



Eckoh Results for the six months ended 30th September 2017

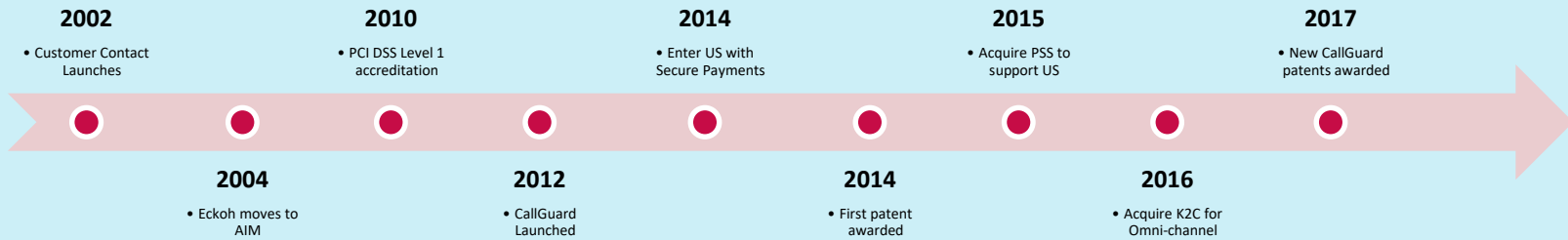
Interim Results – 22 Nov 2017

Agenda

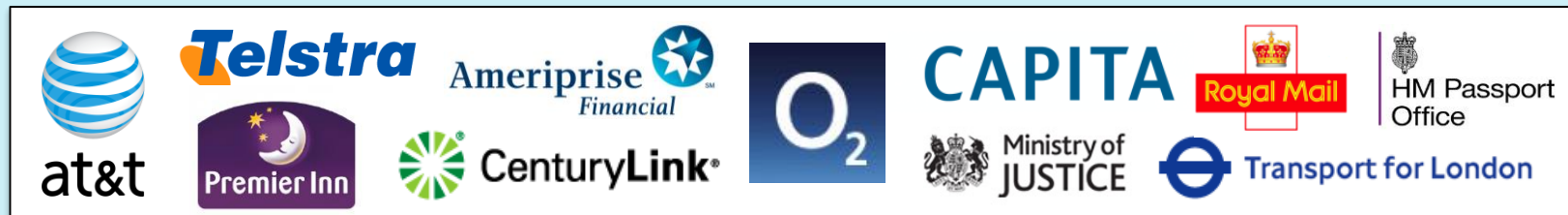
- Eckoh Overview
- Financial Highlights
- Operations Review
- Summary and Outlook

Eckoh Background

Eckoh is a Provider of Secure Payment Products and Customer Contact Solutions




- ❑ **Customer Contact Solutions** launched in **2002** with the provision of managed services to help improve customer engagement over the phone. Over time the proposition has broadened to include web and mobile and most recently Omni-channel was added with the acquisition of Klick2Contact in 2016
- ❑ **Secure Payments** became a separate business line in **2010** when Eckoh achieved PCI DSS level 1 compliance and a set of patented products has been created in the intervening period
- ❑ **US trading** began in 2014 with Secure Payments and growth has been supported by the acquisition of PSS in 2015
- ❑ Eckoh's clients come from a broad range of vertical markets



Demand Drivers and Target Market

Organisations with Contact Centre Operations of 50+ seats

 US Market Size
14,000 Contact Centres

UK Market Size
2,500 Contact Centres
572m payments annually¹ 

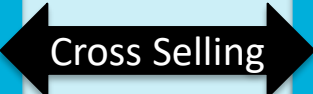
Reducing Fraud
PCI DSS Compliance
Managing Financial and
Reputational Risk

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

Two highly complementary activities
maximising opportunities for cross-selling

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



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

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

Half Year Highlights – Growth Generated from US Momentum

- ❑ **Continued double-digit growth and strong US Secure Payments momentum**
- ❑ Group recurring revenue strengthened to 78% (H1 FY17: 76%)
- ❑ US Secure Payments business continues to build
 - Seven contracts won in H1 with total contract value of \$5.1m (H1 FY17: 3 contracts; \$2.7m)
 - Order book for US Secure Payments revenues has increased to \$9.3m (FY17: \$6.5m)
- ❑ US operations grew 36% to £5.4m (H1 FY: £4.0m) representing 37% of Group revenues
- ❑ Two new 20-year US patents to be awarded underpinning US payments revenue
- ❑ Stronger UK pipeline following sales restructure
 - New three-year UK payments contract for large high street retailer won through partner BT
 - Three-year contract renewals with TenPin and PowerNI
- ❑ **On track to deliver FY18 expectations**

