

12 March 2024

**Fonix Mobile plc**  
("Fonix" or the "Company")

**Interim Results for the six months ended 31 December 2023**

*Strong trading momentum continues with further  
international growth opportunities*

Fonix, the UK focused mobile payments and messaging company, is pleased to announce its unaudited interim results for the six months to 31 December 2023 (the "Period").

**Financial Highlights**

	<b>HI FY24</b>	<b>HI FY23</b>	<b>Change</b>
Gross profit	£9.2m	£7.8m	+17.9%
Adjusted EBITDA <sup>1</sup>	£7.3m	£6.2m	+17.7%
Interim DPS	2.60p	2.36p	+10.2%
Adjusted PBT <sup>2</sup>	£7.4m	£5.9m	+25.4%
Adjusted EPS <sup>3</sup>	5.7p	4.9p	+16.3%
Underlying cash at period end <sup>4</sup>	£11.2m	£8.4m	+33.3%
Net underlying free cash flows from operating activities <sup>4</sup>	£6.6m	£5.5m	+20.0%

**Operational Highlights**

- Record levels of commercial trade were achieved in December.
- New Subscription Manager product has now been released in preparation for major charity events in 2024.
- Fonix continues to maintain high client retention, with over 99% of income of a repeating nature.
- 100% platform uptime throughout the Period whilst supporting record levels of transactions and consumer engagement.
- Fonix's key service lines have each grown in the Period and the business retains a significant pipeline of enterprise prospects going into H2 FY24.

- Increased interim dividend of 2.6p (FY23: 2.36p) per share, in line with the company's progressive dividend policy to pay out at least 75% of adjusted EPS.
- Underlying free cash at £11.2m (HI FY23: £8.4m) at the Period end, with the Board considering options for use of surplus cash, which may be returned to shareholders in the form of a special dividend or further share buy-backs.

## **Outlook**

The second half of the year has started strongly with performance in line with recently upgraded expectations. As was the case in previous years, we are expecting gross profit to be slightly weighted towards the first half of this financial year, due to some seasonality in the trade of our significant media customers.

In line with our growth plans, we will continue to invest more in future growth, with further investment into product as well as investments in organic international growth, as we look to continue to deliver sustainable, highly profitable growth for our shareholders.

The Company has a strong pipeline of commercial opportunities, including significant enterprise deals in the UK and overseas, which provides the Board with confidence in the ongoing success of the business. We look forward to updating shareholders at the appropriate time as we progress through the current financial year.

## **Notes**

<sup>1</sup> Adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit.

<sup>2</sup> Adjusted PBT is profit before tax excluding share-based payment charges.

<sup>3</sup> Adjusted EPS is earnings per share excluding share-based payment charges.

<sup>4</sup> Underlying cash is actual cash excluding cash held on behalf of customers.

## **Rob Weisz, CEO, commented:**

*"We've made excellent progress on our strategic priorities in the period, once again nurturing significant growth from both established clients and newly onboarded customers alike."*

*As we have begun to explore overseas markets we have identified territories with favourable market dynamics and exciting growth potential. At the same time we have continued to add significant additional depth to our product offering, expanding our competitive advantage and creating the founding dimensions for growth into the future."*

## **Enquiries**

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## **About Fonix**

Founded in 2006, Fonix provides mobile payments and messaging services for clients across media, telecoms, entertainment, enterprise and commerce.

When consumers make payments, they are charged to their mobile phone bill. This service can be used for ticketing, content, cash deposits and donations. Fonix's service works by charging digital payments to the mobile phone bill, either via carrier billing or SMS billing. Fonix also offers messaging solutions.

Based in London, Fonix is a fast growth business driven by blue chip clients such as ITV, Bauer Media, RTÉ, Global Media, Comic Relief and Children in Need to name a few.

## **CEO's review**

Fonix has continued to make strong progress on its strategic and financial goals in the first six months of the financial year, achieving double-digit period-on-period growth in gross margins and profitability. Gross profit growth has been particularly strong outside the UK where customers onboarded in the previous financial year have continued to see substantial growth this financial year.

