11 September 2017

CloudCall Group plc

("CloudCall" or the "Company")

Interim results announcement

Cloudcall announces its unaudited interim results for the six-month period ended 30 June 2017 (the "Period").

Key financial highlights:

- Revenue up 40% to £3.2m (H1 2016: £2.3m)
- Monthly recurring revenues up 61% compared to H1 2016
- Gross margin increased to 81% (H1 2016: 77%)
- Operating losses continue to narrow to £(1.5)m (H1 2016: £(1.8)m)
- Available cash of £3.0m with new facility on improved terms, supports pathway to break-even
- Strong momentum experienced in H1 has continued into H2 giving the board confidence that revenue for the full year will be at least in line with market expectations
- Annualised revenue run rate surpassed £7.0m by June 2017

Key operational highlights:

- Total users up 52% to 20,162 (H1 2016: 13,299)
- Approximately 4,000 net new users added in the period (H1 2016: 1,450)
- Continued progress with Bullhorn CRM partnership underpinning strong user growth
- Ongoing shift to focus on larger customers is further evidenced with signing of a master service agreement with Manpower Group
- Launch of dedicated Microsoft Dynamics solution due in October 2017
- CloudCall's new 'unified' architecture currently being trialled by a number of customers in anticipation of a full launch later this year

Peter Simmonds, Non–executive Chairman, commented:

"I am pleased to report that the results for the half year ended 30 June 2017 reflect the clear progress towards the strategic objectives set out by the board in 2016.

"This strategy continues to deliver tangible benefits to the Group, most notably in our relationship with Bullhorn, a key channel partner and a leading recruitment sector CRM provider. This is clearly demonstrated in the growth across all of the Group's key metrics for the period.

"Overall, we continue to see steady growth in the number of end users adopting CloudCall's technology, further demonstrating the quality of our product. In addition, we have seen a clear trend that, once the CloudCall service is adopted within a customer, it subsequently gains significant traction and uptake across further users and departments.

"We have also seen a direct correlation between the development of our relationship with Bullhorn as a key strategic partner and lead flow, as their staff's understanding of the benefit that CloudCall's service brings to their customers and their confidence in the quality of our service grows.

"In early July, we also announced a new revolving credit facility ("RCF") of £1.85m with our existing lender, Barclays. This RCF replaces (on better terms) the original £0.9m loan, which was due for repayment in March 2018. This, combined with cash in the bank, the Group's growing monthly revenues and well-managed operating costs, gives the board comfort that the monthly cash-burn continues to reduce and that the business is well-placed to continue to execute on its focused growth strategy.

"As we move forward, we continue to explore opportunities to integrate the CloudCall platform with select additional CRM platforms, increasing our potential addressable market and facilitating further accelerated growth."

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Operational Review

Strategic Update

We have made a strong start to 2017, with underlying recurring revenues 61% higher and total revenue, at £3.2m, 40% higher than the same period last year.

The Group has continued to see increased demand from both new and existing customers in the period, and we are pleased to report record levels of net new user growth in H1 2017, resulting in a 24% increase in total users over the course of the period. This strong net user growth has been delivered from both accelerating the acquisition of new users and an improvement in client satisfaction levels with a resultant decline in customer churn.

We are particularly pleased to report good progress in the rate of new user growth half-on-half and quarter-on-quarter. Whilst net new user additions averaged 658 per month throughout H1 2017, quarterly analysis shows Q1 new user additions averaging 633 per month, with Q2 increasing to 712 per month.

At 30 June 2017, the Group's user base was 20,162, moving positively towards our estimated breakeven target of 28,500 users (at projected "focused growth" OPEX levels).

Bullhorn partnership

Much of this user growth has been driven by our key partner, Bullhorn, a leading CRM provider to the recruitment sector. Whilst we continue to see user growth generated through Salesforce.com and other CRM partners, the strategy to focus on Bullhorn is proving to be successful.

CloudCall's relationship with Bullhorn is continuing to strengthen. In the first half of this year Bullhorn implemented CloudCall internally. This has enabled their own staff to experience CloudCall first hand, to understand CloudCall's solution and the benefits it can deliver, and to bring these benefits to the attention of their own customers. The board believes this has contributed directly to the strong pipeline of new customers we see generated through this channel.

We have continued to see a strong pipeline of new customers generated through this channel, along with increasing user numbers from larger organisations following the installation of the software with an initial group of users.

