6 March 2024

NETCALL PLC
("Netcall", the "Company", or the "Group")

Interim results for the six months ended 31 December 2023

Cloud momentum driving growth

Netcall plc (AIM: NET), the leading provider of intelligent automation and customer engagement software, today announces its unaudited interim results for the six months ended 31 December 2023.

Financial highlights

	H1 FY24	H1 FY23	
Revenue	£18.9m	£17.5m	+8%
Cloud services revenue	£9.28m	£7.85m	+18%
Total annual contract value(1) (ACV)	£30.1m	£26.5m	+14%
Cloud services ACV	£20.3m	£17.1m	+19%
Underlying Cloud Net Retention Rate(2)	119%	119%	
Adjusted EBITDA(3)	£4.83m	£4.43m	+9%
Profit before tax	£3.87m	£2.41m	+61%
Adjusted basic earnings per share	2.08p	1.86p	+12%
Group cash at period end	£28.6m	£20.4m	+40%

Operational highlights

- Cloud subscriptions remain the primary driver of growth, with cloud services revenue growing by 18% to £9.28m and accounting for 88% of new bookings.
- New customers drove strong demand, representing 33% of new cloud bookings, an increase of 11 percentage points from the prior period.
- With cloud subscriptions growing, the proportion of Group revenues that are recurring has increased by 4 percentage points to 75%, leading to strong cash flow generation.
- Strong demand for cloud contact centre solutions which accelerated growth in Customer Engagement revenue.
- Continued expansion of revenues within the existing base, reflected in the cloud net retention rate of 111% or 119% excluding the effect of the significant contract win announced in June 2022 and renewed in July 2023.
- Growing number of customers and partners deploying Liberty AI capabilities.
- Board succession and executive leadership changes as previously announced are now complete, ensuring continuing, effective leadership of the Company.
- Acquisition of Skore Labs Limited ("Skore"), completed after the period, enhancing the Group's product offering and increasing both the market opportunity and cross-sell potential.
- The Board is confident in delivering on its expectations and completing another successful year.

James Ormondroyd, Chief Executive, said:

"These results reflect a good start to the year, with strong uptake of our Cloud offering from new and existing customers. This growing base of cloud subscriptions is providing increased visibility and cash flows, supporting continued investment into our business.

"We are pleased to have acquired Skore post period end, bringing a highly complementary bolt-on solution and enhancing our offering as a one-stop-shop digital transformation toolkit. We are seeing good early interest for our combined offering across our joint customer bases.

"We enter the second half with continued positive trading momentum, a higher base of recurring revenues and a healthy pipeline of opportunities. This, combined with a programme of continued product enhancements to unlock new growth opportunities, gives us confidence in the Group's continued success."

(1) ACV, as at a given date, is the total of the value of each cloud and support contract divided by the total number of years of the contract (save that the contract renewal announced on 20 July 2023 was included in FY23 ACV at the annual amount of $4m).

(2) Cloud Net Retention Rate is calculated by starting with the Cloud ACV from all customers twelve months prior to the period end and comparing it to the Cloud ACV from the same customers at the current period end. The current period ACV includes any upsells and is net of contraction or churn over the trailing twelve months but excludes ACV from new customers in the current period. The Cloud net retention rate is the total current period ACV divided by the total prior period ACV. The underlying cloud net retention rate is calculated excluding the impact of the significant contract win announced in June 2022 and renewed in July 2023 (see note 8 for additional information).

(3) Profit before interest, tax, depreciation and amortisation adjusted to exclude the effects of share-based payments, acquisition related costs, impairment, profit or loss on disposals, contingent consideration and non-recurring transaction costs.

Enquiries:

Netcall plc **Tel. +44 (0) 330 333 6100**

James Ormondroyd, CEO
Henrik Bang, Chair
Richard Hughes, CFO

Canaccord Genuity Limited (Nominated Adviser and Joint Broker) **Tel. +44 (0) 20 7523 8000**

Simon Bridges/ Andrew Potts

Singer Capital Markets (Joint Broker)

Harry Gooden / Asha Chotai **Tel. +44 (0) 20 7496 3000**

Alma Strategic Communications **Tel. +44 (0) 20 3405 0205**

Caroline Forde / Hilary Buchanan / Robyn Fisher

About Netcall:

Netcall's Liberty software platform with Intelligent Automation and Customer Engagement solutions helps organisations digitally transform their businesses faster and more efficiently, empowering them to create a leaner, more customer-centric organisation.

