Eckoh

19 December 2024

Eckoh plc

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

Unaudited interim results for the six months ended 30 September 2024

- *Cloud transition driving higher margins and quality of earnings*
- *North America territory 51% of revenue share*

Eckoh plc (AIM: ECK) the global provider of Customer Engagement Data Security Solutions, is pleased to announce its unaudited results for the six months to 30 September 2024.

Period ended 30 September £m (unless otherwise stated)	**H1 FY25**	H1 FY24	*Change*
Revenue	**16.8**	18.8	*-10%*
Gross profit	**14.5**	15.5	*-7%*
Group ARR[1]	**30.2**	30.6	*-1%*
North America Data Security Solutions ARR[1] ($m)	**18.5**	16.8	*+10%*
Adjusted EBITDA[3]	**4.5**	4.9	*-8%*
Adjusted operating profit[4]	**3.6**	4.0	*-10%*
Adjusted profit before taxation[4]	**3.8**	4.1	*-7%*
Profit before taxation	**0.8**	1.5	*-46%*
Basic earnings per share (pence per share)	**0.09**	0.43	*-91%*
Adjusted diluted earnings (pence per share)[5]	**0.95**	1.01	*-7%*
Net cash	**10.4**	7.3	*+3.2*
Total contracted business[6]	**14.9**	24.6	*-39%*
New contracted business	**5.5**	5.7	*-4%*

Strategic highlights

- Our drive to transition clients to a cloud-based SaaS solution model continued successfully, 100% of all new client wins during the period were for cloud deployment and North American revenue is now 68% cloud
- Global commercial strategy is progressing well - North America now accounts for more than half of Group revenue validating our approach on focussing on this big geographic market opportunity
- Good progress with the cross-sell and expansion strategy of existing client accounts, with new business from our existing clients growing by 24%
- The pipeline for new products from our expanded cloud Secure Engagement Suite, has grown substantially
- Increasing interest in AI bots for contact centres, which provides a further opportunity for growth
- North America pipeline remains very strong, but the elongated sales and contracting cycles continue to delay contract completion and therefore revenue
- Increased regulation from the new PCI DSS v4.0 standard, effective from April 2024, has increased complexity and cost of compliance for merchants and we are seeing tangible signs of the impact the standard is having
- Optimally positioned as market leader for the increased outsourcing trend driven by regulatory change (PCI DSS v4.0), hybrid working and growing security challenges for companies
- The business continues to benefit from the transition to a SaaS business model and cloud deployment with further improvements expected for recurring revenue, operating margins and quality of earnings
- Post-period in October, we secured more than $3m of new client contract value in North America and with the strength of the pipeline we expect the second half to be stronger for new business wins, in common with the prior year

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

Financial highlights

- Total contracted business[6] at £14.9m (H1 FY24 £24.6m), was as anticipated lower year-on-year due to the number of large multi-year North American renewals in the prior period
- New business contracted in North America for Security Solutions, up 67% to $5.3 million (H1 FY24 $3.2 million)
- Group ARR[1] £30.2 million, level at constant currency and down 1% year-on-year
- North America performing strongly with Security Solutions ARR[1] up $1.7m or 10% to $18.5m (H1 FY24: $16.8m)
- Group revenue £16.8m, (H1 FY24: £18.8m), down £2 million year-on-year
    - The ongoing reduction of one-off revenue year-on-year from the transition to cloud delivery continues to temper revenue growth with the removal of hardware fees and reduction set up costs being recognised.
- Group recurring revenue[2] increased to 91% (H1 FY24: 83%), reflecting the continued shift to the cloud and strong renewals
- Improved Gross profit margin at 86% (H1 FY24: 83%), an increase of 350bps
- Adjusted operating profit[4] £3.6m (H1 FY24: £4.0m), includes £0.1m FX loss in both years
- Adjusted operating profit margin improving marginally to 21.6% (H1 FY24: 21.4%)
- Strong cash generation with net cash of £10.4m at period end, up £2.1m from £8.3m at year end (H1 2024: £7.3m)
- Working capital cash outflow reduced as expected to £0.8 million (H1 FY24 £1.6 million), in line with the full year expectation of working capital cashflow being neutral
- Eckoh's balance sheet remains robust, with no debt or drawdown on credit facilities

Nik Philpot, Chief Executive Officer, said: *"Our global commercial strategy to focus on North America where we see the greatest opportunity for growth, is progressing well. North America now accounts for over half of Group revenue and the pipeline remains strong, but the backdrop remains challenging as larger enterprise opportunities continue to have more complex and longer sales cycles that are harder to predict from a timing perspective.*

Good progress has been made with our other strategic objectives as we have strongly grown the value that we cross-sell into our existing clients from our expanded Secure Engagement Suite and continued our migration to a SaaS cloud business with 68% of our North American revenue now cloud delivered and 100% of all new client wins were for cloud deployment.

