

IMIMOBILE PLC
(“IMImobile” or “the Group”)

**Interim results for the
six months ended 30 September 2020**

“Strong gross profit growth in cloud communication products; momentum building in North America”

IMImobile PLC, a cloud communications software and solutions provider, announces its consolidated unaudited interim results for the six months ended 30 September 2020.

The Group is pleased to report it has delivered strong momentum in gross profit and particularly encouraging progress in North America. It has now achieved a five-year gross profit compound annual growth rate (CAGR) of 19%.

Key financial highlights

- Performance in line with Board expectations
- Revenue down 9% to £75.9m, (2019: £83.0m) driven by a change in the business model with one customer, which has had a significant positive impact on gross profit margin, increasing to 51.3% (2019: 42.4%)
- Gross profit up 11% to £39.0m (2019: £35.2m)
 - Gross profit growth of 24% in cloud communication products, organic¹ growth flat. This division now accounts for c.90% of Group gross profit
 - Strong performance in the Americas with organic¹ cloud communications gross profit growth of 16% in the region
- Adjusted EBITDA² up 26% to £12.4m (2019: £9.8m)
- Adjusted profit after tax² up 30% to £6.8m (2019: £5.2m)
- Profit after tax on a statutory basis up 301% to £2.8m (2019: £0.7m)
- Adjusted diluted EPS² up 12% to 7.7p (2019: 6.9p)
- Adjusted ‘cash generated from operating activities’² of £8.4m representing operating cash conversion³ of 68% (2019: 127%) due to a change in timing of collection from a major client
- Net cash⁴ of £2.0m as at 30 September 2020, following the Group's share placing in April which raised gross proceeds of £22.2m.

Operational highlights

- Maintained organic performance in the core cloud communications product division
- Strong organic growth delivered in the Americas:
 - 30 new customer logos
 - Expansion of work with current clients
 - Very healthy pipeline of opportunities across multiple sectors
- Significant recovery in the UK Healthcare and small and medium-size business (SMB) divisions in Q2, following earlier COVID-19 related decline
- Innovation delivered through launch of Business Messages and Verified Calls by Google and new communication channels being adopted by a number of major clients
- Partnership programme continues to build momentum with agreements signed with two leading, global mobile operators
- 26 clients projected to provide gross profit of above £500k per annum (full year to 31 March 2020: 24 clients)
- Continued headwinds in the Operator VAS & Payments division as expected. The Board is implementing a strategic review of these activities.

Current trading and Outlook

- The Group has delivered a resilient performance in the period with recovery in Q2 in areas impacted by the COVID-19 pandemic and the outlook for the current full year remains in-line with the Board's expectations.
- Increasing momentum from digital transformation trends, the full year impact of deployments this year combined with new client wins in the North American market and an exciting pipeline of opportunities, mean that the Group is well positioned to deliver an acceleration of growth and the Board expects the trading performance for FY22 to be materially ahead of its previous expectations.

¹ Excluding acquired business of 3Cinteractive and Rostrvm in the current and prior years

² Adjusted for costs which management do not consider reflect underlying business performance – see note 6 for details of adjusted performance measures, adjusting items and a reconciliation of statutory results to adjusted results

³ Cash conversion is defined as adjusted cash generated from operations (see note 6) as a percentage of adjusted EBITDA

⁴ Cash and cash equivalents net of bank borrowings (excluding capitalised borrowing costs)

Jay Patel, Chief Executive Officer of IMImobile PLC, commented:

"We are very pleased with the resilience of the business during the past six months, despite the current external circumstances. This resilience is testament to our staff, technologies, and the mission-critical nature of the interactions we deliver for our clients. Continued growth has been driven by strategic execution against our objective to enter the North American market. We are particularly pleased with progress in new logo acquisition in the US and in Europe. The Board remains confident for the future and that the Group is well positioned for an acceleration of growth."

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About IMImobile PLC

imimobile provides cloud communications software and services that manage business-critical customer interactions at scale.

We believe that customer experience is the key competitive advantage for consumer businesses. So, we're creating a world where enterprises can stay constantly connected to their customers. A world where every touchpoint, on every channel, is an opportunity to deliver rich, engaging, intuitive experiences.

Our Customer Interaction Management (CIM) suite automates, orchestrates and monitors interactions with disparate back-end systems. This saves time and cuts costs for businesses, while seamlessly connecting to customers on the devices they choose. We deliver innovative, on-brand, business-critical customer interactions for blue-chip global enterprises and leading public-sector organizations including AA, Best Buy, BT, Capitec Bank, Centrica, EE, Hermes, IHG, Mercedes, Orange, O2, Vodafone and Walgreens.

imimobile is a global business with offices across the UK, USA, Canada, India, South Africa and UAE. With over 1,100 employees, **imimobile** is quoted on the London Stock Exchange with the TIDM code IMO.

Chief Executive's Report

We are very pleased with what we have achieved in the first half of the year. We have maintained our organic performance in the core cloud communications product division, despite the previously communicated headwinds for healthcare and SMB sectors, and made great strides in our largest growth market, North America. Together with the impact of acquisitions made in the prior year, this resulted in gross profit growth of 11% and an increase in our adjusted EBITDA of 26%.

For many years, we have talked about how the adoption of new digital communication channels and automation will transform business to consumer interactions; improving customer experience and reducing costs for businesses. The pandemic has brought this more into focus for large enterprises and, over the last six months, we have seen this become even more of a business imperative. Businesses have quickly adapted their working processes and how they communicate with their customers and we anticipate this will continue moving forward.

