

Eckoh^o



Eckoh Results for the half year ended 30th September 2018

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 Board expectations
- ❑ Total business contracted up 38% to £16.8m
- ❑ Significant growth in new business contracted – 63% increase year-on-year¹
- ❑ UK returns to growth, new business in H1 exceeded the total for FY18
- ❑ Excellent progress in US Secure Payments, \$9.5m of new contracted business in H1 exceeded the total for FY18
- ❑ Recurring revenue now at 87%
- ❑ Current trading – further contract wins since period end

¹ New business contracted excluding renewals with existing customers

Financial Highlights

New Business⁴

£14.2m

↑ 63%

(H1 18¹: £8.7m)

Deferred revenue

£12.7m

↑ 48%

(H1 18¹: £8.6m)

Revenue

£13.1m

↓ 2% 1.4%²

(H1 18¹: £13.4m)

Recurring Revenue

87%

↑ 1%

(H1 18¹: 86%)

EBITDA³

£1.6m

↓ 15%

(H1 18¹: £1.9m)

Net Cash

£3.4m

↑ £1.7m

(H1 18: £1.7m)

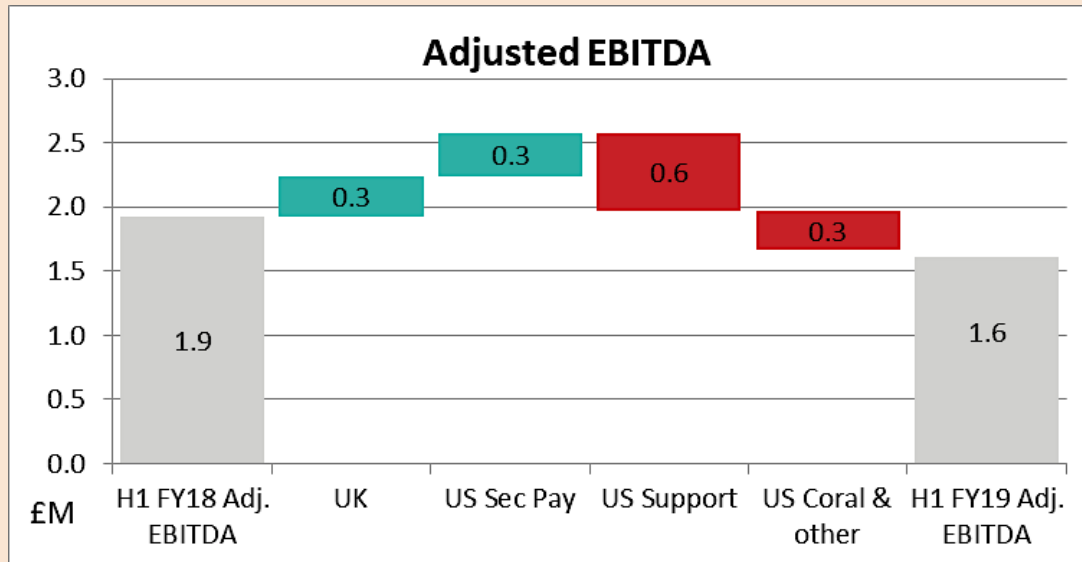
1. Restated for adoption of IFRS 15 – Revenue from Contracts with Customers

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. New business contracted excluding renewals with existing customers