I would like to take the opportunity to thank our employees for their continued dedication to our business as we work towards our mission to make the world more secure and to set the standard for secure interactions between consumers and the world's leading brands."

Details of the recommended cash offer for Eckoh by Eagle UK Bidco Limited ("Bidco"), an indirect, wholly-owned subsidiary of certain funds managed by Bridgepoint Advisers II Limited

On 30 October 2024, the boards of Bidco and Eckoh announced that they had reached agreement on the terms and conditions of a recommended cash acquisition by Bidco of the entire issued and to be issued share capital of Eckoh (the "**Acquisition**"). The Acquisition is intended to be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act (the "**Scheme**"). On 4 December 2024, Eckoh announced that it had published a circular in relation to the Acquisition (the "**Scheme Document**"). Notices convening the Court Meeting and the General Meeting for 11.00 a.m. and 11.15 a.m. respectively on 6 January 2025 (or, in respect of the General Meeting, as soon thereafter as the Court Meeting is concluded or adjourned), each to be held at Telford House, Corner Hall, Hemel Hempstead, Hertfordshire HP3 9HN, are set out in the Scheme Document. The Acquisition remains subject to the satisfaction or (where capable of being waived) waiver of certain Conditions set out in the Scheme Document, including (but not limited to) (i) approval of the Scheme by Scheme Shareholders, (ii) the passing of the Resolutions necessary to implement the Scheme by the requisite majorities at the General Meeting, (iii) sanction of the Scheme by the Court at the Sanction Hearing, and (iv) delivery of a copy of the Court Order to the Registrar of Companies.

The Eckoh Independent Directors, who have been so advised by Stifel and Singer Capital Markets as to the financial terms of the Acquisition, consider the terms of the Acquisition to be fair and reasonable. In providing advice to the Eckoh Independent Directors, Stifel and Singer Capital Markets have taken into account the commercial assessments of the Eckoh Independent Directors. Stifel and Singer Capital Markets are providing independent financial advice to the Eckoh Independent Directors for the purposes of Rule 3 of the Code. Accordingly, the Eckoh Independent Directors recommend unanimously that Scheme Shareholders vote in favour of the Scheme at the Court Meeting and that Eckoh Shareholders vote in favour of the Special Resolution and Eckoh Independent Shareholders vote in favour of the Rule 16.2 Resolution, both at the General Meeting, as the Eckoh Independent Director who holds Eckoh Shares has irrevocably undertaken to do in respect of his own beneficial holdings of Eckoh Shares.

The expected timetable of principal events is set out on page 10 of the Scheme Document. Capitalised terms used in this section shall, unless otherwise defined, have the meanings set out in Part IX (*Definitions*) of the Scheme Document.

For more information, please contact:

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About Eckoh plc

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

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

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

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

Our solutions are delivered globally through multiple cloud platforms or can be deployed on the client's site. They offer merchants a simple and effective way to reduce the risk of fraud, secure sensitive data and become compliant with the Payment Card Industry Data Security Standards ("PCI DSS") and wider data security regulations. Eckoh has been a PCI DSS Level One Accredited Service Provider since 2010, and our extensive portfolio of typically large enterprise clients spans a broad range of vertical markets including government departments, telecoms providers, retailers, utility providers and financial services organisations.

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

Publication on a website and availability of hard copies

This announcement and the documents required to be published pursuant to Rule 26 of the City Code on Takeovers and Mergers will be available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions (as defined in the Scheme Document), on Bidco's website at www.bridgepoint.eu/offer-for-eckoh and on Eckoh's website at www.eckoh.com/investors by no later than 12 noon (London time) on the Business Day (as defined in the Scheme Document) following the publication of this announcement. Neither the content of the websites referred to in this announcement nor the content of any website accessible from hyperlinks in this announcement is incorporated into, or forms part of, this announcement.

Eckoh Shareholders (as defined in the Scheme Document) may, subject to applicable securities laws, request a hard copy of this announcement (and any information incorporated into it by reference to another source) by contacting Eckoh's registrar, Link Group, on 0371 664 0321. Lines are open from 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday (except English and Welsh public holidays) or by submitting a request in writing to PXS 1, Central Square, 29 Wellington

Street, Leeds, LS1 4DL, United Kingdom, with an address to which the hard copy may be sent. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. For persons who receive a copy of this announcement in electronic form or via a website notification, a hard copy of this announcement will not be sent unless so requested. Eckoh Shareholders may, subject to applicable securities laws, also request that all future documents, announcements and information to be sent in relation to the Acquisition (as defined in the Scheme Document) should be in hard copy form.

