NETCALL

24 February 2021

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

Interim results for the six months ended 31 December 2020
Continued sales momentum and positive outlook

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 2020.

Financial highlights

- Revenue up 9% to £13.4m (H1-FY20: £12.3m)
- Cloud services annual contract value(1) (‘ACV’) at 31 December 2020 up 25% to £8.4m (H1-FY20: £6.7m)
- Total ACV at 31 December 2020 up 7% to £17.7m (H1-FY20: £16.6m)
- Adjusted EBITDA(2) up 39% to £2.95m (H1-FY20: £2.12m)
- Profit before tax increased to £0.96m (H1-FY20: £0.14m)
- Adjusted basic earnings per share up 88% to 0.90p (H1-FY20: 0.48p)
- Cash generated from operations up 52% to £2.39m (H1-FY20: £1.57m)
- Group cash at 31 December 2020 was £12.9m more than offsetting borrowings of £6.8m

Operational highlights

- Continued strong trading
- Significant cloud services growth from both Intelligent Automation and Customer Engagement offerings with an increasing number of customers using both solutions
- Strong revenue growth achieved in key market segments of financial services, healthcare and government, contributing to more than 85% of total revenues
- Annual revenue run-rate from Intelligent Automation now exceeds £10m, representing more than 40% of Group revenue and generating a positive contribution
- Recurring revenue from cloud and support contracts is 65% of revenue (H1-FY20: 64%)
- Released several new enhancements to the Liberty platform, including the addition of a Robotic Process Automation (RPA) solution

Outlook

- Strong current trading and healthy sales pipeline
- Whilst mindful of the ongoing impact of the pandemic, the Board now believes that adjusted EBITDA for the full year will be ahead of its previous expectations

Henrik Bang, Chief Executive, said:

“Netcall enjoyed a strong first half year performance delivering solid revenue and profit growth despite the ongoing impact of Covid-19 and traded comfortably in line with management expectations. We continued to experience robust demand from our main market segments of financial services,

healthcare and government driven by cloud subscription contracts for both Intelligent Automation and Customer Engagement solutions.

"As we continue to strengthen our product portfolio, such as the recent addition of Robotic Process Automation, we see an increasing number of customers combining the use of both our Intelligent Automation and Customer Engagement solutions, which supports our growth aspirations.

"Whilst the Board are mindful of the ongoing impact of the pandemic, the combination of strong current trading, improved forward revenue visibility and a healthy sales pipeline, means the Board now believes that adjusted EBITDA for the full year will be ahead of its previous expectations.

The acceleration of organisations' digital transformation initiatives represents a significant and rapidly growing market opportunity for Netcall. Therefore, looking further ahead, the Board remains confident that the strength of the Group's product offering, combined with its solid balance sheet and high levels of recurring revenue, position Netcall well for 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.

(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.

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About Netcall:

Netcall's Liberty software platform with Intelligent Automation and Customer Engagement solutions helps organisations 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, ITV and Nationwide Building Society.

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

This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. With the publication of this announcement, this information is now considered to be in the public domain.

Overview

Netcall delivered a strong trading performance in the first six months of the financial year with a solid increase in revenue of 9% year over year to £13.4m (H1-FY20: £12.3m) and a 39% increase in adjusted EBITDA to £2.9m (H1-FY20: £2.1m).

This was primarily driven by 28% growth in cloud revenues underpinned by a 25% increase in cloud ACV to £8.4m (H1-FY20: £6.7m) from both Intelligent Automation and Customer Engagement solutions.

Netcall also experienced double-digit revenue growth in each of its key market segments (financial services, healthcare and government), which contributed more than 85% of total revenues. As expected, revenue contribution from other sectors declined, primarily as a result of lower revenues from markets highly affected by the impact of Covid-19.

A growing number of customers are choosing to use both our Intelligent Automation and Customer Engagement offerings, combining them into more powerful and integrated solutions. Today more than 20% of Group ACV of £17.7m is from customers who have purchased both solutions, which gives a significant opportunity to grow within the existing customer base.

