



# INVESTOR BRIEFING

Final results for year ended 30 June 2021

23 SEPTEMBER 2021

# THE BUSINESS



**Rob Weisz**

CHIEF EXECUTIVE OFFICER

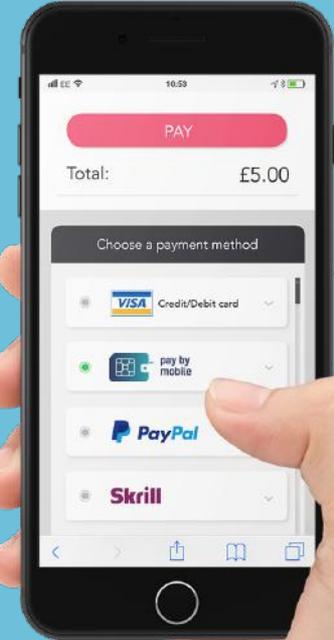
# EXECUTIVE SUMMARY

- Trading comfortably in line with expectations since IPO
- All segments (payments, messaging & services) have continued to grow
- Growth strategy continues to deliver sustainable, long-term profitability
- Solid foundations established for international growth
- Sales team doubled in size shortly after the year end
- Dividend policy retained, underpinned by strong cash conversion

# WHAT WE DO



MEDIA GROUP



Enabling brands to interact and transact with consumers through their mobile operators

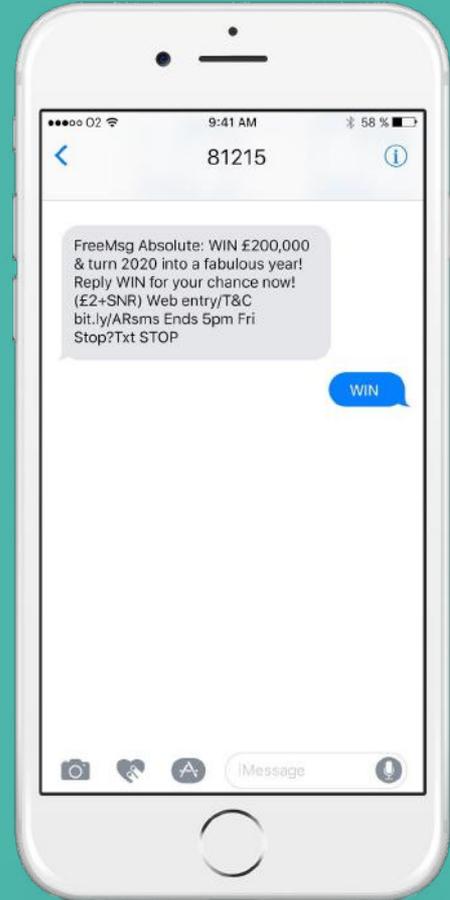
# INTERACTIVE SERVICES

Mobile interaction and payments for media, charity & enterprise clients

**Audience engagement**  
and CRM  
management

**Audience monetisation**  
with donations  
& competitions

**Marketing campaigns**  
through targeted  
mobile messaging



# PAYMENT SERVICES

'Pay by mobile' for apps, online and on-the-move services.

**Frictionless payments**

with significant reach

**Better conversion**

& reduced basket abandonment

**Increase revenues**

with limited cannibalisation of other payment methods



pay by mobile



Apple Pay



# CASE STUDY



MEDIA GROUP

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**Absolute  
Radio** 

**Magic**  
RADIO

**HITS**  
RADIO

 **KISS**



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Product offering  
**SMS Billing**  
**SMS Messaging**  
**Charity**  
**Direct Carrier Billing**

