

5 May 2021



Eckoh plc

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

Full year trading update

- Trading in line with market expectations

- Strong revenue and order momentum in US Secure Payments; resilient performance in the UK

- Expectation of material growth in FY23, after FY22 comparable to current year due to the pandemic

Eckoh plc (AIM:ECK), the global provider of Secure Payment products and customer contact solutions, announces a trading update for the year ended 31 March 2021.

The Board confirms that trading for the year ended 31 March 2021 was in line with market expectations. A highlight was the robust level of operating profit, which slightly exceeded last year's total of £4.7m, despite the planned exit from US Support, a significant negative currency movement, the material Coral contract in the prior year and the challenges of the COVID-19 pandemic.

This outcome reflects particularly strong growth in our US Secure Payments operation, which grew by more than 50% and now accounts for nearly 80% of total US revenues, and a resilient UK performance despite the trading conditions continuing to be impacted by the ongoing lockdown.

Following record total order levels last year of £35.9m, we secured total orders in FY21 of £30.7m, with £16.7m in the second half. This is an excellent outcome given the continued disruption and uncertainty in market conditions, which were particularly acute in the first half of the financial year.

US Division

The strong performance in the US was driven by increasing demand from large enterprises to secure customers' payment data in their contact centre and IT operations, a technology solution for which Eckoh is the market leader. As previously announced, Eckoh signed new Secure Payments contracts worth \$11.6m in the year (FY20: \$10.7m), of which \$9.3m was won since September 2020, and the highest number of contracts in a year since Eckoh entered the US market. Furthermore, total US Secure Payments contract value was at a record level, reflecting the new contracts won as well as the first year of meaningful contract renewals, which will now continue to grow in number and value.

Consistent with our longstanding goal to focus on Secure Payments, we have continued our planned transition away from third-party Support contracts. This approach, which will improve revenue quality and visibility in the future, has seen Support revenues decline from 27% of total US revenues in FY20 to less than 10% in this period. There were also a small number of Support contracts in the UK, that were largely operated from the US, which have also been discontinued in line with our strategy.

In the second half, we were pleased to win a \$1m contract for Coral licences, our agent desktop product that increases efficiency by bringing all the contact centre agent's communication tools into a single screen. It is worth noting that last year we had a large one-off contract for Coral of \$3.8m, making it a challenging comparator, and the timing of these large orders remains hard to forecast.

As highlighted previously, one positive consequence of the pandemic has been the rapid increase in the number of Secure Payments contracts won and delivered through Eckoh's Cloud platforms, as larger enterprises have accelerated their move to the Cloud. These accounted for more than half the contract value Eckoh has won, and more than 80% of the number of contracts. We do not anticipate this trend to reverse and whilst this reduces the upfront payments (and cash received) for implementations, it increases the proportion of recurring revenue and improves the operational gearing, earnings quality and visibility in the business. These Cloud contracts will support Eckoh's revenue visibility in the longer-term and will enable us to grow faster. Consequently, we will be investing significantly more in this area in this financial year to drive greater growth in future years.

UK division

The UK delivered a resilient performance in the context of the pandemic and we continued to see particularly high levels of demand and new business wins coming from our existing clients. Total business contracted of £18.9m (FY20: £20.1m) was an excellent outcome given the abnormal trading conditions relating to the pandemic and the record levels won last year. The UK operation continued to operate in an uncertain business climate and the ongoing lockdown inevitably resulted in further delays to projects and purchasing decisions. Some of our largest clients in the travel, retail and leisure sectors have had their transactional activity severely reduced during the period, which continued to impact our UK revenue (if not on a proportional basis). This will continue into the current financial year until such time as restrictions are lifted and volumes can return to pre-pandemic levels.

As organisations adapt their customer engagement strategy to reflect the increase in remote working that is now set to become a permanent feature, we have seen improved interest in and sales for our CallGuard Remote product, which facilitates the taking of payments securely in remote working environments. Furthermore, we expect an even faster adoption of emerging engagement technologies such as conversational bots working in tandem with human agents, and the number of companies who are accelerating their shift to Cloud-based solutions. Eckoh will be able to assist new and existing clients in responding to these changes.

Outlook and financial position

There was strong cash generation during the period and Eckoh's balance sheet remains robust with net cash of £11.7m (FY20: £11.6m), and total cash of £12.7m at the period end.

The Board expects revenue and profit for FY22 to be comparable to FY21, and material year-on-year revenue and profit growth in FY23. These expectations are subject to no further lockdowns in the UK or US, and ongoing uncertainty in the macro-economic climate because of the COVID-19 pandemic.

FY22 guidance reflects two fundamental dynamics. On one side, Eckoh's market leadership in US Secure Payments, high levels of recurring revenue and strong order book. On the other side, the impact of the pandemic on new business activity, delayed incremental recurring revenue, and transactional volumes in the UK, allied to increasing investment in our Cloud-based Secure Payments offering to capture the market opportunity and deliver sustained high levels of future revenue growth.

FY23 guidance for material growth reflects an anticipated return to normal UK trading activity, ongoing momentum in US Secure Payments supported by long-term structural growth drivers, Cloud adoption and Eckoh's strengthening partner offering, coupled with the benefits of operational gearing.

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

- Ends -

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About Eckoh plc

Eckoh is a global provider of secure payment products and customer contact solutions, supporting an international client base from its offices in the UK and US.

Our secure payments products help our clients take payments securely from their customers through multiple channels. The products, which include the patented CallGuard, can be hosted in the Cloud or deployed on the client's site and remove sensitive personal and payment data from contact centres and IT environments. They offer merchants a simple and effective way to reduce the risk of fraud, secure sensitive data and become compliant with the Payment Card Industry Data Security Standards ("PCI DSS") and wider data security regulations. Eckoh has been a PCI DSS Level One Accredited Service Provider since 2010, securing over £5bn in payments annually.

Eckoh's customer contact solutions enable enquiries and transactions to be performed on whatever device the customer chooses, allowing organisations to increase efficiency, lower operational costs and provide a true Omnichannel experience. We also assist organisations in transforming the way that they engage with their customers by providing support and transition services as they implement our innovative customer contact solutions.

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

For more information go to www.eckoh.com