Fonix's two core business lines of mobile payments and mobile messaging have each grown strongly in the period, increasing by 14% and 53% year-on-year respectively. Mobile payments remains the business's primary commercial focus and represented 82% (H1 FY23: 84%) of gross profits. Mobile messaging continued to grow strongly due to higher demand from existing customers, who increased their adoption of Campaign Manager's marketing capabilities, as well as strong demand from new clients.

Total Payment Value (TPV) represents the gross value of consumer spend on both commercial and charity customer services. TPV growth from Fonix's commercial clients remained strong in the period and was largely proportional to the increase in gross profits. Charity TPV grew marginally year-on-year as we started to see a slight recovery in the level of consumer giving this financial year.

## **Market opportunity**

The market for Fonix's services in our core markets continues to be significant and growing, with Fonix considered to be the leading provider of interactive services in both the UK & Ireland.

By maintaining our strategy of focusing on sectors where we see sustainable growth potential, we see many opportunities to expand our services into new geographical markets and broaden our business offering through the value chain of our existing customers. Through our collaborative customer relationships, our Campaign Manager product is gradually evolving to become agnostic to particular payment methods and messaging channels. This shift means that we increasingly view alternatives to mobile payments and SMS, such as debit card payments or WhatsApp messaging as opportunities for further growth and differentiation. Once again, working in partnership with our key customers, we are already on a journey of engineering these technologies into our core products.

## **Growth strategy**

Fonix continues to take a balanced approach to sustainable growth, looking to achieve a material percentage growth in gross profits, whilst ensuring we allocate ample resources to enhancing our products and geographical presence. Guided by this strategy, the company has bolstered its planned investment in product development and dedicated resources to facilitate international expansion.

The business has made good progress with each of its growth strategy pillars, which continue to guide our decision making and how we invest:

### **1. *Grow & deepen existing relationships***

Gross profits from key commercial customers have continued to grow solidly in the period, demonstrating the continued resilience of Fonix's business model in a challenging economic environment. We continue to forge deeper relationships with our biggest clients and find new commercial opportunities for growth from these accounts. At the same time, the majority of our larger customers now refer to Fonix as a 'partner' (rather than a supplier) signifying the collaborative nature of our relationship and emphasising the mutual trust, shared goals, and commitment to long-term success. These alliances remain one of Fonix's most understated competitive advantages. The company continues to have over 120 active customers.

In the Republic of Ireland we have further elevated our position in the market by helping coordinate the industry response to the proposed new gambling regulation bill, which has the potential to span into the governance of interactive services in the region. Whilst the new legislation may pose a risk to the operation of prize draw competition services in Ireland (as described in more detail on page 25 of the company's Annual report and Accounts 2023), our past experience of liaising with regulators in the UK has proved invaluable in helping us guide customers and operators on the best way to respond and engage with regulators.

### **2. *Take a disciplined sector focus***

We continue to take a sector focused approach to growth, leveraging our significant reference clients and partnerships, as well as building sophisticated industry specific features into our products.

The media sector remains the cornerstone of our business, comprising 80% of gross profits during the period. As well as advancing customer prospects in the UK and Ireland, media broadcasters also represent our primary commercial focus when exploring new international markets. Leveraging over a decade of significant product investment in this domain, Fonix

maintains a substantial competitive edge, positioning us favourably for expansion into new overseas territories.

This financial year has seen the beginning of a recovery in consumer donations to charity, suggesting the downward pressure from the cost of living crisis may be tapering off. The market for charity donations continues to be significant, and with carrier billing payments offering a 'near-free' commission model, coupled with Fonix's outstanding reference clients, there remains many more opportunities for expansion in this market.

Beyond media and charity, we continue to target a number of new opportunities in online services, particularly in gaming and e-mobility sectors, where we can clearly demonstrate the reduction in basket abandonment achieved by incorporating carrier billing as an alternative payment option in a consumer's checkout flow.

### **3. *Create sustainable, long-term profitability for shareholders***

Fonix continues to achieve material growth in gross profits and adjusted EBITDA, with both growing 17.9% and 17.7% respectively year-on-year in the period. With our core commercial focus remaining on large, multinational clients with relatively long sales cycles, and our priority on nurturing new clients to ensure that they are transacting to their full potential, we continue to take a considered approach to growth by balancing new business wins and international expansion efforts with driving transactions with existing clients. We believe this remains the best approach for providing a long-term return to shareholders.

