



24 February 2015

NETCALL PLC
(“Netcall”, the “Company”, or the “Group”)

Interim results for the six months ended 31 December 2014

Netcall plc (AIM: NET), a leading customer engagement software provider, today announces its unaudited interim results for the six months ended 31 December 2014.

Financial Highlights

- Adjusted EBITDA⁽¹⁾ increased by 8% to £2.66m (H1 FY14: £2.48m)
- Adjusted diluted earnings per share⁽²⁾ increased 4% to 1.38p (H1 FY14: 1.33p)
- Revenue increased to £8.60m (H1 FY14: £8.43m)
- Revenue of a recurring nature⁽³⁾ increased 4% to £5.49m corresponding to 64% of total revenue
- Cash generated from operations was £2.07m (H1 FY14: £1.30m) before national insurance on share option payments
- Profit before tax increased 3% to £1.41m (H1 FY14: £1.37m)
- Debt-free balance sheet with net cash funds of £13.0m

- 1) *profit before interest, taxation, depreciation, amortisation, acquisition expenses and share-based charges*
- 2) *earnings per share before amortisation of acquired intangible assets, acquisition expenses, share-based charges, adjusted to a standard rate of corporation tax*
- 3) *revenue from support and maintenance and hosted service contracts*

Operational Highlights

- Expanded product suite with new multi-media capabilities and deeper platform integration
- High levels of cross and upgrade Liberty sales from our clients
- Delivered improved organisational efficiency and processes in key areas
- Increased pipeline of Liberty sales opportunities

Henrik Bang, CEO of Netcall, commented,

“I am pleased to report another period of revenue and profit growth with high levels of recurring revenue and cash generation. We have had record cross and upgrade orders from our clients including purchases of our new multi-media solutions. We continue to invest in the capabilities of our Liberty product suite, which together with our strong balance sheet, customer base and growing pipeline of opportunities gives the Board confidence in achieving a successful outcome for the full year.”

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About Netcall plc

Netcall is a UK company quoted on the AIM market of the London Stock Exchange. Netcall's software product suite provides compelling business process solutions for end-to-end customer engagement, incorporating multi-channel contact centre, workforce optimisation, business process management and enterprise content management. The Netcall software platform helps organisations meet the growing demands of their customers and prospects whilst improving internal efficiencies, thereby increasing profitability and customer satisfaction.

Netcall's customer base contains over 700 organisations in both the private and public sectors. These include two thirds of NHS Acute Health Trusts, major telecoms operators such as BT and leading organisations including Interflora, Lloyds Banking Group, Cineworld, Interserve, Prudential, British Sugar and Thames Water.

For further information, please consult the Netcall website: www.netcall.com

Introduction

Netcall continued to see significant interest in its Liberty platform and its customer engagement solutions. The Group recorded 8% higher adjusted EBITDA than the same period last year supported by increased revenues and improved margins. This represents a record revenue and profit result for an interim period in the Company's history.

The strength of the revenue of a recurring nature, accounting for 64% of total revenue, continues to underpin the Group's profitability and ongoing cash generation and provides a good level of visibility for the second half. The Group maintains a debt free balance sheet with an increased net cash balance of £13.0m at the period end.

Customers continue to purchase a broad range of solutions across the Liberty platform. In particular there was good cross and up-sales demand from the existing client base in the period, which also represents a significant opportunity going forward. The Group also continues to win new customers with both public and private organisations as they look to improve their customer engagement capabilities in a cost effective manner. New customer wins in the period include the London Borough of Hackney and Cofunds.

The Group remains committed to expanding its range of products and services by continuing to invest in the Liberty platform and go-to-market execution. Businesses are continuously seeking more sophisticated and comprehensive approaches to managing customer engagement enabling improved customer acquisition and retention while driving operational efficiencies. Netcall's end-to-end platform means it is well positioned to capitalise on this trend and the Board remains confident in the Company's prospects.