# CASE STUDY

# SERVICES



Text the Studio



Competitions



Charity



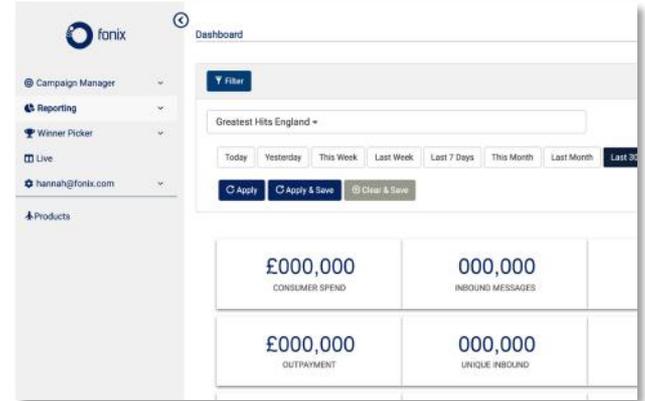
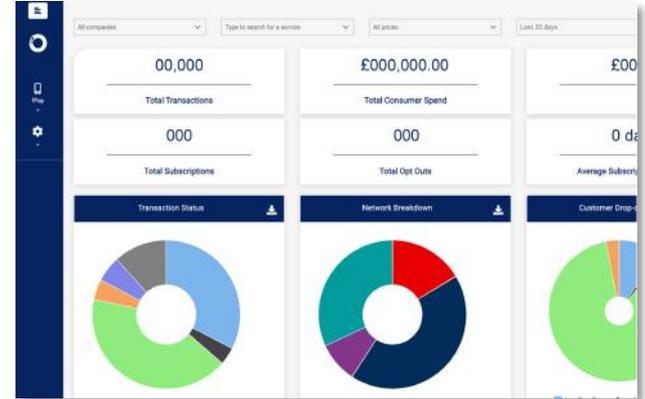
Marketing Campaigns



User Analytics



Reporting



**Stats:** 270+ active platform users 50 brands 4 year partnership 62% CAGR growth

# FINANCIAL UPDATE



**Michael Foulkes**

CHIEF FINANCIAL OFFICER

# OPERATIONAL HIGHLIGHTS

Key achievements for the year ended 30 June 2021

**628m**

consumer interactions

**18m**

unique users

**£32m**

record TPV in single month

**+34**

new client contracts

**50%**

more charity customers

**100%**

client retention

**99%**

of income of a repeating nature

# KEY PERFORMANCE INDICATORS

TPV

**£233.4m**

+ 10% YOY

GROSS PROFIT

**£11.3m**

+ 14% YOY

ACTIVE CUSTOMERS

**111**

+ 13% YOY

ADJUSTED EBITDA

**£8.8m**

+ 15% YOY

ADJUSTED PBT

**£8.3m**

+ 15% YOY



Financial and operating key performance indicators for the full year ended 30 June 2021