Netcall's customers span enterprise, healthcare and government sectors. These include two-thirds of the NHS Acute Health Trusts and leading corporates including Legal and General, Lloyds Banking Group, Aon and Santander.

For further information, please go to www.netcall.com.

Overview

The Group delivered a good performance for the six months to 31 December 2023, in line with management expectations. Revenue for the first half increased 8% to £18.9m (H1-FY23: £17.5m) delivering adjusted EBITDA growth of 9% to £4.8m (H1-FY23: £4.4m).

Netcall's cloud offerings, which help businesses to modernise their operations, reduce costs and enhance customer experience, continued to drive growth in the first half of the financial year. Cloud services revenue rose by 18% to £9.28m and cloud subscriptions accounted for 88% of new bookings in the period.

This resulted in an increase in Cloud ACV and Total ACV by 19% and 14% respectively to £20.3m and £30.1m, providing visibility of future revenue performance. On an underlying basis, these growth rates were 28% and 19%, excluding the significant contract announced in June 2022 and renewed in July 2023.

Customer acquisition was robust in the period, with 33% of new cloud bookings from new customers (H1-FY23: 22%). The Group also continues to expand its revenues within the existing base, reflected in the cloud net retention rate of 111% or 119% on an underlying basis (H1-FY23: 149% and 119% respectively).

Almost one quarter of Customer Engagement customers are now integrating both Customer Engagement and Intelligent Automation solutions, highlighting both the stickiness of the Group's existing client base and the significant potential for further cross-selling opportunities as customers choose to further embed Netcall's solutions into their platforms.

Investment in the Group's established growth strategies is ongoing, including a regular pace of product enhancements which continue to unlock new growth opportunities. The previously announced investment programme into the cloud-based Customer Engagement solutions to address the growing demand has commenced. As planned, the costs of this programme will be weighted toward the second half of FY24 and should position the Group to enjoy further growth thereafter.

The Group's platform roadmap has been accelerated by the acquisition of Skore, a highly complementary technology that enhances the Liberty offering. This acquisition has strengthened Netcall's position as a one-stop-shop digital transformation toolkit, providing increased cross-selling potential and an expanded market opportunity. The Skore offering has now been launched to the existing Netcall customer base and technology integration into the Liberty platform is progressing as planned.

With Cloud accounting for a larger proportion of the overall business, the Group's recurring revenues are rising strongly, leading to improved cash flow generation. The Group's cash position increased to £28.6m at the end of the period (30 June 2023: £24.8m), with no debt on its balance sheet.

Current Trading and Outlook

The Group has maintained its positive momentum in the beginning of the second half. The acquisition of Skore, after the period end, enhanced the Group's product offering and opens up new business opportunities. With its organic investment strategies and a programme of continued product enhancements to unlock new growth opportunities, Netcall is well-positioned to seize the growing market opportunity. The sustained momentum for Cloud is driving growth of predictable recurring revenue, with the contracted base of revenue yet to be recognised increasing to £58m.

Netcall continues to benefit from favourable market drivers, including the rapid acceleration of cloud and AI technologies. This, coupled with a robust balance sheet, a higher base of recurring revenues and a healthy order book, provides the Board with confidence in the Group's ongoing success.

Business Review

Netcall helps customers implement their digital strategies successfully, creating more intelligent, efficient, and customer-centric organisations. This enhances their overall effectiveness, competitiveness, and sustainability across industries, from councils and hospitals to financial institutions, as they all strive to deliver better outcomes for their stakeholders.

Netcall's Liberty platform addresses these demands by combining Intelligent Automation and Customer Engagement software in a one-stop-shop digital transformation toolkit. It integrates process mapping and analysis, low-code, RPA, contact centre and AI solutions to enable rapid process automation, operational efficiencies, and improved customer experience.

The Liberty platform's distinctive feature is unifying complementary solution categories which work together to support the implementation of successful automation programmes. The availability of Intelligent Automation and Customer Engagement technologies on one, easy-to-use platform with the inclusion of industry specific implementations continues to provide competitive differentiation in the market.

Through the acquisition of Skore post period end, Netcall added process mapping and analysis to the Liberty platform toolkit, a key foundation component of business process automation. This enables users to rapidly map processes, identify problems and opportunities for optimisation, and drive operational improvements. By integrating process mapping with Liberty's existing low-code application capabilities, customers can map and then automate processes faster and easier, increasing Liberty's addressable market and providing significant cross-selling potential across Netcall's existing customer base.

