Delivering exceptional consumer value

Interim Report
2022

for the world's most innovative retailers

Overview

Strategic Report

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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

Financial Highlights

Group revenue
£15.1m
(H1 2021: 10.8m) **+40%**

Recurring subscription and transaction revenue
£11.5m
(H1 2021: 8.0m) **+44%**

Recurring revenue % of Group revenue
76%
(H1 2021: 73%) **+3ppt**

Period End Recurring Revenue[1]
£18.9m
(H1 2021: £13.0m) **+45%**

Net Revenue Retention[2]
130%
(H1 2021: 108%) **+22ppt**

Gross margin
£14.0m
(H1 2021: £9.8m) **+43%**

Adjusted EBITDA[3]
£3.1m
(H1 2021: £2.1m) **+50%**

Profit/(loss) after tax
£0.6m
(H1 2021: £(0.1)m) **Maiden profit**

Net cash[4] at 31 December
£1.8m
(H1 2021: £0.1m) **+2,125%**

1 Period End Annual Recurring Revenue is defined as period exit rate for recurring AIR subscription and transaction revenue plus any professional services contracted for more than 12 months hence and secured new wins, excluding any seasonal variations and lost contracts.
2 Net retention rate is defined as the improvement in recurring AIR revenue excluding new wins in the last 12 months.
3 EBITDA has been adjusted for the exclusion of share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit.
4 Net cash is defined as cash and cash equivalents less financial liabilities.

Operational Highlights

Revenue growth across all major geographical regions of North America, UK & Europe and Australia & New Zealand

Strong new business 'Win' performance, securing Halfords Group in the UK and two further US customers secured post Period end; a substantial three year contract win with one of the largest national US grocery retailers and a multi-year agreement with regional food, fuel and pharmacy retailer, Giant Eagle

Several significant customer contracts moved into the transactional phase, including Woolworths in Australia, Staples US Retail and Virgin Red

Successful deepening with customers increasing their digital marketing activities post-pandemic, including Asda, Pret A Manger, Pizza Express, Liberty Retail Limited, Mitchells & Butlers and Woolworths

Continued investment in people and product R&D to support further growth and capitalise on the global shift towards personalised digital marketing by retailers

Outlook

Entered the second half of the year in a strong position, as shown by the considerable increase in ARR

Positive trading in Q3 to date, in line with the Board's expectations

New business pipeline continues to grow at record levels, both in the UK and internationally

AT A GLANCE

One platform, many products

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

Find out more on **page 12**

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

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

User Experience

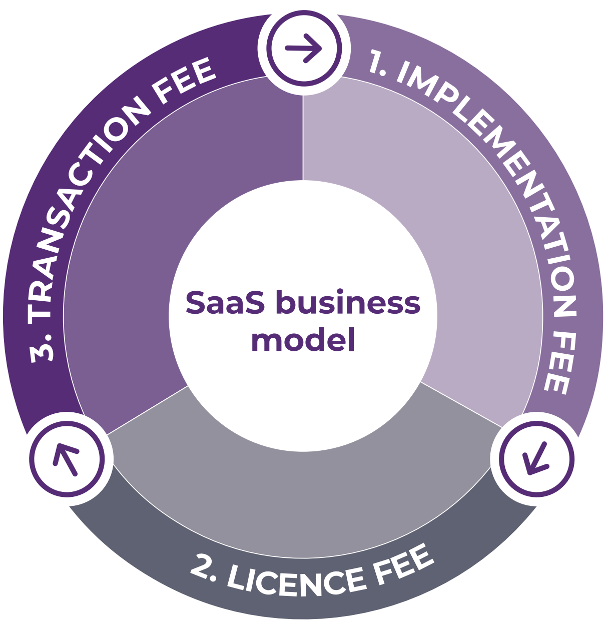
Entice and engage the customer with the right content in the right channels

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** $13.8bn[1] **Global loyalty management market by 2026 (23% CAGR)**
%OFF **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, COVID-19 Impact, and Forecasts (2021–2026).
2. Digital Loyalty Programmes: Market Trends, Credit Cards & Retailer Readiness 2020–2025, Juniper Research, 6 July 2020.
3. Persistence Market Research, 28 April 2020.

