

**Eckoh**



**Eckoh Results for the full year ended 31<sup>st</sup> March 2019**

# Agenda



- Eckoh Overview
- Financial Highlights
- Operations Review
  - Strategic Goals
  - US Operations
  - UK Operations
  - Innovation
- Summary and Investment Case



# Highlights - Strong Order Growth

- ❑ Results in line with market expectations
- ❑ Revenue growth in UK and US
- ❑ Record levels of new business up 47%
- ❑ Total business contracted up 62%
- ❑ Strong year for the UK in new business and contract renewals
- ❑ Excellent progress in US Secure Payments contracts, growing 48%
- ❑ Strong cash generation and excellent order book
- ❑ Investment in innovation - five new patents granted during the period

# Financial Highlights

New Business <sup>4</sup>

**£22.6m**

**↑ 47%**

(FY18 : £15.3m)

Deferred revenue

**£14.6m**

**↑ 44%**

(FY18<sup>1</sup>: £10.1m)

Revenue

**£28.7m**

**↑ 5% 5%<sup>2</sup>**

(FY18<sup>1</sup>: £27.2m)

Recurring Revenue

**83%**

**↑ 1%**

(FY18<sup>1</sup>: 82%)

EBITDA <sup>3</sup>

**£4.3m**

**↓ 16%**

(FY18<sup>1</sup>: £5.1m)

Net Cash

**£8.3m**

**↑ £4.7m**

(FY18 : £3.6m)

1. Restated for adoption of IFRS 15 – Revenue from Contracts with Customers    2. Constant currency (using last year's exchange rates)  
3. Excluding expenses relating to share option schemes, legal fees and settlement costs amortisation of acquired intangible assets and acquisition costs  
4. Contracted new business excluding renewals with existing customers

# Summary Financials

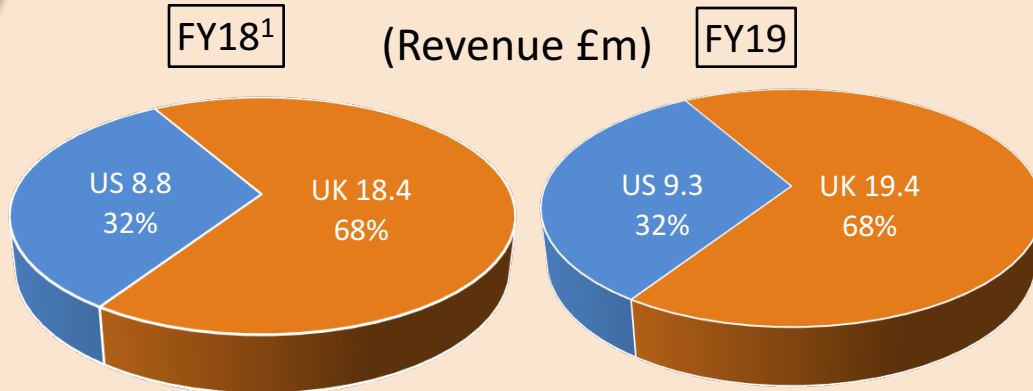
£'000	31 Mar-19	31 Mar-18 <sup>1</sup>	Variance
<b>New business contracted <sup>2</sup></b>	<b>22,568</b>	<b>15,310</b>	<b>+47%</b>
<b>Total business contracted</b>	<b>32,723</b>	<b>20,205</b>	<b>+62%</b>
<b>Revenue</b>	<b>28,719</b>	<b>27,237</b>	<b>+5.4%</b>
Gross profit	24,105	23,490	+2.6%
<i>Gross profit margin (%)</i>	84%	86%	-2pts
<b>Adjusted <sup>3</sup> EBITDA</b>	<b>4,322</b>	<b>5,149</b>	<b>-16.1%</b>
Profit after tax	945	1,353	
Change in working capital	3,089	1,959	
<b>Cash generated from operating activities</b>	<b>7,255</b>	<b>5,843</b>	
Cash movement	3,418	2,081	
<b>Cash</b>	<b>11,582</b>	<b>8,164</b>	
<b>Net Cash</b>	<b>8,332</b>	<b>3,614</b>	<b>+4,718</b>
<b>Dividend per share (pence)</b>	<b>0.61</b>	<b>0.55</b>	<b>+11%</b>

