8 March 2023

NETCALL PLC
("Netcall", the "Company", or the "Group")

Interim results for the six months ended 31 December 2022

Accelerating momentum

Netcall plc (AIM: NET), the leading provider of intelligent automation and customer engagement software, today announces its unaudited interim results for the six months ended 31 December 2022.

Financial highlights

	H1 FY23	**H1 FY22**	
Revenue	£17.5m	£14.7m	+19%
Cloud services revenue	£7.85m	£4.93m	+59%
Total annual contract value[1] ACV	£26.5m	£19.8m	+34%
Cloud services 'ACV'	£17.1m	£10.8m	+58%
Adjusted EBITDA[2]	£4.43m	£3.45m	+29%
Profit before tax	£2.41m	£1.15m	+109%
Adjusted basic earnings per share	1.86p	1.09p	+71%
Group cash at period end	£20.4m	£10.7m	+91%
Net funds at period end	£19.9m	£6.5m	+206%

Operational highlights

- Strong demand for Intelligent Automation and Customer Engagement solutions, with new customer acquisition particularly robust
- Cloud services continues to be the primary driver of growth, accounting for more than 80% of new product bookings
- Intelligent Automation solutions now more than half of Group revenue with an annual run rate of £18.0m (H1 FY22: 44%, £13.0m)
- Customer Engagement customers that have purchased Intelligent Automation solutions increased by 3 percentage points to 16%, demonstrating cross-selling success and ongoing potential
- Cloud net retention rate[3] of 149% (H1 FY22: 119%) or 119% excluding the effect of the significant contract win announced in June 2022, supported by high customer satisfaction rates exceeding 98%
- Continued investment in product innovation and business infrastructure to support business growth
- Positive momentum continues in beginning of second half, in line with management expectations

Henrik Bang, Chief Executive, said:

"We are pleased with the trading performance during the first half with continued double-digit revenue and profitability growth together with accelerated progress in annual contract value, supporting strong forward momentum.

"During the period, we have seen healthy demand for our Liberty platform, particularly for cloud-based solutions, as organisations use automation technologies to make their operations more efficient whilst improving their customer and employee experiences.

"We enter the second half in a good position with a healthy pipeline and a profitable and cash generative business, which combined with our strong balance sheet, enables us to continue investing in our growth strategy. The Board remains confident in the Group's continued success."

(1) ACV, as at a given date, is the total of the value of each cloud and support contract divided by the total number of years of the contract (save that the contract win announced on 10 June 2022 is included in FY22 ACV as its first-year contribution).

(2) Profit before interest, tax, depreciation and amortisation adjusted to exclude the effects of acquisition, impairment, contingent consideration, share-based payments and non-recurring transaction costs.

(3) Cloud net retention rate is calculated by starting with the Cloud ACV from all customers twelve months prior to the period end and comparing it to the Cloud ACV from the same customers at the current period end. The current period ACV includes any upsells and is net of contraction or churn over the trailing twelve months but excludes ACV from new customers in the current period. The Cloud net retention rate is the total current period ACV divided by the total prior period ACV.

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About Netcall:

Netcall's Liberty software platform with Intelligent Automation and Customer Engagement solutions helps organisations digitally transform their businesses faster and more efficiently, empowering them to create a leaner, more customer-centric organisation.

Netcall's customers span enterprise, healthcare and government sectors. These include two-thirds of the NHS Acute Health Trusts and leading corporates including Legal and General, Lloyds Banking Group, Aon and Santander.

For further information, please go to www.netcall.com.

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'). With the publication of this announcement, this information is now considered to be in the public domain.

Overview

Trading in the first half of the year has been positive and comfortably in line with management expectations. Revenue for the first half increased 19% to £17.5m whilst adjusted EBITDA grew 29% to £4.43m as a result of strong demand for both the Group's Customer Engagement and Intelligent Automation solutions.

Cloud subscriptions continue to be the main growth driver for the Group, with revenue increasing 59% to £7.85m, as organisations look to improve operational efficiencies and customer experience. The underlying growth in cloud revenue, excluding the significant contract win announced on 10 June 2022 ('Contract Win'), was 27%.

