

An *exceptional* team creating
value through great tech...



Interim Report 2023



...for some of the biggest
businesses on the planet



Overview

- 1 Highlights
- 3 At a Glance
- 4 Our Vision
- 5 Our Customers
- 6 Our Strategy
- 7 Acquisition of Untie Nots

Strategic Report

- 8 Strategic Report

Financial Statements

- 13 Consolidated Unaudited Interim Statement of Total Comprehensive Income
- 13 Consolidated Unaudited Interim Statement of Financial Position
- 14 Consolidated Unaudited Interim Statement of Changes in Equity
- 14 Consolidated Unaudited Interim Statement of Cash Flow
- 15 Notes to the Consolidated Unaudited Interim Financial Statements

Other Information

- 17 Company Information



OVERVIEW
01–07

STRATEGIC REPORT
08–12

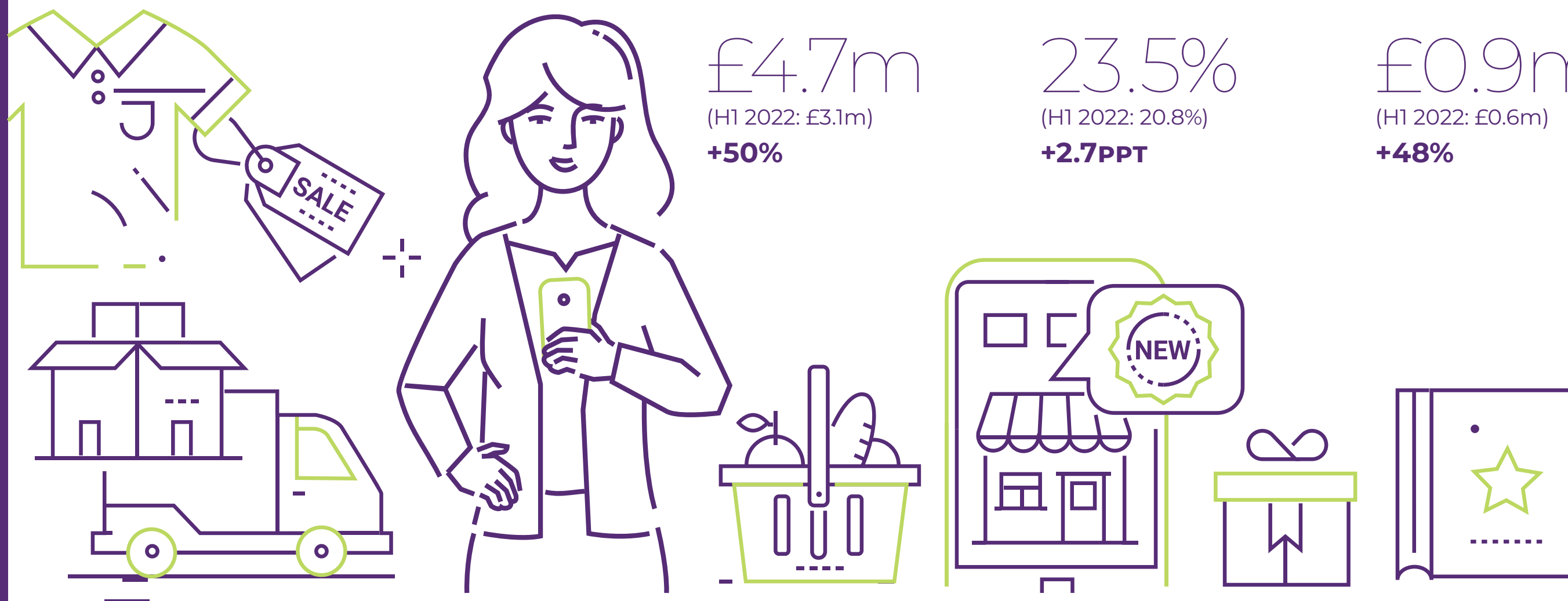
FINANCIAL STATEMENTS
13–16

OTHER INFORMATION
17

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

Financial Highlights

Group Revenue	Recurring revenue (subscription fees and transactions)	Recurring revenue % of Group revenue	Period end Annual Recurring Revenue ¹	Net Revenue Retention ²	Gross profit
£20.0m (H1 2022: £15.1m) +32%	£15.7m (H1 2022: £11.5m) +37%	78% (H1 2022: 76%) +2PPT	£26.2m (H1 2022: £18.9m) +38%	127% (H1 2022: 130%) -3PPT	£18.8m (H1 2022: £14.0m) +35%
			Adjusted EBITDA ³	Adjusted EBITDA margin	Profit before tax
			£4.7m (H1 2022: £3.1m) +50%	23.5% (H1 2022: 20.8%) +2.7PPT	£0.9m (H1 2022: £0.6m) +48%
			Adjusted net cash at 31 December ⁴		
			£5.7m (H1 2022: £1.8m) +216%		



1. Period end Annual Recurring Revenue ("ARR") 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 Revenue Retention ("NRR") 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, along with costs of the acquisition of Untie Nots in FY23.
4. Adjusted net cash is defined as cash and cash equivalents less financial liabilities and excludes the placing proceeds associated with the acquisition of Untie Nots which were paid out following completion on 3 January 2023.



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

Operational Highlights

- Strong revenue growth at 32% as the Group continues to deliver on its customer strategy: Win, Transact and Deepen
 - New international Wins include a Canadian retailer and IKEA Taiwan
 - Transaction and subscription revenue growth with the Woolworths Group contract in Australia reaching full-scale, the full go-live of a large grocer in the U.S., and the national rollout of Asda's loyalty programme
 - Ongoing deepening of engagements across our customer base
- Group benefitting from the strength of its SaaS business model
 - ARR up 38% to £26.2m, NRR remains high at 127% and churn remains low, providing a strong basis for continued expansion
- Delivering increasing profit margins and cash inflow
 - 50% increase in adjusted EBITDA to £4.7m and an increased adjusted EBITDA margin of 23.5%, reflecting strong revenue growth and careful management of the cost base, whilst still investing in product and sales & marketing
 - Net cash inflows before financing of £2.4m in H1 2023, a 117% increase on H1 2022
- International expansion continues with investment in Singapore, Germany and North America
 - Strong growth in international revenue in the Period, driven by North America and APAC
 - Increased sales and marketing initiatives to continue to drive our win rate
- Earnings accretive acquisition of Untie Nots providing expanded growth opportunities
 - Successful acquisition of Untie Nots, a high growth France based SaaS business, completed in January 2023, with a number of joint customer discussions already underway and integration progressing as planned