1. Restated for adoption of IFRS 15 – Revenue from Contracts with Customers.

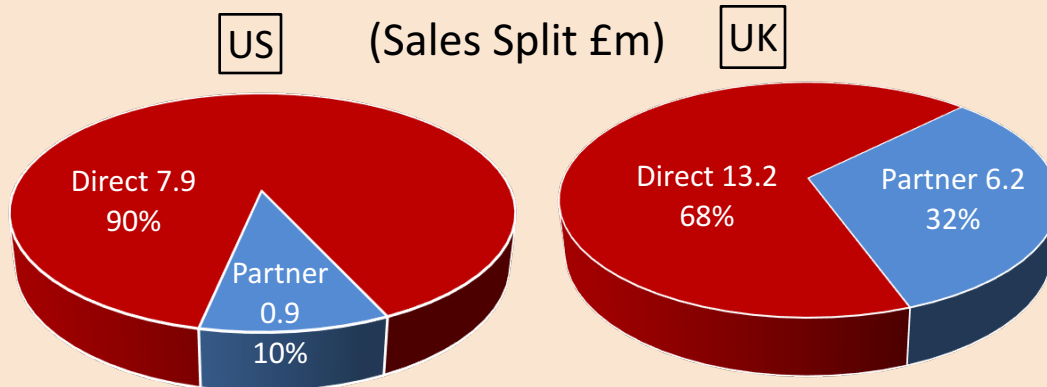
2. New business contracted excluding renewals with existing customers

3. Excluding expenses relating to share option schemes, legal fees and settlement costs and amortisation of acquired intangible assets

# Divisional Trading Analysis



- 5% growth in UK and US
- US share of Group stable at 32%
- UK has continued to strengthen with new business growth flowing through to revenue



- In UK the Capita relationship is back on track and BT rejuvenated
- New US partners have been added including NICE inContact

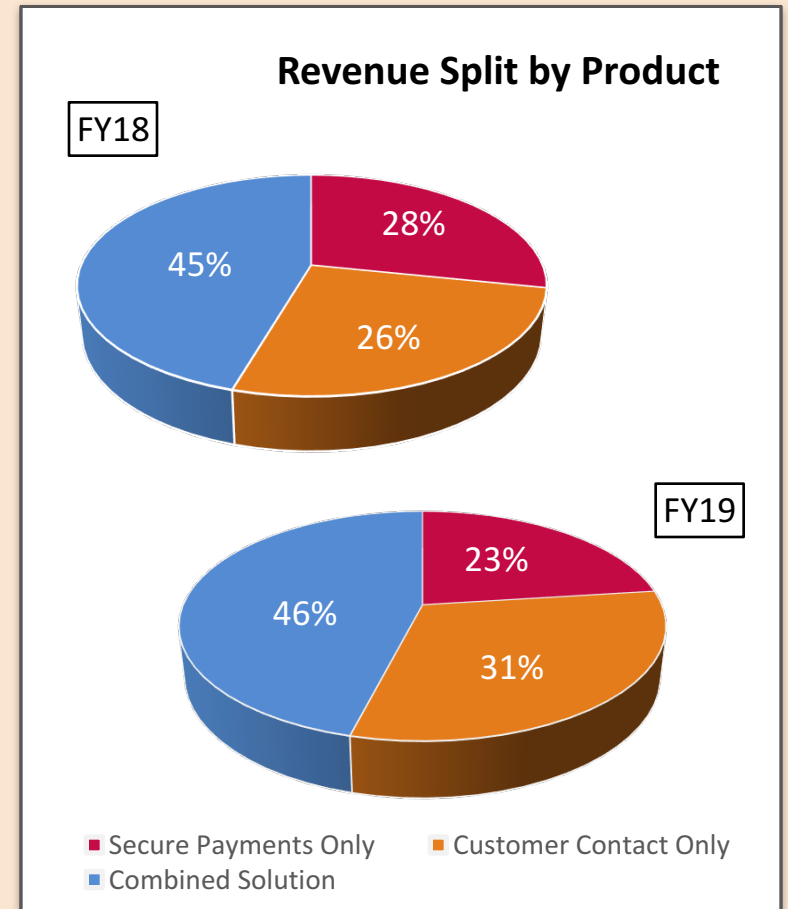
Main Partners: **NICE** **west**  
inContact

