

The image features a cityscape at dusk or dawn, with several prominent skyscrapers including The Shard and the Gherkin. A network of glowing blue and white lines with circular nodes is overlaid on the city, suggesting a digital or communication network. In the top right corner, the Eckoh logo is displayed in black text, with the letter 'o' highlighted in red. A red circle is positioned above the 'h' in the logo. The background also includes faint, semi-transparent circular patterns.

# Eckoh

**Eckoh Results for the year ended 31<sup>st</sup> March 2020**

# Agenda



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

# Highlights - Strong revenue, profit and order growth

- ❑ Results in line with market expectations
- ❑ Revenue and profit growth in both the UK and US operations
- ❑ Record total business contracted, despite strong comparators in both the UK and US
- ❑ Continued and strong progress in US Secure Payments has driven a 'managed transition' away from hardware-based US Support contracts
- ❑ Record levels of patent awards
- ❑ Resilience in current trading with high recurring revenues of 79%, substantially underpinned by fixed fees and transactional commitments
- ❑ Sales pipelines at high levels, although new business decisions delayed because of COVID-19

# COVID-19 – Update

- ❑ UK remote working continues to be effective and there is no urgency to return to office working
- ❑ 70% of the US staff are permanently remote, but the Omaha office has had a controlled reopening
- ❑ All US revenue is underpinned by fixed fees. Contracts that we hoped would sign in March have been delayed or put on hold, but none have been cancelled
- ❑ The UK has a wide variety of commercial models. Volumes were impacted significantly from mid-March, but this was not reflected proportionately in revenue. Volumes have been steadily increasing since mid-May and are expected to be close to normal by August
- ❑ Encouraging early trading with Group revenue and profits in line with the previous year
- ❑ Guidance remains withdrawn and therefore dividend will be re-assessed when conditions stabilise
- ❑ Eckoh's business model, with high levels of recurring revenue, a record order book, blue chip enterprise clients and a strong balance sheet, means we are well placed to manage the impact of COVID-19. Eckoh's product portfolio can assist new and existing clients in responding to these challenging times and the recent interest in CallGuard Remote is an illustration of this

# Financial highlights

Total business <sup>1</sup>

**£35.9m**

**↑ 10%**

(FY19: £32.7m)

Deferred revenue

**£14.4m**

**↓ 1%**

(FY19: £14.6m)

Revenue

**£33.2m**

**↑ 16% 14%<sup>2</sup>**

(FY19: £28.7m)

Recurring revenue

**£24.8m** (79%<sup>3</sup>)

**↑ 4%**

(FY19: £23.8m, 83%)

Operating Profit <sup>4, 5</sup>

**£4.7m**

**↑ 53%**

(FY19: £3.1m)

Net cash

**£11.6m**

**↑ £3.3m**

(FY19: £8.3m)

1. Contracted business including new business and renewals with existing customers
2. Constant exchange rates (using last year's exchange rates)
3. Excluding \$2.1m revenue related to the Coral contract
4. Excluding expenses relating to share option schemes, amortisation of acquired intangible assets and acquisition costs
5. FY20 results have been prepared under IFRS 16: 'Leases'. Prior period comparatives have not been restated

