Eckoh

21 November 2023

Eckoh plc

("Eckoh", the "Group", or the "Company")

Unaudited interim results for the six months ended 30 September 2023

- *Cloud transition driving higher margins and quality of earnings*
- *North America pipeline at record levels and North America ARR up 22%*
- *Record level of contracted business with positive traction across our new solution set*

Eckoh plc (AIM: ECK) the global provider of Customer Engagement Data Security Solutions, is pleased to announce unaudited results for the six months to 30 September 2023.

Period ended 30 September £m (unless otherwise stated)	**H1 FY24**	H1 FY23	*Change*
Revenue	**18.8**	19.6	*-4%*
Gross profit	**15.5**	15.5	-
Group ARR[1]	**30.6**	28.6	*+7%*
North America Data Security Solutions ARR[1] ($m)	**16.8**	13.8	*+22%*
Adjusted EBITDA[3]	**4.9**	5.0	*-3%*
Adjusted operating profit[4]	**4.0**	4.2	*-4%*
Adjusted profit before taxation[4]	**4.1**	4.2	*-1%*
Profit before taxation	**1.5**	2.9	*-47%*
Basic earnings per share	**0.43**	0.77	*-44%*
Adjusted diluted earnings (pence per share)[5]	**1.01**	1.03	*-2%*
Net cash	**7.3**	4.4	*+2.9*
Total contracted business[6]	**24.6**	17.6	*+40%*

Strategic highlights

- Record levels of contracted business with a high proportion of multi-year renewals
- Our successful drive to transition clients to cloud-based SaaS solutions is tempering short term revenue growth but delivering improvements in recurring revenue, operating margins and quality of earnings
- New global commercial strategy progressing well, with focus on the large North America addressable market
- Positive reception from existing clients to our new and expanded Secure Engagement Suite
- Record North America pipeline includes several contracts where Eckoh is selected vendor, but longer than expected sales and contracting cycles are delaying completion and therefore revenue
- Cost and efficiency benefits from the transition to a SaaS business model will deliver over £1m of savings in FY25
- New updated PCI DSS v4.0 standard effective from April 2024 will increase complexity and cost of compliance for merchants, which is likely to drive higher levels of sales engagement for Eckoh's solutions

Financial highlights

- Trading for the period in line with Board expectations, as announced in the Trading Update on 1 November 2023
- Group ARR[1] £30.6 million, up 7% year-on-year or 9% at constant currency
- North America performing strongly with Security Solutions ARR[1] up $3m or 22% to $16.8m (H1 FY23: $13.8m)

1. *ARR is the annual recurring revenue of all contracts billing at the end of the period. Included within Group ARR is all revenue that is contractually committed and an element of UK revenue that has proven to be repeatable, but not contractually committed. H1 FY23 has been restated to include NA Coral revenue.*
2. *Recurring revenue is defined as on-going revenue, rather than revenue derived from the set-up and delivery of a new service or hardware.*
3. *Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is the profit before tax adjusted for depreciation of owned and leased assets, amortisation of intangible assets, expenses relating to share option schemes and exceptional costs.*
4. *Adjusted operating profit and adjusted profit before tax are adjusted for amortisation of acquired intangible assets, expenses relating to share option schemes and exceptional costs.*
5. *Adjusted earnings pence per share – calculated using an effective tax rate of 25% in both years.*
6. *Total contracted business includes new business from new clients and from existing clients as well as renewals with existing clients.*
7. *Consensus market expectations for the full year is revenue of £39m and Adjusted Operating Profit of £8.2m*

- Record level of total contracted business[6] at £24.6m, up 40% (H1 FY23 £17.6m), driven by strong multi-year renewals and successful cross-selling and up-selling of new products
- Group revenue £18.8m, (H1 FY23: £19.6m), reflecting the already announced loss of a large (non-security) UK client in FY23 and the on-going transition to cloud delivery which removes hardware fees and reduces set up costs
- Recurring revenue[2] increased to 83% (H1 FY23: 79%), reflecting strong renewals and the continued shift to the cloud
- Gross profit margin 83% (H1 FY23: 79%), an increase of 330bp
- Adjusted operating profit[4] £4.0m (H1 FY23: £4.2m), includes a £0.1m FX versus a FX gain of £0.7m in H1 FY23
- Adjusted operating profit margin flat at 21.4% (H1 FY23: 21.4%), masks an underlying improvement of 410bp (excluding FX loss in H1 FY24 21.8% and FX gain in H1 FY23: 17.7%)
- Strong cash generation with net cash of £7.3m at period end, up £1.6m from £5.7m at year end (H1 2023: £4.4m)
- Eckoh's balance sheet remains robust, with no debt or drawdown on credit facilities

Current trading and Outlook

- The Board is encouraged by the record level of business contracted, the successful implementation of the new commercial strategy and the sales pipeline with large deals which are in a progressed position
- Whilst longer than expected sales cycles have delayed revenue progression in the year to date, the Board is confident that the Company is on track to meet expectations for the full year[7]
- Optimally positioned as market leader for an increased outsourcing trend driven by regulatory change (PCI DSS v4.0), increasing complexity and security challenges for businesses
- It is expected that the strong positive trend of growth in contract value and ARR will continue in the second half and with the ongoing transition to cloud and SaaS, this underpins the expected growth in FY25