Financial Highlights



02

- Financial Highlights
- Typical Contract Profile
- US Revenue Analysis
- UK Revenue Analysis
- Balance Sheet
- Cashflow

Financial Highlights – H1 FY18

Revenue

£14.8m

↑ 10%

(H1 FY17: £13.5m)

Gross Profit

£11.0m

↑ 25%

(H1 FY17: £8.8m)

Operating Profit *

£2.0m

↑ 66%

(H1 FY17: £1.2m)

Recurring Revenue

78%

↑ 2%

(H1 FY17: 76%)

Gross Margin

74%

↑ 8%

(H1 FY17: 66%)

Net cash

£1.7m

↑ £3.8m

(H1 FY17: (£2.1m))

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

Half year results income statement

	H1 FY17 (UK) £'000	H1 FY17 (US) £'000	H1 FY17 (Total) £'000	H1 FY16 (UK) £'000	H1 FY16 (US) £'000	H1 FY16 (Total) £'000	Variance
Revenue	9.4	5.4	14.8	9.5	4.0	13.5	+10%
Gross Profit	7.8	3.2	11.0	7.7	1.1	8.8	+25%
<i>Gross Profit %</i>	84%	58%	74%	81%	28%	66%	
Administrative Expenses			10.3			8.9	
Share Option Expenses			(0.3)			-	
Amortisation of acquired intangible assets & Acquisition costs			(1.0)			(1.3)	
Adjusted* Admin Expenses			9.0			7.6	+18%
Adjusted* Op Profit / (Loss)			2.0			1.2	+66%
Loss from closed US PS division			-			(0.6)	
Adjusted** Op Profit / (Loss)			2.0			1.8	+10%

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

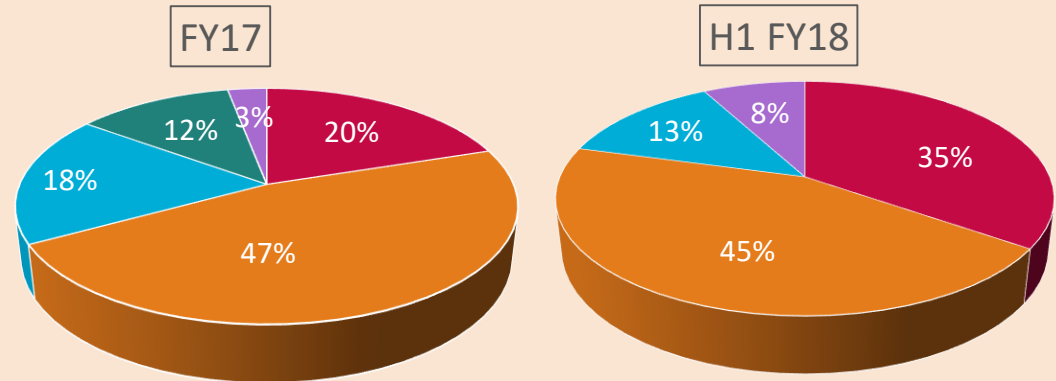
Typical Commercial Model

- ❑ UK contracts are substantially for **Hosted / Cloud Services** (90%)
- ❑ US payment contracts are typically **Customer Premises Equipment** (“CPE”) implementations (80%+) Strategy successfully underway to convert deals to SaaS-style pricing, Opex contracts
- ❑ Contract renewals are typically on comparable terms

	Preferred Model		
	Hosted Services and New CPE (UK & US) “Opex”	Historic CPE Implementations (UK & US) “Capex”	Support Services (US only)
Typical Contract Length	Three year minimum	Three year minimum	Annual Renewal
Typical Commercials	Small set-up fee (15-25% 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
Likelihood of renewal	Extremely likely	Very likely	67%
Recurring Revenues	75-85% of contract value	15-20%	Contractual relationship is on average 3 years

