



Interim results for the 6 months ended 31 December 2020

Fonix Mobile plc

Fonix overview

- Fonix is a UK focused leading carrier billing and SMS billing company enabling businesses to charge their goods and services to mobile phone.
- Operates in key verticals including media, gaming, charity, ticketing and digital services.
- A proprietary mobile payments and messaging business with strong UK market share
- Clients including ITV, Bauer Media, BT, Global Radio and BBC Children in Need.
- Fast growth with a high proportion of repeat revenue and strong EBITDA expansion. FY20 £7.7m EBITDA.
- Strong cash generation from operation allowing dividend payments in FY19 of £5m and FY20 of £6m.



Team

Board



Ed Spurrier
Chairman



Lucy Sharman-Munday
Non-Executive Director



Will Neale
Non-Executive Director

Senior Leadership



Rob Weisz
CEO



Rupert Horner
CFO



Louisa Harris
Client Services Director



Marcus Kern
Head of Tech Strategy



Steve George
Bus Dev Director



Anthony Baladi
Commercial Director

H1 financial highlights

- A strong performance in the period, with significant YoY improvements on all our key financial metrics.
- TPV of £123m up by 18% on comparative period last year.
- Revenue of £24.6m up by 25%.
- Gross profit of £5.8m up by 22%.
- Adjusted EBITDA of £4.6m up by 28%.
- Maiden interim dividend of 1.7p per share, amounting to £1.7m, to be paid in March 2021.

Operational highlights

21 new business client wins across core sectors

£27m TPV record month for the business

£13.9m mobile donations for Children in Need with a UK first £40 donation tariff

Uninterrupted business operations due to remote working

Continuous development roadmap ongoing across product set

Robust technology continues to underpin client retention and growth

Trading

H1 in line with expectations.

Dec record trading month.

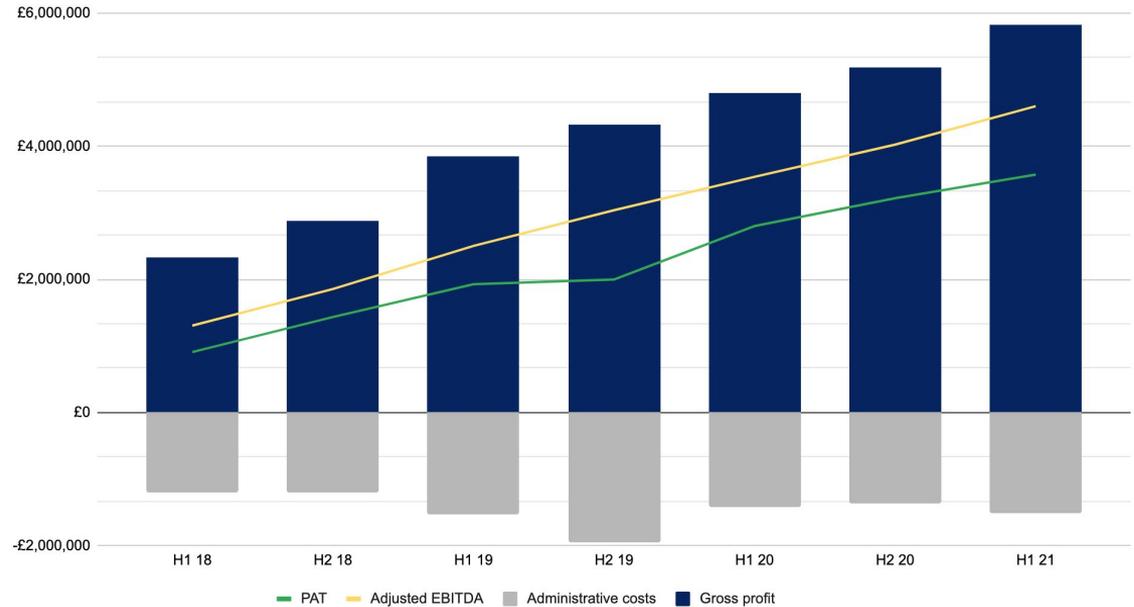
A significant number of new business wins.

No existing client churn.

Continued growth from existing clients.

Excludes £844k AIM admission costs in H1 '21.

Financial performance



Note: Excludes AIM admission costs

Financial update

25% revenue growth, delivering on our plan.

24% gross profit margin maintained.

3% increase in administrative costs (excluding AIM admission costs and share based payments), demonstrating strong operational gearing.

28% increase in adjusted EBITDA.

