

21 January 2021

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

Trading update for the year ended 31 December 2020

**A YEAR OF TWO HALVES, GROWTH RESTORED IN H2, TOTAL REVENUE AT
UPPER END OF REVISED GUIDANCE, RECURRING REVENUES UP 13%**

2020 highlights:

- *Total revenue of £11.8m (up 4% y-o-y)*
 - *Achieved upper end of revised guidance range*
 - *Growth post initial COVID-19 impact restored, with many KPIs now back to pre COVID-19 levels*
- *Total recurring revenue up 13% y-o-y to £10.3m*
- *US revenue up 10%, to £4.9m*
- *Recurring and repeating revenue increased to over 94%*
- *Total users up 14% to 48,255*
- *Launch of Microsoft Teams integration & 'Property and Real Estate' vertical*
- *Available gross cash resources of ~£5.7m at the end of the period*

CloudCall (AIM: CALL; OTCQX: CLLLFF), the integrated communications company that provides communications and contact centre software that integrates with Customer Relationship Management ("CRM") platforms, announces the following trading update for the year ended 31 December 2020.

The Group is pleased to confirm it has achieved total revenues at the upper end of the revised guidance issued during the second half of 2020, whilst cash, operating expenses (which include one-time COVID-19 related savings) and losses before tax are all expected to be broadly in-line with market expectations, subject to year-end financial close and audit procedures.

The Group's gross cash balance was £5.7m at the period-end, including drawn debt of £2.1m, with net cash of £3.6m. During the year, the Group received £0.8m in R&D tax credit and expects to receive at least a similar amount in 2021.

Total revenues increased by 4% to £11.8m and recurring revenues increased by 13% to £10.3m when compared to the previous year. However, these annual figures mask the true story of 2020 which was undoubtedly a year of two halves.

In the first half of 2020, following a positive start to the year, the initial shock waves of the global COVID-19 pandemic materially slowed sales and increased churn levels, resulting in Monthly Recurring Revenue (MRR) at the half year dropping by 7% compared to the start of the year. Since then, churn rates have reduced and sales have materially increased, resulting in a 12% growth in MRR across the second half of 2020.

During the year, the Group increased its number of end users by +5,900 or ~14% to 48,255 users. However, once again, there was a marked difference between the two halves of the year, with H1 average monthly net user growth at 245 users compared to H2 which saw a threefold increase to 740 users. The final month of the year saw continued progress on this front, with December's monthly net user growth increasing to an encouraging 881 users.

Across the second half of the year, performance steadily improved in all areas and we are pleased to report that the ongoing pandemic had a limited negative impact in the final quarter of the financial year.

A year of two halves

The below table demonstrates this 'year of two halves', setting out a number of KPIs for each of the six-months performance from H2 2019 to H2 2020.

	2H 2019	1H 2020	2H 2020	2H 2020 vs 1H 2020
Average monthly net new users	902	245	740	Up 202%
Total users at period end	42,348	43,815	48,255	Up 10%
Net renewal rate (MRR)	105%	85%	100%	Up 18%
LTV : CAC ⁽¹⁾	5.4	1.5	5.3	Up 253%
Recurring revenue per user (RRPU)	£28.0	£26.0	£26.5	Up 2%
MRR movement %	+18.5%	-7.5%	+12.2%	

⁽¹⁾ The ratio of Lifetime Value (LTV) derived from each new user, to the acquisition cost (CAC) of that user

CloudCall's relevance for distributed workforces

The CloudCall service has several features that are beneficial for home or remote workers, making it highly relevant in today's distributed working environment. These include being cloud-based, recording and logging calls inside the customer's CRM, and the ability for managers to remotely see which staff members are on a call and to listen-in or even join that call if required – particularly beneficial when remotely training new starters. As a result, new business sales delivered a strong improvement during the second half of the year.

The Board believes this product relevance, combined with the ongoing improvements in sales and marketing processes being driven by the strengthened Executive team have led to many of the Group's sales KPIs such as leads generated, demos completed and converted, value of new business signed, numbers of new customers and users signed up and value signed per sales representative recovering to above pre-COVID-19 levels in H2.

To further strengthen the Group's product offering and reflect the recent changes to global working practices, on the 25 November 2020, the Group launched an integration with Microsoft Teams, linking Microsoft Teams and partner CRMs. Whilst still early into the rollout, initial response rates have been encouraging, and the Company will provide a further update on progress at the time its FY20 full year results are published.

The Group's CRM integration strategy is working

During 2020, the Group made good progress with its strategy to expand its addressable market and broaden its customer base by adding 8 new or refreshed CRM integrations, including 3 CRMs in the new 'Property & Real Estate vertical'.