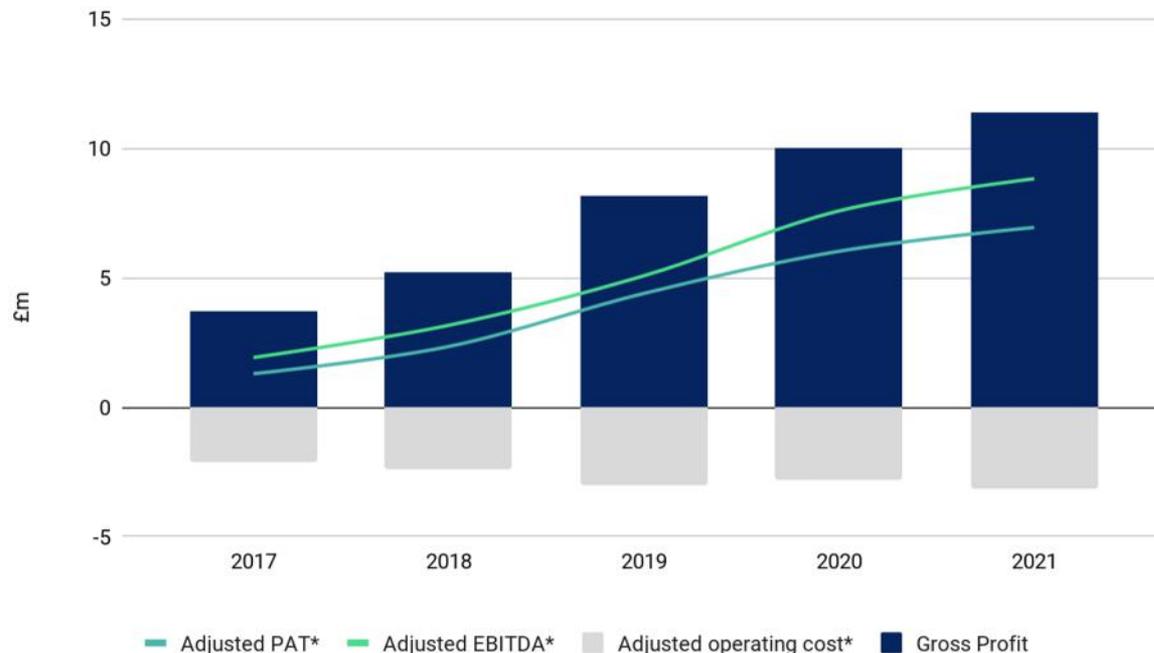
# TRADING GROWTH YOY

Revenue, gross profit and adjusted EBITDA growth all in line with expectations.

YoY growth in H1 was higher than H2, as a number of clients had a strong end to H1 and then intentionally slowed activity in early H2. However, this was in line with management expectations and the YOY trading direction remains very positive.

Compound annual growth rates (CAGR) in gross profit and adjusted EBITDA of 33% and 46% respectively over the last 4-years

Financial Performance (FY2017 - FY2021)



\*PAT, EBITDA and Operating costs have been adjusted by adding back exceptional transaction costs and share based payment expenses.

# SEGMENTAL ANALYSIS

**Gross profit** continues to be the business' most important financial indicator as this represents the company's share of revenue for processing mobile payments and SMS messages. Whilst Revenue growth was stronger, this is distorted by changes in client and product mixes.

**Mobile payments** represent charges made to consumers on behalf of merchants. Revenue comprises Fonix margin (gross profit) + mobile operator margin (cost of sale). GP margins have decreased 2% points in the year due to changes in client and product mixes. However, we anticipate margins increasing in the year ahead as we look to optimise our margins further.

**Mobile messaging** represents notification and marketing SMSs sent to consumers by merchants.

**Managed services** represent other fees and non-transactional revenue.

	<b>FY21</b>	FY20	$\Delta$ YOY	<b>Share of</b>
	<b>£000s</b>	£000s	%	<b>FY21</b>
<b>Revenue</b>				
Mobile payments	<b>37,169</b>	29,747	25%	<b>78%</b>
Mobile messaging	<b>8,928</b>	8,867	1%	<b>19%</b>
Managed services	<b>1,571</b>	1,447	9%	<b>3%</b>
<b>Total revenue</b>	<b>47,668</b>	<b>40,061</b>	<b>19%</b>	<b>100%</b>

<b>Gross profit</b>				
Mobile payments	<b>9,577</b>	8,297	15%	<b>84%</b>
Mobile messaging	<b>1,045</b>	1,027	2%	<b>9%</b>
Managed services	<b>725</b>	664	9%	<b>6%</b>
<b>Total gross profit</b>	<b>11,347</b>	<b>9,988</b>	<b>14%</b>	<b>100%</b>

<b>Gross profit %</b>	%	%	$\Delta$ YOY
Mobile payments	<b>26%</b>	28%	-2%
Mobile messaging	<b>12%</b>	12%	0%
Managed services	<b>46%</b>	46%	0%
<b>Total gross profit</b>	<b>24%</b>	<b>25%</b>	<b>-1%</b>

# FINANCIAL PERFORMANCE

**Gross profit** growth of 14% YOY, driven primarily by increased income in media, charity and gaming segments.

**Adjusted operating expenses** increased 10%, largely due to staff cost increases and the governance costs of being a public company.

**Adjusted EBITDA** improved £1.2m YOY due to gross profit growth and responsive expense management.

**Full year net profit** of £5.9m was impacted by one-off AIM admission costs of £844k.

**DPS** of 5.23p (£5.2m) proposed for the year in line with policy, made up of an interim DPS of 1.70p (£1.7m) and a proposed final DPS of 3.53p (£3.5m).