### **4. *Be client and partner led with international expansion***

We continue to leverage our network of multinational clients and operator partnerships to establish direct connectivity in further overseas markets with the aim of launching services with a number of media clients in new international territories over the next few years. We are confident this is the best strategy for achieving sustainable, highly valued growth, where our domain expertise can be expanded into new markets.

As we explore international market opportunities, we have now identified several other European countries with well regulated markets, conducive to operating interactive services. These markets are typically characterised as having a few small incumbent providers with modest technological capabilities, often operating as minor divisions within larger organisations where interactive services are not a core strategic focus. These markets represent medium to long-term growth prospects for the business, instilling confidence in the board regarding the business' ability to sustain its international expansion strategy for years to come.

## **5. *Widen our technological and operational advantage***

We have continued to make a substantial investment in our world leading interactive services product, Campaign Manager, making significant user interface improvements, alongside adding support for subscriptions, Interactive Voice Response (IVR) voting and enhanced promotional offers to consumers. Having onboarded several new enterprise scale clients in 2023, the platform has sustained 100% uptime during the period, processing record levels of consumer transactions and interactions without interruption. Once more, the robustness and reliability of our technology in supporting high profile live events remains one of our key competitive advantages.

The business has continued to build on its exemplary reputation for compliance in the industry, extending our strong relationships with mobile operators and regulators in the UK to counterparts in Ireland. We strongly believe this trusted relationship with our partners continues to provide a pivotal role when winning new business and increases the barriers to entry to new providers looking to enter the market.

### **People**

The company takes immense pride in its reputation as a market leader, fostering a culture where our team members can truly thrive. Attracting and retaining the best industry leading talent continues to be a top priority for the business in maintaining this status. Our headcount grew by 10% year-on-year to an average of 45 in the period (H1 FY23: 41) and we continue to maintain a diverse workforce, with 45% of our staff identifying as female.

Like many businesses, we found it necessary to provide our staff with pay raises above the historic average in the latest pay review, acknowledging the continued challenges posed to people by the rising cost of living. However, I'm pleased to report that we successfully incorporated these increases into our existing growth projections and managed to offset any additional costs by implementing savings measures elsewhere. We continue to be mindful of inflation moving forward, and continue to be confident of managing additional costs within our existing plans.

### **Product**

Driven by demand from our customers, during the period we launched the first iteration of our subscription manager add-on to Campaign Manager, which will allow our largest charity clients to maintain ongoing transactions with their supporters throughout the year and beyond their annual telethon events. At the same time we have rebuilt the interface of Campaign Manager, providing a more intuitive and faster experience to our users.

## Financial Review

### Key performance indicators

<b>Financial</b>	<b>H1 FY24</b>	<b>H1 FY23</b>	<b>Change</b>
Gross profit	£9.2m	£7.8m	17.9%
Adjusted EBITDA <sup>1</sup>	£7.3m	£6.2m	17.7%
Adjusted PBT <sup>2</sup>	£7.4m	£5.9m	25.4%
Underlying cash <sup>3</sup>	£11.2m	£8.4m	33.3%
Adjusted EPS <sup>4</sup>	5.7p	4.9p	16.3%

<b>Non-financial</b>	<b>H1 FY24</b>	<b>H1 FY23</b>	<b>Change</b>
Total payments value (TPV)	£158m	£137m	15.3%

<sup>1</sup> Adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit.

<sup>2</sup> Adjusted PBT is profit before tax excluding share-based payment charges.

<sup>3</sup> Underlying cash is actual cash excluding cash held on behalf of customers.

<sup>4</sup> Adjusted EPS is earnings per share excluding share-based payment charges.

### Revenue

Company revenues for the period were £39.7m (H1 FY23: £32.8m) growing 21% on the previous year, driven by strong growth across mobile payments and mobile messaging service lines. Revenues recognised for mobile payments relate to the total commission charged to customers, including the Mobile Network Operator (MNO) share of a transaction, with the MNO commission also recognised within cost of sales. The Directors therefore monitor results and performance of the Company based upon the gross profit generated, which is considered the more meaningful measure of performance.