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

DELIVERING ON OUR GROWTH STRATEGY

1. Win, Transact and Deepen

Win	Transact	Deepen
Bring more customers on to the Eagle Eye AIR platform	Drive higher redemption and interaction volumes through the platform	Encourage our customers to adopt more of our product portfolio as they become more adept at digital marketing
Progress	**Progress**	**Progress**
Increased win rate in UK and international geographies – resulting in uplift in **"win" related revenue** Wins include **Halfords Group** plc and **two new US customers** post period end	Chargeable AIR redemption and interaction volumes, **grew by 40% to 635m** Increased loyalty transactions as previous wins next stage of deployment **Woolworths, Staples, Southeastern Grocers and Virgin Red**	Our customers continued to expand their use of AIR, highlighting the increasing relevance of our technology and the release of pent up demand post COVID-19 These included supporting the trial of the new **Asda** Rewards loyalty programme, **Pret A Manger's** trial loyalty scheme, Pret Perks and **Pizza Express**' new loyalty programme, PizzaExpress Club

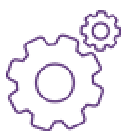
2. Innovation

Innovation continues to lie at the heart of our proposition, investing in the capabilities of our flexible Eagle Eye AIR platform to find new ways to deliver value to our customers, and their consumers.

Personalised Promotions
New features to increase the ways in which retailers can create value for their customers through personalised offers and promotions

Gift
Streamlined the consumer experience of our gift portals making it easier and faster to purchase a gift card

Subscriptions
Clients can now offer subscriptions where the monthly/annual fee is loaded as redeemable credit that can be spent online or in-store

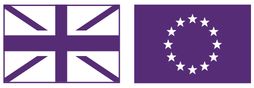


Integrations
Over 80 integrations across Point-of-sale, eCommerce, CRM, data analytics and payments technologies

3. International growth

We have continued to execute against our international growth strategy in the Period, winning new business and strengthening existing customer relationships across our key territories. We continue to invest in our international capabilities to ensure we have the ability to deliver on our revenue growth. We have been delighted by the progress in North America where we announced two further significant wins post Period end.

UK and Europe



Canada and USA

Australia and New Zealand

4. Better, simpler, cheaper

We have developed a proven business model to grow our EBITDA margin whilst also investing as we 'Win' in sales and marketing and enhancements to the product to generate new opportunities for growth.

Scalable cloud architecture

Virtual first business

Investing in our people

CHAIRMAN'S REVIEW

Strong financial performance and record new business pipeline

40%
REVENUE GROWTH

"I am pleased to report another strong trading performance in the first six months of the year which has been driven by our customer strategy – Win, Transact and Deepen across all geographies, demonstrating the benefits of our high-quality SaaS business model."

Overview

Eagle Eye has delivered a strong strategic and financial performance in the first six months of the financial year, demonstrating the benefits of our high-quality SaaS business model. With our customer strategy delivering across all three areas of Win, Transact and Deepen, we have built on the momentum of the prior year, returning to pre-pandemic growth rates.

The strength of our business and the attractiveness of our offering is evident in the strong revenue and profit performance, delivering 50% growth in adjusted EBITDA to £3.1m on revenue growth of 40% to £15.1m. We are gradually increasing the Group's EBITDA margins, whilst we continue to invest, and this growing level of profits is now flowing through into positive cash generation. Importantly, we continue to benefit from low customer churn and high levels of annual recurring revenue, providing us with confidence to continue to invest to support our future growth.

We are seeing growing momentum in our international markets, announcing two further retailers to our US roster after the Period end. With North America expected to become one of the largest digital promotions markets in the world, these wins are a clear demonstration of our ability to execute on that opportunity. We are also excited by the prospects for our Australia operation and the access it provides us to South East Asia.

We continue to invest in our people and products while significantly broadening and deepening our customer base in key geographies, providing us with the foundations for growth acceleration over the medium term. The pandemic has accelerated the digital engagement strategies of retailers around the world to provide customers with a relevant digital marketing solution. This, coupled with the proven enterprise capabilities of the Eagle Eye AIR platform, position the Group well to capture a growing proportion of this expanding market.

Growing market opportunity and competitive strength

The competitive strength at the heart of the AIR platform is its ability to deliver personalised marketing messages to consumers securely, at an enterprise scale, via a multitude of channels. It is this ability, to personalise a customer's journey, in real time, at every interaction, which is driving the growing interest in our product.

Accelerated by the pandemic, the shift to digital continues at pace, with retailers of all kinds developing their omnichannel capabilities to address rapidly changing consumer shopping behaviours. Meanwhile, the awareness of how valuable it can be to personalise that experience is growing. According to recent analysis by Boston Consulting Group, redirecting just 25% of a retailer's spending on mass promotion to personalised offers would increase their return on investment (ROI) by 200%, leading to a top-line growth opportunity of more than $70 billion annually for US retailers. Commentary like this encourages businesses to actively evaluate the opportunities for personalisation.