Financial Review

Group revenue for the period increased 2% to £8.60m (H1 FY14: £8.43m), comprising continuing growth in the core business primarily driven by existing clients supplemented with revenue from the non-core MovieLine service, which continues to generate positive cash flow for the Group.

Revenue which is considered to be recurring in nature, derived from support, maintenance, hosting and managed service contracts, was 64% (H1 FY14: 63%) of total Group revenue and continues to exceed the Group's fixed operating costs.

Gross profit margin increased by 0.5% to 91.3% as a result of the continuing focus on higher margin business.

Administrative expenses, before depreciation, amortisation, acquisition costs and share-based charges, increased to £5.18m (H1 FY14: £5.17m) an improvement in expense to revenue to 60% (H1 FY14: 61%) as a result of delivering further efficiency and process improvements.

Consequently, the Group recorded an 8% increase in adjusted EBITDA to £2.66m (H1 FY14: £2.48m), a margin of 31% of revenue (H1 FY14: 29%) and a profit before tax of £1.41m for the period (H1 FY14: £1.37m).

The Group tax charge was £0.23m (H1 FY14: £0.10m) an effective rate of tax of 17% (H1 FY14: 8%). The effective rate of tax benefited from the utilisation of previously unrecognised tax losses from prior years. It was higher than the same period last year due to tax deductions for shares acquired by employees under share option schemes in that prior period.

Adjusted diluted earnings per share increased 4% to 1.38p (H1 FY14: 1.33p). Reported diluted earnings per share was 0.84p (H1 FY14: 0.94) which was lower due to the issue of shares under share option schemes in the last financial year.

Cash generated from operations before national insurance on share option payments increased 59% to £2.07m (H1 FY14: £1.30m), representing 78% of adjusted EBITDA (H1 FY14: 53%). The change in conversion ratio is largely a result of temporary timing differences in the comparative period.

Spending on research and development, including capitalised software development was £0.90m (H1 FY14: £0.90m) of which capitalised software expenditure was £0.35m (H1 FY14: £0.36m).

Total capital expenditure was £0.42m (H1 FY14: £0.48m); the balance after capitalised development, being £0.06m (H1 FY14: £0.12m) relating to corporate facilities.

As a result of these factors, cash increased to £13.0m at 31 December 2014 (30 June 2014: £11.4m). The Group continues to maintain a debt-free balance sheet.

On 12 January 2015, post period end, the Company paid a dividend to shareholders in respect of the financial year ended 30 June 2014 of 0.9 pence per share totalling £1.23m, an increase of 29% over the previous financial year.

Business Review

Netcall's objective is to provide a comprehensive suite of customer engagement solutions which, on a single platform, enables organisations to have higher quality customer interactions and experience a lower operating cost.

Organisations across all sectors are looking to deliver best-in-class customer service and experience, in an architecture which manages multiple interaction channels (web, mobile, social media, web-chat, telephone and SMS) seamlessly. In order to simplify operations, organisations are moving towards full suite solutions that offer applications (for example customer records management, business process rules and integration to back office systems) which are fully integrated with communication and context routing technology.

The Liberty platform, which is available in the cloud or on premise, delivers this comprehensive functionality and can be acquired as a suite or on a modular basis. This provides a flexible entry point and upgrade path for organisations and as result it continues to gain foothold amongst new customers and its adoption is also broadening within our existing client base.

Examples of solution implementations include:

- An existing callback customer selected the Liberty platform to replace their cloud contact centre to obtain integration with voice and non-voice channels such as social and web chat together with CRM integration.
- An international transport organisation has deployed our workforce management solution to improve customer service and support revenue generation in a multi-skilled and multi-language environment thereby achieving significant improvements in both abandoned call rates and speed of answer.

- A government agency selected the Liberty platform to provide PCI compliant automated payments which allows users to register their vehicle details using speech automation and make pay as you go and top-up payments to their accounts.