Nik Philpot, Chief Executive Officer, said: *"We have made excellent progress with our strategic goals in the first half of the year with continued improvement in the proportion of revenue coming from cloud, increased levels of cross-selling and upselling from our client base and higher operating margins.*

Our cloud and SaaS transition journey, which is progressing well, will continue to increase revenue visibility, improve margin and quality of earnings, as well as giving clients easy access to our full Secure Engagement Suite of products. While the shift to cloud inevitably tempers revenue growth in the short-term, it brings longer-term benefits, which we can already see with recurring revenues up 360 basis points to 83% and underlying operating profit margin up 410 basis points to 21.8%. It has also been a driver behind the increase in ARR of 7% to £30.6m.

North America is our most significant target market, and with such large enterprises creating significant new opportunities that also brings longer sales cycles, which have been especially noticeable in this period. However, North American ARR is still up 22%, validating our strategic decision to have one global commercial team focused on this growth opportunity, and our pipeline is at a record level here with Eckoh selected as the preferred supplier on several deals that are expected to close in H2.

As market leader, we are well placed to benefit from increased outsourcing in the contact centre environment as complying with data regulation is becoming ever more costly and challenging to achieve, especially with a hybrid workforce. As consumers demand greater choice across digital payment channels and artificial intelligence enters contact centres, Eckoh's solutions will continue to make personal data arising from customer engagement more secure. With compelling growth drivers, a robust strategy and a strong balance sheet, we are on track to deliver full year expectations[7] and our growing ARR and improved total contracted business provides further revenue visibility into FY25 and beyond."

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About Eckoh plc
As a global provider of Customer Engagement Data Security Solutions, Eckoh is all about making the world of data more secure.

Our vision is that everyone should be able to trust every brand and engage without risk to their personal information. We're on a mission to set the standard for secure interactions between consumers and the world's leading brands, and our innovative products build trust and deliver value though exceptional experiences.

We're trusted by many of the world's leading brands to help them manage the personal data from customer enquiries and transactions safely. Our solutions enable payment transactions to be performed securely and help protect sensitive personal data across any customer engagement channel and device the customer chooses.

Protected by multiple patents, our solutions remove sensitive personal and payment data from contact centres and IT environments, as the best way to secure data is not to collect it. This allows organisations to be not just compliant but secure, increase efficiency, lower operational costs, and provide an excellent customer experience. This is our specialism.

Our solutions are delivered globally through multiple cloud platforms or can be deployed on the client's site. 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, and our extensive portfolio of typically large enterprise clients spans a broad range of vertical markets including government departments, telecoms providers, retailers, utility providers and financial services organisations.

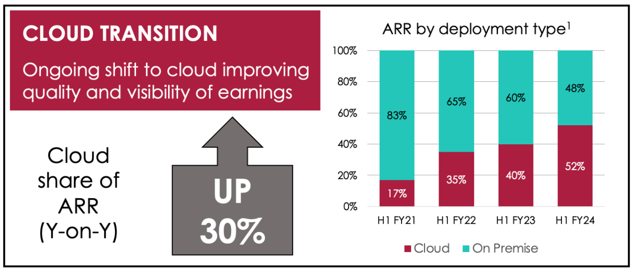
For more information go to www.eckoh.com or email MediaResponseUK@eckoh.com.

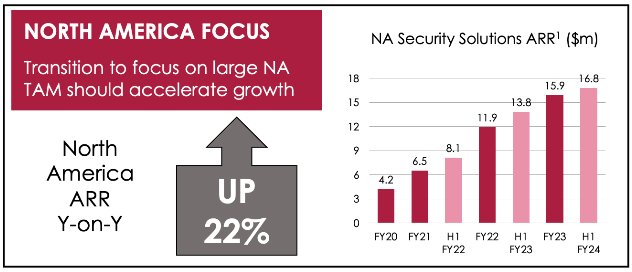
Chief Executive Officer's statement

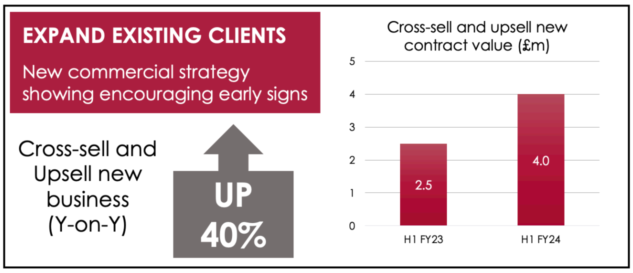
I'm pleased to report Eckoh performed in line with Board expectations in the period and is on track to deliver to market expectations for the full year.