Our vision is to revolutionise customer experience by creating dynamic, always-on connections between global businesses and their customers. Our mission is to orchestrate billions of the world's best customer experiences (powered by the best software and people).

COVID-19 update

COVID-19 has driven an acceleration in the digital communication strategies of large enterprises and, although it has undoubtedly created challenges, it has also demonstrated the mission-critical nature of the interactions we deliver for our customers. We have helped businesses rapidly transition their contact centres to remote working with our contact centre application, **imiengage**. We have also delivered emergency communications for our clients across all sectors, including working with the major mobile operators in the UK to send 'Stay at home' communications on behalf of the government.

Our team have been exceptional throughout. As ever, they are at the core of our success. Showing our appreciation for their efforts has been at the front of my mind, and I am pleased to report that, we have repaid half of the salary reductions implemented in March and will repay the other half in December. All salaries were returned to normal levels from 1 July, except those of the Board.

Introduction of a new brand narrative

Alongside the delivery of this strong performance, we have also introduced a new brand narrative and positioning. With our customers in mind, the brand refresh was undertaken in order to simplify the language around who we are and what we do, to clearly define our products and services, and to unify all our operating companies under one brand. This allows customers, partners, and prospects to easily understand our core message and how the different products and services we offer work and evolve together. We feel this is particularly important when catering to the large North American marketplace and will help promote brand awareness in the region.

Our new narrative includes the introduction of one overarching purpose: to make every interaction matter more. This is at the core of everything we do. We now position our complete offering as the 'Customer Interaction Management' (CIM) suite, which helps businesses to embrace new communication channels and enhance customer experience without re-engineering existing systems.

Progress made against all growth initiatives

We have continued to deliver on our long-term growth strategy which focuses on four clear objectives:

1. To grow our share of customer interactions within existing clients;
2. To accelerate market penetration of our technologies through partnerships;
3. To be at the forefront of introducing new innovative customer engagement technologies; and

4. To leverage acquisitions for market distribution.

Interactions

The continued growth in our share of customer interactions has been driven by several factors, including the selling of our core cloud product set to existing 3Cinteractive (“3C”) clients. In FY21 to-date, we had 26 clients projected to provide gross profit of above £500k per annum (FY20: 24 clients).

For example, we have now grown our share of interactions by 60% for a major US ‘Big Box’ retailer (previously a 3C client) which is now using **imiconnect**. The growth has been due to the launch of new channels including Rich Communication Services (“RCS”) as well as new services such as curbside pickup and click and collect. In another case, we have grown our share of interactions by 90% for a major US automotive retailer (previously a 3C client) which is now using **imiconnect** and **imicampaign**. This growth has been due to the expansion of existing SMS marketing programmes and the launch of new services such as click and collect, internal communications with employees, and recruitment journeys.

Partnership programme

Momentum has continued for partnerships across the globe. In the UK, for example, we signed an agreement with Vodafone Global Enterprise, meaning we now have a channel relationship with three of the major telecommunication enterprise teams in the country, and have also onboarded Communis and Blue Prism. In the US, we have partnered with major cloud communication providers. We were also pleased to secure partnerships with two large international telco groups and have a number of large global opportunities in the pipeline.

Alongside the new agreements signed, we remain focused on and have been successful in growing our business with existing partners. This includes, for example, incorporating our complete CIM suite with BT and supplying our SMB offering to existing partner, Telia.

Innovation

Emergent communication channels continue to be adopted by our customers, with a number of major telco companies now using Rich Communication Services (“RCS”) for multiple customer journeys and seeing an increase in engagement rates in comparison to traditional SMS. Apple Business Chat has been launched for a number of large enterprise clients including Centrica, Barclays and EE, as well as momentum growing for WhatsApp Business in the APAC region.

We were also pleased to launch Google’s Business Messages, where customers can offer the ability for consumers to message them within organic Google search results – such as Search or Maps – with just one click, and Verified Calls, where customers can improve call answer rates and increase consumer trust by helping people understand the identity of a business calling them. Both of these channels are powerful new ways for enterprises to improve customer engagement and are seeing encouraging signs of interest across our client base.

In the period, we established a ‘Future Messaging’ team that will focus on ensuring we continue to lead innovation in our sector technically and commercially. They research and ensure our product roadmaps incorporate new customer engagement channels, develop early commercial opportunities and business models as well as support the organisation on sales and thought leadership activities.

In addition, eClinic, our virtual health consultation product, is now deployed at seven NHS trusts and we are starting to see signs of an acceleration in the adoption of this type of product by healthcare professionals. An example of this is the recent deployment of a suite of solutions for King's College Hospital NHS Foundation Trust (KCHT), purpose-built to improve patient experience and increase staff efficiency. The solutions enable better engagement, through patient portals and video consultation platforms, whilst also helping to reduce any backlogs caused by the Coronavirus pandemic.

Acquisitions

The acquisition of 3Cinteractive continues to bring value to the group, and we are pleased that it is providing a springboard for growth in North America as expected. We are also pleased with the progress made in integrating Rostrvm's technology into the product suite. Our goal on acquisition was to enhance our customer service offering and we have successfully completed that.

As part of the brand refresh, we have now integrated the majority of previous acquisitions under the imimobile brand.