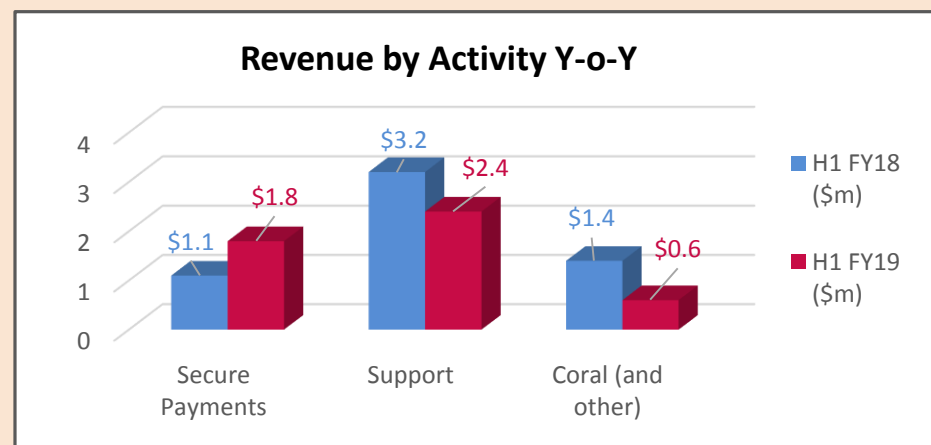
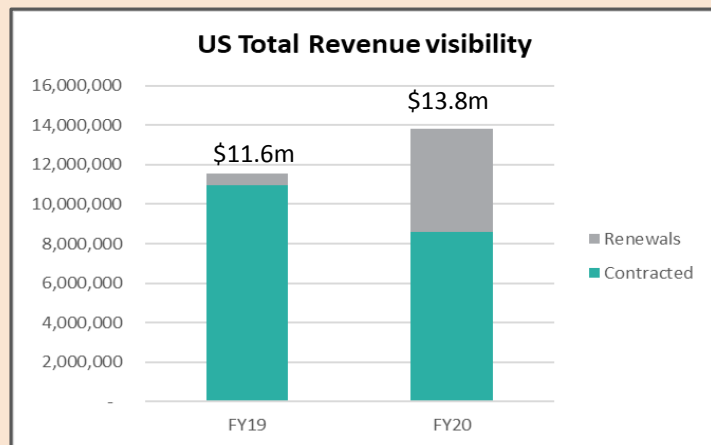
Adjusted EBITDA bridge



- ❑ **UK business** – returning to growth and starting to be recognised in P&L
- ❑ **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
- ❑ **US Support** – a portion of a large contract ceased H2 FY18, expect H2 year on year to be level
- ❑ **US Coral & Other product** – no new license sales in H1 FY18

US Trading Analysis

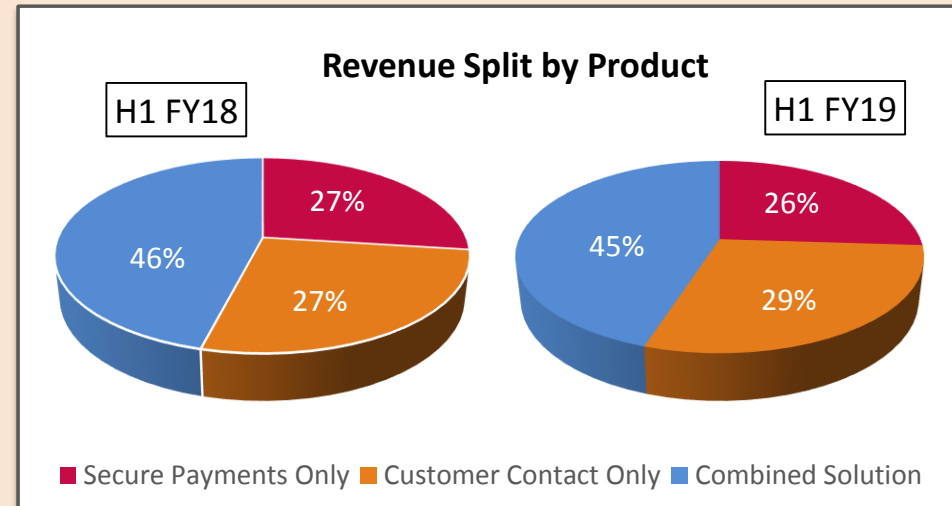
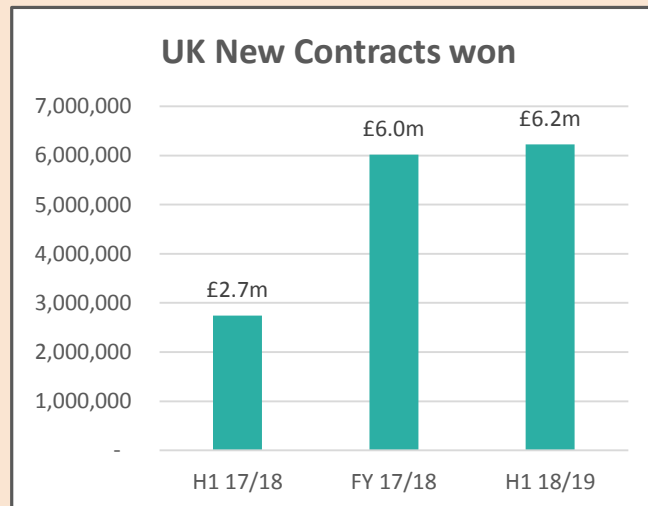
- ❑ Strong new business contracted², up 33% to \$10.5m (H1 FY18¹: \$7.9m)
- ❑ Improved revenue visibility from new business and revenue deferred under IFRS 15, current year now at \$11.6m
- ❑ Secure Payments revenue grew 67% to \$1.8m (H1 FY18¹: \$1.1m)
- ❑ Overall revenue down 14% at \$4.9m (H1 FY18¹: \$5.7m), Secure Payments growth offset by short term decline in Support, Coral and Other product
- ❑ Recurring revenues grew 7% to 79% due to mix of business