Outlook – current year performance ahead of expectations

- Entered the second half of the financial year in a strong position, with the continued growth in ARR providing good visibility on sustainable profitable growth
- Combined sales & marketing with Untie Nots is delivering increased pipeline opportunities
- Trading since the Period end has continued to be strong, providing the Board with confidence in delivering another year of profitable growth, with revenue and adjusted EBITDA for the year ended 30 June 2023 now expected to be comfortably ahead of current market expectations*

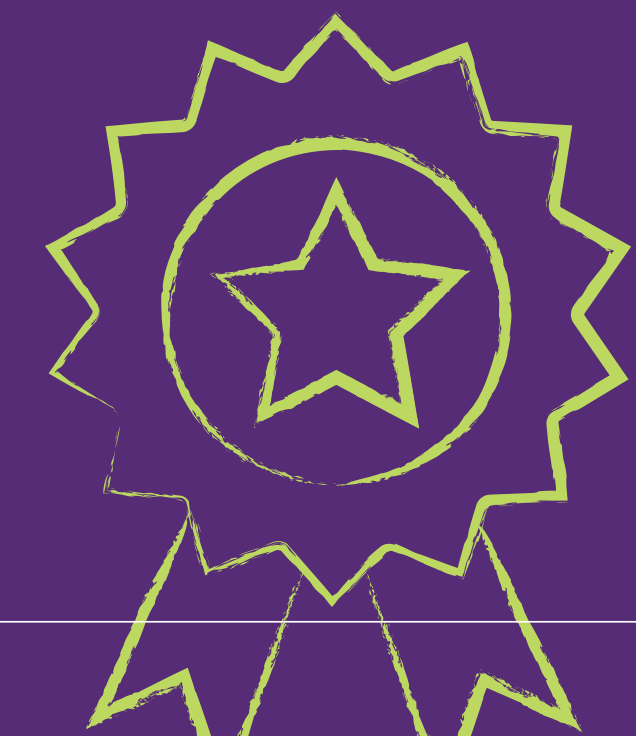
* In so far as the Company is aware, market consensus at the date of this announcement for the year ending 30 June 2023 is for Revenue of £37.8m, and Adjusted EBITDA of £7.5m.

Awards



In November 2022 at the Q4 2022 Best Companies awards, Eagle Eye were delighted to be ranked in the Top 10 Technology companies to work for and in the Top 20 list of overall UK companies.

We increased our Best Companies Index score from the survey in March 2022 and maintained our 3 star accreditation which is the highest accolade and awarded to companies who demonstrate world class levels of employee engagement.





AT A GLANCE

One platform

many products



Read our
Strategic Report
Find out more on **page 8**



Financial Statements
Find out more on **page 13**

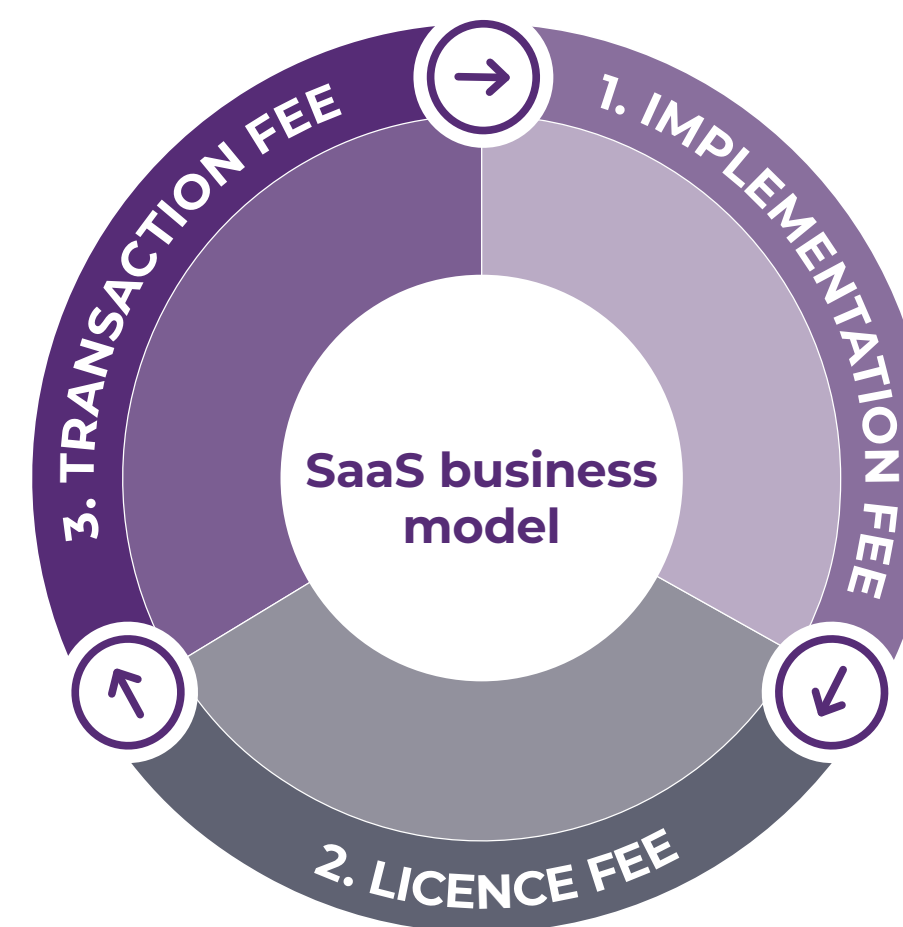


What the world's largest retailers need

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



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



OUR VISION

Purpose

*Our purpose is to
enrich the lives of our
people and customers*

Our vision, mission and purpose

The common ground between looking back and looking forward is the heart of Eagle Eye – we're here for a reason, with a clear vision, mission and purpose, and a unique Purple way of working that we believe enriches lives, and has the power to change the world for the better. Our mantra is helping businesses to be digitally enabled and data driven leading to 1:1 marketing.