Regional Review

Although the technology trends impacting the business are global, the market opportunities and business models reflect local environments. As a result, the commercial activities of the business are managed and best reviewed on a regional basis.

Cloud Communications Products – c.90% Group gross profit in the period

Europe – Revenue £43.2m (2019: £54.9m); Gross profit £17.8m (2019: £17.9m)

We delivered a solid performance in Europe, with COVID-19 related headwinds in the SMB and Healthcare sectors mitigated by growth in the rest of the business. The declines seen in the impacted sectors largely occurred in Q1, and in Q2 we have seen a significant recovery, providing optimism that this trajectory will continue into the second half. Textlocal UK, our brand which caters to the retail & SMB sector, saw 30% more messages being sent in Q2 in comparison to Q1. Whilst volumes in Healthcare have not recovered to quite the same extent, we have seen significant strategic progress within this sector as it increasingly adopts digital channels for patient communications and interactions. We secured a contract with Kings College NHS Trust and were chosen as supplier of choice to deliver COVID-19 test results for Public Health Wales.

Revenue in the period declined, solely driven by a change in the business model with one customer, which has had a significant positive impact on gross profit margin with little impact on gross profit.

Our work with telco companies remained strong and we now work with all four major operators in the UK. At the start of the pandemic, we worked with the operators to send significant volumes of emergency communications on behalf of the UK government. We were also proud to have worked with EE and Vodafone to launch programmes allowing for NHS and care workers to claim unlimited data during the COVID-19 pandemic. This campaign was recently recognised at the UK Digital Experience Awards 2020. Across the rest of Europe, we achieved good progress winning new clients and implementing new communication channels with clients. We have started an initial implementation for RCS in Spain with a leading mobile operator.

During the period, we have particularly strengthened our relationship with banks, winning two new major UK high street banks as clients. We now work with eight of the top ten banks in the UK.

Other new client wins include a value-added telecom reseller, a large UK entertainment group and a significant emergency public sector service as well as clients across the insurance and recruitment industries.

Americas – Revenue £18.0m (2019: £8.1m); Gross profit £12.5m (2019: £5.6m)

Momentum in the Americas has accelerated in the period, with the integration of 3Cinteractive bolstering our position and allowing us to win several new clients. This resulted in organic cloud communications gross profit growth of 16% in the region.

A significant number of new contracts or upsells were signed in the last six months, many with some of the largest and most demanding businesses with the potential to grow into substantial clients over time. Upsells include clients such as the largest telco in Canada and a major US Big Box retailer as well as entirely new client wins including for a Fortune 500 financial services company and a public sector municipal organisation.

Importantly, we have also already expanded significantly the scale of work we are executing for existing clients in North America. An important example of this is with one of the world's largest retailers, which we began working with earlier this calendar year. We have now launched several new customer journeys with this client, across several of its sub-divisions as well as in Canada.

We completed our HIPAA assessment for several products during the period, which ensures patient and health information are processed in accordance with the privacy and security rules of the HIPAA (Health Insurance Portability and Accountability Act of 1996) legislation. This legislation is aimed at providing enhanced security and data privacy around protected health information. Our completion of the assessment means we have secured all the necessary requirements to be able to provide business-critical healthcare communications in the US and underpins further growth in this sector there.

The pipeline of potential new business in our largest addressable market has expanded significantly, and we are hiring in the region to support this expansion. The growing value of our customer relationships and momentum in our pipeline provide further validation of the relevance of our evolving suite of products as well as our strategic move in to the Americas.

Middle East and Africa ("MEA") – Revenue £3.9m (2019: £4.5m); Gross profit £1.9m (2019: £2.0m)

In the Middle East, we have started deployment with one of the major regional telco providers for our Communications Platform as a Service (CPaaS) offering. This will provide us with a strategic partner in the region for future growth.

In South Africa, highlights included securing a three-year renewal with our largest client in the region, and signing a new contract with leading financial services company, Old Mutual. We have also upsold more of our CIM suite products to existing clients in the region.

Asia Pacific ("APAC") – Revenue £3.7m (2019: £4.3m); Gross profit £1.8m (2019: £1.9m)

The region has seen steady progress during the first half of the year. We have seen a significant acceleration in the number of customers wanting to use WhatsApp Business in the region due to the reach and popularity of the channel in specific markets. We have successfully onboarded a number of clients across the automotive and retail sectors onto imiconnect to enable them to communicate with their customers via WhatsApp.

Despite severe lockdown restrictions and business closures in India, as well as increasing regulations around consumer contact, the SMB business, Textlocal India, still grew by 4% year on year. The platform now services over 26,000 active customers.

***Operator VAS & Mobile Payments – c.10% Group gross profit in the period
Revenue £7.0m (2019: £11.3m); Gross profit £4.9m (2019: £7.8m)***

As previously communicated and as expected, the Operator VAS division continued to face headwinds in the period. The headwinds were exacerbated by transaction volumes being impacted by the pandemic. This has reduced the profitability of these activities.

However, we have seen some client success during the period. We have renewed a major contract with Orange group for services across 12 countries and helped mobile operators in Indonesia, Myanmar, and Kuwait to enhance their offering with our Selfcare app during the pandemic. Monthly active users have increased to over 11 million (from 5 million) for one of the largest Indonesian mobile operators using our platform and have established ourselves as a valued, trusted technology partner.

