

2 November, 2021



Eckoh plc

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

Half year trading update

- **Outlook:** full year performance expected to be in line with market expectations
- **Good visibility:** growth in recurring revenues and recovery in UK enhancing revenue visibility
- **US Secure Payments:** strong progress in ARR and momentum in long-term structural growth market

Eckoh (AIM:ECK), the global provider of secure payment products and customer contact solutions, announces a trading update for the six months ended 30 September 2021. All commentary relates to this period, unless otherwise stated.

Group

Eckoh performed in line with Board expectations, driven by continued progress in our US Secure Payments business, recovering activity in the UK division and the resilience of our business model; supporting confidence in a positive outcome for the full year, and in line with market expectations.

On an underlying basis (at constant currency, excluding discontinued third-party Support activity), revenue was slightly higher, recurring revenues increased by 7% (representing 73% of total revenues) and operating profit grew by 18%.

Total revenue was slightly lower at constant currency, largely driven by the planned exit from US and UK third-party Support that is now almost complete, declining to only £0.3m from £1.8m in the prior year, as resources continue to be focused on the significant opportunity in Secure Payments. This also reflects the ongoing revenue impact of the pandemic on the UK business, although we are now seeing improved trends to a more normalised level of activity.

US Division

Secure Payments now account for 89% of total US revenues, or 92% excluding the Support business. We continue to see the biggest opportunity for US Secure Payments contracts delivered in the Cloud, underpinned by long-term structural drivers of tightening regulation, the need to mitigate the risk of data breaches (and fraud) within our clients' IT and Contact Centre operations and the migration to a greater level of remote working.

With the significant shift to a largely SaaS Cloud delivery and pricing model in the last 18 months, we have instigated a new KPI of US Annualised Recurring Revenue (ARR)¹. This increased by 29% to \$8.9m at the end of the period and nearly 40% of this revenue now comes from Cloud services, more than doubling the level in April 2020.

Our largest client to date, a \$7.4m contract that went live in 2019, was successfully renewed in the period, and as more clients go through their first contract renewal we will see the overall percentage of recurring revenue increase, as the revenue from initial set up fees and installed hardware is fully recognised.

1. Annualised Recurring Revenue of all signed US Secure Payments contracts, whether live or still to be deployed

UK Division

The Company's business in the UK remains resilient, underpinned by 80% recurring revenues and high gross margins, consistent with the prior year. The recovery from the impact of the pandemic on both transactional activity and new business has been gradual, but momentum built in the second quarter, reflecting a return to more normalised levels of activity from large clients such as Transport for London and Premier Inn, and by September 2021, overall activity was in line with pre-pandemic levels.

Revenue was marginally lower than the previous year, but excluding the third-party Support business it increased by 6%, reflecting the ongoing recovery from the pandemic. This progress is expected to continue into the remainder of the year.

Business Development

The ongoing impact of the pandemic has created an environment that continued to be challenging for new business, especially in the first quarter and particularly for large enterprise sales. However, as part of a long-term strategy to support new Secure Payments business in the US, we have strengthened our sales team and increased our focus on 'vertical selling' (targeting sectors such as healthcare, which are well suited to our model).

We have also developed a new Cloud CallGuard offering in both the US and UK that is specifically designed for reseller partners, that will enable us to on board customers that were previously considered too small to target, with almost no operational overhead. This will expand our target market considerably (including expansion into other territories) and the first clients for this new product will be live this calendar year. We are also seeing encouraging signs of sales momentum building again in the third quarter, as it did last year, with some sizeable contracts - that have been slower to move forward - now gaining traction.

Outlook

Eckoh's growing base of recurring revenues is improving the Group's earnings visibility, which allied to a robust order book for enterprise clients, increased transactional activity and prudent cost control, supports our confidence that full year performance will be in line with current market expectations.

Business performance and prudent balance sheet management has ensured Eckoh remains in a strong financial position, with net cash of £12.7m at 30 September 2021 (30 September 2020: £12.9m).

Interim Results

The Group expects to report its results for the six months ended 30 September 2021 in the week commencing Monday 29 November 2021.

Prior to publication the information communicated in this announcement was deemed by the Company to constitute inside information for the purposes of article 7 of the Market Abuse Regulations (EU) No 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations No 2019/310 ('MAR').

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About Eckoh plc

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

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

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

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

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