24 November 2020

Eckoh plc

Unaudited interim results for the six months ended 30 September 2020

Robust performance, driven by high recurring revenues and prudent cost control

Eckoh plc (AIM: ECK) ("Eckoh" or the "Group"), the global provider of secure payment products and customer contact solutions, is pleased to announce unaudited results for the six months to 30 September 2020.

£m unless otherwise stated	H1 FY21	H1 FY20	*Change*
Revenue	**15.7**	18.0	*(13%)*
Gross profit	**12.8**	14.2	*(10%)*
Adjusted operating profit[1]	**3.4**	3.4	*n.m.*
Profit after taxation	**2.0**	2.0	*n.m.*
Adjusted diluted earnings pence per share[2]	**1.11p**	1.10p	*+1%*
Net cash	**12.9**	10.9	*+2.0m*
Total business contracted[3]	**14.0**	19.4	*(28%)*
New business contracted[4]	**7.9**	11.8	*(33%)*

Financial highlights

- Year on year profit maintained, in line with Board expectations, despite difficult conditions in recent months
- Revenue down 13% overall; 4% decrease after adjusting for the one-off Coral contract in the prior year
- US Secure Payments revenue increased significantly by 80% to \$6.5m (H1 FY20: \$3.6m), offset by planned decline in Support (61%) and expected decline in Coral (85%)
- UK revenue down 11%, with COVID-19 impacting some transactional revenues
- Adjusted operating profit[1] level to prior year at £3.4m, and up 34% after adjusting for the Coral contract
- Recurring revenue[5] £11.5m (H1 FY20 £12.8m), 73% of total revenues (H1 FY20: 79%, excluding the Coral contract), reflecting a transition towards higher growth US Secure Payments
- Strong cash generation, robust balance sheet and special dividend; net cash £12.9m (H1 FY20: £10.9m)

Strategic highlights

- Total business contracted[3], £14.0m (H1 FY20 £19.4m, excluding Coral contract £16.4m) down 15%
- New business contracted[4], £7.9m (H1 FY20: £11.8m, excluding Coral contract £9.3m) down 15%
- UK new business up 17% to £3.2m (H1 FY20: £2.7m) with 68% of new business coming from existing clients. Total UK business up 8% with several significant renewals completed and more expected in the second half
- US Secure Payments revenue grew very strongly, reinforcing the rationale to focus on this growth opportunity by instigating a planned transition away from Support, which is progressing as expected
  - New business contracted \$5.9m (H1 FY20: \$7.3m), with H1 FY21 increasing 73% over H2 FY20 (\$3.4m), and momentum increasing in the second quarter after a challenging first quarter
  - Larger number of contracts won in the period for contracts to be delivered in the Cloud
  - US Secure Payments Order book \$25.9m (H1 FY20: \$26.9m or FY20 \$25.9m)

Outlook

- With a highly relevant product portfolio and resilient business model, Eckoh is well prepared to successfully manage the current challenges, although the outlook remains uncertain due to COVID-19
- The Board expects profits for this financial year to be comparable to the prior year

1. *Adjusted operating profit is the profit before tax adjusted for finance income, finance expense expenses relating to share option schemes and acquired intangibles amortisation*
2. *Adjusted diluted earnings per share (eps) is the diluted eps adjusted for expenses relating to share option schemes and acquired intangibles amortisation*
3. *Total business contracted includes new business from new clients, new business from existing clients as well as renewals with existing clients.*
4. *New business contracted excluding renewals with existing customers.*
5. *Recurring revenue is defined as on-going revenue on a transactional basis, rather than revenue derived from the set-up and delivery of a new service or hardware.*

Nik Philpot, Chief Executive Officer, said:

"In this challenging trading period Eckoh delivered a robust performance, in line with our expectations, generating comparable levels of profit to last year, which reflects the resilience of our business. I would like to thank everyone at Eckoh for this performance. All of our team have adapted extremely well to the challenges presented by COVID-19, they've been committed and highly effective, despite the difficult conditions of recent months.

Our high levels of recurring revenue, a solid order book, enterprise clients, a strong balance sheet, and prudent cost control have enabled us to manage the impact of the pandemic effectively. With a strong sales pipeline, we look to the future with confidence."

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About Eckoh plc

Eckoh is a global provider of Secure Payment products and Customer Contact solutions, supporting an international client base from its offices in the UK and US.

Our Secure Payments products help our clients take payments securely from their customers through all engagement channels. The products, which include the patented CallGuard and ChatGuard, can be hosted in the Cloud or deployed on the client's site and remove sensitive personal and payment data from contact centres and IT environments. They offer merchants a simple and effective way to reduce the risk of fraud, secure sensitive data and become compliant with the Payment Card Industry Data Security Standards ("PCI DSS") and wider data security regulations. Eckoh has been a PCI DSS Level One Accredited Service Provider since 2010, securing over £2 billion in payments annually.

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 Omnichannel experience. We also assist organisations in transforming the way that they engage with their customers by providing support and transition services as they implement our innovative customer contact solutions.