CHAIRMAN'S REVIEW CONTINUED

The desire for convenience, and use of digital methods to deliver savings, is growing, globally. New INMAR intelligence data shows strong growth in digital coupons since 2018, surpassing paper free standing inserts (FSIs) for the first time in the US in the first half of 2021, with digital coupon redemptions accounting for 33% of all coupon redemptions, compared to 24% for FSIs. Digital coupons not only provide the most convenience and personalisation for a consumer but are a simple and effective way to reduce paper consumption across the globe, thereby reducing a company's environmental footprint.

Eagle Eye AIR 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, such as Neptune Retail Solutions and Chargebee, using their expertise to strengthen our offering and leveraging their marketing reach.

1."Win, Transact and Deepen"

'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

There was an increase in the win rate, both in the UK and internationally, resulting in an uplift in "Win" related revenue. New customer highlights secured in the Period include Halfords Group plc for customer engagement and two new US customers post Period end.

Our high level of customer retention means that each new customer win significantly adds to our growth prospects, through expanding the use of the platform and the addition of new services.

Transact

As a result of a number of significant customer contracts reaching the transactional phase, in addition to further deepening with existing clients, chargeable AIR redemption and interaction volumes, a key measure of usage of Eagle Eye AIR, increased by 40% to 635m (H1 2021: 452m).

The Period saw a decline in SMS volumes as anticipated, driven by the decreased use of Click & Collect following the lifting of lock-down measures by the UK government. Revenue from this stream has been broadly maintained, at £1.2m (H1 2021: £1.2m) but as expected fell as a share of total revenue to 8% (H1 2021: 11%).

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 lockdowns. This has slowly started to recover, growing 13% from £0.3m in H1 2021 to £0.4m in the Period. With over 7,100 UK hospitality venues on Eagle Eye AIR, we have an attractive platform for Brands to exploit, as they seek the means to recapture lost revenue and strengthen their businesses as a result of the pandemic.

Deepen

Our customers continued to expand their use of AIR, highlighting the increasing relevance of our technology and the release of pent up demand post COVID-19. This success can be seen in the growth in our Net Revenue Retention rate, which increased to 130% (H1 FY21: 108%). Customer expansions included supporting Asda in the trial of a new loyalty programme, Asda Rewards, Pret A Manger with the expansion of the coffee subscription service into France and the U.S., as well as the launch of a trial loyalty scheme, Pret Perks and the launch of a subscription service for Liberty Retail Limited. We are also working in partnership with MethodWorx, a software development and digital transformation agency, to launch long-standing digital promotions customer, Pizza Express' new loyalty programme, PizzaExpress Club. This scheme is the first of its kind by a UK hospitality operator, using the AIR stampcard feature alongside our Digital Wallet to manage customers' personal stampcards and reward coupons. We also deepened our partnership with Mitchells & Butlers through the launch of a new project to gather data on different offer types used by customers whilst also helping to reduce fraud.

Pleasingly, our long-term contract customer churn rate by value remains very low at 0.04% (H1 2021: 0.2%), with good levels of renewals taking place.

2. Innovation

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

Personalised Promotions

We continue to increase the ways in which retailers can create value for their customers through personalised offers and promotions. A new feature launched in the Period allows retailers to set rules for coupons to be shared within a household, adding to the attractions of the promotions. POS Connect continues to be an area of significant investment, with recent enhancements supporting clients across multiple time zones, enabling additional tactics such as multiple rewards, and offering further segmentation qualifications and new stacking rules to give clients even more flexibility in their execution. There has also been a big emphasis on enriching the ecommerce integration process.

Gift

We have streamlined the consumer experience of our gift portals making it easier and faster to purchase a gift card. We recently introduced a postcode lookup feature which ensures a frictionless customer journey and reduces errors that later need to be rectified. Our self-service management portal also allows clients to manage their gift programme themselves and speeds up the set-up of new gift clients.

Subscriptions

Clients can now offer subscriptions where the monthly/annual fee is loaded as redeemable credit that can be spent online or in-store. This brings guaranteed spend and a direct relationship with customers along with access to all data relating to the subscription and other purchases. We are working with Chargebee, who provided a pre-integrated payment solution enabling the programme to be up and running in weeks. This is already being used by Liberty London for their Beauty Drop subscription service.

