

An aerial view of London, featuring prominent skyscrapers like the Shard and the Gherkin. A semi-transparent network of white lines and nodes is overlaid on the city. Various circular icons are placed at nodes, including a padlock, a puzzle piece, a question mark, a classical building, a smartphone, a speech bubble, a pencil, a pound sterling symbol (£), a refresh symbol, and a hand holding a torch. The Eckoh logo is positioned in the upper right, with the 'o' in red and a red dot above it.

Eckoh

Eckoh Results for the half year ended 30th September 2019

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

- ❑ Strong first half, full year expectations are unchanged
- ❑ Revenue and profit growth in both the UK and US
- ❑ Record total business contracted, despite strong comparators in both the UK and US
- ❑ US Secure Payments revenue doubled; pipeline supported by attractive macro drivers
- ❑ Innovation supporting new business wins
 - Successfully extending Contact Centre security offering into the Cloud
 - Digital transformation deals delivered via the Eckoh Experience Portal in the UK
 - First major contract for ChatGuard in the US
- ❑ Excellent revenue visibility and strong pipeline for full year

Financial highlights

Total business ¹

£19.4m

↑ 15%

(H1 19: £16.8m)

Deferred revenue

£15.2m

↑ 20%

(H1 19: £12.7m)

Revenue

£18.0m

↑ 37% 33%²

(H1 19: £13.1m)

Recurring revenue

£12.8m (79%³)

↑ 12%

(H1 19: £11.4m, 87%)

EBITDA ^{4,5}

£4.2m

↑ 161%

(H1 19: £1.6m)

Net cash

£10.9m

↑ £7.5m

(H1 19: £3.4m)

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, legal fees and settlement costs amortisation of acquired intangible assets and acquisition costs

5. H1 2020 results have been prepared under IFRS 16: 'Leases'. Prior period comparatives have not been restated

Summary financials

£'000	HY Sept 19 ¹	HY Sept 18	Variance
Revenue	18,015	13,109	+37%
Gross profit	14,176	10,972	+29%
<i>Gross profit margin (%)</i>	79%	84%	-5pts
Adjusted ² EBITDA	4,222	1,617	+161%
Adjusted ³ operating profit	3,414	1,020	+235%
Profit after tax	2,041	(167)	n.m
Change in working capital	(658)	(800)	n.m
Cash generated from operating activities	3,240	818	
Cash movement	1,930	(840)	+2,770
Cash	13,512	7,324	
Net Cash	10,912	3,424	+7,488
Total business contracted ⁴	19,437	16,830	+15%
New business contracted ⁵	11,786	14,160	(17%)

1. H1 2020 results have been prepared under IFRS 16: 'Leases'. Prior period comparatives have not been restated

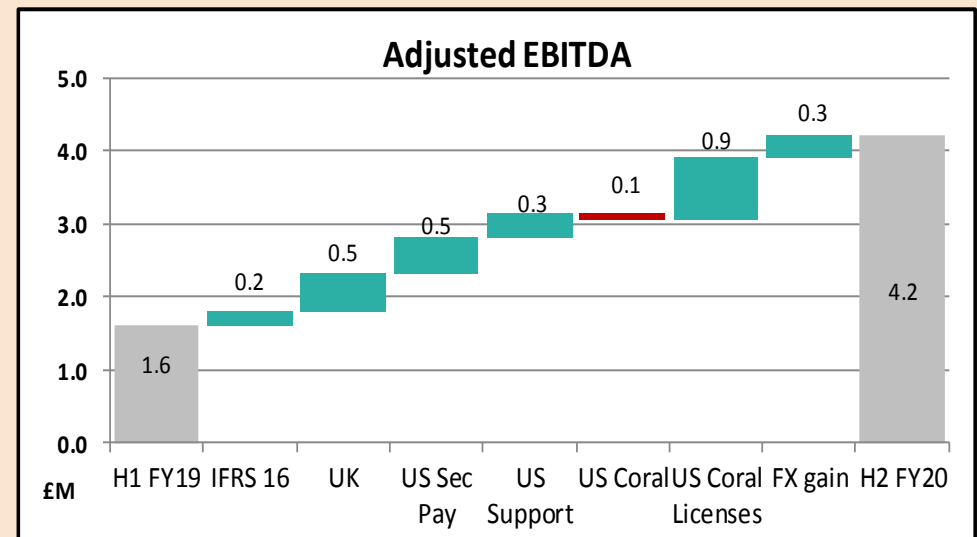
2 & 3. Excluding expenses relating to share option schemes, legal fees and settlement costs and amortisation of acquired intangible assets

