



Securely connecting people in a global market

2017

**Eckoh Results for the year ended March 31<sup>st</sup> 2017**

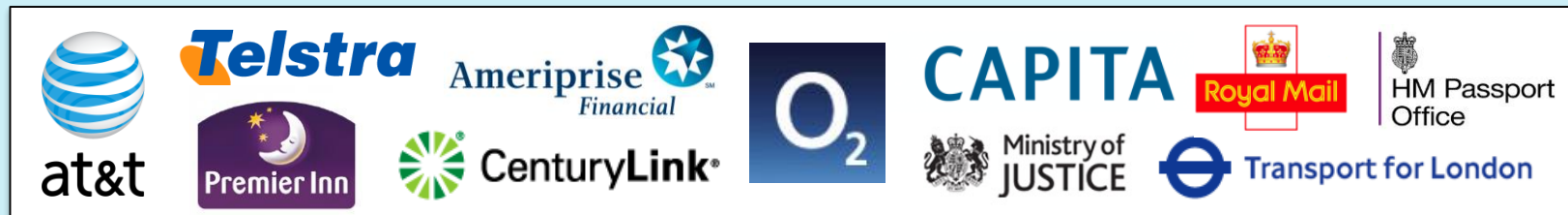
# Agenda

- Eckoh Overview
- Financial Highlights
- Operations Review
  - UK Operations
  - US Operations
  - Innovation
- Summary and Outlook

# Eckoh Overview

## A Global Provider of Secure Payment Products and Customer Contact Solutions

- ❑ Eckoh's proposition encompasses two highly complementary areas: **Secure Payments** products and **Customer Contact** solutions
- ❑ Eckoh's patented **Secure Payment** products remove personal and payment data from IT environments and contact centres; helping organisations to reduce the risk of fraud and to become compliant with the Payment Card Industry Data Security Standards ("PCI DSS") and wider data security regulations
- ❑ Eckoh's **Customer Contact** 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 Omni-channel experience
- ❑ Eckoh's clients come from a broad range of vertical markets and include government departments, telecoms providers, retailers, utility providers and financial services organisations



# Full Year Highlights – Growth and US Progress

- ❑ **Ninth consecutive year of growth and the fourth with revenue and gross profit growth over 20%**
- ❑ Breakthrough year in the US:
  - ❑ Secured nine new US payment contracts with a combined value of \$8.3m (FY16: \$1.6m)
  - ❑ Won the largest payments deal to date, worth \$3.7m and largest support deal, worth \$5m
- ❑ Continued positive momentum in the UK:
  - ❑ Strengthened existing UK client base from 66 to 87, client retention remains almost 100%
  - ❑ Acquired Klick2Contact (“K2C”) in July 2016 strengthening Eckoh’s Omni-channel offering
  - ❑ New contract win with Capita to provide services to a UK mobile virtual network operator
- ❑ Strong year for innovation with breakthroughs in Apple Pay, Secure Webchat and Chatbots
- ❑ Post period end, won new three-year contract through Teleperformance for Her Majesty’s Passport Office and a five-year contract win with Carters Inc for Secure Payments
- ❑ **Strong start to the new financial year with Group monthly recurring revenue of nearly £2m**

# Financial Highlights



02

- Financial Highlights
- Nine Year Trend
- Typical Contract Profile
- Revenue Analysis
- Balance Sheet
- Cashflow statement



# Financial Highlights

Revenue

**£29.1m**

**↑ 30%**

(FY16 £22.5m)

Gross Profit

**£20.3m**

**↑ 21%**

(FY16 £16.8m)

Operating Profit \*

**£4.3m**

**↑ 4%**

(FY16 £4.1m)

Recurring Revenue

**76%**

**↑ 6%**

(FY16 70%)

Gross Margin

**70%**

**↓ 5%**

(FY16 75%)