Subscription revenues from both Intelligent Automation and Customer Engagement grew at double-digit rates and cloud services is now approaching the same level as maintenance revenues and is expected to become the largest revenue stream in the coming months. The Board considers this a significant milestone, demonstrating the impact of the Group's cloud strategy.

Intelligent Automation has reached a revenue run rate exceeding £10m annually, another key milestone, having more than doubled in three years. At this run rate the Board considers that revenues from Intelligent Automation solutions now make an overall positive contribution.

During the period, Netcall successfully completed the acquisition of RPA provider, Oakwood Technologies BV trading as "Automagica", and its solution is an important addition to Netcall's automation capabilities. The open source model offered by Automagica has been discontinued, and the RPA solution has been integrated onto the Liberty platform, strengthening Netcall's product offering and ability to help organisations with their growing digital transformation requirements.

Covid-19

The Board is especially grateful to the Netcall team who have continued to respond positively to the uncertainty caused by the pandemic, showing tremendous flexibility, resilience and creativity during this challenging period.

Given the changing nature of work, and with the entire team still working from home, Netcall took the decision to permanently close two offices, whilst retaining two offices and moving the Group's registered office to Bedford.

As a result of the solid trading performance, the Group has not been required to introduce pay-cuts, furlough staff or make redundancies, although increased cash management measures, including the deferral of VAT in March and June 2020, have been implemented and the Company retained its strong focus on operational efficiency.

Current Trading and Outlook

The Group traded comfortably in line with the Board's expectations for the first half of the year. Trading to date in the second half of the year has continued at the same revenue growth rate as the first half. In addition, forward revenue visibility continues to improve, and we have entered the second half of the year with a healthy sales pipeline.

Whilst the Board are mindful of the ongoing impact of Covid-19, the combination of strong current trading, improved forward revenue visibility and a healthy sales pipeline, means the Board now believes that adjusted EBITDA for the full year will be ahead of its previous expectations.

The acceleration of organisations' digital transformation initiatives represents a significant and rapidly growing market opportunity for Netcall. Therefore, looking further ahead, the Board remains confident that the strength of the Group's product offering, combined with its solid balance sheet and high levels of recurring revenue, position Netcall well for continued success.

Business Review

Technology advancements have fundamentally changed how people interact with organisations, and these organisations must adapt and re-invent the ways they operate in order to remain competitive and meet requirements from customers and other stake-holders. Correspondingly the same businesses can substantially improve competitiveness and operational efficiencies by adopting new technologies in areas such as automation and communication.

Therefore, organisations are increasingly adopting 'digital first' strategies and are looking to automate operations and interactions with customers, suppliers, employees and other stakeholders wherever possible. As a result, business processes, workflows and communications are being integrated, automated and standardised to improve efficiency, quality and auditability. This is happening daily across all industries.

Where interactions may be complex or sensitive and personal interactions are required, call centres take over. These call centres are increasingly dealing with more complex interactions and are therefore being staffed by higher skilled and paid professionals. In these environments, the use of automation, such as automated workflows and RPA, is also rapidly expanding to improve speed, quality and efficiency.

As a result, automation and communication technologies are increasingly used together to improve business operations, and Netcall's Liberty platform addresses these challenges with a comprehensive and easy-to-use digital transformation toolkit including four main solution areas:

Intelligent Automation:

- Liberty Create: A low-code software solution which enables the creation of apps that drive workflows and business processes with integration to our communication services as well as back-end systems.

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

Customer engagement:

- Liberty Converse: A complete omnichannel contact centre solution for customer engagement which also includes solutions such as automated speech bots, workforce and quality management, switchboard and auto attendant.

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

Strategy

Netcall primarily targets organisations with large numbers of customers and/ or employees and, in many cases, are subject to a high level of regulation, including the financial services, healthcare and government sectors, which generated more than 85% of Group revenue in the six months to 31 December 2020.

Netcall's focus is in assisting organisations implement digital first solutions using the Group's automation and communications offerings which empower them to create leaner and more customer-centric businesses.