We believe that **how** we do things together is more important than **what** we do. So we obsess about our culture – the who, the why and the how – as much as we obsess about our products and services. Our culture makes us special.

There is a **Purple way** and it's the key to how we'll keep on soaring.

We believe in...

- Treating people as you would like to be treated
- Delivering value to earn loyalty
- Being obsessed with customers
- Living our values
- Staying agile
- Winning teams
- You

People

Everything we do is about people – we treat people as we'd like to be treated, with kindness, empathy and respect.

Our values are:



Integrity

Earning trust



Passion

Enjoying the ride



Teamwork

Passing Purple on



Innovation

Keeping things fresh



Excellence

Maintaining trust,
building loyalty



Kindness

Bonding us together

*Our Customer*

Promise

Eagle Eye AIR is the best-in-class loyalty, promotions and stored value platform

We Deliver a service we are proud of
We're Transparent whether it's good, bad or ugly
We Try to always do the right thing

But most of all, we care



Trusted by some of the biggest and best retailers in the world, AIR unlocks the power of real time omnichannel personalisation. This capability transforms marketing for our clients, enabling them to deliver more value to their end customers to earn their loyalty.

We take great pride in what we have built and are governed by the promise that we make all of our customers and partners:

We deliver a service we are proud of

Security

Security by design gives you peace of mind when it comes to your crown jewels, your data

Stability

No downtime for us means no downtime for your customer strategy

Scalability

More scale means more capacity for you to do more to delight your customers and keep them coming back

Support

Our Eagle Eyes are monitoring our service 24/7 so you don't have to, but we're here for a chat anytime if you need us

We Care

We're transparent

Share

We'll always communicate openly and honestly with you, even when it's difficult

Simple

We strive for simplicity and seek to demystify the complex

Sensible

We price fairly and transparently

We try

Status Quo

We thrive on challenging the status quo to innovate and do things better, simpler and cheaper

Satisfied

We love to hear your feedback because it makes us better. We promise to act on it, so give it freely!

Success

Long term, trusted partnerships are our thing. We win when you win



OUR STRATEGY

Delivering on our

Growth Strategy



1

**WIN, TRANSACT,
DEEPEN**

To **win** new customers, **transact** through our platform, **deepen** with additional products from our portfolio

2

INNOVATION

To develop **new** products to provide further upsell opportunities across our customer base and strengthen our competitive positioning

3

**INTERNATIONAL
GROWTH**

To enter new **geographies**

4

**BETTER, SIMPLER,
CHEAPER**

To run the business **Better, Simpler, Cheaper**

5

**MERGERS &
ACQUISITIONS**

To assess **complementary acquisition** opportunities as they arise



ACQUISITION OF UNTIE NOTS

Untie Nots bring Customers, Country, Capability

In January 2023, we successfully completed the acquisition of Untie Nots, a high-growth SaaS company that enables retailers to develop highly personalised, profitable, and gamified promotions at scale.

The acquisition of Untie Nots provides us with accelerated entry into the French digital promotions market, bring some of Europe's largest grocers into the Group and add to our growing roster of US clients, providing a wealth of cross-sale opportunities.

Enhanced product: end-to-end gamification out of the box

Provides new capabilities in the CX and Data layers

Delivers a strong foothold in France & new opportunities in the US & APAC

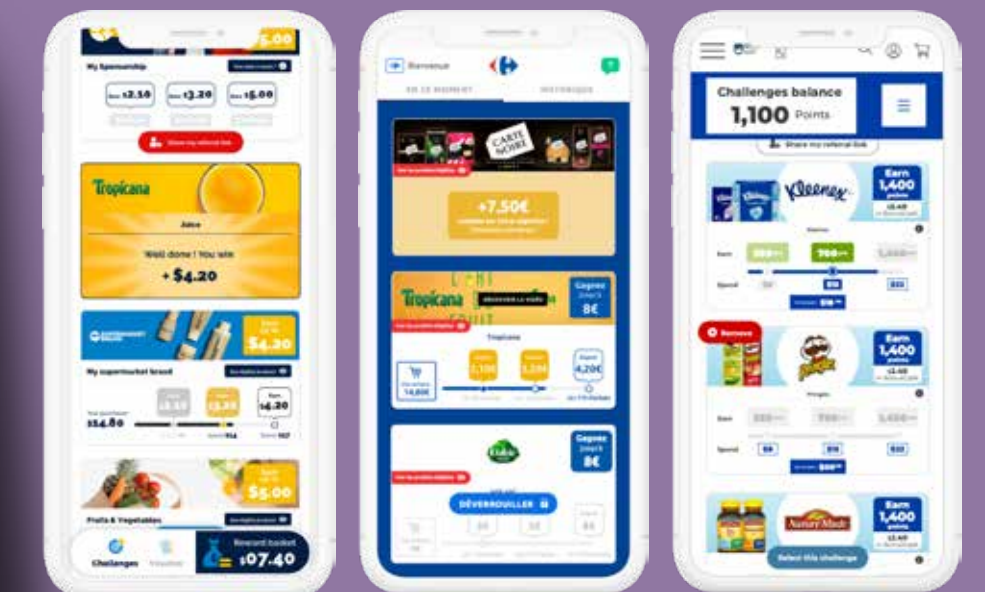
Synergistic Win and Deepen opportunities across both businesses