Integrations

Our aim is to be the most flexible, scalable and future-proofed promotions and loyalty platform in the market. Through our APIs, we make it easy for retailers to seamlessly integrate our AIR platform with their tech stack. In the Period we added 5 new integrations and now have over 80 integrations across Point-of-sale, eCommerce, CRM, data analytics and payments technologies.

3. International Growth

We have continued to execute against our international growth strategy in the Period, winning new business and strengthening existing customer relationships across our key territories. We continue to invest in our international capabilities to ensure we have the ability to deliver on our revenue growth.

North America

We have been delighted by the progress in North America in the year to date. With the US estimated to be the largest digital promotions market in the world, due to the huge value of promotions by Consumer Packaged Goods businesses, it is an important area of focus for the Group. The recent successes, with new clients secured both directly and through our influential partner, Neptune Retail Solutions ('NRS'), and an expanding US sales pipeline are hugely encouraging.

We were pleased to announce post Period end two further significant wins. The first is a three-year contract with our partner NRS, the leading omnichannel retail marketing company, to provide digital promotion services, including coupon at till, for a national U.S. grocer. Our partnership with NRS brings together a powerful omnichannel proposition that is compelling for retailers and branded manufacturers and we expect to drive further customer interest. This is the second joint client for NRS and Eagle Eye in the US, following the signing of Southeastern Grocers in December 2019.

The second is a multi-year agreement with Giant Eagle, a regional food, fuel and pharmacy retailer and one of the 40 largest family operated companies in the US, to facilitate its new digital loyalty platform and increased promotional capabilities. Eagle Eye was directly selected by Giant Eagle for its breadth of capabilities and ability to facilitate a personalised loyalty platform at scale.

The Group's work with Southeastern Grocers and Staples US Retail have continued to progress well, with the success of these programmes elevating the profile of Eagle Eye in the US market.

In Canada, we signed a three-year contract to extend our partnership with Loblaw Companies Ltd ("Loblaw") to power the PC Optimum™ loyalty program. Loblaw is using Eagle Eye's AIR digital marketing platform as well as professional services to ensure ongoing innovation to deliver value to PC Optimum™ members. Eagle Eye continues to support the PC Optimum™ program at Esso™ and Mobil™ stations including the launch of redemption at nearly 2,000 Esso™ fuel stations across Canada. With Esso Extra™ program retirement, PC Optimum™ is the sole loyalty program at Esso™ stations in Canada.

Australasia

With two of the largest retailers in the Australasia region now customers, we are exploring the sales opportunity in the wider Asia Pacific region. The Group believes there to be a good level of enterprise prospects in the region.

Our significant five-year contract with Woolworths went live in August 2021 to the members of the Everyday Rewards loyalty scheme, just 10 months after contract signature. A range of new features continue to be introduced to members of the scheme. This year we will begin work with Woolworths New Zealand, operator of over 180 Countdown branded supermarkets in New Zealand.

We continued our work with The Warehouse Group, one of the largest retailing groups in New Zealand. In January, its largest retail banner, The Warehouse, went live nationally with an app-first loyalty programme, The Market Club. We continue to work with The Warehouse Group as it seeks to deliver more features to members of its fast-growing programme.

4. "Better, Simpler, Cheaper"

We have developed a proven business model to grow our EBITDA margin whilst also investing as we 'Win' in sales and marketing and enhancements to the product to generate new opportunities for growth.

Our people costs represent 78% of the operating costs of the business in H1 2022 (H1 2021: 78%) and we recognise they are our biggest asset. As we have moved through the pandemic and workforces have become more mobile, our business model has allowed us to use remuneration as one of the levers to reward and retain our best people. Continued investment in H2 2022 is built into our plan, in line with the model we have developed.

ESG

We are committed to high ESG standards that we formalised with a new structure in 2021. Our focus is on materiality and where we can make a difference, building on the foundations we already had in place.

Environmental

We are focused on ensuring our environmental footprint remains low. Through our digital solution, we have been able to eliminate paper, aiding the sustainability of our customers' solutions. Our key technology suppliers also have serious, relevant environmental targets and the assessment of their appropriateness is now a key part of our supplier code of conduct. The remote working practices accelerated by the pandemic have significantly reduced travel requirements across the Group thereby cutting our carbon emissions. In addition to this, we have a commitment to plant trees in order to offset our carbon footprint.

CHAIRMAN'S REVIEW CONTINUED

Social

We remain committed to our goal of being a great place to work by creating an environment where our people can flourish. We have developed values and a culture that set us apart with our people being the differentiator. By delivering an extensive training programme and rewarding our employees well, Eagle Eye recognises the importance of its greatest asset.