Main Partners: **CAPITA** **BT** **Teleperformance**

1. Restated for adoption of IFRS 15 – Revenue from contracts with Customers

# UK Trading Analysis

- Significantly improved new contracted business<sup>2</sup>, up 69% to £10.1m (FY18<sup>1</sup>: £6.0m)
- Revenue up 5% to £19.4m (FY18<sup>1</sup>: £18.4m)
- Gross profit up 4% to £16.5m (FY18<sup>1</sup>: £15.8m)
- Gross profit margin 85% (FY18<sup>1</sup>: 86%)
- Recurring revenues at 90% (FY18<sup>1</sup>: 89%)
- Shift towards Customer Contact solutions with acquired Omnichannel capability

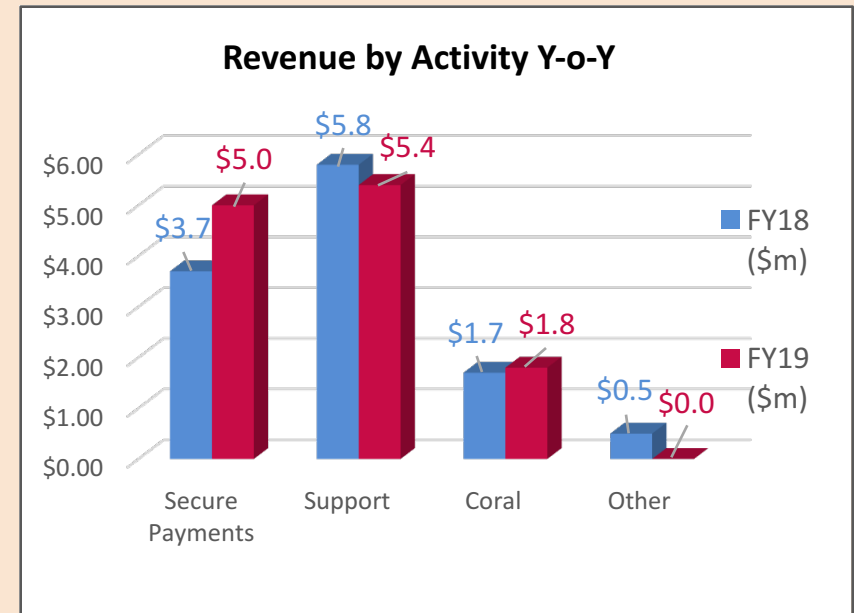


1. Restated for adoption of IFRS 15 – Revenue from Contracts with Customers  
2. Total contract value from new contracts, excluding renewals of contracts with existing clients.



# US Trading Analysis

- ❑ Strong new business contracted<sup>2</sup>, up 32% to \$16.3m (FY18: \$12.3m)
- ❑ Secure Payments revenue grew 35% to \$5.0m (FY18<sup>1</sup>: \$3.7m)
- ❑ Overall revenue increased 5% to \$12.2m (FY18<sup>1</sup>: \$11.7m)
- ❑ Gross profit \$7.6m (FY18<sup>1</sup>: \$7.7m)
- ❑ Gross margin 81% (FY18<sup>1</sup>: 87%)
  - H1 Support revenue weak
  - Growth in Secure Payments & impact of lower margin hardware in set-up
- ❑ Recurring revenue grew to 68% (FY18: 67%)