Our large portfolio of clients come from a broad range of vertical markets and includes government departments, telecoms providers, retailers, utility providers and financial services organisations.

For more information go to www.eckoh.com or email MediaResponseUK@eckoh.com.

Introduction and Financial Highlights

Eckoh's business model and market position, with high levels of recurring revenue, a solid order book, enterprise clients and a strong balance sheet, combined with prudent cost control, have enabled Eckoh to manage the impact of the global pandemic effectively and deliver a robust first half performance.

Our US revenues are entirely underpinned by fixed fee contracts and as we continue our planned transition away from the Support channel, we will have even greater visibility of our revenues going forward. For example, Secure Payment contracts are typically three years in length, whereas Support contracts are by their nature short term and generally one year.

The UK delivers a high level of guaranteed revenue, in aggregate, from a combination of fixed fees and transactional commitments, albeit from a wide range of different commercial structures. Volumes were impacted significantly at the onset of the pandemic in mid-March but due to the contractual arrangements we had in place, this was not reflected proportionately in revenue. We saw volumes increasing from mid-May and throughout the summer, returning to normal levels in September. The lockdown in November is not expected to impact volumes or revenue to the same extent as earlier in the year, unless it were to continue for significantly longer than has been indicated.

Despite the difficult conditions of recent months, Eckoh delivered a first half performance in line with the Board's expectations, with comparable levels of profit to the prior year, reflecting the resilience of its business model. Last year we had a significant one-off contract for Coral, the agent desktop product, worth \$3.8 million of which \$2.1 million in revenue was recognised in the first half last year. Adjusted operating profit for the period was £3.4 million and level with the prior year (H1 FY20: £3.4 million). Excluding the £0.9 million of operating profit from the Coral contract in the prior year, profit increased by 33.7%. Also included in the profit from the prior year was a foreign currency gain of £0.3 million, in the current period there was a foreign currency loss of £0.1 million.

Total revenue for the six months was £15.7 million, a decrease on the prior year of 12.9% (H1 FY20: £18.0 million) or adjusting for constant exchange rates a decrease of 12.2%. After adjusting for the Coral contract and at constant exchange rates, revenue was down 3.0%.

Total contracted business for the Group in the period was £14.0 million compared to £19.4 million in the prior year, down 28.2%. After excluding the Coral contract of \$3.8 million in the prior year, total contracted business saw a decrease of 14.8%. New business in the first half was £7.9 million (H1 FY20: £11.8 million, excluding Coral contract £9.3m), a decrease of 14.9% after adjusting for the non-repeatable Coral contract.

Gross profit fell by 10.0% to £12.8 million (H1 FY20 £14.2 million). The US fell 11.4% to £4.7 million (H1 FY20: £5.3 million), with gross profit margin increasing to 75% (H1 FY20: 71%, excluding Coral licences 77%). The UK gross profit fell by 9.3% to £8.0 million (H1 FY20: £8.8 million), where gross profit margin increased marginally by 1% to 85%.

Cash and cash generation remain strong with a net cash position of £12.9 million, an increase of £2.0 million on the previous year and £1.3 million since March 2020. This comprises a cash balance of £14.8 million, less an outstanding loan of £1.9 million, taken out in 2015 in part to purchase the Group's UK head office.

Impact of COVID-19 and Current Trading

Our teams in both the UK and US have adapted well to the challenges and continue to work extremely effectively despite the difficult and changing conditions. All employees are equipped to work from home, including our in-house Contact Centre agents in the UK, who utilise Eckoh's own remote-working technology.

In March 2020, because of the pandemic, we took a number of precautionary measures including a freeze on new hires, postponing salary increases for 2021, limiting discretionary spend and making no allowances for staff bonuses in the first half. During the period we have maintained headcount to manage ongoing demand, sustain our high service levels and ensure we are well-placed for a recovery in demand. We have identified a number of key hires that are required in the second half of the year and as a result, certain costs are likely to be higher than in the first half.

In addition to the precautionary measures above, in March we also deferred the quarterly loan repayments in April 2020 and July 2020 and the Board considered it prudent not to propose a year-end dividend. The loan repayments have re-commenced and a repayment was made in October 2020, the normal date for the quarterly repayments. In addition, and due to the business performance and the prudent balance sheet management, in September the Board announced a special dividend, in lieu of the final dividend from the financial year ending 31 March 2020. A dividend of 0.61p per ordinary share was paid to Shareholders on 23 October 2020, who were on the Register as of 25 September 2020.

The significant disruption to businesses that has arisen from the pandemic will, we believe, lead to an adjustment in the way that organisations approach their customer engagement strategy. In particular, we foresee a proportion of remote working agents becoming a permanent feature of large contact centre operations, that will force a greater number of organisations to adopt a more rigorous approach to data and payment security. This view is supported by the interest in and sales for our CallGuard Remote product, which facilitates the taking of payments securely in remote working environments. Furthermore, we expect an even faster adoption of emerging engagement technologies such as conversational bots working in tandem with human agents. and the number of companies who are accelerating their shift to Cloud-based solutions. Eckoh will be able to assist new and existing clients in responding to these changes.