4. Contracted business including new business and renewals with existing customers

5. New business contracted excluding renewals with existing customers

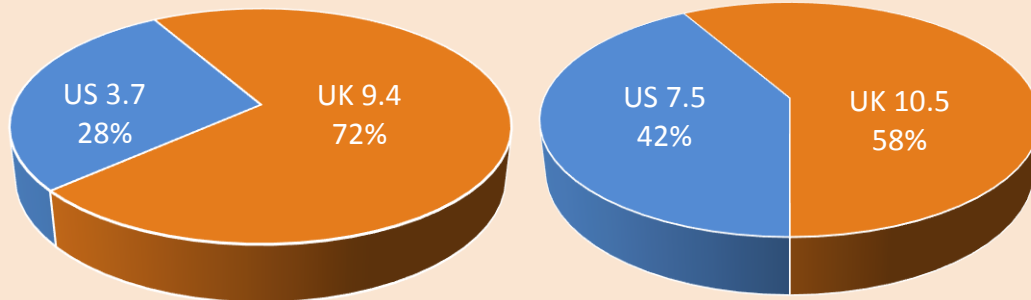
Adjusted EBITDA bridge – Strong H1

- ❑ **IFRS 16** – ‘Leases’ implemented 1st April 2019, prior year not restated
- ❑ **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 in first half
- ❑ **US Support** – year on year increase as H1 FY19 a weak comparator, expected to decline by value and as a percentage of mix into H2 and future years
- ❑ **US Coral** – marginal year on year decline as implementation fees reduced
- ❑ **Coral licenses** – margin circa 50% and non-repeatable into H2
- ❑ **FX Gain** – may reverse in second half