Chief Executive Officer's statement

At Eckoh, we're on a mission to set the standard for secure interactions between consumers and the world's leading brands. Companies today need to provide an exceptional customer experience with a frictionless and secure payment or process journey. Every interaction or transaction should be secure. We make sure that happens through our innovative products which build trust and deliver value through exceptional experiences.

Our strategy to become a cloud first SaaS solutions provider, is continuing to make good progress. Once again 100% of our new client contracts in the period were for cloud delivery, with several on-premise clients also upgrading to a cloud solution. The progress here is best measured through the split of the North American ARR between cloud delivery and on-premise. At the end of the first half more than two-thirds (68%) of North American ARR is for clients deployed on the cloud, this is up from 52% at the same time last year. We would expect the proportion of cloud deployment to continue rising and it is a key goal and advantage, however, many of the largest enterprises, especially those in North America may still take several years to achieve that objective. Retaining the capability to deploy as required in a client's own data centre and environment and then migrate those accounts to a cloud solution at some later point, continues to give us a tactical advantage over our competitors.

The evolving regulatory change, with the update to the PCI DSS, is increasing compliance complexity and creating new security challenges for businesses. In addition, the evolution of the contact centre industry to a predominantly remote or hybrid-located workforce means Eckoh is optimally positioned to capitalise from enterprises with contact centre operations who are looking to permanently address these challenges.

At the end of the period Group Annualised Recurring Revenue (ARR) was £30.2 million, (H1 FY24: £30.6 million), a decrease of 1% year-on-year, or level year-on-year at constant currency. North America Data Security Solutions ARR grew to $18.5 million, a 10% increase year-on-year from $16.8 million, offset by a decrease in the UK of a similar level due to the imminent loss of the largest remaining self-service client in H2 FY25. This client does continue to utilise Eckoh's security solutions in a separate and new contract that commenced earlier in the year.

Total revenue for the first half was £16.8 million (H1 FY24: £18.8 million), the decrease of £2.0 million year-on-year is as previously indicated and is predominantly due to the decrease in one-off revenue year-on-year. The one-off revenue has decreased due to the on-going transition to cloud-based delivery of our solutions in North America and the successful renewals during FY24 of several large North American clients.

The North America contracts that renewed last year were for solutions originally deployed on-premise, where the hardware revenue and implementation fees typically represent 25-35% of contract value and are fully recognised at the point of the initial renewal. This transition to cloud-based solutions has the effect of tempering revenue growth in the short term but is increasing the quality and visibility of future earnings. For more than 2 years all new client contracts have been for cloud delivery and the element of non-recurring charges in this model drops to only 10-15%. As a result Group recurring revenue in the first half increased to 91% (H1 FY24: 82%).

The on-going shift of our new business and existing clients to the data security solutions that comprise our cloud-based Secure Engagement Suite continues to improve the strength of our business model, with improving recurring revenue margins in the North America Territory and on a Group basis an improving operating profit margin. Adjusted operating profit was £3.6 million (H1 FY23: £4.2 million). As most new business is now expected to be deployed in the cloud on a SaaS basis, these key performance indicators will continue to improve.

Operational Review

<u>North America (NA) Territory (51% of group revenues)</u>

The North America territory has continued to increase its share of Group revenue and for the first time is larger than the combined UK&I and Rest of World territory and now accounts for a 51% share (H1 FY24: 47%). We expect the North America territory to continue to increase its share of Group revenue with the Group's commercial focus on the large North America addressable market.

The North American territory continues to deliver growth and the Data Security Solutions ARR[1] at the end of the first half was $18.5 million, a year-on-year increase of 10% (H1 FY24 $16.8 million). This is lower than the expected ARR of $19.2 million, due to the loss of a North America client at renewal due to them being acquired.

Total North American ARR[1], which includes both Data Security Solutions and Coral (our agent desktop product) grew to $19.8 million (H1 FY24: $16.9 million), a 11% increase year-on-year.

Revenue for the period was $10.9 million. At a total revenue level this is a decrease year-on-year of 2% (H1 FY24: $11.2 million), however, recurring revenue has increased by 2% year-on-year and is now 87% of revenue (H1 FY24 82%). This increase is as expected and comes from new contracts being delivered through the cloud with a higher recurring revenue percentage than for an on-premise solution.

As we indicated at the full year results in June, as several clients with large enterprise deals renewed their contracts for the first time in the financial year ended 31 March 2024, there would be a reduction year-on-year of one-off revenue. At the point of renewal, the hardware fees and implementation fees from the initial term of the contract are fully recognised. This combination of new cloud deals and large renewals in the first half has seen a 33% decline in this one-off revenue year-on-year.

The total contracted orders for the first half is $12.2 million (H1 FY24: $14.7 million), a decrease year-on-year of $1.5 million. Data Security Solutions new contracted business of $5.3 million (H1 FY24: $3.2 million), an increase year in year of 67%. The majority of the first half new business came from existing clients, who continue to increase the number of products they deploy or increase the number of licences they require, illustrating the success of the cross-sell strategy. New business from new client wins is expected to be much stronger in the second half than the first, in line with last year.