Strategy

Netcall actively pursues market opportunities through a four-pillar growth strategy: acquire new customers, expand within the existing customer base, innovate products continuously, and expand the partner network.

The Group focuses primarily on financial services, healthcare, and public sector industries, which contributed 89% of the Group's total revenues during the period. Netcall principally targets customers with complex operations, large customer and employee bases, and many stakeholders, often facing an extensive regulatory landscape.

The Liberty platform's adaptability and its seamless integration with cloud services enable customers to increase their platform usage, supporting their expansion objectives.

Netcall continues to maintain high customer satisfaction and employee engagement levels in the period, providing a strong foundation for future growth of the business.

Customer base expansion

New customer acquisition was robust in the period as more organisations across sectors chose to partner with Netcall on their digital transformation journeys. Orders for Cloud services drove the new wins, especially sales of the Group's cloud contact centre solution. The growing customer base lays the foundations from which to grow long-term and valuable relationships.

The Group saw particularly good demand in healthcare in the period through its Patient Hub solution, with several new customer wins. An example is a recent contract with NHS Devon where Netcall is providing a waiting list solution across the customer's care area with a population of 1.3 million people.

The Group also continues to see momentum in additional industry segments. A highlight in the period is Transport for London (TfL), who partnered with Netcall to deploy a product acceptance solution, which manages certification for TfL of equipment and vehicles used on the underground network. This app is already in use by Network Rail, who shared it with TfL to speed up their deployment.

Land and expand

The Group's land-and-expand strategy has remained a central focus and cross/upselling products continues to be a source of value, as customers increasingly deploy upgrades and new Netcall solutions. This is reflected in the consistently high cloud net retention rate of 111% or 119% on an underlying basis.

The proportion of Customer Engagement customers who have also purchased Intelligent Automation solutions continues its progression, up 2 percentage points to 23%, with the average increase in contract value of a customer taking both solutions being on average 3x that of a standalone Customer Engagement contract.

In addition, on-premise contact centre customers migrating to Netcall's cloud environment in order to leverage greater flexibility and lower operating costs is a growing trend, resulting in an approximately 60% uplift in annual contract values. This trend is reflected in the strong growth now coming through the reported financials in Customer Engagement revenue, up 9% in the period, driven in part by a 43% increase in cloud contact centre revenue.

Growing the partner channel

Netcall has established a partner network that includes large global advisory firms and niche technology specialists. This network enables the Group to access new markets and opportunities in the UK and overseas. Throughout the period, Netcall's partner network has continued to grow, and sales via indirect channels accounted for 20% of order bookings. The Group signed up six new partners in the period, bringing the total number of signed partners to more than 40. The Board remains committed to its strategic priority of expanding this network with a focus on improving delivery capabilities for partners.

Innovation and product development

Underpinning the Group's broadening and deepening customer base is a continuous pace of innovative product development and platform expansion to offer customers enhanced features and capabilities. This supports the Group's land-and-expand strategy, unlocking opportunities for new customer acquisition as well as cross- and up-selling through new product functionalities.

Customers using the Netcall Liberty platform benefit from this strategy. They receive regular updates and new features that improve their platform experience. The enhancements also included customer requests, upvoted by peers in the Netcall Community Ideas Portal, in releases within the period. This supports the Group's mission of being a partner to its customers on their digital transformation journey.

Netcall's Liberty AI is an innovative artificial intelligence solution that enables customers to easily integrate custom or pre-trained AI models in their applications or interactions. A growing number of customers and partners are deploying Liberty AI capabilities, together with an increasing level of sales engagements exploring how AI can unlock value for customers. Liberty AI is set to include generative AI features that will allow customers to enrich their engagement and automation apps with chat summarisation, topic extraction, and sentiment analysis. These features are expected to launch in Q2 / Q3 2024, followed by more functionality throughout the year.

The Group regularly updates its industry-tailored offerings built on the Liberty platform, or 'hubs', to meet the evolving needs of its customers. The Group's hubs include Citizen Hub and Tenant Hub, which are full-stack, low-code case management, workflow and process automation solutions for councils and housing providers; and Patient Hub, a patient engagement portal that offers appointment notifications, waiting list validation, patient initiated follow up and NHS App integration.

New applications for these hubs are planned for the second half of the year, which are expected to generate additional revenue streams. These include Diagnostic Booking, which automates appointment booking for scans; and Rent-IQ, which assists housing providers to proactively manage rent arrears.