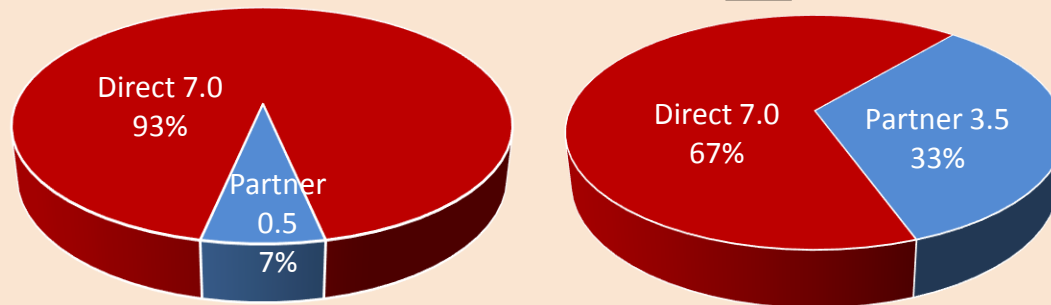


Divisional trading analysis

H1 FY19 (Revenue £m) H1 FY20



US (Sales split £m) UK



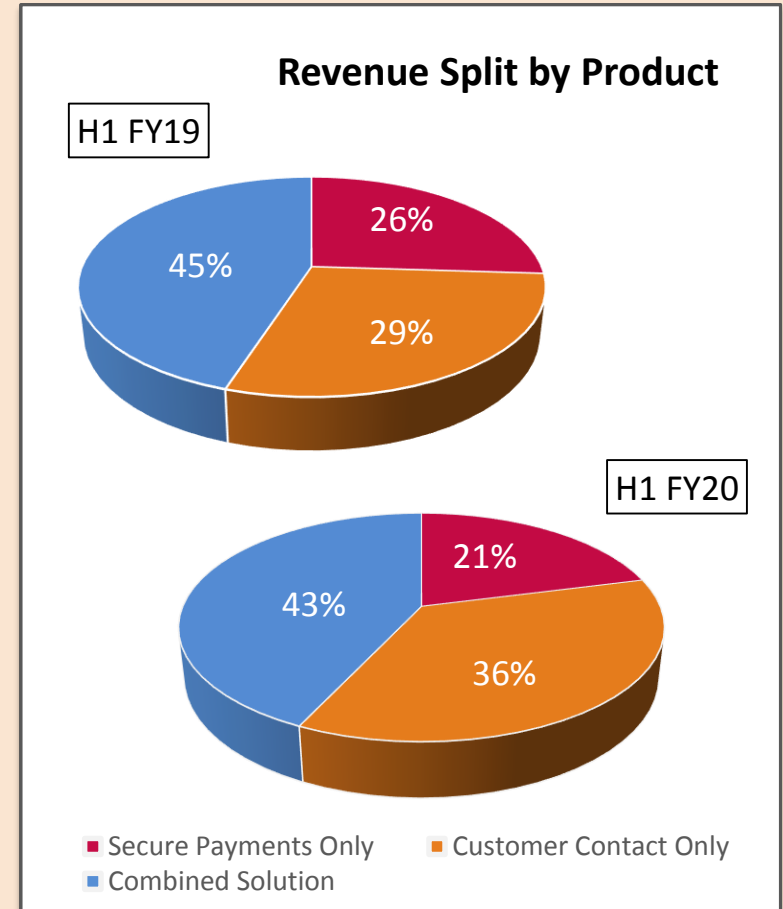
Main Partners: **NICE** west **inContact** **ribbon communications**

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

- 37% revenue growth
- US now accounts for 42% of Group revenue, (36% excluding \$2.1m Coral licences)
- UK revenue has continued to strengthen with new business growth flowing through to revenue
- In UK, partner share increased 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

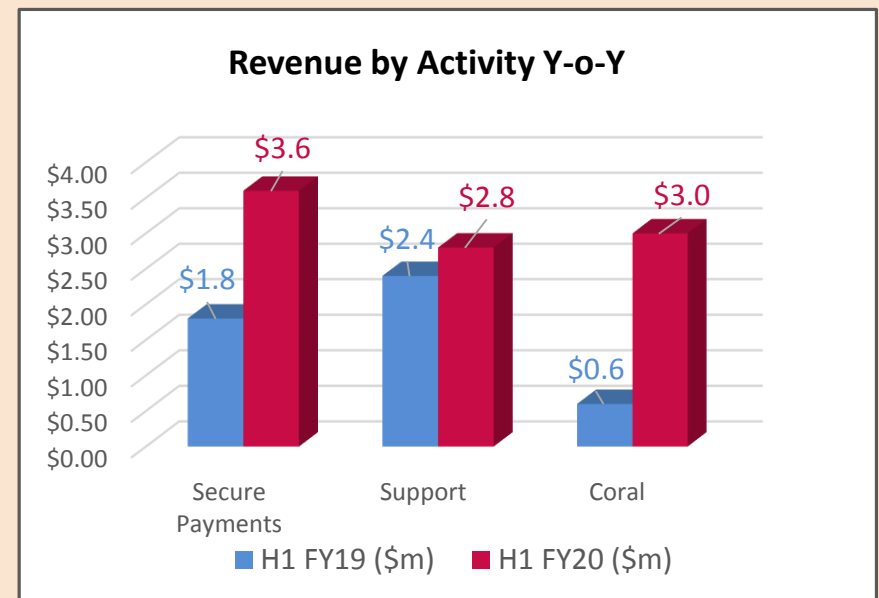
- ❑ Total contracted business¹ £7.9m, up 8% (H1 FY19: £7.3m)
- ❑ New contracted business² £2.7m (H1 FY19: £6.2m) – impact of uncertain business climate
- ❑ Revenue up 11% to £10.5m (H1 FY19: £9.4m)
- ❑ Gross profit up 11% to £8.8m (H1 FY19: £8.0m)
- ❑ Gross profit margin 84% (H1 FY19: 85%)
- ❑ Recurring revenues at 87% (H1 FY19: 90%)
- ❑ Shift towards Customer Contact solutions with digital transformation via Eckoh Experience Portal



