13 March 2023

Fonix Mobile plc

("Fonix" or the "Company")

Interim Results for the six months ended 31 December 2022

Strong earnings growth and expanded partnership with ITV Plc

Fonix, the UK focused mobile payments and messaging company, is pleased to announce its unaudited interim results for the six months to 31 December 2022 (the "Period").

Financial Highlights

	H1 FY23	H1 FY22	Change
Revenue	£32.8m	£28.6m	+14.7%
Gross profit	£7.8m	£7.0m	+11.4%
Adjusted EBITDA[1]	£6.2m	£5.5m	+12.7%
Interim DPS	2.36p	2.00p	+18.0%
Adjusted PBT[2]	£5.9m	£5.2m	+13.5%
Adjusted EPS[3]	4.9p	4.4p	+11.4%
Underlying cash[4]	£8.4m	£6.3m	+33.3%
Net underlying free cash flows from operating activities[4]	£5.5m	£5.2m	+5.8%

Operational Highlights

- Record levels of commercial trade were achieved in December, including 85 million SMS messages processed in a single month.
- A second, tier 1 media went client live in the Republic of Ireland, our first international market.
- Significant upgrade of technical infrastructure, doubling the peak capacity of key Fonix products.
- Fonix continues to maintain high client retention, with over 99% of income of a repeating nature.
- 100% platform uptime in the period.
- Fonix's key service lines of payments and messaging have each grown in the Period and the business retained a growing pipeline of enterprise prospects going into H2 FY23.

Post Period End

- ITV Plc, the leading UK TV broadcaster, has agreed to gradually extend its commercial partnership with Fonix to include SMS billing payments, alongside the existing relationship for carrier billing and charity services.

Outlook

We have continued to make great progress on our growth strategy in the period, with performance comfortably in line with expectations and the business has a strong pipeline of opportunities going into the second half of the year. As was the case in previous years, we are expecting gross profit to be slightly weighted towards the first half of the financial year, due to some seasonality in the trade of our significant media customers.

In line with our growth plans, we will continue to invest more in future growth, with further investment into product as well as making new investments in organic international growth, as we look to deliver sustainable, highly profitable growth for our shareholders.

The Company has a strong new business pipeline, including several significant enterprise deals in the UK and Ireland, which provide the Board with confidence in the ongoing success of the business. We look forward to updating shareholders at the appropriate time as we progress through the current financial year.

Notes

[1] Adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit.

[2] Adjusted PBT is profit before tax excluding share-based payment charges.

[3] Adjusted EPS is earnings per share excluding share-based payment charges.

[4] Underlying cash is actual cash excluding cash held on behalf of customers.

[5] Active customers are those generating more than £500 in gross profit in the previous 12 months.

Rob Weisz, CEO, commented:

"*Our long term investment in pursuing some large enterprise deals has begun to pay off and we have an exciting pipeline of new opportunities commencing in the coming period, including a significant expansion of our partnership with ITV post period end.*

As planned, we have invested more in sales and product in the period, and we will be scaling our investment in international growth in the second half of the year as we look to continue to deliver sustainable, highly profitable growth for our shareholders, expand into new markets, and further advance our competitive advantage."

Enquiries

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About Fonix

Founded in 2006, Fonix provides mobile payments and messaging services for clients across media, telecoms, entertainment, enterprise and commerce.

When consumers make payments, they are charged to their mobile phone bill. This service can be used for ticketing, content, cash deposits and donations. Fonix's service works by charging digital payments to the mobile phone bill, either via carrier billing or SMS billing. Fonix also offers messaging solutions.

Based in London, Fonix is a fast growth business used by blue chip clients such as ITV, Bauer Media, BT, Global Media, Comic Relief and Children in Need to name a few.

CEO's review

Fonix has continued to make strong progress on its strategic and financial goals in the first six months of the financial year, once again achieving double-digit period-on-period growth in gross margins and profitability, whilst winning new clients across our core sectors, and establishing an impressive pipeline of prospects.

In expanding our commercial partnership with ITV shortly after the period ended, Fonix has become the de facto SMS interactive services partner for broadcasters in the UK, and in launching services with a second leading media organisation in Ireland, we are on a similar path to success in that market also.

