29 September 2015

NETCALL PLC

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

Final Results
For the Year Ended 30 June 2015
"Strong demand for solution suite delivering record turnover and EBITDA for the year"

Netcall plc (AIM: NET), a leading customer engagement software provider, today announces its audited results for the year ended 30 June 2015.

Financial Highlights

- Revenue of £17.2m (2014: £16.9m)
- Revenue of a recurring nature[(1)] £10.6m corresponding to 62% of total revenue
- Adjusted EBITDA[(2)] increased by 5% to £5.16m (2014: £4.93m)
- Profit before tax increased by 24% to £2.35m (2014: £1.89m)
- Basic earnings per share increased 10% to 1.94p (2014: 1.76p)
- Debt-free balance sheet with net cash funds of £13.7m (2014: £11.4m)
- Enhanced dividend programme announced for the next three years. Dividend of 2.2p per share proposed (2014: 0.9p per share)

1) revenue from support and maintenance and hosted service contracts
2) profit before interest, taxation, depreciation, amortisation, acquisition and non-recurring transaction expenses and share-based charges

Operational Highlights

- Strong demand from our existing customer base while also winning new customers across both the private and public sectors
- Liberty platform gaining further traction with recent client wins including:
  - five-year SaaS contract for a Liberty multi-channel contact centre and unified communications solutions
  - two universities acquired Liberty solutions to assist them in their clearing process implementing the same solutions in the cloud and on-premise respectively
- Expanded product suite with new multi-media capabilities and deeper platform integration
- Accelerated investment in cloud platform planned
- Post period end inclusion for the first time on the Crown Commercial Service Network Services agreement for Inbound Telephony Services

Henrik Bang, CEO of Netcall, commented,

"Netcall has achieved record turnover and EBITDA for the year. Our investment to date in the Liberty platform has been successful and we will accelerate our investment in its cloud capabilities to take full advantage of a market segment which is forecast to grow at double digit rates in the coming years.

"Cash generation remains strong and we are therefore pleased to propose an enhanced dividend programme whilst maintaining sufficient cash on the balance sheet to support the Group's acquisition strategy."

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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 end-to-end customer engagement solutions, incorporating multi-channel contact centre, workforce optimisation, business process management and case 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 the NHS Acute Health Trusts, major telecoms operators such as BT and leading organisations including Interflora, Lloyds Banking Group, Cineworld, Axa, and British Sugar.

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

Introduction

We are pleased to report record turnover and adjusted EBITDA for the year to 30 June 2015 as a result of the continued demand for the Liberty solution suite.

Revenue of a recurring nature accounted for 62% of total revenue and continues to underpin the Group's cash generation and profitability while providing visibility for the new financial year. The cash position was £13.7m at the period end and with a debt free balance sheet this provides excellent opportunity to both invest in the market opportunity and also return cash to shareholders.

We have continued to see growing demand from our existing customer base while also winning new customers across both the private and public sectors including AXA Insurance and Flogas. During the year there has been a noticeable change in the sales mix towards the more attractive SaaS recurring revenue models and this trend has continued into the new financial year. This development is in line with market estimates that the SaaS contact centre market, a key component of customer engagement solutions, is gaining market share and is expected to grow at double digit rates in the coming years, doubling in size over the next 3-5 years representing an estimated 20-25% of the UK contact centre market.

The success to date of the Liberty platform, and the market's continuing move towards the SaaS model, underpin the Board's decision to increase further investment in the Group's SaaS delivery capabilities. Having previously explored a number of acquisition opportunities to accelerate this offering, the Board believes that further internal development is the best way forward to meet customer demand. As such, we shall increase capital expenditure in both development and operational headcount to take advantage of this market opportunity while also continuing to look for suitable acquisitions.

The Board is also proposing an 11% increase in the ordinary dividend to 1.0 pence per share and an additional 1.2 pence per share as part of a new three year enhanced dividend policy, further details of which are set out below.

The new financial year has started well with a good order inflow of which a significant share is based on the recurring SaaS model which will benefit future periods. Combined with a healthy pipeline and a strong balance sheet Netcall is well positioned for the future.

Strategy

Netcall's objective remains consistent: to provide a comprehensive platform of customer engagement software solutions which help both private and public sector organisations transform their customer engagement activities by improving customer experience while reducing costs.