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

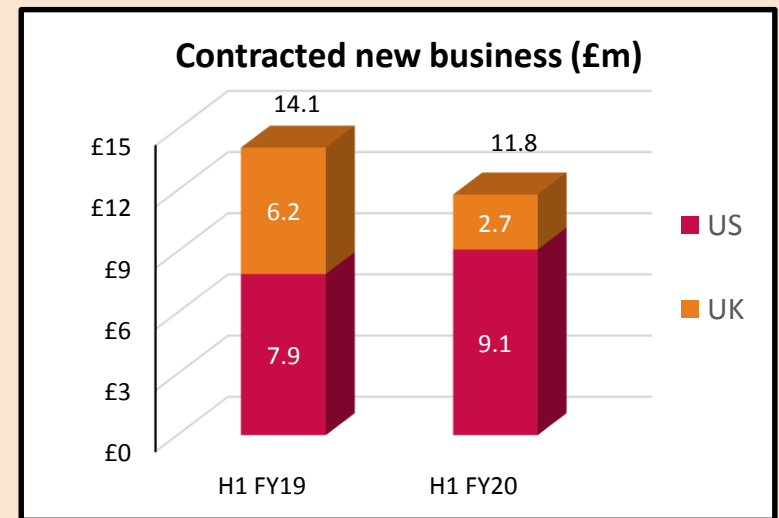
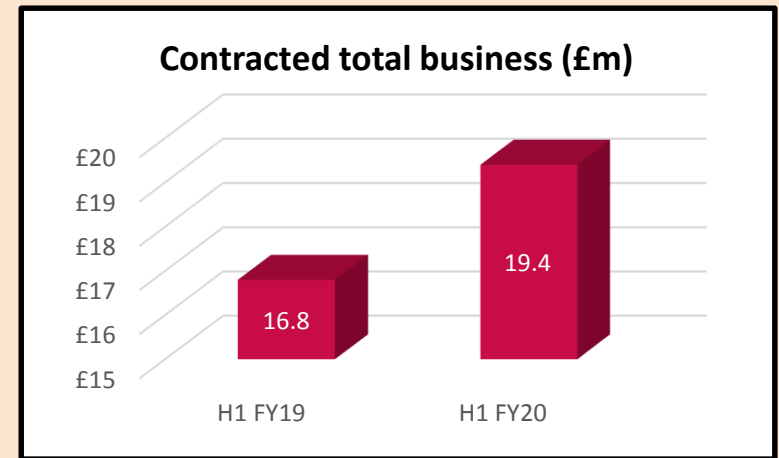
- ❑ Total business contracted ¹, up 16% to \$14.5m (H1 FY19: \$12.5m)
- ❑ Strong new business contracted ², up 8% to \$11.4m (H1 FY19: \$10.5m)
- ❑ Secure Payments revenue doubled to \$3.6m (H1 FY19: \$1.8m)
- ❑ Revenue increased 92% to \$9.4m (H1 FY19: \$4.9m)
- ❑ Gross profit \$6.6m (H1 FY19: \$3.9m)
- ❑ Gross margin 71% (H1 FY19: 81%), 80% excluding impact of the \$2.1m of Coral licenses
- ❑ Recurring revenue 63% excluding \$2.1m of Coral licences (H1 FY19: 79%)



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

- 15% year on year growth in total contracted business achieved ¹
- UK grew 8% and US 16%
- 17% decline in new contracted business achieved ²
- Strong UK renewals in H1, renewal value and timing variable
- UK strong revenue visibility in excess of 90% of expected revenue for the year
- US FY20 revenue visibility of \$15m (including new business and revenue deferred under IFRS 15)