Uptake of the CloudCall service within Bullhorn's UK customer base is now estimated to be around 19% of Bullhorn's users. In the US, where Bullhorn has a much larger customer base, penetration of CloudCall has grown, but is still below 5%, demonstrating well the scale of the opportunity opening up.

As Bullhorn historically displays user growth rates of over 30% per annum, the Board believes there is considerable further upside potential in this relationship.

Increasing customer size

The Group is also pleased to report progress towards its' stated objective to focus on larger customers. The average number of users per customer continues to climb, and an increasing number of new Bullhorn users are from their larger customers, many of whom have additional capacity to expand their use of CloudCall across additional departments, offices and, in some cases, territories.

Furthermore, in June 2017, CloudCall signed a master services agreement with Manpower Group ("Manpower"). At present, Manpower has initially deployed CloudCall throughout the Solihull office of Experis Ltd (a Manpower brand), and we are confident of expanding the service to additional Manpower offices.

Platform Improvements

During the period, the Company continued to develop its' new 'unified' architecture. This new, scalable platform is the foundation that will allows us to offer a full 'unified' communications solution, including instant messaging and SMS, that integrates as deeply and seamlessly with our partner CRM platforms as does our existing telephony. When completed, our customers are expected to benefit from this new functionality, as well as our existing telecoms functionality, through a single 'CRM integrated' user interface.

Learning lessons from the past, the new 'unified' platform is architected so that all functionality and logic is maintained and delivered centrally from a single software base within our CloudCall platform. Historically, this logic and functionality had to be built as separate bespoke software modules within each partner CRM - leading to different levels of functionally and an ongoing development overhead for maintenance.

Reducing this ongoing development overhead has the direct benefit of releasing development time to work on adding the SMS and messaging functionally to the platform, which is targeted for launch early next year. Further new functionality will be added throughout 2018.

The telecoms element of the new platform is already built and is currently being trialled by a selected number of customers. We expect to start upgrading our Bullhorn users in September so they can benefit from the significantly improved user interface, further enhancing their CloudCall experience.

An added benefit of this new 'unified' architecture, is that it allows technical integration with additional CRM partners, in a simple, uniform and consistent manner.

We expect to complete the launch our new Microsoft Dynamics solution in October 2017. This has been built on the new platform and has already been tested with a number of key customers. As the second largest CRM in the world, with an estimated user base of over 5 million and with limited direct competition for delivering integrated voice communications solutions, we hope to see good traction from Microsoft Dynamics in 2018.

Outlook

The Group's strategy to foster close relationships with a limited number of key CRM providers is proving highly successful, as demonstrated by the traction it has gained with Bullhorn. As such, the board plans to continue with this focussed strategy to drive the Company towards break-even. Partnership discussions continue with a small number of CRMs that have a similar profile to Bullhorn and we hope to update shareholders in 2018 on the status of these discussions.

I am further pleased to report that the strong momentum experienced in the first half of 2017 has continued into the second half of the year. The board believes that this, combined with the growing pipeline of near-term customer sales opportunities and lower churn rates, underpins our view that revenue for the financial year 2017 will be at least in line with market expectations.

Simon Cleaver
Chief Executive Officer

Financial Overview

Revenues grew by 40% from £2.3m to £3.2m in H1 2017. The Group maintains a high degree of revenue visibility with 85% of revenues that are either recurring or repeating in nature. Recurring revenue from software subscription services alone continues to grow strongly, up 61% in H1 2017 compared to the same period last year. This core recurring revenue growth is a direct result of continued strong sales to both new and existing customers which is adding an increasing number of new users who continue to be on-boarded effectively. This, alongside improved customer retention, is leading to strong growth in net user numbers which is driving new billing and subsequent revenue growth.

Gross margin improved from 76.8% in H1 2016 to 80.7% in H1 2017. Growth in recurring core Software-as-a-Service (SaaS) income, together with continued focus on value-adding network discovery, training and implementation services, improved hardware margins and better procurement of upstream telecoms capacity has seen us continue to improve overall gross margin to just under 81% in H1 2017.

Operating expenditure before share-based payments grew from £3.6m to £4.0m in H1 2017. Growth in operating expenditure of 11% year-on-year alongside a 40% overall revenue growth for the same period, continues to follow the expected trajectory of a SaaS business moving towards scale and profitability. Operating losses were £1.5m, down by 20% from £1.8m in H1 2016.