A talented team with deep market knowledge

UNTIE NOTS

an eagleeye company

Compelling in its own right, better together



Blue chip Enterprise customers





STRATEGIC REPORT

Continued Growth

Proving our position as a leader in digital engagement for tier-1 retail

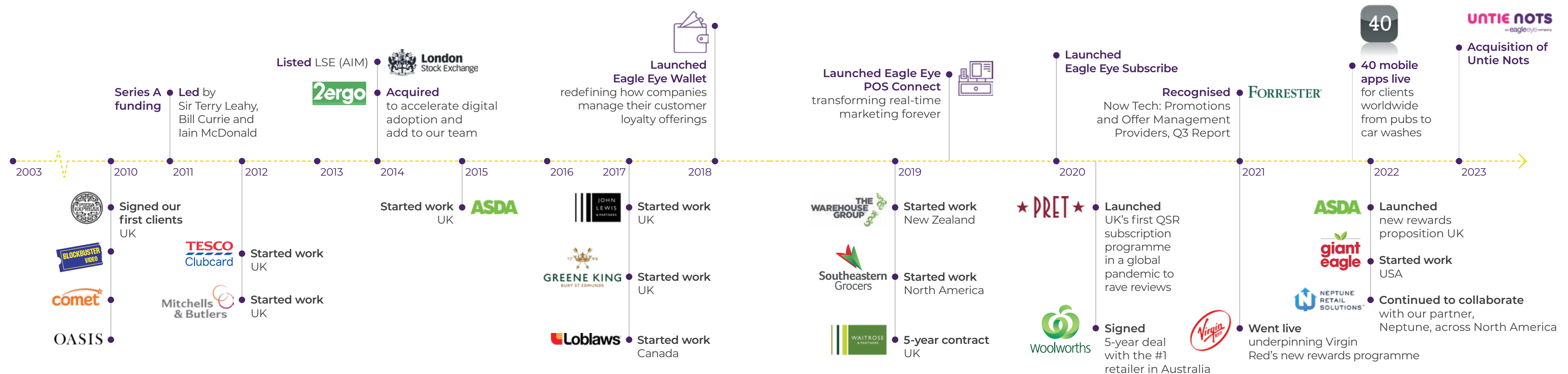
Tim Mason,
CEO

Overview

We are pleased to report on another period of strong profitable growth. Through the proven capabilities of our AIR platform and the drive and commitment of our team, we remain at the forefront of the digital transformation taking place across the world of retail marketing.

We continued to deliver across all three areas of our customer strategy – Win, Transact and Deepen in all of our target geographies during the Period, with highlights including the full go-live of the five-year contract with Woolworths Group, the largest retailer in Australia, the national rollout of Asda's new loyalty programme in the UK, and the winning of a substantial Canadian retailer and IKEA in Taiwan, alongside the continued deepening of engagements with our customers in North America.

The success of our strategy is evident in the revenue growth of 32%, to £20.0m (H1 FY22: £15.1m), and 50% increase in adjusted EBITDA to £4.7m (H1 FY22: £3.1m). Importantly, we continue to benefit from low customer churn and high levels of annual recurring revenue, which alongside our increasing levels of cash generation provides us with confidence to continue to carefully invest to support our future growth.





STRATEGIC REPORT CONTINUED

Acquisition of Untie Nots

On 3 January 2023, post Period end, we successfully completed the acquisition of Untie Nots, a high-growth SaaS company that enables retailers to develop highly personalised, profitable, and gamified promotions at scale, strengthening the opportunity for both businesses. Untie Nots’ customer list, including Carrefour, Leclerc and Auchan, and strong financial metrics speak to the quality of the business and, as a Group, we are looking forward to unlocking the considerable growth opportunity this acquisition will bring. On behalf of the Board, I would like to thank both new and existing shareholders for their support in making this acquisition possible.

At a time when retailers are accelerating their digital promotions activities to retain and grow their customer bases, we believe Untie Nots’ technology will resonate across our customer base and pipeline. The acquisition provides us with accelerated entry into the French digital promotions market, brings some of Europe’s largest grocers into the Group, adds to our growing roster of US clients and provides a wealth of cross-sale opportunities.

Untie Nots is a well-managed business and will continue to be run by its founders as a separate company, while benefiting from initial synergies including cloud hosting costs and the support of our more extensive sales and marketing expertise and strong customer network.

I am pleased to report that joint customer conversations are already underway with initial feedback from customers and prospects supporting our positive view of the potential of the joint approach.

Growing market opportunity

Never has digital engagement with consumers been of more relevance, with retailers of all kinds developing their omnichannel capabilities to address rapidly changing consumer shopping behaviours.

The retail industry is also becoming increasingly aware that data driven, personalised promotions are one of the most effective ways to drive increased trade and retain customer loyalty.

We recently carried out a consumer survey across the UK, North America and Asia Pacific, with the following findings:

- As a result of the higher cost of living, 53% of respondents actively seek out items for which there is an offer or promotion available;
- 84% of consumers believe receiving more personalised recommendations should help them save money; and
- 67% of consumers using grocery reward programmes are using them more.

Meanwhile, our survey of retail businesses found that 65% of loyalty programme managers say their membership has grown over the past 12 months, citing the economic situation as the main driver for growth and 82% of companies have invested in their loyalty programme’s technology during 2022 and plan to do so even more in 2023.

A reflection of the growing prominence of loyalty in the retailers’ marketing toolkit can be seen in a recent Q1 Trading Update webcast from Woolworth’s Group, the largest retailer in Australia. Commenting on the increased engagement through Woolworth’s loyalty programme, CEO Brad

Banducci said, “there’s a mega trend going on globally right now and it’s primarily enabled through apps and capabilities like Eagle Eye...it’s a space that I think will continue to evolve and we need to continue to evolve with it”.

With high profile discussions around loyalty and the AIR platform such as this taking place, we expect the shift towards digitisation and personalisation to continue to accelerate in the face of tougher economic times for consumers and for Eagle Eye to be a beneficiary of that acceleration.

Delivering against our growth strategy

I am pleased to report good progress across our growth strategy during the first half of the financial year:

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

The Group delivered a steady level of “Win” related revenue in the Period, with new customers secured including a multi-year loyalty contract with a large retailer in Canada, and smaller contracts with a range of retailers, such as Hobbycraft UK. Post Period end, we were also pleased to secure our second IKEA subsidiary, signing IKEA Taiwan, following the win with IKEA

Indonesia in the prior year, a subsidiary of DFI Retail Group, the leading pan-Asian retailer.

We have recently introduced a range of initiatives to increase our win rates, including: the acquisition of Untie Nots, which provides a quicker ‘win’ product; a partnership with Google Cloud, providing an additional source of leads; and increased investment in our marketing activity. As a result, we are seeing an improved level of leads in the pipeline.

Our customer-first ethos also means that we are increasingly seeing a large proportion of our Wins coming from customer referrals, demonstrating the value of our efforts to ensure we delight our customers, and we expect this trend to continue.