Dividend per share

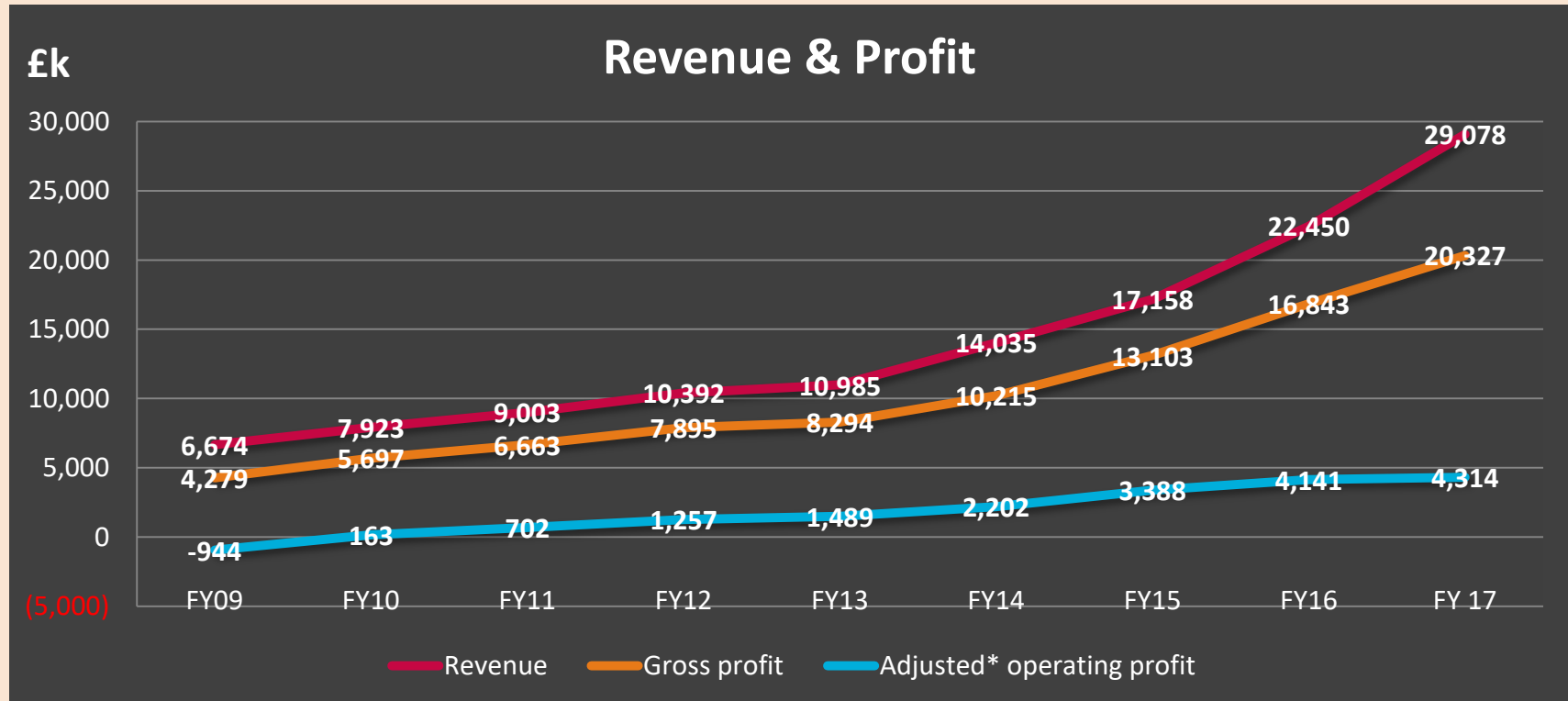
**0.48p**

**↑ 7%**

(FY16 0.45p)

\*excluding expenses relating to share option schemes, amortisation of acquired intangible assets and acquisition costs

# 9 Year Growth Trend



- ❑ Strong track record of consistent revenue and gross profit growth
- ❑ Adjusted\* operating profit impacted by £0.7m loss in PSS in FY17

\* excluding expenses relating to share option schemes, amortisation of acquired intangible assets and non recurring costs

# Full year income statement

	FY17 (UK) £'000	FY17 (US) £'000	FY17 (Total) £'000	FY16 (UK) £'000	FY16 (US) £'000	FY16 (Total) £'000	Variance
<b>Revenue</b>	<b>19.4</b>	<b>9.7</b>	<b>29.1</b>	<b>18.5</b>	<b>4.0</b>	<b>22.5</b>	<b>+30%</b>
Gross Profit	16.1	4.2	20.3	15.3	1.6	16.8	+21%
<i>Gross profit %</i>	83%	43%	70%	83%	40%	75%	-5%
Administrative Expenses			18.5			14.4	+28%
Share option expenses			-			(0.6)	
Amortisation of acquired intangible assets & Acquisition costs			(2.5)			(1.1)	
Adjusted* Admin Expenses			16.0			12.7	+26%
<b>Adjusted* Op Profit / (Loss)</b>			<b>4.3</b>			<b>4.1</b>	<b>+4%</b>
Loss from closed US PS division			(0.7)			-	
<b>Adjusted** Op Profit / (Loss)</b>			<b>5.0</b>			<b>4.1</b>	<b>+21%</b>

\* excluding expenses relating to share option schemes and acquisitions \*\*excluding losses from discontinued US division



# Typical Commercial Model

- ❑ UK contracts are substantially for **Hosted / Cloud Services** (90%)
- ❑ US payment contracts are typically **Customer Premises Equipment** (“CPE”) implementations (75%+). Strategy successfully underway to convert future deals to SaaS-style pricing
- ❑ Contract renewals are typically on comparable terms