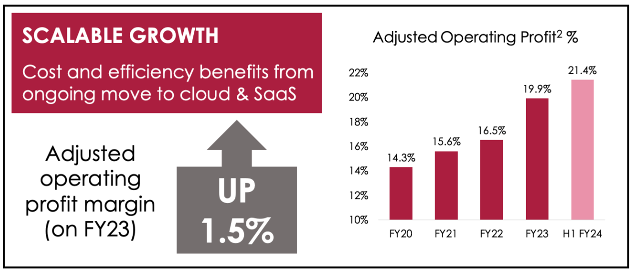
We have made excellent progress with several of our key strategic objectives during the first half of the year:

- **Cloud-first** – the share of ARR in the North American (NA) market coming from cloud deployments grew 30% year-on-year and now represents the majority of overall NA ARR
- **Expanding existing clients** – the new commercial strategy is showing early encouraging signs with levels of cross selling and upselling to existing clients up 40% on the previous year to £4m
- **North America focus** – the strategic decision to focus our commercial resources on the NA market is validated by a 22% growth in ARR to $16.8m and a record sales pipeline
- **Scalable growth** – the cost and efficiency benefits from our ongoing move to cloud and SaaS solutions is driving improved adjusted operating profit margins with an underlying improvement of 410 basis points to 21.8%









Eckoh's mission is to set the standard for secure interactions between consumers and the world's leading brands. We make that happen through our innovative and patented suite of secure engagement products, which are used by some of the largest brands globally. Evolving regulatory change, notably the impending update to the PCI DSS, is increasing compliance complexity and creating new security challenges for businesses; Eckoh is optimally positioned to capitalise from an increased level of outsourcing from Enterprises with contact centre operations who are looking to permanently address this challenge.

At the end of the period Group Annualised Recurring Revenue (ARR) was £30.6 million, (H1 FY23: £28.6 million), with growth being driven by our increased focus on the North America territory, with North America Data Security Solutions ARR at $16.8 million, a 22% increase year-on-year from $13.8 million.

Revenue for the first half was £18.8 million (H1 FY23: £19.6 million), the decrease reflecting the loss of a large (non-security) UK client, which we disclosed in our FY23 final results, together with the on-going transition to cloud-based delivery of our solutions and the successful renewal of a number of large North American clients. These North America contracts were for solutions deployed on-premise, where the hardware revenue and implementation fees typically represent typically 25-35% of contract value and are, fully recognised at the point of the initial renewal. This transition to cloud-based solutions has the effect of tempering revenue growth in the short term but is increasing the quality and visibility of future earnings. Almost all new client contracts are now for cloud delivery and the element of non-recurring charges in this model drops to only 10-15%.

The on-going shift of our new business and existing clients to the data security solutions that comprise our cloud-based Secure Engagement Suite continues to improve the strength of our business model, with improving recurring revenue margins in the North America Territory and on a Group basis an improving operating profit margin. Adjusted operating profit was £4.0 million, which includes an FX loss of £0.1m (H1 FY23: £4.2 million, included a FX gain of £0.7 million), with underlying operating profit margin of 21.8%, an underlying improvement of 410bp on last year when excluding the respective FX movements. As most new business is now expected to be deployed in the cloud on a SaaS basis (we expect 90% of new North America business to be cloud), these key performance indicators will continue to improve.

The split of ARR between on-premise and cloud delivery has for the first time seen cloud become the largest share at 52%, which is a threefold rise over 3 years (H1 FY21 17%). We would expect this cloud share to continue rising, but some of the largest North America clients continue to choose to have on premise solutions and it may take them several years to migrate, therefore we continue to support both deployment methods and will continue to do so for the foreseeable future.

At the start of the year, we implemented a new commercial strategy by unifying the UK and US commercial teams (sales, technical pre-sales, marketing, account management and client success), into a single global team focused predominantly on the largest market of North America. There are no US-based competitors for Eckoh's software solutions and by allocating more resource to the North American market, we have been able to identify and target potential new clients more effectively and set ourselves up to maximise the cross-selling and upselling opportunity within existing accounts by segmenting them into tiers of opportunity value. Whilst it is still only a short time since this commercial strategy was implemented, the early signs are encouraging. Total Contract Value (the combined value of both new contracts and renewals) was at an all-time high for a single period at £24.6m, a 40% increase on the previous year and the level of cross-selling and upselling in the period was £4m, also some 40% higher than the previous year. The strength of the order level is expected to continue in the second half, with the North America new business pipeline at a record level. Encouragingly, the number of opportunities that have been identified with existing clients since the start of the year is also at a level never seen before.

In the half, strong levels of both cross-sell and up-sell initiatives to existing clients has been executed through our new global commercial team but supported by our enhanced Secure Engagement Suite and the ongoing shift to cloud. Recent new product additions such as Secure Call Recording and our updated Secure Digital Payments platform have been extremely well received and we expect several clients to go live with these and other additional products from our Suite in the second half.

Our record pipeline of new business opportunities in the North American market validates the strategic decision to move to a single global commercial team that focuses on this market, where the scale of opportunity for Eckoh's solutions is most compelling. The Company is, like others, experiencing a lengthening of sales cycles with new clients, especially in the contracting phase, driven by increased levels of management oversight and more onerous budgetary approval processes. Consequently, the completion of contracts is taking longer, and has meant that several sizeable enterprise deals where Eckoh is the chosen supplier, which were expected to close in the period, will now shift to the second half.