Revenue and gross profit grew more strongly than TPV, as charity related TPV, which is a relatively low margin product, only grew marginally by 2% year-on-year and was overshadowed by growth in more profitable commercial payments products.



## **Gross Profit**

Gross profit is the business' most important financial indicator as this represents the company's share of revenue for processing mobile payments and SMS messages.

Gross profit for the period increased to £9.2m (H1 FY23: £7.8m) growing 17.9% on the previous period, with mobile payments growing 14%, mobile messaging growing 53% and managed services growing 2%. The shallow growth in managed service fees, which makes up a relatively small amount of gross profit was attributable to only a marginal increase in the number and size of charity campaigns in the period.

Blended gross profit margins decreased slightly to 23.2% (H1 FY23: 23.8%) attributable to changes in the product and client mix affecting mobile payments and mobile messaging gross margin percentages.

## **Adjusted Operating Expenses**

Operating costs have remained firmly under control despite significant inflationary pressure in the wider economy, with costs generally only increasing where the business has invested more in product and internationally focused resources. Adjusted operating costs increased 16.6% in the period to £1.90m (H1 FY23: £1.63m). The majority of the increase related to additional staff costs.

Staff related costs and incentives increased to £2.0m (H1 FY23: £1.6m) in the period reflecting the additional investment in product and exploring international markets. Average headcount for the period was 45 (H1 FY23: 41).

Software development costs of £509k (H1 FY23: £344k) were capitalised in the period, representing 65% (H1 FY23: 56%) of development costs. The increase in capitalised expenditure reflects the additional focus on new product innovations and significant efforts onboarding new customers (at the expense of product development) in the previous year. The capitalisation of current period development spend was offset by an amortisation charge of £325k (H1 FY23: £267k). Development costs are amortised on a straight-line basis over 3-years.

## **Adjusted EBITDA**

The growth in gross profit and the continued control of costs has resulted in an equivalent increase in adjusted EBITDA, which is up 17.7% at £7.3m (H1 FY23: £6.2m) for the period. To provide a better guide to the underlying business performance, adjusted EBITDA excludes

share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit.

### **Finance income and expenses**

Finance expenses which relate to the unwinding of the discounted lease liability were £4k (H1 FY23: £3k) as the business renewed its office lease in November 2023 for a further three years.

Interest income on bank deposits increased due to the increase in bank interest rates during 2023.

### **Corporation tax**

Following the increase in the headline rate of UK corporation tax to 25% part way through the prior financial year, combined with some significant changes to the R&D tax credit scheme, we are anticipating our effective rate of corporation tax to increase to over 23% this financial year (FY24). Our effective rate of corporation tax is also expected to marginally increase again in FY25 due to proposed changes to the SME R&D scheme from April 2024 onwards.

### **Statement of Financial Position**

The company had net assets of £10.3m at the period end (H1 FY23: £8.2m), including capitalised software development costs with a carrying value of £1,423k (H1 FY23: £1,072k). The movement in net assets reflects profits after tax less dividend payments and share buy-backs.

The company pays out monies to customers (merchants) once reconciliations have been completed and the equivalent monies have been received from mobile network operators. As a result, the company often holds significant amounts of customer related receivables, payables and cash, which can vary substantially from period to period, depending on timing of customer campaigns and mobile operator outpayments.

Current assets increased to £74m (H1 HY23: £67m) at the period end, largely in line with the increase in trade. Trade and Other Receivables, which includes monies receivable on behalf of customers, decreased in the period and was offset by an increase in actual cash. This was purely due to the timing of some mobile network operator outpayments at the period end, which were paid a few days earlier than the previous period. Current liabilities increased to £65m (H1 FY23: £60m), again largely attributable to an increase in trading.

Non-current liabilities increased to £0.4m (HI FY23: £0.1m) as the company signed a new three year lease for its office premise in November 2023.

### **Cash and underlying cash**

The board distinguishes between actual cash, which includes cash held on behalf of customers, and underlying cash, which excludes cash held on behalf of customers.