The Group's organic growth strategy for this large and growing market focuses on four core pillars:

- expansion of our customer base;
- growth through a land and expand model;
- continued innovation and enhancement of our platform; and
- growing our partner base.

In addition, the Board continues to look for selective acquisitions with complementary proprietary software and/or additional customers in its target markets.

Expansion of customer base

Netcall continued to win new customers in the period across multiple sectors. During the period the Company executed a series of targeted marketing initiatives such as 'LaunchPads', which are 'starter-packs' that include industry specific solutions for various sectors.

Recent customer successes include:

- A leading UK provider of home warranty and insurance who used the Low-code platform to develop a mobile app in order to improve the efficiency of site visits and enable virtual inspections.
- We continued to win new customers via our Citizen Hub and Patient Hub offerings, which use both our Low-code and customer engagement solutions. In total more than 30 customers have purchased these cloud-based solutions. Specifically, for the housing sector, a number of customers purchased a version of Citizen Hub adapted to their requirements.
- A global media company purchased our Low-code platform to develop a series of internal applications to improve business operations including a solution for advertising management.

Growth through land and expand

Many of our customers initially purchase an entry level solution with the objective of rolling out further applications over time and deploying the systems more widely to support their future customer engagement and digital transformation initiatives. This combined with continuous enhancements to our product portfolio and tighter integration between the various solutions, provides substantial cross and up-sale opportunities. We are increasingly engaging with potential new customers who are seeking solutions using our combined Intelligent Automation and Customer Engagement offering.

Examples of new solutions purchased by existing customers include:

- An existing public sector customer using our Low-code platform decided to expand the usage of the Liberty platform by adopting our Customer Engagement solutions, as well as expanding the use of the Low-code platform by implementing Citizen Hub.
- A number of public sector customers already using our Customer Engagement solutions broadened their usage of the Liberty platform by purchasing our Low-code platform and Citizen Hub.
- A global insurance company expanded their licensed users during the period as they continue to roll-out their Low-code solution.

To stimulate cross-sales and fast-track implementations we are also providing several pre-built accelerators and modules via our AppShare which supplement the existing Liberty applications. The number of accelerators and modules have now increased to over 200, several of which have been designed and uploaded by our customers and partners.

Continued innovation

Netcall's investment in innovation and platform expansion continues to help differentiate its offering, and further present the Group as an innovative provider of Customer Engagement and Intelligent Automation solutions providing a compelling one-stop shop to our customer base.

During the period we acquired Automagica, the RPA provider, which, broadened our Intelligent Automation offering and expanded our market opportunity. Since the acquisition, the RPA solution has been integrated into the Liberty platform, with the first version of Liberty RPA released in early February 2021. The new release helps organisations to increase automation by exposing AI-functionality, including natural language processing, and computer vision for handwriting recognition capabilities. Additionally, the new version includes a new Liberty RPA Studio, an easy drag-and-drop environment, for both business users and development professionals, used to create RPA flows.

The Liberty platform was also upgraded with new and enhanced Mobile App capabilities and a new Monitoring Studio with dashboards for general performance monitoring.

As part of our Quality Management module, we also released new integrated functions for customer surveys and reporting as well as skills coverage analysis tools used to manage shifts and rotas to ensure the right level of resources are available to meet performance targets.

Growing partner base

Partners are an important additional route to market, providing the scope to access new markets and scale our business opportunity faster. The aim is to grow revenue via partners significantly by assisting them in creating new offerings and revenue streams from their customers. We are building an eco-system of partners with industry knowledge and delivery and support capabilities, focusing on large organisations with global footprints.

During the period, we expanded the partner team in response to the positive results delivered by the Managed Service Partner programme. Various packages are offered, each including a mix of sales enablement, marketing support and technical training. During the period, order inflow via various partners more than doubled and now accounts for 25% of the total sales mix.