New customer acquisition was particularly robust in the period supporting continued sales momentum as reflected in the growth of Annual Contract Value ("ACV"), a leading indicator of future performance. During the period, cloud-based solutions accounted for more than 80% of new product bookings increasing cloud ACV by 58% to £17.1m (H1 FY22: 29% to £10.8m). This contributed to total ACV growth of 34% to £26.5m (H1 FY22: 12% and £19.8m).

The Group's financial performance is underpinned by its land-and-expand strategy as customers across industries increasingly use cloud-based automation and customer engagement solutions. The strength of the Group's differentiated product portfolio and people are reflected in its cloud net retention rate of 149% and supported by excellent customer satisfaction rates exceeding 98%.

The transition to a cloud business model continues to drive growth, enhanced profitability and improved cash generation. In the period 35% of incremental revenue was translated to adjusted EBITDA, of which more than 118% was converted into operating cash flow. Netcall's high recurring revenues and cash conversion enables continued investment in improving and growing the business. The Group's net cash ("Cash less Borrowings") at period end was £20.4m (30 June 2022: £14.1m). Following the repayment of Loan Notes, announced on 7 October 2022, the Group has no debt.

Current Trading and Outlook

The Group's positive trading momentum has continued in the beginning of the second half as Netcall continues to execute its growth strategy and is supported by a healthy pipeline and good visibility from recurring revenue, which together with our strong balance sheet, enables us to continue investing in our growth strategy. Combined with secular growth drivers from organisations' increased use of automation, the Board is confident in the Group's continued success.

Business Review

Netcall helps customers turn their digital strategies into successful journeys and build smarter, leaner and more customer-centric organisations, making them more effective and competitive. From councils interacting with citizens, NHS trusts helping patients, or banks servicing customers, there is increasing pressure on organisations to improve operations to deliver successful outcomes for stakeholders. This is achieved through the Liberty platform which enables organisations to improve operational efficiencies as well as customer and employee experiences.

In the current economic environment where there is increased focus on cost efficiencies, automation of operations remains a key strategic priority for organisations. This is highlighted in a recent survey[1] which shows that almost eight in ten CFOs expect to see greater investment in digital technology over the next three years as businesses aim to streamline operations and improve margins. In the face of rising costs, skill shortages and evolving consumer expectations, solutions such as Low-code, RPA, machine learning and omni-channel engagement are increasingly seen as an interconnected toolkit for implementing automation programmes more effectively.

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[1] https://www2.deloitte.com/uk/en/pages/finance/articles/deloitte-cfo-survey.html

These challenges sit at the core of Netcall's Liberty platform, unifying Intelligent Automation and Customer Engagement to provide a 'one-stop-shop' Digital Transformation suite. The outcome is smoother, faster and more transparent business processes which reduce costs and improve customer and employee experiences. Globally, organisations are expecting to automate approximately 25% of their processes and tasks within the next five years[2] leaving considerable scope for ongoing cross - and upselling as well as new customer acquisition opportunities.

The Liberty platform's blended solution set provides competitive differentiation by unifying two solution categories with five main product categories, as follows:

Intelligent Automation – automating processes to free-up people, increase accuracy, quality and scalability as well as removing customer friction

- **Liberty Create**: Enables both professional and business developers to create enterprise grade applications that drive and automate workflows and business processes using a low-code software for faster development utilising an intuitive drag-and-drop environment. This is combined with built-in integration to other parts of the Liberty platform, such as RPA and AI, as well as to 3rd party solutions such as SAP and Salesforce.

- **Liberty RPA**: AI-powered robotic process automation which frees-up people from mundane and cumbersome tasks, enabling them to be more productive.

- **Liberty AI**: Offers richer insights to data, predicts outcomes and improves business decision making. Through machine learning Liberty AI scales, delivers and enhances customer experiences across the entire enterprise.

Customer Engagement – connecting communication channels together to make customer interaction smoother and faster

- **Liberty Converse**: Seamless communication using our complete omni-channel contact centre solution for customer engagement which also includes solutions such as automated speech bots, workforce and quality management.

- **Liberty Connect**: Digital interactions using our cloud messaging and bot platform enabling customers to extend their reach using digital channels like web chat, Facebook Messenger and Twitter as well as benefiting from bots and automation.