Strategic Review of VAS and Payments

As stated in our full year accounts last year, we reorganised the business into two separate business units based upon the product set. This process reflected the fact that the 'Cloud Communications Products' and 'Operator VAS and mobile payments' business units operate independently with separate roadmaps and management teams. This reorganisation enabled a greater focus on product and service innovation and exploration of different market opportunities in each unit.

Following the continuing headwinds in the VAS and Payments unit, the Board has decided to conduct a strategic review of these activities, which may include a sale to a third party, a sale to the existing management team, or a reduction in its activities.

Outlook

We are excited by the scale of the future opportunity, underpinned by the growing momentum in North America, the largest addressable market for our product set, alongside the increasing rate of adoption of our products worldwide. The outlook for the full year remains in-line with the Board's expectations.

The Group expects that disruption caused by the pandemic will accelerate demand from large enterprises for its Customer Interaction Management suite as they focus more on large scale digital transformation projects.

Increasing momentum from digital transformation trends, the full year impact of deployments this year combined with new client wins in the North American market and an exciting pipeline of opportunities, mean that the Group is well positioned to deliver an acceleration of growth and the Board expects the trading performance for FY22 to be materially ahead of its previous expectations.

Jay Patel
CEO

Cautionary statement

This announcement contains forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could, is confident, or other words of similar meaning. Undue reliance should not be placed on any such statements because they speak only as at the date of this document and, by their very nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and IMI mobile's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements.

There are a number of factors which could cause actual results to differ materially from those expressed or implied in forward-looking statements. Among the factors that could cause actual results to differ materially from those described in the forward-looking statements are; increased competition, the loss of or damage to one or more key customer relationships, the outcome of business or industry restructuring, changes in economic conditions, currency fluctuations, changes in laws, regulations or regulatory policies, developments in legal or public policy doctrines, technological developments, the failure to retain key management, or the key timing and success of future acquisition opportunities or major investment projects.

IMImobile undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

Unaudited Consolidated Statement of Comprehensive Income

for the six months ended 30 September 2020

| | Six months ended 30 September 2020 £000 | Six months ended 30 September 2019 £000 |
|---|--|--|
| Profit for the period | 2,834 | 707 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | | |
| Equity holders of the parent | (2,167) | 1,199 |
| Non-controlling interest | (22) | 25 |
| Other comprehensive (expense) / income for the period | (2,189) | 1,224 |
| Total comprehensive income for the period | 645 | 1,931 |
| Total comprehensive income for the period attributable to: | | |
| Equity holders of the parent | 623 | 1,886 |
| Non-controlling interest | 22 | 45 |
| Total comprehensive income for the period | 645 | 1,931 |

The accompanying notes are an integral part of the consolidated interim financial statements.

Unaudited Consolidated Statement of Financial Position

as at 30 September 2020

| | Notes | As at 30 September 2020 £000 | As at 31 March 2020 £000 |
|--|-------|---------------------------------------|-----------------------------------|
| Non-current assets | | | |
| Goodwill | | 69,352 | 70,028 |
| Other intangible assets | | 49,957 | 53,398 |
| Property, plant, equipment and right-of-use assets | | 5,310 | 6,517 |
| Deferred tax assets | | 1,436 | 724 |
| Total non-current assets | | 126,055 | 130,667 |
| Current assets | | | |
| Cash and cash equivalents | | 46,711 | 25,089 |
| Trade receivables and contract assets | | 37,972 | 40,238 |
| Tax receivable | | 801 | 2,717 |
| Withholding tax debtor | | 722 | 1,172 |
| Other receivables | | 5,147 | 5,482 |
| Total current assets | | 91,353 | 74,698 |
| Current liabilities | | | |
| Trade and other payables | | (42,239) | (49,773) |
| Contract liabilities | | (10,340) | (10,437) |
| Lease liabilities | | (1,248) | (1,602) |
| Provision for contingent consideration | | (3,406) | (3,500) |
| Bank borrowings | 7 | (3,903) | (4,006) |
| Total current liabilities | | (61,136) | (69,318) |
| Net current assets | | 30,217 | 5,380 |
| Non-current liabilities | | | |
| Lease liabilities | | (863) | (1,231) |
| Provision for contingent consideration | | (4,745) | (4,924) |
| Bank borrowings | 7 | (40,258) | (42,741) |
| Provision for defined benefit gratuity | | (1,375) | (1,299) |
| Deferred tax liabilities | | (6,516) | (7,121) |
| Total non-current liabilities | | (53,757) | (57,316) |
| Net assets | | 102,515 | 78,731 |
| Equity attributable to the owners of the parent company | | | |
| Share capital | | 8,245 | 7,479 |
| Share premium | | 48,897 | 27,555 |
| Translation reserve | | (2,301) | (134) |
| Share-based payment reserve | | 9,062 | 8,660 |
| Capital restructuring reserve | | (29,040) | (29,040) |
| Retained earnings | | 67,626 | 64,207 |
| Equity attributable to the owners of the parent company | | 102,489 | 78,727 |
| Non-controlling interest | | 26 | 4 |
| Total equity | | 102,515 | 78,731 |

The accompanying notes are an integral part of the consolidated interim financial statements.