1. Restated for adoption of IFRS 15 – Revenue from Contracts with Customers
2. New business contracted excluding renewals with existing customers.

UK Trading Analysis

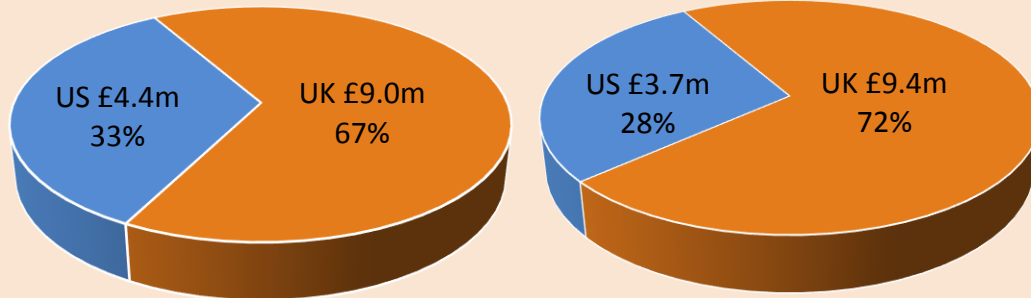
- ❑ Significantly improved new business contracted², up 127% to £6.2m (H1 FY18¹: £2.7m)
- ❑ Revenue up 5% to £9.4m
- ❑ Gross profit up 5% to £8.0m
- ❑ Recurring revenues now at 90% (H1 FY18¹: 93%)
- ❑ Gross profit margin increased to 85% (H1 FY18¹: 84%)



1. Restated for adoption of IFRS 15 – Revenue from Contracts with Customers
2. New business contracted excluding renewals with existing customers

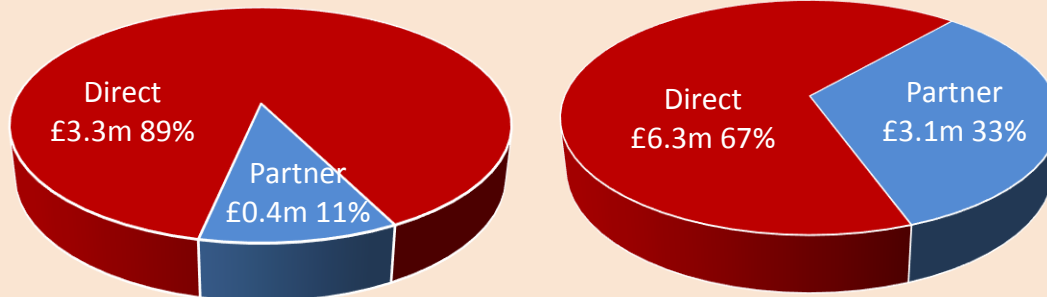
Divisional Trading Analysis

H1 FY18¹ (Revenue £m) H1 FY19



- US is 28% of the Group (H1 FY18¹: 33%)
- Largely driven by the business mix in the US with new secure payments revenue being deferred

US (Sales Split £m) UK



- UK Partner activity now at 33%, Capita relationship is back on track and BT rejuvenated
- US Partner share steady at 11%
- 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