Fonix's two core business lines of mobile payments and mobile messaging have each grown strongly in the period, increasing by 13% and 18% year-on-year respectively. Mobile payments remains the business's primary commercial focus and represented 84% (H1 FY22: 83%) of gross profits. Mobile messaging continued to grow strongly due to increased demand from existing customers, as well as strong adoption by new clients onboarded in the period.

The Total Payment Value (TPV) growth from Fonix's commercial clients remained strong in the period and at a consistent rate with previous periods. However, Charity TPV fell 36% year-on-year, due to a change in the timing of certain annual telethon events and some decline in consumer giving across the period. As a result, overall TPV growth remained relatively flat year-on-year.

Market opportunity

The market for frictionless mobile payments in Fonix's core sectors continues to be significant and growing. Fonix is now considered to be the leading provider of mobile payments in Ireland, and by their own admission, since connecting Fonix, Irish mobile network operators are experiencing levels of growth never seen in the market before. Once again this is an endorsement of our strategy to focus on sectors where we see sustainable growth opportunities and illustrates our ability to scale clients' accounts in ways unmatched by our competitors. We continue to see many opportunities to mirror this success in other markets around the world, but will still approach this from a customer led manner.

For the majority of our customers, deploying Fonix's payment solutions continues to reduce checkout abandonment and provide incremental revenues rather than cannibalising their existing transactions. For this reason we do not consider ourselves to be in direct competition with traditional payment methods, such as credit card or Apple Pay, but offering an alternative to consumers who may otherwise forgo purchasing.

Growth strategy

Fonix continues to take a balanced approach to sustainable growth, looking to achieve a material percentage growth in gross profits, whilst at least maintaining shareholder income growth in parallel. Guided by this strategy, the business increased its investment in sales and product in the period in line with the percentage increase in gross profits.

The business has made good progress with each of its growth strategy pillars, which continue to guide our decision making and how we invest:

1. Grow & deepen existing relationships

Fonix's revenue from key commercial customers has continued to grow solidly in the period, demonstrating the resilience of Fonix's business model in a challenging economic environment. The business continues to forge deeper relationships with its biggest clients, and find new commercial opportunities for growth from these accounts.

Our unique and influential customer and operator relationships have proven vital in achieving early commercial successes in the Republic of Ireland and we continue to work closely together to identify new opportunities for growth in the region. These alliances remain one of Fonix's most understated competitive advantages.

2. Take a disciplined sector focus

We continue to take a sector focused approach to growth, leveraging our significant reference clients and key partnerships across our core markets.

The media sector continues to be the business' dominant vertical focus in both the UK and now in overseas markets also. As well as recently expanding our commercial partnership with ITV in the UK and winning a second broadcaster contract in Ireland, we are in advanced discussions with other media organisations in both regions looking to harness Fonix's mobile payments and interactive technologies.

In the mobility and ticketing sector, whilst commercial progress is still in the early stages, we are progressing several greenfield opportunities to offer consumers frictionless payments for on-the-move services, as an alternative to traditional cash transactions with a high processing cost and are evaluating a trial with a transport opportunity. The potential scale and 'stickiness' of a payment solution in this space continues to justify the modest investment in commercial efforts in this area.

We continue to target a number of new opportunities in online services by demonstrating the reduction in basket abandonment achieved by incorporating carrier billing as an alternative payment option in a consumer's checkout flow.

Following several periods of consecutive growth, revenues from the charity segment declined in the period, with cost of living pressures leading to a drop off in consumer giving. Income from charity clients was also impacted by timing changes to some annual events. Whilst declining in the short term, the market for charity donations continues to be significant and with carrier billing payments providing a 'near free' commission model along with Fonix's exceptional reference clients, there remains many more opportunities for expansion in this market.

3. Create sustainable, long-term profitability for shareholders

Fonix continues to achieve material growth in gross profits and adjusted EBITDA, with both growing 11.4% and 12.7% respectively year-on-year in the period. With our core commercial focus remaining on large, multinational clients with relatively long sales cycles, and our priority on nurturing new clients to ensure that they are transacting to their full potential, we continue to take a considered approach to growth by balancing new business wins with driving transactions with existing clients. We believe this remains the best approach for providing a long-term return to shareholders.