Whilst there remains uncertainty in the general macro-economic climate, given the high levels of recurring revenue Eckoh has along with its strong order book, the Board expects profits for the full year 2021 to be comparable to the prior year, subject to there being no further extended lockdowns in either the UK or the US.

A Clear Growth Strategy

Our strategic objectives reflect our primary goal to become the global leader in our areas of expertise, and in particular, Contact Centre payment security.

Our strategic objectives include:

- Being the market leader for Contact Centre payment security in premised, hosted and Cloud delivery
- Capitalise on the fast-growing US market for Contact Centre payment security
- 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
- Identify and evaluate acquisition opportunities that can support our growth strategy in Contact Centre security and customer engagement

Operational Review

<u>US Division (40% of group revenues)</u>

In the US, revenue in the period was $8.0 million, a decrease of 14.7% (H1 FY20: $9.4 million). Secure Payments grew significantly by 79.6% and was offset by a planned decline in Support and an expected decline in Coral, with the prior year period including the large one-off contract with $2.1 million of recognised revenue. If the Coral contract is excluded, revenue grew by 18.0% in the US, despite the planned decline in the US Support business.

Total contracted business was $6.9 million (H1 FY20 $14.5 million). Included in total contracted business for the prior year was the $3.8m Coral contract and Support and Coral renewals of $2.6 million. In the period, new Secure Payments business contracted was $5.9 million, a decrease of 19.6% (H1 FY20: $7.3 million).

In the US, the Group's focus remains on the US Secure Payments opportunity, where it has the greatest differentiation and the least competition. The performance of the Secure Payments business is summarised below, together with the Support business that we are strategically exiting, as well as the Coral business.

- **Secure Payments** revenue grew 79.6% to $6.5 million (H1 FY20: $3.6 million), and now represents 81% of US revenue. In the second half we expect revenue to be at similar levels to the first half due to the timing of the new contracts signed in the first half.

- **Coral** had revenues of $0.4 million in the period, compared to $3.0 million in H1 FY20, reflecting the non-repeatable revenue of $2.1 million from the large one-off contract in the prior period. In the first half, Coral accounted for 6% of US revenue (H1 FY20: 32%). As noted previously, the timing of Coral orders remains hard to forecast and they will be lumpy in nature.

- **Support** revenue declined as expected to $1.1 million, a decrease of 61% (H1 FY20: $2.8 million) and represents 13% of the US revenue. It is expected to fall to approximately 10% of US revenues for the full year in line with the strategic decision taken last year to focus our staff and resources on the high growth opportunity of Secure Payments and manage a transition away from Support.

Secure Payments, where we deliver a patented solution that enables enterprises to take card payments securely within their Contact Centre operations, continued to have excellent momentum. The pandemic made it extremely difficult to close new contracts in the first quarter, as many sales processes were put on hold by the customer whilst they dealt with the disruption to their businesses. In the second quarter momentum started to build, and ultimately the number of contracts signed in the period exceeded that in the prior year. The new contracted business in the first half of $5.9m was significantly greater than the $3.4m in the second half of last year, which was also impacted by the pandemic, giving us confidence that we can continue to make good progress in the second half of the year.

Since 2015, when we launched our Secure Payments product in the US, the total of new business contracted has grown significantly, as shown below.

Financial Year	FY16	FY17	FY18	FY19	FY20	**H1 FY21**
New Business Contracted	$1.6m	$8.3m	$9.3m	$13.7m	$10.7m	**$5.9m**

The Company is focused on large enterprise contracts, but with many of the sales processes for the largest companies temporarily suspended in the period there was a greater emphasis on contracts with medium-sized organisations, which generally have a lower average contract value than the $750k previously indicated. The majority of contracts won were in the second quarter and will be delivered in the Cloud. These projects are easier to execute and deliver in the current environment and illustrate ongoing demand for our innovative technology and solutions that are designed to safeguard our clients' migration to digital, remote working.

We do anticipate that a lasting impact of the pandemic will be a general acceleration in Cloud deployments, although the very large enterprises are still likely to take many years to achieve that goal. We have recently started to see some of these large organisations re-commence their sales processes and depending on when these are concluded we will see the average contract values rising again. Contracts secured in the period came from a range of sectors including business process outsourcing, insurance, utilities, retail, gaming and financial services, which delivered the largest contract of the half through a large global organisation that is already a client in the UK.

The average length of contracts for Secure Payments is three years, therefore there have been few contracts due for renewal in the first half due to the early stage of maturity for our business in this area. There are two larger contracts due for renewal in the second half of the current year and we anticipate the contracts to be renewed successfully, and others to follow, mirroring the trend of the UK.