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

Chargeable AIR redemption and interaction volumes, a key measure of usage of Eagle Eye AIR, increased by 147% to 1,570m (H1 2022: 635m).

A significant contributor to this growth was the further roll-out of the large U.S. grocer won in partnership with Neptune Retail Solutions 2021, which went live in May 2022. Cosmos, now part of JD Sports, went live in Greece with their loyalty programme, launching gift cards with Sprinter in Portugal, Spain, Netherlands, France and Italy. We have now renewed our contract with JD Sports until the end of 2025.

We also saw the benefit of the significant Woolworths Group “Real-Time Loyalty” programme in Australia going fully live, with full point-of-sale integration taking place from August 2022. In its H1 FY23 results update, Woolworths shared that the number of members in the Everyday Rewards programme had risen to 14.1 million, a 6% increase on the previous year. Member engagement had also reached record levels with a 57% increase in active weekly app users vs. H1 FY22. Woolworths CEO, Brad Banducci, discussed the importance of their loyalty programme and described the capabilities being driven by the Eagle Eye AIR platform, highlighting the real-time capabilities of the platform and the flexibility around variance of offers, commenting: “It’s Eagle Eye, for those interested in the tech...a next-generation loyalty platform. And it can be instantaneous. It can reconcile full history. And it’s not constrained in terms of the offers we can provide or how we can repurpose it, so we have an incredibly powerful platform.”

Deepen

A key focus during the half was on deepening our engagements with existing customers and this success is reflected in the continued strong NRR of 127% (H1 FY22: 130%).

We have experienced a significant increase in interest in our promotion and loyalty offerings as the cost of living crisis continues to tighten household budgets and retailers look for ways to retain their own customers.



STRATEGIC REPORT CONTINUED

Highlights in the period include the national rollout of the Asda loyalty programme, and further deepening of our engagements with Staples US Retail who moved from a single user case pilot to a multi-channel loyalty programme.

We also deepened our partnership with Mitchells & Butlers through the launch of its Staff Rewards app as well as an app targeting suppliers, providing discounts at venues across the UK.

Pleasingly, our long-term contract customer churn rate by value remains low at 0.0% (H1 2022: 0.0%), 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 enrich the lives of our customers, and their consumers. We have continued to invest in innovation, and for the first time, this includes achieving innovation through acquisition – though not solely.

Gamification

Out-of-the box solution

Following the acquisition of Untie Nots, Eagle Eye can now offer retailers an end-to-end gamified solution, where end customers complete ‘Challenges’ that are hyper-personalised continuity promotions designed to increase frequency and spend, found to have between 5-10x higher customer participation versus digital coupons, and offering a proven high retailer and brand ROI.

The solution offers built in data analytics with an AI and Machine Learning-powered personalisation engine, without requiring a POS integration and can be launched in as quick as 5 weeks.

Quest Campaigns

During the period we launched Quest campaigns that build more fun into the shopping experience and reward consumers for completing a series of objectives which leads to them achieving a quest. Objectives within each quest can be unrelated and the POS integration allows for progress to be updated in real-time. A quest campaign would usually form part of a wider loyalty proposition.

Both gamified capabilities unlock new revenue streams with suppliers and focus on driving frequency and growing spend. These are becoming core tactics within overall customer engagement strategies, as already proving to be the case for some of our key clients.

Speed

We have continued to enhance the speed of POS Connect in the period. POS Connect enables our clients to deliver highly personalised offers at scale without relying on their existing infrastructure. As a result of this work, POS Connect response times have improved – for a basket with 50 items by 46% and a basket with 200 items by 66%.

API Documentation

We have added a host of new API guides and best practices to our developer portal, making Eagle Eye AIR a more developer friendly platform with the necessary information required to integrate with Eagle Eye AIR on a self-serve basis.

3. International Growth

The benefits of our investment into international expansion are becoming increasingly evident, with the deepening of our clients’ engagements in the US and Australia, and initial customers secured in Southeast Asia. As a result, we have seen significant revenue growth from North America and APAC in the period.

Activity in the Period included our initial investments into Singapore and Germany and investment in additional direct sales resource in North America, targeting the considerable US promotions and loyalty market.

Marketing activities in international regions have stepped up in the period to support the sales resource investment that has had been made in these regions. Investment has been made into lead generation campaigns to drive more inbound leads into the sales pipeline as well as an events programme that included breakfast briefings with major retailers in Singapore, Thailand and Malaysia and sales outreach to set up meetings at NRF, the most influential retail conference in USA, that was held in January 2023. Eagle Eye also joined key trade associations including FMI, Australian Loyalty Association and NRF to raise awareness amongst loyalty professionals and increase networking opportunities. These activities have led to a considerable increase in leads compared to H1 FY22.

We are also greatly encouraged by the initial marketing activities being carried out with Untie Nots, individually and jointly, building the pipeline both in the UK but predominantly internationally, with great logos as we had hoped. We are

now actively focused on the conversion of this growing pipeline, which we anticipate will have shorter sales cycles than our typical more complex full loyalty programme discussions.

4. “Better, Simpler, Cheaper”

While investing in innovation and growing the business, we simultaneously look for inherent productivity and efficiencies coming from the scale of what we do. We have developed a proven business model to grow our EBITDA margin whilst also investing, as we ‘Win’, in sales & marketing and enhancements to the product to generate new opportunities for growth. The success of this approach can be seen in our growing EBITDA margin, which reached 23.5% in the Period.

Our net people costs represent 55% of the operating costs of the business in the Year (H1 FY22: 59%) and we recognise they are our biggest asset. We will see further cost base expansion in the second half, largely as a result of salary increases, which is supported by our model.

A key focus of our Better, Simpler, Cheaper approach in the second half will be making our sales and marketing team and processes available to the Untie Nots team, meaning they will not have to build their own activity from scratch. This includes messaging and introductions to each other’s clients and prospects, utilising sales and marketing CRM and marketing automation systems, content development for lead generation and joint participation at trade shows.

ESG

Creating value for our customers sits at the heart of Eagle Eye, which we believe is the foundation of our successful business. As part of this, we have high ESG standards focused on materiality and making a difference.