4. Be client led with international expansion

In expanding to the Republic of Ireland, the business has delivered on its commitment of organic international growth through its network of tier 1 multinational clients. Since initially launching services with Bauer Ireland, we have added another tier 1 media client and have a clear strategy to become the leading payments partner for all broadcasters in the region within the next 18 months.

Beyond Ireland, we continue to make good progress in broadening our addressable market, establishing new connectivity and mobile network operator relationships in well regulated and mature neighbouring markets. We believe this is the best strategy for achieving sustainable, highly valued, organic growth, where our domain expertise can be expanded into new markets and this strategy will continue to be customer led.

International growth continues to be a core, medium term investment strategy for the business, but forms a relatively small part of our short term forecasts. As such, we plan to only mention new territories once they are generating meaningful revenues.

5. Widen our technological and operational advantage

Targeting a relatively small number of large and specialised sectors, particularly in the media and charity space, Fonix has been able to establish a cutting edge and highly differentiated product offering. With over 10 years of investment in our Campaign Manager product, Fonix has built a platform which creates real tangible added value for our clients and provides the business with a significant competitive advantage, which over time we believe can be applied in many markets across the globe. In onboarding new enterprise media clients in the period, including some in an overseas market, Campaign Manager is now able to support multiple currencies, as well as several additional third party integrations.

The business has continued to build on its exemplary reputation for compliance, and has already begun to establish excellent consultative relationships with mobile operators and regulators in new markets, such as in Ireland. We strongly believe this trusted relationship with our partners continues to provide an immeasurable benefit when winning new business, as well as attacking and retaining the best talent, which in turn reinforces the barriers to entry for other providers that might look to enter the market.

People

Fonix prides itself on being a great place to work and having a culture where our team can thrive. Attracting and retaining the best industry leading talent continues to be a top priority for the business. Our average headcount grew 8% year-on-year to an average of 41 in the period (H1 FY22: 38), including our first commercial hire in the Republic of Ireland. As all businesses are finding right now, it was necessary to give staff above (historic) average pay rises in the latest pay review to help them cope with increases in the cost of living. However, I am pleased to say we were able to manage any increases within our existing growth projections and offset any additional cost with savings elsewhere. We continue to be mindful of inflation moving forward, and continue to be confident of managing additional costs within our existing plans.

Product

During the period, we upgraded our technical infrastructure to double the peak load capacity of our core products, allowing us to support significantly more and larger client campaigns in parallel. We are confident these technological advantages will not only ensure retention of our existing customers, but also help us win significant new business from our competitors and greenfield opportunities in new emerging sectors.

Financial Review

Key performance indicators

Financial	H1 FY23	H1 FY22	Change
Gross profit	£7.8m	£7.0m	11.4%
Adjusted EBITDA[1]	£6.2m	£5.5m	12.7%
Adjusted PBT[2]	£5.9m	£5.2m	13.5%
Underlying cash[3]	£8.4m	£6.3m	33.3%
Adjusted EPS[4]	4.9p	4.4p	11.4%

Non-financial	H1 FY23	H1 FY22	Change
Total payments value (TPV)	£137m	£138m	-0.7%
Active customer count[5]	121	116	4.3%

[1] Adjusted EBITDA excludes share-based payment charges along with depreciation, amortisation, interest and tax from the measure of profit.

[2] Adjusted PBT is profit before tax excluding share-based payment charges.

[3] Underlying cash is actual cash excluding cash held on behalf of customers.

[4] Adjusted EPS is earnings per share excluding share-based payment charges.

[5] Active customers are those that generated more than £500 in gross margin in the previous 12-months.

Revenue

Company revenues for the period were £32.8m (H1 FY22: £28.6m) growing 15% on the previous year, driven by strong growth across mobile payments and mobile messaging service lines. Revenues recognised for mobile payments relate to the total commission charged to customers, including the Mobile Network Operator (MNO) share of a transaction, with the MNO commission also recognised within cost of sales. The Directors therefore monitor results and performance of the Company based upon the gross profit generated, which is considered the more meaningful measure of performance.

Revenue and gross profit grew more strongly than TPV, as charity related TPV, which is a relatively low margin product, declined 36% year-on-year and was offset by growth in more profitable payments products.

Gross Profit

Gross profit is the business' most important financial indicator as this represents the company's share of revenue for processing mobile payments and SMS messages.