Underlying cash far better represents the free cash flow available to the business. Underlying cash increased 33% to £11.2m (HI FY23: £8.4m) due to additional retained earnings.

Actual cash, which includes cash held on behalf of customers, varies substantially from period to period and is particularly sensitive to the timing of mobile network operator payments at month end, as well as pass-through outpayments for customer charity campaigns. Actual cash held at the period end was £29.5m (HI FY23: £20.4m) in the period. The increase is down to higher retained earnings along with mobile network operator payments being paid a few days earlier at the period end (than the previous year).

### **Dividends declaration**

We are pleased to declare our increased interim dividend of 2.6p per share, in line with the company's progressive dividend policy to pay out at least 75% of adjusted EPS to shareholders in the form of an ordinary dividend each period. The interim dividend will be paid on 29 March 2024 to shareholders on the register on 22 March 2024, with an ex-dividend date of 21 March 2024.

### **Outlook**

The second half of the year has started strongly with performance in line with recently upgraded expectations. As was the case in previous years, we are expecting gross profit to be slightly weighted towards the first half of this financial year, due to some seasonality in the trade of our significant media customers.

In line with our growth plans, we will continue to invest more in future growth, with further investment into product as well as investments in organic international growth, as we look to continue to deliver sustainable, highly profitable growth for our shareholders.

The Company has a strong pipeline of commercial opportunities, including significant enterprise deals in the UK and overseas, which provides the Board with confidence in the ongoing success of the business. We look forward to updating shareholders at the appropriate time as we progress through the current financial year.

**Robert Weisz**

Chief Executive Officer

## Unaudited interim results for the 6 months ended 31 December 2023

### Statement of Comprehensive Income

For the 6 months ended 31 December 2023

	Note	Unaudited 6 months to 31 December 2023 £'000	Unaudited 6 months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
<b>Continuing operations</b>				
Revenue	4	39,658	32,815	64,916
Cost of sales		(30,460)	(25,009)	(49,841)
<b>Gross profit</b>	3	9,198	7,806	15,075
Other income		-	-	-
Adjusted operating expenses <sup>1</sup>		(1,895)	(1,626)	(3,508)
<b>Profit before interest, tax, depreciation, amortisation, share-based payment charge and exceptional costs</b>				
		<b>7,303</b>	<b>6,180</b>	<b>11,567</b>
Share-based payment charge		(46)	(64)	(125)
Depreciation and amortisation		(389)	(333)	(924)
<b>Operating profit</b>		<b>6,868</b>	<b>5,783</b>	<b>10,518</b>
Finance income		496	55	341
Finance expense		(4)	(3)	(5)
<b>Profit before taxation</b>		<b>7,360</b>	<b>5,835</b>	<b>10,854</b>
Taxation		(1,675)	(990)	(2,057)
<b>Total comprehensive profit for the period</b>		<b>5,685</b>	<b>4,845</b>	<b>8,797</b>

<sup>1</sup> Adjusted operating expenses excludes share-based payment charge, depreciation and amortisation

	Unaudited 6 months to 31 December 2023	Unaudited 6 months to 31 December 2022	Audited Year to 30 June 2023
<b>Earnings per share</b>			
Basic earnings per share	5.7p	4.8p	8.8p
Diluted earnings per share	5.7p	4.8p	8.7p
Adjusted basic earnings per share	5.7p	4.9p	8.9p

## Statement of Financial Position

As at 31 December 2023

	<b>Unaudited</b> <b>31 December</b> <b>2023</b> <b>£'000</b>	Unaudited 31 December 2022 £'000	Audited 30 June 2023 £'000
<b>Non-current assets</b>			
Intangible asset	1,423	1,072	1,239
Right of use asset	346	99	42
Tangible assets	27	22	28
	<b>1,796</b>	<b>1,193</b>	<b>1,309</b>
<b>Current assets</b>			
Trade and other receivables	44,032	46,658	36,058
Cash and cash equivalent	29,548	20,438	20,648
	<b>73,580</b>	<b>67,096</b>	<b>56,706</b>
<b>Total assets</b>	<b>75,376</b>	<b>68,289</b>	<b>58,015</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	100	100	100
Share premium account	679	679	679
Treasury shares	(242)	-	(495)
Share option reserves	309	236	297
Retained earnings	9,503	7,215	8,807
	<b>10,349</b>	<b>8,230</b>	<b>9,388</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	145	148	157
Lease liabilities	206	-	-
	<b>351</b>	<b>148</b>	<b>157</b>
<b>Current liabilities</b>			
Trade and other payables	64,566	59,835	48,453
Lease liabilities	110	76	17
	<b>64,676</b>	<b>59,911</b>	<b>48,470</b>
<b>Total liabilities</b>	<b>65,027</b>	<b>60,059</b>	<b>48,627</b>
<b>Total equity and liabilities</b>	<b>75,376</b>	<b>68,289</b>	<b>58,015</b>