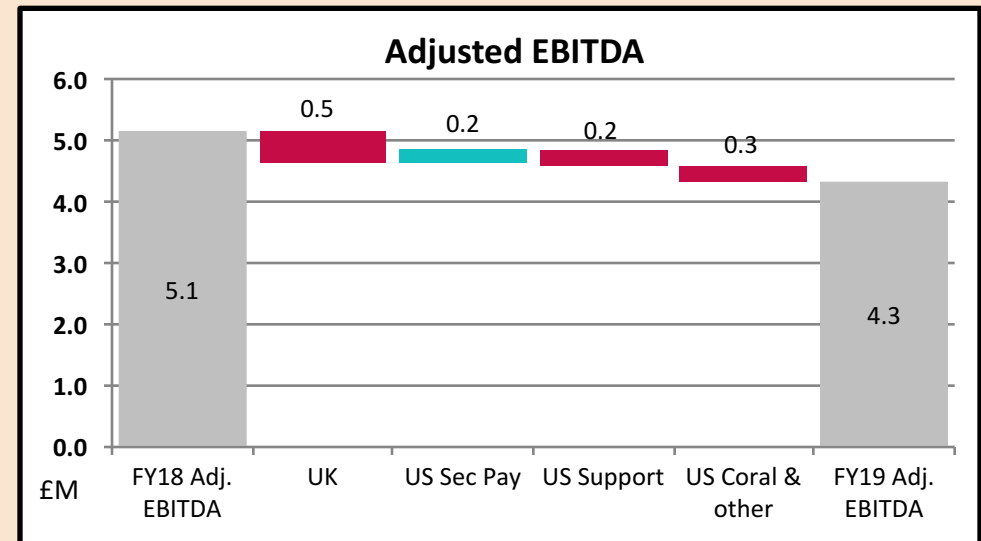


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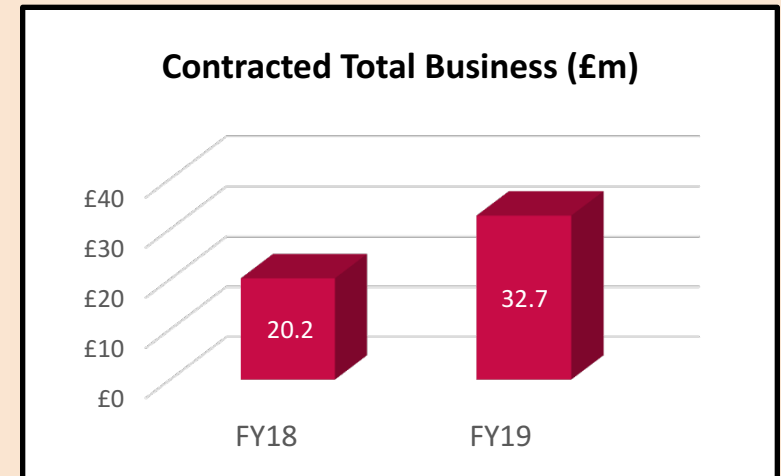
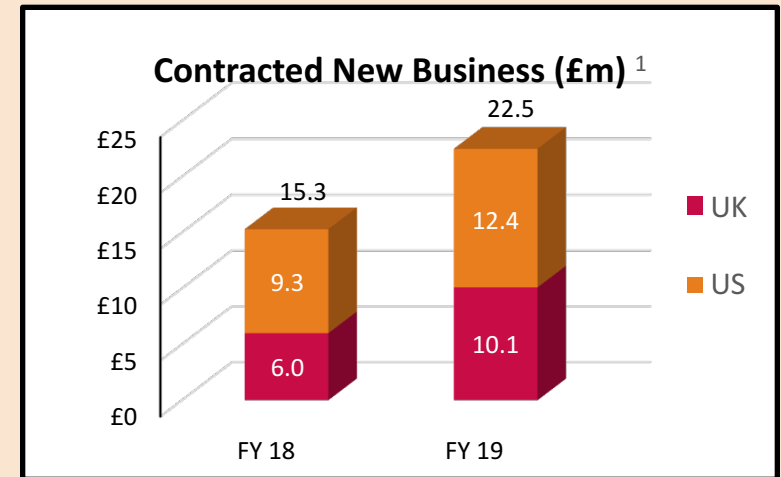
# Adjusted EBITDA bridge – ahead of consensus

- ❑ **UK business** – planned investment in headcount, staff bonus, Sales & Marketing and IT (including expansion of Cloud platform), ahead of new business revenue recognition due to IFRS 15
- ❑ **US Secure Payments** – year on year growth, but at a lower rate than new business growth as revenue is spread evenly over the length of the contract, typically 3 years. Investment in headcount, staff bonus, Sales and Marketing and IT
- ❑ **US Support** – H1 declined as expected, but returned to growth in H2
- ❑ **US Other product** – focus on core sales



# Contracted Business – UK and US

- 47% year on year growth in new contracted business achieved
- UK growth of 69% and US growth of 34%
- 62% year on year growth in total contracted business achieved
- Strong UK renewals in H2, renewal value and timing variable
- UK strong revenue visibility in excess of 90% of expected revenue for the year
- US FY20 revenue visibility of \$14m (including new business and revenue deferred under IFRS 15)



<sup>1</sup> Total contract value from new contracts, excluding renewals of contracts with existing clients.