	<b>Preferred Model</b>		
	<b>Hosted Services and New CPE (UK &amp; US)</b>	<b>Historic CPE Implementations (UK &amp; US)</b>	<b>Support Services (US only)</b>
<b>Typical Contract Length</b>	Three year minimum	Three year minimum	Annual Renewal
<b>Typical Commercials</b>	Small set-up fee (<10% of contract value), monthly management fee including set volume of minutes, transactions or agent seats	Outright purchase of hardware with 15-20% per annum maintenance and support charge	Flat monthly fee for support
<b>Likelihood of renewal</b>	Extremely likely	Very likely	50%
<b>Recurring Revenues</b>	90%+	15-20%	Contractual relationship is on average 3 years

# US Revenue Analysis FY17

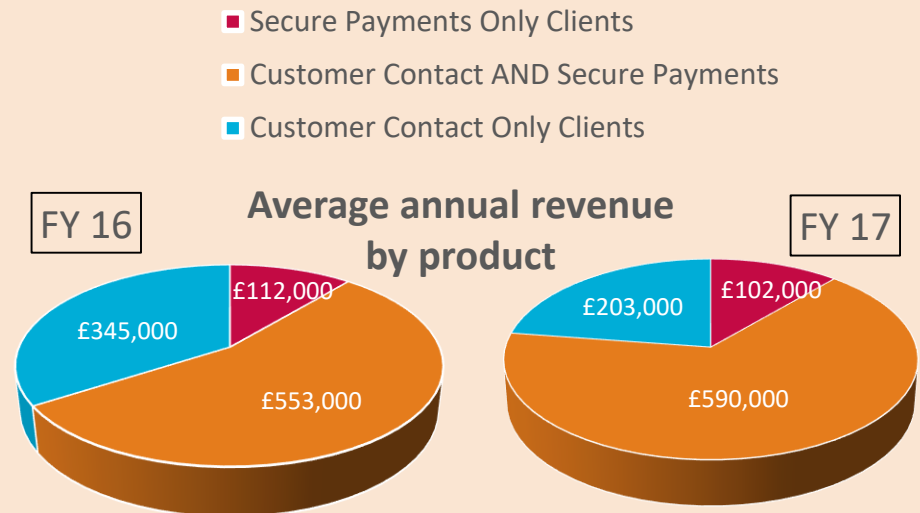
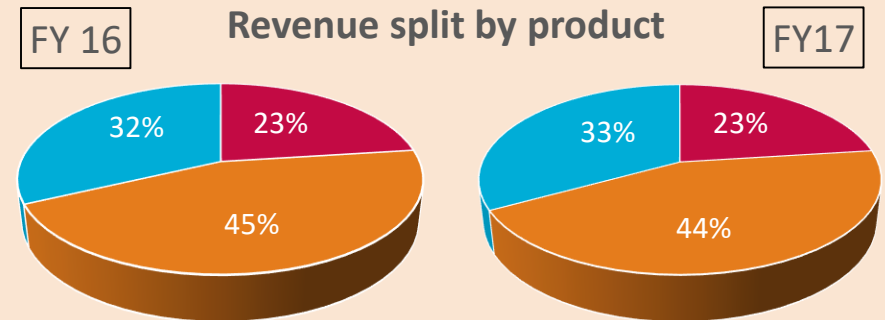
- ❑ US revenue grew 145% to £9.7m (FY16: £4.0m)
- ❑ **Secure Payments** contract value won in FY17 is five times that of FY16
- ❑ In FY17 41 clients in the US generated more than \$35K in annualised revenue
- ❑ US recurring revenues grew substantially to 54% in the period (FY16: 34%)
- ❑ The **Professional Services** division of the acquired PSS business was closed as its revenues were of a short-term, one-off nature, that did not fit well with Eckoh's chosen financial model. The division had a large loss-making contract, which led to a loss of £0.7m over the year
- ❑ **Secure Payments** revenue in the period was £2.0m (FY16: £0.7m). Only \$1.8m has been recognised from contracts won so far this year out of the \$8.3m contract value secured

	Contracts won	Total Contract Value	Average Contract Value	Capex Pricing	Opex Pricing
FY15	5	\$0.3m	\$53K	5	0
FY16	9	\$1.6m	\$173K	8	1
FY17	9	\$8.3m	\$918K	2	7