Operational Review

North America (NA) Territory (47% of group revenues)

The North American territory continues to deliver growth and the Data Security Solutions ARR[1] at the end of the first half was $16.8 million, a year-on-year increase of 22% (H1 FY23 $13.8 million). This represents a CAGR of 44% over the past 2 years.

Revenue for the period was $11.2 million. At a total revenue level this is an increase year-on-year of 5% (H1 FY23: $10.6 million), however, recurring revenue has increased by 18% year-on-year and is now 82% of revenue (H1 FY23 73%). This increase is as expected and comes from new contracts being delivered through the cloud with a higher recurring revenue percentage than for an on-premise solution.

During the first half several clients with large enterprise deals have renewed their contracts for the first time. At the point of renewal, the hardware fees and implementation fees from the initial term of the contract are fully recognised. This combination of new cloud deals and large renewals in the first half has seen a 21% decline in this one-off revenue year-on-year.

Despite this shift in revenue the North America territory has continued to grow and increase its share of Group revenue and now accounts for a 47% share (H1 FY23: 44%). In FY24, we expect North American revenue will be of equal size to revenue from the UK and Ireland territory.

Total and New Contracted Business

- The total contracted orders for the first half is $14.7 million (H1 FY23: $9.8 million), a 50% increase year-on-year
- Data Security Solutions new contracted business of $4.1 million (H1 FY23: $7.1 million) with 56% of this coming from existing clients

Contract Renewals

- Seven clients have renewed their contracts in the first half, these include Costco, Lowes, Conifer, TDS and Deluxe. These renewals underpin the future ARR. Five of the contracts were renewed for multi-year contracts, which provides far better opportunity for developing the client relationship and enabling cross-selling.
- In the second half we have a further five sizeable renewals, one of which has already been completed successfully with the others due in our final quarter of the year. Of these five clients due for renewal, four of the clients are looking to migrate to the cloud and two are actively considering additional products as part of this transition

Coral

In the period, Coral had revenue of $1.1 million (H1 FY23: $1.0 million Coral & third-party Support). Coral is a browser-based agent desktop for contact centres, that aids the following:

- to increase efficiency by bringing all the contact centre agent's communication tools onto a single screen;
- to enable organisations, particularly those grown by acquisition, to standardise their contact centre facilities; and
- to be implemented in environments that operate on entirely different underlying technology

Coral contracts are few but high in value when they occur, and they have a very long sales cycle (usually years) as the decision has long term implications for the client. This makes the timing of any new agreements both lumpy and hard to predict. There is a proof of concept planned with a large global financial services company, however, this is currently on hold.

<u>UK & Ireland (UK & I) Territory, and Rest of World (ROW) Territory (53% of group revenues)</u>

The UK & Ireland and Rest of World territories are reported on a combined basis due to the small proportion of ROW revenue at this stage. Over time and as the new global strategy drives more international mandates and activity arising from new markets, this share will be large enough to report separately.

ARR at the end of the period was £16.4 million (H1 FY23: £16.5 million), with growth hindered by the loss of a significant (non-security) client in the first half last year. During the first half of FY24 a non-security client entered administration, the full year impact will be £0.5 million.

The business continues to transition to a Data Security Solutions only proposition, with 91% of revenue now coming from clients who take these solutions as part of their overall proposition. We continue to see churn levels in this base of clients to be extremely low.

Total revenue for the period was £9.9 million, a decrease of 10% (H1 FY23: £10.9 million), recurring revenue remains high at 83% (H1 FY23:84%). The UK & I territory's revenue in the period has been impacted by the loss of the two non-security clients and the growth going forward is expected to be modest, with the global commercial team's focus on the more lucrative and larger North America market. We will, however, continue to look to grow and expand in our existing client base and compete for the largest new enterprise contracts in the region.

Gross profit in the period was £8.4 million, (H1 FY23: £8.9 million) and gross margin was 85%, an increase of 4%, with Security Solutions driving a higher margin.

New contracted business

- Total contracted business was £12.8 million up 32% compared to £9.7 million in the prior year, largely due to high conversion of renewals and timing of large renewals
- New contracted business was £2.4 million (H1 FY23: £2.5 million)

Contract renewals

- Total contracted business was driven by the four largest renewals in H1 FY24 worth a combined £6.9 million all containing Data Security Solutions and all multi-year. These were Capita O2, Tenpin, Premier Inn and Vanquis (through Maintel)

Growth Drivers – new PCI DSS standard

One of the key drivers for the adoption of our solutions is the Payment Card Industry Data Security Standard ('PCI DSS'), which all merchants need to comply with to help protect their customer's data, to avoid higher payment processing charges and to reduce the risk of substantial fines. Eckoh has maintained continual PCI DSS compliance at level 1, the highest level, since 2010.

The Standard has evolved over time to try and address the ever-increasing threat of fraud and hacking and the most meaningful change to the standard since 2016 comes into force from April 2024, when v4.0 becomes applicable. From this date any organisation who is audited for compliance with the Standard will be expected to comply with the new regulations that were first published in March 2022.