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

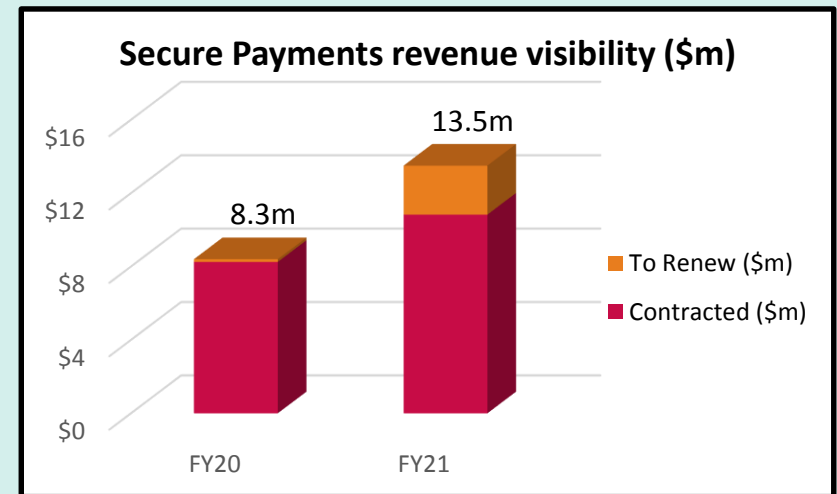
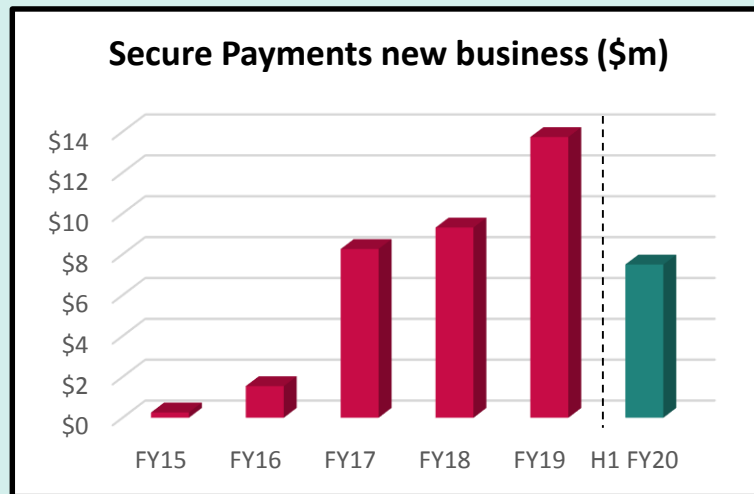
UK Overview – Driven by digital transformation

- ❑ Revenue growth driven by FY19 new business going live and strong levels of transactional revenue from large clients
- ❑ Total business contracted grew, but a decline in new business from more challenging market conditions arising from the uncertain business climate
- ❑ Cross selling - 40% of new business contracted was from existing customers
- ❑ Large Digital Transformation projects driving Customer Contact activity
 - New Eckoh Experience Portal (EXP) is supporting DT activity
 - Vue solution, including Chatbot, now fully live and delivering strong results
 - TV Licensing contract (through Capita) now live after period end
 - Significant 3-year contract underway for a large UK building society
- ❑ Strong first half for large renewals
 - Including Premier Inn (the largest scheduled for FY20)
 - Second half has no significant renewals scheduled; however, strength of relationships are leading to early renewals and discussions are ongoing



US Secure Payments – Continued momentum

- ❑ Strong momentum in Secure Payments, revenue grew 103% to \$3.6m (H1 FY19: \$1.8m)
- ❑ New Secure Payments contracted business \$7.3m (H1 FY19: \$9.5m); broader base than prior year
- ❑ Total unrecognised order book increased 24% to \$26.9m (H1 FY19: \$21.7m)
- ❑ Largest contract win of \$7.4m won in prior year deployed and live
- ❑ First major contract for ChatGuard (Secure Payments in live web chat)
- ❑ Another Fortune 100 client, a retailer, was won post-period with a 3-year contract
- ❑ Pipeline is strong and growing



US Overview – Benefiting from macro factors

- ❑ Secure payments market trends and updates
 - Our level 1 PCI DSS accreditation retained for the 10th successive year
 - Version 4 of the PCI code is expected to tighten compliance further, making it harder and more expensive to comply and leading to a reassessment by many of their approach
 - Tougher data privacy regulation, led by the California Consumer Privacy Act which comes into effect in 2020, is also providing a tailwind to sales
 - Increasing cyber insurance premiums are proving to be another driver
- ❑ Support revenue increased by 15%, but will decline in the second half, primarily due to our largest customer reducing their scope further
 - 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 \$3.0m, 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