External factors, such as the impending change to the Payment Card Industry Data Security Standard (PCI DSS), the implementation of new data laws like the newly passed California Privacy Rights Act and significant fines levied on US organisations through the GDPR legislation, are undoubtedly helping raise awareness of the risks of not protecting sensitive data properly. This will assist us in continuing to build our pipeline which is substantial and growing. Our focus on these larger contracts means that in future periods the timing of contract wins continues to be hard to predict given the typically longer sales cycle.

Coral is a browser-based agent desktop that increases efficiency by bringing all the contact centre agent's communication tools into a single screen. It also enables organisations, particularly those who have grown by acquisition, to standardise their contact centre facilities, as Coral can be implemented in environments that operate on entirely different underlying technology. In the prior period, we secured a contract extension with a Fortune 100 telecommunications company for our agent desktop tool Coral. The contract was worth a minimum of $3.8 million, and of this, $2.1 million relating to the purchase of licences was recognised in the prior first half revenue. As we indicated at the time, we would not expect a further deal of additional licences of this size in FY21.

In **Support**, as we stated last year, we are transitioning away from this activity to focus on the high growth Secure Payments opportunity. The majority of the employees servicing the Support channel have been switched to increasingly service the more substantial and higher growth Secure Payments opportunities, and this will continue.

Recurring revenues in the US were 56% in the period compared to 63% for the same period last year, after adjusting for the one-off $2.1 million of Coral licences. Recurring revenue for the Secure Payments activity was 47% compared to 44% in the prior year. We would expect recurring revenue to increase in the second half and continue to grow over time as we continue to deploy new clients live, particularly given the recent Secure Payment contracts which will be delivered in the Cloud. Recurring revenue for Secure Payments is lower than the UK operation due to the hardware component and in particular the disproportionately large value of non-recurring revenue relating to hardware and set-up fees from our largest Secure Payment contract that went live last year.

The US operation's revenues are based on fixed contractual fees giving us continued resilience in the current situation. Given most of the contracts signed in the first half were in the second quarter, there will be limited impact from these new client deployments in the second half and therefore revenue is forecast to be largely comparable to the first half of FY21. Because of the delay in a number of the sales processes due to the pandemic our sales pipeline has continued to grow and is at a substantial level.

UK Division (60% of group revenues)

The UK division has delivered a robust performance in the period generating comparable levels of profit to the prior year despite the challenging environment presented by the pandemic.

Revenue in the period was £9.4 million, a decrease on last year of 10.5% (H1 FY20: £10.5 million), and gross profit decreased 9.3% to £8.0 million (H1 FY20: £8.8 million). The revenue decline was directly due to the impact that the pandemic had on our clients' activity. Because our UK business has been running for many years, there are a range of commercial models that have evolved over time, unlike the US business which has only been operating since 2015. Where the commercial model is transactional, which remains the most common model, it is usual for a client to commit to a high percentage of its expected volumes and in so doing achieve the most competitive buying rate. However, this is not the case for a few of our longstanding clients, some of which are Eckoh's largest. At the peak of the pandemic's impact, transactional volumes were significantly reduced, but because of the blend of our contracts the aggregated impact on revenue across our client base was much less than this figure.

Many of our clients had limited options in place to deal with such an extreme pandemic, notably their ability to operate their contact centres effectively and securely from remote locations. Over the ensuing months we have seen many putting more robust disaster recovery plans in place and this appears to have led to much less disruption in the most recent lockdown, which we expect to lead to less impact on our associated revenues. We believe that a lasting impact of the pandemic on our client's outlook to customer engagement, as well as the wider market, will be a greater awareness of the importance of the appropriate tools to deliver remote customer service that is both flexible, robust and secure. We expect this to lead to ongoing and growing interest in the solutions that Eckoh has to offer to assist in this regard.

Gross margins in the UK increased in the period by 1% to 85% (H1 FY20: 84%), and recurring revenue has decreased as expected to 85% from 87% in H1 FY20. As indicated previously, we expect recurring revenue to return to pre-IFRS 15 levels, to a steady state in the range of approximately 85% to 87%.

Total business contracted was up 7.9% to £8.6 million (H1 FY20: £7.9 million), and new business contracted was £3.2 million up 17.0% on the prior period (H1 FY20: £2.7 million). Renewals in the period were £5.4 million, an increase of 3.1% over the prior year (H1 FY20: £5.2 million).

Looking at the segmentation of UK revenue, 28% came from Secure Payment services (H1 FY20: 21%), 34% from Customer Contact Solutions (H1 FY20: 36%) and the remaining 38% from clients where we provide a combination of both solutions (H1 FY20: 43%). The increase in the period from Secure Payment services is principally due to the uptake by new clients (one of which is a major UK bank) of the CallGuard Remote product, which facilitates the taking of payments securely in remote working environments. Whilst the clients whose transactions have been impacted most by the pandemic are those larger clients with a combined solution, in most cases these are underpinned by a level of guaranteed revenue.