Income statement				
	H1 21	H1 20	Variance	Variance
	£000s	£000s	£000s	%
TPV	123,228	104,307	18,921	18%
Revenue	24,608	19,733	4,875	25%
Cost of sales	-18,776	-14,934	-3,842	26%
Gross profit	5,832	4,800	1,032	22%
Administrative costs	-1,487	-1,438	-49	3%
AIM admission costs	-844	0	-844	
Share based payments	-22	0	-22	
Other operating income	0	16	-16	-100%
Operating profit	3,479	3,378	101	3%
Financial expense, income	11	19	-8	-42%
Profit before tax	3,490	3,397	93	3%
Tax	-760	-596	-164	28%
Profit after tax	2,730	2,801	-71	-3%
Adjusted EBITDA	4,591	3,597	994	28%

Segmental analysis

Mobile payments represent charges made to consumers on behalf of merchants. Revenue comprises Fonix margin (gross profit) + mobile operator margin (cost of sale). GP has decreased 2% points due to changes in client mix.

Mobile messaging represents notification and marketing SMSs sent to consumers by merchants. GP has increased 1% point due to a number of high margin campaigns in the period.

Managed services represent other fees and non-transactional revenue. GP has increased 3% points due to an increase in the number of charity campaigns in the period.

Segmental analysis				
	H1 21	H1 20	Variance	Variance
	£000s	£000s	£000s	%
Revenue				
Mobile payments	19,651	14,834	4,817	32%
Mobile messaging	4,171	4,168	3	0%
Managed services	786	731	55	8%
Total income	24,608	19,733	4,875	25%
Gross profit				
Mobile payments	4,944	4,023	921	23%
Mobile messaging	508	449	59	13%
Managed services	380	328	53	16%
Gross profit	5,832	4,800	1,033	22%
Gross profit as % of revenue				
Mobile payments	25%	27%	-2%	
Mobile messaging	12%	11%	1%	
Managed services	48%	45%	3%	
Gross profit	24%	24%	0%	

Balance sheet

Intangible assets represent the capitalisation of software development costs.

Trade and other receivables primarily represent the mobile payments cash due from the operators, which once collected is passed on to Fonix's merchants. This results in a cash generative working capital cycle.

Balance sheet				
	31 Dec 20	30 Jun 20	Variance	Variance
	£000s	£000s	£000s	%
Intangible assets	761	684	77	11%
Right of use asset	324	41	283	690%
Fixed assets	28	33	-5	-15%
Trade and other receivables	30,729	21,148	9,581	45%
Cash and cash equivalent	28,570	28,618	-48	0%
Total assets	60,412	50,524	9,888	20%
Current liabilities	56,567	47,999	8,568	18%
Non-current liabilities	304	92	212	230%
Net assets	3,541	2,433	1,108	46%
Total equity	3,541	2,433	1,108	46%

Cashflow

Fonix collects mobile payments from mobile operators, which are then paid to clients net of Fonix fees. The cash balance therefore fluctuates depending on the timing of "pass through" cash.

The underlying cash on the right has effectively unwound these timing differences and shows the underlying cash from Fonix's trading activities, by adjusting for trade and other receivables less trade and other payables excluding corporation tax liabilities.

Cash and cash equivalents at the end of each period comprises balances held at the bank.

Analysis of underlying cash generated from operations

	31 Dec 20	31 Dec 19	30 Jun 20
	£000s	£000s	£000s
Free underlying cash generated from operations after tax	3,577	3,130	6,166
AIM admission costs paid	-844	0	0
Issue of shares	274	0	0
Dividends	-1,643	-2,515	-6,052
Underlying cash movement for the period	1,364	615	114
Underlying cash at beginning of period	2,254	2,140	2,140
Underlying cash at end of period	3,618	2,755	2,254

Analysis of cash balances

	31 Dec 20	31 Dec 19	30 Jun 20
	£000s	£000s	£000s
Cash at bank at end of period	28,567	15,107	28,618
Consisting of:			
Underlying cash	3,618	2,755	2,254
Other cash	24,949	12,352	26,364
Total	28,567	15,107	28,618

Strategy & outlook

Multi-billion pound sectors

High profile clients in each sector

Significant identifiable opportunities in each across our product set

Scope to take existing clients internationally



Media

- TV, radio, print, digital publishers
 - Maintain and grow SMS billing market dominant position
 - Focus on driving carrier billing payments into TV, print, radio paywalls
 - Support key client prospects to deliver services in selected international markets
- c £146m⁽⁴⁾ UK TV engagement market
- c £7bn⁽¹⁾ UK Pay TV market
- c \$68bn⁽¹⁾ OTT market (global)



Charity

- Charity continues to be a green field market for mobile payments
 - Continue to drive market leading 'text to donate' & 'click to donate' product set in the UK
- c £10bn⁽²⁾ donated in the UK in 2019
- c £40m⁽⁴⁾ donated via carrier billing in UK



Gaming

- Remote gambling – bingo, casino, lotteries
 - Focus on business development, supporting both existing clients launching new services and tariffs and new clients
 - Significant growth potential for carrier billing
- £5.5bn⁽³⁾ UK online gaming market
- £43m⁽⁴⁾ UK carrier billing
- Roll out key clients international

Strategy & outlook

Multi-billion pound sectors

High profile clients in each sector

Significant identifiable opportunities in each across our product set.

