21 September 2023

Fonix Mobile plc
("Fonix" or the "Company")

Final Results for the year ended 30 June 2023 (the "Year")

Strong trading momentum continues with significant organic growth in international markets

Financial Highlights

	2023	2022	Change
TPV	£268.1m	£258.6m	+3.7%
Revenue	£64,916k	£53,649k	+21.0%
Gross profit	£15,075k	£13,232k	+13.9%
Adjusted EBITDA[1]	£11,567k	£10,265k	+12.7%
Adjusted PBT[2]	£10,979k	£9,671k	+13.5%
Adjusted EPS[3]	8.9p	8.1p	+9.9%
Proposed Final DPS	4.89p	4.50p	+8.7%
Underlying cash[4]	£9,446k	£7,786k	+21.3%

Operational Highlights

- Strong growth in gross profits of 13.9%, which management considers to be the business' most important performance metric, driven by international expansion and strong H2 growth in the UK.

- Total payment volume ("TPV") of mobile payments was £268.1m (FY22: £258.6m) in the Year, with double digit percentage growth in TPV from commercial clients offset by a reduction in charity related TPV, which is less correlated to gross profit performance.

- Fonix's key business segments of payments and messaging have each grown profitability by at least 15% in the Year, in line with expectations and significant wins in the second half of the Year underpin growth expectations for the year ahead.

- Launch into Republic of Ireland - a third tier 1 media client has recently launched services with Fonix in Ireland, on a multi-year contract, making Fonix the leading provider of Interactive Services to media customers in the country.

- Active customer count at 122 customers at the Year end with additional newly transacting customers, including C4, RTÉ and Wireless Ireland offset by the loss of some small bulk messaging and charity clients. 23 new customer contracts signed in the Year, many of which will start transacting in the year ahead.[5]
- Robust, scalable platform with 18.9m unique mobile users making 844m interactions with Fonix's services in the Year, with 100% platform uptime as in previous years.[6]
- Significant investment in new product features in the Year including real-time campaign data filters, automated bundle offers and a new subscription management product.
- Fonix continues to maintain high client retention, with over 99% of income of a repeating nature.
- Increased dividend inline with progressive dividend policy.

The Board expects to publish its Annual Report for the year ending 30 June 2023 on the Company's website on Friday 20 October 2023. The Annual General Meeting is scheduled to take place on Tuesday 14 November 2023.

The Company announces that its nominated adviser and broker finnCap Ltd, has changed its name to Cavendish Capital Markets Limited, following a merger.

Outlook

- Strong start to FY24, with trading in line with the Board's expectations
- With high levels of repeating revenue, a strong run-rate entering the new financial year, and recent tier 1 client wins in the UK and Ireland, the Board continues to be confident in the business' growth potential and increasing profitability

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.*

[6] *Unique users are calculated as the number of unique Mobile Station International Subscriber Directory Numbers (MSISDNs) processed through Fonix services.*

Rob Weisz, CEO, commented:

"*We have continued to make great progress on our strategic goals this year, seizing an initial client-led opportunity in Ireland to become the leading provider of interactive services for media customers in a second geographical market. New client wins from ITV, RTÉ, Channel 4 and Wireless Radio Ireland significantly underpin our growth expectations in the year ahead whilst at the same time creating high barriers to entry to prospective competitors.*

This year we have added more depth to our team and products, with an eye on further international growth and broadening the services we can offer to clients in the future. Our serviceable market has expanded significantly in the last 12 months through direct network connectivity in Ireland, and we will continue to consider establishing further direct connectivity in other territories in FY24 and beyond.

The first few months of the new financial year have started strongly, with a robust run-rate of consumer activity with our key customers. We continue to make great progress on our strategic goals and recognise that by delivering on these objectives and nurturing recent client wins we have a great opportunity to exceed expectations."

Enquiries

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Sunila de Silva (ECM)

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.

Chair's Review

I am pleased to update shareholders on another strong year of double-digit growth in profitability and cash generation. Once again Fonix has achieved record levels of profitability and underlying cash, whilst delivering on all its strategic goals laid out in the previous year. As well as a successful overseas expansion, the business has continued to win significant new contracts in the UK which will underpin its growth in the years ahead as the business looks to nurture those new customer relationships to their full potential.