New business in the UK continues to come from sales delivered through our Eckoh Experience Portal ("EXP"), which enables organisations to buy and deploy our Customer Contact and Secure Payment solutions in a modular fashion. The focus of the sales team remains on larger, more complex opportunities, typically known as 'digital transformations' where Eckoh provides a fully integrated solution in which newer digital channels for customer engagement such as live web chat, chatbots and social media messaging sit alongside more conventional ones such as voice and email. This can then be overlaid with our Secure Payment proposition encompassing CallGuard, ChatGuard and our eWallet capability.

Our model of cross-selling to existing clients remains a key part of the Eckoh strategy, not just to generate incremental revenue but also to continue the trend of strong client retention and to further increase the lifetime value of the Group's customers. In recent months there has been greater opportunity than normal to leverage the ability of EXP to allow us to add incremental solutions to our existing clients. As stated previously, we believe the current business environment encourages organisations to more readily add business with their proven trusted partners, rather than entering into relationships with new partners. This trend comes through strongly in our figures as 68% or £2.2 million of the new business secured in the first half of £3.2million, was contracted with existing customers for delivery of new solutions or modifications.

During the first half, our strong track record with existing clients has continued to be demonstrated through the levels of renewal business contracted. In August 2020, we secured a six-year renewal of our contract with Capita for the provision of services for the Congestion Charge to Transport for London, at a total contract value of £4 million. There are a number of other sizeable renewals expected to close in the second half of our financial year. There were no losses in the period, although we were forced to terminate one client contract due to security concerns around their systems that we believed exposed us to unacceptable risk.

Despite the current situation, we are continuing to see positive activity levels in the UK and the pipeline continues to be strong. The new business and consistent renewals of existing clients gives us, in normal circumstances, high revenue visibility and our UK clients are underpinned by contractual fees or minimum transaction levels. The UK business does have some exposure to consumer-facing clients and due to the ongoing impact of the pandemic and the most recent lockdown, we anticipate a further impact to transactions in the coming months. Therefore, we would reasonably expect revenue in the second half to be a similar level to the first and costs will continue to be managed tightly with overall profit comparable to full year 2020.

Technology and Innovation

Further to the significant number of additional patents we were granted in the last financial year, we have had a further two added in this period taking the total number granted to 14. These are:

- Authenticating Users for Data Exchange in the US. Eckoh's patented process uses both voice biometrics to authenticate a caller, and a phone 'footprint' to authenticate the caller's mobile device. The dual authentication mechanism increases the merchant's confidence that the caller is the genuine cardholder.
- Contact Centre Authentication in Europe. A revolutionary technology which ensures that customers are securely authenticated prior to talking with contact centre agents. As well as saving time and improving data accuracy, the contact centre authentication approach can dramatically improve security. This was granted in July and has been validated in Belgium, France, Germany, Ireland, Italy, Netherlands, Spain and the UK.

We have progressed our Cloud Native initiative in line with our ongoing technology strategy and now have a number of deployments for some of our largest customers operating through this model. We have also demonstrated that the need to operate mission critical services in a hybrid model (i.e. until such time as it becomes logical to completely converge cloud and physical) is eminently possible, efficient and scalable with the right expertise. It has also been pleasing to see the integration to client systems, for which we are renowned, is equally effective and arguably even more seamless under the Cloud Native initiative.

Continuing this theme and in line with our broadening client base in both the US and UK, we have continued to increase the footprint of leading CRM, finance and carrier solutions we are integrated with. With the market recognising our unique and transparent means of passing data from one system to another without the need and costs associated with complex integration, we have broadened our reference capability significantly during the period.

Cyber Essentials was recently added to our list of accreditations against the growing number of global Information Security standards. Alongside our well-established PCI DSS, ISO-27001 and ISO-9001 accreditations, this addition reinforces our credentials as a high-calibre and secure supplier.

In January we will be releasing a major upgrade to our CallGuard product. This will include significant enhancements to the usability of the product for both the agent and consumer, based upon feedback from multiple existing clients in the UK and US as well as more comprehensive analytics. It is important that our product remains market leading and we believe that these latest enhancements will ensure that we continue to set the standard in our sector.

Current Trading and Outlook

Despite the continued disruption to market conditions relating to COVID-19, the Board remains confident of the future prospects of the Group, as indicated with the approval of the special dividend in September, which was paid to Shareholders in October. The business is underpinned by balance sheet resilience, high recurring revenues, excellent sales pipelines and the long-term market opportunity.

Financial Review

Revenue

Revenue for the period decreased by 12.9% to £15.7 million (H1 FY20: £18.0 million) and at constant exchange rates by 12.2%. Revenue in the UK, which represents 60% (H1 FY20: 58%) of total group revenues, decreased by 10.5% to £9.4 million (H1 FY20: £10.5 million). The US represented 40% (H1 FY20: 42%, 36% excluding Coral licences) of total group revenues and revenues decreased in the period to £6.3 million (H1 FY20: £7.5 million), revenues in local currency fell by 14.7% year on year and in sterling by 16.4%. Further explanations of movements in revenue between the US and UK divisions have been addressed in the Operational Review above.

