

Escher Group Holdings plc

World leading provider of digital point of service solutions

Half year results for six months ended 30 June 2015
September 2015

Forward Looking statements

Cautionary statement

This presentation contains forward-looking statements. These statements have been made by the Directors in good faith based on the information available to them up to the time of their approval of this presentation. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements contained in this presentation, whether as a result of new information, future events, or otherwise.

Half year highlights

- Rollouts on both sides of the world – US and Malaysia
- Enterprise License milestone for US; remaining US\$2.4m of license revenue recognised. Maintenance commenced
- New contract for retail bank, permanent tsb (ptsb)
- Recent contract wins with a top tier postal operator for Self-Service Kiosk
- New product areas contract wins:
 - UK's North East Local Enterprise Partnership (NELEP)
 - Ireland's National License & Permits Application Systems for Enterprises
 - *eMoney* launch Isle of Man Post Office

Revenue

US\$11.85m

7% 

(2014 US\$11.08 m)

Adjusted EBITDA

US\$2.68m

66% 

(2014 US\$1.61 m)

Net debt

US\$2.72m

23% 

(2014 US\$3.54 m)

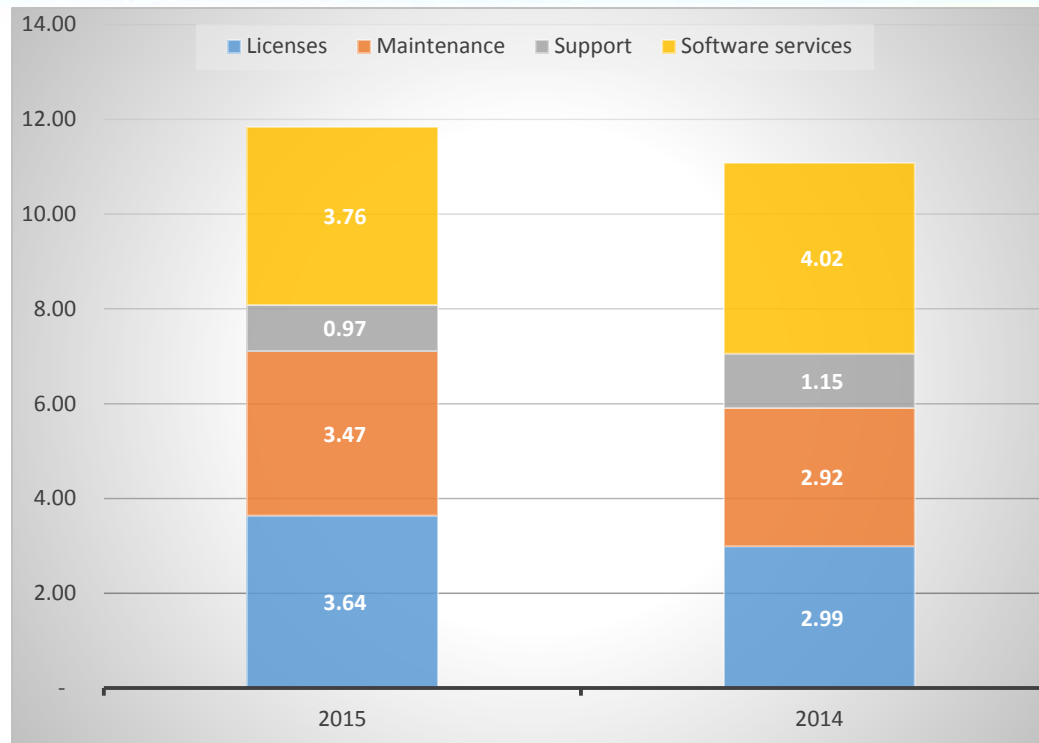
Income statement

For the six months to US\$'000	30 June 2015	30 June 2014
Revenue	11,850	11,075
Cost of sales	<u>-4,195</u>	<u>-4,087</u>
Gross profit	7,655	6,988
Gross profit %	64.6%	63.1%
R&D	1,565	1,410
S&M	2,058	2,395
Admin	<u>2,457</u>	<u>2,490</u>
Operating expenses	<u>-6,081</u>	<u>-6,296</u>
Operating profit	1,574	692
Net finance expense	<u>-313</u>	<u>-274</u>
Profit before income tax	1,261	418
Income tax expense	<u>-504</u>	<u>-124</u>
Profit for the period	<u>757</u>	<u>294</u>
Basic EPS (US\$)	4.0	1.6