US Revenue Analysis - H1 FY18

- ❑ US revenue \$7.0m an increase of 28% (H1 FY17: \$4.0m & FY17: \$9.7m)
- ❑ Excluding Professional Services, year on year growth 58%
- ❑ In FY17 44 clients in the US generated more than \$35K in annualised revenue
- ❑ US recurring revenues grew to 58% in the period (H1 FY17: 54%)
- ❑ Secure Payments revenue in the period was \$2.4m (H1 FY17: \$0.6m & FY17: \$2.6m)
- ❑ Order book of Secure Payments unrecognised revenue won in FY17 and H1 FY18 is \$9.3m (\$6.5m at end of FY17)

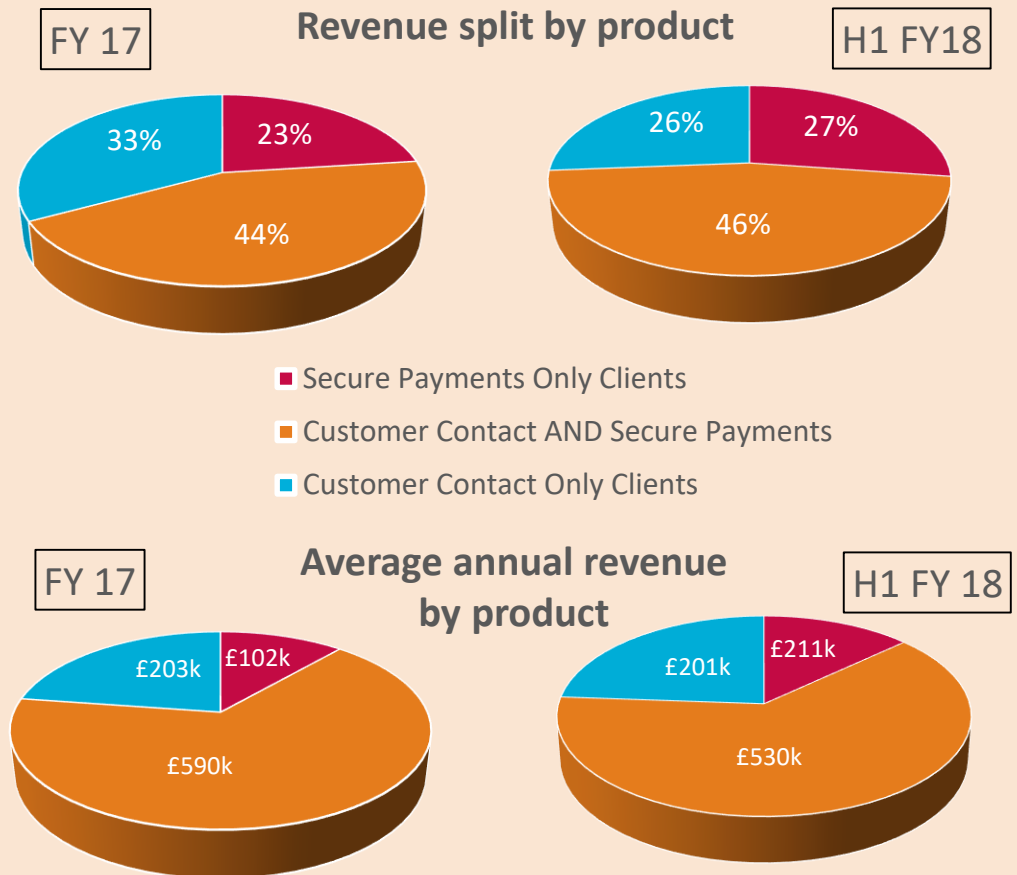


■ Secure Payments ■ Support ■ Coral ■ Prof. Services ■ Other

	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
H1 FY17	3	\$2.7m	\$912k	1	2
H1 FY18	7	\$5.1m	\$724k	0	7

UK Revenue Analysis - H1 FY18

- ❑ UK revenue £9.4m (H1 FY16: £9.5m), a 1% decrease
- ❑ Gross margin improved by 3% to 84%
- ❑ Recurring revenues grew to 89% (H1 FY17: 85%)
- ❑ In H1 FY18, 87 clients in the UK generated more than £25k in annualised revenue (H1 FY17: 74)
- ❑ Product split shift towards Secure Payments