Innovation update

❑ Project Leapfrog – Cloud Native initiative

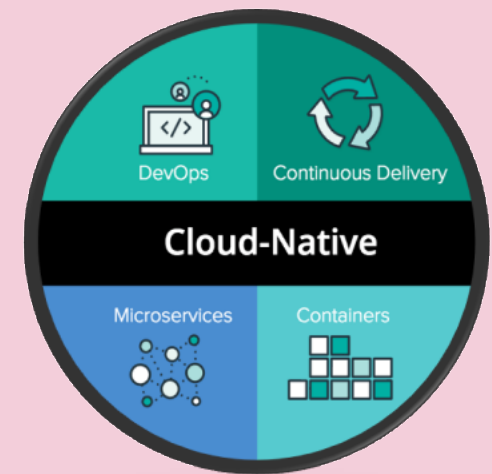
- We have embarked on a journey to embrace Cloud Native practices and capabilities colloquially named Project Leapfrog
- Cloud Native offers technologies and practices with nearly limitless computing power, alongside cutting-edge data and application services for product development
- Cloud Native will enable us to bring new ideas to market faster and respond sooner to client demands
- We expect our product portfolio to be enhanced even faster, at higher margins, and with a focus on assured quality. Critically we also expect a positive impact on staff retention and personal development

❑ Pay by Bank app

- Eckoh has partnered with Mastercard to offer the Pay by Bank app as another alternative payment capability for contact centres over the phone

❑ Cloud Delivery

- Eckoh's PCI accredited Cloud platform is fully operational, and we won a substantial and our largest US Cloud deal to date with a Healthcare provider



Summary

- ❑ Strong first half, full year expectations unchanged
- ❑ Significant revenue growth in UK and US
- ❑ Continued 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
- ❑ Strong, growing pipeline and excellent outlook



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 - 15% growth in total contracted business
 - Low customer churn rates - retention almost 100%
- ❑ High revenue visibility
 - High recurring revenue - 79% at a group level ¹
 - Growing order book and deferred revenue - US payments order book now at a record \$26.9m
- ❑ 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



Appendix Financial Information



Balance Sheet – 30 September 2019

£'000	30 Sept 2019	30 Sept 2018	31 Mar 2019	
Intangible Fixed Assets	7,200	7,433	7,464	Amortisation of intangibles
Tangible Fixed Assets	4,482	4,637	4,118	Mainly comprised of HQ building and hosted telephony platform
Deferred Tax Asset	4,116	4,191	4,081	
Total Fixed Assets	15,798	16,261	15,663	
Non cash current assets	9,683	12,334	9,446	Sept 18, SecPay debtor from largest contract
Deferred asset – IFRS 15	4,751	2,499	4,221	
Cash	13,512	7,324	11,582	
Total Assets	43,744	38,418	40,912	
Trade & Other Payables	(5,393)	(4,035)	(5,386)	
Deferred liability	(15,215)	(12,659)	(14,597)	IFRS 15 – new business contracted
Lease liability	(525)	-	-	Implementation of IFRS 16 1 st April 2019
Loans	(2,600)	(3,900)	(3,250)	Repayment of loan quarterly £325k
Deferred tax liability	(519)	(563)	(495)	Arising from PSS and K2C acquisitions & amortises alongside the intangible asset. Veritape fully amortised
Net assets	19,492	17,261	17,184	

Cash Flow Statement

£'000	31 Sept 2019	31 Sept 2018	31 March 2019
Profit after tax	2,041	(167)	945
Depreciation / Amortisation	1,306	1,370	2,560
Share based payments	359	454	567
Taxation	551	(142)	209
Other	(287)	103	118
Operating profit before changes in working capital	3,898	1,618	4,399
Movement in receivables, payables, inventory and tax	(658)	(800)	2,856
Cash generated from operating activities	3,240	818	7,255
Purchase of property, plant and equipment	(238)	(435)	(541)
Purchase of intangible fixed assets	(172)	(22)	(435)
Principal lease repayments	(244)	-	-
Legal fees and settlement costs	-	(443)	-
Net Interest	(1)	(24)	(40)
Net loan movement	(650)	(650)	(1,300)
Dividends		-	(1,392)
Other	(5)	(84)	(129)
Cash movement	1,930	(840)	3,418