Skore's process discovery and mapping solution is currently being integrated into the Liberty platform and is expected to be available by April 2024. The product development roadmap includes introducing industry-specific process templates, as well as using AI within Liberty to make process mapping and automation efficient and smarter.

Financial Review

Year-on-year growth in ACV is a key financial metric monitored by the Board. This reflects the annual value of new business won, together with upsell and cross-sell into the Group's existing customer base, less any customer contraction or cancellation. ACV is a key metric for the Group, as it is a leading indicator of future revenue.

The Group continues its transition to a digital cloud business with Cloud ACV 19% higher at £20.3m (H1-FY23: £17.1m). Cloud ACV growth, driven by the Group's successful land-and-expand strategy, contributed to a 14% year-on-year increase in Total ACV to £30.1m (H1-FY23: £26.5m). This marks a milestone for the Group, as it surpasses the £30m threshold for the first time. Underlying Cloud and Total ACV growth, excluding the significant contract renewal announced in July 2023, was 28% and 19% respectively (see note 8 for further information).

The table below sets out ACV for the last three reporting periods:

£'m ACV	H1-FY24	FY23	H1-FY23
Cloud services	20.3	18.1	17.1
Product support contracts	9.8	9.8	9.4
Total	**30.1**	**27.9**	**26.5**

Group revenue rose by 8% to £18.9m (H1-FY23: £17.5m). On an underlying basis, revenue growth increased by 3 percentage points from 8% in H1-FY23 to 11% in the current period. Intelligent Automation solutions' revenue grew by 7% to £9.64m, or 14% on an underlying basis. Customer Engagement solutions' revenue increased by 9% to £9.05m, up from 4% in H1-FY23, underpinned by significant growth in cloud contact centre subscription revenue of 43% to £2.50m (H1-FY23: 17% to £1.74m).

The table below sets out revenue by component for the last three interim periods:

£'m Revenue	H1-FY24	H1-FY23	H1-FY22
Cloud services	9.3	7.8	4.9
Product support contracts	4.9	4.6	4.4
Total Cloud services & Product support contracts	**14.2**	**12.4**	**9.4**
Communication services	1.3	1.3	1.5
Product	1.0	1.2	1.1
Professional services	2.4	2.6	2.7
Total Revenue	**18.9**	**17.5**	**14.7**

Revenue from Cloud services (subscription and usage fees of our cloud-based offerings) was 18% higher at £9.28m (H1-FY23: £7.85m). Product support contracts also grew by 7% to £4.93m (H1-FY23: £4.61m). As a result, recurring revenues from these services accounted for 75% of total revenue, up from 71% in the first half of the last financial year.

Communication services revenue, which consists of fees for telephony and messaging services, was £1.32m (H1-FY23: £1.31m).

Product revenue for software license sales and supporting hardware decreased as expected by 20% to £0.97m (H1-FY23: £1.21m) as more customers opted for cloud solutions over on-premises ones. We anticipate this trend to persist in the future.

Professional services revenue was £2.42m (H1-FY23: £2.55m). This revenue stream varies depending on the ratio of direct and indirect sales, and whether the customer demand is for full application development or support for their own development teams. Additionally, our partners have the option to provide professional services to customers, whether they sell our products directly or indirectly.

Group Remaining Performance Obligations ("RPO"), being the total of future contracted revenue with customers that have not yet been recognised, inclusive of deferred income, increased 6% to £58.0m

(H1-FY23: £54.5m) demonstrating the material amount of revenue available to the Company to be recognised in future periods. Within this, current RPO, being revenue due to be recognised within the next 12-months, increased by 6% to £31.8m (H1-FY23: £30.0m) or 14% on an underlying basis.

The Group's adjusted EBITDA increased by 9% to £4.83m (H1-FY23: £4.43m), a margin of 26% of revenue (H1-FY23: 25%). The higher margin reflecting an increased contribution from Cloud services in the period, before an expected short-term margin reduction in future periods from the Group's investment programme into its cloud Customer Engagement offering.

The higher adjusted EBITDA led to a 42% increase in operating profit to £3.47m (H1-FY23: £2.45m) with charges for depreciation and amortisation being broadly level compared to the previous period. The share-based payment charge for the period was £0.31m, which was £0.21m lower than the prior period (H1-FY23: £0.52m). The Group did not incur any charges for post completion services in the period (H1-FY23: £0.37m).