Strategy

Netcall helps customers turn their digital strategies into successful journeys and build smarter, leaner and more customer-centric organisations making them more effective and competitive.

Netcall's key verticals of financial services, healthcare and public sector represent 89% of total revenues for H1 2023, with the Liberty platform offering applicability into other markets segments. Our target customers are typically operating complex businesses with large numbers of customers, employees and stakeholders, and in many cases are subject to a high level of regulation.

The Group pursues its market opportunity through execution of a clear and consistent organic growth strategy centred on four strategic pillars: new customer acquisition, growth within the existing base, ongoing product innovation and partner network expansion.

In addition, the Group continues to look for selective acquisitions with complementary proprietary software and/or additional customers in the Group's target markets where the Board believes that an acquired business can meet the Group's target financial parameters after an integration period.

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[2] https://www.mckinsey.com/capabilities/operations/our-insights/your-questions-about-automation-answered

1. Customer base expansion

Netcall's new customer acquisition has been particularly strong during the period across core markets as we build growing references. The Group's cloud products continue to be the main source of new business opportunities, accounting for all the new customer wins in the period.

New business highlights during the period include securing several new public sector wins, where organisations such as Newcastle City Council have purchased Netcall's Citizen Hub solution to improve services, quickly and cost-effectively while also giving give their internal teams the power of low-code development to develop and implement new services.

2. Land-and-expand

During the period, the Group's land and expand strategy has continued to deliver growth and is underpinned by high customer satisfaction and incremental value created by continuous product enhancements. Net retention rate for the period is 149% or 119% excluding the effect of the contract win announced in June 2022 and serves to highlight the value that customers place in Netcall's solutions and the significant opportunity available to achieve up- and cross-sales to our existing customers.

Key value opportunities within the existing base include the increasing adoption of Intelligent Automation solutions by the Group's Customer Engagement customers, which on average has resulted in a threefold increase in the annual contract value. With 16% of Customer Engagement customers as at 31 December 2022 having now purchased Intelligent Automation solutions, there continues to be significant potential within the base as customers look to automate more processes. Secondly, the ongoing trend of on-premise contact centre customers migrating to cloud environments to leverage greater flexibility and lower operating costs, has resulted in an approximately 50% uplift in annual contract values.

During the period a number of customers migrated their customer engagement solutions from on-premise to cloud and are in the process also purchased Liberty automation solutions.

3. Innovation and product development

Netcall has continued to invest in innovation and platform expansion to provide customers with additional features and capabilities. This underpins the Group's land-and-expand strategy, unlocking cross- and up-sell opportunities through new product functionality. A number of the enhanced features have been promoted through the Netcall Community, an environment for Netcall Liberty users to learn and collaborate.

In addition, we are exploring how new technologies such as ChatGPT and other generative AI models can help transform automation capabilities of the Liberty Platform. Areas of interest include making chatbots better and more helpful for customers – with the ultimate aim of automating more conversations and increasing customer satisfaction - as well as using AI to improve the productivity of employees such as contact centre agents by automating tasks including suggesting responses and summarising past conversations.

Among the wide range of improvements made to the Liberty platform is a new integration into Microsoft Teams. This gives users of the Liberty Create low-code development platform the ability to manage Microsoft Teams meetings and push notifications into Teams Channels to alert staff to workflow events. In addition, the Liberty platform's integration with the NHS app was released with several NHS Trusts now live, supporting the Government's digital health and social care initiative to help drive improved outcomes and reduced burden on the NHS.

4. Growing the partner channel

The Group's established partner network comprises large, global advisory firms and niche technology specialists which expand the Group's market reach and provide access to new opportunities. The period has seen Netcall's partner network continue to expand and sales via the channel network accounted for more than a quarter of order bookings The Board remains committed to its strategic priority of expanding this network with a focus on improving delivery capabilities for partners.

Financial Review

A key financial metric monitored by the Board is the growth in the ACV base year-on-year. This reflects the annual value of new business won, together with upsell into the Group's existing customer base as it delivers against its land-and-expand strategy, less any customer contraction or cancellation. It is an important metric for the Group, as it is a leading indicator of future revenue.