- ❑ **Exit monthly recurring run rate of \$0.7m**

# UK Revenue Analysis FY17

- ❑ UK revenue grew to £19.4m (FY16: £18.5m)
- ❑ Gross margin maintained at 83%
- ❑ In FY17 87 clients in the UK generated more than £25k in annualised revenue (FY16: 66)
- ❑ Renewal rates remain very close to 100%
- ❑ Product split very similar to FY16
- ❑ Recurring revenues are 87% (FY16: 79%)
- ❑ **Exit monthly recurring run rate of £1.4m**



# Balance Sheet 31<sup>st</sup> March 2017

£'000	31 March 2017	31 March 2016	
Intangible Fixed Assets	9,991	9,262	Addition of K2C
Tangible Fixed Assets	5,023	5,376	Mainly comprised of HQ building and hosted telephony platform
Deferred Tax Asset	3,578	4,774	Minimal cash tax outflows in near future
<b>Total Fixed Assets</b>	<b>18,592</b>	<b>19,412</b>	
Non cash current assets	12,270	9,875	Increase of trade receivables in line with revenue
Cash	6,083	6,617	
<b>Total Assets</b>	<b>36,945</b>	<b>35,904</b>	
Trade & Other Payables	(9,155)	(10,676)	2016 includes balance of £3.1m for LTIP's tax
Loans	(5,850)	(4,750)	New £6.5m loan & repayment of old loan to fund purchase of K2C
Contingent consideration	(975)	-	Arising from acquisition of K2C
Deferred tax liability	(1,238)	(1,633)	Arising from Veritape, PSS and K2C acquisitions & amortises alongside the intangible asset
<b>Net assets</b>	<b>19,727</b>	<b>18,845</b>	

# Cash Flow Statement

£'000	31 March 2017	31 March 2016
Profit after tax	1,439	1,938
Depreciation / Amortisation	3,678	2,807
Share based payments	131	(1,078)
Other	509	613
<b>Operating profit before changes in working capital</b>	<b>5,757</b>	<b>4,280</b>
Movement in receivables, payables inventory and tax	(3,282)	894
<b>Cash generated from operating activities</b>	<b>2,475</b>	<b>5,174</b>
Purchase of property, plant and equipment	(598)	(927)
Purchase of intangible fixed assets	(200)	(537)
Acquisition of subsidiary, net of cash	(1,860)	(2,717)
Net Interest	(99)	(66)
Net loan movement	1,100	2,009
Dividends	(1,084)	(826)
Other	(268)	88
<b>Cash movement</b>	<b>(534)</b>	<b>2,198</b>



# Operations Review



03

- Eckoh US
- Eckoh UK
- Market Opportunity
- Strategic Goals
- Innovation
- Summary and Outlook

# Eckoh US – Operational Update

- ❑ Transformational year for US - secure payments contract value increasing fivefold year on year, with nine contracts delivering \$8.3m
- ❑ Cross-selling has proved very successful and pipeline is at record levels
- ❑ Lead payments solution remains the patented audio tokenisation, delivered on site at the customer. Competition remains very limited
- ❑ Strategy to generate more Opex based deals has been successful, with less than 20% of the contract value recognised from deals won in FY17
- ❑ Largest payments customer through West Corporation is now fully live
- ❑ Largest payments deal won in March 2017 worth \$3.7m over five years, with the same client with whom we suffered the contract losses
- ❑ Largest ever support deal was won in June 2016 with an estimated value of \$5m over three years
- ❑ Significant win for the Coral agent desktop - pipeline and opportunity for the product, supported by K2C, is significant



# Eckoh UK – Operational Update

- ❑ UK client base increased by 21 clients
- ❑ Signed multi-year contracts with guaranteed commitments that will maintain high levels of recurring revenue; 87% of UK revenue was recurring
- ❑ 24 of the 25 significant clients\* who came up for renewal did renew, the one exception being a legacy Veritape call recording customer
- ❑ Sales team realignment completed before year end and showing promise
- ❑ Channel Update
  - May 2016: 3-year contract with **allpay**, a provider of bill payment services to the public sector, to allow them to syndicate our solution to their housing association customers
  - January 2017: Four-year contract to provide our EckohROUTE solution to a leading UK Mobile Virtual Network Operator through **Capita**
  - June 2017: First contract through **Teleperformance** to deliver solutions from both the Eckoh and K2C portfolio into Her Majesty's Passport Office. This high quality contract illustrates the strength of Eckoh's combined offering since acquiring K2C
- ❑ With the addition of K2C, Eckoh is now able to offer a complete Omni-channel suite of customer engagement solutions backed with a secure payment offering that covers voice, web, SMS, mobile and live webchat