In the period, the contract value for renewals was $6.4 million (H1 FY24: $10.5 million), a decrease year-on-year due to the timing of renewals. As we have indicated previously, there were many enterprise client contracts which we successfully renewed for the first time in the year to 31 March 2024, and those contracts were all renewed for multiple years. This trend has continued with those contracts renewed in the first half, there was only one large enterprise client who didn't renew due to it being acquired.

Coral

In the period, Coral had revenue of $0.8 million (H1 FY24: $1.1 million Coral & third-party Support). Total contracted business for Coral was $1.2 million (H1 FY24: $1.0 million), of which $0.5 million was new contracted business (H1 FY24: $0.9 million). Coral is a browser-based agent desktop for contact centres, that aids the following:

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

Coral contracts are few but high in value when they occur, and they have a very long sales cycle (usually years) as the decision has long term implications for the client. This makes the timing of any new agreements both lumpy and hard to predict.

UK & Ireland (UK & I) Territory, and Rest of World (ROW) Territory (49% of group revenues)

The UK & Ireland and Rest of World territories are reported on a combined basis due to the small proportion of ROW revenue at this stage.

ARR at the end of the period was £14.9 million (H1 FY24: £16.4 million), a decrease year-on-year of £1.5 million, because of the loss of the largest remaining self-service client in H2 FY25. The business continues to transition to a Data Security Solutions only proposition, with 92% of revenue (FY24: 90%) now coming from clients who take these solutions as part of their overall proposition. We continue to see churn levels in this base of clients to be extremely low.

Total revenue for the period was £8.3 million, a decrease of 16% (H1 FY24: £9.9 million), recurring revenue was £7.9 million, (H1 FY24: £8.2 million), a decrease of 4% which is the full year impact of the self-service clients that terminated during FY24 as disclosed in the full year results in June 2024.

All the UK clients are either deployed on our own private cloud platform, or on the newer Secure Voice Cloud platform, which is hosted in Amazon Web Services (AWS). As a result, the UK&I & ROW business has high recurring revenue at 95% (H1 FY24: 83%). At the full year results we explained that with the renewal in H1 FY24 of a client with a 10-year contract, a significant amount of one-off revenue would be expected to reduce year-on-year. This has been the case with one-off revenue in the period of £0.4 million (H1 FY24: £1.7 million).

As we have previously explained, we would expect the UK & I territory's revenue to stabilise in FY25 with modest growth expected from FY26 and beyond, with the global commercial team's focus on the more lucrative and larger North America market. We will, however, continue to look to grow and expand in our existing client base and compete for the largest new enterprise contracts in the region and have some large new opportunities in the pipeline.

Gross profit in the period was £6.7 million, (H1 FY24: £8.4 million). Gross margin was 91%, an increase of 6% from the first half last year, with Security Solutions and lower one-off revenue driving a higher margin.

Total contracted business was £5.3 million down on last year's £12.8 million in the prior year, largely due to the timing of large renewals in the prior year comparatives. New contracted business was £0.9 million (H1 FY24: £2.4 million). Renewals in the period were £4.4 million (H1 FY24: £10.4 million), with only one large contract due for renewal, Transport for London, which was renewed successfully for a multi-year period.

Our strategic decision to prioritise the North American region does inevitably mean we are likely to sacrifice possible modest growth in UK&I for much more lucrative gains in North America. Nevertheless, we will continue to pursue meaningful opportunities in the region.

Financial Review

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

Revenue for the period was £16.8 million (H1 FY24: £18.8 million), a decrease year-on-year of 10% or at constant exchange rates a 9% decrease year-on-year. Group recurring revenue was £15.3 million, a decrease of 1% year-on-year, with recurring revenue strengthening to 91%, an increase year-on-year of 860 basis points, the increase being driven by the reduction in one-off revenue as expected and set out in the full year results in June 24. The reduction in one-off revenue is two-fold, in the North America territory, all new contracts continue to be deployed in the cloud and as the majority of the on-premise clients, have renewed their initial contract term, there is limited hardware revenue being recognised in one-off revenue. Secondly in the UK, in FY24, a large 10-year contract was successfully renewed, there was significant one-off revenue being spread, under IFRS 15 over the period of the contract, at renewal this was fully recognised.

Adjusted operating profit was £3.6 million (H1 FY24: £4.2 million), both years include a foreign currency loss in the period of £0.1m. The operating profit margin for the period was 21.6%, marginally ahead of the same period last year. In the period there is an exceptional cost of £1.0 million for legal fees, further information relating to this is set out in note 4.