The Company's aim is to build a strong business organically and through acquisition by both developing its end to end customer engagement Liberty platform and by acquiring businesses with complementary proprietary and/or additional customers in our target markets.

The Group's key drivers for organic growth include the expansion of the product suite, continuing to unlock the huge potential from our existing 700 customers with up- and cross-sales, which accounted for the majority of new business in the last period, and growing via engaging with new customers.

Business Review

Market

Netcall sees a significant market opportunity with organisations accelerating the digitalisation across their businesses and investing in solutions which improve the way they interact with their customers, citizens or patients. The implementation of new technologies, such as mobile, social media and cloud computing, merged with changing business models creates substantial opportunities in assisting organisations transform their customer engagement strategies.

The key driver is that increasingly well informed consumers across all sectors expect organisations to provide multiple interaction channels, intuitive interfaces, around-the-clock availability, personalised treatment, first contact resolution and real-time fulfilment. As a result organisations are required to change their customer interaction focus from 'isolated transactions' to long term relationships with a 360 degree end-to-end view of customers in order to meet the changing demand. This requires, in addition to a great user experience, a radical overhaul of business processes and integrated front and back-office systems which, where successful, delivers improved customer retention and acquisition.

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, thereby giving them the level and quality of customer interaction they need as well as additional competitive advantages such as lower costs, improved operational controls and less risk. As a result, it continues to gain foothold amongst new customers and its adoption is also broadening within our existing client base.

Our ability to deliver cloud solutions to the public sector has also been enhanced with Netcall's inclusion for the first time on the Crown Commercial Service Network Services agreement for Inbound Telephony Services which creates a more flexible and streamlined procurement process for public sector buyers to acquire Liberty solutions.

Customer wins
Examples of organisations investing in Netcall's Liberty platform and roadmap for the future includes:

- A private sector client signed a five-year SaaS contract for a Liberty multi-channel contact centre and a unified communications solutions. The service includes provision of a range of inbound and outbound voice, email and chat applications that utilise Liberty's business process management capabilities for workflow automation and data integration with legacy systems. This will enable the client to deliver a consistent, personalised customer experience and achieve efficiencies.

- Two Universities bought the Liberty contact centre solution to assist them in their clearing process. One University purchased a license for deployment of the solution on their private cloud; the other signed a three-year SaaS contract. Both clients achieved a significantly improved student admission process.

- A local authority upgrading their existing Netcall contact centre solution to include email, social and web chat multi-channel functionality as well as our patented call-back application.

Product development
In the last three years Netcall has increased its investment in product development by more than 40% focusing on adding functionality to the Liberty platform via a combination of new features and deeper integration between the platform's various modules. Most recently there has been an increased focus on providing modern responsive interfaces to various modules and enabling these to be more easily deployed in a cloud infrastructure.

Following the initial very positive customer response to the new versions of Liberty, the Board is planning to accelerate the Group's development programme with particular focus on cloud deployment of the Liberty platform. As a result Netcall will significantly increase its development and delivery capabilities, enabling the Group to launch and roll-out a series of Liberty cloud products in the coming periods.

Financial Review

Group revenue for the year increased 2% to £17.2m (2014: £16.9m) comprising underlying core growth of 4% offset by an ongoing reduction in the MovieLine service as anticipated, which continues to generate positive cash flow for the Group. The underlying rate of growth was moderated in the period by reduced transaction volumes from two legacy hosted contracts and increased demand for SaaS solutions which have a different revenue profile. Absent these factors the Board believes underlying core revenue growth would have been 9%.

Revenue which is considered to be recurring in nature, derived from support, maintenance, hosting and managed service contracts, was £10.6m (2014: £10.7m) being 62% (2014: 64%) of total Group revenue and continues to exceed the Group's fixed operating costs. The small reduction reflects the ongoing reduction in MovieLine.

The Group's gross profit margin was maintained at 91%.

Administrative expenses, before depreciation, amortisation, acquisition and non-recurring transaction costs and share-based charges, were £10.4m (2014: £10.4m), representing an improvement in the expense-to-revenue ratio from 62% to 61% as a result of the continuing focus on operational efficiencies.

Consequently, the Group recorded a 5% increase in adjusted EBITDA to £5.16m (2014: £4.93m), a margin of 30% of revenue (2014: 29%). This movement comprises a 14% increase in underlying EBITDA to £4.69m (2014: £4.13m) offset by a reduced MovieLine contribution of £0.47m (2014: £0.80m).

