24 September 2024

Fonix plc

("Fonix" or the "Company")

Final Results for the year ended 30 June 2024 (the "Year")

Strong trading momentum continues with significant growth in key markets and an expanded commercial offering

Financial Highlights

	2024	**2023**	**Change**
TPV	£303.3m	£268.1m	+13.1%
Revenue	£76.1m	£64.9m	+17.3%
Gross profit	£17.9m	£15.1m	+18.5%
Adjusted EBITDA[1]	£13.7m	£11.6m	+18.1%
Adjusted PBT[2]	£14.0m	£11.0m	+27.3%
Adjusted EPS[3]	10.8p	8.9p	+21.3%
Proposed Final DPS	5.70p	4.89p	+16.6%
Underlying cash[4]	£11.3m	£9.4m	+20.2%

Operational Highlights

- Strong growth in gross profits of 18.5%, which management considers to be the business' most important performance metric, driven by growth in the media sector and increases in enterprise messaging.
- The total payment volume ("TPV") processed in the Year grew by 13.1% to £303.3m (FY23: £268.1m).
- For the first time, the Company facilitated payment transactions via Apple Pay, Google Pay, PayPal and bank card as part of an expanded business strategy including the development of online payment portals.
- Fonix's commercial business segments of payments and messaging have each grown by at least 16% in the Year, in line with expectations. The business maintains a robust pipeline of prospects going into the next financial year.
- Overseas markets represented approximately 12% of gross profits for the year.

- Significant investment in new product features in the Year, including live broadcaster voting, online payment portals, new payment integrations, new mobile network operator connections and advanced campaign scheduling.
- Selected to support Eurovision as voting partner for the first time, managing voting for Eurovision 2024 across two territories - the UK and Republic of Ireland.
- Robust, scalable platform with 23m (FY23: 19m) unique mobile users interactions with Fonix's services in the Year, with 100% platform uptime as in previous years.[5]
- Fonix continues to maintain high client retention.
- Increased dividend inline with progressive dividend policy.

The Board expects to publish its Annual Report for the year ending 30 June 2024 on the Company's website on Friday 25 October 2024. The Annual General Meeting is scheduled to take place on Tuesday 19 November 2024.

Outlook

The Board remains confident in Fonix's growth potential for FY25 and beyond, supported by high levels of recurring revenue with a strong run-rate, an expanded commercial offering, and significant opportunities for further international expansion.

Notes

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

[2] Adjusted PBT is profit before tax excluding share-based payment charges and R&D tax credits.

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

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

Rob Weisz, CEO, commented:

"We have made significant strides in our growth strategy this year, expanding our commercial offering and capitalising on a client-driven opportunity to build a substantial sales pipeline in a third geographical market, together underpinning our growth expectations for the year ahead.

In the next 12 months, we plan to further enhance our products, building on the strong progress achieved in FY24. Our serviceable market is expanding significantly with new direct network connectivity in Portugal, and we will explore additional direct connectivity opportunities in other territories in FY25 as we determine the most effective routes to market.

With a fair wind, we hope to begin transacting in Portugal before the Christmas trading period commences. By achieving this and continuing to nurture growth from our existing clients, we believe we have a strong opportunity to further build on our outstanding record since IPO."

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 driven by blue chip clients such as ITV, Bauer Media, RTÉ, Global Media, Comic Relief and BBC Children in Need to name a few.

Chair's Review

I am pleased to inform shareholders that we have achieved another strong year of double-digit growth in income, profitability, and cash generation. This year, Fonix has delivered record cash returns to shareholders while successfully executing its strategic objectives, positioning the company for further long-term sustainable growth. Alongside further investments in overseas expansion, the business has continued to broaden its commercial offerings, creating new opportunities from existing customers and positioning itself to become a global leader in interactive services.