As a result, profit before tax was 61% higher at £3.87m (H1-FY23: £2.41m).

The Group recorded a tax charge of £0.30m (H1-FY23: credit £15,000). The effective rate of tax is lower than the headline rate of corporation tax as the Group utilised tax losses that were previously unrecognised as deferred tax assets. The Group also benefited from tax relief from the exercise of share options during the period.

Basic earnings per share was 40% higher at 2.23 pence (H1-FY23: 1.59 pence) and increased by 12% to 2.08 pence on an adjusted basis (H1-FY23: 1.86 pence). Diluted earnings per share was 42% higher at 2.14 pence (H1-FY23: 1.51 pence) and increased by 12% to 1.99 pence on an adjusted basis (H1-FY23: 1.77 pence).

Cash generated from operating activities was £5.13m (H1-FY23: £5.21m), being a conversion of 106% of adjusted EBITDA (H1-FY23: 118%).

Spending on research and development, including capitalised software development, increased by 7% to £2.67m (H1-FY23: £2.50m) of which capitalised software expenditure was £1.15m (H1-FY23: £1.14m).

Total capital expenditure was £1.24m (H1-FY23: £1.52m); the balance after capitalised development, being £0.09m (H1-FY23: £0.38m) relating to routine IT equipment purchases.

Group cash at the end of the period was £28.6m (30 June 2023: £24.8m), representing a 15% increase on the year-end position. Net funds, stated after including lease liabilities, were £28.1m at 31 December 2023 (30 June 2023: £24.3m). The Company has no debt on its balance sheet.

A final dividend of 0.83 pence per share for the year ended 30 June 2023 was approved by shareholders at the AGM on 19 December 2023. The amount payable, which was £1.34m, is included as a liability in the 31 December 2023 balance sheet and was paid on 9 February 2024.

Unaudited consolidated income statement for the six months to 31 December 2023

£'000	Unaudited Six months to 31 December 2023	Unaudited Six months to 31 December 2022	Audited 12 months to 30 June 2023
Revenue	**18,914**	**17,532**	**36,040**
Cost of sales	(2,518)	(2,922)	(5,768)
Gross profit	**16,396**	**14,610**	**30,272**
Administrative expenses	(12,949)	(12,257)	(26,522)
Other gains/(losses) - net	18	100	62
Adjusted EBITDA	**4,828**	**4,433**	**8,003**
Depreciation	(188)	(189)	(377)
Amortisation of acquired intangible assets	(261)	(261)	(522)
Amortisation of other intangible assets	(603)	(649)	(1,287)
Post-completion services	-	(366)	(365)
Share-based payments	(311)	(515)	(1,640)
Operating profit	**3,465**	**2,453**	**3,812**
Finance income	422	102	344
Finance costs	(13)	(144)	(155)
Finance income/(costs) – net	**409**	**(42)**	**189**
Profit before tax	**3,874**	**2,411**	**4,001**
Tax (charge)/ credit	(295)	15	205
Profit for the period	**3,579**	**2,426**	**4,206**
Earnings per share – pence			
Basic	2.23	1.59	2.69
Diluted	2.14	1.51	2.52

All activities of the Group in the current and prior periods are classed as continuing. All of the profit for the period is attributable to the shareholders of Netcall plc.

Unaudited statement of comprehensive income for the six months to 31 December 2023

£'000	Unaudited Six months to 31 December 2023	Unaudited Six months to 31 December 2022	Audited 12 months to 30 June 2023
Profit for the period	**3,579**	**2,426**	**4,206**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations	-	1	8
Total other comprehensive income for the period	**-**	**1**	**8**
Total comprehensive income for the period	**3,579**	**2,427**	**4,214**

All of the comprehensive income for the period is attributable to the shareholders of Netcall plc.