Core areas of activity in the Period have centred around our People, with the roll out of our Purple Pathways initiative, which has seen every team member who wants it being supported in the development of their own career pathway at Eagle Eye.

At the Q4 2022 Best Companies awards ceremony in November 2022, Eagle Eye were delighted to be ranked in the Top 10 Technology companies to work for and in the Top 20 list of overall UK companies. We increased our Best Companies Index score from the survey in March 2022 and maintained our 3-star accreditation, which is the highest accolade and awarded to companies who demonstrate world class levels of employee engagement.

After more than 12 years with the Company, long-standing Non-Executive Director and founding external shareholder, Bill Currie, steps down from the Board today. We are incredibly grateful for all the support and guidance he has provided in his time with Eagle Eye and wish him the very best. We have commenced the recruitment of a new Non-Executive Director and will be aiming to increase the diversity of our Board with this appointment, to reflect the diversity of our team and customer base.



STRATEGIC REPORT CONTINUED

Financial Review

Key performance indicators	H1 2023	H1 2022
Financial	£000	£000
Revenue	20,015	15,112
Recurring revenue		
Percentage of licence revenue	7,410; 37%	5,699; 38%
Percentage of AIR transaction revenue	6,973; 34%	4,584; 30%
Percentage of SMS transaction revenue	1,311; 7%	1,205; 8%
Total recurring revenue	15,694; 78%	11,489; 76%
Adjusted EBITDA ¹	4,703	3,138
Adjusted EBITDA ¹ margin	23.5%	20.8%
Profit before tax	855	578
Adjusted net cash ²	5,694	1,802
Cash and cash equivalents	14,409	2,202
Short term borrowings	(2,000)	(400)
Net placing proceeds	6,715	–
Non-financial		
Chargeable AIR redemption and interaction volumes	1,569.5m	635.0m
Long term contract customer churn by value	0.0%	0.0%

1 Adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit, along with costs of the acquisition of Untie Nots SAS in FY23
2 Adjusted net cash is cash and cash equivalents less borrowings and excludes Placing proceeds associated with the acquisition of Untie Nots which were paid out following completion on 3 January 2023

Revenue and gross profit

During the Period, the Group delivered strong revenue growth of 32% to £20.0m (H1 2022: £15.1m), particularly driven by growth in international revenues.

Revenue generated from recurring subscription fees and transactions over the network represented 78% (H1 2022: 76%) of total revenue for the Period. This growth was driven primarily through the North American business where revenue increased by 156% to £7.4m (H1 2022: £2.9m) due to new client ‘go lives’ in the Period, such as the major grocer won in association with Neptune and Giant Eagle, which went live in the period, and continued deepening of existing clients such as Loblaw. Outside of North America, revenue growth was primarily driven by the transaction volume expansion of the Woolworths service and the adoption of loyalty by Asda, in addition to its existing promotion services.

Professional services revenue increased by 19% to £4.3m (H1 2022: £3.6m). In addition to growth in implementation fees in the EMEA region primarily from Asda Loyalty, recent new wins such as Ikea Indonesia and Endeavour drove growth in the APAC region.

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 £4.3m at 31 December 2022 (31 December 2021: £1.8m).

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 38% to £26.2m (H1 2022: £18.9m). The growth rate is broadly in line with recurring AIR revenue growth of 40% due to the level of transactions now being generated by Woolworths, Asda’s loyalty solution and our grocer won in association with Neptune, versus the comparative period.

The Group has maintained its strong Net Revenue Retention (“NRR”) rate, which is the improvement in recurring AIR revenue excluding new wins in the last 12 months. NRR for the period is 127% (H1 2022: 130%) with the slight reduction reflecting the covid recovery impact seen in the H1 2022 comparative, when NRR for the hospitality sector and those retail clients who had closed during the COVID-19 related lockdowns increased by 23% compared with 12% in H1 2023.



STRATEGIC REPORT CONTINUED

Chargeable AIR redemption and interaction volumes, a key measure of usage of the AIR platform, increased by 147% to 1,569.5m (H1 2022: 635.0m), primarily on the back of successful increased activity by our grocer clients in all regions.

Gross profit grew 35% to £18.8m (H1 2022: £14.0m) with gross margin increasing to 94% (H1 2022: 93%). The change in gross margin reflects the impact of the lower margin SMS business. SMS revenue increased by 8% to £1.3m (H1 2022: £1.2m) but, as the AIR business was successfully grown at a faster rate, it fell as a share of total revenue to 7% (H1 2022: 8%). AIR margin was maintained at 98% (H1 2022: 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 expenses and EBITDA

Continued control over operating expenses, which saw them increase by 30%, behind the gross profit increase of 35%, has seen adjusted EBITDA grow by 50% to £4.7m (H1 2022: £3.1m). 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. In H1 2023 it also excludes costs incurred in relation to the acquisition of Untie Nots, completed on 3 January 2023.

The GAAP measure of operating profit before interest and tax increased 43% to £0.9m (H1 2022: £0.6m), reflecting the growth in EBITDA partially offset by higher share-based payment charges and the costs associated with the acquisition of Untie Nots of £1.1m.

Adjusted operating expenses increased to £14.1m (H1 2022: £10.9m) as the business has invested in line with our planned growth investment model. Headcount has risen from an average of 162 in FY 2022 to 211 at 31 December 2022, resulting in an increase in net staff costs, which represent 55% of adjusted operating costs (H1 2022: 59%) to £7.8m (H1 2022: £6.4m). This also reflects the impact of annual pay awards and increased performance related bonuses. IT infrastructure costs increased slightly ahead of the 37% rate of recurring revenue growth, up 43% to £4.1m (H1 2022: £2.9m) as we invested in the platform to enhance its speed, stability and security. Other operating costs (excluding those related to the acquisition of Untie Nots), which are either discretionary or are not correlated to changes in revenue, were £2.2m (H1 2022: £1.6m), as the Group has increased its spend on marketing to take advantage of the changing landscape and increased investment in travel as Covid restrictions have been relaxed, allowing us to build stronger relationships face to face with both existing and prospective clients. With the acquisition of Untie Nots, investment into supporting the growth of the business, and continued increased inflation rates, we anticipate that costs will continue to increase in H2 2023 but we are ensuring that we retain flexibility to address this in a controlled manner, in line with our investment model.