During the period the Group continued to develop and launch new solutions improving Liberty's capabilities including strengthening our multi-channel applications and creating new joined up solutions which enhance the differentiation of the platform. Examples include:

- The introduction of a web-chat solution and improved integration for social media engagement which can be managed together with other media streams, each with different characteristics and service level requirements. These solutions have been well received by our customers and the first orders have been received.
- A unique integration of our patented call-back application and workforce management solution enable users to forecast financial and service level impact of using call-back technology at specific times to maximise the utilisation of contact centre resources. Initial results from this innovation has shown a significant improvement in interactions answered within service level and average time to answer compared to using standalone solutions.
- An integration of our contact centre and case management applications. This enables multi-channel workflow and routing of cases between departments combined with the ability to send proactive automated alerts and notifications as required.

The aim with our continuous development of the Liberty platform is to maintain a frequent release programme which allows both new and existing customers to map their current and future customer engagement requirements using Liberty's modular design, thereby creating incremental revenue opportunities for the Group.

Moving forward, Netcall's product roadmap priorities include ongoing replication of Liberty functionality to its current Cloud solution, thereby offering customers more flexibility while providing the opportunity to grow the Group's recurring revenue base. The Group will continue its focus on bringing additional enhancements to Liberty's multi-channel solutions to ensure the Group continues to offer best-of-breed solutions as part of its unified offering to our customers.

In addition, the Board continues to examine potential acquisitions of complementary businesses that fit the Group's acquisition criteria to enhance the Group's growth.

Outlook

We continue to invest in the capabilities of our SaaS and premise-based Liberty product suite. Together with our strong balance sheet, customer base and growing pipeline of opportunities it gives the Board confidence in achieving a successful outcome for the full year. Acquisition remains a part of the Group's strategy and the Board continues to assess the market for complementary acquisitions to enhance organic growth.

Unaudited consolidated income statement for the six months to 31 December 2014

£'000	Six months to 31 December 2014	Six months to 31 December 2013	12 months to 30 June 2014
Revenue	8,598	8,430	16,866
Cost of sales	(751)	(782)	(1,513)
Gross profit	7,847	7,648	15,353
Administrative expenses	(6,492)	(6,303)	(13,541)
Other gains/(losses) – net	-	(1)	-
Adjusted EBITDA	2,663	2,477	4,928
Acquisition credit	-	50	50
Share-based payments	(558)	(462)	(1,689)
Depreciation	(72)	(60)	(127)
Amortisation of acquired intangible assets	(466)	(520)	(1,054)
Amortisation of other intangible assets	(212)	(141)	(296)
Operating profit	1,355	1,344	1,812
Finance income	55	37	85
Finance costs	(2)	(7)	(11)
Finance income – net	53	30	74
Profit before tax	1,408	1,374	1,886
Tax	(234)	(104)	327
Profit for the period	1,174	1,270	2,213
Earnings per share – pence			
Basic	0.86	1.04	1.76
Diluted	0.84	0.94	1.72

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

Statement of comprehensive income for the six months to 31 December 2014

£'000	Six months to 31 December 2014	Six months to 31 December 2013	12 months to 30 June 2014
Profit for the period	1,174	1,270	2,213
Total comprehensive income for the period	1,174	1,270	2,213

Unaudited consolidated balance sheet at 31 December 2014

£'000	31 December 2014	31 December 2013	30 June 2014
Assets			
Non-current assets			
Property, plant and equipment	286	296	307
Intangible assets	11,490	12,157	11,804
Investments	288	-	188
Deferred income tax asset	846	480	867
Total non-current assets	12,910	12,933	13,166
Current assets			
Inventories	171	220	168
Trade and other receivables	4,499	4,821	5,237
Current income tax asset	-	-	66
Cash and cash equivalents	12,999	9,959	11,377
Total current assets	17,669	15,000	16,848
Total assets	30,579	27,933	30,014
Equity and liabilities			
Equity attributable to the owners of the parent			
Share capital	6,945	6,267	6,940
Share premium	3,015	3,015	3,015
Merger reserve	2,509	2,509	2,509
Capital reserve	188	188	188
Treasury shares	(419)	(419)	(419)
Employee share schemes reserve	917	714	394
Profit and loss account	7,543	5,300	7,560
Total equity	20,698	17,574	20,187
Liabilities			
Non-current liabilities			
Deferred income tax liabilities	569	682	594
Other payables	-	41	24
Provisions	122	75	84
Total non-current liabilities	691	798	702
Current liabilities			
Trade and other payables	4,199	4,219	3,353
Current income tax liabilities	145	97	-
Deferred income	4,846	5,245	5,772
Total current liabilities	9,190	9,561	9,125
Total liabilities	9,881	10,359	9,827
Total equity and liabilities	30,579	27,933	30,014