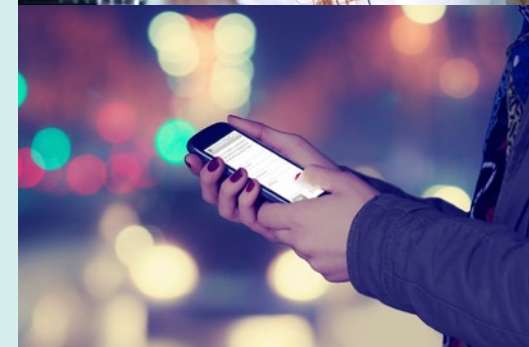
# Strategic Goals



- Expanding our footprint in the US to capitalise on the fast-growing market for secure payment opportunities
- Extend our market leader position into the Cloud
- Further enhancing the Eckoh Experience Portal to enable faster and more flexible delivery of our solutions
- R&D to develop next generation product and enhance our proprietary technologies; to maintain our market leading position
- Maximising client value through cross-selling
- Continuing to evaluate acquisition opportunities that can support our growth strategy in Contact Centre security and customer engagement

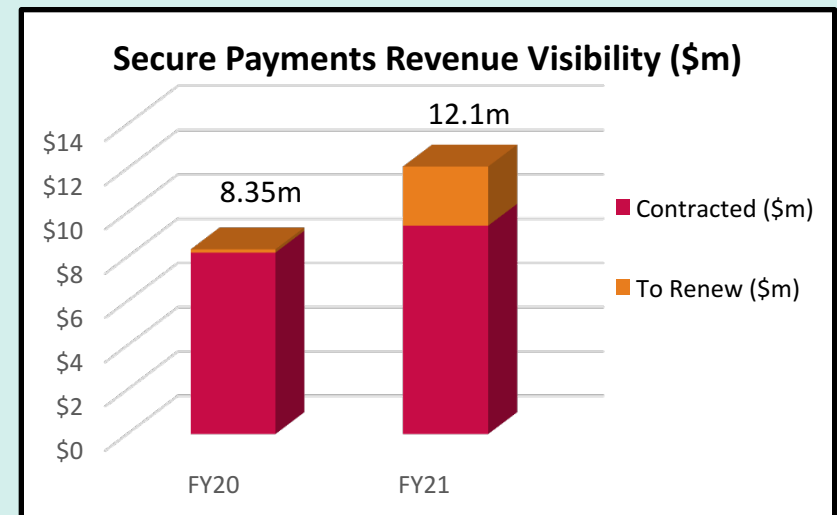
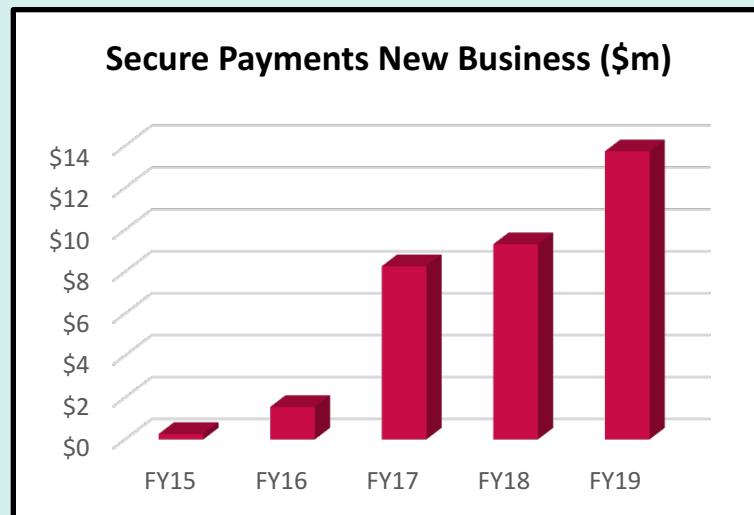
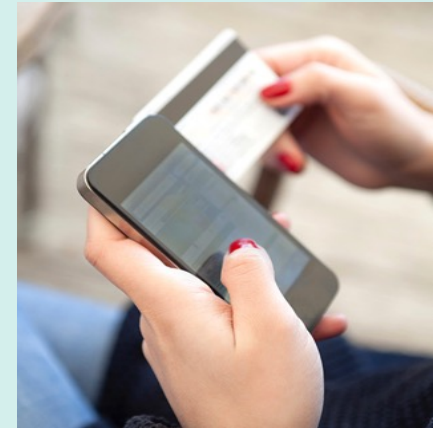
# UK Overview