Summary Financials

£'000	HY 30 Sept-18	HY 30 Sept-17 ¹	Variance
New orders	14,160	8,690	+63%
Revenue	13,109	13,386	-2.1%
Gross profit	10,972	11,379	-3.6%
<i>Gross profit margin (%)</i>	<i>84%</i>	<i>85%</i>	<i>-1pts</i>
Adjusted² EBITDA	1,617	1,910	-17.9%
(Loss) / Profit after tax	(167)	781	
Change in working capital	(800)	410	
Cash generated from operating activities	818	1,921	
Cash movement	(840)	826	
Cash	7,324	6,909	
Net Cash	3,424	1,709	


1. Restated for adoption of IFRS 15 – Revenue from Contracts with Customers
2. excluding expenses relating to share option schemes, legal fees and settlement costs and amortisation of acquired intangible assets

Growth drivers in a largely untapped market

Organisations with Contact Centre Operations of 50+ seats



US Market Size
14,000 Contact Centres
4bn payments annually¹
Less than 1% of the addressable market



UK Market Size
2,500 Contact Centres
572m payments annually¹
3% of the addressable market

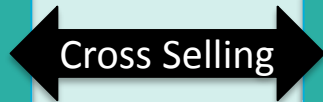
Reducing Fraud
PCI DSS Compliance
Managing Financial and
Reputational Risk

Improving Engagement
Maximising Cost Benefit
Omnichannel Adoption
Transition to Cloud

Two highly
complementary activities

Secure Payments

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 DSS² 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 Omnichannel experience to their customers

¹ Contact Babel – Nov 2017 ² Payment Card Industry Data Security Standards

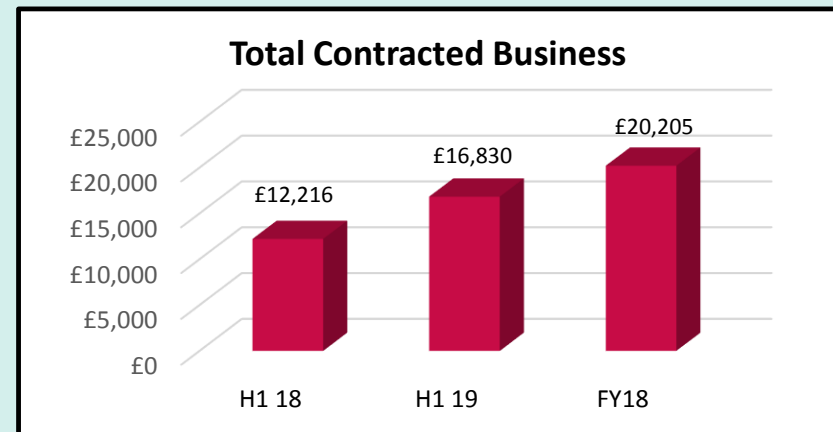
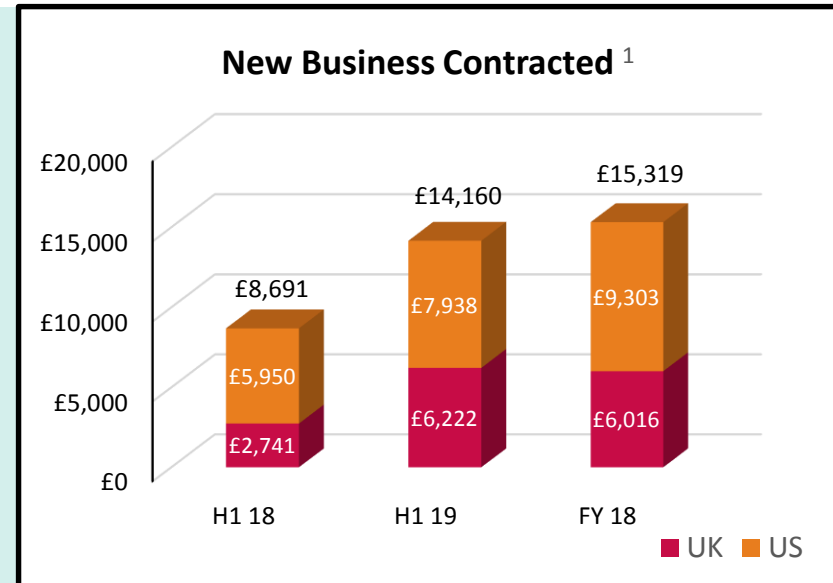
Strategic Goals