Profit before tax increased by 24% to £2.35m (2014: £1.89m) after non-recurring transaction costs relating to the proposed acquisition of the Company earlier in the year.

The Group reported a tax credit for the year of £0.30m (2014: credit £0.33m) principally as a result of tax relief available from the exercise of share options in the prior period and a related adjustment to previous periods tax computations. The underlying effective rate excluding these adjustments is 22% (2014: 19%).

Reported earnings per share increased 10% to 1.94p (2014: 1.76p).

Adjusted earnings per share was 2.71p (2014: 2.81p). The movement comprises a 0.5p increase in underlying earnings per share offset by the impact of the issue of shares under share option schemes and a reduction in the contribution from MovieLine from 0.62p to 0.33p.

Cash generated from operations before national insurance on share options payments, was £4.37m (2014: £4.34m), representing 85% of adjusted EBITDA (2014: 88%).

Expenditure on research and development including capitalised expenditure increased by 2% to £1.79m (2014: £1.76m), capitalised software development expenditure was 6% higher at £0.70m (2014: £0.66m) due to a higher proportion of development resources working on new product development in the year.

Total capital expenditure was £0.88m (2014: £0.89m); the balance after capitalised development, being £0.18m (2014: £0.23m) relating primarily to computer hardware and office equipment.

During the period Netcall completed a further £100,000 investment in Macranet Ltd (trading as "Sentiment"), a cloud provider of social media engagement solutions.

As a result of these factors, cash increased to £13.7m at 30 June 2015 (30 June 2014: £11.4m). The Group continues to maintain a debt-free balance sheet.

Dividend

At 30 June 2015 the Group had cash balances of £13.7 million and generated net cash flow before financing activities of £3.58 million during the year. The Directors continue to evaluate acquisition opportunities and believe that the Group should retain sufficient cash on its balance sheet to maintain its credibility as a buyer and also to be able to acquire businesses in an expedient manner. The Board believes it can achieve this objective whilst also being able to institute a partial return of cash to shareholders through an enhanced dividend policy. In addition to recommending the payment of a final dividend of 1.0 pence per share (2014: 0.9 pence per share) which represents an increase of 11% on prior year, the Directors are recommending the payment of an additional dividend of 1.2 pence per share for the year ended 30 June 2015. This will give a total dividend for the year of 2.2 pence per share. It is the intention of the Directors that for each of the next three years an enhanced dividend will be paid half yearly such that by 2018 the retained cash balance is approximately £10 million. Payment of the enhanced dividend will remain subject to the Group's on-going cash generation, it not having found an appropriate acquisition opportunity and not having returned cash through another manner, including on market share buy backs for which the Directors intend to seek a renewed authority at the Annual General Meeting.

Acquisitions

The Board adheres to a rigorous set of criteria to analyse acquisition opportunities, including quality of earnings and product offering. During the year the Board started due diligence on a number of possible acquisition opportunities and a proposed merger. The key rationale for looking at these opportunities was to enhance the Group's product offering, particularly, SaaS, obtain new customers and broaden the geographic spread of the business. For a variety of reasons no transactions have been consummated and this has led the Board to conclude that the Company's needs are best met, in part, by increasing investment in the SaaS platform. The fragmented nature of the markets means there remain many opportunities for earnings or strategic enhancing acquisitions and the Board continues to assess these opportunities to complement the Group's organic growth strategy.

Outlook

During the year there was a noticeable change in the sales mix towards the more attractive SaaS recurring revenue models, and this trend has continued into the beginning of the new financial year. Our observations are supported by market estimates which show that the SaaS contact centre market, a key component of customer engagement solutions, is gaining market share and is expected to grow at double digit rates in the coming years. Accordingly, the Board has decided to accelerate investment in the Liberty platform and its SaaS delivery capabilities to take full advantage of this market opportunity.

The new financial year has started well with continued strong demand from across the private and public sectors. A healthy pipeline of new business, combined with favourable market opportunities and a strong balance sheet, leaves the Board confident in the future success of the business.