We have continued hosting our Company Value Awards and Purple Awards which demonstrate that all the value we create is thanks to our people. We have also continued to develop our senior management team across the group through the launch of the "Purple Pathways" (career development) programme, which has seen a number of employees move into senior roles. This has not only strengthened the skills of our management team to deliver value for our customers but has also aligned and empowered staff on the strategy of the business.

We launched our 'Purple Women' initiative in FY21 aimed at supporting women through all aspects of their work/home life. This key initiative has progressed well during the first half of the financial year as our business strives to become a role model for women in tech. We have implemented new family friendly policies including: greater emphasis on flexible working; work experience programmes; education and support of health-related issues impacting our employees; extended paid leave for parents; and additional support for parents returning to work.

As part of our ongoing commitment to charity work, we have partnered with 52 Lives, a charity built around the concept of 'kindness' who find people who need help and then deliver it. We have launched the Purple Places Challenge, which will see the team walk, run, cycle and row their way around the world, as part of our efforts to raise money for 52 Lives and we will continue to run several more fundraising events over the course of the year.

Governance

We maintain our strong corporate governance framework which we have already adopted by following the QCA Code. In the first half we have seen progress made against the new structure we implemented during FY21. We have now agreed a matrix made up of 16 KPIs against the three categories of ESG to assess our status and monitor our progress, with suitable actions identified. These KPIs, including environmental consumption, gender pay gap and board independence, are compared to the market median to allow focus on areas of improvement. A full report will be issued within the Company's Annual Report and Accounts.

Financial review

Key performance indicators	H1 2022	H1 2021	Change
Financial	£000	£000	
Revenue	15,112	10,829	+40%
Recurring subscription and transaction revenue	11,489	7,959	+44%
- licence revenue	5,699; 38%	3,799; 35%	+3ppt
- AIR transaction revenue	4,584; 30%	3,037; 28%	+2ppt
- SMS transaction revenue	1,205; 8%	1,123; 10%	-2ppt
Total recurring revenue	76%	73%	+3ppt
ARR	£18.9m	£13.0m	+45%
NRR	130%	108%	+22ppt
Adjusted EBITDA[1]	3,138	2,095	+50%
Operating profit before interest and tax	613	236	160%
Profit/(loss) after tax	£0.6m	£(0.1)m	Maiden profit
Net cash[2]	1,802	81	+2,125%
Cash and cash equivalents	2,202	1,181	+86%
Short term borrowings	(400)	(1,100)	-64%
Non-financial			
Chargeable AIR redemption and interaction volumes	635.0m	452.2m	+40%
Long term contract customer churn by value	0.04%	0.21%	-0.17ppt

1 Adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit
2 Net cash is cash and cash equivalents less borrowings
3 Recurring subscription and transaction revenue is referred to a 'Recurring revenue'

Revenue and gross profit

During the Period, the Group delivered strong revenue growth of 40% to £15.1m (H1 2021: £10.8m), building on momentum from Q4 2021 and achieving growth in all areas of our customer strategy: Win, Transact, Deepen.

Revenue generated from recurring subscription fees and transactions over the network increased to £11.5m (H1 2021: £8.0m), representing 76% (H1 2021: 73%) of total revenue for the Period. This growth was driven primarily through the international business where revenue increased by 140% to £4.7m (H1 2021: £1.9m) due to new clients in the Period, such as Staples and Woolworths, and increased volumes from existing clients, such as SEG. In addition, there was a recovery from the Covid-19 impact on the prior period reflected in the buoyant Black Friday and Christmas periods along with further deepening in existing UK recurring AIR business which increased by 15% to £5.3m (H1 2021: £4.6m).

Professional services revenue increased by 26% to £3.6m (H1 2021: £2.9m). Under IFRS 15, a SaaS business will typically recognise revenue (including implementation revenue from professional services) over time. In some cases, implementation revenue is now recognised over the period the service is live. Therefore, during the period of implementation for a new client, which is typically between two and six months, no revenue will be recognised, although directly attributable associated costs are also spread over this period, matching revenue and costs. Revenue from professional services that has been deferred into future periods, but delivered and billed, was £1.8m at 31 December 2021 (31 December 2020: £0.6m).

In addition, as new professional services are layered on top as we deepen our relationships with clients, this creates a wave of secured professional services revenues which are being recognised over the period to the end of the current contract term. When a contract is renewed this process starts again and a new wave is formed as we continue to deepen. FY 2022 sees a number of these contract renewals which, in addition to existing clients deepening by once again implementing their growth plans as Covid-19 restrictions have eased has contributed to an increase in professional services revenue of 26% to £3.6m (H1 2021: £2.9m).

