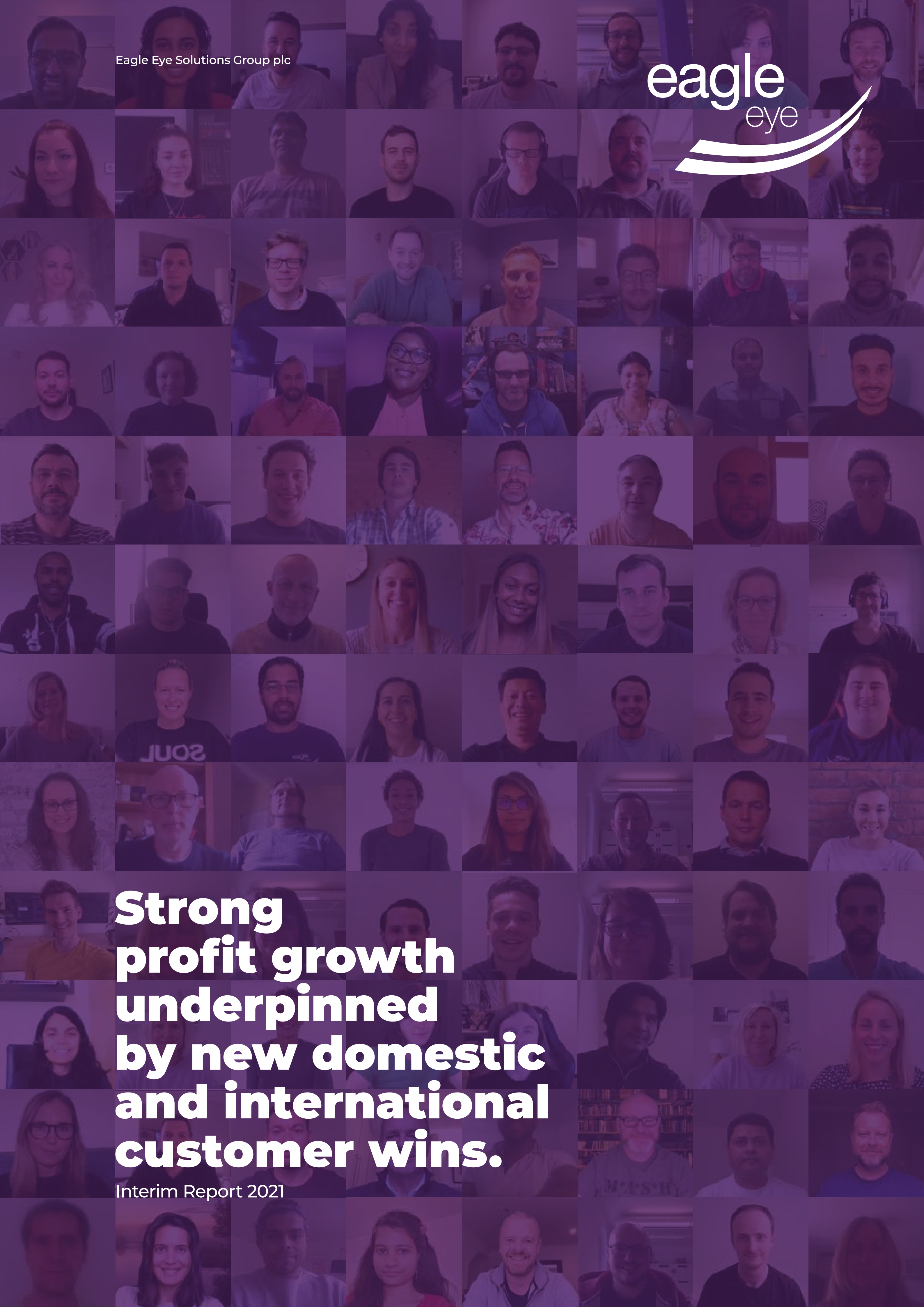
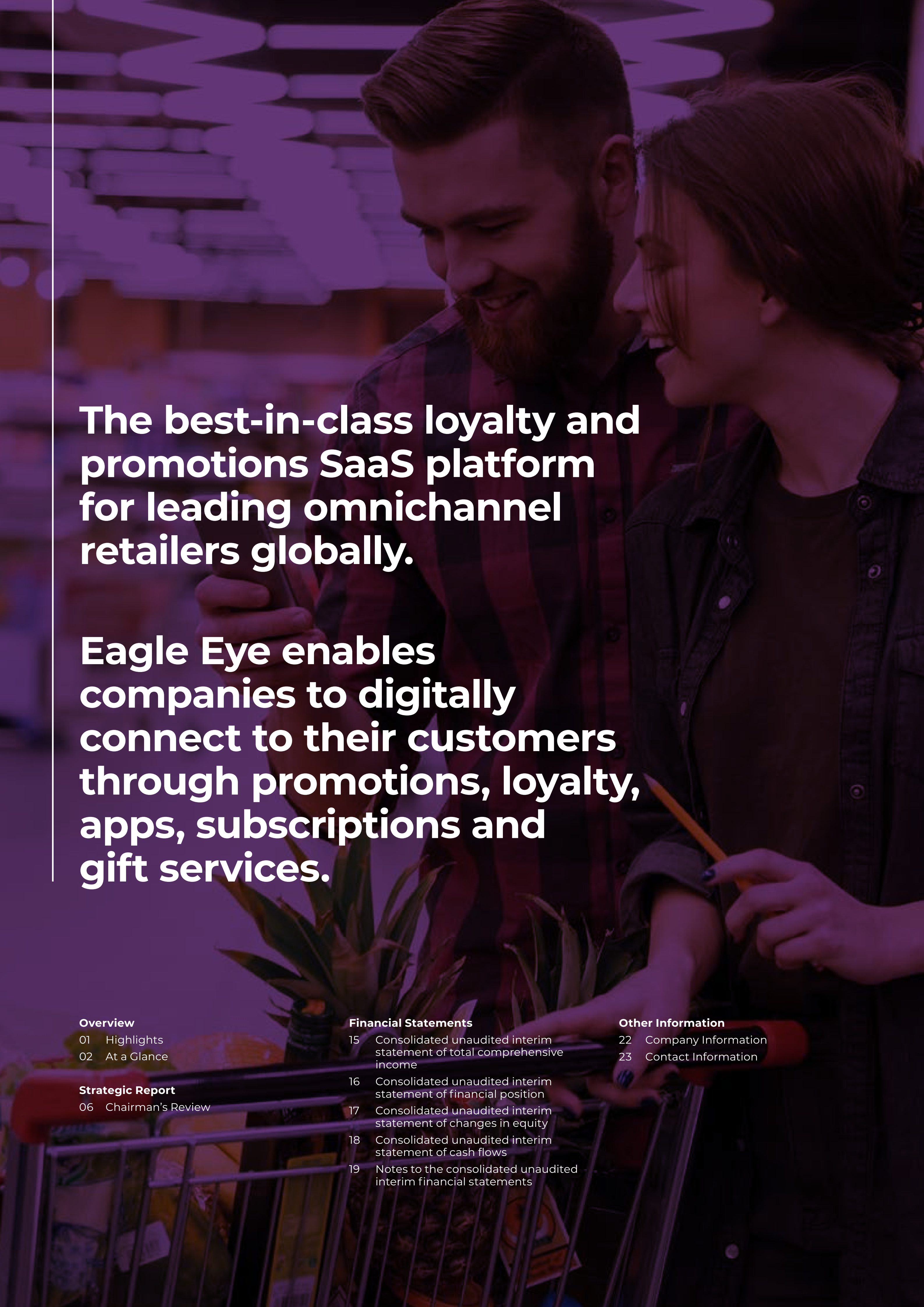


Eagle Eye Solutions Group plc

Strong profit growth underpinned by new domestic and international customer wins.