## Statement of Changes in Equity

For the 6 months ended 31 December 2023

	Share capital	Share premium	Share option reserve	Treasury shares	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 July 2022</b>	<b>100</b>	<b>679</b>	<b>172</b>	<b>-</b>	<b>6,870</b>	<b>7,821</b>
Profit for the period	-	-	-	-	4,845	4,845
	-	-	-	-	4,845	4,845
<b>Transactions with shareholders</b>						
Dividends	-	-	-	-	(4,500)	(4,500)
Share-based payment charge	-	-	64	-	-	64
	-	-	64	-	(4,500)	(4,436)
<b>Balance at 31 December 2022</b>	<b>100</b>	<b>679</b>	<b>236</b>		<b>7,215</b>	<b>8,230</b>
Profit for the period	-	-	-	-	3,952	3,952
	-	-	-	-	3,952	3,952
<b>Transactions with shareholders</b>						
Dividends	-	-	-	-	(2,360)	(2,360)
Share-based payment charge	-	-	61	-	-	61
Purchase of own shares	-	-	-	(495)	-	(495)
	-	-	61	(495)	(2,360)	(2,794)
<b>Balance at 30 June 2023</b>	<b>100</b>	<b>679</b>	<b>297</b>	<b>(495)</b>	<b>8,807</b>	<b>9,388</b>
Profit for the period	-	-	-	-	5,685	5,685
	-	-	-	-	5,685	5,685
<b>Transactions with shareholders</b>						
Dividends	-	-	-	-	(4,884)	(4,884)
Share-based payment charge	-	-	46	-	-	46
Exercise of share options issued from treasury shares	-	-	-	253	(139)	114
Fair value of options exercised in the period	-	-	(34)	-	34	-
	-	-	12	253	(4,989)	(4,724)
<b>Balance at 31 December 2023</b>	<b>100</b>	<b>679</b>	<b>309</b>	<b>(242)</b>	<b>9,503</b>	<b>10,349</b>

## Statement of Cash Flows

For the 6 months ended 31 December 2023

	<b>Unaudited 6 months to 31 December 2023 £'000</b>	Unaudited 6 months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
<b>Cash flows from operating activities</b>			
Profit before taxation	7,360	5,835	10,854
Adjustments for			
Depreciation	7	10	16
Amortisation	382	323	908
Share-based payment charge	46	64	125
Finance income	(496)	(55)	(341)
Finance expense	4	3	5
(Increase)/decrease in trade and other receivables	(7,975)	(14,683)	(4,083)
Increase/(decrease) in trade and other payables	15,120	17,355	6,115
Income tax paid	(693)	(550)	(1,750)
<b>Net cash flows from operating activities</b>	<b>13,755</b>	<b>8,302</b>	<b>11,849</b>
<b>Cash flows from investing activities</b>			
Interest received	496	55	341
Payments to acquire tangible assets	(6)	(7)	(19)
Payments to acquire intangible assets	(510)	(344)	(1,040)
<b>Net cash flows from investing activities</b>	<b>(20)</b>	<b>(296)</b>	<b>(718)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of equity	114	-	-
Dividends paid	(4,884)	(4,500)	(6,860)
Purchase of own shares	-	-	(495)
Capital payments in respect of leases	(61)	(57)	(116)
Interest paid in respect of leases	(4)	(3)	(4)
<b>Net cash flows from financing activities</b>	<b>(4,835)</b>	<b>(4,560)</b>	<b>(7,475)</b>
<b>Net increase in cash and cash equivalents for the period</b>	<b>8,900</b>	<b>3,446</b>	<b>3,656</b>
Cash and cash equivalents at beginning of period	20,648	16,992	16,992
<b>Cash and cash equivalents at end of period</b>	<b>29,548</b>	<b>20,438</b>	<b>20,648</b>