- Expanding our US footprint
- Broadening channel partnerships in the UK and US
- Investment in R&D to support market leadership
- Maximising client value through cross-selling
- Opportunistic acquisitions to support growth strategy in Contact Centre security and customer engagement

Contracted Business – UK and US

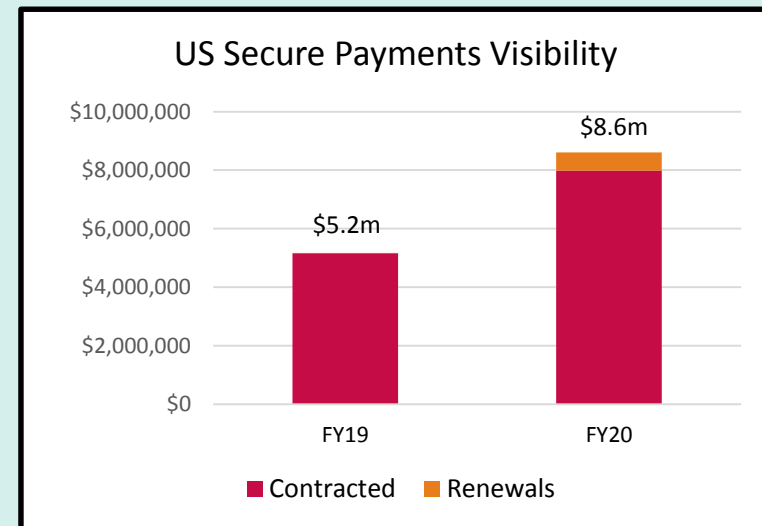
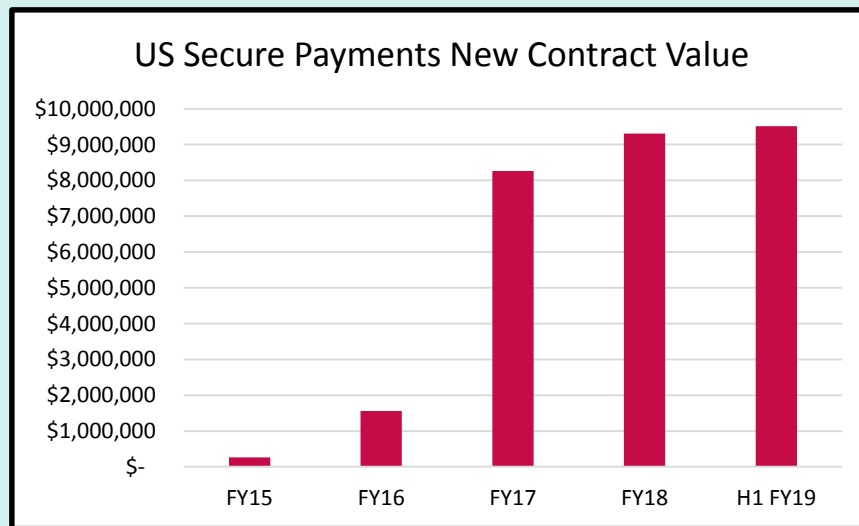
- ❑ 63% year on year growth in new business contracted achieved
- ❑ UK growth of 127% and US growth of 33%
- ❑ New business contracted in H1 19 represented 92% of the total in FY18
- ❑ Since period end, further contracts have resulted in us exceeding FY18's new contracted business total of £15.3m
- ❑ 33% year on year growth in total business contracted to £16.8m



¹ New business contracted excluding renewals with existing customers

US Secure Payments

- ❑ Continued momentum in Secure Payments
- ❑ Total unrecognised order book increased 78% to \$21.7m (H1 FY18 \$12.2m)
- ❑ Largest ever secure payments contract win, \$7.4m over 2 years
- ❑ New secure payments contracts of \$9.5m in H1 exceeded the \$9.3m in FY18
- ❑ All contracts won this year come under IFRS 15, so no revenue in H1
- ❑ Current visibility of payments revenue in year of \$5.2m and in FY20 of \$8.6m