Interim Report 2021



The best-in-class loyalty and promotions SaaS platform for leading omnichannel retailers globally.

Eagle Eye enables companies to digitally connect to their customers through promotions, loyalty, apps, subscriptions and gift services.

Highlights

How we did financially

Group revenue

£10.8m

(H1 2020: £10.1m)

+8%

Read more on **page 13**

Adjusted EBITDA*

£2.1m

(H1 2020: £1.3m)

+64%

Read more on **page 13**

Recurring revenue, from subscription fees and transactions

£8.0m

(H1 2020: £7.3m)

+9%

Read more on **page 13**

Operating profit

£0.2m

(H1 2020: Loss £(0.5)m)

Read more on **page 13**

Recurring revenue % of Group revenue

73%

(H1 2020: 73%)

No change

Read more on **page 13**

Net cash/(debt)**

£0.1m

(H1 2020: £(2.2)m)

Read more on **page 14**

How we did operationally

Strong new business 'Win' performance in the UK and Internationally, securing Woolworths Group in Australia, Pret a Manger and Liberty Retail Limited in the UK and a leading speciality office and home products & services retailer in the US.

New customers go live during the period including Virgin Red, Virgin's game-changing reward club test launched in November 2020.

Continued enhancements to the Eagle Eye AIR platform, including enhanced Promotions and Loyalty capabilities together with the launch of Message at Till, opening up further opportunities in the US market.

Expansion of our partnership & collaboration network, including integrations with Salesforce Commerce Cloud, Oracle MICROS Simphony POS System, Outra, Chargebee and Peak.

Continued low levels of customer churn at 0.2% (H1 2020: 0.3%).

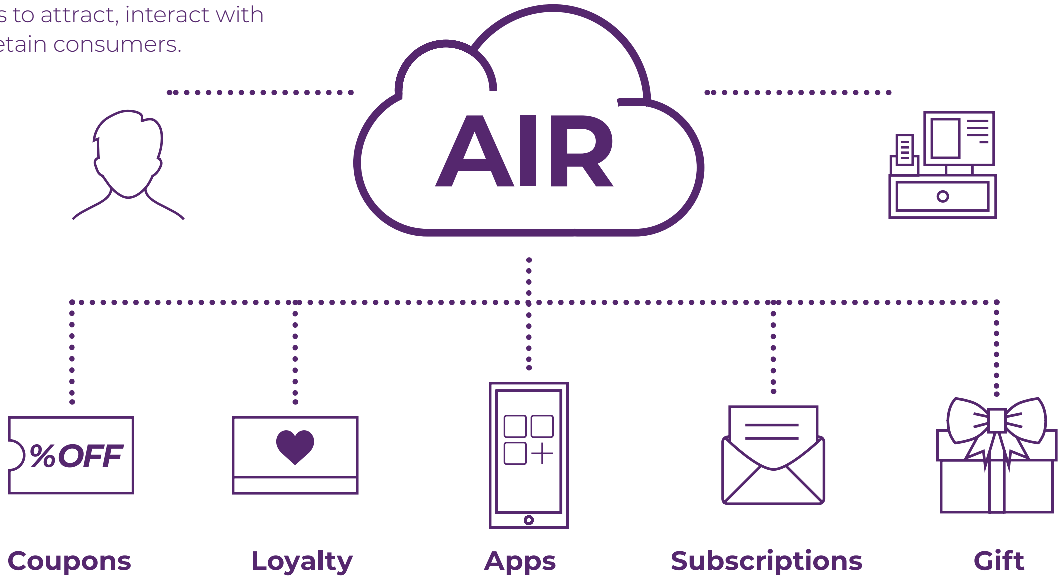
* Adjusted EBITDA has been adjusted for the exclusion of share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit and is reconciled to the GAAP measure of profit/(loss) before tax in note 5 to the financial statements on page 21.

** Net cash/(debt) is cash and cash equivalents less borrowings at 31 December 2020.

At a Glance

One platform, many products

Our **Eagle Eye AIR** platform enables clients to attract, interact with and retain consumers.



What the world's largest retailers need

We believe there are three key components to success when it comes to winning in the always-on, omnichannel world.

Data management

Structure, manage and store data to enable advanced analytics and customer insights to drive future transactions

Transactional capability

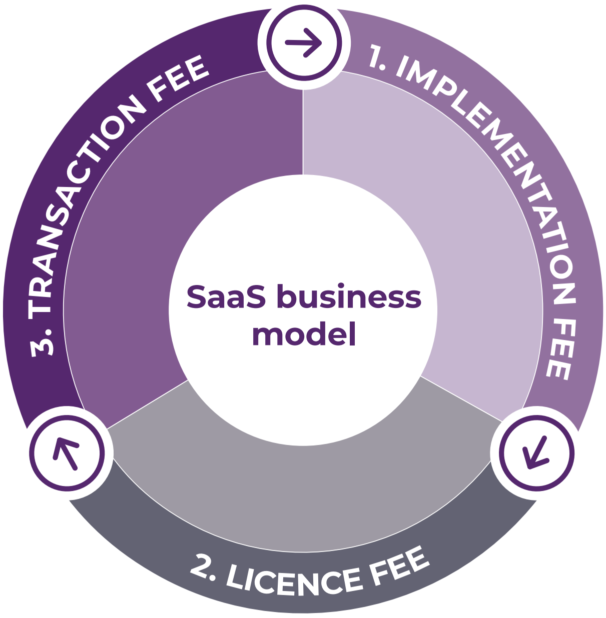
eagle eye

Deliver the right action to the end customer at the Point of Sale and capture all data points

User Experience

Entice and engage the customer with the right content in the right channels

How we make money



1. One off implementation fee
2. Recurring licence fee for access to Eagle Eye AIR
3. Transaction fee

   Per issuance X pence – linked to value

   Per redemption 3–5 times issuance

   OR

   Interaction fees (earn and burn of points) for loyalty services replaces issuance and redemption

Markets we operate in

Loyalty

- single customer view;
- increased customer retention;
- build brand advocates;
- drive customer engagement; and
- collect data to inform promotions.