	FY21 £000s	FY20 £000s	ΔYOY %
TPV	<b>233,400</b>	211,700	10%
Revenue	<b>47,668</b>	40,061	19%
<b>Gross profit</b>	<b>11,347</b>	<b>9,988</b>	<b>14%</b>
Other income	<b>76</b>	31	147%
Adjusted operating expenses	<b>(2,611)</b>	[2,364]	10%
<b>Adjusted EBITDA</b>	<b>8,812</b>	<b>7,656</b>	<b>15%</b>
Share-based payment charge	<b>(72)</b>	-	
AIM admission costs	<b>(844)</b>	-	
Depreciation and amortisation	<b>(507)</b>	[446]	14%
Operating profit	<b>7,389</b>	7,209	2%
Financial income / [expense]	<b>8</b>	45	-82%
Taxation	<b>(1,334)</b>	[1,235]	8%
<b>Net profit</b>	<b>6,063</b>	<b>6,020</b>	<b>1%</b>

# CASHFLOW

**Underlying cash** shows the business' true free cash flow and excludes cash held on behalf of customers. Underlying free cash increased 158% in the year driven by strong cash flows from operating activities. Net outflows from investing activities predominately relate to capitalised software development expenditure.

**Actual cash** includes cash held on behalf of customers and therefore fluctuates substantially depending on the timing of customer charity campaigns. Actual cash fell in the current year due to a timing difference on client outpayments between each year end.

	<b>Actual Cash</b>	Actual Cash	<b>Underlying Cash</b>	Underlying Cash
	<b>FY21</b>	FY20	<b>FY21</b>	FY20
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
<b>Net cash flows from operating activities</b>	<b>(7,260)</b>	<b>24,300</b>	<b>7,114</b>	<b>5,987</b>
Net cash flows from investing activities	<b>(529)</b>	[421]	<b>(529)</b>	[421]
Net proceeds from issue of equity	<b>(0)</b>	274	<b>(0)</b>	274
Dividends paid	<b>(3,343)</b>	[6,053]	<b>(3,343)</b>	[6,053]
Capital payments in respect of leases	<b>(141)</b>	[122]	<b>(141)</b>	[122]
Interest paid in respect of leases	<b>(9)</b>	[4]	<b>(9)</b>	[4]
<b>Net (decrease)/increase in cash</b>	<b>(11,282)</b>	<b>17,974</b>	<b>3,092</b>	<b>(339)</b>
Cash at beginning of period	<b>28,618</b>	10,645	<b>1,956</b>	2,294
<b>Cash at end of period</b>	<b>17,336</b>	<b>28,618</b>	<b>5,048</b>	<b>1,956</b>

# STRATEGY UPDATE



**Rob Weisz**

CHIEF EXECUTIVE OFFICER

# GROWTH STRATEGY

## **Existing clients**

Achieved double digit growth in existing clients in period

## **Sector focused**

Added new clients & prospects across all our core sectors

## **Sustainable profitability**

Focused on high value opportunities & high-quality services

## **International expansion**

Remained client led with new international connectivity

## **Competitive advantage**

Continued to invest in new product innovations delivering real value to clients

# DISCIPLINED SECTOR FOCUS



## 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 £154m<sup>(4)</sup> UK TV engagement market
  - c £6bn<sup>(3)</sup> UK Pay TV market
  - c \$177bn<sup>(3)</sup> OTT Video market (global)



## Charity

### Telethons, events, regular giving, partners

- 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<sup>(2)</sup> donated in the UK in 2020
  - c £66m<sup>(4)</sup> donated via carrier billing in UK



## Gaming

### Remote gambling – bingo, casino, lotteries

- Supporting existing clients with providing carrier billing payments to newly regulated international markets in Europe
- Leveraging new partnership with tier one technology partner in gaming sector
- Launching and promoting new billable product features suited for gaming clients
  - £5.7bn<sup>(3)</sup> UK online gaming market
  - £62m<sup>(4)</sup> UK phone-paid market

# DISCIPLINED SECTOR FOCUS



## Digital Services

### Dating, fitness, diets, entertainment

- 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<sup>(1)</sup>
  - Fitness/diets - \$192bn<sup>(2)</sup> in 2019



## Ticketing & transport

### Parking, tolls, bus tickets, e-mobility

- New commercial hires with specialist industry knowledge
- Helping national operators increase consumer accessibility whilst reducing dependencies on cash
- Working with MNOs and industry operators to design new payment mechanics
  - Parking - e.g Local Auth. £1.75bn<sup>(3)</sup>
  - Bus - £4bn spent on 1.7bn journeys in 20/21<sup>(4)</sup>

# CLIENT LED ON INTERNATIONAL EXPANSION

We have established international connectivity in a new market with the view to services going live in the current financial year.