The Fonix management team has continued to drive robust organic growth, with gross profit and adjusted EBITDA both rising over 18% year-on-year. We have also capitalised on favourable interest rates, repurchased £2 million worth of shares in April and increased underlying cash by 20% over the year. In light of our strong performance, 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 5.70p, giving a total dividend for the year of 8.30p (FY23: 7.25p), an increase of 14.5% year on year.

The business's expansion into international markets to date has proven highly successful, with international transactions now representing over 12% of gross profit for the year and Fonix has solidified its position as a market leader in interactive services across the UK and the Republic of Ireland. Looking ahead, we anticipate building on this success with the expected launch of services with several broadcasters in Portugal in FY25. This has once again been customer led, reducing the associated risks with entering a new territory.

Financial results

Gross profit, our key financial metric, increased by 18.5% to £17.9 million (FY23: £15.1 million) for the year. Consistent with previous years, gross profit was higher in the first half due to the seasonal nature of some media clients. Adjusted EBITDA increased 18.1% to £13.7m (FY23: £11.6m), reflecting the business' continued success at maintaining high operating leverage.

The company ended the year with £11.3m in underlying cash (FY23: £9.4m). Actual cash, which also includes money held on behalf of customers, closed the year at £26.5m (FY23: £20.6m).

The board recommends that the company pays a final dividend of 5.7p per share in November, bringing the total dividend for the year to 77% of adjusted earnings per share. If approved, the total distribution of dividends for the year ended 30 June 2024 will be £8.24m (FY23: £7.24m).

Product

In parallel to our international expansion efforts, the company is pursuing growth opportunities through an enhanced product suite incorporating new payment and messaging channels. This year, the business launched its first online payment portal, facilitating nearly £1 million in transactions via bank cards, Apple Pay, Google Pay, and PayPal. Rather than cannibalising existing mobile payment transactions, such initiatives will allow the business to increase its market share in interactive services. Additionally, the company introduced new support for live broadcaster voting, leading to its selection as the official Eurovision 2024 voting partner for both the UK and Ireland. Once again, these successes can be attributed to the business's outstanding industry reputation and the seamless integration of new features into its core product, Campaign Manager.

ESG

Throughout this period, the business has remained committed to environmental, social, and governance (ESG) excellence, reinforcing its foundation of responsible business and industry practices. ESG considerations remain central to all key decision-making processes within the company.

In response to shareholder feedback requesting more independent representation on the board, the company continues to actively consider the appointment of a third independent non-executive director. While the board continues to interview experienced candidates, it has not yet identified a candidate who meets the criteria for adding significant strategic or commercial value, whilst also fulfilling governance responsibilities and ensuring adequate independence.

Recognising the importance of good corporate governance, and in accordance with the Quoted Companies Alliance (QCA) Corporate Governance Code 2023, directors' remuneration will be put to advisory shareholder vote and all directors will be put forward for re-appointment at the company's AGM in November.

Finally, I would like to extend my heartfelt thanks to all Fonix's staff, customers, partners, suppliers, and shareholders for their unwavering support over the past year. I look forward to achieving even greater successes together in the future.

Conclusion

Fonix has entered the new financial year with a broadened product offering, and with the opportunity to significantly expand its international footprint through several enterprise scale prospects in Portugal. The management team remains confident this growth can be achieved whilst maintaining the company's highly operationally leveraged business model and with modest incremental capital investment.

The business has experienced remarkable success since its IPO in October 2020, with management consistently surpassing expectations and fulfilling the strategic objectives set during its market debut. Over the past few years, the business has consistently improved its product offerings, keeping its technology at the cutting edge of innovation, expanding its customer base, and maintaining a competitive edge. The business remains highly cash-generative and debt-free, and will continue to reward shareholders with a progressive dividend policy this year and into the future.

With imminent new network operator connectivity in Portugal, significant new customer prospects 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 outstanding year for Fonix, with significant growth from both new and existing customers across the UK and overseas. We have achieved double-digit growth in gross profit and adjusted EBITDA, whilst enhancing our commercial offering and investing in the foundations for further international expansion.