Size of market

$11.4bn[1]

Global loyalty management market by 2025 (23% CAGR)

Coupons

- versatile promotions;
- decreased operations costs;
- fraud protection;
- improved ROI;
- increased average spend; and
- measurable and targeted.

Size of market

$67bn[2]

Global value of mobile coupons redeemed in US by 2023 (31% Growth)

Gift

- acquire new customers;
- generate new revenues;
- access new sales channels;
- access to indirect B2B sales channels;
- personalisation of gift purchase; and
- customer care.

Size of market

$1.4trn[3]

Global gift card market by 2030 (13% CAGR)

1 Mordor Intelligence, Loyalty management market – growth, trends and forecasts (2020–2025), January 2020.

2 Digital Loyalty Programmes: Market Trends, Credit Cards & Retailer Readiness 2020–2025, Juniper Research, 6 July 2020.

3 Persistence Market Research, 28 April 2020.

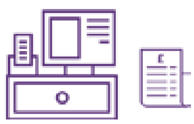
Our Growth Strategy Has Four Main Elements

1. Win, Transact and Deepen

Strategy	Progress		
Win: bring more customers on to the Eagle Eye AIR platform	**300+** Clients		New customers secured included **Woolworths Group** in Australia & New Zealand; a leading speciality office and home products & services retailer in North America, and in the UK **Liberty Retail Limited.** We were pleased to confirm our role as a key technology provider for **Virgin Red,** Virgin's new rewards club.
Transact: drive higher redemption and interaction volumes through the platform	**452.2m** redemptions and interactions (H1 2020: 476.8m)		Chargeable AIR redemption and interaction volumes fell 5% primarily reflecting the impact of COVID-19. However the Period saw an increase in SMS volumes driven by the growth of Click & Collect and also from clients following the UK Government's Test and Trace guidelines.
Deepen: encourage our customers to adopt more of our product portfolio as they become more adept at digital marketing	**0.2%** churn rate (H1 2020: 0.3%)		Several new customers commenced transacting in the Period, including **Pret a Manger** and **Virgin Red** in the UK, and our international customers continued with their roll-outs. Multi-year contract renewals with **IMO Car Wash**, leisure operator **Azzurri Group** and the restaurant group, **Giggling Squid**.

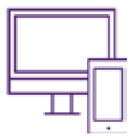
2. Innovation

Innovation continues to lie at the heart of our proposition, investing in the capabilities of the AIR platform to ensure that our technology continues to benefit our customers, and their consumers.



Message at Till

Targeted promotions printed on receipt



Load to card

Data-driven personalised offers via website/app

POS Connect

Real-time basket analysis to apply promotions and rewards at checkout

3. International growth

We have continued to prosecute our international growth strategy in the Period, winning new customers, and strengthening our positions in our new territories.

UK and Europe

North America

Australia and New Zealand

4. Better, simpler, cheaper

We remain committed to our goal of being a great place to work and to create an environment where our people can flourish

An employee stress survey led to three clear actions:

- **Increased level of honest communication**
- **Strengthen and empower the management team**
- **Measure employee satisfaction – NPS > +50**

Chairman's Review

Against the ongoing backdrop of the COVID-19 pandemic, the Group has delivered a strong performance, continuing to support and win new enterprise customers, both at home and internationally, while further expanding the capabilities of the Eagle Eye AIR platform to increase its attractiveness to the global retail market.

Strong performance

Malcolm Wall
Non-executive Chairman

"The ways in which businesses are using the AIR platform is increasing at pace, providing us with a strong base for future expected growth."

Once again, the strong management of the business is evident in the excellent profit performance, delivering 64% growth in adjusted EBITDA to £2.1m (H1 2020: £1.3m), on revenue growth of 8% to £10.8m (H1 2020: £10.1m). The Group delivered another healthy cash performance and closed the Period with net cash of £0.1m, ahead of the Board's expectations.

Our growing number of enterprise customers provide further proof of AIR's capabilities and are opening doors to additional customer discussions. While COVID-19 continues to impact sales cycles, the business continues to secure new customers and the number of opportunities in our pipeline is considerably higher than at any other time in the business' history, providing the Board with confidence in the Group's ability to deliver accelerated growth rates in future periods.

COVID-19 lockdowns continue to impact on our Food & Beverage, Non-Grocery retail and Brand customers. We stand ready to support their recovery once lockdown ends and they are able to re-connect with their customers.

Growing market opportunity

"Winning businesses" are those who can build deep, one-to-one relationships with their customers, personalising every interaction. To achieve this, such companies have to transform their marketing for the always-on, omnichannel world, connecting all aspects of the customer journey in real time. The two key themes of omnichannel marketing and personalisation are increasingly coming to the fore.

The potential upsides to personalisation are vast as McKinsey's recent report, Personalising the Customer Experience, makes abundantly clear. "Personalisation at scale often delivers a 1 to 2 percent lift in total sales for grocery companies and an even higher lift for other retailers, typically by driving up loyalty and share-of-wallet among already-loyal customers. These programs can also reduce marketing and sales costs by around 10 to 20 percent. Not only that, successful personalisation programs yield more engaged customers and drive up the top line."

In addition to personalisation, the COVID-19 pandemic has highlighted just how crucial an omnichannel offering is in providing retailers with the means to survive and thrive. Retailers need the agility to switch between channels, and market to their customers, no matter how they connect. In the UK, for example, data from the IMRG Capgemini Sales Index in January 2021 revealed that the rate of sales growth for multi-channel retailers exceeded online only for the first time since 2017, up 57% year-on-year vs. 9%.

Chairman's Review continued

The relevance of the Eagle Eye AIR platform to retailers is increasingly clear. Through integration with Eagle Eye AIR, a retailer can deliver a personalised marketing message to any customer, in real time, at any point in the customer's journey with them, securely and at scale. We are currently delivering this for leading retailers across sectors and geographies. In this way, Eagle Eye enables companies to unlock the capability to deliver personalisation, to streamline marketing execution and to open up new revenue streams by enabling FMCG brand partners to fund direct marketing to their end customers.

Delivering on all elements of our growth strategy

I am pleased to report the following progress across all four elements of our growth strategy.

1."Win, Transact and Deepen"

Our customer strategy is to:

- 'Win': bring more customers on to the Eagle Eye AIR platform;
- 'Transact': drive higher redemption and interaction volumes through the platform; and
- 'Deepen': encourage our customers to adopt more of our product portfolio as they become more adept at digital marketing.

Win

During the Period we saw an increase in win rate, both in the UK and internationally, resulting in an uplift in "Win" related revenue. New customers secured in the Period included a five-year contract with Woolworths Group in Australia & New Zealand; a three-year contract with a leading speciality office and home products & services retailer in North America, and in the UK, a three-year contract with Liberty Retail Limited, the luxury department store, to support their omnichannel gift programme.