Gross profit for the period increased to £7.8m (H1 FY22: £7.0m) growing 11.4% on the previous period, with mobile payments growing 13.3%, mobile messaging growing 17.9% and managed services declining 19.8%. The decline in managed service fees, which makes up a relatively small amount of gross profit was attributable to a reduction in the number and size of charity campaigns in the period.

Blended gross profit margins decreased slightly to 23.8% (H1 FY22: 24.5%) attributable to falls in charity related managed services fees as well as changes in the product and client mix affecting the mobile payments gross margin percentage. In particular, mobile payments in the Republic of Ireland are at a significantly lower margin percentage than those in the UK, due to the higher revenue share taken by mobile carriers in the Irish market. We anticipate this trend to continue for the rest of the financial year, with margins stabilising from FY23 onwards.

Adjusted Operating Expenses

Operating costs have remained firmly under control as the business has expanded internationally, with costs generally only increasing where the business has invested more in sales and product. Adjusted operating costs increased 8% in the period to £1.63m (H1 FY22: £1.51m). The majority of the increase related to additional staff costs and annual pay rises as the business has invested more in growth with new commercial hires, along with an increased spend on IT infrastructure costs.

Staff related costs and incentives increased to £1.6m (H1 FY22: £1.4m) in the period reflecting the additional investment in sales and product hires. Average headcount for the period was 41 (H1 FY22: 38).

Software development costs of £344k (H1 FY22: £303k) were capitalised in the period, representing 56% (H1 FY22: 59%) of development costs in the period. The slight decrease in capitalised expenditure reflects the additional focus on onboarding and integrating new customers during the period. The capitalisation of current period development spend was offset by an amortisation charge of £267k (H1 FY22: £218k). Development costs are amortised on a straight-line basis over 3-years.

Adjusted EBITDA

The growth in gross profit and the continued control of costs has resulted in an equivalent increase in adjusted EBITDA, which is up 12.7% at £6.2m (H1 FY22: £5.5m) for the period. 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.

Finance income and expenses

Finance expenses which relate to the unwinding of the discounted lease liability decreased marginally to £3k (H1 FY22: £6k).

Interest on bank deposits increased due to the increase in bank interest rates.

Corporation tax

We have been closely following the government's evolving policy towards UK corporation tax over recent months. Whilst we will be taxed more favourably on our Irish profits, due to the increase in the headline rate of UK corporation tax combined with some significant changes to the R&D tax credit scheme, we are anticipating our effective rate of corporation tax to increase by up to 6% in the next financial year (FY24), subject to there being no further changes announced by HM Treasury.

Statement of Financial Position

The company had net assets of £8.2m at the period end (H1 FY22: £6.1m), including capitalised software development costs with a carrying value of £1,072k (H1 FY22: £933k). The movement in net assets reflects profits after tax less dividend payments.

The company pays out monies to customers (merchants) once reconciliations have been completed and the equivalent monies have been received from mobile network operators. As a result, the company often holds significant amounts of customer related receivables, payables and cash, which can vary substantially from period to period, depending on timing of customer campaigns and mobile operator outpayments.

Current assets remained unchanged at £67m (H1 HY22: £67m) at the period end. Trade and Other Receivables, which includes monies receivable on behalf of customers, increased in the period and was offset by an equivalent fall in actual cash. This was purely due to the timing of some mobile network operator outpayments at the period end, which were delayed by a matter of days, with no impact on the business' trading. Current liabilities decreased marginally to £60m (H1 FY22: £62m) as the business held fewer charity related customer funds at the period end.

Non-current liabilities decreased to £0.1m (H1 FY22: £0.2m) as a result of normal payments against the office lease liability offset by an increase in deferred tax liabilities.

Cash and underlying cash

The board distinguishes between actual cash, which includes cash held on behalf of customers, and underlying cash, which excludes cash held on behalf of customers.

Underlying cash far better represents the free cash flow available to the business. Underlying cash increased 33.3% to £8.4m (H1 FY22: £6.3m) due to additional retained earnings.

Actual cash, which includes cash held on behalf of customers, varies substantially from period to period and is particularly sensitive to the timing of mobile network operator payments at month end, as well as pass-through outpayments for customer charity campaigns. Actual cash held at the period end was £20.4m (H1 FY22: £23.6m) in the period. The decrease is purely a timing issue and is wholly attributed to a mobile network operator payment being delayed by a few days at the period end, which had no impact on the business or our clients.