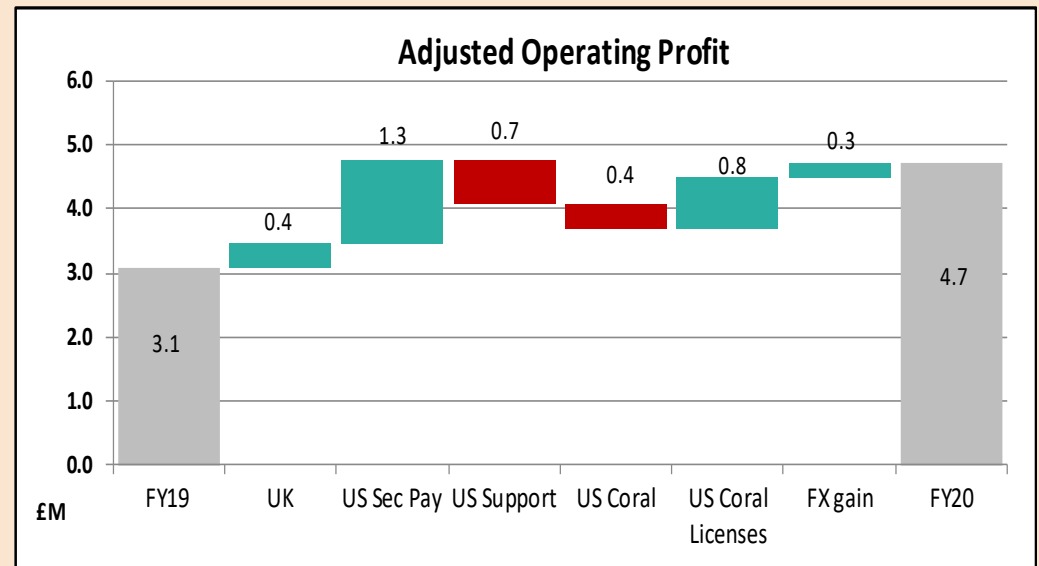
# Summary financials

£'000	31 Mar-20 <sup>1</sup>	31 Mar-19	Variance
<b>Revenue</b>	<b>33,178</b>	<b>28,719</b>	<b>+16%</b>
Gross profit	26,324	24,105	+9%
<i>Gross profit margin (%)</i>	79%	84%	-5pts
<b>Adjusted<sup>2</sup> EBITDA</b>	<b>6,386</b>	<b>4,322</b>	<b>+48%</b>
Adjusted <sup>3</sup> operating profit	4,733	3,086	+53%
<b>Profit before tax</b>	<b>3,303</b>	<b>1,154</b>	<b>+186%</b>
Adjusted diluted EPS <sup>4</sup>	1.75p	1.08p	+62%
Change in working capital	1,118	3,089	-63%
<b>Cash generated from operating activities</b>	<b>7,084</b>	<b>7,184</b>	<b>-1%</b>
<b>Cash</b>	<b>13,541</b>	<b>11,582</b>	<b>+16%</b>
<b>Net Cash</b>	<b>11,591</b>	<b>8,332</b>	<b>+3,259</b>
<b>Total business contracted<sup>5</sup></b>	<b>35,853</b>	<b>32,723</b>	<b>+10%</b>
<b>New business contracted<sup>6</sup></b>	<b>18,560</b>	<b>22,568</b>	<b>(18%)</b>