Group ARR was £30.2 million, a decrease of 1% on prior year or at constant exchange rates level year-on-year (H1 FY24 £30.6 million).

Total contracted business for the period at the Group level was £14.9 million, (H1 FY24: £24.6 million), a year-on-year decrease of 39%. New contracted business was £5.5 million (H1 FY24: £5.7 million), with the year-on-year shortfall driven predominantly from the timing of renewals.

Basic earnings per share for the period was 0.09 pence per share (H1 FY23: 0.43 pence per share). Adjusted earnings per share for the period was 0.98 pence per share (H1 FY24 1.05 pence per share).

Territory performance – NA, UK&I, & ROW
North America revenue represented 51% (H1 FY24: 47%) of total group revenues and this is the first reporting period, where North America revenue has been greater than the UK&I and ROW. North America revenue was £8.5 million, a 4% decrease to last year, but due to the year-on-year decline in one-off revenue as previously mentioned, recurring revenue % increased by 5 percentage points to 87% in the period (H1 FY24: 82%). UK&I and ROW represented 49% of total group revenues at £8.3 million, a decrease year-on-year of 16% and recurring revenue of 95% (H1 FY24: 83%).

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

Gross profit
The Group's gross profit was £14.5 million, a decrease year-on-year of 7%, but due to the change in mix of revenue from one-off revenue to recurring revenue, gross profit margin increased by 350 basis points to 86% (H1 FY24: 83%). The UK & Ireland and ROW gross profit margin increased to 91% year-on-year (H1 FY24: 85%) due to the increase in recurring revenue, which has a higher gross profit margin than one-off revenue. In the North America territory, the margin in the period increased to 82% (H1 FY24: 80%). This increase in North America margin, is as previously indicated and is as a result of the continued deployment of the new Customer Engagement Data Security Solutions in the cloud environment together with the successful renewals of the earlier contracted on-premise solution deployments, where the lower margin hardware component becomes fully recognised at the point of renewal.

Administrative expenses
Total administrative expenses for the period were £13.8 million (H1 FY24: £14.0 million). Adjusted administrative expenses for the period were £10.8 million, an improvement year-on-year of 6% (H1 FY24: £11.5 million). Exceptional costs in the period were £1.0 million (H1 FY24 £0.9 million). Included in administrative expenses is a trading FX loss of £0.1 million (H1 FY24: £0.1 million loss).

Profitability Measures
Adjusted Operating profit[4] for the period was £3.6 million (H1 FY24: £4.0 million). Adjusted EBITDA[3] for the period was £4.5 million (H1 FY24: £4.9 million).

	Six months ended 30 Sept 2024 £'000	Six months ended 30 Sept 2023 £'000	Year ended 31 March 2024 £'000
Profit from operating activities	**658**	1,455	3,246
Amortisation of acquired intangible assets	**1,298**	1,237	2,479
Expenses relating to share option schemes	**686**	412	771
Exceptional restructuring costs	**-**	144	531
Exceptional legal fees and settlement agreements	**982**	772	1,300
Adjusted operating profit[4]	**3,624**	4,020	8,327
Amortisation of intangible assets	**256**	220	516
Depreciation of owned assets	**278**	316	636
Depreciation of leased assets	**352**	326	681
Adjusted EBITDA[3]	**4,510**	4,882	10,160

Adjusted profit before tax was £3.8 million (H1 FY24: £4.1m) and is after including in the adjusted operating profit, the net interest income of £182k (H1 FY24: £93k).

Finance charges
For the financial period ended 30 September 2024, the net interest income was £182k (H1 FY23: £93k income). The interest income is made up of bank interest receivable of £197k (H1 FY24: £111k), offset by interest on leased assets of £15k (H1 FY24: £18k).

Taxation
For the financial period ended 30 September 2024, there was a tax charge of £0.6 million (H1 FY24: £0.3 million).

Earnings per share
Basic earnings per share was 0.09 pence per share (H1 FY24: 0.43 pence per share). Diluted earnings per share was 0.09 pence per share (H1 FY24: 0.42 pence per share). Adjusted diluted earnings per share was 0.95 pence per share (H1 FY24: 1.01 pence per share).

Client contracts
Client contracts are typically multi-year in length and have a high proportion of fixed recurring revenues from the software licences for our products. There are a smaller and declining number of UK contracts that are underpinned by transactional minimum commitments. In the NA territory we now have a greater proportion of contracts being delivered through the cloud, so the initial set up fees and hardware costs associated with larger customer premise deployments have reduced. This has led to total revenue growth being lower than recurring revenue growth. Recurring revenue as a percentage of regional revenue in the NA territory has increased from 52% in FY21 to 87% in the first half and gross profit margin has increased in the same period from 71% to 82%. This trend is also driving the continued improved Operating

profit margin we are seeing at a Group level. This has resulted in a reduction in contract liabilities held on the Group's balance sheet and a net cash outflow for working capital, this is expected to normalise in the current year and onwards into FY25.