Unaudited Consolidated Statement of Changes in Equity

for the six months ended 30 September 2020

| | Share capital £000 | Share premium £000 | Translation reserve £000 | Share-based payment reserve £000 | Capital restructuring reserve £000 | Retained earnings/ (deficit) £000 | Total equity attributable to shareholders of parent £000 | Non-controlling interest £000 | Total equity £000 |
|---|-----------------------|-----------------------|-----------------------------|-------------------------------------|---------------------------------------|---|---|----------------------------------|----------------------|
| Balance at 31 March 2019 | 6,671 | 6,666 | 1,475 | 12,540 | (29,040) | 62,000 | 60,312 | (192) | 60,120 |
| Profit for the period | - | - | - | - | - | 687 | 687 | 20 | 707 |
| Foreign exchange differences | - | - | 1,199 | - | - | - | 1,199 | 25 | 1,224 |
| Credit to equity for share-based payments | - | - | - | 1,578 | - | - | 1,578 | - | 1,578 |
| Proceeds from share issue, including share options exercised, net of expenses | 754 | 19,964 | - | (533) | - | - | 20,185 | - | 20,185 |
| Debit to share based payment reserve | - | - | - | (5,461) | - | - | (5,461) | - | (5,461) |
| Deferred tax on share-based payments | - | - | - | - | - | 46 | 46 | - | 46 |
| Issue of shares as part of acquisition | 16 | 498 | - | - | - | - | 514 | - | 514 |
| Adoption of IFRS 16 | - | - | - | - | - | 2 | 2 | - | 2 |
| Balance at 30 September 2019 | 7,441 | 27,128 | 2,674 | 8,124 | (29,040) | 62,735 | 79,062 | (147) | 78,915 |
| Profit for the period | - | - | - | - | - | 1,285 | 1,285 | 36 | 1,321 |
| Foreign exchange differences | - | - | (2,808) | - | - | - | (2,808) | 115 | (2,693) |
| Net actuarial losses recognised on defined gratuity plan | - | - | - | - | - | (145) | (145) | - | (145) |
| Credit to equity for share-based payments | - | - | - | 741 | - | - | 741 | - | 741 |
| Proceeds from share issue, including share options exercised, net of expenses | 38 | 427 | - | (205) | - | - | 260 | - | 260 |
| Deferred tax on share-based payments | - | - | - | - | - | (1) | (1) | - | (1) |
| Tax relief on exercised share-based payments | - | - | - | - | - | 335 | 335 | - | 335 |
| Adoption of IFRS 16 | - | - | - | - | - | (2) | (2) | - | (2) |
| Balance at 31 March 2020 | 7,479 | 27,555 | (134) | 8,660 | (29,040) | 64,207 | 78,727 | 4 | 78,731 |
| Profit for the period | - | - | - | - | - | 2,790 | 2,790 | 44 | 2,834 |
| Foreign exchange differences | - | - | (2,167) | - | - | - | (2,167) | (22) | (2,189) |
| Credit to equity for share-based payments | - | - | - | 489 | - | - | 489 | - | 489 |
| Proceeds from share issue, including share options exercised, net of expenses | 766 | 21,342 | - | (87) | - | - | 22,021 | - | 22,021 |
| Deferred tax on share-based payments | - | - | - | - | - | 629 | 629 | - | 629 |
| Balance at 30 September 2020 | 8,245 | 48,897 | (2,301) | 9,062 | (29,040) | 67,626 | 102,489 | 26 | 102,515 |

The accompanying notes are an integral part of the consolidated interim financial statements.

Unaudited Consolidated Cash Flow Statement

for the six months ended 30 September 2020

| | Notes | Six months ended 30 September 2020 £000 | Six months ended 30 September 2019 £000 |
|---|-------|--|--|
| Operating activities | | | |
| Cash from operating activities | 8 | 6,729 | 11,340 |
| Tax paid | | (251) | (364) |
| Net cash from operating activities | | 6,478 | 10,976 |
| Investing activities | | | |
| Interest received | | 96 | 29 |
| Purchases of PPE and intangible assets | | (3,041) | (4,201) |
| Acquisition of subsidiary net of cash acquired | | - | (33,153) |
| Contingent consideration as part of Infracast acquisition | | - | (4,947) |
| Contingent consideration as part of Healthcare acquisition | | - | (1,750) |
| Net cash used in investing activities | | (2,945) | (44,022) |
| Financing activities | | | |
| Principal element of lease payments | | (901) | (562) |
| Bank loan received | | - | 40,635 |
| Repayment of bank loans | | (2,264) | (22,583) |
| Bank loan fees | | (10) | (493) |
| Interest paid | | (610) | (614) |
| Loans issued to related parties | | - | (748) |
| Proceeds from issuance of Ordinary shares | | 22,021 | 20,185 |
| Net cash used in financing activities | | 18,236 | 35,820 |
| Net increase in cash and cash equivalents | | 21,769 | 2,774 |
| Cash and cash equivalents at beginning of the period | | 25,089 | 13,247 |
| Effect of foreign exchange rate changes | | (147) | 389 |
| Cash and cash equivalents at end of the period | | 46,711 | 16,410 |

The accompanying notes are an integral part of the consolidated interim financial statements.

Notes to the unaudited consolidated interim financial statements

for the six months ended 30 September 2020

1. Basis of preparation

The condensed consolidated interim financial statements for the six-month period ended 30 September 2020 have been prepared under the measurement principles of IFRS, using accounting policies and methods of computation consistent with those set out in the Company's 31 March 2020 financial statements. As permitted by AIM rules the Group has not applied IAS 34 'Interim reporting' in preparing these interim reports.