Unaudited consolidated balance sheet at 31 December 2023

£'000	Unaudited 31 December 2023	Unaudited 31 December 2022	Audited 30 June 2023
Assets			
Non-current assets			
Property, plant and equipment	668	727	699
Right-of-use assets	422	363	298
Intangible assets	30,737	30,224	30,453
Deferred tax asset	1,456	1,240	1,767
Financial assets at fair value through other comprehensive income	72	72	72
Total non-current assets	**33,355**	**32,626**	**33,289**
Current assets			
Inventories	13	128	31
Other current assets	2,515	2,541	2,333
Contract assets	292	905	599
Trade receivables	3,577	3,663	4,468
Other financial assets at amortised cost	95	34	57
Cash and cash equivalents	28,618	20,419	24,753
Total current assets	**35,110**	**27,690**	**32,241**
Total assets	**68,465**	**60,316**	**65,530**
Liabilities			
Non-current liabilities			
Contract liabilities	691	675	787
Lease liabilities	416	353	292
Deferred tax liabilities	1,272	1,079	1,151
Total non-current liabilities	**2,379**	**2,107**	**2,230**
Current liabilities			
Trade and other payables	6,995	7,906	7,232
Dividend payable	1,338	839	-
Contract liabilities	19,826	16,843	20,578
Lease liabilities	108	119	113
Total current liabilities	**28,267**	**25,707**	**27,923**
Total liabilities	**30,646**	**27,814**	**30,153**
Net assets	**37,819**	**32,502**	**35,377**
Equity attributable to the owners of Netcall plc			
Share capital	8,157	7,993	8,108
Share premium	5,574	5,574	5,574
Other equity	4,900	4,900	4,900
Other reserves	3,040	3,827	3,056
Retained earnings	16,148	10,208	13,739
Total equity	**37,819**	**32,502**	**35,377**

Unaudited consolidated statement of changes in equity at 31 December 2023

£'000	Share capital	Share premium	Other equity	Other reserves	Retained earnings	Total equity
Balance at 30 June 2022	**7,587**	**3,015**	**4,900**	**4,462**	**7,454**	**27,418**
Proceeds from share issue	406	2,559	-	-	-	**2,965**
Increase in equity reserve in relation to options issued	-	-	-	392	-	**392**
Reclassification following exercise or lapse of share options	-	-	-	(1,167)	1,167	**-**
Tax credit relating to share options	-	-	-	139	-	**139**
Dividends declared	-	-	-	-	(839)	**(839)**
Transactions with owners	**406**	**2,559**	**-**	**(636)**	**328**	**2,657**
Profit for the period	-	-	-	-	2,426	**2,426**
Other comprehensive income for the period	-	-	-	1	-	**1**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**1**	**2,426**	**2,427**
Balance at 31 December 2022	**7,993**	**5,574**	**4,900**	**3,827**	**10,208**	**32,502**
Proceeds from share issue	115	-	-	-	-	**115**
Increase in equity reserve in relation to options issued	-	-	-	707	-	**707**
Reclassification following exercise or lapse of share options	-	-	-	(1,751)	1,751	**-**
Tax credit relating to share options	-	-	-	266	-	**266**
Transactions with owners	**115**	**-**	**-**	**(778)**	**1,751**	**1,088**
Profit for the period	-	-	-	-	1,780	**1,780**
Other comprehensive income for the period	-	-	-	7	-	**7**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**7**	**1,780**	**1,787**
Balance at 30 June 2023	**8,108**	**5,574**	**4,900**	**3,056**	**13,739**	**35,377**
Proceeds from share issue	**49**	**-**	**-**	**-**	**-**	**49**
Increase in equity reserve in relation to options issued	**-**	**-**	**-**	**288**	**-**	**288**
Reclassification following exercise or lapse of share options	**-**	**-**	**-**	**(168)**	**168**	**-**
Tax charge relating to share options	**-**	**-**	**-**	**(136)**	**-**	**(136)**
Dividends declared	**-**	**-**	**-**	**-**	**(1,338)**	**(1,338)**
Transactions with owners	**49**	**-**	**-**	**(16)**	**(1,170)**	**(1,137)**
Profit for the period	**-**	**-**	**-**	**-**	**3,579**	**3,579**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**-**	**3,579**	**3,579**
Balance at 31 December 2023	**8,157**	**5,574**	**4,900**	**3,040**	**16,148**	**37,819**

Unaudited consolidated cash flow statement for the six months to 31 December 2023