We were pleased to recently confirm our role as a key technology provider for Virgin Red, Virgin's new rewards club, which launched on an invite-only basis in November 2020 before opening up to everyone from 8 February 2021. The Eagle Eye platform was chosen earlier in 2020 for its ability to process and manage the billions of points flowing across the platform, being earnt and spent across multiple organisations globally, bringing together the Virgin companies and beyond, across multiple sectors.

We have been delighted by the success of Pret a Manger's 'YourPret Barista' programme, launched in September 2020. This is the first in-shop, flat subscription service to be launched by a hospitality operator in the UK. Subscribers are able to enjoy up to five barista-prepared drinks per day for a fixed monthly price of £20. The Service was built on the Eagle Eye AIR digital marketing platform as part of Pret's new digital infrastructure. This new in-shop digital service capability will allow Pret to launch insight-led customer propositions more quickly and at scale.

These new wins demonstrate the much needed capabilities of Eagle Eye AIR. By deploying Eagle Eye AIR and utilising our Wallet capability, Enterprise businesses can gain an omnichannel, single view of the customer, the primary requirement in order to set the foundations for personalisation. Through our deep integrations to all points of sale and the rest of the marketing stack, we enable businesses to act on their leading data science capabilities, moving from manual and cumbersome promotions and loyalty management across multiple systems to zero-touch personalisation, all delivered via API. Not only does the Eagle Eye AIR streamline efficiency, moving businesses from batch to real-time marketing, but it also unlocks the capability to create new and innovative ways to engage customers through the ability to deploy any promotional or marketing tactic required, from points to money off, gamification, subscription services, charity donations and more. The ways in which businesses are using Eagle Eye AIR is increasing at pace, providing us with a strong base for future expected growth.

Strategic Partnerships and Collaborations

The Eagle Eye AIR platform has the ability to sit across the entire marketing ecosystem, connecting all the elements required to deliver personalised marketing at scale. As part of our growth strategy, we will continue to create partnerships and collaborations with other businesses in the industry, using their expertise to strengthen our offering and leveraging their marketing reach.

Combining these relationships with our own, direct marketing activities, we believe provides us with the right mix to capture more of the promotions and loyalty markets and we are encouraged by the increasing number of opportunities entering our sales pipeline.

New partnerships include: Oracle MICROS Simphony POS System (to deliver YourPret Barista); Outra, a predictive data science business, to help retailers, hospitality operators and branded CPG (Consumer Packaged Goods) to enhance the effectiveness of their promotional marketing investments; revenue management platform, Chargebee, to help retail and hospitality operators drive customer engagement and recurring revenue through subscription services; and

Artificial Intelligence provider Peak to help retailers leverage customer data for loyalty and promotional campaigns.

The Liberty omnichannel gift programme was enabled through our integration with Salesforce Commerce Cloud. Salesforce Commerce Cloud is a powerful ecommerce solution from the world's largest CRM provider and as an accredited Salesforce partner we are able to deploy our solutions quickly to the wider Salesforce customer base.

In the US, our partnerships and collaborations with Neptune Retail Solutions (previously News America Marketing) the premier marketing services company in the US and Canada, Ecrebo, the receipt marketing technology provider and dunnhumby, a global leader in customer data analytics, are progressing well.

Transact

Chargeable Eagle Eye AIR redemption and interaction volumes, a key measure of usage of the AIR platform, fell by 5% to 452.2m (H1 2020: 476.8m), primarily reflecting the impact of COVID-19, offset by an increased number of loyalty transactions following the successful launch of new customer programmes, including for Southeastern Grocers ("SEG") and the full period effect of Sainsbury's.

The Period saw an increase in SMS volumes driven by the growth of Click & Collect offerings at certain of our high-street retail customers during the COVID-19 pandemic and also from supporting clients following the UK Government's Test and Trace guidelines.

Brands & Audiences

Eagle Eye AIR is also used by brands to run campaign activations across our growing Retailer, Operator and Audience Network. This was one of the key areas of the business impacted by the COVID-19 lockdown. Overall, the revenue from branded drinks campaigns decreased to £0.1m (H1 2020: £0.3m), effectively delivered during the three heavily restricted summer months. Affiliate revenue held steady at £0.2m (H1 2020: £0.2m), bringing total brand and audience revenue to £0.3m (H1 2020: £0.5m).

We now have over 7,000 hospitality venues on Eagle Eye AIR, creating an attractive platform for Brands to exploit once lockdown restrictions are lifted, as they seek the means to recapture lost revenue and strengthen their businesses.

Deepen

We have seen continued deepening across our customer base, as they grow their use of Eagle Eye AIR. While COVID-19 has caused some contract expansion to be delayed, we continue to have a wide range of discussions across our customer base as they consider how to continue on their journey towards personalised multi-channel loyalty, promotion and gift offerings. With several new customers having commenced transacting in the Period, including Pret a Manger and Virgin Red in the UK, and our international customers continuing with their roll-outs, we anticipate our recurring, transactional revenues to increase in future periods.

Pleasingly, our long-term contract customer churn rate by value remains very low at 0.2% (H1 2020: 0.3%), with good levels of renewals, including multi-year contracts with IMO, the world's largest dedicated car wash company, leisure operator Azzurri Group and the restaurant group, Giggling Squid.

Our high level of customer retention means that each new customer win significantly adds to our growth prospects, with revenue from our largest revenue-generating customers typically increasing by a multiple of over three times by the end of their third year on Eagle Eye AIR, through both use of the platform and the addition of new services. This trend has now been consistently exhibited by key clients for over five years.

2. Innovation

Innovation continues to lie at the heart of our proposition, investing in the capabilities of the AIR platform to ensure that our technology continues to benefit our customers, and their consumers. In the Period, we have invested in new core functionality continuing to increase the attractiveness of the platform for enterprise customers, providing them with new means of digitally engaging with their customers.

In the Period we launched our new, personalised Message At Till capability which we believe will soon have many innovative use cases associated to it, based on the different ways in which businesses will deploy the technology. AIR connects with the retailer's till system to enable real-time, relevant and targeted promotions, through physical coupons at the till or digital coupons, SMS and in-app push notifications following a transaction, based on their customers' basket content and buying behaviour. Customers will feel valued as they are engaged by compelling timely and tailored offers based on what they have just or not bought, or profile or purchasing history, while enabling the retailer to connect with previously anonymous customers, providing a means to drive customer retention, increase redemption rates and increase frequency and average spend.

Chairman's Review continued

This functionality is particularly important in the US, acting as a digital replacement for the widely prevalent receipt-based couponing market, adding further capability for our US enterprise customers while opening-up a new segment of the US retail market. A digital message at till enables retailers to connect with previously anonymised customers, encouraging them to digitally connect and form a digital identity with the retailer, through which future marketing messages can flow.