IMImobile PLC (the "Company") is a company domiciled in the UK. The consolidated interim financial statements of the Company for the six-month period ended 30 September 2020 comprise of the Company and its subsidiaries (together referred to as "the Group").

The consolidated interim financial statements are prepared under the historical cost convention. A presentational currency of UK Pound Sterling has been used and accounts have been translated from other functional currencies into UK Pound Sterling.

The preparation of the consolidated interim financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The preparation of the consolidated interim financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated interim financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from the estimates.

2. Basis of consolidation

The Group interim financial statements incorporate the interim financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 September each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The results of subsidiaries acquired or disposed of in any period are included in the consolidated interim income statement from the date of acquisition or up to the date of disposal.

Goodwill is measured as the excess of the sum of consideration transferred. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies into line with those used by the Group. Inter-company balances and transactions, including inter-company profits and unrealised profits and losses are eliminated on consolidation.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the income statement.

3. Accounting policies

The principal accounting policies adopted are consistent with those of the consolidated financial statements of IMImobile PLC for the year ended 31 March 2020.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these consolidated interim financial statements.

The intangible assets accounting policy states that software development costs recognised as assets are amortised over their estimated useful lives, which do not exceed 10 years. For clarity, all software development costs recognised as assets have been amortised over an estimated useful life of 7 years in the current and previous periods.

4. Business and geographical segments

The following is an analysis of the Group's revenue and results by operating segment:

| | Europe £000 | Americas £000 | APAC £000 | MEA £000 | Total £000 |
|---|----------------|------------------|--------------|--------------|-----------------|
| Six months ended 30 September 2020 | | | | | |
| Revenue | | | | | |
| Cloud communication products | 43,223 | 17,994 | 3,735 | 3,910 | 68,862 |
| Operator VAS and mobile payments | 1,409 | 381 | 3,490 | 1,755 | 7,035 |
| Total revenue | <u>44,632</u> | <u>18,375</u> | <u>7,225</u> | <u>5,665</u> | <u>75,897</u> |
| Gross profit | | | | | |
| Cloud communication products | 17,771 | 12,500 | 1,830 | 1,945 | 34,046 |
| Operator VAS and mobile payments | 651 | 299 | 2,488 | 1,473 | 4,911 |
| Total gross profit | <u>18,422</u> | <u>12,799</u> | <u>4,318</u> | <u>3,418</u> | <u>38,957</u> |
| Adjusted operating costs (note 6) | | | | | |
| Cloud communication products | | | | | (21,607) |
| Operator VAS and mobile payments | | | | | (4,051) |
| Central | | | | | (919) |
| Total adjusted operating costs | | | | | <u>(26,577)</u> |
| Adjusted EBITDA (note 6) | | | | | |
| Cloud communication products | | | | | 12,439 |
| Operator VAS and mobile payments | | | | | 860 |
| Central | | | | | (919) |
| Total adjusted EBITDA | | | | | <u>12,380</u> |
| Depreciation and amortisation | | | | | |
| Share-based payment charge | | | | | (6,704) |
| Acquisition costs | | | | | (489) |
| | | | | | <u>(1,102)</u> |
| Operating profit | | | | | 4,085 |
| Finance income | | | | | 109 |
| Finance cost | | | | | (724) |
| Profit before tax | | | | | <u>3,470</u> |
| Tax | | | | | (636) |
| Profit after tax | | | | | <u>2,834</u> |
| Six months ended 30 September 2019 | | | | | |
| Revenue | | | | | |
| Cloud communication products | 54,904 | 8,083 | 4,270 | 4,517 | 71,774 |
| Operator VAS and mobile payments | 2,292 | 208 | 5,343 | 3,422 | 11,265 |
| Total revenue | <u>57,196</u> | <u>8,291</u> | <u>9,613</u> | <u>7,939</u> | <u>83,039</u> |
| Gross profit | | | | | |
| Cloud communication products | 17,903 | 5,634 | 1,851 | 2,025 | 27,413 |
| Operator VAS and mobile payments | 1,182 | 167 | 3,408 | 3,026 | 7,783 |
| Total gross profit | <u>19,085</u> | <u>5,801</u> | <u>5,259</u> | <u>5,051</u> | <u>35,196</u> |
| Adjusted operating costs (note 6) | | | | | |
| Cloud communication products | | | | | (18,133) |
| Operator VAS and mobile payments | | | | | (5,854) |
| Central | | | | | (1,366) |
| Total adjusted operating costs | | | | | <u>(25,353)</u> |
| Adjusted EBITDA (note 6) | | | | | |
| Cloud communication products | | | | | 9,280 |

| | |
|----------------------------------|---------|
| Operator VAS and mobile payments | 1,929 |
| Central | (1,366) |
| Total adjusted EBITDA | 9,843 |
| Depreciation and amortisation | (4,506) |
| Share-based payment charge | (1,650) |
| Acquisition costs | (1,727) |
| Operating profit | 1,960 |
| Finance income | 29 |
| Finance cost | (694) |
| Profit before tax | 1,295 |
| Tax | (588) |
| Profit after tax | 707 |

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3 for each period. The revenue from external parties reported is measured in a manner consistent with that in the consolidated interim income statement. Revenues are attributed to countries on the basis of the customer's location. The Group measures segment profit and loss as gross profit as reported.