US Overview

- ❑ Secure payments market trends and updates
 - Sales pipeline continues to grow
 - All new contracts are onsite deployments, however, we are starting to see the first Cloud opportunities that are of a size consistent with our strategy
 - Cloud Contact Centre provider NICE inContact added as a partner
 - We retained our level 1 PCI DSS accreditation for the 9th successive year and our AWS platform is now included in this accreditation
 - Largest deal ever was signed in September and is expected to be live in Q4
 - Increasing premiums for cyber insurance cover is proving to be another business driver for implementing Eckoh's technology
- ❑ Support revenue declined primarily due to our largest customer reducing their scope in Sept 2017, we are expecting a second half improvement
- ❑ No Coral licence sales during the period, but expectations of future orders



UK Overview

- ❑ Successful restructure of sales team refocused on large tenders, channel partners and strategic accounts
- ❑ New sales orders have already beaten the total for all FY18 and pipeline remains strong
- ❑ Cross selling remains an important part of the strategy and in the period 21% of new business contracted was from existing customers
- ❑ Renewed traction with Indirect Channel where Eckoh is a key partner
 - **BT** partnership renewed for further 3 years, and three new secure payments contracts won in H1
 - **Capita** outlook improving with new 3.5 year contract worth a minimum of £1.4m
 - Three year contract with global business cloud software provider delivered through **Unify Communications**
- ❑ The largest contract renewal this year was with Vue, worth £2m over 3 years to December 2021, extending our relationship to 18 years



Innovation Update

❑ **Eckoh Experience Portal** (Integration of Omnichannel Technology)

- Building upon the successful acquisition of K2C we have now completed the work to bring voice contacts seamlessly into the Omnichannel environment, now known as the Eckoh Experience Portal ('EXP').
- First live full deployment of EXP goes live on Nov 20th with Vue
- This brings together the complete contact history for customers across all channels with voice alongside Live Chat, Email, Social and Chatbot interactions creating a single omnichannel conversation with consumers

❑ **New capability that will form part of the Vue solution**

- **Sentiment Analysis** - the ability to understand not just what a customer is looking to achieve, but how they feel emotionally
- **Cloud Call Recording** - Furthering our goal to create 'add-on' services to engage existing and new customers we have added a native Cloud Call Recording capability to our voice platform



Summary

- ❑ Results in line with Board expectations
- ❑ Significant growth in contracted business
- ❑ Improving quality of earnings
- ❑ UK returns to growth
- ❑ Excellent progress in US Secure Payments
- ❑ Strong balance sheet



Investment Case

- ❑ Strong momentum building
 - Record levels of new business – both UK and US exceeding previous full year level in 6 months
 - Low customer churn rates - Retention almost 100%
- ❑ High revenue visibility
 - Significant levels of recurring revenue - 87% at a group level
 - Increasing order book and deferred revenue – US payments order book now at \$21.7m
- ❑ Long term growth drivers
 - Significant market opportunity – Relatively untapped global market
 - Limited competitive threat - Few competitors and no homegrown US competitor
 - IP Protection - Core secure payments offering is patented in key markets
 - External factors - Continuing data breaches and increased regulation such as GDPR
- ❑ Capacity for growth without significant investment
- ❑ Prospects are excellent for future progress and growth