Throughout the year we've remained committed to our mantra of focusing on high quality sectors with enterprise scale customers and significant growth potential. Through this approach, Fonix has never lost a significant customer to a competitor and over many years has been able to establish a substantial competitive advantage. We will continue to adopt this strategy as we expand into adjacent markets.

Market opportunity

The market for Fonix's services is significant and growing. International markets now represent over 12% of the company's gross profit and we see significant opportunity for further overseas expansion across Europe. In the media sector, which represents nearly 80% of the company's gross profit, we have identified a number of markets in Europe alone that have the ingredients for Fonix to expand into. These markets, along with a gradual expansion in the company's commercial offering to include additional payment and messaging channels, will form the basis of the company's core growth strategy over the next 3-5 years. We remain confident that this strategy can be delivered whilst maintaining our highly operationally leveraged business model.

As well as establishing a pipeline of enterprise opportunities in Portugal, this year has seen us expand our product suite for interactive services, opening up significant new revenue opportunities from our existing customers. Notably, we introduced live broadcaster voting services, supporting Eurovision voting across both the UK and Ireland, along with all of RTÉ's telephony voting services. Additionally, we developed our first online payment portal, facilitating payments via Apple Pay, Google Pay, PayPal, and bank cards.

Delivering against our growth strategy

We continue to take a balanced approach to growth, primarily looking to achieve a material percentage growth in gross profit and shareholder income every year, but without compromising on strategic initiatives we believe will provide long term, sustainable growth. 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

We have supported our existing clients with product enhancements that have helped them enjoy strong growth in our services this year and we continue to identify additional opportunities for expansion within our current client base. This is especially true in the media sector, where we are gradually extending our interactive services offering to include complementary services, such as online payment portals, alternative messaging channels, and live broadcaster voting services. Integrating these additional services natively with our Campaign Manager product gives us a substantial competitive edge, as it allows us to offer consumers a seamless, real-time experience with minimal latency. Moreover, as we scale these services for specific clients and within core sectors, we achieve greater economies of scale, benefiting both Fonix and our customers.

We have further deepened our relationship with media customers in the Republic of Ireland where we have continued to help coordinate the industry response to the proposed new gambling regulation bill. Whilst the proposed legislation poses a risk to the operation of prize draw competition services in Ireland (as described in more detail in principal risks and uncertainties section of our Annual report and Accounts), our experience of working with regulators in the UK has shown us that broadcaster prize draw competitions are generally acknowledged to be well regulated, do not pose a harm to consumers and therefore do not need to be subject to the same treatment as gambling services.

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 almost 80% of gross profit in the year, with strong growth in both the UK and Ireland, particularly from those clients onboarded midway through the previous year. We see the media sector as the most promising catalyst for our international growth, and we continue to position it as the key entry point for extending our services into identified overseas markets.

Charity and Gaming follow as our next largest sectors, collectively contributing around 10% to gross profit. Our experience so far indicates that SMS charity donations remain a relatively untapped market outside the UK, and we believe that Fonix is well-positioned to foster growth in the charity sector as we achieve market scale in specific geographies. We have recently won our first charity customer in Ireland and we hope to leverage our strong relationships with mobile network operators to help nurture growth in the market over the years ahead.

This year we have seen a slight resurgence in Telecoms and Enterprise sectors with demand for support services from overseas mobile network operators, as well as increased demand for Fonix's wholesale SMS messaging connectivity. Both have largely emerged from inbound opportunities and can be attributed to our strong reputation in the industry.

3. Create sustainable, long-term profitability for shareholders

The company's underlying cash balances have continued to grow strongly in the year, which has enabled us to continue to increase our annual dividend, as well as return an additional £2m to shareholders in the year through a share buy-back. This strong financial performance reflects our disciplined, sector-focused approach to growth and our commitment to partnering only with merchants who offer high-quality, sustainable services to their consumers.