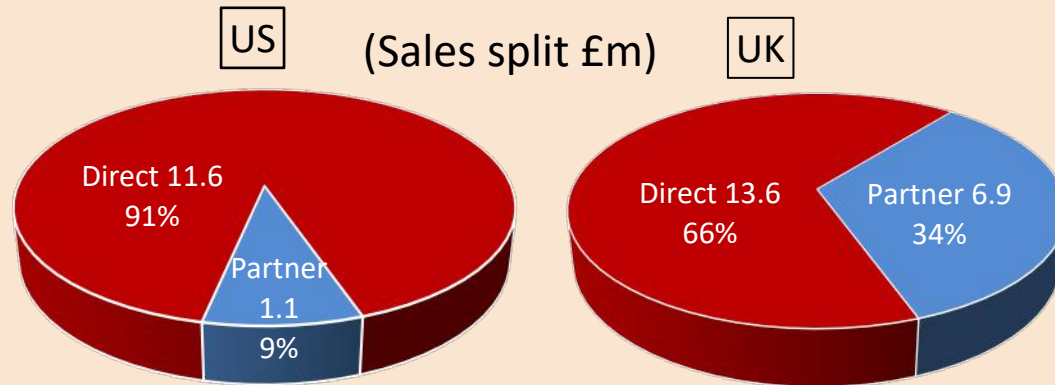
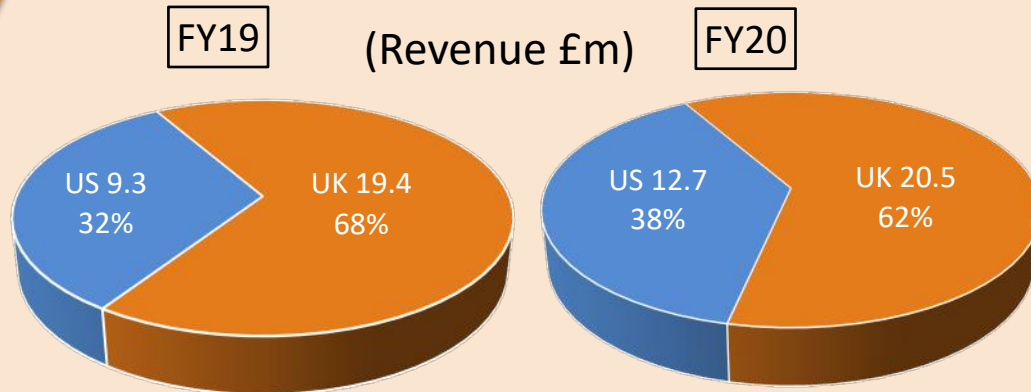
1. FY20 results have been prepared under IFRS 16: 'Leases'. Prior period comparatives have not been restated  
2 & 3. Excluding expenses relating to share option schemes and amortisation of acquired intangible assets  
4. Adjusted diluted earnings per share (eps) excludes share option schemes and amortisation of acquired intangible assets  
5. Contracted business including new business and renewals with existing customers  
6. New business contracted excluding renewals with existing customers

# Adjusted Operating Profit bridge

- ❑ **UK business** – strong growth in revenue, gross profit and EBITDA from new business secured FY19
- ❑ **US Secure Payments** – strong momentum with year on year growth in revenue and gross profit with limited additional costs
- ❑ **US Support** – year on year decrease as expected, with our largest client ceasing in H2. With focus now solely on Secure Payments we have a managed transition to exit hardware support and only retain software support clients
- ❑ **US Coral** – year on year decline as implementation fees reduced, although the fees relating to the newer licenses are starting to come through now
- ❑ **Coral licenses** – margin circa 50%
- ❑ **FX gain** – level with H1



# Divisional trading analysis



Main Partners:

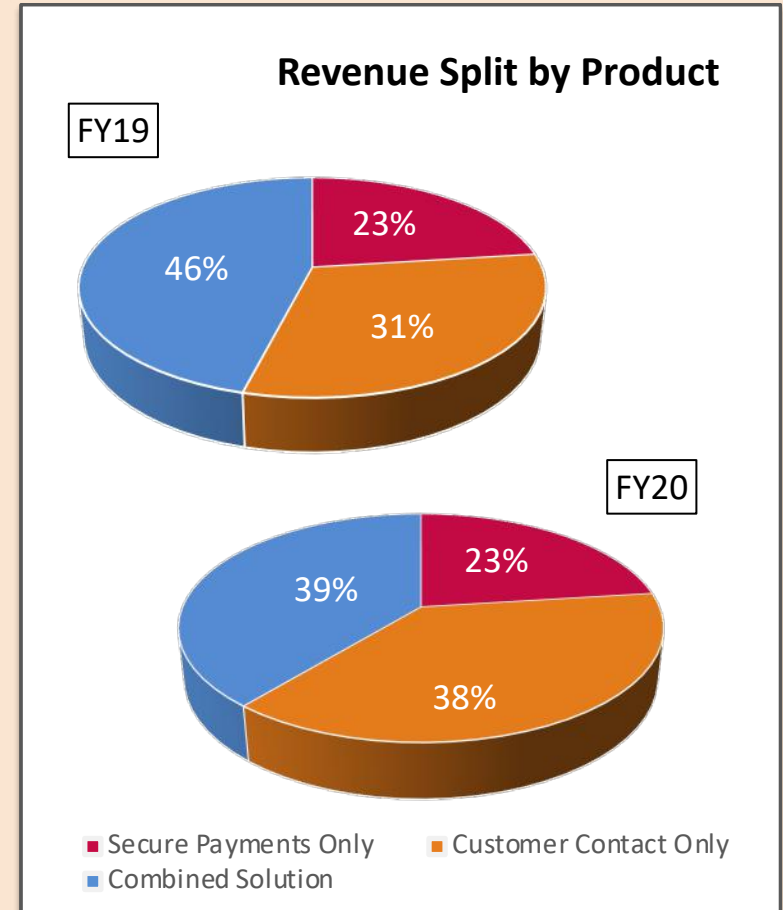
Main Partners:

- 16% revenue growth
- US now accounts for 38% of Group revenue (35% excluding \$2.1m Coral licences)
- UK revenue has continued to strengthen with new business growth flowing through to revenue
- In UK, partner share increased (+2%) with large Capita deals going live
- US partners % decreased with the continued strong levels of direct wins with large enterprise clients, and successful deployments



# UK trading analysis

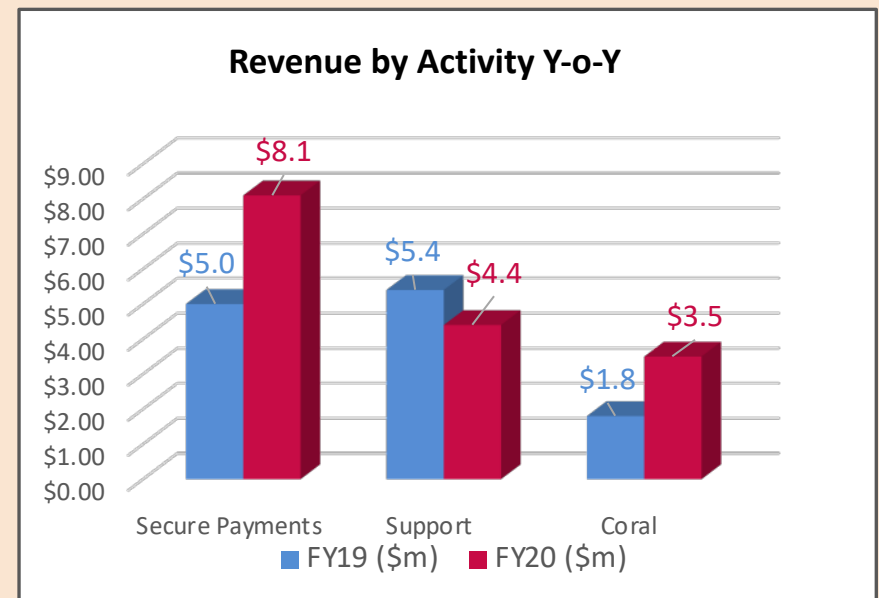
- ❑ Total contracted business<sup>1</sup> £20.2m, up 11% (FY19: £18.2m)
- ❑ New contracted business<sup>2</sup> £6.6m (FY19: £10.1m) – impact of uncertain business climate due to Brexit in H1
- ❑ Revenue up 6% to £20.5m (FY19: £19.4m)
- ❑ Gross profit up 3% to £17.1m (FY19: £16.5m)
- ❑ Gross profit margin 83% (FY19: 85%)
- ❑ Recurring revenues at 88% (FY19: 90%)
- ❑ Shift towards Customer Contact solutions with digital transformation via Eckoh Experience Portal and increase in Omnichannel activity