In the Period, we also launched our Load to Card function allowing retailers to leverage data analytics and artificial intelligence ("AI") to recommend and issue personalised digital rewards via digital channels such as a website or an app. A consumer is able to select the offers they wish to redeem and load them to their digital loyalty card. Both of these features are already in use at Southeastern Grocers, driving customer engagement through curated promotions and offers based on their shopping patterns.

We have also taken advantage of the additional computing power of the cloud to provide an enhanced version of our POS Connect loyalty feature, to provide retailers with more flexibility in the numbers, personalisation for types of offers, points and discounts they can give to their customers. We have enabled this through the launch of a powerful new application programming interface ("API") that sets retailers free from the constraints of their existing POS system, with AIR performing all of the complex calculations relating to promotional offer adjudication and basket adjustments such as discounts or point allocations. All of these calculations take place in the cloud and in real time. Linking a consumer's identity to the items in their shopping basket, gives the retailer the capability to offer truly personalised promotions without being restricted by how many the POS can handle.

The performance of Eagle Eye AIR continues to benefit from our move to the Google Cloud, increasing our scalability and flexibility, being able to grow compute power as we sign up new customers and as our existing customers require it. As planned, we have now introduced site reliability engineering in order to be more scalable, automated, reliable, standardised and secure.

3. International Growth

We have continued to prosecute our international growth strategy in the Period, winning new customers, and strengthening our positions in our new territories. We are particularly pleased to have added these customers during this COVID-disrupted period. Our new agile methodologies have enabled us to supplement our local teams by our global resource pool, enabling us to open up these geographies in a cost-efficient and scalable manner.

North America

In December 2020, we were pleased to secure our second US customer. A leading speciality office and home products and services retailer in North America signed a three-year agreement to use Eagle Eye AIR for its Digital Wallet and promotional capabilities. This retailer has over 1,000 stores across the United States. This win, coupled with Eagle Eye's first US win in December 2019 with SEG, further strengthens our position in North America and demonstrates the applicability of AIR in sectors outside of grocery.

After launching the first phase of SEG's omni-channel strategy in July 2020 to enable coupons-at-receipt, Eagle Eye has partnered with Neptune Retail Solutions to create a personalised digital coupon experience for SEG's customers. Neptune Retail Solutions partners with leading CPG brands and uses 1st, 2nd and 3rd party customer data to identify and target relevant offers & promotions. For SEG, those offers will be further personalised through Eagle Eye and automatically loaded-to-card directly into customers' SEG Rewards loyalty accounts and are redeemable at checkout.

Eagle Eye and dunnhumby are collaborating to enable the personalisation of promotions for SEG, and to provide the retailer with a deeper understanding of its customers' behaviours and preferences. This collaboration will see accelerated execution on SEG's retail vision and we are on track to deliver a complete omni-channel strategy in record time.

In Canada, our relationship with Loblaw Companies Ltd ("Loblaw") goes from strength to strength as we supported the launch of their PC Health app which provides live chat to members with registered nurses and dietitians, plus the opportunity to earn PC Optimum™ rewards through custom digital health programs. We also supported the re-launch of PC Insiders subscription service, now PC Optimum Insiders™ subscription which provides members the opportunity to earn more PC Optimum™ points and promotional rewards. Each year we manage the load of promotional offers for their PC Optimum Points Days which is Loblaw's biggest points-earning event of the year, taking place in January and February.

Australasia

In November 2020, we secured a five-year agreement with Woolworths Group where they will use Eagle Eye AIR platform to support their personalised real-time digital marketing programme. Woolworths is Australia's largest retailer; the group operates 3,000 stores in Australia and New Zealand and serves more than 29 million customers across its brands every week. Eagle Eye's services will allow Woolworths Group to enable the end-to-end management of real-time personalised digital promotions and support its transition to a digitally led rewards program. Woolworths will deploy the proposition across touchpoints including its app, its eCommerce business and various other digital media. Eagle Eye AIR will also be used to enable a real-time integration with a network of partners. Implementation commenced on contract signature.

We continued our work with The Warehouse Group, one of the largest retailing groups in New Zealand, supporting the pilot of its digital customer engagement and community give back programme.

With two of the largest retailers in the Australasia region now as customers, we believe we have a strong position to use this region as a base for further expansion. We have begun investment in the Australia market in line with the Group's growing revenue profile in the region and will continue to do so.

This growing range of international enterprise level customers are opening up new conversations with other Tier 1 retailers and our new business pipeline continues to grow at record levels internationally.

4. "Better, Simpler, Cheaper"

While investing in innovation and growing the business, we simultaneously look for inherent productivity and efficiencies coming from the scale of what we do. The relevance of this ethos came to the fore at the time of the COVID-19 pandemic when the agility of the organisation enabled us to swiftly implement home working and the change of working practices required to ensure its successful execution. The proof of this can be seen both in the continued successes with our Tier 1 customer implementations as well as the strong financials we have reported throughout the COVID-19 affected period.

In August 2020 we were re-certified for the International Standard ISO27001:2013 which provides the framework for an effective Information Security Management System (ISMS). It sets out the policies and procedures needed for robust IT security management. We also completed our Soc Type 2 report after being audited by an independent service auditor.

We are implementing automation tools across the Delivery and Compliance teams to drive efficiencies in process and reporting.

Our platform continued to operate and perform within all the contracted SLAs across all our geographies 24/7 – through a busy Black Friday and Christmas period.

Our People

We remain committed to our goal of being a great place to work and to create an environment where our people can flourish. Investment in our people to be the best they can be through training and tools has never been as important, given the unsettling nature of the COVID-19 crisis. This has been a period of building on the successes of our past and adapting as appropriate. We passionately believe that our values and the culture we have created sets us apart.

We have been able to continue to deliver for all our clients successfully, including international enterprise wins, by utilising existing technologies for collaboration to deliver effective remote working of the entire workforce. These technology platforms in parallel with increased and frequent feedback loops will continue to drive remote ways of working whilst enabling the business to power through the recovery. We plan to continue with these improved global operational mechanics when life returns to normal, to continue to drive efficiencies in the business.

Early in the Period, we took a temperature gauge on the ability of our people to deal with the stress that had been heightened due to these unforeseen circumstances. These results were remarkable and demonstrated our people's commitment to the business during these challenging times. There were three clear actions that arose: 1. Continue the increased level of honest communication with all staff, 2. Strengthen and empower the management team to give more support to the employees, 3. Continue to measure employee satisfaction.

Chairman's Review continued

Increased level of honest communication

Since the start of the pandemic, increased communication has been vital. We have put in place our "Tea with Teams" weekly company updates, daily Stand Ups at a department level, Sales & Operations meetings to streamline the hand off between the two functions and senior leadership meetings to align and empower the senior team on the strategy of the business. We have moved the whole business to a quarterly cadence where objectives are set at the top of the business and rolled down to controllables and deliverables for every employee so that we are all aligned. We have moved from an annual company update to quarterly, so the business understands the output of their contributions and can be proud of working for Eagle Eye.