The Fonix management team has continued to deliver another period of strong organic growth, with gross profits and adjusted EBITDA both increasing by over 12% year on year. At the same time, the business remains highly cash generative, with underlying cash increasing 12% over the same period. Given the strong trading performance and cash generation of the business, along with the confidence with which we consider the prospects for Fonix, I am pleased to announce that we will once again be increasing our final dividend for the year, in line with our progressive dividend policy to pay out at least 75% of adjusted earnings. The board has resolved to propose a final dividend of 4.89p, giving a total dividend for the year of 7.25p (FY22: 6.50p), an increase of 11.5% year on year.

The business' expansion into international markets has proven to be a huge success, with international transactions accounting for over 10% of gross profits in the year. Fonix is a market leader for interactive services in both the UK and Republic of Ireland, a feat achieved in Ireland within 12 months of launching there. As well as generating immediate financial returns for the business, the launch in Ireland has provided the team with a blueprint for further geographical expansion, which the board will update shareholders on as and when new regions are making a meaningful contribution to the business' growth.

Growth in the UK was strong in the second half of the year, with Fonix's larger media customers making up ground after the death of Her Majesty The Queen led to a slight decline year on year in H1 gross profits whilst services were suspended for several weeks as a mark of respect.

Financial results

Gross profit, which the board considers to be the business' most important financial metric, increased 13.9% to £15.1m (FY22: £13.2m) in the year. As was the case in the previous financial year, due to the seasonal nature of certain media clients, gross profit in the first half of the year was higher than the second. Adjusted EBITDA increased 12.7% to £11.6m (FY22: £10.3m), reflecting the business' high operating leverage and the management team's continued ability to control operating costs without compromising on top-line growth.

The company closed the year with £9.4m in underlying free cash (FY22: £7.8m). Actual cash, which includes money held on behalf of customers, closed the year at £20.6m (FY22: £17.0m).

The board recommends that the company pays a final dividend of 4.89p per share in November, bringing the total dividend for the year to 81% of adjusted earnings per share. If approved, the total distribution of dividends for the year ended 30 June 2023 will be £7.24m (FY22: £6.50m).

Product

As well as onboarding and integrating services for several large new customers in the UK and Ireland, the business has continued to invest in new product innovations, including developing a new subscription engine for charity clients to be launched this autumn and intelligent dynamic filtering for users of our Campaign Manager product. At the same time, our dedicated in-house development team has continued to ensure platform resilience, scalability and cyber security remain fundamental to everything we do. Looking ahead, the business is in the early stages of broadening the suite of payment options integrated with its Campaign Manager and

Checkout products, creating even greater growth opportunities with its key clients and new prospective customers.

ESG

Throughout the period, the business has continued to maintain a strong focus on environmental, social and governance (ESG) excellence, building on our existing foundation of responsible business and industry practice. ESG considerations are put at the forefront of all the business' key decision making processes. During the year, Fonix's entire senior leadership team undertook Carbon Literacy Training and have committed to make meaningful changes to both their personal and working practices with the aim of further limiting the business' impact on the environment.

In recognising the feedback from some shareholders for greater independent representation on the board and its committees, William Neale resigned from both the remuneration and audit committees during the year and the board has committed to consider appointing a third non-executive director, providing the candidate can add meaningful strategic or commercial value, as well as fulfil governance functions.

Finally, I would like to say a thank you to all Fonix's staff, customers, partners, suppliers and shareholders for their continued support throughout the year. I look forward to achieving further successes together in the future.

Conclusion

Fonix has entered the new financial year with an encouraging run-rate from its key clients and with the opportunity to nurture several recent client wins into top 5 customers. Fonix's highly operationally leveraged business model has proven to have solid resilience against a squeeze on consumer spending and rising interest rates, with only clients in the charity sector experiencing a drop-off in consumer activity. The business remains highly cash generative, with no debt and will continue to reward shareholders with a progressive dividend policy this year and beyond. With a growing customer base, significant new customer wins, extended market reach and increased dominance in the markets it operates, the board looks to the future with much confidence.

Edward Spurrier, Non-Executive Chairman

CEO's Statement

This has been another fantastic year for Fonix, in line with management expectations. The business' strong performance was driven by significant overseas growth, key client wins in the UK and continued growth from our existing client base. As well as double-digit growth in commercial TPV, gross profits, and adjusted EBITDA, this year saw Fonix further strengthen its market lead in the UK and establish a similar position of dominance in the Republic of Ireland.