	H1 FY21 (UK) £000	**H1 FY21 (US) £000**	**H1 FY21 Total £000**	H1 FY20 (UK) £000	H1 FY20 (US) £000	H1 FY20 Total £000
Revenue	**9,401**	**6,281**	**15,682**	10,504	7,511	18,015
Gross Profit	**8,028**	**4,723**	**12,751**	8,847	5,329	14,176
Gross margin	**85%**	**75%**	**81%**	84%	71%	79%

Gross profit margin was 81% for the first half of the financial year 2021 compared to 79% for the first half of 2020. Gross profit margin in the UK business increased by 1% to 85%. In the US the margin increased from 71% to 75%, due in principle to the Coral licences included in the first half of the financial year 2020. Excluding the Coral licenses in 2020, gross profit margin was 77%. The decline of the US gross profit margin is as expected, as new secure payment clients went live during the half and the margin decreased marginally due to the hardware delivered as part of the Secure Payment solutions, in addition to the planned decline in the Support business.

In the UK, as the service is hosted on an Eckoh platform there is typically no hardware provided to clients and gross profit margin is expected to remain level at 83% to 85%. In the US, due to the impact of IFRS 15 and the growth in the Secure Payments activities, we would expect gross profit margin to gradually decrease to a range of approximately 70% to 75% in the next two years with the continued decline of the Support business and the on-going deployment of new Secure Payment business having a greater impact than the renewals of the earlier Secure Payment contracts. When clients renew their contracts without additional significant hardware, the gross profit margin should gradually start to increase.

Administrative expenses

Total administrative expenses were £10.2 million in the period, compared to £11.6 million for the same period last year. Adjusted administrative expenses were £9.3 million compared to £10.8 million for the same period last year, as a result of the precautionary measures taken earlier in the year at the onset of the pandemic. Discretionary spend has been limited in the first half of 2021, including the freezing of new hires, postponing salary increases for 2021 and no allowances have been made in the period for staff bonuses. The adjusted administrative expenses of £9.3 million are expected to increase in the second half as we invest, on a cautionary basis, in the business for the future. Included in administrative expenses is a trading foreign currency loss of £0.1 million (H1 FY: £0.3million gain).

Profitability Measures

Adjusted Operating profit for the period was £3.4 million in line with adjusted operating profit for the same period last year (H1 FY20: £3.4 million), reflecting the resilience in the business. Included in the first half of FY20 was Operating profit from Coral licences of £0.9 million and a foreign currency gain of £0.3 million. Included in the first half profit for the current period was a foreign currency loss of £0.1 million. In addition, as the Group have managed in the period the planned transition from the US support business, the year on year operating profit decline was £0.9 million for the US Support business, this was more than offset by the increase in operating profit of £1.8 million from the US Secure Payments as we continue to successfully deploy solutions to clients and start to recognise the revenue, including a proportion of the hardware and implementation fees. In the UK, despite a decline in revenue in the period, due to the impact of COVID-19 on the transactional volume of some of our longstanding clients, operating profit grew year on year by £0.3 million through prudent cost control.

	Six months ended 30 Sept 2020 £'000	Six months ended 30 Sept 2019 £'000	Year ended 31 March 2020 £'000
Profit from operating activities	**2,538**	2,557	3,286
Amortisation of acquired intangible assets	**486**	498	979
Expenses relating to share option schemes	**392**	359	468
Adjusted operating profit[1]	**3,416**	3,414	4,733
Amortisation of intangible assets	**164**	147	314
Depreciation of owned assets	**363**	415	848
Depreciation of leased assets	**254**	247	491
Adjusted EBITDA	**4,197**	4,222	6,386

Finance charges
For the financial period ended 30 September 2020, the net interest charge was £10k (H1 FY20: £1k).

Taxation
For the financial period ended 30 September 2020, there was a tax charge of £484k (H1 FY20: £515k), an effective tax rate of 19% (H1 FY20: 20%).

Earnings per share
Basic earnings per share was 0.80 pence per share (H1 FY20: 0.80 pence per share). Diluted earnings per share was 0.77 pence per share (H1 FY20: 0.78 pence per share). Adjusted diluted earnings per share was 1.11 pence per share (H1 FY20: 1.10 pence per share)

Contract liabilities and assets
Contract liabilities and contract assets relating to IFRS 15 Revenue from Contracts with Customers are revenue and costs relating to the implementation of our solutions which are deferred onto the balance sheet until our solution is accepted by the client and then they are released evenly over the initial term of the contract. Total contract liabilities were £14.0 million a decrease from the March 2020 contract liabilities of £14.4 million (H1 FY20: £15.2 million). Included in this balance are contract liabilities relating to the Secure Payments product or hosted platform product of £12.7 million compared to £13.2 million at March 2020 (H1 FY20: £14.3 million). Deferred assets as at 30 September were £5.2 million compared to £5.6 million at March 2020 (H1 FY20: £4.8 million). The amounts held on the balance sheet have decreased from the year end due to the timing of the new business contracted in the first half.