- ❑ Strong return to growth after successful restructure of sales team and refocusing on large tenders, channel partners and strategic accounts
- ❑ New sales orders exceeded £10m for the first time since FY14
- ❑ Cross selling - 24% of new business contracted was from existing customers
- ❑ Renewed traction with Channel Partners
  - BT partnership renewed, and four new secure payments contracts won
  - Two contracts won through Capita including the largest Omnichannel deal won since the acquisition of K2C, worth £1m
  - Since period end a significant 3-year contract won through a partner to deliver a digital transformation project for a large UK building society
- ❑ Strong year for large renewals
  - Including Vue (the largest at £2m), Three, Ministry of Justice and Affinity.
  - Since period end the largest renewal for FY20, Premier Inn, has been renewed
- ❑ Since period end we have won a 5-year Cloud payments contract with an international household appliances company covering, UK, US and Europe



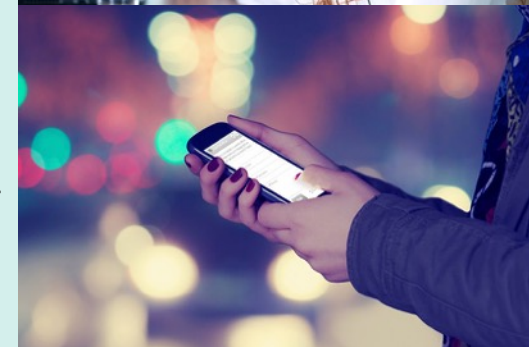
# US Secure Payments

- Continued strong momentum in Secure Payments
- New Secure Payments contracted business grew 47% to \$13.7m
- Total unrecognised order book increased 64% to \$22.8m (FY18<sup>1</sup>: \$13.9m)
- Secure Payments revenue grew 35% to \$5.0m (FY18: \$3.7m)
- Largest contract win of \$7.4m won in Sept 2018 – billing now commenced
- No significant contracts have yet come up for renewal – first in FY21



# US Overview

- ❑ Secure payments market trends and updates
  - Sales pipeline continues to grow
  - Our level 1 PCI DSS accreditation retained for the 9<sup>th</sup> successive year
  - Cloud platform is now fully operational and included in this accreditation
  - Cloud Contact Centre provider NICE inContact added as a partner
  - Increasing cyber insurance premiums proving to be another business driver
  - ChatGuard (secure payments in Live Chat) launched in April
- ❑ Support revenue declined 6% overall, primarily due to our largest customer reducing their scope in FY18, but as expected grew in the second half
  - A new partnership with Ribbon Communications should drive additional Support activity and improve margin on some SecPay deals
- ❑ Coral revenue grew 6% with a stronger second half and expectations of future orders remain





# Innovation Update

## Patent Updates

- Patents secured protect our existing proposition and lay platform to extend our security proposition
- Five new patent grants across the UK, the US, and for the first time the EU, and a further grant since period end
- EU patent covers the 'secure proxy' process (patents already secured in UK and US), which allows us to replace card data for a valueless token or placeholder (used extensively in our CallGuard solution and more recently in ChatGuard)
- Patent granted on an exciting new way of authenticating a customer, which will not only make the process of registration or verifying their identify more frictionless, but also more secure

## ChatGuard

- Secure and compliant payments in live chat launched in the US in March

## Cloud Delivery

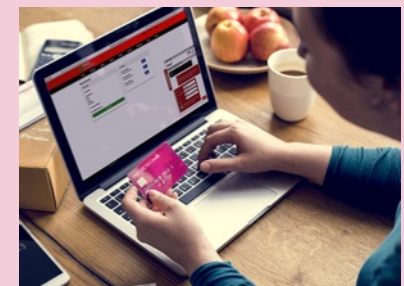
- Eckoh's Cloud platform is now fully operational and PCI DSS accredited
- Continue to invest in Cloud technology to evolve our Eckoh Experience Portal