There are 60 new requirements that have been added, and 71 that have been changed in v4.0 and the implications for merchants who are currently compliant is that these changes are numerous and complex and will drive up compliance costs and increase the resources required to complete 'business as usual' processes. It is also probable that a percentage of companies will fail their audits due to the scale and challenge of the changes. With PCI DSS still being the regulatory standard that drives most sales conversations for Eckoh, it is anticipated that the challenges (and increased risk) associated with implementing v4.0 by merchants will lead to an increase in sales opportunities for Eckoh's solutions.

Secure Engagement Suite

Since acquiring Syntec two years ago we have consolidated our products into a suite that is delivered through a common cloud platform (our Secure Voice Cloud), that is based on a new, more powerful and proprietary Secure Voice Appliance.

Eckoh's Secure Engagement Suite comprises several complementary data security products that can be delivered to a client either individually or as a solution set. Over time it is expected that more new clients will take multiple products as part of their initial contract and that existing clients will add further products because of our cross-selling initiatives. This is already beginning to bear fruit in the results we have seen in the period and the pipeline that is building.

It is our intention and strategy to continue to grow our Secure Engagement Suite over time, and at the beginning of the financial year, we launched our new Secure Call Recording product. In contrast with aging contact centre technology that only enables calls to be recorded for compliance and quality purposes, our new product automatically secures sensitive customer data and incorporates the ability to transcribe calls into text at a highly accurate level, unlocking the business intelligence and insight that these conversations contain. The reception to the product has been excellent and we already have clients deployed and live, with an increasing number expected to take the service over time as their existing call recording contracts come up for renewal, or they move to the cloud.

Shortly after period end, we launched a significant update to our Secure Digital Payments product, offering enhanced digital payment choice and convenience within contact centres. Via the updated product, customers now have the freedom to combine their preferred contact channel with their favourite payment method: Apple Pay over WhatsApp, Pay by Bank via live chat, pay-later apps over the phone, or a wide variety of other combinations. In particular, the Secure Digital Payments product will enable contact centres to better serve customer needs, extend their services to social media and third-party channels, increase payment volumes and speed, provide greater choice with pay-now or pay-later options and provide stronger authenticated security through methods such as fingerprint or facial recognition.

The Real-time Transcription and AI product which was originally scheduled for the end of this financial year has been split into two separate phases. The first phase (which we still expect to be delivered in that time frame) will see the release of the insight tool which will allow our client real-time visibility of their agent activity across their contact centre facilities and agent's home locations. Monitoring performance of a hybrid agent workforce is challenging, and security concerns are heightened, so this tool, which can be used in combination with the Voice Security, Secure Call Recording or the Real-time Transcription & AI products will be a valuable addition to our clients' ability to drive both service quality and security. Phase two, which we expect to launch in the first half of FY25, will deliver real-time transcription and sentiment analysis to enable managers or supervisors to view active conversations between agents and customers to aid or assess performance. The AI engine will be able to guide the agent to the next best action, based on its knowledge of previous historic outcomes, enabling less experienced agents to perform at a higher standard increasing both customer and agent satisfaction.

Outlook and financial position

The Board is very encouraged by the continued cloud transition, the record level of business contracted in the first half and the successful implementation of our new commercial strategy. Whilst the shift to cloud and longer than expected sales cycles marginally impacted top line growth, Eckoh enters the second half with a strong sales pipeline which includes some large deals which are in a progressed position. This gives us the confidence that the strong positive trend of growth in total contract value will continue in the second half and the Board is confident that the Company is on track to meet market expectations for the full year and the growth expectations for FY25.

Financial Review

Overall the Group continues to progress with its cloud-based SaaS transition and the progress made, particularly in the North America Territory, can be seen in the improvements in annualised recurring revenue, recurring revenue % and for the Group in the Operating profit margin.

Revenue for the period was £18.8 million (H1 FY23: £19.6 million), a decrease year-on-year of 4% or at constant exchange rates a 3% decrease year-on-year. Group recurring revenue was £15.5 million level year-on-year, with recurring revenue 83% an increase year-on-year of 360 basis points, the increase being driven by the North America territory.

Adjusted operating profit was £4.0 million, which includes a foreign currency loss in the period of £0.1m, this is compared to an adjusted operating profit last year of £4.2 million, which includes a FX gain of £0.7 million. The operating profit margin for the period was 21.4%, level with the same period last year, but an underlying improvement of 410 basis points excluding the year-on-year net FX movement of £0.8 million. In the period there is an exceptional cost of £0.9 million for legal fees and restructuring costs.

Group ARR was £30.6 million, an increase of 7% on prior year or at constant exchange rates an improvement of 9% (H1 FY23 £28.6 million).

Total contracted business for the period at the Group level was £24.6 million, (H1 FY23: £17.6 million), a year-on-year increase of 40% or an increase of 41% at constant exchange rates. New contracted business was £5.7 million (H1 FY23: £8.2 million).

Basic earnings per share for the period was 0.43 pence per share (H1 FY23: 0.77 pence per share). Adjusted earnings per share for the period was 1.01 pence per share (H1 FY23 1.03 pence per share).