£'000	Unaudited Six months to 31 December 2023	Unaudited Six months to 31 December 2022	Audited 12 months to 30 June 2023
Cash flows from operating activities			
Profit before income tax	3,874	2,411	4,001
Adjustments for:			
Depreciation and amortisation	1,052	1,099	2,186
Share-based payments	311	515	1,640
Finance (income)/costs - net	(409)	42	(189)
Other non-cash expenses	-	6	6
Changes in operating assets and liabilities, net of effects from acquisition of subsidiaries:			
Decrease/ (increase) in inventories	18	(91)	7
Decrease/ (increase) in trade receivables	890	41	(765)
Decrease/ (increase) in contract assets	307	(15)	281
Increase in other financial assets at amortised cost	(39)	(27)	(49)
(Increase)/ decrease in other current assets	(179)	207	416
Decrease in trade and other payables	(264)	(62)	(1,148)
(Decrease)/ increase in contract liabilities	(847)	988	4,835
Cash generated from operations	**4,714**	**5,114**	**11,221**
Analysed as:			
Cash flows from operations before post completion service consideration payments	**4,714**	**5,137**	**11,597**
Payment of post completion service consideration	-	(23)	(376)
Interest received	422	102	344
Interest paid	(4)	(4)	(8)
Income taxes paid	-	-	-
Net cash inflow from operating activities	**5,132**	**5,212**	**11,557**
Cash flows from investing activities			
Payment for property, plant and equipment	(92)	(363)	(458)
Payment of software development costs	(1,147)	(1,138)	(2,267)
Payment for other intangible assets	-	(19)	(19)
Net cash outflow from investing activities	**(1,239)**	**(1,520)**	**(2,744)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	49	2,965	3,079
Interest paid on Loan Notes	-	(202)	(204)
Repayment of borrowings	-	(3,500)	(3,500)
Lease payments	(78)	(140)	(214)
Dividends paid to Company's shareholders	-	-	(839)
Net cash outflow from financing activities	**(29)**	**(877)**	**(1,678)**
Net increase in cash and cash equivalents	**3,864**	**2,815**	**7,135**
Cash and cash equivalents at beginning of period	24,753	17,605	17,605
Effects of exchange rate changes on cash and cash equivalents	1	(1)	13
Cash and cash equivalents at end of period	**28,618**	**20,419**	**24,753**

Notes to the financial information for the six months ended 31 December 2023

1. General information
Netcall plc (AIM: “NET”, “Netcall”, “Group” or the “Company”) is a leading provider of intelligent automation and customer engagement software. It is a public limited company which is quoted on AIM (a market of the London Stock Exchange). The Company’s registered address is Suite 203, Bedford Heights, Brickhill Drive Bedford, UK MK41 7PH and the Company’s registered number is 01812912.

2. Basis of preparation
The Group interim results consolidate those of the Company and its subsidiaries (together referred to as the ‘Group’). The principal trading subsidiaries of Netcall are Netcall Technology Limited and Netcall Systems Limited.

These condensed half year financial statements for the six months ended 31 December 2023 have been prepared in accordance with the AIM Rules for Companies and should be read in conjunction with the annual financial statements for the year ended 30 June 2023, which has been prepared in accordance with UK-adopted international accounting standards.

This results announcement is unaudited and does not constitute statutory accounts of the Group within the meaning of sections 434(3) and 435(3) of the Companies Act 2006 (the ‘Act’). The balance sheet at 30 June 2023 has been derived from the full Group accounts published in the Annual Report and Accounts 2023, which has been delivered to the Registrar of Companies and on which the report of the independent auditors was unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Act.

The results have been prepared in accordance with the accounting policies set out in the Group’s 30 June 2023 statutory accounts.

The results for the six months ended 31 December 2023 were approved by the Board on 5 March 2024. A copy of these interim results will be available on the Company’s web site www.netcall.com from 6 March 2024.

The principal risks and uncertainties faced by the Group have not changed from those set out on pages 11 and 12 of the annual report for the year ended 30 June 2023.

3. Segmental analysis
The Board considers that there is one operating business segment being the design, development, sale and support of software products and services, which is consistent with the information reviewed by the Board when making strategic decisions. Resources are reviewed on the basis of the whole of the business performance.

The key segmental measure is adjusted EBITDA which is profit before interest, tax, depreciation, amortisation, acquisition and reorganisation expenses and share-based payments, a reconciliation of which is set out on the consolidated income statement.

4. Earnings per share
The basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding those held in treasury:

	Six months to 31 December 2023	Six months to 31 December 2022	12 months to 30 June 2023
Net earnings attributable to ordinary shareholders (£’000s)	3,579	2,426	4,206
Weighted average number of ordinary shares in issue (000s)	160,545	152,869	156,352
Basic earnings per share (pence)	**2.23**	**1.59**	**2.69**

The diluted earnings per share has been calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of shares in issue during the period, adjusted for potentially dilutive shares that are not anti-dilutive.