Commercially, Fonix's share of a transaction ('take-rate') in Ireland is broadly consistent with the UK, however the gross profit percentage reported is considerably lower due to a much higher take-rate commanded by mobile network operators in Ireland, which is reflected in the company reporting higher revenue and cost of sales under IFRS 15.

Throughout the year we've stayed true to our mantra of only working with high quality clients with the potential for enterprise scale revenues in our core sectors, a strategy that often means we only focus on a handful of sales opportunities at a time and invest as much time in optimising existing client relationships as we do in winning new ones. Through this approach, Fonix has never lost a significant customer to a competitor and is able to invest in developing sector specific product features that create substantial tangible value for our clients.

Market opportunity

The majority of Fonix's growth this year has come from growth in international markets, which has seen us launch new services with Bauer Ireland, RTÉ (Ireland's National Television and Radio Broadcaster) and Wireless Radio Ireland, along with several smaller new clients in the Republic of Ireland. All have been delivered with minimal customisation of our cloud platform, which was connected to five new international mobile network operators and transacted with 16% of the adult population in Ireland during the year.

The success in Ireland has clearly demonstrated the business's ability to scale internationally, with minimal incremental cost. Beyond Ireland, we have already started to build relationships in other international markets with similar characteristics, which we believe present good opportunities for further international growth in the years ahead.

Along with opportunities in new geographical markets, this year has seen us win notable new contracts in the UK to run interactive services for the leading TV broadcasters ITV Plc and Channel 4. Both accounts represent significant growth opportunities in FY24 and beyond. In addition, we continue to identify other UK broadcasters currently not harnessing the power of interactive services, which we hope to win as customers in the years ahead.

The market for frictionless mobile payments remains significant and continues to grow year-on-year despite the expansion in alternative payment options such as Apple Pay and Google Pay. For the majority of our customers, adding carrier billing as a payment option is largely shown to reduce checkout abandonment and increase sales, rather than cannibalising existing transactions with alternative payment methods.

Delivering against our growth strategy

Fonix continues to take a balanced approach to sustainable growth, looking to achieve a material percentage growth in gross profits and shareholder income year-on-year. There are five clear elements to our growth strategy set out below, which continue to guide our decision making and how we invest:

1. Grow & deepen existing client relationships

Our ability to nurture and scale clients' accounts in ways unmatched by our competitors is one of the key drivers behind Fonix's high client retention rate and reasons we have been able to continuously increase our market share in our core sectors and markets. Our existing clients have continued to grow strongly in the year, despite a temporary suspension of services in the first half of the year following the death of HM The Queen, narrowing the growth below what we would normally expect to see.

As it can often take years for clients to reach their peak transacting level, we continue to see significant growth opportunities from our existing customer base through optimisation of campaigns, new interactive products which will drive more participation and possibly increased tariffs in the future. In particular, we recognise that our relatively new Irish customer base and recent media customer wins in the UK are still in the process of maximising what they can do with Fonix.

2. Take a disciplined sector focus

We continue to take a disciplined sector focused approach to growth, targeting large enterprise clients and key partnerships across our core markets and geographies. Media continues to be our biggest sector, representing over 75% of gross profits in the year, with strong growth in both the UK and Ireland, including launching new services with ITV, Channel 4, RTÉ and Wireless Radio Ireland as well as some smaller regional radio stations. Our Campaign Manager product continues to advance significantly beyond the capabilities of any other providers in the market and we continue to see broadcasters seeking to diversify revenue away from a purely advertising funded business model. Media has been our entry sector in expanding services in Ireland, but we also see plenty of opportunity to win deals across our other target sectors in Ireland over time.

FY23 provided a challenging time for charities, with consumer donations down around 30% year on year. There were also fewer charitable campaigns in the year due to a change in the timing of some annual telethons, resulting in a reduction in managed service fees in the year. Coming into FY24 we expect a return to growth in the charity sector, with new campaigns such as the Game4Ukraine event broadcast on Sky in August, alongside a normalised schedule of activity from existing customers. In addition, Fonix is close to launching a new subscription product for our charity clients, allowing them to engage and collect donations from consumers throughout the year.

3. Create sustainable, long-term profitability for shareholders

The company's underlying cash balances have continued to grow strongly, as the company has continued to deliver on its strategy of achieving sustainable, long-term growth in profitability with limited incremental capital and operational investment. With only a modest expansion in commercial resources, Fonix has been able to win significant new customer relationships in both the UK and overseas during the year. This is a testament to the company's reputation for having the best talent in the industry along with an exemplary track record of compliance and reliability.