Balance Sheet - 30 September 2017

£'000	30 Sept 2017	30 Sept 2016	31 March 2017	
Intangible Fixed Assets	8,811	11,296	9,991	Amortisation
Tangible Fixed Assets	4,818	5,122	5,023	Mainly comprised of head office building and hosted telephony platform
Deferred Tax Asset	3,139	4,516	3,578	No cash tax outflows in near future
Total Fixed Assets	16,768	20,934	18,592	
Non Cash Current Assets	10,426	10,808	12,270	March 17 - higher non-recurring revenue of large Secure Payment client, plus Support renewals
Cash	6,909	4,447	6,083	
Total Assets	34,104	36,189	36,945	
Trade & Other Payables	(6,975)	(7,959)	(9,155)	March 17 - Support renewals deferred revenue, NI on share options
Loans	(5,200)	(6,500)	(5,850)	Repayment of loan quarterly £375k
Deferred Consideration	-	(912)	(975)	K2C earnout released
Deferred Tax Liability	(976)	(1,599)	(1,238)	Arising from Veritape, PSS & K2C acquisitions, amortises alongside intangible assets
Net Assets	20,953	19,219	19,727	

Cash Flow Statement

£'000	30 Sept 2017	30 Sept 2016	31 March 2017
Profit / (Loss) After Tax	1,361	(264)	1,439
Depreciation / Amortisation	1,704	1,816	3,678
Share Based Payments	157	55	131
Other	(963)	339	509
Operating Profit before changes in Working Capital	2,259	1,946	5,757
Movement in receivables, payables inventory and tax	(337)	(3,541)	(3,282)
Cash Generated / (Utilised) from Operating activities	1,922	(1,595)	2,475
Purchase of property, plant and equipment	(280)	(286)	(598)
Purchase of intangible fixed assets	(39)	(107)	(200)
Acquisition of subsidiary, net of cash	-	(1,920)	(1,860)
Net Interest	(44)	(65)	(99)
Net loan movement	(650)	1,750	1,100
Dividends	-	-	(1,084)
Other	(83)	53	(268)
Cash Movement	826	(2,170)	(534)

Operations Review

- Eckoh US
- Eckoh UK
- Innovation Update

03

Eckoh US – Operational Update

- ❑ US sales focus remains on the three activities where Eckoh has the greatest differentiation: Secure Payments, Support (of contact centre infrastructure) and Product (notably Coral, an Omni-channel agent desktop product)
- ❑ The activities are all complementary and have all grown in the period
- ❑ Secure Payments Update
 - Signed 30 payments contracts in the US since entering the market in 2014
 - Seven contracts won in H1 with total contract value of \$5.1m (1H FY17: three contracts; \$2.7m) all with the 'SaaS style' Opex pricing model
 - Largest in period a \$1.6m three-year deal with a global Healthcare business
 - Clients preferred CallGuard solution is still Tokenisation (which will be shortly covered by a new 20-year patent) and deployed on-site
 - Progress made broadening Secure Payments partner channels to accelerate market penetration and increase pipeline
 - Forward order book stands at \$9.3m (FY17: \$6.5m)
- ❑ New six year Coral contract concluded, taking exclusivity until at least 2021



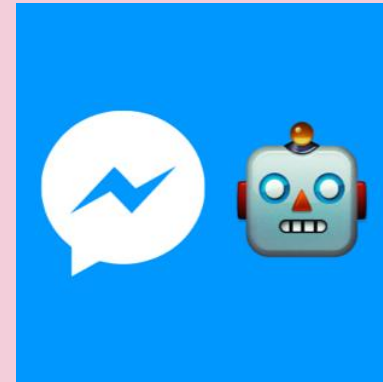
Eckoh UK – Operational Update

- ❑ Successfully re-structured UK sales function for greater focus on large tenders, channel partners and strategic accounts
- ❑ Stronger pipeline as a result with benefits starting to be seen in H2
- ❑ Indirect channel performing better
 - New three-year payments contract for large high street retailer won through partner **BT**, three-year renewal with PowerNI
 - Renewed client activity with **Capita**
 - Further developed relationship with **Teleperformance**; contract win for Eckoh and K2C for Her Majesty's Passport Office and a new combined customer in the Insurance sector
 - Additional syndications added through partner **allpay**
- ❑ The largest contract to be renewed during the period was with Tenpin, for a further three years running up to October 2020, to provide both Secure Payments and Customer Contact Services