The Group continues its transition to a digital cloud business with Cloud ACV 58% higher at £17.1m (H1-FY22: £10.8m). The growth in Cloud ACV contributed to a 34% growth in total ACV to £26.5m (H1-FY22: £19.8m). The underlying Cloud and Total ACV growth excluding the significant contract win announced on 10 June 2022 was 28% and 19% respectively.

The table below sets out ACV for the last three reporting periods:

£'m ACV	H1-FY23	FY22	H1-FY22
Cloud services	17.1	15.0	10.8
Product support contracts	9.4	9.2	9.0
Total	**26.5**	**24.2**	**19.8**

Group revenue for the period grew by 19% to £17.5m (H1-FY22: £14.7m). The year-on-year increase was primarily driven by growth in both Intelligent Automation solutions by 39% to £8.98m (H1-FY22: £6.45m), and Customer Engagement solutions by 4% to £8.27m (H1-FY22: £7.94m) of which Customer Engagement Cloud service revenue grew by 17% to £1.74m (H1-FY22: £1.49m).

The table below sets out revenue by component for the last three interim periods:

£'m Revenue	H1-FY23	H1-FY22	H1-FY21
Cloud services	7.8	4.9	4.1
Product support contracts	4.6	4.4	4.6
Total Cloud services & Product support contracts	**12.4**	**9.4**	**8.7**
Communication services	1.3	1.5	1.6
Product	1.2	1.1	1.0
Professional services	2.6	2.7	2.1
Total Revenue	**17.5**	**14.7**	**13.4**

Reflecting the year over year growth in ACV, revenue from Cloud services (subscription and usage fees of our cloud-based offerings) was 59% higher at £7.85m (H1-FY22: £4.93m) and product support contracts grew by 4% to £4.61m (H1-FY22: £4.44m). This increased recurring revenues from Cloud service and Product support contracts, to 71% of total revenue (H1-FY22: 64%).

Communication services revenue (fees for telephony and messaging services) decreased by 15% to £1.31m (H1-FY22: £1.54m) mainly due to fewer call-back interactions in the period.

Product revenue (software license sales with supporting hardware) increased by 8% to £1.21m (H1-FY22: £1.12m) due to continuing customer demand for on-premise license expansions or upgrades. As previously communicated, this revenue stream continues to change within periods subject to customers preferences for buying on-premise or cloud contracts. The trend is, as expected, toward cloud contracts for new or replacement solutions.

Professional services revenue decreased by 4% to £2.55m (H1-FY22: £2.67m) as the provision of more scalable and lower cost online academy and community services begins to replace traditional paid for classroom training. The overall demand for our professional services is dependent on (i) the mix of direct and indirect sales of our solutions, in the latter case the Group's partners provide the related services directly for the end customer; and (ii) whether a customer requires the support of a full application development service or support to enable their own development teams.

Group Remaining Performance Obligations ("RPO"), being the total of future contracted revenue with customers that have not yet been recognised, inclusive of deferred income, increased 52% to £54.5m (compared to H1-FY22 of £35.8m) demonstrating the material amount of revenue available to the Company to be recognised in future periods. Within this, current RPO, being revenue due to be recognised within the next 12-months, increased to £30.0m (H1-FY22: £22.0m).

The Group's adjusted EBITDA increased by 29% to £4.43m (H1-FY22: £3.45m), a margin of 25% of revenue (H1-FY22: 23%). The improved margin reflecting an increased contribution from Cloud services in the sales mix partially offset by continued investment in headcount and pay growth.

The higher adjusted EBITDA led to a 35% increase in operating profit of £2.45m (H1-FY22: £1.81m) with combined charges for share-based payments, depreciation and amortisation charges being broadly level period over period.

To support the acquisition of MatsSoft Limited in 2017, the Company issued a £7m Loan Note with options over 4.8m new ordinary shares of 5p each priced at 58p. The Loan Note was unsecured, had an annual interest rate of 8.5% payable quarterly in arrears and was repayable in six instalments from 30 September 2022 to 31 March 2025. The Company made an initial repayment of £3.5m in November 2021, a scheduled repayment of £0.6m in September 2022 and in October 2022 redeemed the final £2.9m of the Loan Notes. Accordingly, total finance costs reduced to £0.14m (H1-FY22: £0.66m). In September 2022, the options were exercised and the Company received £2.8m in proceeds and issued 4.8m new ordinary shares of 5p each.