In addition, we continue to work with a number of customers to evaluate several other international markets.



# OUTLOOK



**Rob Weisz**

CHIEF EXECUTIVE OFFICER

# OUTLOOK

## Trading

—  Positive start to the year, in line with Board expectations

## Growth

—  Continuing to grow existing accounts and winning new accounts in our core sectors

## Investment

—  Investing in growth with increased spend on sales and product development

## International

—  Working with customers to evaluate several new international markets

## Pipeline

—  A growing pipeline of client prospects across all sectors

# THANK YOU



# APPENDIX

# THE TEAM

## BOARD



**Ed Spurrier**  
Chairman



**Lucy Sharman-Munday**  
Non-Executive Director



**Will Neale**  
Non-Executive Director

## SENIOR LEADERSHIP



**Rob Weisz**  
CEO



**Michael Foulkes**  
CFO



**Louisa Harris**  
Client Services Director



**Marcus Kern**  
Head of Tech Strategy



**Steve George**  
Client Success & Partnerships



**Anthony Baladi**  
Commercial Director

# THE PRODUCT

Full ownership of all IP

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

Fast transaction processing

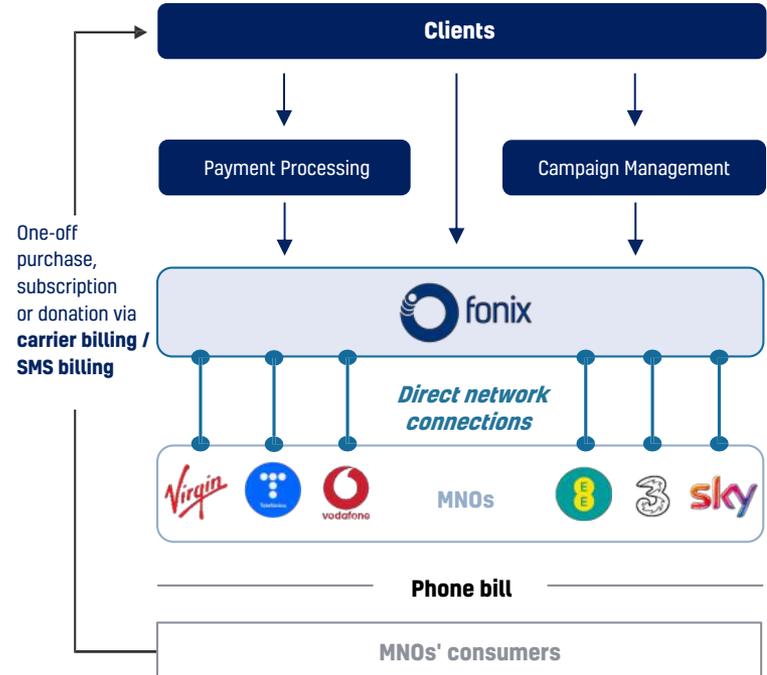
Ability to process over 2000 transactions per second  
Resilient production hosting  
Near real-time Data Warehousing (single truth)  
GDPR compliant