Territory performance – NA, UK&I, & ROW
North America revenue represented 47% (H1 FY23: 44%) of total group revenues and revenues increased in the period by 3% to £8.9 million (H1 FY23: £8.7 million), revenues in local currency increased by 5% to $11.2 million (H1 FY23: $10.6 million). Recurring revenue increased by 18% in the period to 82% of revenue (H1 FY23: 73%). UK&I and ROW represented 53% of total group revenues at £9.9 million, a decrease year-on-year of 10% and recurring revenue of 83%.

Further explanations of movements in revenue between the North America, UK & Ireland and ROW territories have been addressed in the Operational Review above.

Gross profit
The Group's gross profit was £15.5 million level year-on-year, with gross profit margin increasing by 330 basis points to 83% (H1 FY23: 79%). The UK & Ireland and ROW gross profit margin increased to 85% year-on-year (H1 FY23: 81%). In the North America territory, the margin in the period increased to 80% (H1 FY23: 77%). This increase in margin as previously indicated is as a result of the continued deployment of the new Customer Engagement Data Security Solutions in the cloud environment together with the successful renewals of the earlier contracted on-premise solution deployments, where the lower margin hardware component becomes fully recognised at the point of renewal.

In the UK & Ireland and ROW territories, as the service is hosted on an Eckoh platform, there is typically no hardware provided to clients and the gross profit margin is expected to remain at approx. 84 – 85%. In the North America territory, we would expect the gross profit margin to continue to marginally increase from 80% to approximately 81% - 82% over the next two years. This is driven by the continued growth of the Security Solutions being deployed as cloud solutions coupled with a small number of clients with on-premise solutions who are due to renew their contracts without additional significant hardware.

Administrative expenses
Total administrative expenses for the period were £14.0 million (H1 FY23: £12.6 million). Adjusted administrative expenses for the period were £11.5 million, an increase year-on-year of 4% (H1 FY23: £11.3 million). Exceptional costs in the period were £0.9 million (H1 FY23 £nil million). Included in administrative expenses is a trading FX loss of £0.1 million (H1 FY23: £0.7 million gain).

Profitability Measures
Adjusted Operating profit[4] for the period was £4.0 million (H1 FY23: £4.2 million). Included in the first half profit for the current period was a FX loss of £0.1 million (H1 FY23: £0.7 million). Adjusted EBITDA[3] for the period was £4.9 million (H1 FY23: £5.0 million).

	Six months ended 30 Sept 2023 £'000	Six months ended 30 Sept 2022 £'000	Year ended 31 March 2023 £'000
Profit from operating activities	**1,455**	2,958	5,020
Amortisation of acquired intangible assets	**1,237**	1,237	2,473
Expenses relating to share option schemes	**412**	(6)	40
Exceptional legal costs, settlement agreements and restructuring costs	**916**	-	203
Adjusted operating profit[4]	**4,020**	4,189	7,736
Amortisation of intangible assets	**220**	195	398
Depreciation of owned assets	**316**	354	643
Depreciation of leased assets	**326**	289	617
Adjusted EBITDA[3]	**4,882**	5,027	9,394

Adjusted profit before tax was £4.1 million (H1 FY23: £4.2m) and is after including in the adjusted operating profit, the net interest income of £93k in the current period and the net interest charge of £18k in H1 FY23 adjusted operating profit.

Finance charges
For the financial period ended 30 September 2023, the net interest income was £93k (H1 FY23: £18k charge). The interest income is made up of bank interest receivable of £111k (H1 FY23: £11k), offset by interest on leased assets of £18k (H1 FY23: £29k).

Taxation
For the financial period ended 30 September 2023, there was a tax charge of £0.3 million (H1 FY23: £0.7 million), an effective tax rate of 18% (H1 FY23: 23%).

Earnings per share
Basic earnings per share was 0.43 pence per share (H1 FY23: 0.77 pence per share). Diluted earnings per share was 0.42 pence per share (H1 FY23: 0.74 pence per share). Adjusted diluted earnings per share was 1.01 pence per share (H1 FY23: 1.03 pence per share (restated to use a tax rate of 25%)).

Client contracts
Client contracts are typically multi-year in length and have a high proportion of fixed recurring revenues from the software licences for our products. There are a smaller and declining number of UK contracts that are underpinned by transactional minimum commitments. In the NA territory we now have a greater proportion of contracts being delivered through the cloud, so the initial set up fees and hardware costs associated with larger customer premise deployments have reduced. This has led to total revenue growth being lower than recurring revenue growth. Recurring revenue as a percentage of regional revenue in the NA territory has increased from 52% in FY21 to 82% in the first half and gross profit margin has increased in the same period from 71% to 80%. This trend is also driving the improved Operating profit margin we are seeing at a Group level. This has resulted in a reduction in contract liabilities held on the Group's balance sheet and a net cash outflow for working capital, this is expected to normalise in the current year and onwards into FY25.