\* Revenue greater than £25K per annum

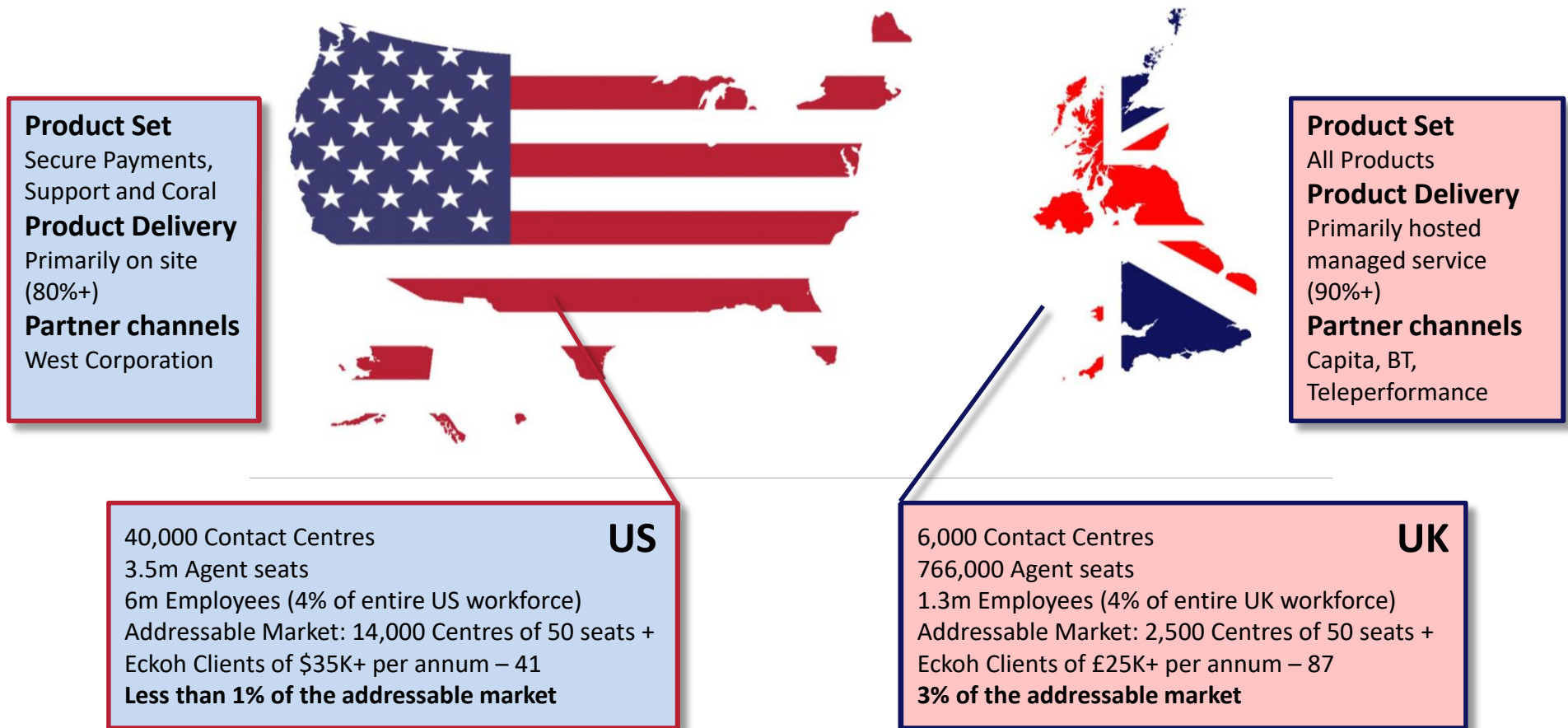


How can we help?

Start Chat

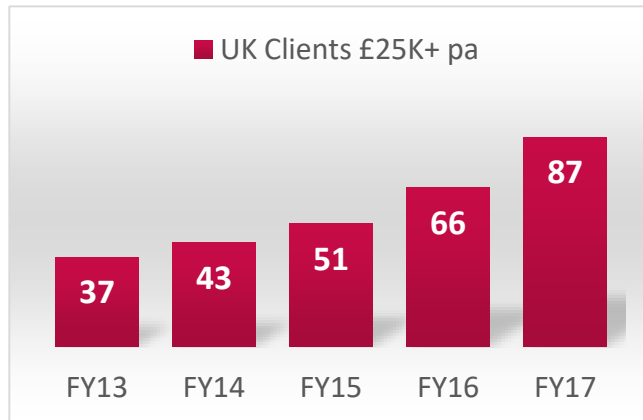


# Significant Market Opportunity – Largely untapped



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

# Value Opportunity – Very High Client Retention



Both product sets are compelling and drive long-term business value



New Clients



1-3 Years



4-6 Years



7+ Years



# Strategic Goals



- ❑ Continue to leverage our acquired assets
- ❑ Expand our US footprint to capitalise on the fast-growing market for secure payment opportunities
- ❑ Grow US recurring revenues through SaaS style pricing
- ❑ Broaden channel partnerships in both markets
- ❑ Maximise client value through cross-selling
- ❑ Continue to evaluate acquisition opportunities that can support our growth strategy
- ❑ Continuing to invest in R&D