Dividends

We are pleased to declare our increased interim dividend of 2.36p per share, in line with the company's progressive dividend policy to pay out at least 75% of adjusted EPS to shareholders in the form of an ordinary dividend each period. The interim dividend will be paid on 31 March 2023 to shareholders on the register on 24 March 2023, with an ex-dividend date of 23 March 2023.

Outlook

We have continued to make great progress on our growth strategy in the period, with performance comfortably in line with expectations and the business has a strong pipeline of opportunities going into the second half of the year. As was the case in previous years, we are expecting gross profit to be slightly weighted towards the first half of the financial year, due to some seasonality in the trade of our significant media customers.

In line with our growth plans, we will continue to invest more in future growth, with further investment into product as well as making new investments in organic international growth, as we look to deliver sustainable, highly profitable growth for our shareholders.

The Company has a strong new business pipeline, including several significant enterprise deals in the UK and Ireland, which provide the Board with confidence in the ongoing success of the business. We look forward to updating shareholders at the appropriate time as we progress through the current financial year.

Robert Weisz
Chief Executive Officer

Unaudited interim results for the 6 months ended 31 December 2022

Statement of Comprehensive Income

For the 6 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	4	32,815	28,597	53,649
Cost of sales		(25,009)	(21,605)	(40,417)
Gross profit	3	7,806	6,992	13,232
Other income		-	42	51
Adjusted operating expenses[1]		(1,626)	(1,506)	(3,018)
Profit before interest, tax, depreciation, amortisation, share-based payment charge and exceptional costs		6,180	5,528	10,265
Share-based payment charge		(64)	(52)	(100)
Depreciation and amortisation		(333)	(283)	(592)
Operating profit		5,783	5,193	9,573
Finance income		55	1	8
Finance expense		(3)	(6)	(10)
Profit before taxation		5,835	5,188	9,571
Taxation		(990)	(874)	(1,545)
Total comprehensive profit for the period		4,845	4,314	8,026

[1] Adjusted operating expenses excludes share-based payment charge, depreciation and amortisation

Earnings per share	**Unaudited 6 months to 31 December 2022**	Unaudited 6 months to 31 December 2021	Audited Year to 30 June 2022
Basic earnings per share	4.8p	4.3p	8.0p
Diluted earnings per share	4.8p	4.3p	8.0p
Adjusted basic earnings per share	4.9p	4.4p	8.1p

Statement of Financial Position

As at 31 December 2022

	Unaudited 31 December 2022	Unaudited 31 December 2021	Audited 30 June 2022
	£'000	£'000	£'000
Non-current assets			
Intangible asset	1,072	933	995
Right of use asset	99	211	155
Tangible assets	22	19	25
	1,193	**1,163**	**1,175**
Current assets			
Trade and other receivables	46,658	43,226	31,975
Cash and cash equivalent	20,438	23,630	16,992
	67,096	**66,856**	**48,967**
Total assets	**68,289**	**68,019**	**50,142**
Equity and liabilities			
Equity			
Share capital	100	100	100
Share premium account	679	679	679
Share option reserves	236	124	172
Retained earnings	7,215	5,158	6,870
	8,230	**6,061**	**7,821**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	148	137	160
Lease liabilities	-	76	17
	148	**213**	**177**
Current liabilities			
Trade and other payables	59,835	61,632	42,028
Lease liabilities	76	113	116
	59,911	**61,745**	**42,144**
Total liabilities	**60,059**	**61,958**	**42,321**
Total equity and liabilities	**68,289**	**68,019**	**50,142**