Contract liabilities and contract assets
Contract liabilities and contract assets relating to IFRS 15 Revenue from Contracts with Customers continue to decrease, principally as new contracted business in North America has been predominantly for cloud-based solutions. Where clients contract for their services to be provided in the cloud or on our internal cloud platforms, the level of hardware is significantly reduced and implementation fees are typically lower. This reduces the level of upfront cash received but drives a greater level of revenue visibility and earnings quality. Total contract liabilities were £8.4 million (H1 FY23: £11.9 million) included in this balance are £5.1 million of IFRS 15 contract liabilities relating to the Secure Payments product, hosted platform product or Syntec's CardEasy Secure Payments product, a decrease of £1.8 million from March 2023. Contract assets as at 30 September 2023 were £1.7 million compared to £2.4 million at March 2023 (H1 FY23: £3.3 million).

Cashflow and liquidity

Net cash at 30 September 2023 was £7.3 million, an increase of £1.6 million from the year end at 31 March 2023 and an increase of £2.9 million to the previous year. The £1.6 million cash inflow from 31 March 2023 includes a net cash outflow for trade debtors, trade creditors, inventory and tax of £1.6 million (H1 FY23: cash outflow £1.9 million), in principle due to the unwinding of deferred revenue on the large enterprise on-premise solutions.

Consolidated statement of comprehensive income
for the six months ended 30 September 2023

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Continuing operations			
Revenue	**18,772**	19,590	38,821
Cost of sales	**(3,268)**	(4,059)	(7,578)
Gross profit	**15,504**	15,531	31,243
Administrative expenses	**(14,049)**	(12,573)	(26,223)
Operating profit	**1,455**	2,958	5,020
Adjusted operating profit	**4,019**	4,189	7,736
Amortisation of acquired intangible assets	**(1,237)**	(1,237)	(2,473)
Expenses relating to share option schemes	**(411)**	6	(40)
Exceptional costs – legal fees and restructuring costs	**(916)**	-	(203)
Profit from operating activities	**1,455**	2,958	5,020
Finance charges	**(18)**	(29)	(53)
Finance income	**111**	11	53
Profit before taxation	**1,548**	2,940	5,020
Taxation	**(274)**	(682)	(383)
Profit for the period	**1,274**	2,258	4,637
Other comprehensive income/(expense)			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	**83**	(32)	(389)
Other comprehensive (expense)/ income for the period, net of income tax	**83**	(32)	(389)
Total comprehensive income for the period attributable to the equity holders of the Company	**1,357**	2,226	4,248

Profit per share expressed in pence			
Basic earnings per 0.25p share	**0.43**	0.77	1.58
Diluted earnings per 0.25p share	**0.42**	0.74	1.55

Consolidated statement of financial position
as at 30 September 2023

	30 September 2023 £'000	30 September 2022 £'000	31 March 2023 £'000
Assets			
Non-current assets			
Intangible assets	**36,497**	38,860	37,500
Property, plant and equipment	**3,945**	4,433	4,181
Right -of-use leased assets	**668**	1,282	995
Deferred tax asset	**156**	1,535	129
	41,266	46,110	42,805
Current assets			
Inventories	**223**	295	254
Trade and other receivables	**10,238**	13,556	11,778
Cash and cash equivalents	**7,278**	4,358	5,740
	17,739	18,209	17,772
Total assets	**59,005**	64,319	60,577
Liabilities			
Current liabilities			
Trade and other payables	**(13,294)**	(18,036)	(16,190)
Lease liabilities	**(482)**	(609)	(482)
	(13,776)	(18,645)	(16,672)
Non-current liabilities			
Lease liabilities	**(231)**	(740)	(569)
Deferred tax liabilities	**(1,535)**	(3,014)	(1,528)
	(1,766)	(3,754)	(2,097)
Net assets	**43,463**	41,920	41,808
Shareholders' equity			
Called up share capital	**732**	732	732
Share premium account	**22,180**	22,180	22,180
Capital redemption reserve	**198**	198	198
Merger reserve	**2,697**	2,697	2,697
Currency reserve	**815**	1,089	732
Retained earnings	**16,841**	15,024	15,269
Total equity	**43,463**	41,920	41,808

Consolidated interim statement of changes in equity
as at 30 September 2023

	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 2023	**732**	**22,180**	**198**	**2,697**	**732**	**15,269**	**41,808**
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	1,274	1,274
Other comprehensive expense for the period	-	-	-	-	83	-	83
Contributions by and distributions to owners	**-**	**-**	**-**	**-**	**83**	**1,274**	**1,357**
Shares transacted through Employee Benefit Trust	-	-	-	-	-	-	-
Shares issued under the share option scheme	-	-	-	-	-	-	-
Shares purchased for share ownership plan	-	-	-	-	-	(104)	(104)
Share based payment charge	-	-	-	-	-	402	402
Transactions with owners recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**298**	**298**
Balance as at 30 September 2023	**732**	**22,180**	**198**	**2,697**	**815**	**16,841**	**43,463**