Developing the Senior Management Team

It was evident that we needed to strengthen the skills of our Senior Management Team to better equip them to deliver on the overall strategy and culture of the business but also for the Executive and Senior Management Team to be better connected to allow a quicker response to the evolving climate. We created a 'Weekly Club' for this group of people to self-educate, learn and understand each other better, whilst staying abreast of topics impacting the business. On top of quarterly business performance reviews, we have so far studied 'Will It Make the Boat Go Faster?', 'The Chimp Paradox' and Agile Methodology for application across the broader business.

Measuring Employee Satisfaction

Following the initial gauge, it was important to take a regular measure of employee satisfaction and hence we introduced employee NPS that we now measure quarterly. We use NPS to measure both our employees' assessment of our product and whether they would recommend Eagle Eye as a place to work. We have seen these scores improve during the pandemic. The latest scores were over +50 which is an encouraging achievement.

Employee Resource Groups

Eagle Eye has always prided itself on fostering a diverse and inclusive workplace and culture in line with its strong and clearly defined values. Last year we encouraged employees to create Employee Resource Groups and established two, one for mental health and another for racial diversity. This Period the Committee has developed the concept further and each month take a topical subject that showcases the lives and beliefs of our people.

Our people have demonstrated great resilience over the last 6 months, delivering for some of the biggest retailers in the world whilst managing their own personal circumstances. I would like to thank the team for their individual contributions.

Financial Review

Key performance indicators	H1 2021	H1 2020
Financial	£000	£000
Revenue	10,829	10,072
Recurring revenue	7,959	7,313
Adjusted EBITDA[1]	2,095	1,280
Operating profit/(loss) before interest and tax	236	(473)
Net cash/(debt)[2]	81	(2,161)
Cash and cash equivalents	1,181	1,239
Short term borrowings	(1,100)	(3,400)
Non-financial		
Chargeable AIR redemption and interaction volumes	452.2m	476.8m
Recurring revenue:		
– Percentage of licence revenue	3,799; 35%	3,850; 38%
– Percentage of AIR transaction revenue	3,037; 28%	2,999; 30%
– Percentage of SMS transaction revenue	1,123; 10%	464; 5%
Total recurring revenue	73%	73%
Long term contract customer churn by value	0.2%	0.3%

1 Adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit

2 Net cash/(debt) is cash and cash equivalents less borrowings

Revenue and gross profit

During the Period, the Group delivered a revenue increase of 8% to £10.8m (H1 2020: £10.1m). In addition, half-on-half growth continued to be delivered with H1 2021 growing 5% over H2 2020. These growth metrics have been achieved despite the impact of lockdowns (most notably on our F&B and non-Grocery customer segment) and other restrictions, which has been mitigated by increased SMS messaging revenue. This is both from clients where the Group is integrated, not only for their High Street stores, but also for their e-commerce offering and also from supporting clients following the UK Government's Test and Trace guidelines. This change in product mix demonstrates the diversity and breadth of the platform offering.

Revenue generated from recurring subscription fees and transactions over the network represented 73% (H1 2020: 73%) of total revenue for the Period. Reflecting the COVID-19 impact, AIR recurring revenues were flat against the prior year at £6.8m (H1 2020: £6.8m). However, international revenue grew 17% to £3.9m (H1 2020: £3.4m) reflecting new wins in Australia and the US and existing clients moving to the run time phase of their contracts.

Chargeable AIR redemption and interaction volumes, a key measure of usage of Eagle Eye AIR, fell by 5% to 452.2m (H1 2020: 476.8m), primarily reflecting the impact of COVID-19, offset by an increased number of loyalty transactions following the successful launch of new customer programmes, including for SEG and the full period effect of Sainsbury's. Gift transactional volumes over the Black Friday and Christmas period were up 6% on the same period in H1 2020, driven by e-commerce sales.

Gross profit grew 4% to £9.8m (H1 2020: £9.4m) with gross margin of 91% (H1 2020: 94%). The change in gross margin reflects the impact of the growth in the lower margin SMS business. AIR margin grew to 98% (H1 2020: 97%). Cost of sales includes the cost of sending SMS messages, revenue share agreements and outsourced bespoke development work. All internal resource costs are recognised within operating costs, net of capitalised development and contract costs.

Adjusted operating costs and EBITDA

Reflecting uncertainties in revenue created by COVID-19, the cost base has been carefully managed whilst ensuring the necessary investment in the business continues linked to new wins, which, along with the full period benefits of moving our infrastructure to Google Cloud, resulted in a reduction in adjusted operating costs to £7.7m (H1 2020: £8.2m). Adjusted operating costs represents sales and marketing, product development (net of capitalised costs), project delivery (net of capitalised implementation costs), operational IT, general and administration costs.

Net staff costs, which represent 62% of adjusted operating costs (H1 2020: 59%), were held at £4.8m (H1 2020: £4.8m). Average headcount for the Period was 140 (H1 2020: 140). Infrastructure costs decreased 3% to £2.1m (H1 2020: £2.2m) reflecting the full period impact of the transition to Google Cloud and certain rent-free periods agreed with landlords, offset by increased costs for higher transactional capacity. Other operating costs, which are either discretionary or are not correlated to changes in revenue, were 28% lower at £0.8m (H1 2020: £1.1m), primarily as a result of minimal travel due to COVID-19.

We have continued to invest in our Product where total spend in the Period was £2.2m (H1 2020: £2.2m). Capitalised product development costs were £1.0m (H1 2020: £1.2m) whilst amortisation of capitalised development costs was £1.1m (H1 2020: £1.0m). Contract costs (including costs to obtain contracts and contract fulfilment costs), recognised as assets under IFRS 15, were £0.2m (H1 2020: £0.2m) and amortisation of contract costs was £0.2m (H1 2020: £0.2m).

Continued control over costs along with revenue growth achieved despite the impact of COVID-19 has seen adjusted EBITDA grow by 64% to £2.1m (H1 2020: £1.3m). To provide a better guide to the underlying business performance, adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit.

Maiden profit before tax

The GAAP measure of operating profit before interest and tax was a maiden first half profit of £0.2m (H1 2020: loss of £0.5m), reflecting the growth in EBITDA partially offset by higher amortisation costs. The non-cash share-based payment charge decreased to £0.3m (H1 2020: £0.4m), reflecting the impact of COVID-19 on FY21 performance related vesting conditions.

Earnings per share

Net finance expenses reduced 75% to £0.04m (H1 2020: £0.16m) reflecting the lower level of utilisation of the Group's revolving credit facility.

The tax charge of £0.3m (H1 2020: £0.01m) reflects tax payments for the Group's profitable operations in North America, offset by the recognition of a deferred tax asset in the UK reflecting the expected utilisation of a proportion of the historic losses brought forward.