As a result, profit before tax was 109% higher at £2.41m (H1-FY22: £1.15m).

The Group recorded a tax credit of £15,000 (H1-FY22: credit £0.36m) benefiting from tax relief available from the exercise of share options and additional deductions for R&D expenditure during the period.

Basic earnings per share was 57% higher at 1.59 pence (H1-FY22: 1.01 pence) and increased by 71% to 1.86 pence on an adjusted basis (H1-FY22: 1.09 pence). Diluted earnings per share was 57% higher at 1.51 pence (H1-FY22: 0.96 pence) and increased by 72% to 1.77 pence on an adjusted basis (H1-FY22: 1.03 pence).

Cash generated from operations was £5.21m (H1-FY22: £1.23m). The Group deferred £2.21m of VAT payments during March and June 2020 due to Covid-19, which was repayable in monthly instalments from March 2021 to January 2022. Adjusting for the effect of the VAT deferral and consideration paid to the vendors of Oakwood Technologies BV (acquired in October 2020) accounted for as post completion services, cash generated from operations increased by 103% to £5.14m (H1-FY21: £2.52m) a conversion of 116% of adjusted EBITDA (H1-FY22: 73%).

Spending on research and development, including capitalised software development, increased by 27% £2.50m (H1-FY22: £1.97m) of which capitalised software expenditure was £1.14m (H1-FY22: £0.81m).

Total capital expenditure was £1.52m (H1-FY22: £0.98m); the balance after capitalised development, being £0.38m (H1-FY22: £0.18m) relating to a routine IT equipment refresh.

As a result of these factors, net funds were £19.9m at 31 December 2022 (30 June 2022: £13.4m).

A final dividend of 0.54 pence per share for the year ended 30 June 2022 was approved by shareholders on 8 December 2022. The amount payable was £0.84m and is included as a liability in the 31 December 2022 balance sheet and was paid on 31 January 2023.

Unaudited consolidated income statement for the six months to 31 December 2022

£'000	Unaudited Six months to 31 December 2022	restated Unaudited Six months to 31 December 2021	Audited 12 months to 30 June 2022
Revenue	**17,532**	**14,690**	**30,458**
Cost of sales	(2,922)	(2,366)	(5,021)
Gross profit	**14,610**	**12,324**	**25,437**
Administrative expenses	(12,257)	(10,540)	(22,363)
Other gains/(losses) - net	100	23	113
Adjusted EBITDA	**4,433**	**3,448**	**6,405**
Depreciation	(189)	(228)	(437)
Net loss on disposal of property, plant and equipment	-	-	-
Amortisation of acquired intangible assets	(261)	(261)	(522)
Amortisation of other intangible assets	(649)	(619)	(1,239)
Post-completion services	(366)	(33)	(56)
Share-based payments	(515)	(500)	(964)
Operating profit	**2,453**	**1,807**	**3,187**
Finance income	102	-	6
Finance costs	(144)	(659)	(881)
Finance costs – net	**(42)**	**(659)**	**(875)**
Profit before tax	**2,411**	**1,148**	**2,312**
Tax credit	15	362	88
Profit for the period	**2,426**	**1,510**	**2,400**
Earnings per share – pence			
Basic	1.59	1.01	1.61
Diluted	1.51	0.96	1.52

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.

Unaudited statement of comprehensive income for the six months to 31 December 2022

£'000	Unaudited Six months to 31 December 2022	Unaudited Six months to 31 December 2021	Audited 12 months to 30 June 2022
Profit for the period	**2,426**	**1,510**	**2,400**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations	1	(5)	(14)
Total other comprehensive income for the period	**1**	**(5)**	**(14)**
Total comprehensive income for the period	**2,427**	**1,505**	**2,386**

All of the comprehensive income for the period is attributable to the shareholders of Netcall plc.