Development costs capitalised £0.33m (H1 2016: £nil). Investment in the development of new and improved products and applications and the protection of the intellectual property of such development work is considered key to the further improvement of CloudCall's competitive position. Since Q3 2016, the Group has capitalised software development costs as an intangible asset in accordance with the requirements of IAS 38, bringing the Group into line with its peers.

The Company had outstanding debt of £0.9m at the end of the period (H1 2016: £0.9m). Following the progress that the Company has made, and reflecting the strengthening of the relationship with Barclays, the Company announced on 12 July 2017 that it had reached an agreement to replace (on better terms), the existing £900k sterling term loan facility with a new revolving credit facility (RCF) of up to £1.85 million.

This new Barclays facility provides borrowing of up to £1.85 million for a 3-year term. Interest is set at 7.45% above 3 month LIBOR rate for funds drawn. Funds can be drawn as required by the Company, typically for fixed periods of 3, 6 or 12 months. Interest is payable upon settlement of each tranche drawn. The facility is secured over the assets of the Group.

The Group had £1.5m cash at the end of the period (H1 2016: £0.9m). Net cash was £0.6m after deducting the £0.9m debt position with Barclays. The Group's balance sheet includes an R&D tax credit receivable of £0.9m of which £0.6m was received into cash on 3 July 2017. This, combined with cash at bank and the increased headroom from the new Barclays RCF also announced in early July, provides the Company with effective available cash of £3.0 million. Net cash absorbed by operating activities was £1.4m in H1 2017 (H1 2016: £1.5m). This figure, whilst reflective of additional investments made from funds raised last year, is expected to continue to fall as the Group's revenue growth continues to outpace operating expenses growth as we advance along the pathway to break-even.

Total issued share capital at the period-end was unchanged at 20,060,348 ordinary shares of 20 pence each.

Loss per share for the half year period was 6 pence (H1 2016: 11 pence).

The Directors confirm that, as disclosed in note 2, they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future.

By order of the board

Simon Cleaver
Chief Executive Officer

Paul Williams
Chief Financial Officer

Consolidated Income Statement and Statement of Comprehensive Income

	Unaudited Six months to June 30 2017	**Unaudited Six months to June 30 2016**	**Audited Year ended 31 December 2016**
	£000	**£000**	**£000**
Revenue	**3,184**	2,269	4,855
Cost of sales	**(614)**	(527)	(1.044)
Gross profit	**2,570**	1,742	3,811
Sales and marketing expenses	**(871)**	(726)	(1,564)
Administrative expenses	**(2,674)**	(2,093)	(4,542)
Share based payments	**(54)**	(49)	(116)
Total administrative expenses	**(2,728)**	(2,142)	(4,658)
Research & development expenses	**(429)**	(697)	(1,283)
Operating loss	**(1,458)**	(1,823)	(3,694)
Net financing expense	**(41)**	11	(71)
Loss before tax	**(1,499)**	(1,812)	(3,765)
Taxation	**299**	332	754
Loss from the period attributable to owners of the parent	**(1,200)**	(1,480)	(3,011)
Foreign exchange translation differences	**76**	12	(75)
Other comprehensive income	**76**	12	(75)
Total comprehensive loss for the period	**(1,124)**	(1,468)	(3,086)
Loss per share (£)			
Basic & diluted loss per share	**(0.06)**	(0.11)	(0.20)

Consolidated Statement of Financial Position
At 30 June 2017

	Unaudited Six months to	**Unaudited Six Month**	**Audited Year Ended**

	30 June 2017	to 30 June 2016	31 December 2016
	£000	£000	£000
Non-current assets			
Property, plant and equipment	**257**	439	343
Goodwill	**339**	339	339
Other intangible assets	**549**	366	365
	1,145	1,144	1,047
Current assets			
Inventories	**24**	27	28
Trade and other receivables	**1,265**	764	897
Research & development tax credit receivable	**889**	700	589
Cash and cash equivalents	**1,457**	860	3,169
	3,635	2,351	4,683
Total assets	**4,780**	3,495	5,730
Current Liabilities			
Trade and other payables	**(1,105)**	(649)	(973)
Bank loan < 12 months	**(900)**	-	-
Deferred Income	**-**	-	(12)
	(2,005)	(649)	(985)
Non-current liabilities			
Deferred tax liabilities	**-**	(80)	-
Bank loan > 12 months	**-**	(900)	(900)
Total liabilities	**(2,005)**	(1,629)	(1,885)
Net assets	**2,775**	1,866	3,845
Equity attributable to shareholders			
Share capital	**4,012**	2,701	4,012
Share premium	**61,788**	59,604	61,788
Translation reserve	**29**	5	(47)
Warrant reserve	**29**	29	29
Retained loss	**(63,083)**	(60,473)	(61,937)
Total equity	**2,775**	1,866	3,845