Intellectual  
Property  
Office



Europäisches  
Patentamt  
European  
Patent Office  
Office européen  
des brevets





# Summary

- ❑ Results in line with market expectations
- ❑ Revenue growth in UK and US
- ❑ Significant growth in contracted business
- ❑ Excellent progress in US Secure Payments
- ❑ Focus on large enterprise contracts
- ❑ Strong cash generation and robust balance sheet
- ❑ Improving quality of earnings
- ❑ Current trading – good wins and renewals post year end
- ❑ Strong and growing pipeline and future prospects



# Investment Case

- ❑ Long term growth drivers
  - Significant market opportunity – largely untapped market
  - Patented IP and limited competitive threat - No homegrown US competitor
  - External factors – Ongoing data breaches, increased regulation and cost of cyber insurance
- ❑ Strong momentum building
  - Record levels of business – 47% growth in new business and 62% in total business
  - Low customer churn rates - Retention almost 100%
- ❑ High revenue visibility
  - High recurring revenue - 83% at a group level
  - Growing order book and deferred revenue – US payments order book now at \$22.8m
- ❑ Scalability - Capacity for growth without significant investment
- ❑ Attractive financial model with strong operational gearing and cashflow

# Thank you



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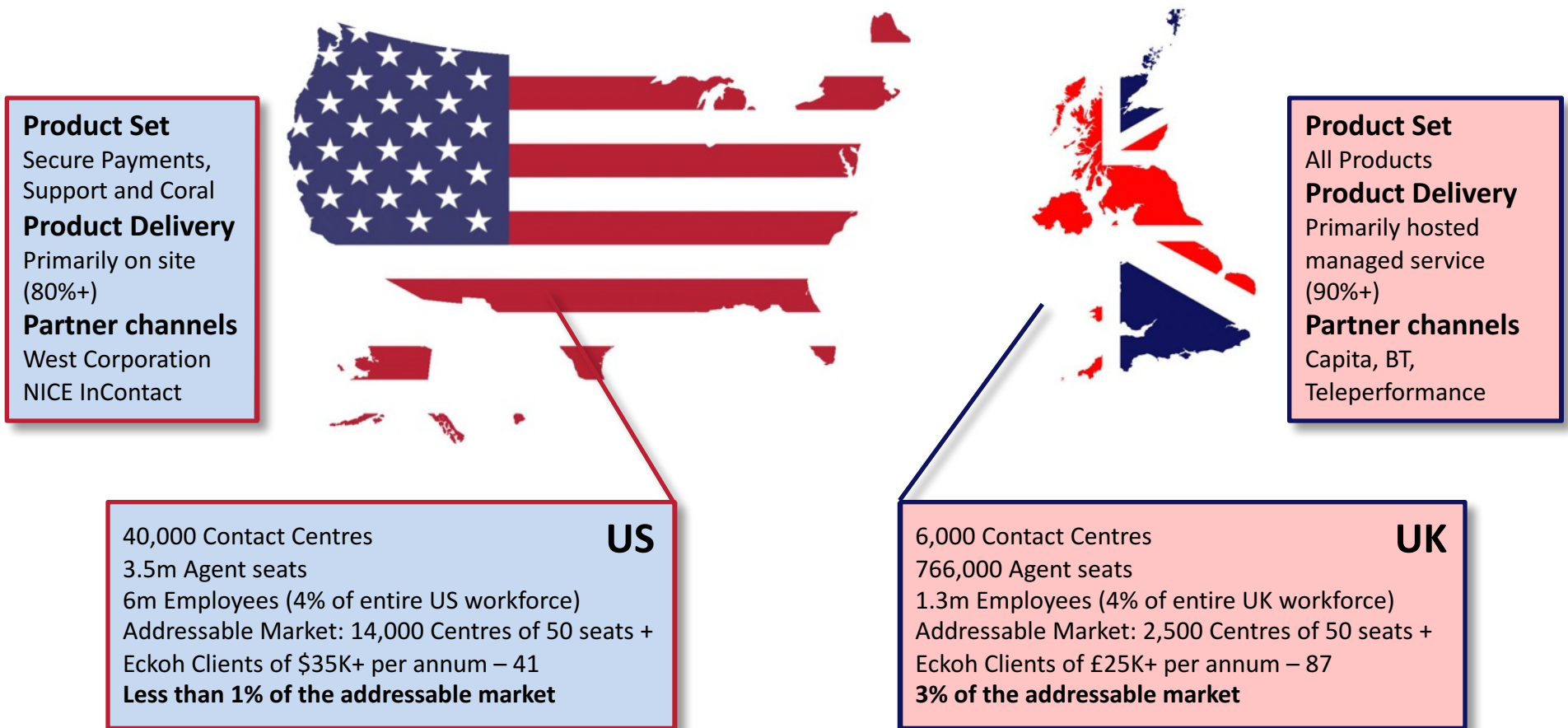
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# Appendix 1 - Eckoh History