	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 2022	732	22,180	198	2,697	1,121	12,815	39,743
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,258	2,258
Other comprehensive expense for the period	-	-	-	-	(32)	-	(32)
Contributions by and distributions to owners	-	-	-	-	(32)	2,258	2,226
Shares transacted through Employee Benefit Trust	-	-	-	-	-	-	-
Shares issued under the share option schemes	-	-	-	-	-	-	-
Shares purchased for share ownership plan	-	-	-	-	-	(72)	(72)
Share based payment charge	-	-	-	-	-	23	23
Transactions with owners recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**(49)**	**(49)**
Balance at 30 September 2022	**732**	**22,180**	**198**	**2,697**	**1,089**	**15,024**	**41,920**

Consolidated statement of cash flows
for the six months ended 30 September 2023

	Six months ended 30 September 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Profit after taxation	**1,274**	2,258	4,637
Interest income	**(111)**	(11)	(53)
Interest payable	**18**	29	53
Taxation	**274**	682	383
Depreciation of property, plant and equipment	**316**	354	643
Depreciation of leased assets	**326**	289	617
Amortisation of intangible assets	**1,457**	1,432	2,871
Share based payments	**412**	26	40
Exchange differences	**67**	(719)	(516)
Operating profit before changes in working capital and provisions	**4,033**	4,340	8,675
Decrease/ (Increase) in inventories	**31**	(27)	14
Decrease/ (Increase) in trade and other receivables	**1,540**	(1,273)	505
Decrease in trade and other payables	**(2,908)**	(252)	(2,238)
Net cash generated from operating activities	**2,696**	2,788	6,956
Taxation paid	**(292)**	(335)	(178)
Interest paid on lease liability	**(18)**	(29)	(53)
Net cash from continuing operating activities	**2,386**	2,424	6,725
Cash flows from investing activities			
Purchase of property, plant and equipment	**(76)**	(501)	(613)
Purchase of intangible fixed assets	**(408)**	(164)	(570)
Interest received	**111**	11	53
Net cash utilised in continuing investing activities	**(373)**	(654)	(1,130)
Cash flows from financing activities			
Dividends paid	**-**	-	(1,959)
Principal elements of lease payments	**(338)**	(188)	(564)
Shares purchased for share ownership plan	**(103)**	(72)	(120)
Net cash utilised in continuing investing activities	**(441)**	(260)	(2,643)
Increase in cash and cash equivalents	**1,572**	1,510	2,952
Cash and cash equivalents at the start of the period	**5,740**	2,840	2,840
Effect of exchange rate fluctuations on cash held	**(34)**	8	(52)
Cash and cash equivalents at the end of the period	**7,278**	4,358	5,740

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2023

GENERAL INFORMATION
Eckoh plc is a public Company limited by shares and is incorporated in the United Kingdom and registered in England 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 Customer Engagement Data Security Solutions.

These condensed consolidated interim financial statements for the six months ended 30 September 2023 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 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK. 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 2023, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law).

The unaudited condensed consolidated interim financial information for the period ended 30 September 2023 does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2023 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 2023.

In reporting financial information, the Group presents alternative performance measures ("APMs"). 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 underlying operational performance of the Group in a specific year.

These condensed consolidated interim financial statements were approved by the Board of Directors on 20 November 2023.

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

The proposed dividend of £2.2m for the year ended 31 March 2023 of 0.74p per share was paid on 20 October 2023.

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 2023 £'000	Six months ended 30 September 2022 £'000	Year ended 31 March 2023 £'000
Earnings for the purposes of basic and diluted earnings per share	**1,274**	2,258	4,637
Earnings for the purposes of adjusted basic and diluted earnings per share[1]	**3,084**	3,128	5,802

1. Calculated using tax rate of 25% in all years

Reconciliation of earnings for the purposes of adjusted basic and diluted earnings per share

	H1 FY24 £'000	H1 FY23 £'000	FY23 £'000
Earnings for the purposes of basic and diluted earnings per share	**1,274**	2,258	4,637
Taxation	**274**	682	383
Amortisation of acquired intangible assets	**1,237**	1,237	2,473
Expenses relating to share option schemes	**412**	(6)	40
Exceptional legal and restructuring costs	**916**	-	203
Adjusted profit before tax	**4,112**	4,171	7,736
Tax charge based on standard corporation tax rate of 25% (2023: 25%)	**(1,028)**	(1,043)	(1,934)
Earnings for the purposes of adjusted basic and diluted earnings per share	**3,084**	3,128	5,802

Denominator	**Six months ended 30 September 2023 '000**	Six months ended 30 September 2022 '000	Year ended 31 March 2023 '000
Weighted average number of shares in issue in the period	**292,909**	292,893	292,893
Shares held by employee ownership plan	**(2,608)**	(2,062)	(2,338)
Number of shares used in calculating basic earnings per share	**290,302**	290,831	290,555
Dilutive effect of share options	**13,819**	12,428	9,210
Number of shares used in calculating diluted earnings per share	**304,121**	303,259	299,765

Profit per share	**H1 FY23 pence**	H1 FY22 Pence	FY23 Pence
Basic earnings per 0.25p share	**0.43**	0.77	1.58
Diluted earnings per 0.25p share	**0.42**	0.74	1.55
Adjusted earnings per 0.25p share	**1.05**	1.07	1.98
Adjusted diluted earnings per 0.25p share	**1.01**	1.03	1.94

4. Subsequent events to 30 September 2023

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