Cashflow and liquidity
Net cash at 30 September 2020 was £12.9 million, an improvement of £2.0 million to the previous year and £1.3 million from 31 March 2020. There has been a net cash outflow for trade debtors, trade creditors, inventory and tax of £1.7 million (H1 FY20: cash inflow £0.4 million).

Consolidated statement of comprehensive income
for the six months ended 30 September 2020

	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000	Year ended 31 March 2020 £'000
Continuing operations			
Revenue	**15,682**	18,015	33,178
Cost of sales	**(2,931)**	(3,839)	(6,854)
Gross profit	**12,751**	14,176	26,324
Administrative expenses	**(10,213)**	(11,619)	(23,038)
Operating profit	**2,538**	2,557	3,286
Adjusted operating profit	**3,416**	3,414	4,733
Amortisation of acquired intangible assets	**(486)**	(498)	(979)
Expenses relating to share option schemes	**(392)**	(359)	(468)
Profit from operating activities	**2,538**	2,557	3,286
Finance charges	**(22)**	(39)	(68)
Finance income	**12**	38	84
Profit before taxation	**2,528**	2,556	3,302
Taxation	**(484)**	(515)	(166)
Profit for the period	**2,044**	2,041	3,136
Other comprehensive income/(expense)			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	**(74)**	**52**	(48)
Other comprehensive (expense)/ income for the period, net of income tax	**(74)**	**52**	(48)
Total comprehensive income for the period attributable to the equity holders of the parent company	**1,970**	**2,093**	3,088

Profit per share expressed in pence			
Basic earnings per 0.25p share	**0.80**	**0.80**	1.23
Diluted earnings per 0.25p share	**0.77**	**0.78**	1.20

Consolidated statement of financial position
as at 30 September 2020

	30 September 2020 £'000	30 September 2019 £'000	31 March 2020 £'000
Assets			
Non-current assets			
Intangible assets	**6,709**	7,200	7,313
Property, plant and equipment	**3,774**	4,482	3,851
Right -of-use leased assets	**404**	-	277
Deferred tax asset	**3,786**	4,116	3,805
	14,673	15,798	15,246
Current assets			
Inventories	**258**	514	312
Trade and other receivables	**12,333**	13,920	13,494
Cash and cash equivalents	**14,808**	13,512	13,541
	27,399	27,946	27,347
Total assets	**42,072**	43,744	42,593
Liabilities			
Current liabilities			
Trade and other payables	**(18,502)**	(20,607)	(21,078)
Other interest-bearing loans and borrowings	**(975)**	(1,300)	(975)
Lease liabilities	**(380)**	(280)	(233)
	(19,857)	(22,187)	(22,286)
Non-current liabilities			
Other interest-bearing loans and borrowings	**(975)**	(1,300)	(975)
Lease liabilities	**(17)**	(246)	(33)
Deferred tax liabilities	**(281)**	(519)	(290)
	(1,273)	(2,065)	(1,298)
Net assets	**20,942**	19,492	19,009
Shareholders' equity			
Called up share capital	**638**	638	638
Share premium account	**2,663**	2,663	2,663
Capital redemption reserve	**198**	198	198
Merger reserve	**2,697**	2,697	2,697
Currency reserve	**848**	844	848
Retained earnings	**13,898**	12,881	11,965
Total Shareholders' equity	**20,942**	19,492	19,009

Consolidated interim statement of changes in equity
as at 30 September 2020

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency reserve £'000	Retained earnings £'000	Total Shareholders' equity £'000
Balance at 1 April 2020	**638**	**2,663**	**198**	**2,697**	**848**	**11,965**	**19,009**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,044	2,044
Other comprehensive expense for the period	-	-	-	-	-	(74)	(74)
Contributions by and distributions to owners							
Shares transacted through Employee Benefit Trust	-	-	-	-	-	(41)	(41)
Shares purchased for share ownership plan	-	-	-	-	-	(173)	(173)
Share based payment charge	-	-	-	-	-	177	177
Balance as at 30 September 2020	**638**	**2,663**	**198**	**2,697**	**848**	**13,898**	**20,942**

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency reserve £'000	Retained earnings £'000	Total Shareholders' equity £'000
Balance at 1 April 2019	635	2,659	198	2,697	896	10,099	17,184
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,041	2,041
Other comprehensive (expense)/ income for the period	-	-	-	-	(52)	-	(52)
Contributions by and distributions to owners							
Shares transacted through Employee Benefit Trust	-	-	-	-	-	(47)	(47)
Shares issued under the share option schemes	3	4	-	-	-	-	7
Share based payment charge	-	-	-	-	-	359	359
Balance at 30 September 2019	**638**	**2,663**	**198**	**2,697**	**844**	**12,452**	**19,492**