# Innovation

## ❑ Apple Pay

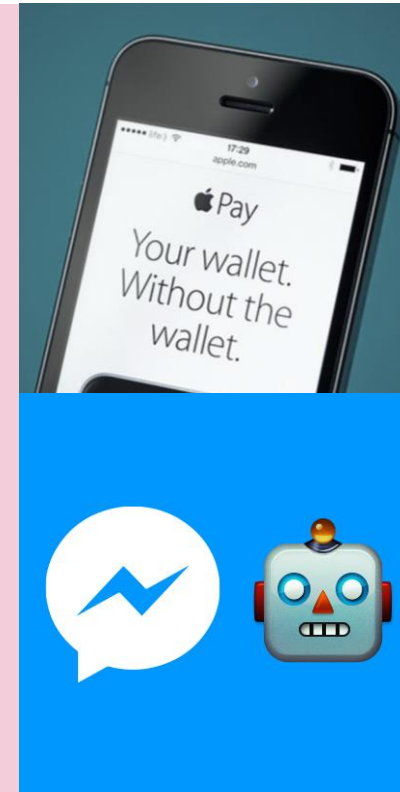
- In October we announced that we were the first company anywhere in the world to process the world's first Apple Pay payment over a telephone voice call
- We have now developed this solution to operate in a live production environment and are trialling the service with a large UK water utility

## ❑ Secure Chat

- In February, we launched secure payments over live web chat, by combining our secure payment expertise with the web chat facility provided by the K2C acquisition.
- A number of clients are in active discussions to launch the service

## ❑ Chatbots

- A computer program that simulates a human conversation
- Combination of our K2C knowledge base technology and our long-standing expertise in managing natural language responses to create Chatbot technology.
- This relevant combination of skills and experience will enable us to deliver a solution that we believe will perform extremely well in this exciting emerging market



# Summary and Outlook

- ❑ Strong revenue and margin growth
- ❑ Substantial US progress is underpinned by the PSS acquisition and the momentum from three years building the Secure Payments business
- ❑ UK business continues to have an almost 100% retention rate and add high levels of new contract wins supported by strong channels
- ❑ Continuing data breaches and the threat of increased regulation, especially GDPR, will further drive sales interest globally
- ❑ Enter a new financial year with a strengthened, refreshed Board
- ❑ The Board remains open-minded about additional acquisition opportunities
- ❑ Prospects are excellent for maintaining historic levels of progress and growth
- ❑ Excellent start to the new financial year with higher recurring revenues
- ❑ Monthly recurring revenues from existing client base of nearly £2m



# Thank you

**Nik Philpot**

*CEO*

DD: 01442 458358

[nik.philpot@eckoh.com](mailto:nik.philpot@eckoh.com)