Unaudited consolidated balance sheet at 31 December 2022

£'000	Unaudited 31 December 2022	Unaudited 31 December 2021	Audited 30 June 2022
Assets			
Non-current assets			
Property, plant and equipment	727	535	477
Right-of-use assets	363	625	539
Intangible assets	30,224	29,998	29,976
Deferred tax asset	1,240	1,057	906
Financial assets at fair value through other comprehensive income	72	72	72
Total non-current assets	**32,626**	**32,287**	**31,970**
Current assets			
Inventories	128	52	37
Other current assets	2,541	1,505	2,767
Contract assets	905	930	888
Trade receivables	3,663	4,722	3,704
Other financial assets at amortised cost	34	6	8
Cash and cash equivalents	20,419	10,670	17,605
Total current assets	**27,690**	**17,885**	**25,009**
Total assets	**60,316**	**50,172**	**56,979**
Liabilities			
Non-current liabilities			
Contract liabilities	675	140	525
Borrowings	-	2,832	2,304
Lease liabilities	353	610	521
Deferred tax liabilities	1,079	881	899
Total non-current liabilities	**2,107**	**4,463**	**4,249**
Current liabilities			
Trade and other payables	7,906	6,006	7,963
Dividend payable	839	554	-
Contract liabilities	16,843	12,340	16,005
Current tax liabilities	-	-	-
Borrowings	-	583	1,167
Lease liabilities	119	174	177
Total current liabilities	**25,707**	**19,657**	**25,312**
Total liabilities	**27,814**	**24,120**	**29,561**
Net assets	**32,502**	**26,052**	**27,418**
Equity attributable to the owners of Netcall plc			
Share capital	7,993	7,579	7,587
Share premium	5,574	3,015	3,015
Other equity	4,900	4,900	4,900
Other reserves	3,827	4,090	4,462
Retained earnings	10,208	6,468	7,454
Total equity	**32,502**	**26,052**	**27,418**

Unaudited consolidated statement of changes in equity at 31 December 2022

£'000	Share capital	Share premium	Other equity	Other reserves	Retained earnings	Total equity
Balance at 30 June 2021	**7,534**	**3,015**	**4,900**	**3,840**	**5,317**	**24,606**
Proceeds from share issue	45	-	-	-	(1)	**44**
Increase in equity reserve in relation to options issued	-	-	-	404	-	**404**
Reclassification following exercise or lapse of share options	-	-	-	(196)	196	**-**
Tax credit relating to share options	-	-	-	47	-	**47**
Dividends declared	-	-	-	-	(554)	**(554)**
Transactions with owners	**45**	**-**	**-**	**255**	**(359)**	**(59)**
Profit for the period	-	-	-	-	1,510	**1,510**
Other comprehensive income for the period	-	-	-	(5)	-	**(5)**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**(5)**	**1,510**	**1,505**
Balance at 31 December 2021	**7,579**	**3,015**	**4,900**	**4,090**	**6,468**	**26,052**
Proceeds from share issue	8	-	-	-	-	**8**
Increase in equity reserve in relation to options issued	-	-	-	371	-	**371**
Reclassification following exercise or lapse of share options	-	-	-	(96)	96	**-**
Tax credit relating to share options	-	-	-	106	-	**106**
Dividends declared	-	-	-	-	-	**-**
Transactions with owners	**8**	**-**	**-**	**381**	**96**	**485**
Profit for the period	-	-	-	-	890	**890**
Other comprehensive income for the period	-	-	-	(9)	-	**(9)**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**(9)**	**890**	**881**
Balance at 30 June 2022	**7,587**	**3,015**	**4,900**	**4,462**	**7,454**	**27,418**
Proceeds from share issue	**406**	**2,559**	**-**	**-**	**-**	**2,965**
Increase in equity reserve in relation to options issued	**-**	**-**	**-**	**392**	**-**	**392**
Reclassification following exercise or lapse of share options	**-**	**-**	**-**	**(1,167)**	**1,167**	**-**
Tax credit relating to share options	**-**	**-**	**-**	**139**	**-**	**139**
Dividends declared	**-**	**-**	**-**	**-**	**(839)**	**(839)**
Transactions with owners	**406**	**2,559**	**-**	**(636)**	**328**	**2,657**
Profit for the period	**-**	**-**	**-**	**-**	**2,426**	**2,426**
Other comprehensive income for the period	**-**	**-**	**-**	**1**	**-**	**1**
Profit and total comprehensive income for the period	**-**	**-**	**-**	**1**	**2,426**	**2,427**
Balance at 31 December 2022	**7,993**	**5,574**	**4,900**	**3,827**	**10,208**	**32,502**