Innovation Update

- ❑ **Patents** - two new 20-year patents will be granted for CallGuard. This ensures all current and future contracted US payments revenues will be protected and patented, strengthening the competitive advantage in the Group's core market
 - First patent is for Eckoh's lead Tokenisation solution
 - Second patent awarded for Eckoh's voice biometric solution
 - Strength of two stage authentication process substantially reduces fraud risk – opens up broader addressable market, greater demand and growth in line with major regulatory developments (PSD2)
- ❑ **Apple Pay** - in November 2017 we received the Payments Innovation of the Year award at the 2017 Payments Awards for our solution to enable the use of Apple Pay over a phone call
- ❑ **Chatbots** - our first commercial Chatbot will be launched in December with the UK arm of a global fashion retailer



Summary and Outlook

- ❑ Continued double digit growth, in line with Board expectations
 - Improving quality of earnings; growth in recurring revenues
 - Strengthened balance sheet and cash generation
- ❑ Strong US Secure Payments momentum
 - Successful delivery of 'SaaS style' Opex pricing contracts
 - Growing order book of unrecognised revenue
- ❑ Solid performance of direct and indirect sales channels
- ❑ On-going innovation and technology protection
- ❑ Continuing to strengthen competitive advantage in Group's core markets
- ❑ **Encouraging pipeline and forward order book going into the second half**



Thank you

Nik Philpot

Chief Executive Officer

DD: 01442 458358

nik.philpot@eckoh.com

Chrissie Herbert

Chief Financial Officer

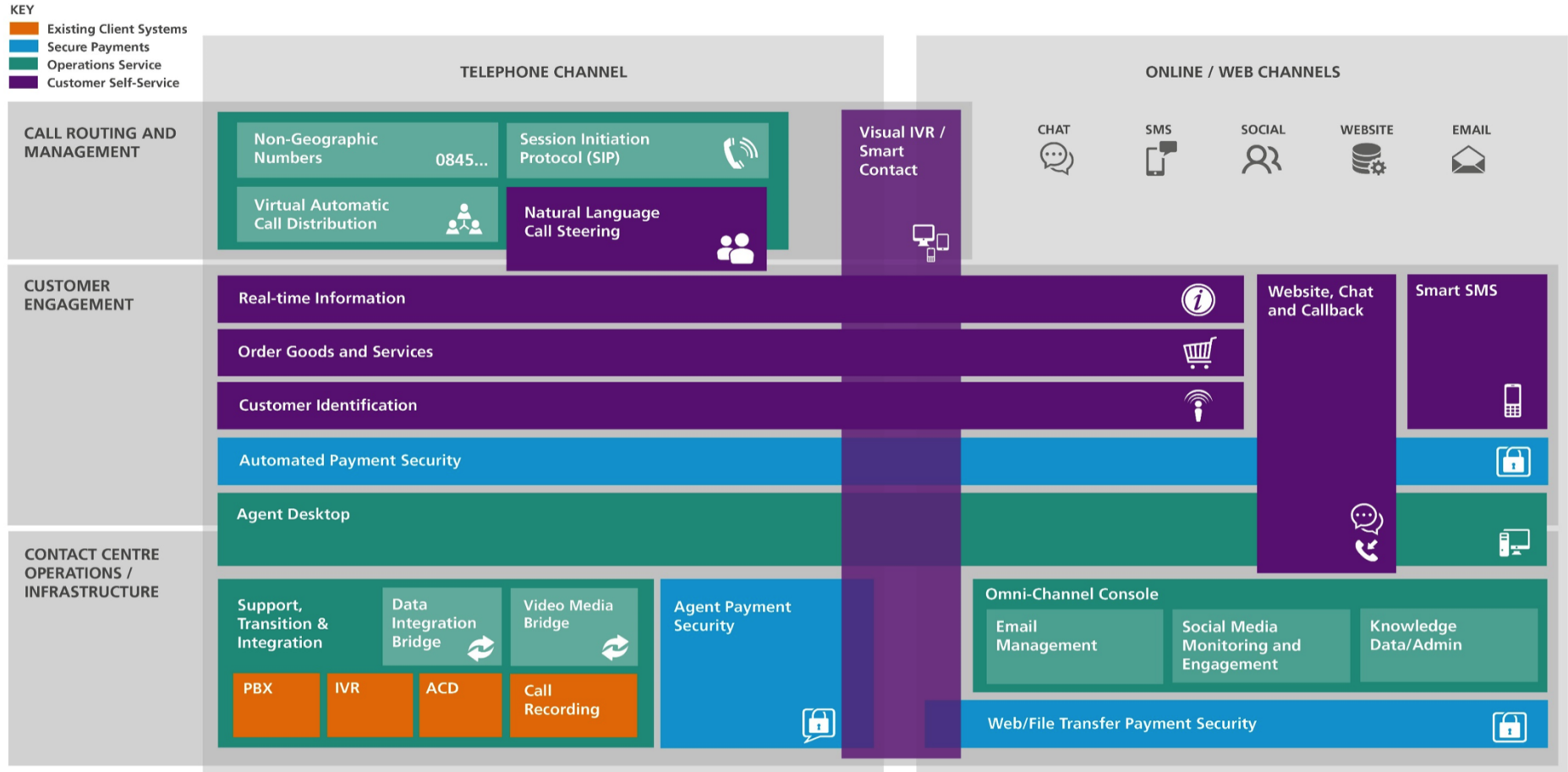
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chrissie.herbert@eckoh.com