Chairman's Review continued

Loss after taxation was £0.1m (H1 2020: £0.6m) and reported basic and diluted loss per share improved by 86% to 0.36p (H1 2020: 2.51p) primarily reflecting the improvement in adjusted EBITDA.

Cash and net debt

The Group ended the Period with net cash of £0.1m (H1 2020: net debt of £2.2m) being better than the Board's expectations. Cash consumption in the Period has followed the Group's usual seasonal profile which sees higher cash consumption in the first half of the year compared to the second half. In addition, in FY 2020 the Group made use of a number of COVID-19 linked schemes in order to manage working capital, including the deferral of VAT and PAYE in the UK. The outflow in H1 2021 of £1.4m (H1 2020: £0.9m) included repayment of approximately £1.1m (H1 2020: £nil) of these deferrals.

The Period end net cash, together with the unutilised portion of the Group's £5m revolving credit facility with Barclays Bank plc, means the Group has £5.1m available headroom (December 2019: £2.8m) which the Directors are confident is sufficient to support the Group's existing growth plans.

Statement of financial position

The Group had net assets of £4.4m at the end of the Period (June 2020: £4.4m).

COVID-19

The impacts of COVID-19, and most recently the UK national lockdown 3, continue to negatively impact the Group's UK Food & Beverage and Non-Grocery customers, which accounted for approximately 10% of Group revenue pre-COVID-19, while also impacting the continued deepening of client accounts that we would traditionally see and causing corporate decision-making to be delayed.

Despite this, Eagle Eye has delivered targeted levels of revenue growth, up 8% to £10.8m in the first half. Additionally, the cost base has continued to be carefully managed whilst ensuring the necessary investment in the business continues, as evidenced by the strong growth in adjusted EBITDA.

Outlook

Against the ongoing challenging global outook, the careful management of the business, successful new wins in the first half of the year and continued growth of the existing customer base, trading for the financial year ending 30 June 2021 remains in line with the Board's expectations.

The growth of Eagle Eye's international customer base including strengthened footholds in the US and Asia Pacific, alongside its continued strong presence domestically in the UK provide tangible evidence of an expanding opportunity and these are expected to drive accelerated growth in future periods. The Group will continue to invest in its people, product development, sales and marketing, and in new geographies in line with customer demand, whilst carefully managing the business and cost-base, to capitalise on this momentum.

Never has digital engagement with consumers been of more relevance to the global retail sector. The Group's new business pipeline continues to grow at record levels internationally, including multiple enterprise level opportunities, providing the Board with confidence in the ongoing success of the business.

Malcolm Wall

Non-Executive Chairman

Consolidated unaudited interim statement of total comprehensive income

for the six months ended 31 December 2020

	Note	Unaudited 6 months to 31 December 2020 £000	Unaudited 6 months to 31 December 2019 £000	Unaudited Year to 30 June 2020 £000
Continuing operations				
Revenue	3	10,829	10,072	20,421
Cost of sales		(1,027)	(636)	(1,318)
Gross profit		9,802	9,436	19,103
Adjusted operating expenses[1]		(7,707)	(8,156)	(15,825)
Profit before interest, tax, depreciation, amortisation and share-based payment charge		2,095	1,280	3,278
Share-based payment charge		(252)	(371)	(464)
Depreciation and amortisation		(1,607)	(1,382)	(2,856)
Operating profit/(loss)		236	(473)	(42)
Finance income		–	2	1
Finance expense		(39)	(161)	(291)
Profit/(loss) before taxation		197	(632)	(332)
Taxation		(290)	(11)	(122)
Loss after taxation for the financial period		(93)	(643)	(454)
Foreign exchange adjustments		(199)	(127)	(98)
Total comprehensive loss attributable to the owners of the parent for the financial period		(292)	(770)	(552)

1 Adjusted operating expenses excludes share-based payment charge, depreciation and amortisation

Loss per share				
From continuing operations				
Basic and diluted	4	(0.36)p	(2.51)p	(1.77)p

Consolidated unaudited interim statement of financial position

as at 31 December 2020

	Unaudited 31 December 2020 £000	Unaudited 31 December 2019 £000	Unaudited 30 June 2020 £000
Non-current assets			
Intangible assets	6,264	6,413	6,494
Contract fulfilment costs	270	237	209
Property, plant and equipment	865	1,048	903
Deferred taxation	212	–	121
	7,611	7,698	7,727
Current assets			
Trade and other receivables	5,367	5,669	4,840
Current tax receivable	–	407	–
Cash and cash equivalents	1,181	1,239	1,519
	6,548	7,315	6,359
Total assets	14,159	15,013	14,086
Current liabilities			
Trade and other payables	(7,757)	(6,749)	(7,879)
Financial liabilities	(1,100)	(3,400)	-
	(8,857)	(10,149)	(7,879)
Non-current liabilities			
Other payables	(858)	(817)	(1,783)
Total liabilities	(9,715)	(10,966)	(9,662)
Net assets	4,444	4,047	4,424
Equity attributable to owners of the parent			
Share capital	258	257	257
Share premium	17,315	17,190	17,256
Merger reserve	3,278	3,278	3,278
Share option reserve	3,762	3,456	3,525
Retained losses	(20,169)	(20,134)	(19,892)
Total equity	4,444	4,047	4,424

Consolidated unaudited interim statement of changes in equity

for the six months ended 31 December 2020

	Share capital £000	Share premium £000	Merger reserve £000	Share option reserve £000	Retained losses £000	Total £000
Balance at 1 July 2019	255	17,066	3,278	3,236	(19,515)	4,320
Loss for the period	–	–	–	–	(643)	(643)
Other comprehensive income						
Foreign exchange adjustments	–	–	–	–	(127)	(127)
	–	–	–	–	(770)	(770)
Transactions with owners						
Exercise of share options	2	124	–	–	–	126
Fair value of share options exercised	–	–	–	(151)	151	–
Share-based payment charge	–	–	–	371	–	371
	2	124	–	220	151	497
Balance at 31 December 2019	257	17,190	3,278	3,456	(20,134)	4,047
Profit for the period	–	–	–	–	189	189
Other comprehensive income						
Foreign exchange adjustments	–	–	–	–	29	29
	–	–	–	–	218	218
Transactions with owners						
Exercise of share options	–	66	–	–	–	66
Fair value of share options exercised	–	–	–	(24)	24	–
Share-based payment charge	–	–	–	93	–	93
	–	66	–	69	24	159
Balance at 30 June 2020	257	17,256	3,278	3,525	(19,892)	4,424
Loss for the period	–	–	–	–	(93)	(93)
Other comprehensive income						
Foreign exchange adjustments	–	–	–	–	(199)	(199)
	–	–	–	–	(292)	(292)
Transactions with owners						
Exercise of share options	1	59	–	–	–	60
Fair value of share options exercised	–	–	–	(15)	15	–
Share-based payment charge	–	–	–	252	–	252
	1	59	–	237	15	312
Balance at 31 December 2020	258	17,315	3,278	3,762	(20,169)	4,444

Included in “retained losses” is a cumulative foreign exchange balance of £(168,000) (June 2020: £31,000).