Additional voluntary disclosures

The following disclosures are provided for additional purposes only and does not form part of the Group's segmental reporting under IFRS 8. In addition to reviewing operating division and geographical performance, the Chief Operating Decision Maker also considers the performance of the Group in line with its revenue model, which has also been disclosed below.

The following is an analysis of the Group's revenue and result by revenue model:

| | MRR | NRR | Total |
|---|-------------|-------------|--------------|
| | £000 | £000 | £000 |
| Six months ended 30 September 2020 | | | |
| Revenue | | | |
| Cloud communication products | 65,537 | 3,325 | 68,862 |
| Operator VAS and mobile payments | 6,516 | 519 | 7,035 |
| Total revenue | 72,053 | 3,844 | 75,897 |
| Gross profit | | | |
| Cloud communication products | 30,851 | 3,195 | 34,046 |
| Operator VAS and mobile payments | 4,408 | 503 | 4,911 |
| Total gross profit | 35,259 | 3,698 | 38,957 |
| Six months ended 30 September 2019 | | | |
| Revenue | | | |
| Cloud communication products | 68,741 | 3,050 | 71,791 |
| Operator VAS and mobile payments | 9,499 | 1,749 | 11,248 |
| Total revenue | 78,240 | 4,799 | 83,039 |
| Gross profit | | | |
| Cloud communication products | 24,450 | 2,963 | 27,413 |
| Operator VAS and mobile payments | 6,561 | 1,222 | 7,783 |
| Total gross profit | 31,011 | 4,185 | 35,196 |

5. Earnings per share ('EPS')

| | Six months ended 30 September 2020 pence | Six months ended 30 September 2019 pence |
|----------------------|---|---|
| Basic EPS | 3.4 | 1.0 |
| Adjusted basic EPS | 8.3 | 7.5 |
| Diluted EPS | 3.2 | 0.9 |
| Adjusted diluted EPS | 7.7 | 6.9 |

| | Six months ended 30 September 2020 million | Six months ended 30 September 2019 million |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic EPS | 81.9 | 69.6 |
| Effect of dilutive potential ordinary shares: share options | 5.8 | 6.2 |
| Weighted average number of ordinary shares for the purpose of diluted EPS | 87.7 | 75.8 |

See note 6 for a reconciliation of statutory results to adjusted results. The adjusted profit after tax earnings measure is used for the purpose of calculating adjusted earnings per share.

6. Adjusted performance measures

A number of adjusted performance measures are used in these consolidated interim financial statements which are not defined or specified under the requirements of International Financial Reporting Standards (IFRS). Adjusting items are excluded from our headline performance measures by virtue of their size and nature, in order to reflect management's view of the performance of the Group and facilitate the reader to compare performance against prior years more easily.

The Group believes that alternative performance measures such as adjusted EBITDA are commonly reported by companies in the markets in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation and amortisation, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred), or based on factors which do not reflect the underlying performance of the business.

In particular, the Group presents on the face of the income statement those material items of expenditure which, because of their nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand the elements of financial performance in the period. The measures used are adjusted EBITDA, adjusted operating profit, adjusted profit before tax, adjusted profit after tax, adjusted diluted EPS and adjusted cash generated from operations.

Summarised below is a reconciliation from statutory results to adjusted results.

| | Statutory results | A | B | C | D | Adjusted results |
|--------------------------------|------------------------------|-------------|-------------|-------------|-------------|-----------------------------|
| Six months ended: | £000 | £000 | £000 | £000 | £000 | £000 |
| 30 September 2020 | | | | | | |
| Revenue | 75,897 | - | - | - | - | 75,897 |
| Gross profit | 38,957 | - | - | - | - | 38,957 |
| Operating costs | (34,872) | 489 | 1,102 | 3,360 | - | (29,921) |
| Operating profit | 4,085 | 489 | 1,102 | 3,360 | - | 9,036 |
| Profit before tax | 3,470 | 489 | 1,102 | 3,360 | - | 8,421 |
| Tax | (636) | (83) | (277) | (658) | - | (1,654) |
| Profit after tax | 2,834 | 406 | 825 | 2,702 | - | 6,767 |
| EBITDA ¹ | 10,789 | 489 | 1,102 | - | - | 12,380 |
| Cash generated from operations | 6,729 | - | 1,635 | - | - | 8,364 |
| Basic EPS (pence) | 3.4 | 0.5 | 1.0 | 3.3 | 0.1 | 8.3 |
| Diluted EPS (pence) | 3.2 | 0.5 | 0.9 | 3.1 | - | 7.7 |

| | Statutory results | A | B | C | D | Adjusted results |
|--------------------------------|------------------------------|-------------|-------------|-------------|-------------|-----------------------------|
| 30 September 2019 | £000 | £000 | £000 | £000 | £000 | £000 |
| Revenue | 83,039 | - | - | - | - | 83,039 |
| Gross profit | 35,196 | - | - | - | - | 35,196 |
| Operating costs | (33,236) | 1,650 | 1,727 | 1,743 | - | (28,116) |
| Operating profit | 1,960 | 1,650 | 1,727 | 1,743 | - | 7,080 |
| Profit before tax | 1,295 | 1,650 | 1,832 | 1,743 | - | 6,520 |
| Tax | (588) | 4 | (217) | (507) | - | (1,308) |
| Profit after tax | 707 | 1,654 | 1,615 | 1,236 | - | 5,212 |
| EBITDA ¹ | 6,466 | 1,650 | 1,727 | - | - | 9,843 |
| Cash generated from operations | 11,340 | - | 1,727 | - | - | 13,067 |
| Basic EPS (pence) | 1.0 | 2.4 | 2.3 | 1.8 | - | 7.5 |
| Diluted EPS (pence) | 0.9 | 2.2 | 2.1 | 1.7 | - | 6.9 |