The Group's Annual Recurring Revenue (ARR), which is our period exit rate for recurring AIR subscription and transaction revenue plus any professional services contracted for more than 12 months hence and secured new wins, excluding any seasonal variations and lost contracts, increased by 45% to £18.9m (H1 2021: £13.0m). The growth rate is higher than the overall revenue growth due to the securing of long-term professional services in some enterprise accounts, versus the comparative period.

The Group has a strong Net Revenue Retention (NRR) rate, which is the improvement in recurring AIR revenue excluding new wins in the last 12 months. It has improved in the period to 130% (H1 2021: 108%) due to successful deepening of existing accounts.

Chargeable AIR redemption and interaction volumes, a key measure of usage of the AIR platform, increased by 40% to 635.0m (H1 2021: 452.2m), broadly in line with the growth in recurring subscription and transaction revenue.

Gross profit grew 43% to £14.0m (H1 2021: £9.8m) with gross margin of 93% (H1 2021: 91%). The change in gross margin reflects the lower relative contribution of the lower margin SMS business. SMS revenue increased by 6% to £1.2m (H1 2021: £1.2m) but as expected fell as a share of total revenue to 8% (H1 2021: 11%). AIR margin was maintained at 98% (H1 2021: 98%). 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

Adjusted operating costs increased 41% to £10.9m (H1 2021: £7.7m) as the business has invested in line with our planned growth investment model. 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 59% of adjusted operating costs (H1 2021: 62%), increased to £6.4m (H1 2021: £4.8m) reflecting annual pay awards, increased performance related bonuses and investment in the people of Eagle Eye, with headcount rising from an average of [141] in FY 2021 to 158 at 31 December 2021, with investment in people continuing in H2 2022 in line with our investment model. With the Google Cloud transition now complete, IT infrastructure costs increased slightly behind the rate of recurring revenue growth, up 46% to £2.9m (H1 2021: £2.0m). Other operating costs, which are either discretionary or are not correlated to changes in revenue, were £1.6m (H1 2021: £1.0m), as the Group has increased its spend on marketing to take advantage of the changing landscape and reflecting the legal costs of entering the Group's new banking facility with Silicon Valley Bank.

CHAIRMAN'S REVIEW CONTINUED

We have continued to invest in our products where total spend in the Period was £2.4m (H1 2021: £2.2m). Capitalised product development costs were £1.1m (H1 2021: £1.0m) whilst amortisation of capitalised development costs was £1.1m (H1 2021: £1.1m). Contract costs (including costs to obtain contracts and contract fulfilment costs), recognised as assets under IFRS 15, were £1.0m (H1 2021: £0.2m) and amortisation of contract costs was £0.6m (H1 2021: £0.2m).

The strong sales performance and controlled investment spend has seen adjusted EBITDA grow by 50% to £3.1m (H1 2021: £2.1m). 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.

The GAAP measure of operating profit before interest and tax increased 160% to £0.6m (H1 2021: £0.2m), reflecting the growth in EBITDA partially offset by higher amortisation and share-based payment charges.

Earnings per share

Net finance expenses reduced 10% to £0.04m (H1 2021: £0.04m) reflecting the lower level of utilisation of the Group's revolving credit facility and the reduced cost of the new Silicon Valley Bank facility.

The tax credit of £0.02m (H1 2021: charge of £0.29m) reflects the recognition of a deferred tax asset in the UK reflecting the expected utilisation of a proportion of the historic losses brought forward and UK research and development tax credits received offset by tax payments for the Group's profitable operations in North America.

The Group reported a maiden profit after taxation of £0.6m (H1 2021: loss of £0.1m) and reported basic earnings per share improved to 2.29p (H1 2021: loss of 0.36p) primarily reflecting the improvement in profit.

Cash and net debt

The Group ended the Period with net cash of £1.8m (H1 2021: £0.1m) being better than the Board's expectations. This followed an improved cash performance, driven by the increase in adjusted EBITDA, generating a positive cash inflow of £1.0m (H1 2021: outflow of £1.4m). During the Period, the Group entered a new three year £5m funding facility with Silicon Valley Bank, with up to an additional £2.5m available, subject to credit approval at the time, should there be an appropriate investment opportunity. This provides the business with security and flexibility over its financing options to deliver on its growth aspirations. The Period end net cash, together with the unutilised portion of the Group's £5m revolving credit facility, means the Group has £6.8m available headroom (December 2020: £5.1m) which the Directors believe is sufficient to support the Group's existing growth plans.