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

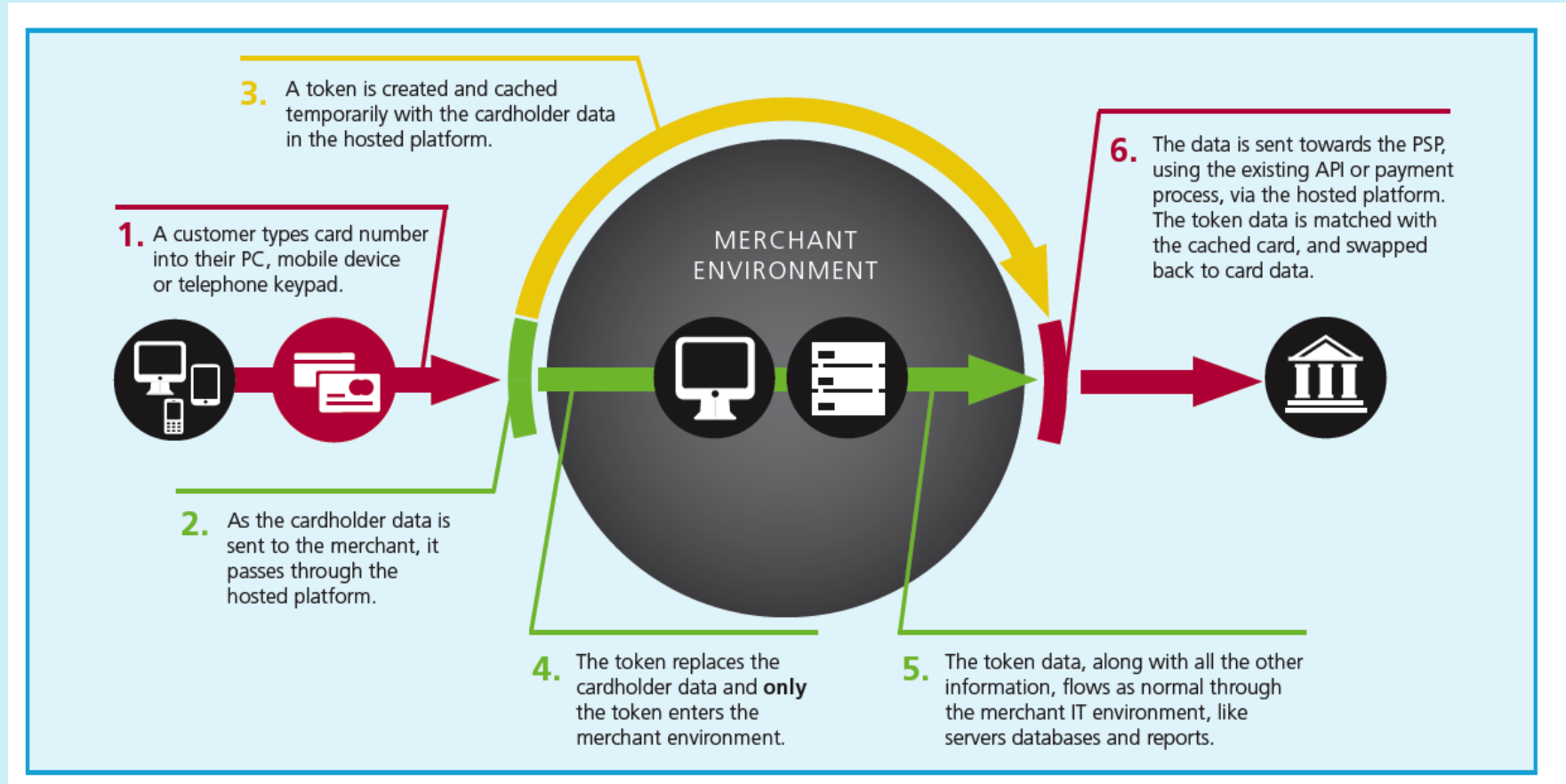


Appendix 3 - 9 Year Growth Trend

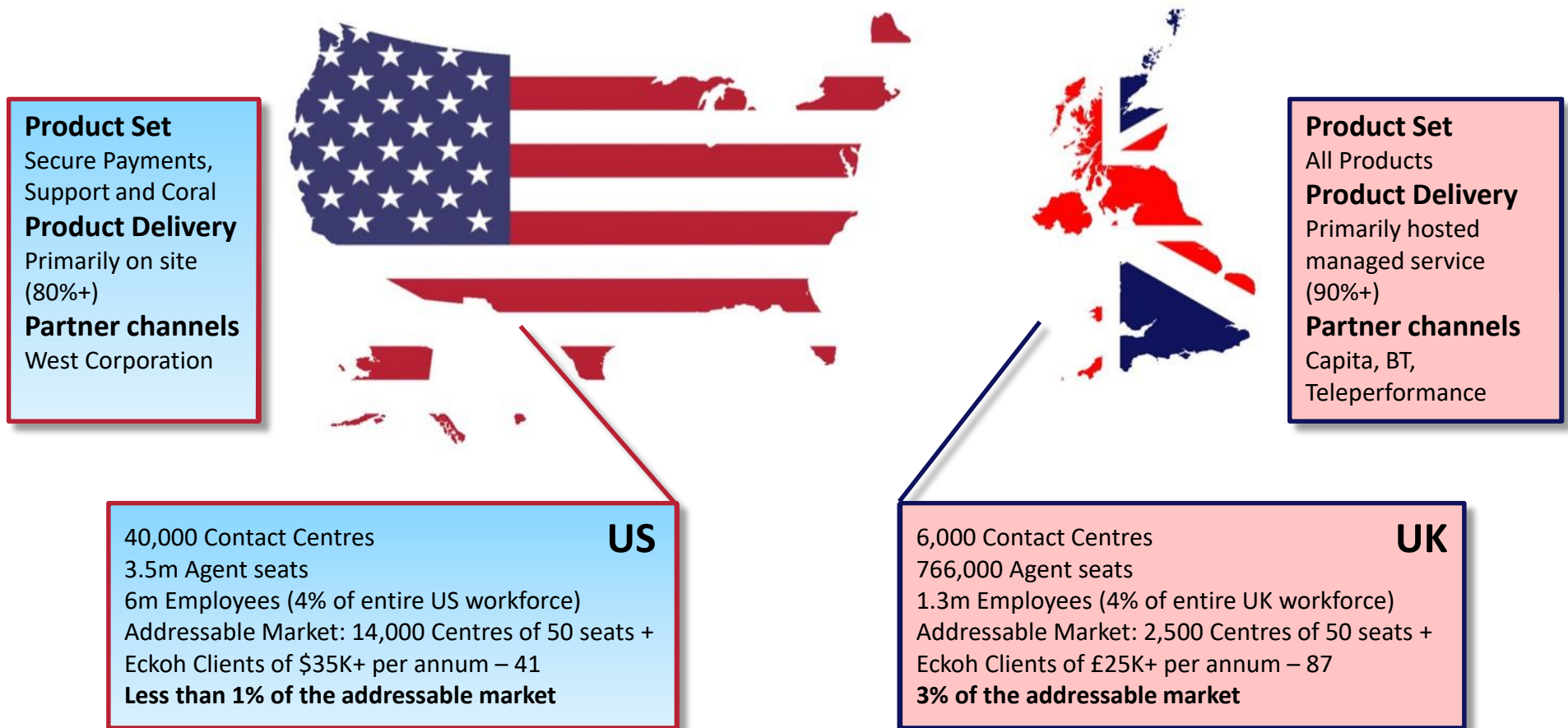
	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Revenue	29.1	22.5	17.2	14.0	11.0	10.4	9.0	7.9	6.7
Gross Profit	20.3	16.8	13.1	10.2	8.3	7.9	6.6	5.7	4.3
Administrative Expenses	18.5	14.4	14.0	10.4	7.2	6.8	6.0	6.2	6.1
Share option expenses	-	(0.6)	(1.0)	(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)
Adjusted* Op Profit / (Loss)	4.3	4.1	3.4	2.2	1.5	1.3	0.7	0.2	(0.9)