**Chrissie Herbert**

*CFO*

DD: 01442 458329

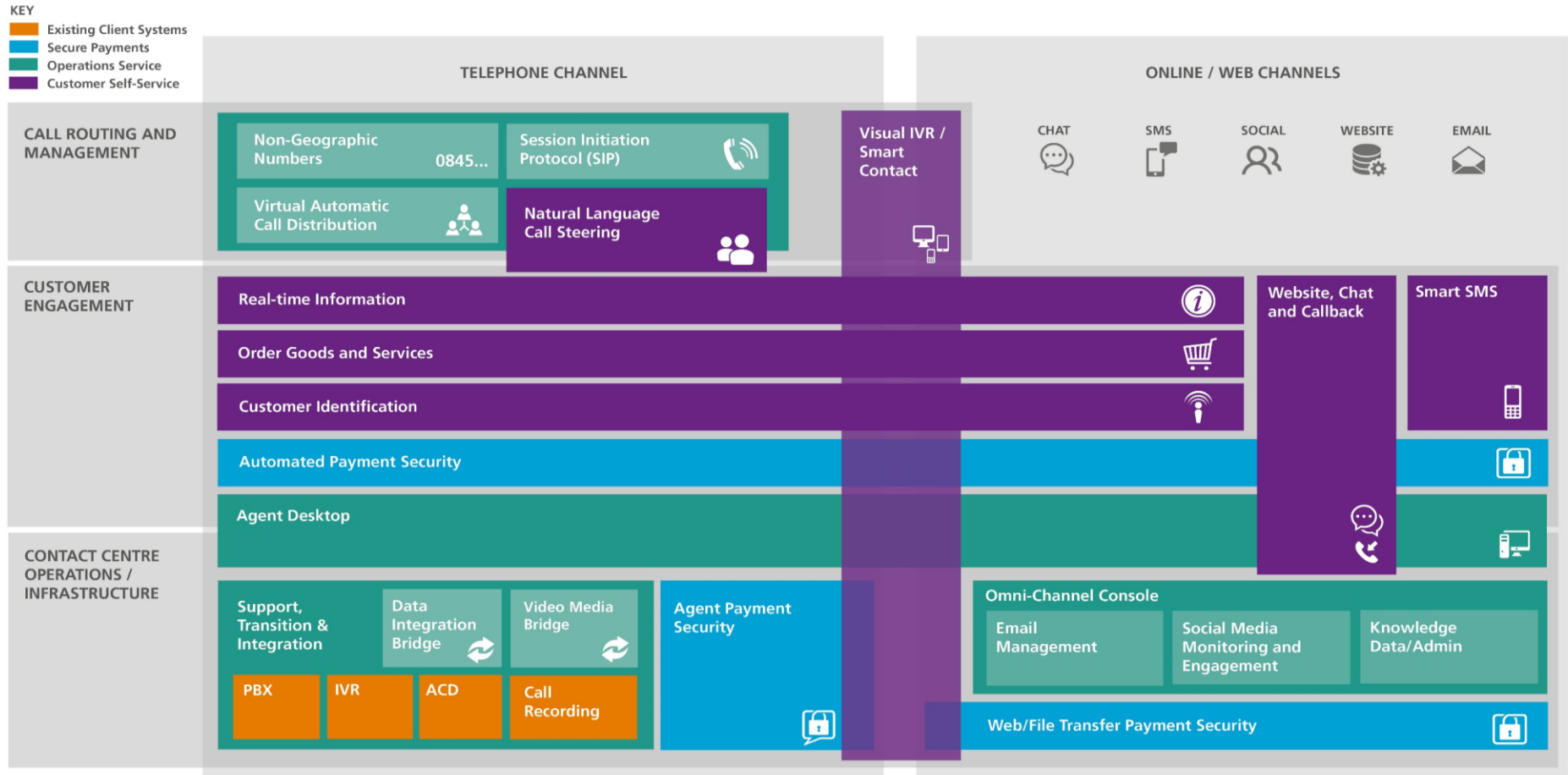
[Chrissie.herbert@eckoh.com](mailto:Chrissie.herbert@eckoh.com)

# Appendix 1 - Eckoh History

- Dec 1999 Float on FTSE as 365 Corporation
- Jan 2002 Sale of internet business
- May 2002 Change of name from 365 Corporation to Eckoh Technologies
- Jan 2003 Speech Alliance signed with BT
- Jun 2003 Eckoh moves to AIM
- Jul 2006 Symphony share sold to Redstone for £11m
- Dec 2007 Eckoh sells Connection Makers division for £2.8m
- Jun 2010 IVR division merged with Telecom Express & French office closed
- Oct 2010 PCI DSS Accreditation received, growth from EckohPay product
- Jan 2012 EckohPROTECT launched generating significant sales interest
- Apr 2013 Channel Partnership with Capita launched
- Jun 2013 Acquisition of Veritape Limited (On-premise payments solution provider)
- Nov 2013 Largest single contract secured through Capita – Minimum £11m over 10 year term
- 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
- Future Market conditions expect to continue to support further growth