Fonix's highly operationally leveraged business model has translated seamlessly into operations in Ireland and we see no reason why Fonix will not continue to see further economies of scale as it expands into other markets as well.

4. Be client led with international expansion

Our approach to international expansion continues to be client led, through our network of tier 1 multinational clients. Following our initial launch into Ireland through a referral from a UK customer, we have since added several new customers in Ireland and are now the master aggregator for all third-party aggregators looking to provide services to Virgin Media Ireland mobile consumers.

Outside of Ireland, further international growth remains a priority for the business, although it still forms a relatively small part of our short term forecasts. We are already making good progress in exploring other potential international markets and will discuss the specifics of new territories with shareholders once they are making a meaningful contribution to the business' growth.

5. Widen our technological and operational advantage

Targeting a limited number of sectors with large underlying markets has enabled Fonix to focus on building new innovative product features which create real tangible value for our clients and significant barriers to entry for any prospective competition.

During the year, the company made enhancements to 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.

Campaign Manager continues to be a market leading hybrid CPaaS and payments product, allowing our clients to optimise and increase the monetisation of their audience, to an extent unmatched by our competitors or alternative payment providers. This year we have added dynamic filtering of large data sets, new third-party integrations, international IVR votes and competition entries, and a subscription engine for key charity clients to fundraise all year round.

We have now migrated the vast majority of our customers to our new Checkout product, in preparation for introducing support for additional alternative payments in the year ahead. We strongly believe combining our phone-paid billing solutions with more traditional alternative payment methods, along with our sector specific intelligent payment routing will provide us with a unique value proposition when entering new markets that will enable us to displace even the most long standing incumbent providers.

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 allow us to target greenfield opportunities in new emerging sectors and markets.

We have now mirrored the trusted relationship we hold with both regulators and mobile operators in the UK with the equivalent stakeholder counterparts in Ireland, as demonstrated by our appointment in the year as master aggregator for Virgin Media Ireland. These key partnerships have not only proven invaluable when winning new customers, but have also been fundamental in discussing new direct connectivity with mobile operators in markets where there have been no new connections authorised in decades. In addition, we find these relationships have further reinforced the barriers to entry against other providers looking to form direct network operator connectivity in our core markets.

People

Fonix prides itself on being a great place to work and having a culture where our team can thrive. Our average headcount grew over 13% to 43 employees over the year. Whilst inflation has remained persistently high throughout the period, leading to above average pay rises in January, I am pleased to say that we have been able to keep cost growth within our existing plans and offset any unplanned increases with savings elsewhere. Looking ahead, Fonix's highly operationally leveraged business model means we expect to be able to manage the wider inflationary pressures within our existing growth projections and there is no immediate need to significantly change the size of the team in order to hit our growth targets.

Product

We continued to make good progress on our product roadmap with our dedicated in-house development team focusing on platform scalability, resilience, security and customer usability, coupled with releasing several new features as mentioned in the 'Widen our technological and operational advantage' section above.

Outlook

We have continued to make great progress on our strategic goals this year, seizing an initial client-led opportunity in Ireland to become the leading provider of interactive services for media customers in a second geographical market. New client wins from ITV, RTÉ, Channel 4 and Wireless Radio Ireland significantly underpin our growth expectations in the year ahead whilst at the same time creating high barriers to entry to prospective competitors.

This year we have added more depth to our team and products, with an eye on further international growth and broadening the services we can offer to clients in the future. Our serviceable market has expanded significantly in the last 12 months through direct network connectivity in Ireland, and we will continue to consider establishing further direct connectivity in other territories in FY24 and beyond.

The first few months of the new financial year have started strongly, with a robust run-rate of consumer activity with our key customers. We continue to make great progress on our strategic goals and recognise that by delivering on these objectives and nurturing recent client wins we have a great opportunity to exceed expectations.