Adjusted EBITDA reconciliation

Six months to US\$'000	30 June 2015	30 June 2014
Operating profit	1,574	692
Depreciation	193	251
Amortisation	816	519
EBITDA	<u>2,583</u>	<u>1,462</u>
Share based payment	100	142
Adjusted EBITDA	<u>2,683</u>	<u>1,604</u>
Less Capitalisation	793	1,114
	<u>1,890</u>	<u>490</u>

Revenue analysis



- Licence revenue increased 22% to US\$3.65m
- Lower margin services revenue down to US\$3.76m
- Maintenance revenue increased by 19% to US\$3.47m
- Support revenue was US\$0.97m
- Gross margin increased due to revenue mix; larger proportion of higher margin license and maintenance revenue

Cash flow statement

Six months	30 June 2015	30 June 2014
	US\$'m	US\$'m
Adjusted EBITDA	2.68	1.61
Working capital movements	0.87	(1.63)
Foreign exchange	0.05	(0.01)
Cash generated from operations	3.60	(0.03)
Interest and tax paid	(0.34)	(0.30)
Intangible assets	(0.79)	(1.12)
Government grants	0.14	0.25
Fixed assets	(0.02)	(0.11)
Debt repayment	(0.53)	(0.50)
Cash movement	2.06	(1.81)
Cash at start of year	5.72	6.71
Closing cash	7.78	4.96

- Net debt reduced 49% from 31 December 2014 to US\$2.72m at 30 June 2015
- LT bank debt to October 2018 with annual repayments of US\$1.0m p.a. and revolving credit facility of US\$3m.