Consolidated unaudited interim statement of cash flows

for the six months ended 31 December 2020

	Unaudited 6 months to 31 December 2020 £000	Unaudited 6 months to 31 December 2019 £000	Unaudited Year to 30 June 2020 £000
Cash flows from operating activities			
Profit/(loss) before taxation	197	(632)	(332)
Adjustments for:			
– Depreciation	149	205	370
– Amortisation	1,458	1,178	2,487
– Share-based payment charge	252	371	464
– Finance income	-	(2)	(1)
– Finance expense	39	161	291
Increase in trade and other receivables	(527)	(2,052)	(1,222)
(Decrease)/increase in trade and other payables	(1,072)	1,792	3,793
Income tax paid	(344)	(153)	(180)
Income tax received	–	–	389
Net cash flows from operating activities	152	868	6,059
Cash flows from investing activities			
Payments to acquire property, plant and equipment	(111)	(48)	(68)
Payments to acquire intangible assets	(1,288)	(1,452)	(2,815)
Net cash flows used in investing activities	(1,399)	(1,500)	(2,883)
Cash flows from financing activities			
Net proceeds from issue of equity	60	126	192
Proceeds from borrowings	1,300	1,700	2,000
Repayment of borrowings	(200)	(900)	(4,600)
Capital payments in respect of leases	(13)	(133)	(224)
Interest paid in respect of leases	(20)	(23)	(44)
Interest paid	(19)	(137)	(248)
Interest received	–	2	2
Net cash flows from financing activities	1,108	635	(2,922)
Net (decrease)/increase in cash and cash equivalents in the period	(139)	3	254
Foreign exchange adjustments	(199)	(127)	(98)
Cash and cash equivalents at beginning of period	1,519	1,363	1,363
Cash and cash equivalents at end of period	1,181	1,239	1,519

Notes to the consolidated unaudited interim financial statements

1. Basis of preparation

The Group's half-yearly financial information, which is unaudited, consolidates the results of Eagle Eye Solutions Group plc and its subsidiary undertakings up to 31 December 2020. The Group's accounting reference date is 30 June. Eagle Eye Solutions Group plc's shares are listed on the Alternative Investment Market of the London Stock Exchange (AIM).

The Company is a public limited liability company incorporated and domiciled in England & Wales. The presentational and functional currency of the Group is Sterling. Results in this consolidated financial information have been prepared to the nearest £1,000.

Eagle Eye Solutions Group plc and its subsidiary undertakings have not applied IAS 34, Interim Financial Reporting, which is not mandatory for UK AIM listed groups, in the preparation of this half-yearly financial report.

The accounting policies used in the preparation of the financial information for the six months ended 31 December 2020 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as adopted by the European Union and are consistent with those which will be adopted in the annual financial statements for the year ending 30 June 2021.

The profit before interest, tax, depreciation, amortisation and share-based payment charge is presented in the statement of total comprehensive income as the Directors consider this performance measure provides a more accurate indication of the underlying performance of the Group and is commonly used by City analysts and investors.

While the financial information included has been prepared in accordance with the recognition and measurement criteria of IFRS, as adopted by the European Union, these interim financial statements do not contain sufficient information to comply with IFRS.

The comparative financial information for the year ended 30 June 2020 has been extracted from the annual financial statements of Eagle Eye Solutions Group plc. These interim results for the period ended 31 December 2020, which are not audited, do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The financial information does not therefore include all of the information and disclosures required in the annual financial statements.

Full audited accounts of the Group in respect of the year ended 30 June 2020, which received an unqualified audit opinion and did not contain a statement under section 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

2. Going concern basis

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled "Guidance on Risk Management and Internal Control and Related Financial and Business Reporting". The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of this half-yearly financial information. In developing these forecasts, the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

On the basis of the above projections, the Directors are confident that the Group has sufficient working capital to honour all of its obligations to creditors as and when they fall due. In reaching this conclusion, the Directors have considered the forecast cash headroom, the resources available to the Group and the potential impact of changes in forecast growth and other assumptions, including the potential to avoid or defer certain costs and to reduce discretionary spend as mitigating actions in the event of such changes. Accordingly, the Directors continue to adopt the going concern basis in preparing this half-yearly financial information.

Notes to the consolidated unaudited interim financial statements continued

3. Segmental analysis

The Group is organised into one principal operating division for management purposes. Revenue is analysed as follows:

	Unaudited 6 months to 31 December 2020 £000	Unaudited 6 months to 31 December 2019 £000	Unaudited Year to 30 June 2020 £000
Development and set up fees	2,870	2,759	5,505
Subscription and transaction fees	7,959	7,313	14,916
	10,829	10,072	20,421

	Unaudited 6 months to 31 December 2020 £000	Unaudited 6 months to 31 December 2019 £000	Unaudited Year to 30 June 2020 £000
AIR revenue	9,659	9,564	19,165
Messaging revenue	1,170	508	1,256
	10,829	10,072	20,421

The majority of the Group's revenue comes from services which are transferred over time.

4. Loss per share

The calculation of basic and diluted loss per share is based on the result attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares for the purpose of calculating the basic and diluted measures is the same. This is because the outstanding share options would have the effect of reducing the loss per ordinary share and therefore would not be dilutive.

	Unaudited H1 2021 Loss per share pence	Unaudited H1 2021 Loss £000	Unaudited H1 2021 Weighted average number of ordinary shares	Unaudited H1 2020 Loss per share pence	Unaudited H1 2020 Loss £000	Unaudited H1 2020 Weighted average number of ordinary shares
Basic and diluted loss per share	(0.36)	(93)	25,747,607	(2.51)	(643)	25,593,503

5. Alternative performance measure

EBITDA is a key performance measure for the Group and is derived as follows:

	Unaudited 6 months to 31 December 2020 £000	Unaudited 6 months to 31 December 2019 £000	Unaudited Year to 30 June 2020 £000
Profit/(loss) before taxation	197	(632)	(332)
Add back:			
– Finance income and expense	39	159	290
– Share-based payments	252	371	464
– Depreciation and amortisation	1,607	1,382	2,856
EBITDA	2,095	1,280	3,278

6. Net cash

	30 June 2020 £000	Cash flow £000	Foreign exchange adjustments £000	31 December 2020 £000
Cash and cash equivalents	1,519	(139)	(199)	1,181
Financial liabilities	–	(1,100)	–	(1,100)
Net cash	1,519	(1,239)	(199)	81

7. Availability of this Interim Announcement

Copies of this announcement are available on the Company's website, www.eagleeye.com.

Company Information

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