Adjustments for costs which management do not consider reflect underlying business performance:

- A Share-based payment charge net of tax
- £nil (2019: £1,107,000) relates to contingent consideration arising from acquisition activities
 - £13,000 credit (2019: £17,000 charge) relates to employee share schemes granted as part of the Group's listing in June 2014
 - £87,000 (2019: £40,000) relates to employee share schemes granted as a means of retention for key employees joining the Group as a result of an acquisition
 - £332,000 (2019: £490,000) relates to on-going employee incentive share schemes

Share-based payment charges are commonly adjusted from headline results by similar companies which operate in the same markets as the Group. Management believe that share-based payments linked to acquisitions and the Company's IPO should be considered one-off in nature and do not reflect the underlying performance of the Group. On-going employee incentive share schemes have not been consistently granted to employees since IPO and the share-based payment expense in the income statement has therefore not been consistent over this period and the effect on profits do not reflect the underlying performance of the Group.

- B Costs directly relating to acquisitions including retention bonuses payable to key management personnel of the acquired entity agreed at the time of acquisition.

- C Amortisation of acquired intangibles. The majority of intangible assets acquired via acquisitions relate to value which has been created prior to acquisition, the cost of which has been expensed over time. Had the Group chosen to create these assets instead of acquiring them the related costs would have been expensed in prior periods. It is therefore considered appropriate to exclude the amortisation of these historic expenses from the adjusted results of the Group.

- D Basic adjusted EPS and diluted adjusted EPS includes profit attributable to non-controlling interests not included in the calculation of statutory basic and diluted EPS. Diluted adjusted EPS also includes the dilutive effect of share options not included in statutory diluted EPS when they have an anti-dilutive effect.

¹ Unadjusted EBITDA is operating profit plus depreciation and amortisation.

7. Bank borrowings

| As at 30 September 2020 £000 | As at 31 March 2020 £000 |
|---|---|
|---|---|

| | | |
|--|---------------|---------------|
| UK bank loans due in less than one year | 4,000 | 4,000 |
| Bank borrowing costs | (131) | (130) |
| | <u>3,869</u> | <u>3,870</u> |
| South African bank loans due in less than one year | 34 | 136 |
| | <u>3,903</u> | <u>4,006</u> |
| UK bank loans due in more than one year | 40,650 | 43,192 |
| Bank borrowing costs | (392) | (451) |
| | <u>40,258</u> | <u>42,741</u> |
| South African bank loans due in more than one year | - | - |
| | <u>40,258</u> | <u>42,741</u> |

The Company agreed new UK bank loan facilities in August 2019 and amended in December 2019. The existing facilities were repaid in full at the time the new facilities were agreed. The new facility includes a £30,000,000 5-year term loan with annual interest of between 1.65% and 2.35% plus LIBOR based on the level of adjusted leverage, and a £20,000,000 revolving loan facility repayable over 5 years and bearing interest at an annual rate of between 1.65% and 2.35% plus LIBOR based on the level of adjusted leverage.

A South African bank loan of ZAR 15,000,000 was taken by Archer Digital Limited in October 2016, repayable over four years. The loan is secured by fixed assets and bears interest at South Africa's prime rate plus 1%.

The movements in bank borrowings over the six months were as follows:

| | UK bank loan £000 | South Africa bank loan £000 | Subtotal £000 | Borrowing costs £000 | Total £000 |
|----------------------------------|-------------------------|--------------------------------------|------------------|----------------------------|---------------|
| At 31 March 2020 | 47,192 | 136 | 47,328 | (581) | 46,747 |
| Principal repayments | (2,163) | (101) | (2,264) | - | (2,264) |
| Capitalised bank borrowing costs | - | - | - | (10) | (10) |
| Amortisation of borrowing costs | - | - | - | 68 | 68 |
| Exchange differences | (379) | (1) | (380) | - | (380) |
| At 30 September 2020 | <u>44,650</u> | <u>34</u> | <u>44,684</u> | <u>(523)</u> | <u>44,161</u> |

8. Notes to the Consolidated Cash Flow Statement

| | Six months ended 30 September 2020 £000 | Six months ended 30 September 2019 £000 |
|--|--|--|
| Cash flows from operating activities: | | |
| Profit before tax | 3,470 | 1,295 |
| Adjustments: | | |
| Net interest cost | 615 | 665 |
| Share-based payments | 489 | 1,650 |
| Depreciation of PPE and amortisation of intangible assets | 6,704 | 4,506 |
| | <u>11,278</u> | <u>8,116</u> |
| Operating cash flows before movements in working capital: | | |
| Decrease in receivables | 3,250 | 4,839 |
| Decrease in payables | (7,909) | (1,684) |
| Increase in provision for defined benefit gratuity plan | 110 | 69 |
| | <u>6,729</u> | <u>11,340</u> |
| Cash generated from operations | <u>6,729</u> | <u>11,340</u> |