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

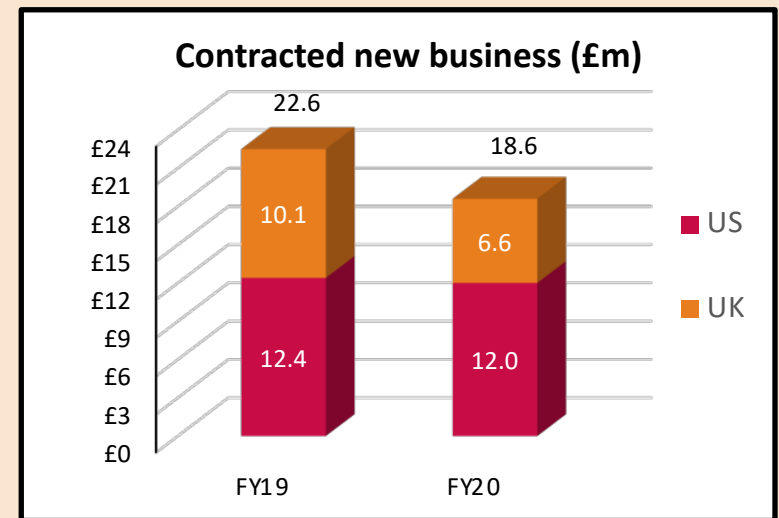
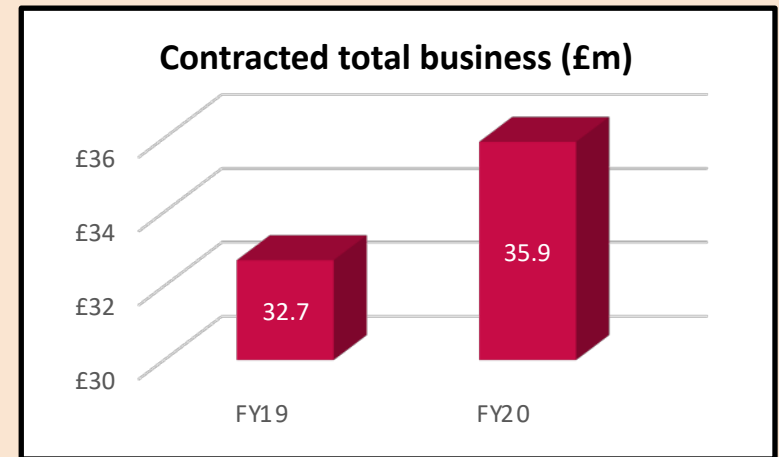
- ❑ Total business contracted <sup>1</sup> up 4% to \$19.9m (FY19: \$19.1m)
- ❑ Strong new business contracted <sup>2</sup> down 6% to \$15.3m (FY19: \$16.3m)
- ❑ Secure Payments revenue up 63% to \$8.1m (FY19: \$5.0m)
- ❑ Revenue increased 32% to \$16.1m (FY19: \$12.2m)
- ❑ Support revenue declining to \$4.4m and expect FY21 to be materially lower as the managed transition continues
- ❑ Gross profit up 18% to \$11.7m (FY19: \$9.9m)
- ❑ Gross margin 73% (FY19: 81%), 76% excluding impact of the \$2.1m of Coral licenses
- ❑ Recurring revenue 61% excluding \$2.1m of Coral licences (FY19: 68%)



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

# Contracted business – UK and US

- ❑ 10% year on year growth to achieve record levels of total contracted business <sup>1</sup>
- ❑ UK grew 11% and US 4%
- ❑ 18% decline in overall new contracted business, largely driven by the weak UK H1 due to Brexit impact <sup>2</sup>
- ❑ US new business only 3% lower than previous record year, that included the largest single contract of \$7.4m
- ❑ Strong UK renewals with a number of large clients renewing early as anticipated
- ❑ Ultimate impact of COVID-19 is still unclear, especially for new business levels