Business update

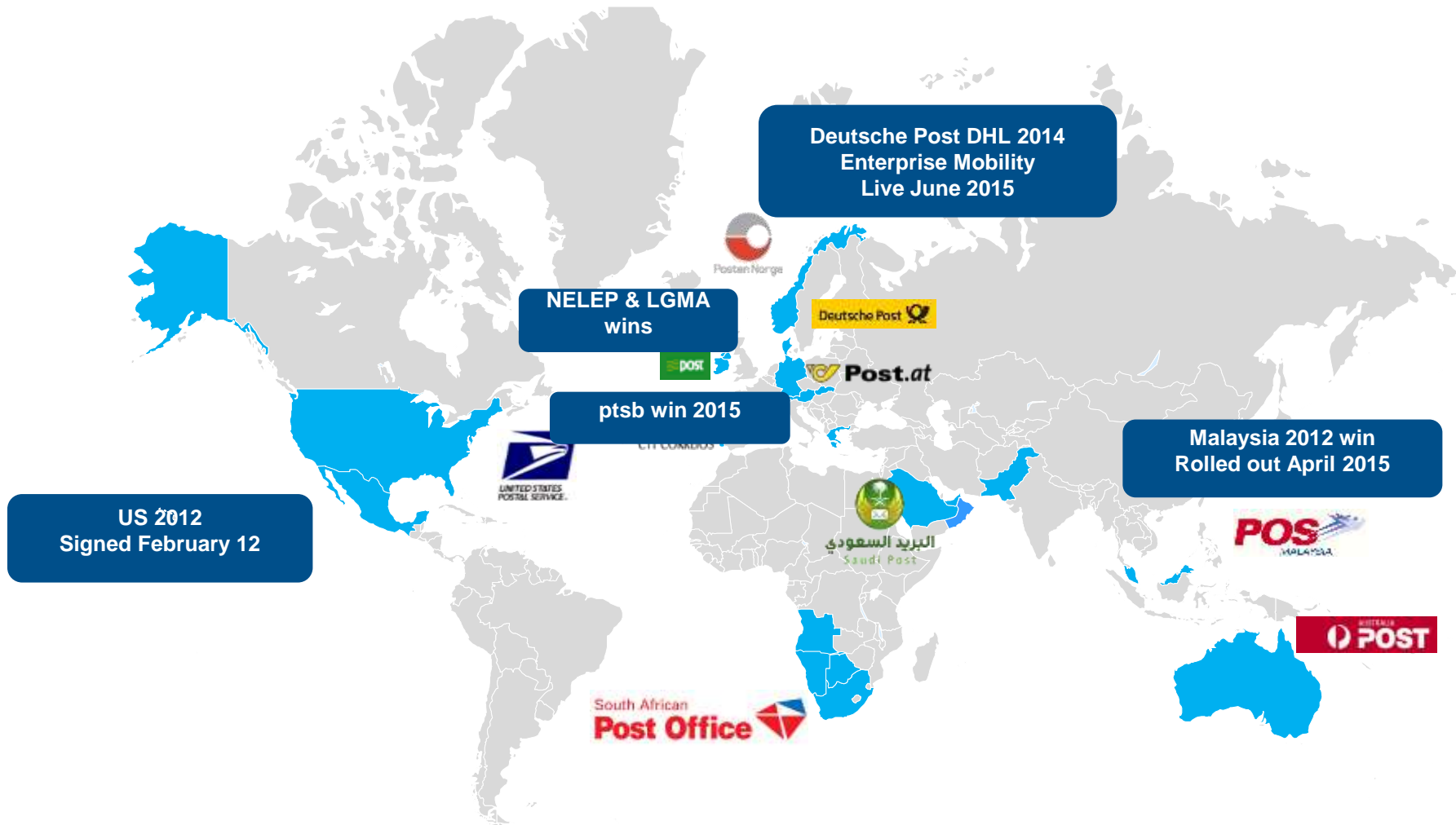


ESCHER GROUP™

Half year operational highlights

- Executed in core business
 - US & Malaysia Implementations
 - Rollout of DPDHL enterprise mobile solution
 - Starting maintenance, subscription & follow-on contract
- Expanded customer signings in new software areas
 - Ireland's Local Government Management Authority(LGMA) for licensing and permits
 - North East Local Enterprise Partnership (NELEP)
- Substantially completed R&D platform

Global customers



- **Key drivers**
 - Postal **Mail** service is in decline but overall revenues stable
 - eCommerce driving **Parcel** business growth
 - Number of access points is increasing
 - Cost per access point decreasing
 - Postal **financial services and government services** are growing;
 - Inclusive services
 - One billion people are banked through the Post
 - eMoney capability becoming important
- **Considerable number of countries with active investment programmes**
 - European countries needing to upgrade software for more complex retail environment
 - Middle East
 - Posts looking for technology partners

DPDHL

- Signed September 2014
- 'Paketshop' solution to deliver easier parcel collection and returns and other services
- Commenced rollout and subscription revenue in June 2015 for 5 years
- 15,000 mobile devices with growth opportunity

IOS

- Proof of concept completed

Kiosk

- Recent contract win with a top tier postal operator for Self-Service Kiosk
- Utilises new enterprise mobile software

Contract update

- South African Postal Service (SAPO)
 - Registered letter and eInvoice solution

UK

- North East LEP – North East Growth Hub
 - Business community collaborative solution

Ireland

- National License and permits system (LGMA)
- Collaborative solution - One stop shop for license applications

Market focus

- Posts, Central government and local government
- Partner with posts and/or local players

Application focus

- Digital/hybrid mail
- Public collaborative applications
- Fully managed service or licensed software sale for deployment by operators

Mobile solution for payments, loyalty & couponing

Fully managed PAAS (platform as a service) for retailers

- Insomnia
- Other targets
 - Postal operators
 - Mobile wallet providers

Post Offices - *eMoney* offering

- Isle of Man Post
 - *eMoney* card/mobile for benefit payments and pensions
 - Card/mobile accepted in retail locations
- Examining Postal Loyalty and iBeacons

Leverage Core Technology To Drive Further Growth

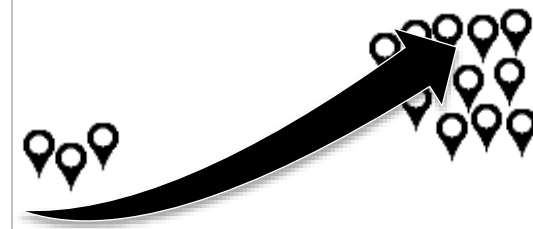
Continue Geographical Expansion

- Focus on **Europe**
- Consolidate presence in the **Middle East**
- Continue expansion **Africa** and **Asia**
- **New Product focus on UK & Ireland**



Increasing Points Of Presence

- Parcel pick-up and drop-off
- Upselling current customer base following market trends
 - Enterprise mobile and logistics new market opportunity
 - Leverage existing agreements



Drive Growth In Digital Services Focus on Solutions

- **Supporting government** initiatives in strong identity, secured communications and collaborative working
- **Supporting Posts** in digitising their customers' businesses
- **Strong focus on additional opportunities for solutions built on our platform**



Continue Market Expansion & focus eMoney & Loyalty for Posts

- **Manage mobile services for small retailers, consumers and posts**
- Postal customer base expansion in order to optimise scale
- **eMoney** for government and Postal operators



Outlook

- Good pipeline – need new license sales
- Good contracted order book
- **Traditional**
 - Genuine interest in Digital
- **Logistics eCommerce offering**
 - Leveraging growth in eCommerce with Escher mobile capability
 - Expand within existing relationships

Completed Platform allows us to focus on Solutions

- **Local Government- RiposteTrEx™**
 - Recent wins provide us with validation and references
- **Fintech**
 - ptsb win in retail banking
 - *eMoney* capability for Posts to drive growth