Consolidated statement of cash flows
for the six months ended 30 September 2020

	Six months ended 30 September 2020 £'000	Six months ended 30 September 2019 £'000	Year ended 31 March 2020 £'000
Profit after taxation	**2,044**	(2,041)	3,136
Interest income	**(12)**	(38)	(84)
Interest payable	**22**	39	68
Taxation	**484**	515	166
Depreciation of property, plant and equipment	**363**	661	848
Depreciation of leased assets	**254**	-	491
Amortisation of intangible assets	**650**	645	1,293
Share based payments	**177**	323	468
Exchange differences	**51**	(288)	(264)
Operating profit before changes in working capital and provisions	**4,033**	3,898	6,122
Decrease/ (increase) in inventories	**54**	(57)	146
Decrease/ (increase) in trade and other receivables	**1,161**	(728)	(285)
(Decrease)/ increase in trade and other payables	**(2,592)**	395	1,257
Net cash generated in operating activities	**2,656**	3,508	7,240
Taxation	**(466)**	(268)	(88)
Net cash from continuing operating activities	**2,190**	3,240	7,152
Cash flows from investing activities			
Purchase of property, plant and equipment	**(294)**	(238)	(571)
Purchase of intangible fixed assets	**(157)**	(172)	(951)
Proceeds from sale of tangible fixed assets	**3**	-	-
Interest paid	**(16)**	(39)	(50)
Interest paid on lease liability	**(6)**	-	(18)
Interest received	**12**	38	84
Net cash utilised in continuing investing activities	**(458)**	(411)	(1,506)
Cash flows from financing activities			
Dividends paid	**-**	-	(1,558)
Repayment of borrowings	**-**	(650)	(1,300)
Principal elements of lease payments	**(251)**	(244)	(503)
Purchase of own shares	**(173)**	-	(187)
Issue of shares	**-**	6	7
Shares acquired by Employee Benefit Trust	**(41)**	(11)	(146)
Net cash utilised in continuing investing activities	**(465)**	(899)	(3,687)
Increase / (decrease) in cash and cash equivalents	**1,267**	1,930	1,959
Cash and cash equivalents at the start of the period	**13,541**	11,582	11,582
Cash and cash equivalents at the end of the period	**14,808**	13,512	13,541

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2020

GENERAL INFORMATION
Eckoh plc is a public limited company and is incorporated and domiciled in the UK under the Companies Act 2006 (Company Registration number 03435822). The address of the Company's registered office is Telford House, Corner Hall, Hemel Hempstead, HP3 9NH.

Eckoh plc is a global provider of Secure Payment products and Customer Contact solutions.

These condensed consolidated interim financial statements for the six months ended 30 September 2020 comprise the Company and its subsidiaries (together the "Group").

1. Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. This report does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law.

The unaudited condensed consolidated interim financial information for the period ended 30 September 2020 does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2020 are extracted from the statutory financial statements which have been filed with the Registrar of Companies, on which the auditor gave an unqualified report, which made no statement under section 498(2) or (3) respectively of the Companies Act 2006 and did not draw attention to any matters of emphasis.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2020.

In reporting financial information, the Group presents alternative performance measures ("APMs") which are not defined or specified under the requirements of IFRS. The Directors consider that disclosing alternative performance measures enhances Shareholders' ability to evaluate and analyse the underlying financial performance of the Group. They have identified adjusted operating profit and adjusted EBITDA as measures that enable the assessment of the performance of the Group and assists in financial, operational and commercial decision-making. In adjusting for these measures, the Directors have sought to eliminate those items of income and expenditure that do not specifically relate to the normal operational performance of the Group in a specific year.

These condensed consolidated interim financial statements were approved by the Board of Directors on 23 November 2020.

The accounting policies adopted in these interim financial statements are consistent with those of the previous financial year and the corresponding interims period.

Going concern
The Directors have, at the time of approving the condensed consolidated interim financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

New standards and interpretations not yet adopted
Amended standards and interpretations not yet effective are not expected to have a significant impact on the Group's consolidated financial statements.

2. Dividends

In September the Board announced a special dividend, in lieu of the final dividend from the financial year ending 31 March 2020. A dividend of 0.61p per ordinary share was paid to Shareholders on 23 October 2020, who were on the Register as of 25 September 2020. The total amount of the dividend was £1.6 million.

3. Earnings per share

The basic and diluted earnings per share are calculated on the following profit and number of shares. Earnings for the calculation of earnings per share is the net profit attributable to equity holders of the parent.

	Six months ended 30 September 2020 £000	Six months ended 30 September 2019 £000	Year ended 31 March 2020 £000
Earnings for the purposes of basic and diluted earnings per share	**2,044**	2,041	3,136

Denominator	**Six months ended 30 September 2020 '000**	Six months ended 30 September 2019 '000	Year ended 31 March 2020 '000
Weighted average number of shares in issue in the period	**255,852**	255,085	255,085
Shares held by employee ownership plan	**(1,717)**	(1,434)	(1,630)
Number of shares used in calculating basic earnings per share	**254,135**	253,651	253,455
Dilutive effect of share options	**9,678**	9,460	8,782
Number of shares used in calculating diluted earnings per share (where applicable)	**263,813**	263,111	262,237

4. Subsequent events to 30 September 2020

As at the date of these statements there were no such events to report.