Robert Weisz, Chief Executive Officer

Financial Review

Key performance indicators

Financial	2023	2022	Change
Gross profit	£15,075k	£13,232k	13.9%
Adjusted EBITDA[1]	£11,567k	£10,265k	12.7%
Adjusted PBT[2]	£10,979k	£9,671k	13.5%
Underlying cash[3]	£9,446k	£7,786k	21.3%
Adjusted EPS[4]	8.9p	8.1p	9.9%
Adjusted ROCE[5]	111.50%	120.95%	

Non-financial	2023	2022	Change
Total payments value (TPV)	£268.1m	£258.6m	3.7%
Active customer count[6]	122	123	-0.8%

[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 after 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] *Adjusted ROCE is return on capital employed calculated as adjusted EBIT (being earnings before interest and tax excluding share-based payment charges) divided by capital employed (total assets less total current liabilities).*

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

Financial Results

Total payments volume (TPV)

TPV represents the cash payments processed by Fonix on behalf of customers. TPV grew 3.5% to £268m (2022: £259m) in the year, with particularly strong growth in the value of SMS billing transactions, offset by a 30% decline in charity related TPV.

Revenue and other income

Company revenues for the year increased to £64.9m (2022: £53.6m), driven by strong growth in the mobile payments and 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.

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 year increased to £15.1m (2022: £13.2m) growing 14% on the previous year, with mobile payments growing 16% (2022: 14%), mobile messaging growing 20% (2022: 30%) and managed services declining 18% (2022: growing 28%). 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. As was the case in FY22, growth was skewed slightly to the first half of the year due to the seasonality in the trade of media related clients.

Blended gross profit margins declined slightly to 23.2% (2022: 24.7%) attributable to falls in charity related managed services fees as well as changes in the product and client mix affecting the mobile payments and mobile messaging 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.

Adjusted operating expenses

Operating costs continue to have been kept firmly under control, with costs generally only increasing where the business has invested more in future growth. Adjusted operating costs increased 16% in the year to £3.5m (2022: £3.0m). The majority of the increase related to additional staff costs and incentives as the business has continued to invest more in growth, along with an increased spend on IT infrastructure costs.

Staff related costs and incentives increased to £3.5m (2022: £3.0m) in the year reflecting an increase in commercial and engineering headcount, as well as above average inflationary pay increases, offset by some efficiency savings. Average headcount for the year was 43 (2022: 38).

IT hosting costs increased to £205k (2022: £175k) in the year as the company upgraded its platform infrastructure.

Software development costs of £804k (2022: £608k) were capitalised in the year, representing 62% (2022: 60%) of development costs in the year. The increase reflects increases in the size of the development team and additional investment in the Fonix platform. The capitalisation of current year development spend was offset by an amortisation charge of £560k (2022: £462k). Development costs are amortised on a straight-line basis over 3-years.

Adjusted EBITDA

The growth in gross profit and continued control of costs have resulted in a significant increase in adjusted EBITDA which is up 13% at £11.6m (2022: £10.3m) for the year. 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 expense, which relates to the unwinding of the discounted lease liability, decreased marginally to £4k (2022: £10k) as the company's current office lease expires in November 2023. Management expects to renew the lease in the next financial year.

Interest on bank deposits increased to £341k (2022: £8k) due to the increase in bank interest rates.

EPS and dividends

Given the company's strong performance, cash resources and distributable reserves, as well as the confidence in the company's prospects, the board recommends to pay out 81% of adjusted EPS to shareholders in the form of an ordinary dividend, which is in line with the company's progressive dividend policy to pay out at least 75% of adjusted earnings per share each year.. The board therefore intends to recommend a final dividend of 4.89p (2022: 4.50p) per share to be approved at the AGM in November.

Statement of Financial Position

The company had net assets of £9.4m (2022: £7.8m) at the year-end, including capitalised software development costs with a carrying value of £1.2m (2022: £1.0m). The movement in net assets reflects profits after tax less dividend payments and share buy-backs.

Current assets increased to £57m (2022: £49m) as the company was owed more trade receivables and held greater cash balances at the year end, due to the increase in trade year on year. Current liabilities similarly increased to £48m (2022: £42m) as the company owed more trade payables at the year end, due to the increase in trade year on year. Non-current liabilities decreased to £0.1m (2022: £0.2m) as the business is now in the final year of its 3-year office lease agreement signed November 2020.

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 to £9.4m (2022: £7.8m) due to additional retained earnings less cash used in share buy-backs.

Actual cash, which includes cash held on behalf of customers, can vary substantially from period to period and is particularly sensitive to the timing of passthrough outpayments for customer charity campaigns. Actual cash held increased to £20.6m (2022: £17.0m) in the year. The increase beyond the increase in underlying cash is purely timing related and attributable to a mobile network operator settling a trade receivable invoice a few days earlier than the previous year.