Statement of Changes in Equity

For the 6 months ended 31 December 2022

	Share capital £'000	Share premium £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2021	**100**	**679**	**72**	**4,374**	**5,225**
Profit for the period	-	-	-	4,314	4,314
	-	-	-	4,314	4,314
Transactions with shareholders					
Dividends	-	-	-	(3,530)	(3,530)
Share-based payment charge	-	-	52	-	52
Capital issued	-	-	-	-	-
	-	-	52	(3,530)	(3,478)
Balance at 31 December 2021	**100**	**679**	**124**	**5,158**	**6,061**
Profit for the period	-	-	-	3,712	3,712
	-	-	-	3,712	3,712
Transactions with shareholders					
Dividends	-	-	-	(2,000)	(2,000)
Share-based payment charge	-	-	48	-	48
Capital issued	-	-	-	-	-
	-	-	48	(2,000)	(1,952)
Balance at 30 June 2022	**100**	**679**	**172**	**6,870**	**7,821**
Profit for the period	-	-	-	4,845	4,845
	-	-	-	4,845	4,845
Transactions with shareholders					
Dividends	-	-	-	(4,500)	(4,500)
Share-based payment charge	-	-	64	-	64
Capital issued	-	-	-	-	-
	-	-	64	(4,500)	(4,436)
Balance at 31 December 2022	**100**	**679**	**236**	**7,215**	**8,230**

Statement of Cash Flows

For the 6 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	5,835	5,188	9,571
Adjustments for			
Depreciation	10	8	15
Amortisation	323	275	575
Share-based payment charge	64	52	100
Finance income	(55)	(1)	(8)
Finance expense	3	6	10
Increase in trade and other receivables	(14,683)	(18,346)	(7,095)
Increase in trade and other payables	17,355	23,386	4,121
Income tax paid	(550)	(379)	(1,365)
Net cash flows from operating activities	**8,302**	**10,189**	**5,924**
Cash flows from investing activities			
Interest received	55	1	8
Payments to acquire tangible assets	(7)	(3)	(17)
Payments to acquire intangible assets	(344)	(303)	(608)
Net cash flows from investing activities	**(296)**	**(305)**	**(617)**
Cash flows from financing activities			
Dividends paid	(4,500)	(3,530)	(5,530)
Capital payments in respect of leases	(57)	(54)	(111)
Interest paid in respect of leases	(3)	(6)	(10)
Net cash flows from financing activities	**(4,560)**	**(3,590)**	**(5,651)**
Net (decrease)/increase in cash and cash equivalents for the period	3,446	6,294	(344)
Cash and cash equivalents at beginning of period	16,992	17,336	17,336
Cash and cash equivalents at end of period	**20,438**	**23,630**	**16,992**

Statement of Underlying Free Cash Flows

For the 6 months ended 31 December 2022

The Company's mobile payments segment involves collecting cash on behalf of clients which is then paid to clients net of the Company's share of revenues or fees associated with collecting the cash. The Company's cash balance therefore fluctuates depending on the timing of "pass through" cash received and paid.

The analysis below shows the movements in the Company's free underlying cash flow excluding the monies held on behalf of customers. The underlying cash is derived from actual cash by adjusting for customer related trade and other receivables less customer related trade and other payables and customer related VAT liabilities.

	Unaudited 6 months to 31 December 2022 £'000	Unaudited 6 months to 31 December 2021 £'000	Audited Year to 30 June 2022 £'000
Underlying free cash flows from operating activities			
Profit before taxation	5,835	5,188	9,571
Adjustments for			
Depreciation	10	8	15
Amortisation	323	275	575
Share-based payment charge	64	52	100
Finance income	(55)	(1)	(8)
Finance expense	3	6	10
(Increase)/decrease in trade and other receivables	(19)	6	(31)
Increase/(decrease) in trade and other payables	(116)	(3)	139
Income tax paid	(550)	(379)	(1,365)
Net underlying free cash flows from operating activities	**5,495**	**5,152**	**9,006**
Underlying free cash flows from investing activities			
Interest received	55	1	8
Payments to acquire tangible assets	(7)	(3)	(17)
Payments to acquire intangible assets	(344)	(303)	(608)
Net underlying free cash flows from investing activities	**(296)**	**(305)**	**(617)**
Underlying free cash flows from financing activities			
Dividends paid	(4,500)	(3,530)	(5,530)
Capital payments in respect of leases	(57)	(54)	(111)
Interest paid in respect of leases	(3)	(6)	(10)
Net underlying free cash flows from financing activities	**(4,560)**	**(3,590)**	**(5,651)**
Net (decrease)/increase in underlying free cash for the period	639	1,257	2,738
Underlying free cash at beginning of period	7,786	5,048	5,048
Underlying free cash equivalents at end of period	**8,425**	**6,305**	**7,786**

Notes to the preliminary financial information

1. Basis of preparation

The financial information relating to the half year ended 31 December 2022 is unaudited and does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006.