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

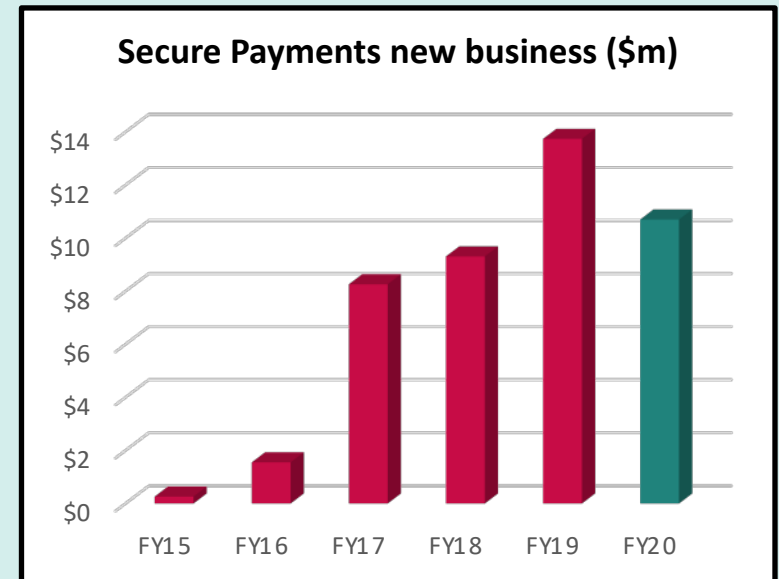
# UK Overview – Record order levels despite backdrop

- ❑ Revenue growth driven by FY19 new business going live and strong levels of transactional revenue from large clients
- ❑ Total business was at record levels, but a decline in new business from more challenging market conditions arising from Brexit
- ❑ Cross selling - 60% of new business contracted was from existing customers
- ❑ New contracts included Vanquis Bank, Department for Education and Bosch
- ❑ Strong year for large renewals including
  - Premier Inn (the largest scheduled for FY20)
  - A number of large renewals were concluded early as anticipated, including TfL, allpay and a global financial services company
- ❑ Large Digital Transformation projects driving Customer Contact activity
  - Capita Omni framework live with the largest chat estate in the UK
  - TV Licensing contract (through Capita) now live
  - Significant contract going live imminently for a large UK building society
- ❑ COVID crisis will lead to an increased demand and take up of remote working technology and advanced self-service, playing to Eckoh strengths



# US Secure Payments – Continued momentum

- ❑ Strong momentum in Secure Payments, revenue grew 63% to \$8.1m (FY19: \$5.0m)
- ❑ New Secure Payments contracted business \$10.7m (FY19: \$13.7m); broader base than prior year
- ❑ Total unrecognised order book increased 14% to \$25.9m (FY19: \$22.7m)
- ❑ Largest contract win of \$7.4m won in prior year deployed and live
- ❑ First major contract for ChatGuard (Secure Payments in live web chat)
- ❑ Ten customers now contracted in the Fortune 250
- ❑ Final quarter disrupted by COVID-19 and continues to impact largest deals
- ❑ Pipeline remains strong and growing, but new business timing is unclear



# US Overview – Benefiting from macro factors

- ❑ Secure payments market trends and updates
  - Our level 1 PCI DSS accreditation retained for the 10<sup>th</sup> successive year
  - Version 4 of the PCI code is expected to tighten compliance further, making it harder and more expensive to comply
  - Tougher data privacy regulation, led by the California Consumer Privacy Act which came into effect in 2020, is 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 decreased by 20% as expected. Managed transition away from Support, with only software-based support contracts sought. Revenue will be materially lower in FY21
  - We are now a Gold partner with Ribbon Communications, which will drive additional Support activity and improve our margin on some SecPay deals
- ❑ Coral revenue of \$3.1m, includes the licenses of \$2.1m, from the \$3.8m contract won in July with a Fortune 100 Telco
  - Timing of deals remains hard to predict, and sales cycle is long