Michael Foulkes, Chief Finance Officer

Audited results for the year ended 30 June 2023

Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 £'000	2022 £'000
Continuing operations			
Revenue	4	64,916	53,649
Cost of sales		(49,841)	(40,417)
Gross profit	3	15,075	13,232
Other income		-	51
Adjusted operating expenses[1]		(3,508)	(3,018)
Profit before interest, tax, depreciation, amortisation, share-based payment charge and exceptional costs		11,567	10,265
Share-based payment charge		(125)	(100)
Depreciation and amortisation		(924)	(592)
Operating profit		10,518	9,573
Finance income		341	8
Finance expense		(5)	(10)
Profit before taxation		10,854	9,571
Taxation		(2,057)	(1,545)
Total comprehensive profit for the financial year		**8,797**	**8,026**

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

Earnings per share	**2023**	**2022**
Basic earnings per share	8.8p	8.0p
Diluted earnings per share	8.7p	8.0p
Adjusted basic earnings per share	8.9p	8.1p

Statement of Financial Position

As at 30 June 2023

	2023 £'000	2022 £'000
Non-current assets		
Intangible asset	1,239	995
Right of use asset	42	155
Tangible assets	28	25
	1,309	1,175
Current assets		
Trade and other receivables	36,058	31,975
Cash and cash equivalent	20,648	16,992
	56,706	48,967
Total assets	58,015	50,142
Equity and liabilities		
Equity		
Share capital	100	100
Share premium account	679	679
Treasury shares	(495)	-
Share option reserves	297	172
Retained earnings	8,807	6,870
	9,388	7,821
Liabilities		
Non-current liabilities		
Deferred tax liabilities	157	160
Lease liabilities	-	17
	157	177
Current liabilities		
Trade and other payables	48,453	42,028
Lease liabilities	17	116
	48,470	42,144
Total liabilities	48,627	42,321
Total equity and liabilities	58,015	50,142

Statement of Changes in Equity

For the year ended 30 June 2023

	Share capital £'000	Share premium £'000	Share option reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 July 2021	100	679	72	-	4,374	5,225
Profit for the financial year	-	-	-	-	8,026	8,026
	-	-	-	-	8,026	8,026
Transactions with shareholders						
Dividends	-	-	-	-	(5,530)	(5,530)
Share-based payment charge	-	-	100	-	-	100
Capital issued	-	-	-	-	-	-
	-	-	100	-	(5,530)	(5,430)
Balance at 30 June 2022	100	679	172	-	6,870	7,821
Profit for the financial year	-	-	-	-	8,797	8,797
	-	-	-	-	8,797	8,797
Transactions with shareholders						
Dividends	-	-	-	-	(6,860)	(6,860)
Share-based payment charge	-	-	125	-	-	125
Purchase of own shares	-	-	-	(495)	-	(495)
Capital issued	-	-	-	-	-	-
	-	-	125	(495)	(6,860)	(7,230)
Balance at 30 June 2023	100	679	297	(495)	8,807	9,388

Statement of Cash Flows

For the year ended 30 June 2023

	2023	2022
	£'000	£'000
Cash flows from operating activities		
Profit before taxation	10,854	9,571
Adjustments for		
Depreciation	16	15
Amortisation	908	575
Share-based payment charge	125	100
Finance income	(341)	(8)
Finance expense	5	10
(Increase)/decrease in trade and other receivables	(4,083)	(7,095)
Increase/(decrease) in trade and other payables	6,115	4,121
Income tax paid	(1,750)	(1,365)
Net cash flows from operating activities	11,849	5,924
Cash flows from investing activities		
Interest received	341	8
Payments to acquire tangible assets	(19)	(17)
Payments to acquire intangible assets	(1,040)	(608)
Net cash flows from investing activities	(718)	(617)
Cash flows from financing activities		
Dividends paid	(6,860)	(5,530)
Purchase of own shares	(495)	-
Capital payments in respect of leases	(116)	(111)
Interest paid in respect of leases	(4)	(10)
Net cash flows from financing activities	(7,475)	(5,651)
Net (decrease)/increase in cash and cash equivalents for the period	3,656	(344)
Cash and cash equivalents at beginning of period	16,992	17,336
Cash and cash equivalents at end of period	20,648	16,992

Statement of Underlying Free Cash Flows

For the year ended 30 June 2023

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.