- 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 \$7.2m
- June 2019 Record order levels and market conditions expect to support further growth


# Appendix 2 - Significant Market opportunity largely untapped



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

# Appendix 3 - Growth drivers in a largely untapped target market

## Organisations with Contact Centre Operations of 50+ seats



US Market Size  
14,000 Contact Centres  
4bn payments annually<sup>1</sup>

UK Market Size  
2,500 Contact Centres  
572m payments annually<sup>1</sup>



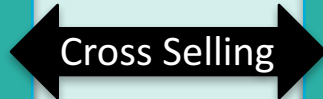
Reducing Fraud  
PCI DSS Compliance  
Managing Financial and  
Reputational Risk

Improving Engagement  
Maximising Cost Benefit  
Omni-channel Adoption  
Transition to Cloud

Two highly  
complementary activities

### Secure Payments

Eckoh's patented products remove personal and payment data from IT environments and contact centres; helping organisations reduce the risk of fraud and to become compliant with PCI DSS<sup>2</sup> and wider data security regulations such as GDPR



### Customer Contact Solutions

Enables end users to make enquiries and perform transactions more easily, on whatever device they choose; allowing organisations to improve efficiency, lower operational costs and provide a true Omni-channel experience to their customers

<sup>1</sup> Contact Babel – Nov 2017 <sup>2</sup> Payment Card Industry Data Security Standards

# Appendix Financial Information





# Balance Sheet – 31 March 2019

£'000	2019	2018 <sup>1</sup>	
Intangible Fixed Assets	7,464	7,959	Amortisation of intangibles
Tangible Fixed Assets	4,118	4,703	Mainly comprised of HQ building and hosted telephony platform
Deferred Tax Asset	4,081	4,280	Adoption of IFRS 15 restated DTA
<b>Total Fixed Assets</b>	<b>15,663</b>	<b>16,942</b>	
Non cash current assets	9,446	10,724	Mar 18 – one-off US debtor & FY19 UK debtors timing of payments
Deferred asset – IFRS 15	4,221	1,943	
Cash	11,582	8,164	
<b>Total Assets</b>	<b>40,912</b>	<b>37,773</b>	
Trade & Other Payables	(5,386)	(5,774)	
Deferred liability	(14,597)	(10,117)	IFRS 15 – new business contracted
Loans	(3,250)	(4,550)	Repayment of loan quarterly £375k
Deferred tax liability	(495)	(674)	Arising from PSS and K2C acquisitions & amortises alongside the intangible asset. Veritape fully amortised
<b>Net assets</b>	<b>17,184</b>	<b>16,658</b>	

1. Restated for adoption of IFRS 15 – Revenue from Contracts with Customers

# Cash Flow Statement

£'000	31 Mar 2019	31 March 2018 <sup>1</sup>
Profit after tax	945	1,323
Depreciation / Amortisation	2,560	3,568
Share based payments	567	554
K2C Earn-out release	-	(975)
Taxation	209	(269)
Other	118	(167)
<b>Operating profit before changes in working capital</b>	<b>4,399</b>	<b>4,034</b>
Movement in receivables, payables, inventory and tax	2,856	1,959
<b>Cash generated from operating activities</b>	<b>7,255</b>	<b>5,993</b>
Purchase of property, plant and equipment	(541)	(647)
Purchase of intangible fixed assets	(435)	(317)
Legal fees and settlement costs	-	(152)
Net Interest	(40)	(84)
Net loan movement	(1,300)	(1,300)
Dividends	(1,392)	(1,209)
Other	(129)	(203)
<b>Cash movement</b>	<b>3,418</b>	<b>2,081</b>

1. Restated for adoption of IFRS 15 – Revenue from Contracts with Customers