Audited consolidated income statement for the year ended 30 June 2015

£'000	30 June 2015	30 June 2014
Revenue	**17,151**	**16,866**
Cost of sales	(1,564)	(1,513)
Gross profit	**15,587**	**15,353**
Administrative costs	(13,349)	(13,541)
Other gains/ (losses) - net	4	-

Adjusted EBITDA	**5,161**	**4,928**
Acquisition credit	-	50
Non-recurring transaction costs	(290)	-
Share-based payments	(1,127)	(1,689)
Depreciation	(147)	(127)
Amortisation of acquired intangible assets	(918)	(1,054)
Amortisation of other intangible assets	(437)	(296)
Operating profit	**2,242**	**1,812**
Finance income	114	85
Finance expense	(5)	(11)
Finance income - net	**109**	**74**
Profit before tax	**2,351**	**1,886**
Tax	304	327
Profit for the year	**2,655**	**2,213**
Earnings per share - pence		
Basic	1.94	1.76
Diluted	1.85	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.

Audited consolidated statement of comprehensive income for the year ended 30 June 2015

£'000	30 June 2015	30 June 2014
Profit for the period	2,655	2,213
Total comprehensive income for the period	**2,655**	**2,213**

Audited consolidated balance sheet at 30 June 2015

£'000	30 June 2015	30 June 2014
Non-current assets		
Property, plant and equipment	323	307
Intangible assets	11,164	11,804
Investments	288	188
Deferred tax	919	867
Total non-current assets	**12,694**	**13,166**
Current assets		
Inventories	229	168
Trade and other receivables	6,043	5,237
Current income tax asset	267	66
Cash and cash equivalents	13,726	11,377
Total current assets	**20,265**	**16,848**
Total assets	**32,959**	**30,014**
Equity		
Share capital	6,945	6,940
Share premium	3,015	3,015
Merger reserve	2,509	2,509
Capital reserve	188	188
Treasury shares	(419)	(419)
Employee share schemes reserve	1,420	394
Profit and loss account	9,024	7,560
Total equity	**22,682**	**20,187**
Non-current liabilities		
Deferred tax	520	594
Other payables	-	24
Provisions	100	84
Total non-current liabilities	**620**	**702**
Current liabilities		
Trade and other payables	3,443	3,353
Current income tax liabilities	84	-
Deferred income	6,130	5,772
Total current liabilities	**9,657**	**9,125**
Total liabilities	**10,277**	**9,827**
Total equity and liabilities	**32,959**	**30,014**

Audited consolidated statement of cash flows for the year ended 30 June 2015

£'000	30 June 2015	30 June 2014
Cash flows from operating activities		
Profit before income tax	2,351	1,886
Adjustments for:		
Depreciation	147	127
Amortisation	1,355	1,350
Share-based payments	1,127	989
Net finance income	(109)	(74)
Changes in working capital (excluding the effects of acquisitions)		
Inventories	(61)	110
Trade and other receivables	(806)	(724)
Trade and other payables	366	(264)
Cash generated from operations	**4,370**	**3,400**
Analysed as:		
Cash generated from operations before national insurance on share options	**4,370**	**4,341**
National insurance on share options paid	-	(941)
Interest paid	(5)	(11)
Income tax paid	76	(160)
Net cash generated from operating activities	**4,441**	**3,229**
Cash flows from investing activities		

Investment in Macranet	(100)	(188)
Purchases of property, plant and equipment	(163)	(168)
Proceeds from disposal of property, plant and equipment	-	7
Development expenditure capitalised	(697)	(657)
Purchases of other intangible assets	(18)	(69)
Interest received	114	77
Net cash used in investing activities	**(864)**	**(998)**
Cash flows from financing activities		
Proceeds from issue of ordinary shares	5	823
Dividends paid to Company shareholders	(1,233)	(864)
Net cash used in financing activities	**(1,228)**	**(41)**
Net increase in cash and cash equivalents	**2,349**	**2,190**
Cash and cash equivalents at beginning of period	11,377	9,187
Cash and cash equivalents at end of period	**13,726**	**11,377**