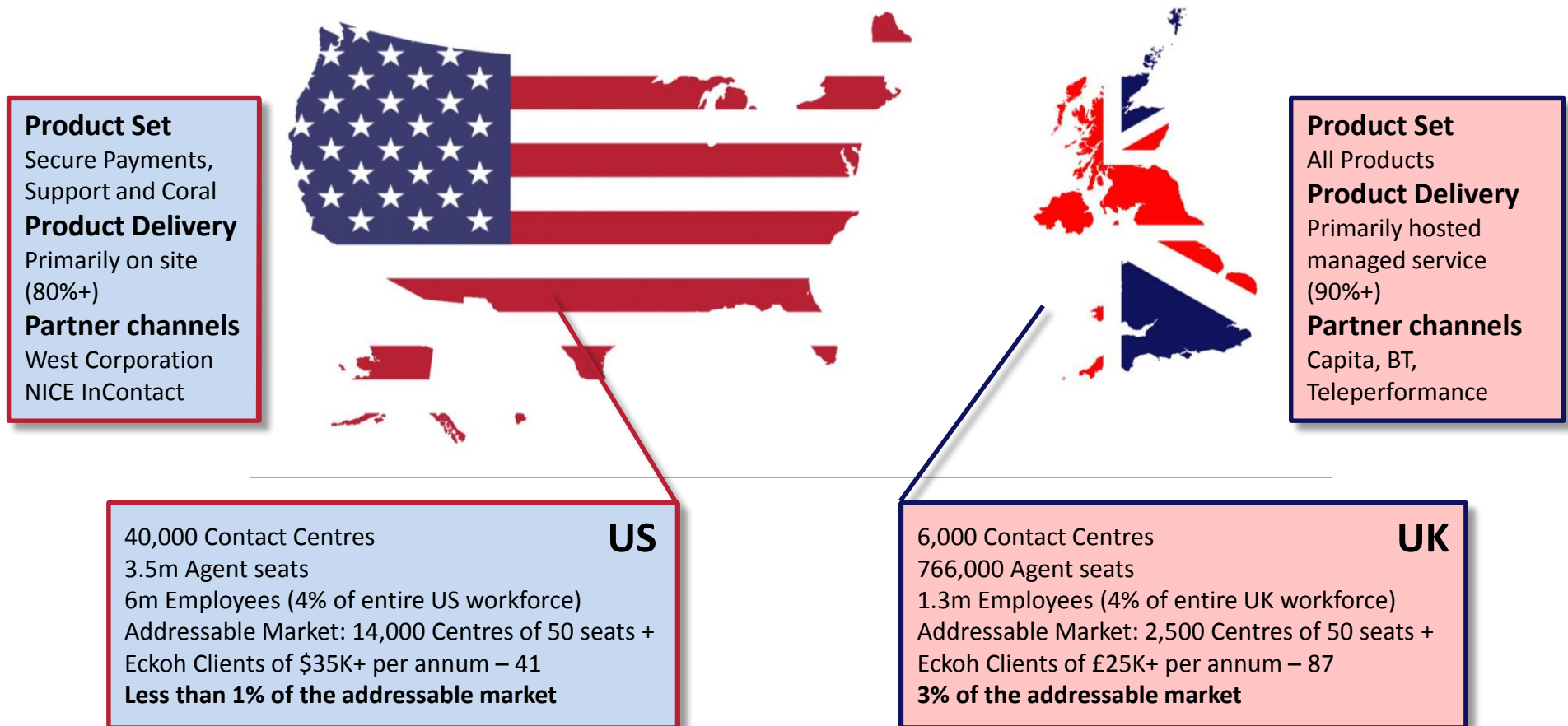
Thank you



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 (Omni-channel 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 secure payments deal worth \$7.4m
- Future Market conditions expect to continue to support further growth

Appendix 2 - Significant Market opportunity largely untapped



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

Appendix: Financial Information



Balance Sheet – 30 September 2018

£'000	30 Sept 2018	30 Sept 2017 ¹	31 Mar 2018 ¹	
Intangible Fixed Assets	7,433	8,811	7,959	Amortisation of intangibles
Tangible Fixed Assets	4,637	4,818	4,703	Mainly comprised of HQ building and hosted telephony platform
Deferred Tax Asset	3,701	3,364	3,790	Adoption of IFRS 15 delays cashflow on tax
Total Fixed Assets	15,771	16,904	16,452	
Non cash current assets	12,369	10,496	10,724	Large US debtor in H1 FY19, debtor days remain level
Deferred asset – IFRS 15	2,499	1,359	1,943	
Cash	7,324	6,909	8,164	
Total Assets	37,928	35,668	37,283	
Trade & Other Payables	(4,035)	(5,094)	(5,775)	Trade payables increased year on year due to timing. creditor days level
Deferred liability	(12,659)	(8,589)	(10,116)	
Loans	(3,900)	(5,200)	(4,550)	Repayment of loan quarterly £375k
Deferred tax liability	(563)	(976)	(674)	Arising from Veritape, PSS and K2C acquisitions & amortises alongside the intangible asset. Veritape fully amortised
Net assets	16,771	15,809	16,168	