Wins via partners in the period included:

- Customer Engagement solutions to two large UK-based financial service organisations.
- A cloud contact centre solution to a central government organisation.
- Expansion of the Low-code solution to a customer within the insurance sector.

Financial Review

A key financial metric monitored by the Board is the growth in the ACV base year-on-year (ACV, as at a given date, is the total of the value of each cloud and product support contract divided by the total number of years of the contract). 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 25% higher at £8.4m (H1-FY20: £6.7m) with growth in both Customer Engagement and Intelligent Automation solutions of approximately 50% and 20% respectively compared to H1-FY20. The growth in Cloud ACV contributed to a 7% growth in total ACV to £17.7m (H1-FY20: £16.6m).

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

£'m ACV	H1-FY21	H1-FY20	H1-FY19
Cloud services	8.4	6.7	5.5
Product support contracts	9.3	9.9	9.6
Total	**17.7**	**16.6**	**15.1**

Product support contract ACV includes £0.7m (H1-FY20: £1.1m) of maintenance contracts for other solutions which declined in the second half of the last financial year, primarily as a result of customers affected by the impact of Covid-19 and products at end-of-life.

Group revenue for the period grew by 9% to £13.4m (H1-FY20: £12.3m). The year-on-year increase was primarily driven by growth in both Intelligent Automation solutions by 17% to £5.4m (H1-FY20: £4.6m), and Customer Engagement solutions by 9% to £7.6m (H1-FY20: £7.0m).

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

£'m Revenue	H1-FY21	H1-FY20	H1-FY19
Cloud services	4.1	3.2	3.0
Product support contracts	4.6	4.7	4.6
Total Cloud services & Product support contracts	**8.7**	**7.9**	**7.6**
Communication services	1.6	1.1	0.9
Product	1.0	1.2	1.0
Professional services	2.1	2.1	1.8
Total Revenue	**13.4**	**12.3**	**11.4**

Revenue from Cloud services (subscription and usage fees of our cloud-based offerings) increased by 29% to £4.08m (H1-FY20: £3.16m) reflecting the higher year over year Cloud ACV.

Product support contract revenue decreased by 4% to £4.55m (H1-FY20: £4.72m) as expected, with lower product and support contract ACV at the start of the new financial year of £9.3m, compared with the start of the prior financial year (£9.7m).

Recurring revenue from Cloud service and Product support contracts totalled 65% of revenue (H1-FY20: 64%).

Communication services revenue (fees for telephony and messaging services) increased by 43% to £1.59m (H1-FY20: £1.11m) due to higher revenues for call-back and messaging services.

Product revenue (software license sales with supporting hardware) decreased by 13% to £1.03m (H1-FY20: £1.19m). 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, accelerating toward cloud contracts. The Group recorded more than 70 product cross- and up-sales in the period.

Professional services revenue increased by 1% to £2.10m (H1-FY20: £2.08m). The overall demand for our professional services is dependent on: 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 whether a customer requires the support of a full application development service or support to enable their own development teams.

Gross profit margin improved by 1% to 89% (H1-FY20: 88%) mainly due to higher margin Cloud services forming a greater proportion of overall revenue, and higher margin media channels driving revenues within Communication services.

Administrative expenses, before depreciation, amortisation, share-based payments and acquisition related items, increased by 3% to £8.89m (H1-FY20: £8.61m) due to higher staff-related expenditure partially offset by changed working practises resulting in lower travel and expense spending.

Consequently, the Group's adjusted EBITDA increased by 39% to £2.95m (H1-FY20: £2.12m), a margin of 22% of revenue (H1-FY20: 17%).

The higher adjusted EBITDA led to increased profit before tax of £0.96m (H1-FY20: £0.14m) with charges for interest on borrowings, share-based payments, depreciation and amortisation charges being broadly level period over period.

The Group recorded a tax credit of £0.35m (H1-FY20: charge £0.10m) benefiting from tax relief available from the exercise of share options during the period and additional deductions for R&D expenditure.