Unaudited consolidated statement of changes in equity at 31 December 2014

£'000	Share capital	Share premium	Merger reserve	Capital redemption reserve	Treasury shares	Employee share schemes	Profit and loss account	Total equity
Balance at 1 July 2013	6,117	3,015	2,509	188	(419)	872	4,603	16,885
Proceeds from share issue	150	-	-	-	-	-	-	150
Increase in equity in relation to options issued	-	-	-	-	-	133	-	133
Reclassification following exercise or lapse of share options	-	-	-	-	-	(291)	291	-
Dividends to equity holders of the company	-	-	-	-	-	-	(864)	(864)
Transactions with owners	150	-	-	-	-	(158)	(573)	(581)
Profit and total comprehensive income for the period	-	-	-	-	-	-	1,270	1,270
Balance at 31 December 2013	6,267	3,015	2,509	188	(419)	714	5,300	17,574
Balance at 1 January 2014	6,267	3,015	2,509	188	(419)	714	5,300	17,574
Proceeds from share issue	673	-	-	-	-	-	-	673
Increase in equity reserve in relation to options issued	-	-	-	-	-	856	-	856
Tax credit relating to share options	-	-	-	-	-	141	-	141
Reclassification following exercise or lapse of share options	-	-	-	-	-	(1,317)	1,317	-
Transactions with owners	673	-	-	-	-	(320)	1,317	1,670
Profit and total comprehensive income for the period	-	-	-	-	-	-	943	943
Balance at 30 June 2014	6,940	3,015	2,509	188	(419)	394	7,560	20,187
Balance at 1 July 2014	6,940	3,015	2,509	188	(419)	394	7,560	20,187
Proceeds from share issue	5	-	-	-	-	-	-	5
Increase in equity reserve in relation to options issued	-	-	-	-	-	529	-	529
Tax credit relating to share options	-	-	-	-	-	36	-	36
Reclassification following exercise or lapse of share options	-	-	-	-	-	(42)	42	-
Dividends to equity holders of the company	-	-	-	-	-	-	(1,233)	(1,233)
Transactions with owners	5	-	-	-	-	523	(1,191)	(663)

Profit and total comprehensive income for the period	-	-	-	-	-	-	1,174	1,174
Balance at 31								
December 2014	6,945	3,015	2,509	188	(419)	917	7,543	20,698

Unaudited consolidated cash flow statement for the six months to 31 December 2014

£'000	Six months to 31 December 2014	Six months to 31 December 2013	12 months to 30 June 2014
Cash flows from operating activities			
Profit before income tax	1,408	1,374	1,886
Adjustments for:			
Depreciation	72	60	127
Amortisation	678	661	1,350
Share-based payments	529	462	989
Net finance income	(53)	(30)	(74)
Changes in working capital (excluding the effects of acquisitions)			
Inventories	(3)	58	110
Trade and other receivables	738	(316)	(724)
Trade and other payables	(1,299)	(1,111)	(264)
Cash generated from operations	2,070	1,158	3,400
<i>Analysed as:</i>			
Cash generated from operations before national insurance on share option payments	2,070	1,303	4,341
National insurance on share options	-	(145)	(941)
Interest paid	(2)	(7)	(11)
Income tax refund/ (paid)	10	(94)	(160)
Net cash generated from operating activities	2,078	1,057	3,229
Cash flows from investing activities			
Investment in Macranet Ltd	(100)	-	(188)
Purchases of property, plant and equipment	(51)	(88)	(168)
Proceeds on disposal of property, plant and equipment	-	6	7
Development expenditure	(354)	(357)	(657)
Purchases of other intangible assets	(11)	(33)	(69)
Interest received	55	37	77
Net cash used in investing activities	(461)	(435)	(998)
Cash flows from financing activities			
Proceeds from issue of ordinary shares	5	150	823
Dividends paid to Company shareholders	-	-	(864)
Net cash used in financing activities	5	150	(41)
Net increase in cash and cash equivalents	1,622	772	2,190
Cash and cash equivalents at beginning of period	11,377	9,187	9,187
Cash and cash equivalents at end of period	12,999	9,959	11,377

