

*The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.*

22<sup>nd</sup> July 2020

## **CloudCall Group plc**

**("CloudCall", the "Company" or the "Group")**

### **Trading update for the six months ended 30 June 2020**

**The Company will be hosting an interactive presentation via Investor Meet Company's online platform at 2.30pm (BST) today. See below for registration details**

CloudCall (AIM: CALL), a leading cloud-based software business that integrates communications technology with Customer Relationship Management (CRM) platforms, announces the following trading update for the six months ended 30<sup>th</sup> June 2020:

#### **Performance highlights:**

- Total revenues up 11% to £5.8m, with recurring and repeating revenues representing 95% of total revenues
- Recurring subscription revenues climb 20% to £5.1m (1H 2019 £4.3m)
- Users up 19% to 43,815 (1H 2019 36,936)
- Gross cash of £8.4m, with a further £2m available via the Group's existing debt facility
- Record new customer sign-ups in late Q2 - with recruitment firms making up a significant portion
- Sales recovering after initial COVID-19 impact
- Significant new opportunities arising from changes to working practices

#### **Revenues**

Total revenues for the six-month period were £5.8 million, an increase of 11% against H1 2019, whereas recurring revenue grew by 20%, to £5.1m, when compared to the same period. The higher relative increase in recurring revenue compared to total revenue was due to lower non-recurring (NRR) and pay-as-you-go telephony revenues (call minutes and SMS) as a direct consequence of COVID-19 and the related global lockdowns. Both of which had started to recover towards the end of the half.

#### **Cash**

The Group reports £8.4m of gross cash at the end of the half, with a further £2m available through its' existing £3m debt facility.

As the COVID-19 events unfolded, the Company proactively sought to reduce its operating cash-burn to approx. £250k a month based on March's revenue, through a series of actions including voluntary

salary reductions. The management team will continue to monitor the situation, with a view to prudently increasing investment should the improving market conditions persist. However, should the macro environment worsen for any reason, the Group will be ready to take further cost actions.

**Simon Cleaver, CEO of CloudCall, commented:**

“The onset of COVID-19 and the scramble by businesses to convert to home working had a short term major impact on sales but we’re now witnessing a clear recovery, particularly in the recruitment vertical, as the market looks for communication solutions that help to improve remote worker productivity.

The pandemic will undoubtedly have impacted this year’s growth, but I believe that the fundamentals are very much intact and the longer-term effect on the way people work will play to CloudCall’s strengths. As full or part-time homeworking becomes the norm, cloud-based communications will be a given and the integration of communications with CRM systems to provide more effective staff monitoring and to improve insight, productivity and the ability to train remote staff will increase exponentially in importance. We are already ahead of the market as this is CloudCall’s primary differentiator and something we excel at.

I would like to take this opportunity to thank our staff and partners for their hard work, during what has undoubtedly been a very challenging few months. I continue to be impressed by how our team have adapted to home working, and the continued high satisfaction ratings for our customer services teams proves that our customers also appreciate this.”

**Overview:**

For the early part of 2020, trading was as expected but in March and April with the onset of COVID-19 and the global lockdown, sales slumped significantly as customers scrambled to adjust to the new conditions. Our account managers, onboarding and customer service teams, did a superb job dealing with thousands of calls from customers seeking help with working from home, even though they were new to homeworking themselves.

However, since May, as homeworking became more established, sales numbers have steadily improved - largely driven by the recruitment sector. This upturn started with smaller businesses who tend to be nimbler. Having managed to organise their staff’s homeworking, many looked at their technology stack and realised they had limited tools available to train, assist or monitor the productivity of their newly distributed workforces.

Whilst there are numerous communications platforms that facilitate remote working, CloudCall’s platform is unusual as it logs all activities within a company’s CRM. It also has ‘activity dashboards’ that allow managers to visualise their staff’s calls in real-time, seeing who’s on the phone and to whom. Managers can simply click on any of these calls to listen in, or even ‘whisper’ training advice to the member of staff without the customer hearing.

This upturn in interest from smaller businesses, meant the Group signed a record 112 new customers in Q2.

By early June, the upturn had accelerated, and we began receiving enquiries from more sizeable organisations, including most of the large opportunities our sales teams were already working with before the pandemic started.

This decline and rebound is reflected in the communications traffic across the platform. In late-March the volume of call minutes and SMS dropped heavily in the UK as lockdown began, followed by the US in April. In May, metrics for both territories bottomed out and June saw strong recovery with the US now back to pre-COVID-19 levels.

### **Revenue, churn and retention rates**

In March and April, as some customers began to furlough or lay-off staff, we received cancellations for some user accounts that were out of contract. We also received requests for financial relief from customers who now had excess user accounts that were still in contract. Each request was considered on its own merits and some customers were offered a short-term reduction in monthly fees for these unused accounts.

The reduction in new customer signups and their non-recurring set-up fees, combined with the above, meant that revenues dipped in April and May. Revenue growth returned reasonably strongly in June and our systems, which calculate the impact of churn, implementation dates for signed new users and the unwinding of the temporary relief schemes are showing a return to recurring revenue growth in July, August and September should the current trend continue.

Historically, net retention rates, expressed in recurring revenue terms, have run at over 100%. The temporary relief given to some customers has temporarily depressed this number to 85% for the period. However, net retention rates expressed in terms of the numbers of users - which in effect strips out the effects of the temporary relief schemes – stands at 96% and is probably a clearer and more accurate reflection of the actual renewal rate.