	2023	**2022**
	£'000	£'000
Underlying free cash flows from operating activities		
Profit before taxation	10,854	9,571
Adjustments for		
Depreciation	16	15
Amortisation	908	575
Share-based payment charge	125	100
Finance income	(341)	(8)
Finance expense	5	10
(Increase)/decrease in trade and other receivables	11	(31)
Increase/(decrease) in trade and other payables	24	139
Income tax paid	(1,750)	(1,365)
Net underlying free cash flows from operating activities	9,852	9,006
Underlying free cash flows from investing activities		
Interest received	341	8
Payments to acquire tangible assets	(19)	(17)
Payments to acquire intangible assets	(1,039)	(608)
Net underlying free cash flows from investing activities	(717)	(617)
Underlying free cash flows from financing activities		
Dividends paid	(6,860)	(5,530)
Purchase of own shares	(495)	-
Capital payments in respect of leases	(116)	(111)
Interest paid in respect of leases	(4)	(10)
Net underlying free cash flows from financing activities	(7,475)	(5,651)
Net (decrease)/increase in underlying free cash for the period	1,660	2,738
Underlying free cash at beginning of period	7,786	5,048
Underlying free cash equivalents at end of period	9,446	7,786

Notes to the preliminary financial information

1. Basis of preparation

The financial information set out herein does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The financial information for the Year ended 30 June 2023 has been extracted from the Company's audited financial statements which were approved by the Board of Directors on 20 September 2023 and which, if adopted by the members at the Annual General Meeting, will be delivered to the Registrar of Companies for England and Wales.

The financial information for the Year ended 30 June 2022 has been extracted from the Company's audited financial statements which were approved by the Board of Directors on 21 September 2022 and which have been delivered to the Registrar of Companies for England and Wales.

The reports of the auditor on both these financial statements were unqualified, did not include any references to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain a statement under Section 498(2) or Section 498(3) of the Companies Act 2006.

The information included in this preliminary announcement has been prepared on a going concern basis under the historical cost convention, and in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued by the International Accounting Standards Board ("IASB") that are effective as at the date of these financial statements.

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.

2. Going concern

At the time of approving the financial statements, 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 30 June 2023 the company had Cash and Cash Equivalents of £20.6 million (2022: £17.0 million) and Net Current Assets of £8.2 million (2022: £6.8 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.

The Directors maintain sufficient net assets in the company by moderating or increasing dividend distributions as necessary.

The Directors have prepared detailed cash flow forecasts for the next 18 months that indicate the existing activities of the Company do not require additional funding during that period. The forecasts are challenged by various downside scenarios to stress test the estimated future cash and net current asset position. The directors are pleased to note that the stress tests did not have a significant impact on the funding requirement. In addition, current trading is in line with the forecast.

Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing these financial statements.

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:

	2023	2022
Gross profit	**£'000**	**£'000**
Mobile payments	12,689	10,951
Mobile messaging	1,626	1,355
Managed services	760	926
	15,075	13,232

Differences between the way in which the single operating segment is reported in the financial statements 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.

Gross profits can be attributed to the following geographical locations, based on the end user and the associated mobile network operators' location:

Gross profit by geography	2023 £'000	2022 £'000
United Kingdom	13,534	13,212
Rest of Europe	1,541	20
	15,075	13,232

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	2023 £'000	2022 £'000
Mobile payments	47,607	40,129
Mobile messaging	15,513	11,673
Managed services	1,796	1,847
	64,916	53,649

Revenues can be attributed to the following geographical locations, based on the end user and the associated mobile network operators' location:

Revenue by geography	2023 £'000	2022 £'000
United Kingdom	55,352	53,442
Rest of Europe	9,564	207
	64,916	53,649

The number of customers representing more than 10% of revenue in year were 3 (2022: 2)

5. Earnings per share

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

	2023 £'000	2022 £'000
Retained profit for the financial year	8,797	8,026

Number of shares	2023 Number	2022 Number
Weighted average number of shares outstanding	99,970,504	100,000,000
Share options	760,799	510,056
	100,731,303	100,510,056
Earnings per ordinary share		
Basic	8.8p	8.0p
Diluted	8.7p	8.0p

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

Adjusted earnings per share	2023 £'000	2022 £'000
Retained profit for the financial year	8,797	8,026
Adjustments		
Share-based payment charge	125	100
Net adjustments	125	100
Adjusted earnings	8,922	8,126
Adjusted basic earnings per ordinary share	8.9p	8.1p