## **Statement of Underlying Free Cash Flows**

For the 6 months ended 31 December 2023

The Company's mobile payments segment involves collecting cash on behalf of clients which is then paid to clients net of the Company's share of revenues or fees associated with collecting the cash. The Company's cash balance therefore fluctuates depending on the timing of "pass through" cash received and paid.

The analysis below shows the movements in the Company's free underlying cash flow excluding the monies held on behalf of customers. The underlying cash is derived from actual cash by adjusting for customer related trade and other receivables less customer related trade and other payables and customer related VAT liabilities.

	<b>Unaudited 6 months to 31 December 2023 £'000</b>	Unaudited 6 months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
<b>Underlying free cash flows from operating activities</b>			
Profit before taxation	7,360	5,835	10,854
Adjustments for			
Depreciation	7	10	16
Amortisation	382	323	908
Share-based payment charge	46	64	125
Finance income	(496)	(55)	(341)
Finance expense	4	3	5
(Increase)/decrease in trade and other receivables	(50)	(19)	11
Increase/(decrease) in trade and other payables	69	(116)	24
Income tax paid	(693)	(550)	(1,750)
<b>Net underlying free cash flows from operating activities</b>	<b>6,629</b>	<b>5,495</b>	<b>9,852</b>
<b>Underlying free cash flows from investing activities</b>			
Interest received	496	55	341
Payments to acquire tangible assets	(6)	(7)	(19)
Payments to acquire intangible assets	(510)	(344)	(1,039)
<b>Net underlying free cash flows from investing activities</b>	<b>(20)</b>	<b>(296)</b>	<b>(717)</b>
<b>Underlying free cash flows from financing activities</b>			
Net proceeds from issue of equity	114	-	-
Dividends paid	(4,884)	(4,500)	(6,860)
Purchase of own shares	-	-	(495)
Capital payments in respect of leases	(61)	(57)	(116)
Interest paid in respect of leases	(4)	(3)	(4)
<b>Net underlying free cash flows from financing activities</b>	<b>(4,835)</b>	<b>(4,560)</b>	<b>(7,475)</b>
Net increase in underlying free cash for the period	1,774	639	1,660
Underlying free cash at beginning of period	9,446	7,786	7,786
<b>Underlying free cash equivalents at end of period</b>	<b>11,220</b>	<b>8,425</b>	<b>9,446</b>

## **Notes to the preliminary financial information**

### **1. Basis of preparation**

The financial information relating to the half year ended 31 December 2023 is unaudited and does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006.

The Company is a public limited company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The presentational and functional currency of the Company is Sterling. Results in this financial information have been prepared to the nearest £1,000.

Whilst the financial information included in these interim accounts has been prepared in accordance with IFRS, they do not contain sufficient information to comply with IFRS. In addition, this report is not prepared in accordance with IAS 34.

The profit before interest, tax, depreciation, amortisation and share-based payment charge is presented in the statement of total comprehensive income as the Directors consider this performance measure provides a more accurate indication of the underlying performance of the Company and is commonly used by City analysts and investors.

The comparative financial information for the year ended 30 June 2023 has been extracted from the annual financial statements of Fonix Mobile plc. These interim results for the period ended 31 December 2023, which are not audited, do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information does not therefore include all of the information and disclosures required in the annual financial statements.

Full audited accounts of the Company in respect of the year ended 30 June 2023, which received an unqualified audit opinion and did not contain a statement under section 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

### **2. Going concern**

At the time of approving the financial information, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Fonix Mobile is not externally funded and accordingly is not affected by borrowing covenants. In addition the cost of capital represents the dividend distributions – which are discretionary.