We have continued to invest in the Product where total spend in the Period was £3.1m (H1 2022: £2.4m). Capitalised product development costs were £1.1m (H1 2022: £1.1m) whilst amortisation of capitalised development costs was £1.0m (H1 2022: £1.1m). Contract costs (including costs to obtain contracts and contract fulfilment costs), recognised as assets under IFRS 15, were £1.3m (H1 2022: £1.0m) and amortisation of contract costs was £0.7m (H1 2022: £0.6m).

Earnings per share

Net finance expenses reduced to £0.03m (H1 2022: £0.04m) reflecting the improved cash generation of the business which meant there was no utilisation of the Group's revolving credit facility, other than in relation to the partial funding of the acquisition of Untie Nots completed post period end.

The tax credit of £0.2m (H1 2022: credit of £0.02m) 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. The Group reported a profit after taxation of £1.0m (H1 2022: loss of £0.6m) and reported basic earnings per share improved to 3.84p (H1 2022: 2.29p) primarily reflecting the improvement in profit.

Statement of financial position

The Group had net assets of £17.0m at the end of the Period (June 2022: £8.6m), with the increase primarily driven by the Placing to raise funds of £6.7m for the acquisition of Untie Nots which were only paid on completion of the acquisition post period end.

Cash and net debt

The Group ended the Period with net cash (excluding funds raised for the acquisition of Untie Nots) of £5.7m (H1 2022: £1.8m) being better than the Board's expectations. This followed an improved underlying cash performance, driven by the increase in adjusted EBITDA, generating a positive cash inflow of £2.1m (H1 2022: £1.0m).

In our announcement released on 13 March 2023, in relation to the evolving situation at Silicon Valley Bank, we confirmed that as at 10 March 2023 the Group had total gross cash of c. £7.8m, including approximately £1.6m of cash within the recently acquired Untie Nots business.

In combination with the £2.0m draw down on the Group's £5.0m revolving credit facility with Silicon Valley Bank UK ("SVBUK") and £0.4m of debt within the Untie Nots business, this equates to Group net cash as at 10 March 2023 of £5.4m. The Company currently has no requirements to draw down further on its SVBUK facility and awaits further information as to the status of its facility.

The Group has no cash deposits with SVBUK and all cash deposits with Silicon Valley Bank US became available through the course of 13 March 2023.

In the light of the economic environment, we have taken the step of hedging elements of our foreign currency net receipts to ensure that the Group is protected from significant and sudden adverse movements in foreign currency exchange rates.

Outlook

The Group's strong financial performance in the period, our growing new business pipeline and international presence, along with the additional growth opportunity available to us following the acquisition of Untie Nots, provides us with excitement about our future.

The proven ability of the Eagle Eye AIR platform to deliver personalised promotions in real-time and at scale means we are in a strong position to address the growing desire from retailers to offer digital loyalty solutions to help their customers during these difficult economic times.

While conscious of the challenging wider economic backdrop, trading since the Period end has continued to be strong. The Board is confident in delivering another year of profitable growth, with revenue and Adjusted EBITDA for the year ended 30 June 2023 now expected to be comfortably ahead of current market expectations.

Tim Mason
CEO



CONSOLIDATED UNAUDITED INTERIM STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Note	Unaudited 6 months to 31 December 2022 £000	Unaudited 6 months to 31 December 2021 £000	Audited Year to 30 June 2022 £000
Continuing operations				
Revenue	3	20,015	15,112	31,667
Cost of sales		(1,172)	(1,122)	(2,037)
Gross profit		18,843	13,990	29,630
Operating expenses		(17,963)	(13,377)	(28,896)
Adjusted EBITDA ⁽¹⁾	5	4,703	3,138	6,476
Acquisition costs		(1,068)	–	–
Share-based payment charge		(888)	(581)	(1,851)
Depreciation and amortisation		(1,867)	(1,944)	(3,891)
Operating profit		880	613	734
Finance income		–	–	1
Finance expense		(25)	(35)	(50)
Profit before taxation		855	578	685
Taxation		165	19	(131)
Profit after taxation for the financial period		1,020	597	554
Foreign exchange adjustments		(237)	29	582
Total comprehensive profit attributable to the owners of the parent for the financial period		783	626	1,136
Earnings per share				
From continuing operations				
Basic	4	3.84p	2.29p	2.12p
Diluted	4	3.38p	2.01p	1.86p

⁽¹⁾ Adjusted EBITDA excludes share-based payment charge, depreciation, amortisation and the costs of the acquisition of Untie Nots from the measure of profit

CONSOLIDATED UNAUDITED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Unaudited 31 December 2022 £000	Unaudited 31 December 2021 £000	Audited 30 June 2022 £000
Non-current assets			
Intangible assets	6,753	6,696	6,663
Contract fulfilment costs	2,126	344	1,433
Property, plant and equipment	774	924	684
Deferred taxation	127	513	131
	9,780	8,477	8,911
Current assets			
Trade and other receivables	12,902	7,400	9,853
Current tax receivable	444	–	718
Cash and cash equivalents	14,409	2,202	3,632
	27,755	9,602	14,203
Total assets	37,535	18,079	23,114
Current liabilities			
Trade and other payables	(16,055)	(9,735)	(12,185)
Financial liabilities	(2,000)	(400)	–
	(18,055)	(10,135)	(12,185)
Non-current liabilities			
Other payables	(2,468)	(1,343)	(2,362)
Total liabilities	(20,523)	(11,478)	(14,547)
Net assets	17,012	6,601	8,567
Equity attributable to owners of the parent			
Share capital	278	261	264
Share premium	24,445	17,503	17,685
Merger reserve	3,278	3,278	3,278
Share option reserve	6,264	4,577	5,549
Retained losses	(17,253)	(19,018)	(18,209)
Total equity	17,012	6,601	8,567