# Appendix 2 – Eckoh’s Technology Portfolio



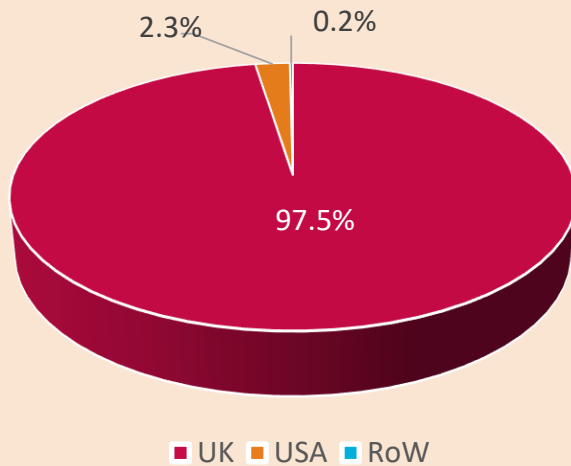
## Appendix 3 - 9 Year Growth Trend

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
<b>Revenue</b>	<b>29.1</b>	<b>22.5</b>	<b>17.2</b>	<b>14.0</b>	<b>11.0</b>	<b>10.4</b>	<b>9.0</b>	<b>7.9</b>	<b>6.7</b>
Gross Profit	20.3	16.8	13.1	10.2	8.3	7.9	6.6	5.7	4.3
Administrative Expenses	18.5	14.4	14.0	10.4	7.2	6.8	6.0	6.2	6.1
Share option expenses	-	(0.6)	(1.0)	(1.2)	(0.4)	(0.2)	(0.1)	(0.1)	(0.1)
Amortisation of acquired intangible assets & Acquisition costs	(2.2)	(1.6)	(1.3)	(1.2)	-	-	-	-	-
Non-recurring Admin Expenses	(0.3)	0.5	(2.0)	-	-	-	-	(0.7)	(0.8)
Adjusted* Admin Expenses	16.0	12.7	9.7	8.0	6.8	6.6	6.0	5.5	5.2
Operating Profit / (Loss)	1.6	2.4	(0.9)	(0.2)	1.1	1.1	0.6	(0.5)	(1.8)
<b>Adjusted* Op Profit / (Loss)</b>	<b>4.3</b>	<b>4.1</b>	<b>3.4</b>	<b>2.2</b>	<b>1.5</b>	<b>1.3</b>	<b>0.7</b>	<b>0.2</b>	<b>(0.9)</b>

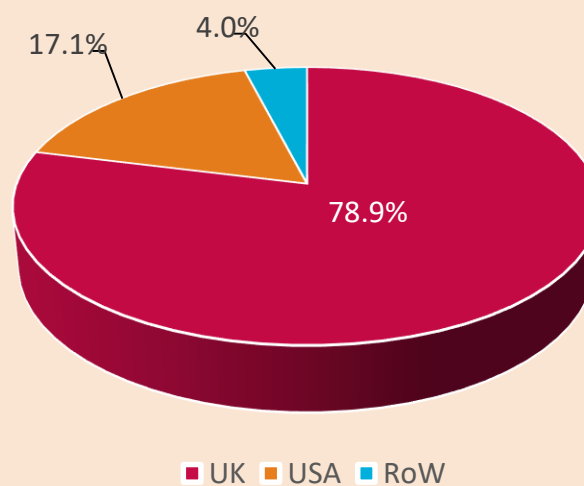
\* excluding expenses relating to share option schemes, amortisation of acquired intangible assets and non recurring costs

# Appendix 4 - Revenue by Territory FY17

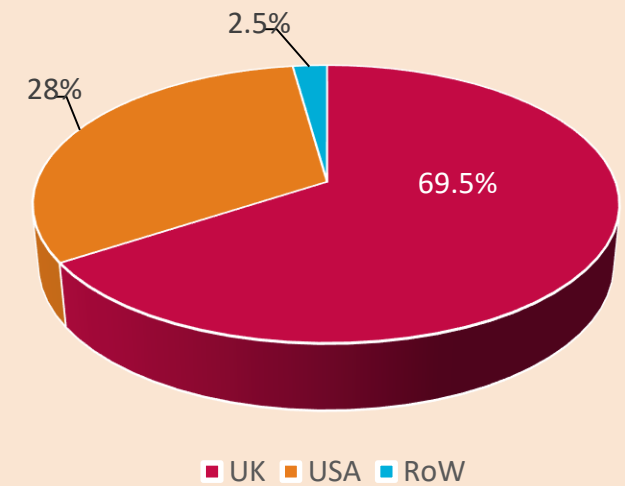
### Revenue by Territory FY15



### Revenue by Territory FY16



### Revenue by Territory FY17



- UK revenue grew by 8% to £19.1m (FY16: £17.7m)
- US revenue in territory grew to £9.7m from £4.0m and now represents 28% of group revenue
- Group recurring revenue is now 76% (UK: 87% up from 79%; US: 54% up from 34%)

# Appendix 5 - Board Changes

## □ New CFO

- In May 2017, **Chrissie Herbert** joined as CFO, replacing Adam Moloney. She was previously UK and Ireland Finance Director at PayPoint plc, the FTSE 250 retail technology and multi-channel payment solutions business.

## □ New NEDs

- **Peter Simmonds** joined in July 2016, bringing 35 years of Board experience, principally in the areas of software, banking, finance and outsourcing.
- **Guy Millward**, who is currently Chief Financial Officer of Imagination Technologies Group plc, joined the Board in October. Guy has in-depth expertise in finance across both publicly listed and privately held technology companies.

## □ New Chairman

- **Chris Humphrey** has joined the Board as a non-executive Director in June and will become Chairman from the AGM in September. Chris has 30 years board experience working with a range of technology companies including SDL, Aveva, Vitec and Anite. He will be replacing Chris Batterham who is stepping down after eight years as Chairman.