# Patent Update – Strengthening portfolio

- ❑ **Significant progress in adding new patents to our growing portfolio**
- ❑ **Total patents - 12, Granted since 1<sup>st</sup> April 2019 – 7**
- ❑ **CallGuard Onsite** - Three granted patents covering eight jurisdictions: UK, US, Belgium, France, Germany, Italy, Netherlands and Spain
- ❑ **Secure Proxy** - 4 granted patents covering 8 jurisdictions: US (x2 patents), UK, Belgium, France, Germany, Italy, Netherlands and Spain
- ❑ **Authenticating Users for Data Exchange** – one granted in the US
- ❑ **Session Handoff** – Two granted patents: UK, US
- ❑ **Contact Centre Authentication** – Two granted patents: US, Canada
- ❑ Eckoh plc and Syntec Limited have reached a confidential settlement of their dispute over alleged infringement of Eckoh's Secure Proxy patent (UK No. GB2497940). Syntec has agreed to pay Eckoh an undisclosed sum in settlement of the claim





# Summary

- ❑ Strong year and in line, despite headwinds from Brexit and COVID
- ❑ Significant revenue growth in UK and US
- ❑ Record total order levels underpinning future trading
- ❑ Excellent progress and large opportunity in US Secure Payments
- ❑ Strong cash generation and robust balance sheet
- ❑ Outlook remains uncertain, but with a highly relevant product portfolio and resilient business model, Eckoh is well prepared to successfully manage the current challenges and assist our clients to do the same



# 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
  - Record levels of business - 10% growth in total contracted business
  - Low customer churn rates - retention almost 100%
- ❑ High revenue visibility
  - High recurring revenue - 79% at a group level <sup>1</sup>
  - Growing order book and deferred revenue - US payments order book now at a record \$35.9m
- ❑ Scalability - capacity for growth without significant investment
- ❑ Attractive financial model with strong operational gearing and cashflow

1. Excluding \$2.1m of Coral license sales

# Thank you



**Nik Philpot**

*CEO*

DD: +44 1442 458358

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

**Chrissie Herbert**

*CFO*

DD: +44 1442 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 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

# 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



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**

**US**



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

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**

**UK**

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

# 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



HM Passport  
Office

# Appendix Financial Information



# Balance Sheet – 31 March 2020

£'000	31 Mar 2020	31 Mar 2019	
Intangible Fixed Assets	7,313	7,464	Amortisation of intangibles
Tangible Fixed Assets	3,851	4,118	Mainly comprised of HQ building and hosted telephony platform
Leased Assets	277	-	Implementation of IFRS 16 1 <sup>st</sup> April 2019
Deferred Tax Asset	3,805	4,081	
<b>Total Fixed Assets</b>	<b>15,246</b>	<b>15,663</b>	
Non cash current assets	8,219	9,446	
Deferred asset – IFRS 15	5,587	4,221	
Cash	13,541	11,582	
<b>Total Assets</b>	<b>42,593</b>	<b>40,912</b>	
Trade & Other Payables	(6,678)	(5,386)	
Deferred liability	(14,400)	(14,597)	IFRS 15 – new business contracted
Lease liability	(266)	-	Implementation of IFRS 16 1 <sup>st</sup> April 2019
Loans	(1,950)	(3,250)	Repayment of loan quarterly £325k
Deferred tax liability	(290)	(495)	Arising from PSS and K2C acquisitions & amortises alongside the intangible asset. PSS will be fully amortised Nov 20
<b>Net assets</b>	<b>19,009</b>	<b>17,184</b>	



# Cash Flow Statement

£'000	31 March 2020	31 March 2019
Profit after tax	3,136	945
Depreciation / Amortisation	2,632	2,560
Share based payments	468	567
Taxation	166	209
Other	(280)	118
<b>Operating profit before changes in working capital</b>	<b>6,122</b>	<b>4,399</b>
Movement in receivables, payables, inventory, tax & interest	1,118	3,089
Movement in tax and interest	(156)	(304)
<b>Cash generated from operating activities</b>	<b>7,084</b>	<b>7,184</b>
Purchase of property, plant and equipment	(571)	(541)
Purchase of intangible fixed assets	(951)	(435)
Principal lease repayments	(503)	-
Interest received	84	37
Net loan movement	(1,300)	(1,300)
Dividends	(1,558)	(1,392)
Other	(325)	(129)
<b>Cash movement</b>	<b>1,959</b>	<b>3,418</b>