Contract liabilities and contract assets

Contract liabilities and contract assets relating to IFRS 15 Revenue from Contracts with Customers continue to decrease, principally as new contracted business in North America has been predominantly for cloud-based solutions. Where clients contract for their services to be provided in the cloud or on our internal cloud platforms, the level of hardware is significantly reduced and implementation fees are typically lower. This reduces the level of upfront cash received but drives a greater level of revenue visibility and earnings quality. Total contract liabilities were £7.1 million (H1 FY24: £8.4 million) included in this balance are £3.0 million of IFRS 15 contract liabilities relating to the Secure Payments product, hosted platform product or Syntec's CardEasy Secure Payments product, a decrease of £0.9 million from March 2024. Contract assets as at 30 September 2024 were £1.1 million compared to £1.3 million at March 2024 (H1 FY24: £1.7 million).

Cashflow and liquidity

Net cash at 30 September 2024 was £10.4 million, an increase of £2.1 million from the year end at 31 March 2024 and an increase of £3.2 million to the previous year. The £2.1 million cash inflow from 31 March 2024 includes a net cash outflow for trade debtors, trade creditors, inventory and tax of £0.8 million (H1 FY24: cash outflow £1.6 million), in principle due to the unwinding of deferred revenue on the large enterprise on-premise solutions.

Consolidated statement of comprehensive income
for the six months ended 30 September 2024

	Six months ended 30 September 2024 £'000	Six months ended 30 September 2023 £'000	Year ended 31 March 2024 £'000
Continuing operations			
Revenue	**16,803**	18,772	37,204
Cost of sales	**(2,341)**	(3,268)	(6,168)
Gross profit	**14,462**	15,504	31,036
Administrative expenses	**(13,804)**	(14,049)	(27,790)
Operating profit	**658**	1,455	3,246
Adjusted operating profit	**3,624**	4,019	8,327
Amortisation of acquired intangible assets	**(1,298)**	(1,237)	(2,479)
Expenses relating to share option schemes	**(686)**	(411)	(771)
Exceptional restructuring costs	**-**		(531)
Exceptional legal fees and settlement agreements	**(982)**	(916)	(1,300)
Profit from operating activities	**658**	1,455	3,426
Finance charges	**(15)**	(18)	(45)
Finance income	**197**	111	234
Profit before taxation	**840**	1,548	3,435
Taxation	**(580)**	(274)	1,109
Profit for the period	**260**	1,274	4,544
Other comprehensive income/(expense)			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	**(144)**	83	(90)
Other comprehensive (expense)/ income for the period, net of income tax	**(144)**	83	(90)
Total comprehensive income for the period attributable to the equity holders of the Company	**116**	1,357	4,454

Profit per share expressed in pence			
Basic earnings per 0.25p share	**0.09**	0.43	1.56
Diluted earnings per 0.25p share	**0.09**	0.42	1.50

Consolidated statement of financial position
as at 30 September 2024

	30 September 2024 £'000	30 September 2023 £'000	31 March 2024 £'000
Assets			
Non-current assets			
Intangible assets	**33,966**	36,497	35,334
Property, plant and equipment	**3,928**	3,945	4,222
Right -of-use leased assets	**427**	668	788
Deferred tax asset	**516**	156	570
	38,837	41,266	40,914
Current assets			
Inventories	**205**	223	216
Trade and other receivables	**9,233**	10,238	12,599
Cash and cash equivalents	**10.433**	7,278	8,309
	19,871	17,739	21,124
Total assets	**58,708**	59,005	62,038
Liabilities			
Current liabilities			
Trade and other payables	**(12,292)**	(13,294)	(14,356)
Lease liabilities	**(453)**	(482)	(485)
Provisions for liabilities		-	(1,365)
	(12,745)	(13,776)	(16,206)
Non-current liabilities			
Lease liabilities	**-**	(231)	(344)
Deferred tax liabilities	**(186)**	(1,535)	(218)
	(186)	(1,766)	(562)
Net assets	**45,777**	43,463	45,270
Shareholders' equity			
Called up share capital	**732**	732	732
Share premium account	**22,180**	22,180	22,180
Capital redemption reserve	**198**	198	198
Merger reserve	**2,697**	2,697	2,697
Currency reserve	**498**	815	642
Retained earnings	**19,472**	16,841	18,821
Total equity	**45,777**	43,463	45,270