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

Appendix 4 – Eckoh's Patented Secure Payments Proposition

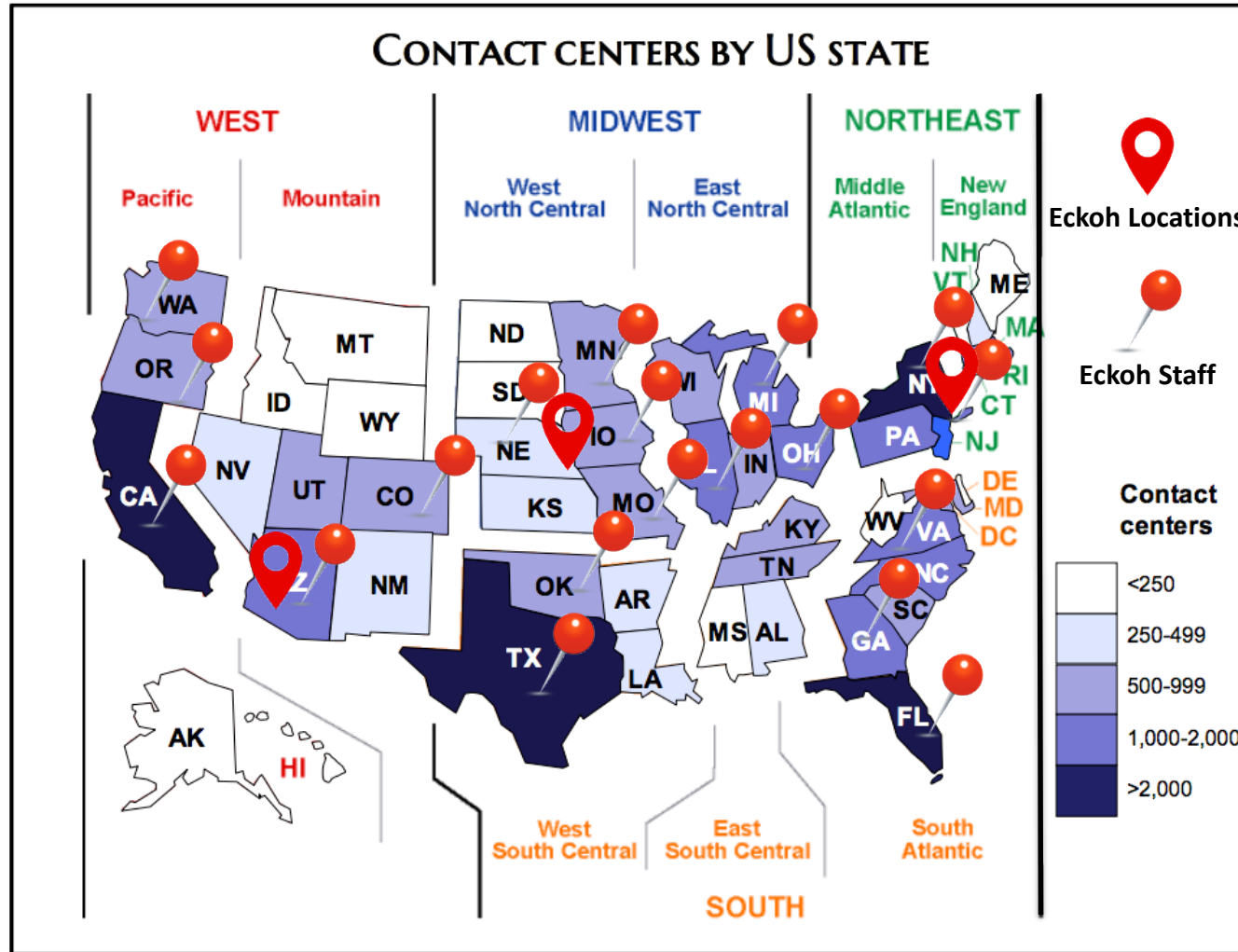


Appendix 5 - Significant Untapped Market Opportunity



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

Appendix 6 - US Contact Centre Distribution and Staff



Appendix 7 - Board Changes in 2017

□ New Chairman

- **Chris Humphrey** joined the Board as a non-executive Director in June 2017 and became 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.



□ New CFO

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