Basic earnings per share was 0.91 pence (H1-FY20: 0.03 pence) and increased by 88% to 0.90 pence on an adjusted basis (H1-FY20: 0.48 pence). Diluted earnings per share was 0.87 pence (H1-FY20: 0.02 pence) and increased by 89% to 0.87 pence on an adjusted basis (H1-FY20: 0.46 pence).

Cash generated from operations increased by 52% to £2.39m (H1-FY20: £1.57m) a conversion of 81% (H1-FY20 74%) of adjusted EBITDA. Cash conversion is typically weighted to the second half of the financial year due to the timing of Cloud service and Support contract annual billings.

Spending on research and development, including capitalised software development, increased in line with revenues to £1.85m (H1-FY20: £1.67m) of which capitalised software expenditure was £0.80m (H1-FY20: £0.74m).

Total capital expenditure was £0.82m (H1-FY20: £0.81m); the balance after capitalised development, being £0.02m (H1-FY19: £0.07m) relating to IT assets.

The Company acquired 100% of the issued share capital of Automagica in October 2020 for an initial cash consideration of €1.20 million (of which €0.12m is deferred for a year) and a potential further payment of €0.9 million in cash and up to €0.9 million in Netcall shares. The potential further payments are dependent on achieving specified performance targets during the two-year period from completion of the acquisition. In the period the Company paid £0.98m in relation to the acquisition. See note 7 for further information.

To support the acquisition of MatsSoft Limited in 2017, the Company issued a Loan Note totalling £7m. Loan Note interest payments in the period totalled £0.42m (H1-FY20: £0.30m). The Loan Note is unsecured and is repayable in six instalments from 30 September 2022 to 31 March 2025. See note 6 for further information.

As a result of these factors, net funds were £5.15m at 31 December 2020 (30 June 2020: £4.82m). The Group deferred £2.21m of VAT payments during March and June 2020 due to Covid-19, which is repayable from March 2021, resulting in a normalised gross cash position of £10.7m (30 June 2020: £10.5m).

Unaudited consolidated income statement for the six months to 31 December 2020

£'000	Unaudited Six months to 31 December 2020	Unaudited Six months to 31 December 2019	Audited 12 months to 30 June 2020
Revenue	**13,351**	**12,267**	**25,114**
Cost of sales	(1,472)	(1,510)	(2,930)
Gross profit	**11,879**	**10,757**	**22,184**
Administrative expenses	(10,434)	(10,218)	(20,926)
Other losses – net	(98)	(35)	(24)
Adjusted EBITDA	**2,949**	**2,115**	**4,413**
Depreciation	(305)	(332)	(657)
Net loss on disposal of property, plant and equipment	(52)	(1)	-
Amortisation of acquired intangible assets	(227)	(248)	(483)
Amortisation of other intangible assets	(655)	(633)	(1,344)
Change in fair value of contingent consideration	-	(37)	(37)
Post-completion services	(59)	(33)	(33)
Share-based payments	(304)	(327)	(625)
Operating profit	**1,347**	**504**	**1,234**
Finance income	1	23	38
Finance costs	(385)	(391)	(775)
Finance costs – net	**(384)**	**(368)**	**(737)**
Profit before tax	**963**	**136**	**497**
Tax credit/ (charge)	350	(99)	(10)
Profit for the period	**1,313**	**37**	**487**
Earnings per share – pence			
Basic	0.91	0.03	0.34
Diluted	0.87	0.02	0.33

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 2020

£'000	Unaudited Six months to 31 December 2020	Unaudited Six months to 31 December 2019	Audited 12 months to 30 June 2020
Profit for the period	**1,313**	**37**	**487**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences arising on translation of foreign operations	34	11	(14)
Items that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income	-	-	-
Total other comprehensive income for the year	**34**	**11**	**(14)**
Total comprehensive income for the period	**1,347**	**48**	**473**