Unaudited consolidated cash flow statement for the six months to 31 December 2022

£'000	Unaudited Six months to 31 December 2022	Unaudited Six months to 31 December 2021	Audited 12 months to 30 June 2022
Cash flows from operating activities			
Profit before income tax	2,411	1,148	2,312
Adjustments for:			
Depreciation and amortisation	1,099	1,108	2,198
Loss on disposal of property, plant and equipment	-	-	-
Share-based payments	515	500	964
Net finance costs	42	659	875
Other non-cash expenses	6	-	-
Changes in operating assets and liabilities, net of effects from acquisition of subsidiaries:			
(Increase)/ decrease in inventories	(91)	32	47
Decrease/ (increase) in trade receivables	41	(2,085)	(1,064)
(Increase)/ decrease in contract assets	(15)	(29)	32
(Increase)/ decrease in other financial assets at amortised cost	(27)	5	3
Decrease/ (increase) in other current assets	207	29	(1,237)
(Decrease)/ increase in trade and other payables	(62)	(902)	1,040
(Decrease)/ increase in contract liabilities	988	766	4,817
Cash generated from operations	**5,114**	**1,231**	**9,987**
Analysed as:			
Cash flows from operations before VAT deferral scheme and post completion service consideration payments	**5,137**	**2,520**	**11,500**
Payment of VAT deferral scheme	-	(1,206)	(1,407)
Payment of post completion service consideration	(23)	(83)	(106)
Interest received	102	-	6
Interest paid	(4)	(4)	(7)
Income taxes paid	-	-	(1)
Net cash inflow from operating activities	**5,212**	**1,227**	**9,985**
Cash flows from investing activities			
Payment for property, plant and equipment	(363)	(69)	(134)
Payment of software development costs	(1,138)	(805)	(1,610)
Payment for proprietary software	-	(101)	(136)
Payment for other intangible assets	(19)	(5)	(57)
Proceeds from sale of property, plant and equipment	-	-	-
Net cash outflow from investing activities	**(1,520)**	**(980)**	**(1,937)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	2,965	44	53
Interest paid on Loan Notes	(202)	(561)	(759)
Repayment of borrowings	(3,500)	(3,500)	(3,500)
Lease payments	(140)	(71)	(169)
Dividends paid to Company's shareholders	-	-	(554)
Net cash outflow from financing activities	**(877)**	**(4,088)**	**(4,929)**
Net (decrease)/ increase in cash and cash equivalents	**2,815**	**(3,841)**	**3,119**
Cash and cash equivalents at beginning of period	17,605	14,520	14,520
Effects of exchange rate changes on cash and cash equivalents	(1)	(9)	(34)
Cash and cash equivalents at end of period	**20,419**	**10,670**	**17,605**

Notes to the financial information for the six months ended 31 December 2022

1. General information
Netcall plc (AIM: “NET”, “Netcall”, “Group” or the “Company”) is a leading provider of Low-code and 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 Suite 203, Bedford Heights, Brickhill Drive Bedford, UK MK41 7PH and the Company’s registered number is 01812912.

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 Technology Limited and Netcall Systems Limited.

These condensed half year financial statements for the half year ended 31 December 2022 have been prepared in accordance with the AIM Rules for Companies and should be read in conjunction with the annual financial statements for the year ended 30 June 2022, which have been prepared in accordance with UK-adopted international accounting standards.

This results announcement is unaudited and does not constitute statutory accounts of the Group within the meaning of sections 434(3) and 435(3) of the Companies Act 2006 (the ‘Act’). The balance sheet at 30 June 2022 has been derived from the full Group accounts published in the Annual Report and Accounts 2022, 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 Act.

The results have been prepared in accordance with the accounting policies set out in the Group’s 30 June 2022 statutory accounts. As published in those statutory accounts, due to increased demand for the Netcall’s technical staff to provide consulting services to support customer’ intelligent automation projects, the Group reconsidered its accounting policy for the presentation of expenses in the income statement to include the proportion of staff costs relating to the delivery of services within cost of sales. The prior period consolidated income statement for the six months ended 31 December 2021 has been restated for the reclassification of costs between cost of sales and administrative expenses, resulting in an increase in cost of sales of £0.99m, with a corresponding decrease in administrative expenses. The overall operating profit for the Group remains unchanged.