By focusing on our core sectors and product offerings, we remain confident that our expansion strategy can continue to be executed with only a modest expansion in commercial and operational resources, allowing us to continue to deliver on our strategy of achieving sustainable, long-term growth in income to our shareholders for years to come.

4. Client and sector led with international expansion

As our business increasingly focuses on international markets, we expect a larger portion of our future growth to come from overseas. Our strategy for international expansion remains client-driven, as demonstrated by our imminent expansion into the Portuguese market, which was initiated following a request from one of our multinational media clients with a strong presence there. By collaborating with local partners, we have subsequently successfully developed a robust pipeline of potential clients in Portugal across both TV and radio broadcasters. We are confident that this market offers significant growth potential for the business in the coming years and our current expectation is a similar growth trajectory to our Irish business.

Direct connectivity with mobile network operators (MNOs) is crucial for minimising latency in our products and optimising our interactive services to meet the specific nuances of individual MNO systems. Our experiences in Ireland and now Portugal, where we expect to finalise a contract with the final Portuguese MNO in the coming weeks, have shown that dealing with the internal bureaucracy of large MNOs can be time-consuming. However, as our reputation grows across neighbouring European countries and our product suite becomes less reliant on MNO supply chains, we are optimistic that this will lead to quicker adoption of our services in new European markets in the future. Beyond Ireland and Portugal, international expansion remains a key priority for the business. We have already made strong progress in identifying several promising international markets, which we are now beginning to explore further.

5. Widen our technological and operational advantage

Focusing primarily on opportunities in the media and charity sectors, both of which have sizable underlying markets, has allowed Fonix to develop innovative product features that provide real, tangible value to our clients, while establishing significant barriers to entry for potential competitors. This focus has also empowered our highly skilled team to become domain experts, further strengthening our relationship with customers and partners in the industry.

Our Campaign Manager product continues to be a market-leading interactive services platform, with a depth of features unmatched by competition. This year we have expanded our interactive services feature set, developing our first online payment portal, with a long-term vision of creating an increasingly seamless user experience between messaging and online channels. In doing this, we have also expanded our Checkout payment solution to support additional payment options including Apple Pay, Google Pay, PayPal and bank card, which were all utilised in our first online portal build. This additional functionality not only increases revenue opportunities, by capturing payment transactions that might have otherwise failed (due to mobile network operator bars or caps), but also provides further opportunities to make real-time upsells to consumers at the point of purchase and optimise transaction costs for our merchants (customers), in ways unmatched by any other provider in the market.

In addition, Campaign Manager has been enhanced to support live broadcaster voting, most notably for Eurovision 2024 and all of RTÉ's live viewer voting. Unlike in the UK, in many European territories, such voting is priced as a revenue-generating service for media broadcasters, therefore offering additional payment and revenue generating opportunities for Fonix and its clients. This is the case in both the Republic of Ireland and Portugal, as well as in several other European markets that Fonix has identified for potential future expansion.

While we are still in the early stages of expanding into the Portuguese market, we are already working to replicate the trusted relationships we have built with regulators and mobile operators in the UK and Ireland with their counterparts in Portugal. We consider this to be one of our most understated competitive advantages and we look forward to sharing more updates on these partnerships in the coming months. Across our existing markets these key relationships have been crucial not only in acquiring new clients but also in developing new commercial models and helping obtain referrals to mobile operators in other international markets. We believe these connections will be increasingly vital as we accelerate our international expansion efforts.

People

Fonix prides itself on being a great place to work and having a culture where our team can thrive. Our average headcount grew 14% to 49 employees, reflecting the addition of new staff to both our product team and our international operations. We will continue to add to both teams this financial year as we pursue our ambitious growth strategy.

Product

We have made good progress on our product roadmap in the year, with our dedicated in-house development team focusing on new features that drive revenue growth for us and our customers (as mentioned in the 'Widen our technological and operational advantage' section above), coupled with always ensuring our platform remains highly scalable, resilient and secure.