Consolidated interim statement of changes in equity
as at 30 September 2024

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency reserve £'000	Retained earnings £'000	Total Shareholders' equity £'000
Balance at 1 April 2024	**732**	**22,180**	**198**	**2,697**	**642**	**18,821**	**45,270**
Total comprehensive income for the period							
Loss for the period	-	-	-	-	-	260	260
Other comprehensive expense for the period	-	-	-	-	(144)	-	(144)
Contributions by and distributions to owners	**-**	**-**	**-**	**-**	**(144)**	**260**	**116**
Shares transacted through Employee Benefit Trust	-	-	-	-	-	-	-
Shares issued under the share option scheme	-	-	-	-	-	-	-
Shares purchased for share ownership plan	-	-	-	-	-	(97)	(97)
Share based payment charge	-	-	-	-	-	489	489
Transactions with owners recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**391**	**391**
Balance as at 30 September 2024	**732**	**22,180**	**198**	**2,697**	**498**	**19,472**	**45,777**

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency reserve £'000	Retained earnings £'000	Total Shareholders' equity £'000
Balance at 1 April 2023	732	22,180	198	2,697	732	15,269	41,808
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	1,274	1,274
Other comprehensive expense for the period	-	-	-	-	83	-	83
Contributions by and distributions to owners	-	-	-	-	83	1,274	1,357
Shares transacted through Employee Benefit Trust	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued under the share option schemes	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares purchased for share ownership plan	-	-	-	-	-	(104)	(104)
Share based payment charge	-	-	-	-	-	402	402
Transactions with owners recorded directly in equity	-	-	-	-	-	298	298
Balance at 30 September 2023	732	22,180	198	2,697	815	16,841	43,463

Consolidated statement of cash flows
for the six months ended 30 September 2024

	Six months ended 30 September 2024 £'000	Six months ended 30 September 2023 £'000	Year ended 31 March 2024 £'000
Profit after taxation	**260**	1,274	4,544
Interest income	**(197)**	(111)	(234)
Interest payable	**15**	18	45
Taxation	**580**	274	(1,109)
Depreciation of property, plant and equipment	**278**	316	636
Depreciation of leased assets	**349**	326	681
Amortisation of intangible assets	**1,555**	1,457	2,995
Share based payments	**686**	412	36
Exchange differences	**100**	67	771
Operating profit before changes in working capital and provisions	**3,626**	4,033	8,365
Decrease in inventories	**11**	31	38
Decrease/ (Increase) in trade and other receivables	**3,365**	1,540	(821)
Decrease in trade and other payables	**(2,637)**	(2,908)	(1,834)
(Decrease) / Increase in provisions	**(1,365)**	-	1,365
Net cash generated from operating activities	**3,000**	2,696	7,113
Taxation paid	**(183)**	(292)	(49)
Interest paid on lease liability	**(15)**	(18)	(45)
Net cash from continuing operating activities	**2,802**	2,386	7,019
Cash flows from investing activities			
Purchase of property, plant and equipment	**(12)**	(76)	(690)
Purchase of intangible fixed assets	**(351)**	(408)	(869)
Interest received	**197**	111	234
Net cash utilised in continuing investing activities	**(166)**	(373)	(1,325)
Cash flows from financing activities			
Dividends paid	**-**	-	(2,164)
Principal elements of lease payments	**(376)**	(338)	(700)
Shares purchased for share ownership plan	**(97)**	(103)	(174)
Cash outflow from acquiring shares from the Employee Benefit Trust	**-**	-	(11)
Net cash utilised in continuing investing activities	**(473)**	(441)	(3,049)
Increase in cash and cash equivalents	**2,163**	1,572	2,645
Cash and cash equivalents at the start of the period	**8,309**	5,740	5,740
Effect of exchange rate fluctuations on cash held	**(39)**	(34)	(76)
Cash and cash equivalents at the end of the period	**10,433**	7,278	8,309

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

GENERAL INFORMATION
Eckoh plc is a public Company limited by shares and is incorporated in the United Kingdom and registered in England under the Companies Act 2006 (Company Registration number 03435822). The address of the Company's registered office is Telford House, Corner Hall, Hemel Hempstead, HP3 9NH.

Eckoh plc is a global provider of Customer Engagement Data Security Solutions.

These condensed consolidated interim financial statements for the six months ended 30 September 2024 comprise the Company and its subsidiaries (together the "Group").

1. Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 September 2024 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK. This report does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2024, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework" and applicable law).

The unaudited condensed consolidated interim financial information for the period ended 30 September 2024 does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2024 are extracted from the statutory financial statements which have been filed with the Registrar of Companies, on which the auditor gave an unqualified report, which made no statement under section 498(2) or (3) respectively of the Companies Act 2006 and did not draw attention to any matters of emphasis.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2024.

In reporting financial information, the Group presents alternative performance measures ("APMs"). The Directors consider that disclosing alternative performance measures enhances Shareholders' ability to evaluate and analyse the underlying financial performance of the Group. They have identified adjusted operating profit and adjusted EBITDA as measures that enable the assessment of the performance of the Group and assists in financial, operational and commercial decision-making. In adjusting for these measures, the Directors have sought to eliminate those items of income and expenditure that do not specifically relate to the underlying operational performance of the Group in a specific year.