The results for the six months ended 31 December 2022 were approved by the Board on 7 March 2023. A copy of these interim results will be available on the Company’s web site www.netcall.com from 8 March 2023.

The principal risks and uncertainties faced by the Group have not changed from those set out on page 11 and 12 of the annual report for the year ended 30 June 2022.

3. Segmental analysis
The Board 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 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, a reconciliation of 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 2022	Six months to 31 December 2021	12 months to 30 June 2022
Net earnings attributable to ordinary shareholders (£’000s)	2,426	1,510	2,400
Weighted average number of ordinary shares in issue (000s)	152,869	149,162	149,462
Basic earnings per share (pence)	**1.59**	**1.01**	**1.61**

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 period, adjusted for potentially dilutive shares that are not anti-dilutive.

	Six months to 31 December 2022	Six months to 31 December 2021	12 months to 30 June 2022
Weighted average number of ordinary shares in issue (000s)	152,869	149,162	149,462
Adjustments for share options (000s)	7,775	8,480	8,150
Weighted average number of potential ordinary shares in issue (000s)	160,644	157,642	157,612
Diluted earnings per share (pence)	**1.51**	**0.96**	**1.52**

Adjusted basic and diluted earnings per share have been calculated to exclude the effect of acquisition, contingent consideration and reorganisation costs, share-based payment charges, amortisation of acquired intangible assets and with a normalised rate of tax. 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 2022	Six months to 31 December 2021	12 months to 30 June 2022
Profit used for calculation of basic and diluted EPS	**2,426**	**1,510**	**2,400**
Amortisation of acquired intangible assets	261	261	964
Post-completion services	366	33	56
Share-based payments	515	500	522
Unwinding of discount - contingent consideration & borrowings	29	60	116
Tax adjustment	(749)	(742)	(842)
Profit used for calculation of adjusted basic and diluted EPS	**2,848**	**1,622**	**3,216**

Pence	Six months to 31 December 2022	Six months to 31 December 2021	12 months to 30 June 2022
Adjusted basic earnings per share	**1.86**	1.09	2.15
Adjusted diluted earnings per share	**1.77**	1.03	2.04

5. Dividends

Dividends paid or declared during the period were as follows:

Six months to December 2022	Paid	Pence per share	Cash flow statement (£'000)	Statement of changes in equity (£'000)	December 2022 balance sheet (£'000)
Final ordinary dividend for year to June 2022(1)	31/1/23	0.54p	-	839	839
			-	**839**	**839**

Six months to December 2021	Paid	Pence per share	Cash flow statement (£'000)	Statement of changes in equity (£'000)	December 2021 balance sheet (£'000)
Final ordinary dividend for year to June 2021	8/2/22	0.37p	-	554	554
			-	**554**	**554**

(1) The final ordinary dividend for the year ended 30 June 2022 was approved at the Annual General Meeting held on 8 December 2022.

6. Net funds/ (debt) reconciliation

£'000	31 December 2022	31 December 2021	30 June 2022
Cash and cash equivalents	20,419	10,670	17,605
Borrowings(1)	-	(3,415)	(3,471)
Lease liabilities	(472)	(784)	(698)
Net funds/ (debt)	**19,947**	**6,471**	**13,436**

(1) To support the acquisition of MatsSoft Limited in August 2017, the Company issued a £7m Loan Note with options over 4.8m new ordinary shares of 5p each priced at 58p. The Loan Note was unsecured, had an annual interest rate of 8.5% payable quarterly in arrears and was repayable in six instalments from 30 September 2022 to 31 March 2025. The Loan Note was initially allocated a fair value of £6.42m and the share option a fair value of £0.58m. The discount on the carrying value of the Loan Note is being amortised via the profit and loss account over the expected option life of five years. The Company made an initial repayment of £3.5m in November 2021, a scheduled repayment of £0.6m in September 2022 and in October 2022 redeemed the final £2.9m of the Loan Notes. In September 2022, options were exercised and the Company received £2.8m in proceeds and issued 4.8m new ordinary shares of 5p each.