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

Unaudited consolidated balance sheet at 31 December 2020

£'000	Unaudited 31 December 2020	Unaudited 31 December 2019	Audited 30 June 2020
Assets			
Non-current assets			
Property, plant and equipment	739	1,071	960
Right-of-use assets	797	690	970
Intangible assets	30,208	29,054	29,078
Deferred tax asset	833	421	482
Financial assets at fair value through other comprehensive income	72	72	72
Total non-current assets	**32,649**	**31,308**	**31,562**
Current assets			
Inventories	119	63	139
Other current assets	1,287	1,232	1,392
Contract assets	944	1,232	585
Trade receivables	3,159	3,311	3,957
Other financial assets at amortised cost	15	145	4
Cash and cash equivalents	12,903	6,502	12,710
Total current assets	**18,427**	**12,485**	**18,787**
Total assets	**51,076**	**43,793**	**50,349**
Liabilities			
Non-current liabilities			
Contract liabilities	42	171	104
Borrowings	6,802	6,689	6,745
Lease liabilities	759	635	902
Deferred tax liabilities	814	869	842
Total non-current liabilities	**8,417**	**8,364**	**8,593**
Current liabilities			
Trade and other payables	7,553	3,527	6,907
Dividend payable	369	287	-
Contract liabilities	10,268	9,316	11,724
Current tax liabilities	2	-	-
Lease liabilities	194	198	248
Total current liabilities	**18,386**	**13,328**	**18,879**
Total liabilities	**26,803**	**21,692**	**27,472**
Net assets	**24,273**	**22,101**	**22,877**
Equity attributable to the owners of the parent			
Share capital	7,483	7,275	7,312
Share premium	3,015	3,015	3,015
Other equity	4,900	4,900	4,900
Other reserves	3,381	3,900	3,996
Retained earnings	5,494	3,011	3,654
Total equity	**24,273**	**22,101**	**22,877**

Unaudited consolidated statement of changes in equity at 31 December 2020

£'000	Share capital	Share premium	Other equity	Other reserves	Retained earnings	Total equity
Balance at 30 June 2019	**7,259**	**3,015**	**4,832**	**4,440**	**2,402**	**21,948**
Issue of ordinary shares as consideration for acquisition in a business combination	14	-	68	-	-	82
Proceeds from share issue	2	-	-	-	-	2
Increase in equity reserve in relation to options issued	-	-	-	307	-	307
Reclassification following exercise or lapse of share options	-	-	-	(859)	859	-
Tax credit relating to share options	-	-	-	1	-	1
Dividends declared	-	-	-	-	(287)	(287)
Transactions with owners	**16**	**-**	**68**	**(551)**	**572**	**105**
Profit for the period	-	-	-	-	37	37
Other comprehensive income for the period	-	-	-	11	-	11
Profit and total comprehensive income for the period	**-**	**-**	**-**	**11**	**37**	**48**
Balance at 31 December 2019	**7,275**	**3,015**	**4,900**	**3,900**	**3,011**	**22,101**
Proceeds from share issue	37	-	-	-	-	37
Increase in equity reserve in relation to options issued	-	-	-	315	-	315
Reclassification following exercise or lapse of share options	-	-	-	(193)	193	-
Tax debit relating to share options	-	-	-	(1)	-	(1)
Transactions with owners	**37**	**-**	**-**	**121**	**193**	**351**
Profit for the period	-	-	-	-	450	450
Other comprehensive income for the period	-	-	-	(25)	-	(25)
Profit and total comprehensive income for the period	**-**	**-**	**-**	**(25)**	**450**	**425**
Balance at 30 June 2020	**7,312**	**3,015**	**4,900**	**3,996**	**3,654**	**22,877**
Proceeds from share issue	171	-	-	-	-	171
Increase in equity reserve in relation to options issued	-	-	-	218	-	218
Reclassification following exercise or lapse of share options	-	-	-	(896)	896	-
Tax credit relating to share options	-	-	-	29	-	29
Dividends declared	-	-	-	-	(369)	(369)
Transactions with owners	**171**	**-**	**-**	**(649)**	**527**	**49**
Profit for the period	-	-	-	-	1,313	1,313
Other comprehensive income for the period	-	-	-	34	-	34
Profit and total comprehensive income for the period	**-**	**-**	**-**	**34**	**1,313**	**1,347**
Balance at 31 December 2020	**7,483**	**3,015**	**4,900**	**3,381**	**5,494**	**24,273**