Audited consolidated statement of changes in equity at 30 June 2015

£'000	Share capital	Share premium	Merger reserve	Capital reserve	Treasury shares	Employee share scheme reserve	Retained earnings	Total
Balance at 30 June 2013	**6,117**	**3,015**	**2,509**	**188**	**(419)**	**872**	**4,603**	**16,885**
Increase in equity reserve in relation to options issued	-	-	-	-	-	989	-	989
Tax credit relating to share options	-	-	-	-	-	141	-	141
Reclassification following exercise and lapse of options	-	-	-	-	-	(1,608)	1,608	-
Proceeds from share issue	823	-	-	-	-	-	-	823
Dividends to equity holders of the company	-	-	-	-	-	-	(864)	(864)
Transactions with owners	**823**	**-**	**-**	**-**	**-**	**(478)**	**744**	**1,089**
Profit and total comprehensive income for the year	-	-	-	-	-	-	2,213	2,213
Balance at 30 June 2014	**6,940**	**3,015**	**2,509**	**188**	**(419)**	**394**	**7,560**	**20,187**
Increase in equity reserve in relation to options issued	-	-	-	-	-	1,052	-	1,052
Tax credit relating to share options	-	-	-	-	-	16	-	16
Reclassification following exercise and lapse of options	-	-	-	-	-	(42)	42	-
Proceeds from share issue	5	-	-	-	-	-	-	5
Dividends to equity holders of the company	-	-	-	-	-	-	(1,233)	(1,233)
Transactions with owners	**5**	**-**	**-**	**-**	**-**	**1,026**	**(1,191)**	**(160)**
Profit and total comprehensive income for the year	-	-	-	-	-	-	2,655	**2,655**
Balance at 30 June 2015	**6,945**	**3,015**	**2,509**	**188**	**(419)**	**1,420**	**9,024**	**22,682**

Notes to the financial information for the year ended 30 June 2015

1. General information
Netcall plc (AIM: "NET", "Netcall", or the "Company"), is a leading provider of customer engagement software, is a limited liability company and 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 01812912.

2. Basis of preparation
The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group').

The financial information set out in these preliminary results has been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by European Union. The accounting policies adopted in this results announcement have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 30 June 2014 as updated for new standards and interpretations effective from 1 July 2014.

The consolidated financial information is presented in sterling (£), which is the company's functional and the Group's presentation currency.

The financial information set out in these results does not constitute the company's statutory accounts for 2015 or 2014. Statutory accounts for the years ended 30 June 2015 and 30 June 2014 have been reported on by the Independent Auditors; their report was (i) unqualified; (ii) did not draw attention to any matters by way of emphasis; and (iii) did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 30 June 2014 have been filed with the Registrar of Companies. The statutory accounts for the year ended 30 June

2015 will be delivered to the Registrar in due course. Copies of the Annual Report 2015 will be posted to shareholders on or about 28 October 2015. Further copies of this announcement can be downloaded from the website www.netcall.com.

3. Segmental analysis

Management consider 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, share-based payments, non-recurring transaction costs, 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.

	30 June 2015	30 June 2014
Net earnings attributable to ordinary shareholders (£000)	2,655	2,213
Weighted average number of ordinary shares in issue (thousands)	137,006	126,076
Basic earnings per share (pence)	**1.94**	**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.

	30 June 2015	30 June 2014
Weighted average number of ordinary shares in issue (thousands)	137,006	126,076
Adjustments for share options	6,615	2,835
Weighted average number of potential ordinary shares in issue (thousands)	143,621	128,911
Diluted earnings per share (pence)	**1.85**	**1.72**

Adjusted earnings per share have been calculated to exclude the effect of non-recurring transaction 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 on-going 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	30 June 2015	30 June 2014
Profit used for calculation of basic and diluted EPS	**2,655**	**2,213**
Acquisition credit	-	(50)
Non-recurring transaction costs	290	-
Share-based payments	1,127	1,689
Amortisation of acquired intangible assets	918	1,054
Tax adjustment	(1,276)	(1,357)
Profit used for calculation of adjusted basic and diluted EPS	**3,714**	**3,549**

Pence	30 June 2015	30 June 2014
Adjusted basic earnings per share	**2.71**	**2.81**
Adjusted diluted earnings per share	**2.59**	**2.75**

5. Dividends

During the year a dividend was paid in respect of the year ended 30 June 2014 of 0.9 pence per share (2014: 0.7 pence per share) which amounted to £1.23m (2014: £0.86m).

An ordinary dividend in respect of the year ended 30 June 2015 of 1.0 pence per share and an enhanced dividend of 1.2 pence per share, amounting to a total dividend of £3.01m, is to be proposed at the annual general meeting on 26 November 2015.

The timetable for the payment of the proposed dividend will be:

- Ex-Dividend Date: 10 December 2015
- Record Date: 11 December 2015
- Payment Date: 12 January 2016

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