Consolidated Statement of Changes in Equity

	Share Capital	Share Premium	Translation reserve	Warrant reserve	Retained Earnings	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 January 2016	2,701	59,607	(7)	29	(59,042)	3,288
Loss for the period	-	-	-		(1,480)	(1,480)
Other comprehensive income				-		
Foreign exchange differences on translation of foreign operations	-	-	12	-	-	12
Total comprehensive income for the period	-	-	12	-	(1,480)	(1,468)
Equity settled share based payments transactions	-	-	-	-	49	49
Costs of Issue of equity shares	-	(3)	-	-	-	(3)
Balance at 30 June 2016	2,701	59,604	5	29	(60,473)	1,866
Balance at 1 July 2016	2,701	59,604	5	29	(60,473)	1,866
Loss for the period	-	-	-	-	(1,531)	(1,531)
Other comprehensive income						
Foreign exchange differences on translation of foreign operations	-	-	(52)	-	-	(52)
Total comprehensive income for the period	-	-	(52)	-	(1,531)	(1,583)
Equity settled share based payments transactions	-	-	-	-	67	67
Issue of equity shares	1,311	2,458				3,769
Costs of Issue of equity shares	-	(274)		-	-	(274)
Balance at 31 December 2016	4,012	61,788	(47)	29	(61,937)	3,845
Balance at 1 January 2017	**4,012**	**61,788**	**(47)**	**29**	**(61,937)**	**3,845**
Loss for the period	**-**	**-**		**-**	**(1,200)**	**(1,200)**
Other comprehensive Income						
Foreign exchange differences on translation of foreign operations	**-**	**-**	**76**	**-**	**-**	**76**

Total comprehensive income for the period	**-**	**-**	**76**	**-**	**(1,200)**	**(1,124)**
Equity settled share based payments transactions	**-**	**-**	**-**	**-**	**54**	**54**
Balance at 30 June 2017	**4,012**	**61,788**	**29**	**29**	**(63,083)**	**2,775**

Consolidated Cash-flow Statement

	Unaudited Six months to 30 June 2017	**Unaudited Six month to 30 June 2016**	**Audited Year Ended 31 December 2016**
	£000	**£000**	**£000**
Cash flows from operating activities			
Loss before for the period	**(1,200)**	(1,480)	(3,011)
Adjustments for:			
Depreciation and amortisation	**237**	274	551
Foreign exchange losses/(gains)	**-**	(6)	-
Financial income	**-**	(11)	-
Financial expenses	**41**	-	71
Equity settled share-based payment expenses	**54**	49	116
Taxation	**(299)**	(332)	(754)
Operating cashflow before changes in working capital and provisions	**(1,167)**	(1,506)	(3,027)
Increase in trade and other receivables	**(314)**	(144)	(277)
Decrease in inventory	**3**	17	16
Increase in trade and other payables	**122**	110	441
Cash absorbed by operations	**(1,356)**	(1,523)	(2,847)
Tax received	**-**	-	480
Net cash absorbed by operating activities	**(1,356)**	(1,523)	(2,367)
Cash flows from investing activities			
Interest received	**-**	11	-
Acquisition of property, plant and equipment	**(45)**	(55)	(96)
Development expenditure capitalised and other intangible assets acquired	**(328)**	-	(145)
Net cash absorbed by investing activities	**(373)**	(44)	(241)

Cash flows from financing activities

Interest paid	**(41)**	-	(71)
Proceeds from the issue of share capital	**-**	-	3,492
Proceeds from new loan	**-**	900	900
Net cash from financing activities	**(41)**	900	4,321
Net (decrease)/increase in cash and cash equivalents	**(1,770)**	(667)	1,713
Cash and cash equivalents at start of period	**3,169**	1,524	1,524
Effect of exchange rate fluctuations in cash held	**58**	3	(68)
Cash and cash equivalents at end of period	**1,457**	860	3,169