Notes to the financial information for the six months ended 31 December 2014

1. General information

Netcall plc (AIM: "NET", "Netcall", or the "Company") is a leading provider of customer engagement software. It is a public limited company which is quoted on AIM (a market of the London Stock Exchange). The Company's registered address is 3rd Floor, Hamilton House, 111 Marlowes, Hemel Hempstead, HP1 1BB and the Company's registered number is 1812912.

2. Basis of preparation

The Group interim results consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The principal trading subsidiaries of Netcall are Netcall Telecom Ltd and Serengeti Systems Ltd.

These consolidated interim financial statements (the 'results') have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (February 2015). This results announcement does not constitute statutory accounts of the Group within the meaning of sections 434(3) and 435(3) of the Companies Act 2006. The balance sheet at 30 June 2014 has been derived from the full Group accounts published in the Annual Report and Accounts 2014, which has been delivered to the Registrar of Companies and on which the report of the independent auditors was unqualified and did not contain a statement under either section 498(2) or section 498(3) of the Companies Act 2006.

The results have been prepared in accordance with the accounting policies set out in the Group's 30 June 2014 statutory accounts, which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union ("EU"). No changes to accounting policies are expected for the year ending 30 June 2015.

The results for the six months ended 31 December 2014 were approved by the Board on 20 February 2015. A copy of these interim results will be available on the Company's web site www.netcall.com from 27 February 2015.

The principal risks and uncertainties faced by the Group have not changed from those set out on page 7 of the annual report for the year ended 30 June 2014.

3. Segmental analysis

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

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

4. Earnings per share

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

	Six months to 31 December 2014	Six months to 31 December 2013	12 months to 30 June 2014
Net earnings attributable to ordinary shareholders (£'000s)	1,174	1,270	2,213
Weighted average number of ordinary shares in issue (000s)	136,980	121,538	126,076
Basic earnings per share (pence)	0.86	1.04	1.76

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

	Six months to 31 December 2014	Six months to 31 December 2013	12 months to 30 June 2014
Weighted average number of ordinary shares in issue (000s)	136,980	121,538	126,076
Adjustments for share options (000s)	2,459	13,001	2,835
Weighted average number of potential ordinary shares in issue (000s)	139,439	134,539	128,911
Diluted earnings per share (pence)	0.84	0.94	1.72

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

£'000s	Six months to 31 December 2014	Six months to 31 December 2013	12 months to 30 June 2014
Profit used for calculation of basic and diluted EPS	1,174	1,270	2,213
Acquisition credit	-	(50)	(50)
Share-based payments	558	462	1,689
Amortisation of acquired intangible assets	466	520	1,054
Tax adjustment	(271)	(415)	(1,357)
Profit used for calculation of adjusted basic and diluted EPS	1,927	1,787	3,549

Pence	Six months to 31 December 2014	Six months to 31 December 2013	12 months to 30 June 2014
Adjusted basic earnings per share	1.41	1.47	2.81
Adjusted diluted earnings per share	1.38	1.33	2.75

5. Dividends

A dividend in respect of the year ended 30 June 2014 of 0.9 pence per share amounting to a total dividend of £1.23m was approved at the Annual General Meeting held on 27 November 2014. This dividend was paid on 12 January 2015.

A dividend in respect of the year ended 30 June 2013 of 0.7 pence per share amounting to a total dividend of £0.86m was paid on 10 January 2014.