The strategy is working well with these new CRMs already contributing approximately 20% of the total number of new customers won by the Group in the year. Furthermore, despite the Property & Real Estate vertical only formally launching on 22 October 2020, 18 of these new customers are from that vertical.

Whilst 2020 was the first full year of the new growth plan for the Group, CloudCall's go-to-market strategy has robustly weathered the COVID-19 related economic events and the strength of the Group's platform continued to be demonstrated during the second half of the year. As illustrated in the below table, CloudCall has generated attractive lead conversion metrics which we have seen are further improved where there is a strong relationship with an integrated CRM partner.

Whilst the 'Lead to Close' and 'Demo to Close' ratios highlight the efficiency and effectiveness of CloudCall's go-to-market strategy, it was also pleasing to see these metrics continuing to improve throughout 2020, one of the primary drivers for a 44% half-on-half increase in sales value per sales head – further increasing efficiency.

	Lead to close %	Demo to Close %	New Customers ⁽¹⁾	Year 1 Revenue closed ⁽²⁾
All CRMs	14%	52%	459	£2.8m
Large Recruitment CRM	28%	63%	195	£1.6m
New CRMs in 2020	27%	43%	91	£0.4m
Conversion metrics from leads generated in 2020 should continue to grow as those leads continue to be worked on				
<small>1. New customers signed up in 2020 2. Year 1 revenue refers to the first year of revenue expected from customers signed. Depending upon signing date, this revenue will potentially be delivered across more than one financial period.</small>				

Other areas of progress **Australia**

The Australian operation is now up and running, generating customer revenues and beginning its growth journey. The 5-strong team in Australia is already looking after 18 customers with a combined annual recurring revenue of £175k coming on stream. We are excited to see this team

drive further growth in the coming years, as this business begins to scale.

Executive Team

We are delighted to report that the recent additions to our Executive Team, including the appointments of James Maloney (Chief Revenue Officer), Paul Clark (Chief Technology Officer) and Gail Wilkinson (Chief People Officer), have all made strong contributions to the Group, including significant improvements to our staff culture and welfare, our IT systems and our customers' experience. Many of these improvements are already in progress or are planned for 2021 and when fully implemented, will have an important and pivotal role in helping the Group to achieve its growth ambitions.

Whilst the COVID-19 pandemic sadly continues around the World, the Board is prudently optimistic for the future of CloudCall, given its compelling and relevant offering and the relatively limited impact that the most recent UK lockdowns have had on the business thus far. The improved performance during H2 2020 with its 12% growth in monthly recurring revenue and a robust pipeline of new sales opportunities re-enforces this optimism.

The Group has been able to robustly weather the challenges presented by COVID-19 to date. However, the Board is mindful that the lost momentum from the first half of 2020 does mean that CloudCall's growth strategy has essentially been delayed by approximately one year. Nevertheless, the Board remains confident in its ambition to now reach monthly EBITDA breakeven by mid-2023 and achieve a £50 million revenue run-rate during 2026.

The Company will provide a detailed update on 2020 performance and guidance for 2021, alongside further information on its new Microsoft Teams integration, planned transcription and AI based monitoring and automation services (scheduled for launch in 2021) by the end of March 2021 when it expects to release its Full Year Report and Accounts.

Simon Cleaver, Chief Executive Officer of CloudCall, commented:

"As the year progressed, the significant COVID-19 headwind we encountered in the first half of the year has reversed, to become an important adoption driver for our products and services. This is strongly evidenced in the recovery in our sales and marketing KPIs during the second half of the year. Many of which have now improved to levels above where they were before the COVID-19 pandemic took hold.

Whilst COVID-19 continues to impact the broader global economic environment, I am pleased to report that despite these challenges, we have been hard at work strengthening the business with considerable investments in sales and marketing, our senior management team and our internal tools and processes, all of which improve our scalability and readiness to drive forward as the markets return. We are already seeing the benefits of these investments in 2H 2020 and we look forward with confidence to a strong return to growth in 2021 and beyond.

Once again, I would like to extend my thanks to our much-valued employees, partners and customers for their extraordinary work and support over the past twelve months. Whilst it has been a challenging year for many, we remain collectively focused on achieving our goal and growing CloudCall into the go-to integrated communications company for CRMs."

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About CloudCall Group Plc

CloudCall is a software and unified 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 December 2020, the Company had approximately 160 staff based predominantly in Leicester and London (UK), Boston (US), Minsk (BY) and Sydney (Australia) with just over 48,250 end-users relying on CloudCall technology to power their daily communications.