High security & intrusion defence

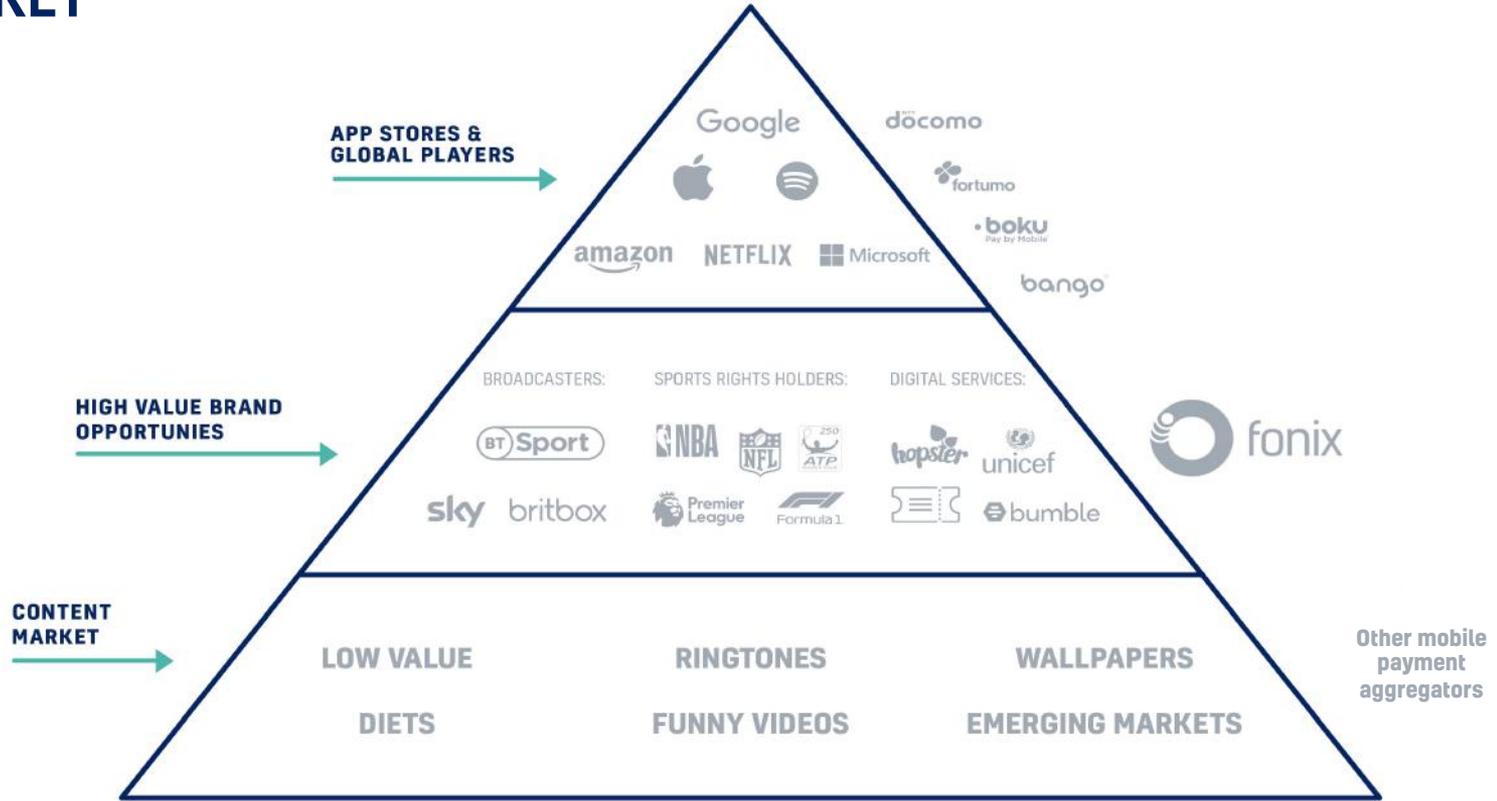
Annual penetration tests  
Intrusion detection appliance  
24 / 7 monitoring and escalation

Multiple layers of redundancy

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



# THE MARKET



# BALANCE SHEET

	<b>FY21</b>	FY20	$\Delta$ YOY
	<b>£000s</b>	£000s	%
Intangible assets	<b>849</b>	684	24%
Right of use assets	<b>268</b>	41	553%
Tangible assets	<b>23</b>	33	-29%
Trade and other receivables	<b>24,880</b>	21,148	18%
Cash and cash equivalent [actual cash]	<b>17,336</b>	28,618	-39%
<b>Total assets</b>	<b>43,356</b>	<b>50,524</b>	<b>-14%</b>
Current liabilities	<b>37,851</b>	47,999	-21%
Non-current liabilities	<b>280</b>	92	203%
<b>Total liabilities</b>	<b>38,131</b>	<b>48,091</b>	<b>-21%</b>
<b>Total equity / Net assets</b>	<b>5,225</b>	<b>2,433</b>	<b>115%</b>
Free Cash and cash equivalent [underlying cash]	<b>5,048</b>	1,956	158%