These condensed consolidated interim financial statements were approved by the Board of Directors on 18 December 2024.

The accounting policies adopted in these interim financial statements are consistent with those of the previous financial year and the corresponding interims period.

Going concern
The Directors have, at the time of approving the condensed consolidated interim financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Directors have considered the impact of the acquisition as detailed in Note 4 for the going concern assessment and our conclusion remains unchanged. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

New standards and interpretations not yet adopted
Amended standards and interpretations not yet effective are not expected to have a significant impact on the Group's consolidated financial statements.

2. Dividends

The proposed dividend of £2.4m for the year ended 31 March 2024 of 0.82p per share was paid on 18 October 2024.

3. Earnings per share

The basic and diluted earnings per share are calculated on the following profit and number of shares. Earnings for the calculation of earnings per share is the net profit attributable to equity holders of the parent.

	Six months ended 30 September 2024 £'000	Six months ended 30 September 2023 £'000	Year ended 31 March 2024 £'000
Earnings for the purposes of basic and diluted earnings per share	**260**	1,274	4,544
Earnings for the purposes of adjusted basic and diluted earnings per share[1]	**2,855**	3,084	6,387

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

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

	H1 FY25 £'000	H1 FY24 £'000	FY24 £'000
Earnings for the purposes of basic and diluted earnings per share	**260**	1,274	4,544
Taxation	**580**	274	(1,109)
Amortisation of acquired intangible assets	**1,298**	1,237	2,479
Expenses relating to share option schemes	**686**	412	771
Exceptional restructuring costs	**-**	144	531
Exceptional legal fees and settlement agreements	**982**	772	1,300
Adjusted profit before tax	**3,806**	4,112	8,516
Tax charge based on standard corporation tax rate of 25% (2024: 25%)	**(951)**	(1,028)	(2,129)
Earnings for the purposes of adjusted basic and diluted earnings per share	**2,855**	3,084	6,387

Denominator	**Six months ended 30 September 2024 '000**	Six months ended 30 September 2023 '000	Year ended 31 March 2024 '000
Weighted average number of shares in issue in the period	**292,949**	292,909	292,921
Shares held by employee ownership plan	**(2,764)**	(2,608)	(2,587)
Number of shares used in calculating basic earnings per share	**290,185**	290,302	290,334
Dilutive effect of share options	**11,393**	13,819	13,459
Number of shares used in calculating diluted earnings per share	**301,578**	304,121	303,793

Profit per share	**H1 FY25 pence**	H1 FY24 pence	FY24 Pence
Basic earnings per 0.25p share	**0.09**	0.43	1.56
Diluted earnings per 0.25p share	**0.09**	0.42	1.50
Adjusted earnings per 0.25p share	**0.98**	1.05	2.20
Adjusted diluted earnings per 0.25p share	**0.95**	1.01	2.10

4. Subsequent events to 30 September 2024

On 7 October 2024 Eckoh confirmed that after a protracted legal and subsequent arbitration process relating to a historical patent dispute brought by a competitor, Eckoh was pleased to confirm that the process had been successfully concluded to Eckoh's benefit and under a Settlement Agreement Eckoh has been paid a sum of £2.25m, which represents the substantial majority of costs (accounted for as exceptional items) it has incurred over the past two and half years.

The Agreement also provides legal certainty that there can be no future litigation brought by the competitor against Eckoh relating to the patent family in question.

On 30 October 2024, the boards of Eagle UK Bidco Limited ("Bidco"), an indirect, wholly-owned subsidiary of certain funds managed by Bridgepoint Advisers II Limited, and Eckoh announced that they had reached agreement on the terms and conditions of a recommended cash acquisition by Bidco of the entire issued and to be issued share capital of Eckoh (the "Acquisition"). The Acquisition is intended to be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act (the "Scheme"). On 4 December 2024, Eckoh announced that it had published a circular in relation to the Acquisition (the "Scheme Document"). The Acquisition remains subject to the satisfaction or (where capable of being waived) waiver of certain Conditions set out in the Scheme Document, including (but not limited to) (i) approval of the Scheme by Scheme Shareholders, (ii) the passing of the Resolutions necessary to implement the Scheme by the requisite majorities at the General Meeting, (iii) sanction of the Scheme by the Court at the Sanction Hearing, and (iv) delivery of a copy of the Court Order to the Registrar of Companies. The expected timetable of principal events is set out on page 10 of the Scheme Document. Capitalised terms used in this paragraph shall, unless otherwise defined, have the meanings set out in Part IX (*Definitions*) of the Scheme Document.