Unaudited consolidated cash flow statement for the six months to 31 December 2020

£'000	Unaudited Six months to 31 December 2020	Unaudited Six months to 31 December 2019	Audited 12 months to 30 June 2020
Cash flows from operating activities			
Profit before income tax	963	137	497
Adjustments for:			
Depreciation and amortisation	1,187	1,213	2,484
Loss on disposal of property, plant and equipment	52	1	-
Share-based payments	304	327	625
Net finance costs	384	368	737
Other non-cash expenses	11	-	1
Changes in operating assets and liabilities, net of effects from acquisition of subsidiaries:			
Decrease in inventories	20	102	26
Decrease/ (increase) in trade receivables	818	550	(92)
(Increase)/ decrease in contract assets	(362)	(81)	589
(Increase)/ decrease in other financial assets at amortised cost	(10)	(16)	100
Decrease/ (increase) in other current assets	97	59	(107)
Increase/ (decrease) in trade and other payables	472	(20)	3,334
(Decrease)/ increase in contract liabilities	(1,548)	(1,066)	1,223
Increase/ (decrease) in provisions	-	-	(29)
Cash generated from operations	**2,388**	**1,574**	**9,388**
Interest received	2	23	38
Interest paid	(3)	(2)	(6)
Net cash inflow from operating activities	**2,387**	**1,595**	**9,420**
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	(984)	(1,679)	(1,679)
Payment for property, plant and equipment	(15)	(64)	(146)
Payment of software development costs	(802)	(737)	(1,708)
Payment for other intangible assets	(7)	(9)	(9)
Proceeds from sale of property, plant and equipment	1	-	-
Net cash outflow from investing activities	**(1,807)**	**(2,489)**	**(3,542)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	170	3	39
Interest paid on Loan Notes	(420)	(298)	(478)
Principal element of lease payments	(172)	(86)	(199)
Dividends paid to Company's shareholders	-	-	(287)
Net cash outflow from financing activities	**(422)**	**(381)**	**(925)**
Net increase/ (decrease) in cash and cash equivalents	**158**	**(1,275)**	**4,953**
Cash and cash equivalents at beginning of period	12,710	7,769	7,769
Effects of exchange rate changes on cash and cash equivalents	35	8	(12)
Cash and cash equivalents at end of period	**12,903**	**6,502**	**12,710**

Notes to the financial information for the six months ended 31 December 2020

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 2020 have been prepared in accordance with the AIM Rules for Companies, comply with IAS 34 Interim Financial Reporting as adopted by the European Union and should be read in conjunction with the annual financial statements for the year ended 30 June 2020, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 2020 has been derived from the full Group accounts published in the Annual Report and Accounts 2020, 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 2020 statutory accounts.

The results for the six months ended 31 December 2020 were approved by the Board on 23 February 2021. A copy of these interim results will be available on the Company's web site www.netcall.com from 23 February 2021.

The principal risks and uncertainties faced by the Group have not changed from those set out on page 11 of the annual report for the year ended 30 June 2020.

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 2020	Six months to 31 December 2019	12 months to 30 June 2020
Net earnings attributable to ordinary shareholders (£'000s)	1,313	37	487
Weighted average number of ordinary shares in issue (000s)	145,043	143,455	143,588
Basic earnings per share (pence)	**0.91**	**0.03**	**0.34**

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 2020	Six months to 31 December 2019	12 months to 30 June 2020
Weighted average number of ordinary shares in issue (000s)	145,043	143,455	143,588
Adjustments for share options (000s)	5,753	5,666	5,839
Weighted average number of potential ordinary shares in issue (000s)	150,796	149,121	149,427
Diluted earnings per share (pence)	**0.87**	**0.02**	**0.33**