	Six months to 31 December 2023	Six months to 31 December 2022	12 months to 30 June 2023
Weighted average number of ordinary shares in issue (000s)	160,545	152,869	156,352
Adjustments for share options (000s)	6,818	7,775	10,630
Weighted average number of potential ordinary shares in issue (000s)	167,363	160,644	166,982
Diluted earnings per share (pence)	**2.14**	**1.51**	**2.52**

Adjusted basic and diluted earnings per share have been calculated to exclude the effect of acquisition, contingent consideration and reorganisation costs, share-based payment charges, amortisation of acquired intangible assets and with a normalised rate of tax. The Board believes this gives a better view of ongoing maintainable earnings. The table below sets out a reconciliation of the earnings used for the calculation of earnings per share to that used in the calculation of adjusted earnings per share:

£'000s	Six months to 31 December 2023	Six months to 31 December 2022	12 months to 30 June 2023
Profit used for calculation of basic and diluted EPS	**3,579**	**2,426**	**4,206**
Share based payments	311	515	1,640
Post-completion services	-	366	365
Amortisation of acquired intangibles	261	261	522
Unwinding of discount - contingent consideration & borrowings	-	29	29
Tax adjustment	(817)	(749)	(1,548)
Profit used for calculation of adjusted basic and diluted EPS	**3,334**	**2,848**	**5,214**

Pence	Six months to 31 December 2023	Six months to 31 December 2022	12 months to 30 June 2023
Adjusted basic earnings per share	**2.08**	1.86	3.33
Adjusted diluted earnings per share	**1.99**	1.77	3.12

5. Dividends

Dividends paid or declared during the period were as follows:

Six months to December 2023	Paid	Pence per share	Cash flow statement (£'000)	Statement of changes in equity (£'000)	December 2023 balance sheet (£'000)
Final ordinary dividend for year to June 2023[(1)]	09/2/24	0.83p	-	1,338	1,338
			-	**1,338**	**1,338**

Six months to December 2022	Paid	Pence per share	Cash flow statement (£'000)	Statement of changes in equity (£'000)	December 2022 balance sheet (£'000)
Final ordinary dividend for year to June 2022	31/1/23	0.54p	-	839	839
			-	**839**	**839**

[(1)] The final ordinary dividend for the year ended 30 June 2023 was approved at the Annual General Meeting held on 19 December 2023.

6. Net funds reconciliation

£’000	31 December 2023	31 December 2022	30 June 2023
Cash and cash equivalents	28,618	20,419	24,753
Lease liabilities	(524)	(472)	(405)
Net funds	**28,094**	**19,947**	**24,348**

7. Post period-end acquisition

Following the end of the period, on 23 January 2024, Netcall acquired Skore Labs Limited (“Skore”), a cloud-based business process discovery software provider.

For the year ended 31 December 2023, Skore’s revenues grew 96% to £449k (2022: £229k) with an adjusted EBITDA loss of £55k (2022: loss of £159k) (figures from unaudited managements accounts). Annual recurring revenue (ARR) from cloud subscriptions increased by 179% to £651k (2022: £233k).

The value of initial consideration is £2.0m comprising:

	£’000
Initial cash consideration	1,800
Hold back cash consideration	200
	2,000

The hold back element of initial consideration is payable 12-months from the date of acquisition.

The contingent consideration of up to £4.0 million and is payable subject to Skore achieving contracted annualised value of software subscriptions ("Annualised Subscription Value") growth from £0.6 million to £2.0 million within three years of acquisition. The payment will be pro-rata, measured annually, and paid 50% in cash and 50% in Netcall shares with elements of both deferred until the end of the earnout period. Any Netcall shares issued will be subject to a 12-month lock-in for the management shareholders of Skore. The balance of the earnout contingent consideration is payable in cash and is dependent on achieving a minimum level of Annualised Subscription Value in the earnout period.

8. Additional information

Management also presents underlying measures of both Total and Cloud ACV which excludes the impact of the contract win and renewal announced on 10 June 2022 and 20 July 2023.

£’m	31 December 2023	31 December 2022	30 June 2023
Total ACV	30.1	26.5	27.9
Effect of contract win and renewal	(2.6)	(3.3)	(2.6)
Total underlying ACV	**27.5**	**23.2**	**25.3**

£’m	31 December 2023	31 December 2022	30 June 2023
Cloud ACV	20.3	17.1	18.1
Effect of contract win and renewal	(2.6)	(3.3)	(2.6)
Cloud underlying ACV	**17.7**	**13.8**	**15.5**