Statement of financial position

The Group had net assets of £6.6m at the end of the Period (June 2021: £5.4m). Net assets include £1.8m of revenue billed to customers but deferred under IFRS 15 (June 2021: £1.0m; December 2020: £0.6m), the increase primarily reflecting the growth in professional services following new client wins and deepening of existing client relationships.

Outlook

With the pandemic having accelerated the digital strategies of retailers around the world, personalised digital engagement with consumers is more relevant than ever. The growth of our international customer base alongside our continued strong and growing presence in the UK demonstrates our ability to execute on this opportunity.

We have entered the second half of the year in a strong position, trading in line with the Board's expectations. Our multi-year contracts and successful record of expansion with customers provides us with a growing recurring revenue base which, coupled with a record new business pipeline and supportive market drivers, underpins the Board's confidence in another year of growth and the long-term success of Eagle Eye.

Malcolm Wall
Non-Executive Chairman

CONSOLIDATED UNAUDITED INTERIM STATEMENT OF TOTAL COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Note	Unaudited 6 months to 31 December 2021 £000	Unaudited 6 months to 31 December 2020 £000	Unaudited Year to 30 June 2021 £000
Continuing operations				
Revenue	3	15,112	10,829	22,800
Cost of sales		(1,122)	(1,027)	(2,134)
Gross profit		13,990	9,802	20,666
Adjusted operating expenses		(13,377)	(9,566)	(9,566)
Adjusted EBITDA[1]		3,138	2,095	4,215
Share-based payment charge		(581)	(252)	(877)
Depreciation and amortisation		(1,944)	(1,607)	(3,104)
Operating profit		613	236	234
Finance expense		(35)	(39)	(108)
Profit before taxation		578	197	126
Taxation		19	(290)	(183)
Profit/(loss) after taxation for the financial period		597	(93)	(57)
Foreign exchange adjustments		29	(199)	(100)
Total comprehensive profit/(loss) attributable to the owners of the parent for the financial period		626	(292)	(157)

(1) Adjusted EBITDA excludes share-based payment charge, depreciation and amortisation

	Note			
Earnings/(loss) per share				
From continuing operations				
Basic	4	2.29p	(0.36)p	(0.22)p
Diluted	4	2.01p	(0.36)p	(0.22)p

CONSOLIDATED UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Unaudited 31 December 2021 £000	Unaudited 31 December 2020 £000	Unaudited 30 June 2021 £000
Non-current assets			
Intangible assets	6,696	6,264	6,527
Contract fulfilment costs	344	270	196
Property, plant and equipment	924	865	826
Deferred taxation	513	212	121
	8,477	7,611	7,670
Current assets			
Trade and other receivables	7,400	5,367	6,194
Current tax receivable	–	–	221
Cash and cash equivalents	2,202	1,181	1,713
	9,602	6,548	8,128
Total assets	18,079	14,159	15,798
Current liabilities			
Trade and other payables	(9,735)	(7,757)	(8,575)
Financial liabilities	(400)	(1,100)	(900)
	(10,135)	(8,857)	(9,475)
Non-current liabilities			
Other payables	(1,343)	(858)	(928)
Total liabilities	(11,478)	(9,715)	(10,403)
Net assets	6,601	4,444	5,395
Equity attributable to owners of the parent			
Share capital	261	258	261
Share premium	17,503	17,315	17,503
Merger reserve	3,278	3,278	3,278
Share option reserve	4,577	3,762	3,997
Retained losses	(19,018)	(20,169)	(19,644)
Total equity	6,601	4,444	5,395

CONSOLIDATED UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Share capital £000	Share premium £000	Merger reserve £000	Share option reserve £000	Retained losses £000	Total £000
Balance at 1 July 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
Profit for the period	–	–	–	–	36	36
Other comprehensive income						
Foreign exchange adjustments	–	–	–	–	99	99
	–	–	–	–	135	135
Transactions with owners						
Exercise of share options	3	188	–	–	–	191
Fair value of share options exercised	–	–	–	(390)	390	–
Share-based payment charge	–	–	–	625	–	625
	3	188	–	235	390	816
Balance at 30 June 2021	261	17,503	3,278	3,997	(19,644)	5,395
Profit for the period	–	–	–	–	597	597
Other comprehensive income						
Foreign exchange adjustments	–	–	–	–	29	29
	–	–	–	–	626	626
Transactions with owners						
Share-based payment charge	–	–	–	580	–	580
	–	–	–	580	–	580
Balance at 31 December 2021	261	17,503	3,278	4,577	(19,018)	6,601

Included in “retained losses” is a cumulative foreign exchange loss balance of £(40,000) (June 2021: £(69,000)).