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 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 2020	Six months to 31 December 2019	12 months to 30 June 2020
Profit used for calculation of basic and diluted EPS	**1,313**	**37**	**487**
Amortisation of acquired intangible assets	227	248	483
Change in fair value of contingent consideration	-	37	37
Post-completion services	59	33	33
Share-based payments	304	327	625
Unwinding of discount - contingent consideration & borrowings	59	67	123
Tax adjustment	(656)	(58)	(332)
Profit used for calculation of adjusted basic and diluted EPS	**1,306**	**691**	**1,456**

Pence	Six months to 31 December 2020	Six months to 31 December 2019	12 months to 30 June 2020
Adjusted basic earnings per share	0.90	0.48	1.01
Adjusted diluted earnings per share	0.87	0.46	0.97

5. Dividends

Dividends paid or declared during the period were as follows:

Six months to December 2020	Paid	Pence per share	Cash flow statement (£'000)	Statement of changes in equity (£'000)	December 2020 balance sheet (£'000)
Final ordinary dividend for year to June 2020[(1)]	9/2/21	0.25p	-	369	369
			-	**369**	**369**

Six months to December 2019	Paid	Pence per share	Cash flow statement (£'000)	Statement of changes in equity (£'000)	December 2019 balance sheet (£'000)
Final ordinary dividend for year to June 2019	5/2/20	0.20p	-	287	287
			-	**287**	**287**

[(1)] The final ordinary dividend for the year ended 30 June 2020 was approved at the Annual General Meeting held on 17 December 2020.

6. Net funds/ (debt) reconciliation

£'000	31 December 2020	31 December 2019	30 June 2020
Cash and cash equivalents	12,903	6,502	12,710
Borrowings – repayable after one year(1)	(6,802)	(6,689)	(6,745)
Lease liabilities	(953)	(833)	(1,150)
Net funds/ (debt)	**5,148**	**(1,020)**	**4,815**

(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 is unsecured, has an annual interest rate of 8.5% payable quarterly in arrears and is 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.

7. Acquisition of Oakwood Technologies BV

On 12 October 2020 the Company acquired 100% of the issued share capital of Oakwood Technologies BV (trading as 'Automagica'), an AI powered Robotic Process Automation software provider.

The Company assessed that substantially all of the fair value of gross assets acquired was concentrated in Automagica's software. It therefore elected to account for the transaction as an acquisition of assets under the amendments to IFRS 3 'Business Combinations' issued by IASB in October 2018. As such the consideration together with the direct acquisition-related expenses (less any tangible or financial assets assumed) has been attributed to the acquired software.

The fair value of consideration was £1.20m comprising:

	£'000
Cash consideration – initial payment	987
Deferred cash consideration	99
Acquisition-related expenses	111
	1,197

The consideration for the transaction comprised:

- cash consideration of €1.08m paid on completion in October 2020;
- deferred cash consideration of an undiscounted amount of €0.12m payable in October 2021; and
- contingent consideration of up to €0.90m in cash and up to €0.90m in Netcall shares payable dependent on specified performance targets during the 2-year period from completion of the acquisition. As the contingent payments are reliant on the on-going provision of services to the business by the previous shareholders then: the cash amounts earned will be expensed in the income statement as rendered; and, the share element will be charged to the income statement based on the fair value of shares that are ultimately expected to vest, in line with the requirements of IFRS 2 'Share-based payments'.

The total contingent consideration expensed as post-completion services in the period was £59,000.

The assets and liabilities recognised as a result of the acquisition are as follows:

	£'000
Intangible assets: proprietary software	1,203
Property, plant & equipment	2
Contract assets	-
Trade receivables	24
Other current assets	1
Cash & cash equivalents	13
Trade & other payables	(10)
Contract liabilities	(32)
Current tax liabilities	(2)
Net assets acquired	**1,197**

The cash outflow as a result of the acquisition is as follows:

	£'000
Cash consideration – initial payment	987
Less: cash acquired	(13)
Acquisition-related expenses	10
Net cash out flow – investing activities	**984**