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Appendix 2 - Significant market opportunity largely untapped

Product Set
Secure Payments, Support and Coral
Product Delivery
Primarily on site (80%+)
Partner channels
West, Ribbon
NICE InContact

Product Set
All Products
Product Delivery
Primarily hosted managed service (90%+)
Partner channels
Capita, BT, Teleperformance

US

40,000 Contact Centers
3.5m Agent seats
6m Employees (4% of entire US workforce)
Addressable Market: 14,000 Centers of 50 seats +
Less than 1% of the addressable market

UK

6,000 Contact Centres
766,000 Agent seats
1.3m Employees (4% of entire UK workforce)
Addressable Market: 2,500 Centres of 50 seats +
3% of the addressable market

* Contact Babel – UK and US Contact Centre Guides 2017-2021

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Appendix 3 - Growth drivers in a largely untapped target market

Contact Centre Industry employs 4% of total UK and US workforce

US Target Market Size
14,000 Contact Centers
with 50+ agent seats

UK Target Market Size
2,500 Contact Centres
with 50+ agent seats

Reducing Fraud
PCI DSS Compliance
Managing Financial and
Reputational Risk

Improving Engagement
Maximising Cost Benefit
Omnichannel Adoption
Transition to Cloud

Two highly complementary activities

Secure Payments ← Cross Selling → **Customer Engagement**

Appendix Financial Information

Balance Sheet – 30 September 2020

£'000	30 Sept 2020	30 Sept 2019	31 Mar 2020	
Intangible Fixed Assets	6,709	7,200	7,313	Amortisation of intangibles
Tangible Fixed Assets	3,774	3,959	3,851	Mainly HQ building and hosted telephony platform
Leased Assets	404	523	277	
Deferred Tax Asset	3,786	4,116	3,805	
Total Fixed Assets	**14,673**	**15,798**	**15,246**	
Non cash current assets	7,426	9,683	8,219	
Deferred asset – IFRS 15	5,166	4,751	5,587	
Cash	14,808	13,512	13,541	
Total Assets	**42,073**	**43,744**	**42,593**	
Trade & Other Payables	(4,972)	(5,393)	(6,678)	
Deferred liability	(13,982)	(15,215)	(14,400)	IFRS 15 – new business contracted
Lease liability	(396)	(525)	(266)	Implementation of IFRS 16 1st April 2019
Loans	(1,950)	(2,600)	(1,950)	Repayment of loan quarterly £325k
Deferred tax liability	(281)	(519)	(290)	Arising from PSS and K2C acquisitions & amortises alongside the intangible asset. Veritape fully amortised
Net assets	**20,492**	**19,492**	**19,009**	

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Cash Flow Statement

£'000	31 Sept 2020	31 Sept 2019	31 March 2020
Profit after tax	2,044	2,041	3,136
Depreciation / Amortisation	1,266	1,306	2,632
Share based payments	176	359	468
Taxation	484	551	166
Other	63	(287)	(280)
Operating profit before changes in working capital	**4,033**	**3,898**	**6,122**
Movement in receivables, payables, inventory and tax	(1,377)	(390)	1,118
Movement in tax and interest	(472)	(269)	(156)
Cash generated from operating activities	**2,184**	**3,240**	**7,084**
Purchase of property, plant and equipment	(291)	(238)	(571)
Purchase of intangible fixed assets	(157)	(172)	(951)
Principal lease repayments	(251)	(244)	(503)
Net Interest	(4)	(1)	84
Net loan movement	-	(650)	(1,300)
Dividends	-	-	(1,558)
Other	(215)	(5)	(325)
Cash movement	**1,266**	**1,930**	**1,959**

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