Scope to take existing clients internationally



Digital Services

- Continue developing new business in core digital sectors
- Deliver strategic merchants' opportunities into international markets
- Fonix has identified a number of digital merchant sub-sectors in which to focus business development

- Dating - \$1.75bn in 2020⁽¹⁾
- Fitness/diets - \$192bn⁽²⁾ in 2019
- Parking – e.g Local Auth. £1.75bn⁽³⁾



TSPs

- Fonix is the 'go to' direct carrier billing and SMS billing partner for UK connectivity, demonstrated through the success of the contracts it has with a number of direct carrier billing businesses (e.g. Global Charge)
- Continue identifying global TSPs looking for UK connectivity and support their growth



Telecoms

- Continue supporting Fonix's telecoms products through channel sales partners
- Direct sales through mobile carrier relationships
- Extending our product set to other telecoms partners

Source: 1) www.statista.com 2) <https://www.alliedmarketresearch.com/weight-loss-management-diet-market>
3) <https://www.racfoundation.org/research/mobility/council-parking-revenue-in-england-2018-19>

Summary

- 01 Market leading products in the mobile payments and messaging industry
- 02 A strong financial period. Revenue growth, profit growth, cash generative and low churn
- 03 Growth from existing client base with solid pipeline of new opportunities
- 04 Continued focus on core product set into significant addressable vertical sectors
- 05 Entrenched blue-chip client base with no customer churn
- 06 Established and highly experienced management team
- 07 Technical and operational resilience throughout with solid roadmap of product features
- 08 Focussed UK based growth strategy, with significant upside potential domestically and internationally

Appendix



The Product

Full ownership
of all IP

All platforms built in-house
Nimble IP engineered for high-performance scaling at low OPEX

Fast
transaction
processing

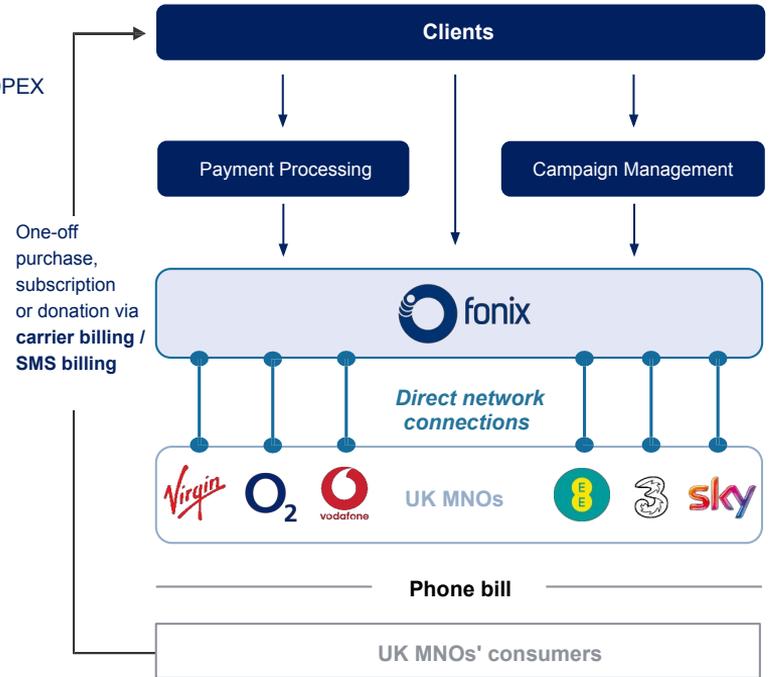
Ability to process over 2000 transactions per second
Resilient production hosting
Near real-time Data Warehousing (single truth)
GDPR compliant

High security &
intrusion
defence

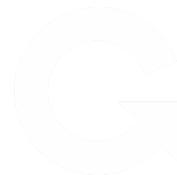
Annual penetration tests
Intrusion detection appliance
24 / 7 monitoring and escalation

Multiple
layers of
redundancy

Multiple divergent routes to carriers
Multi-site deployments reducing single points of failure
Brexit-ready to UK AWS when needed



Major Shareholders



Holder	Percent
William Neale (held by Ganton Limited)	26.4%
Slater Investments	10.2%
Richard Thompson (held by Starnevesse Limited)	10.2%
Robert Weisz	8.5%
Kestrel Investment Partners	4%
Blackrock Investment Management	3.3%
AXA Investment Managers	3%