Outlook

We have made significant strides in our growth strategy this year, expanding our commercial offering and capitalising on a client-driven opportunity to build a substantial sales pipeline in a third geographical market, together underpinning our growth expectations for the year ahead.

In the next 12 months, we plan to further enhance our products, building on the strong progress achieved in FY24. Our serviceable market is expanding significantly with new direct network connectivity in Portugal, and we will explore additional direct connectivity opportunities in other territories in FY25 as we determine the most effective routes to market.

With a fair wind, we hope to begin transacting in Portugal before the Christmas trading period commences. By achieving this and continuing to nurture growth from our existing clients, we believe we have a strong opportunity to further build on our outstanding record since IPO.

Robert Weisz, Chief Executive Officer

Financial Review

Key performance indicators

Financial	2024	2023	Change
Gross profit	£17.9m	£15.1m	18.5%
Adjusted EBITDA[1]	£13.7m	£11.6m	18.1%
Adjusted PBT[2]	£14.0m	£11.0m	27.3%
Underlying cash[3]	£11.3m	£9.4m	20.2%
Adjusted EPS[4]	10.8p	8.9p	21.3%
Adjusted ROCE[5]	116%	112%	

Non-financial	2024	2023	Change
Total payments volume (TPV)[6]	£303.3m	£268.1m	13.1%

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

[2] Adjusted PBT is profit before tax excluding share-based payment charges and R&D tax credits.

[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, R&D tax credits and tax excluding share-based payment charges) divided by capital employed (total assets less total current liabilities).

[6] Total payments volume is consumer spend inclusive of VAT processed via carrier billing, SMS billing and voice, along with the total value of payments facilitated through third-party payment service providers via Google Pay, Apple Pay, PayPal and bank card.

Financial Review

Total payments volume (TPV)

TPV represents the cash payments processed or facilitated by Fonix on behalf of customers. TPV grew 13% to £303m (2023: £268m) in the year, with particularly strong growth in the value of SMS billing transactions. Charity related TPV grew by 2% year-on-year, having declined in the previous financial year.

Revenue and other income

Company revenues for the year increased to £76.1m (2023: £64.9m), driven by strong growth in the mobile payments, messaging and managed services 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. As mobile payments is the company's most significant service line, the directors 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 messages.

Gross profit for the year increased to £17.9m (2023: £15.1m) growing 18.5% on the previous year, with mobile payments growing 17% (2023: 16%), mobile messaging growing 43% (2023: 20%) and managed services growing 2% (2023: declining 18%). As was the case in previous years, 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 increased slightly to 23.5% (2023: 23.2%) attributable to changes in the product and client mix affecting the mobile payments and mobile messaging gross margin percentages.

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 20% in the year to £4.2m (2023: £3.5m). 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 international expansion efforts.

Staff related costs and incentives, including remuneration, bonuses, benefits, recruitment costs and training costs, but before capitalisation of software development costs, increased to £4.3m (2023: £3.5m) in the year reflecting an increase in engineering and operations headcount, and the introduction of a new bonus scheme rewarding senior staff where the business outperforms expectations. Average headcount for the year was 49 (2023: 43).

IT hosting costs increased to £217k (2023: £205k) in the year as the company upgraded its platform infrastructure.

Software development costs of £1,061k (2023: £804k) were capitalised in the year, representing 67% (2023: 62%) 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 £693k (2023: £560k). 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 18.1% at £13.7m (2023: £11.6m) 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, R&D tax credits and tax from the measure of profit.

Finance income and expenses

Finance expense, which relates to the unwinding of the discounted lease liability, increased to £18k (2023: £5k) as the company renewed its office lease for a further three years in November 2023.

Finance income increased to £1.1m (2023: £0.3m) due to increases in the base rate part way through the prior year.