### **Microsoft Teams (Teams) integration**

In April this year, working with several customers, we started building an integration with Microsoft Teams. This integration will allow customers to search, call and SMS their CRM contacts from within Teams and, as with all CloudCall's products, log all relevant activity within the CRM. Our 'Activity Dashboards' will also be replicated in Teams so managers could assist and monitor remote staff from within the Teams interface.

The recent shift in working practices means there are now over 75 million daily Teams users. Therefore, it's not surprising that most of our large prospects are already using Teams and, encouragingly, very interested in our integration, to the point that a number are actively engaged in advising on the development and priority of specific features and functionality.

We believe, and Microsoft have confirmed, this approach to integrating Teams with CRMs platforms is unique. They are being supportive of our plans and have been assisting our development team, including holding a 3 day 'hackathon'. Phase one of the development is now largely complete and scheduled for release at least in beta next month.

### **Additional CRMs and the staffing and recruitment sector**

The Group's differentiation comes from its tight integrations with CRM platforms, and leads from partner CRMs have a higher close ratio. During the period, CloudCall has continued to increase its addressable market by partnering with additional CRMs.

Most recently, new partnerships or new integrations have been announced with Zoho CRM and Informunity, a Bitrix24 Gold Partner, both of which provide access to customer bases with millions of

users in diverse industries. These new partnerships, together with Microsoft dynamics CRM and salesforce.com provide ample opportunity for the company to scale outside of the staffing and recruitment sector.

The Company has accelerated its plans to add additional verticals, but the strategy is to open up more markets rather than to pivot away from the staffing and recruitment industry. Numerous commentators have been quick to write off staffing and recruitment as a COVID-19 casualty, but this is not what we are seeing.

Staffing and recruitment firms are well known for being ‘first in and first out of a recession’ but the COVID-19 pandemic is not a classic recession. There are segments of the economy that are in trouble and are being forced to reduce their workforces, but there are also segments of the economy that are thriving and excited about the opportunity to recruit some of this newly available talent. High quality recruitment companies can thrive in this scenario.

Several recruitment CRM partners are reporting a similar shaped drop-off and recovery as CloudCall has seen. We have access to call volume data, but they have all the recruitment activity data including placements and new searches. The general view is the market was hit hard in the early part of the lockdown, particularly in UK permanent recruitment, but started to recover in May. Like the broader economy, there are winners and losers, but on balance, the market is back to about ~80% of pre COVID-19 levels and continues to improve week-by-week.

They are also reporting that many recruitment agencies are using this time to refresh their technology stack, further illustrating CloudCall’s strong opportunity and well-placed market positioning.

Since raising funds back in October 2019, the Company has invested significantly in building its’ executive management team to bring the experience and skills necessary to execute the plans and fully capitalise on the opportunities for growth into the future. Since joining, James Maloney (CRO), Abigail Wilkinson (CPO) and Paul Clark (CTO) have hit the ground running, and despite having to work remotely from the offset, they have already made significant impacts and improvements to the Company’s operations.

#### **Outlook:**

The Board believes COVID-19 will have long lasting effects on how businesses operate, where the staff are based and what they require from their communications provider. The influx of new customer sign-ups in June clearly signposts that location flexibility, productivity monitoring and improvement tools and data capture for improved decision making will become must-haves for technology stacks to support new ways of working.

CloudCall, with its recordings, supervisor tools and expertise in syncing communications with third-party systems has a head start in this area. We’re already well placed and have plans to further capitalise on this structural market shift which we look forward to detailing later this year.

The Group has already returned to monthly recurring revenue growth, and if market conditions continue to improve, the Board fully expects the Group to return to its previous levels of growth in due course. As a result of this and assuming a continuation of the current trends, the Group is now confident that it can expect to deliver revenues for 2020 in line with 2019. However, with the continuing uncertainty surrounding the speed of any recovery and the possibility of a second wave of the virus, the Board feels it remains prudent to withhold guidance for 2021 at this stage.

**The Company will be hosting an interactive presentation via Investor Meet Company's online platform at 2.30pm (BST) today (22<sup>nd</sup> July 2020)**

The Company is committed to ensuring that there are appropriate communication structures for all elements of its shareholder base so that its strategy, business model and performance are clearly understood.

- The online presentation is open to all existing and potential shareholders.
- Questions can be submitted pre-event via your IMC dashboard or any time during the live presentation via the "Ask a Question" function. Although the Company may not be in a position to answer every question it receives, it will address the most prominent within the confines of information already disclosed to the market. Responses to the Q&A from the live presentation will be published at the earliest opportunity on the Investor Meet Company platform.
- Investor feedback can also be submitted directly to management post-event to ensure the Company can understand the views of all elements of its shareholder base.

Investors can sign up to Investor Meet Company for free and add to meet CloudCall Plc via

<https://www.investormeetcompany.com/cloudcall-group-plc/register-investor>

Investors who have already registered and added to meet the Company, will be automatically invited.

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**About CloudCall Group Plc**

CloudCall is a software and integrated communications business that has developed and provides a suite of cloud-based software and communications products and services. CloudCall's products and

services are aimed at enabling organisations to leverage their customer data to enable more effective communications and improve performance.

The CloudCall suite of software products allows companies to fully integrate telephony, messaging and contact centre capabilities into their existing customer relationship management (CRM) software, enabling communications to be made, recorded, logged and categorised from within the CRM system with detailed activity reporting and powerful business intelligence capable of being easily generated.

At the end of June 2020, the Company had approximately 170 staff based in Leicester (UK), Boston (US), Sydney (AUS) and Minsk (BY) with over 43,000 end-users relying on CloudCall technology to power their CRM integrated communications.