CONSOLIDATED UNAUDITED INTERIM STATEMENT OF CASH FLOW
FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

	Unaudited 6 months to 31 December 2021 £000	Unaudited 6 months to 31 December 2020 £000	Unaudited Year to 30 June 2021 £000
Cash flows from operating activities			
Profit before taxation	578	197	126
Adjustments for:			
Depreciation	149	149	297
Amortisation	1,795	1,458	2,806
Share-based payment charge	581	252	877
Finance expense	35	39	108
Increase in trade and other receivables	(1,205)	(527)	(1,233)
Increase/(decrease) in trade and other payables	1,664	(1,072)	(15)
Income tax paid	(373)	(344)	(563)
Income tax received	221	-	-
Net cash flows from operating activities	3,445	152	2,403
Cash flows from investing activities			
Payments to acquire property, plant and equipment	(246)	(111)	(221)
Payments to acquire intangible assets	(2,113)	(1,288)	(2,826)
Net cash flows used in investing activities	(2,359)	(1,399)	(3,047)
Cash flows from financing activities			
Net proceeds from issue of equity	-	60	251
Proceeds from borrowings	200	1,300	2,200
Repayment of borrowings	(700)	(200)	(1,300)
Capital payments in respect of leases	(91)	(13)	(104)
Interest paid in respect of leases	(16)	(20)	(38)
Interest paid	(19)	(19)	(71)
Net cash flows from financing activities	(626)	1,108	938
Net increase/(decrease) in cash and cash equivalents in the period	460	(139)	294
Foreign exchange adjustments	29	(199)	(100)
Cash and cash equivalents at beginning of period	1,713	1,519	1,519
Cash and cash equivalents at end of period	2,202	1,181	1,713

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 2021. 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 2021 are in accordance with the recognition and measurement criteria of UK adopted International Financial Reporting Standards ('IFRS') and are consistent with those which will be adopted in the annual financial statements for the year ending 30 June 2022.

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 UK adopted IFRS, these interim financial statements do not contain sufficient information to comply with IFRS.

The comparative financial information for the year ended 30 June 2021 has been extracted from the annual financial statements of Eagle Eye Solutions Group plc. These interim results for the period ended 31 December 2021, 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 2021, 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 issuance 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 2021 £000	Unaudited 6 months to 31 December 2020 £000	Unaudited Year to 30 June 2021 £000
Development and set up fees	3,623	2,870	5,887
Subscription and transaction fees	11,489	7,959	16,913
	15,112	10,829	22,800

	Unaudited 6 months to 31 December 2021 £000	Unaudited 6 months to 31 December 2020 £000	Unaudited Year to 30 June 2021 £000
AIR revenue	13,887	9,659	20,164
Messaging revenue	1,225	1,170	2,636
	15,112	10,829	22,800

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

4. Earnings per share

The calculation of basic earnings 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 calculation of diluted earnings 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, diluted for the effect of options being converted to ordinary shares.

	Unaudited H1 2022 Earnings per share pence	Unaudited H1 2022 Profit £000	Unaudited H1 2022 Weighted average number of ordinary shares	Unaudited H1 2021 Loss per share pence	Unaudited H1 2021 Loss £000	Unaudited H1 2021 Weighted average number of ordinary shares
Basic earnings/(loss) per share	2.29	597	26,096,563	(0.36)	(93)	25,747,607
Diluted earnings/(loss) per share	2.01	597	29,750,336	(0.36)	(93)	25,747,607

5. Alternative performance measure

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

	Unaudited 6 months to 31 December 2021 £000	Unaudited 6 months to 31 December 2020 £000	Unaudited Year to 30 June 2021 £000
Profit before taxation			
Add back:	578	197	126
Finance income and expense	35	39	108
Share-based payments	581	252	877
Depreciation and amortisation	1,944	1,607	3,104
Adjusted EBITDA	3,138	2,095	4,215

6. Net cash

	30 June 2021 £000	Cash flow £000	Foreign exchange adjustments £000	31 December 2021 £000
Cash and cash equivalents	1,713	460	29	2,202
Financial liabilities	(900)	500	–	(400)
Net cash	813	960	29	1,802

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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Lucy Sharman-Munday
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Sir Terry Leahy
Robert Senior

Secretary
James Esson
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