The Company is a public limited company incorporated and domiciled in England & Wales and whose shares are quoted on AIM, a market operated by The London Stock Exchange. The presentational and functional currency of the Company is Sterling. Results in this financial information have been prepared to the nearest £1,000.

Whilst the financial information included in these interim accounts has been prepared in accordance with IFRS, they do not contain sufficient information to comply with IFRS. In addition, this report is not prepared in accordance with IAS 34.

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 Company and is commonly used by City analysts and investors.

The comparative financial information for the year ended 30 June 2022 has been extracted from the annual financial statements of Fonix Mobile 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 Company 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

At the time of approving the financial information, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Fonix Mobile is not externally funded and accordingly is not affected by borrowing covenants. In addition the cost of capital represents the dividend distributions – which are discretionary.

At 31 December 2022 the Company had Cash and Cash Equivalents of £20.4 million (31 December 2021: £23.6 million) and Net Current Assets of £7.2 million (31 December 2021: £5.1 million). The business model of Fonix Mobile is cash generative – with increased sales impacting positively on the working capital cycle and profits from trading activities being rapidly reflected in cash at bank.

Accordingly the Directors continue to adopt the going concern basis of accounting in preparing this financial information.

3. Segmental reporting

Management currently identifies one operating segment in the Company under IFRS 8 – being the facilitating of mobile payments and messaging. However, the Directors monitor results and performance based upon the Gross Profit generated from the Service lines as follows:

Gross Profit	**Unaudited 6 months to 31 December 2022 £'000**	Unaudited 6 months to 31 December 2021 £'000	Audited Year to 30 June 2022 £'000
Mobile Payments	6,589	5,816	10,951
Mobile Messaging	856	726	1,355
Managed Services	361	450	926
	7,806	6,992	13,232

Differences between the way in which the single operating segment is reported in the financial information and the internal reporting to the Board for monitoring and strategic decisions, relates to the recording of revenue in line with IFRS 15. The IFRS adjustments do not impact on the calculation or reporting of Gross Profit.

4. Revenue

The Company disaggregates revenue between the different streams outlined as this is intended to show its nature and amount.

The total revenue of the Company has been derived from its principal activity undertaken wholly in the United Kingdom and EU.

Revenue is recognised at the point in time of each transaction when the economic benefit is received. The total revenue of the Company by Service Line is as follows:

Revenue by Service Line	**Unaudited 6 months to 31 December 2022 £'000**	Unaudited 6 months to 31 December 2021 £'000	Audited Year to 30 June 2022 £'000
Mobile Payments	24,633	21,508	40,129
Mobile Messaging	7,326	6,155	11,673
Managed Services	856	934	1,847
	32,815	28,597	53,649

The number of customers representing more than 10% of revenue in period were 3 (31 December 2021: 2)

5. Earnings per share

The calculations of earnings per share are based on the following profits and number of shares:

	Unaudited 6 months to 31 December 2022	Unaudited 6 months to 31 December 2021	Audited Year to 30 June 2022
	£'000	£'000	£'000
Retained profit for the period	4,845	4,314	8,026

	Unaudited 6 months to 31 December 2022	Unaudited 6 months to 31 December 2021	Audited Year to 30 June 2022
Number of shares	**Number**	Number	Number
Weighted average number of shares in issue	100,000,000	100,000,000	100,000,000
Share options	619,959	521,392	510,056
	100,619,959	100,521,392	100,510,056
Earnings per ordinary share			
Basic	4.8p	4.3p	8.0p
Diluted	4.8p	4.3p	8.0p

The calculations of adjusted earnings per share are based on the following adjusted profits and number of shares listed above:

	Unaudited 6 months to 31 December 2022	Unaudited 6 months to 31 December 2021	Audited Year to 30 June 2022
Adjusted earnings per share	**£'000**	£'000	£'000
Retained profit for the period	4,845	4,314	8,026
Adjustments			
Share-based payment charge	64	52	100
Net adjustments	64	52	100
Adjusted earnings	**4,909**	**4,366**	**8,126**
Adjusted basic earnings per ordinary share	4.9p	4.4p	8.1p