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

Cash Flow Statement

£'000	31 Sept 2018	31 Sept 2017 ¹	31 March 2018 ¹
(Loss) / profit after tax	(167)	781	1,566
Depreciation / Amortisation	1,370	1,704	3,568
Share based payments	454	157	554
K2C Earn-out release	-	(975)	(975)
Other	(39)	(156)	(662)
Operating profit before changes in working capital	1,618	1,511	4,051
Movement in receivables, payables, inventory and tax	(800)	410	1,947
Cash generated from operating activities	818	1,921	5,998
Purchase of property, plant and equipment	(435)	(279)	(647)
Purchase of intangible fixed assets	(22)	(39)	(317)
Legal fees and settlement costs	(443)	-	(152)
Net Interest	(24)	(44)	(84)
Net loan movement	(650)	(650)	(1,300)
Dividends	-	-	(1,209)
Other	(84)	(83)	(208)
Cash movement	(840)	826	2,081

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

Recap - Impact of IFRS 15

- ❑ Non-recurring revenue impacted for hosted services and most Secure Payment services
 - Uniqueness of the Eckoh product is linked to PCI Compliance on-going obligations
- ❑ **Impact of single performance obligation:**
 - From point of delivery to the client
 - Over the contract term, typically 3 years
 - US – Larger impact due to Eckoh’s new, fast growing business in Secure Payments
 - UK – less impact reflecting a more mature business
- ❑ KPI’s
 - Cash unchanged 
 - Recurring revenue - higher 
 - Operating profit - lower 
 - Order book of unrecognised Secure Payment revenue increases 

Recap - Impact of IFRS 15

- Cash generation **Unchanged**
- Eckoh Business Model **Unchanged**
- US business: Support, Coral and Product **Unchanged**
- Total contract value/orders in **Unchanged**
- Market opportunity **Unchanged**
- Dividends **Unchanged**

Contract Examples – New Contract

New contract			Old policy						IFRS 15				
	Deal structure	£000		Year 1 £000	Year 2 £000	Year 3 £000	Year 4 £000	Total £000	Year 1 £000	Year 2 £000	Year 3 £000	Year 4 £000	Total £000
Term of deal (months)	36		Revenue										
Implementation time (months)	12		Hardware	180				180	0	60	60	60	180
Hardware	15%	180	Set-up fee	180				180	0	60	60	60	180
Set-up fee	15%	180	Recurring Revenue		280	280	280	840	0	280	280	280	840
Recurring revenue	70%	840	Total	360	280	280	280	1,200	0	400	400	400	1,200
Total contract value		1,200	GP	216	280	280	280	1,056	0	352	352	352	1,056
Cash	Timing		<hr/>										
Hardware	on delivery		Cash										
Set-up fee	50% contract signing		Hardware	180				180	180				
	50% on delivery to client		Set-up fee	180				180	180				
Recurring revenue	Monthly		Recurring Revenue		280	280	280	840		280	280	280	840
			Total	360	280	280	280	1,200	360	280	280	280	1,200
			Net cash post costs	216	280	280	280	1,056	216	280	280	280	1,056

Revenue / Profit recognition is impacted **BUT CASH GENERATION IS NOT IMPACTED**

Contract Examples – Contract Modification

Contract modification		Old policy				IFRS 15			
	Deal structure	Year 1	Year 2	Year 3	Total	Year 1	Year 2	Year 3	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Term of deal (months)	36								
Elapsed time in contract (mths)	12								
Implementation time (months)	3								
Set-up fee	100%		100		100	0	67	33	100
Recurring revenue			0	0	0	0	0	0	0
Total change requests	100	0	100	0	100	0	67	33	100
GP		0	50	0	50	0	33	17	50
Cash	Timing								
Set-up fee	100% on delivery to client		100		100		100		100
Recurring revenue	Monthly		0	0	0		0	0	0
		0	100	0	100	0	100	0	100
Net cash post costs		0	50	0	50	0	50	0	50

Revenue / Profit recognition is impacted **BUT CASH GENERATION IS NOT IMPACTED**