At 31 December 2023 the Company had Cash and Cash Equivalents of £29.5 million (31 December 2022: £20.4 million) and Net Current Assets of £8.9 million (31 December 2022: £7.2 million). The business model of Fonix Mobile is cash generative – with increased sales impacting positively on the working capital cycle and profits from trading activities being rapidly reflected in cash at bank.

Accordingly the Directors continue to adopt the going concern basis of accounting in preparing this financial information.

### 3. Segmental reporting

Management currently identifies one operating segment in the Company under IFRS 8 – being the facilitating of mobile payments and messaging. However, the Directors monitor results and performance based upon the Gross Profit generated from the Service lines as follows:

	<b>Unaudited 6 months to 31 December 2023 £'000</b>	Unaudited 6 months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
<b>Gross Profit</b>			
Mobile Payments	7,522	6,589	12,689
Mobile Messaging	1,308	856	1,626
Managed Services	368	361	760
	9,198	7,806	15,075

Differences between the way in which the single operating segment is reported in the financial information and the internal reporting to the Board for monitoring and strategic decisions, relates to the recording of revenue in line with IFRS 15. The IFRS adjustments do not impact on the calculation or reporting of Gross Profit.

Gross profits can be attributed to the following geographical locations, based on the end user and the associated mobile network operators' location:

	<b>Unaudited 6 months to 31 December 2023 £'000</b>	Unaudited 6 months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
<b>Gross profit by geography</b>			
United Kingdom	8,078	7,096	13,534
Rest of Europe	1,120	710	1,541
	9,198	7,806	15,075

#### 4. Revenue

The Company disaggregates revenue between the different streams outlined as this is intended to show its nature and amount.

The total revenue of the Company has been derived from its principal activity undertaken wholly in the United Kingdom and EU.

Revenue is recognised at the point in time of each transaction when the economic benefit is received. The total revenue of the Company by Service Line is as follows:

	<b>Unaudited 6 months to 31 December 2023 £'000</b>	Unaudited 6 months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
<b>Revenue by Service Line</b>			
Mobile Payments	28,375	24,633	47,607
Mobile Messaging	10,281	7,326	15,513
Managed Services	1,002	856	1,796
	39,658	32,815	64,916

The number of customers representing more than 10% of revenue in period were 3 (31 December 2022: 3)

Revenues can be attributed to the following geographical locations, based on the end user and the associated mobile network operators' location:

	<b>Unaudited 6 months to 31 December 2023 £'000</b>	Unaudited 6 months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
<b>Revenue by geography</b>			
United Kingdom	33,401	28,136	55,352
Rest of Europe	6,257	4,679	9,564
	<b>39,658</b>	<b>32,815</b>	<b>64,916</b>

## 5. Earnings per share

The calculations of earnings per share are based on the following profits and number of shares:

	<b>Unaudited 6 months to 31 December 2023 £'000</b>	Unaudited 6 months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
Retained profit for the period	5,685	4,845	8,797

	<b>Unaudited 6 months to 31 December 2023 Number</b>	Unaudited 6 months to 31 December 2022 Number	Audited Year to 30 June 2023 Number
<b>Number of shares</b>			
Weighted average number of shares	99,783,276	100,000,000	99,970,504
Share options	656,941	619,959	760,799
	<b>100,440,217</b>	<b>100,619,959</b>	<b>100,731,303</b>

### Earnings per ordinary share

Basic	5.7p	4.8p	8.8p
Diluted	5.7p	4.8p	8.7p

At 31 December 2023 the company had 100,000,000 (31 December 2022: 100,000,000) shares in issue of which 122,443 (31 December 2022: nil) were held in treasury.

The calculations of adjusted earnings per share are based on the following adjusted profits and number of shares listed above:

	<b>Unaudited 6 months to 31 December 2023 £'000</b>	Unaudited 6 months to 31 December 2022 £'000	Audited Year to 30 June 2023 £'000
<b>Adjusted earnings per share</b>			
Retained profit for the period	5,685	4,845	8,797
<b>Adjustments</b>			
Share-based payment charge	46	64	125
Net adjustments	46	64	125
<b>Adjusted earnings</b>	<b>5,731</b>	<b>4,909</b>	<b>8,922</b>
Adjusted basic earnings per ordinary share	5.7p	4.9p	8.9p