CONSOLIDATED UNAUDITED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Share capital £000	Share premium £000	Merger reserve £000	Share option reserve £000	Retained losses £000	Total £000
Balance at 1 July 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
Balance at 31 December 2021	261	17,503	3,278	4,577	(19,018)	6,601
Loss for the period	–	–	–	–	(43)	(43)
Other comprehensive income						
Foreign exchange adjustments	–	–	–	–	553	553
	–	–	–	–	510	510
Transactions with owners						
Exercise of share options	3	182	–	–	–	185
Fair value of share options exercised	–	–	–	(299)	299	–
Share-based payment charge	–	–	–	1,271	–	1,271
	3	182	–	972	299	1,456
Balance at 30 June 2022	264	17,685	3,278	5,549	(18,209)	8,567
Profit for the period	–	–	–	–	1,020	1,020
Other comprehensive income						
Foreign exchange adjustments	–	–	–	–	(237)	(237)
	–	–	–	–	783	783
Transactions with owners						
Issue of share capital	13	6,702	–	–	–	6,715
Exercise of share options	1	58	–	–	–	59
Fair value of share options exercised in the Period	–	–	–	(173)	173	–
Share-based payment charge	–	–	–	888	–	888
	14	6,760	–	715	173	7,662
Balance at 31 December 2022	278	24,445	3,278	6,264	(17,253)	17,012

Included in “retained losses” is a cumulative foreign exchange profit of £276,000 (June 2022: £513,000).

CONSOLIDATED UNAUDITED INTERIM STATEMENT OF CASH FLOW FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Unaudited 6 months to 31 December 2022 £000	Unaudited 6 months to 31 December 2021 £000	Audited Year to 30 June 2022 £000
Cash flows from operating activities			
Profit before taxation	855	578	685
Adjustments for:			
Depreciation	187	149	320
Amortisation	1,680	1,795	3,570
Share-based payment charge	888	581	1,851
Finance income	–	–	(1)
Finance expense	25	35	50
Increase in trade and other receivables	(3,049)	(1,205)	(3,659)
Increase in trade and other payables	4,144	1,664	5,155
Income tax paid	(56)	(373)	(785)
Income tax received	426	221	221
Net cash flows from operating activities	5,100	3,445	7,407
Cash flows from investing activities			
Payments to acquire property, plant and equipment	(277)	(246)	(178)
Payments to acquire intangible assets	(2,462)	(2,113)	(4,943)
Net cash flows used in investing activities	(2,739)	(2,359)	(5,121)
Cash flows from financing activities			
Net proceeds from issue of equity	6,774	–	185
Proceeds from borrowings	2,000	200	900
Repayment of borrowings	–	(700)	(1,800)
Capital payments in respect of leases	(96)	(91)	(185)
Interest paid in respect of leases	(11)	(16)	(29)
Interest received	–	–	1
Interest paid	(14)	(19)	(21)
Net cash flows from financing activities	8,653	(626)	(949)
Net increase in cash and cash equivalents in the period	11,014	460	1,337
Foreign exchange adjustments	(237)	29	582
Cash and cash equivalents at beginning of period	3,632	1,713	1,713
Cash and cash equivalents at end of period	14,409	2,202	3,632



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 2022. 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 2022 are in accordance with the recognition and measurement criteria of International Financial Reporting Standards ('IFRS') as adopted by the European Union and are consistent with those which will be adopted in the annual financial statements for the year ending 30 June 2023.

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

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

The comparative financial information for the year ended 30 June 2022 has been extracted from the annual financial statements of Eagle Eye Solutions Group plc. These interim results for the period ended 31 December 2022, 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 2022, which received an unqualified audit opinion and did not contain a statement under section 498(2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

2. Going concern basis

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

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

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 2022 £000	Unaudited 6 months to 31 December 2021 £000	Unaudited Year to 30 June 2022 £000
Development and set up fees	4,321	3,623	7,645
Subscription and transaction fees	15,694	11,489	24,022
	20,015	15,112	31,667

	Unaudited 6 months to 31 December 2022 £000	Unaudited 6 months to 31 December 2021 £000	Unaudited Year to 30 June 2022 £000
AIR revenue	18,697	13,887	29,497
Messaging revenue	1,318	1,225	2,170
	20,015	15,112	31,667

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



NOTES TO THE CONSOLIDATED UNAUDITED INTERIM FINANCIAL STATEMENTS CONTINUED

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. Basic and diluted earnings per share from continuing operations are calculated as follows:

	Unaudited H1 2023 Earnings per share pence	Unaudited H1 2023 Profit £000	Unaudited H1 2023 Weighted average number of ordinary shares	Unaudited H1 2022 Earnings per share pence	Unaudited H1 2022 Profit £000	Unaudited H1 2022 Weighted average number of ordinary shares
Basic earnings per share	3.84	1,020	26,595,355	2.29	597	26,096,563
Diluted earnings per share	3.38	1,020	30,146,994	2.01	597	29,750,336

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 2022 £000	Unaudited 6 months to 31 December 2021 £000	Unaudited Year to 30 June 2022 £000
Profit before taxation	855	578	685
Add back:			
Costs associated with acquisition of Untie Notes	1,068	–	–
Finance income and expense	25	35	49
Share-based payments	888	581	1,851
Depreciation and amortisation	1,867	1,944	3,891
Adjusted EBITDA	4,703	3,138	6,476

EBITDA has been adjusted to exclude share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit, along with costs of the acquisition of Untie Notes in FY23.

6. Adjusted net cash

	30 June 2022 £000	Cash flow £000	Foreign exchange adjustments £000	31 December 2022 £000
Cash and cash equivalents	3,632	11,014	(237)	14,409
Financial liabilities	–	(2,000)	–	(2,000)
Net placing proceeds received	–	(6,715)	–	(6,715)
Adjusted net cash	3,632	2,299	(237)	5,694

Adjusted net cash is defined as cash and cash equivalents less financial liabilities and excludes the placing proceeds associated with the acquisition of Untie Notes which were paid out following completion on 3 January 2023.

7. Availability of this Interim Announcement

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



COMPANY INFORMATION

Directors	Malcolm Wall Tim Mason Steve Rothwell Lucy Sharman-Munday Sir Terry Leahy Robert Senior	Nominated Adviser and Joint Broker	Investec Bank plc 30 Gresham Street London EC2V 7QN
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Company number	8892109		
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		Independent auditor	RSM UK Audit LLP Chartered Accountants Ninth Floor 3 Hardman Street Manchester M3 3HF



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