Corporation tax

The company's effective corporate tax rate increased to 23% (FY23: 19%) during the year, driven by increases in the headline rate of corporation tax and changes to the UK's research and development tax credit scheme. Starting in FY25, the company's effective tax rate on UK profits will rise again due to additional changes to the research and development tax credit scheme, effective from April 1, 2024. However, the company expects to mitigate this impact by utilising a branch profits exemption for net profits generated by branches located outside the UK.

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 paying out 77% 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 5.70p (2023: 4.89p) per share to be approved at the AGM in November.

Statement of Financial Position

The company had net assets of £10.7m (2023: £9.4m) at the year-end, including capitalised software development costs with a carrying value of £1.6m (2023: £1.2m). The movement in net assets reflects profit after tax less dividend payments and share buy-backs.

Current assets increased to £62m (2023: £57m) as the company held greater cash balances at the year end, due to the increase in trade year on year.

Current liabilities increased to £53m (2023: £48m) as the company owed more trade payables at the year end, due to the increase in trade year on year.

Non-current liabilities increased to £0.4m (2023: £0.2m) as the company renewed its office lease agreement for a further three years in November 2023.

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 cash flow available to the business. Underlying cash increased to £11.3m (2023: £9.4m) 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 £26.5m (2023: £20.6m) 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 2024

Statement of Comprehensive Income

For the year ended 30 June 2024

	Note	2024 £'000	2023 £'000
Continuing operations			
Revenue	4	76,089	64,916
Cost of sales		(58,203)	(49,841)
Gross profit	3	17,886	15,075
Other income		-	-
Adjusted operating expenses[1]		(4,193)	(3,508)
Profit before interest, tax, depreciation, amortisation, share-based payment charge and exceptional costs		13,693	11,567
R&D tax credit		58	-
Share-based payment charge		(100)	(125)
Depreciation and amortisation		(825)	(924)
Operating profit		12,826	10,518
Finance income		1,127	341
Finance expense		(19)	(5)
Profit before taxation		13,934	10,854
Taxation		(3,317)	(2,057)
Total comprehensive profit for the financial year		**10,617**	**8,797**

[1] Adjusted operating expenses excludes R&D tax credits, share-based payment charge, depreciation and amortisation

Earnings per share	**2024**	**2023**
Basic earnings per share	10.7p	8.8p
Diluted earnings per share	10.6p	8.7p
Adjusted basic earnings per share	10.8p	8.9p

Statement of Financial Position

As at 30 June 2024

	2024	2023
	£'000	£'000
Non-current assets		
Intangible asset	1,606	1,239
Right of use asset	286	42
Tangible assets	30	28
	1,922	1,309
Current assets		
Trade and other receivables	35,947	36,058
Cash and cash equivalent	26,480	20,648
	62,427	56,706
Total assets	**64,349**	**58,015**
Equity and liabilities		
Equity		
Share capital	100	100
Share premium account	679	679
Treasury shares	(2,273)	(495)
Share option reserves	362	297
Retained earnings	11,834	8,807
	10,702	9,388
Liabilities		
Non-current liabilities		
Deferred tax liabilities	237	157
Lease liabilities	146	-
	383	157
Current liabilities		
Trade and other payables	53,148	48,453
Lease liabilities	116	17
	53,264	48,470
Total liabilities	53,647	48,627
Total equity and liabilities	**64,349**	**58,015**

Statement of Changes in Equity

For the year ended 30 June 2024

	Share capital £'000	Share premium £'000	Share option reserve £'000	Treasury shares £'000	Retained earnings £'000	Total £'000
Balance at 1 July 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)
	-	-	125	(495)	(6,860)	(7,230)
Balance at 30 June 2023	**100**	**679**	**297**	**(495)**	**8,807**	**9,388**
Profit for the financial year	-	-	-	-	10,617	10,617
	-	-	-	-	10,617	10,617
Transactions with shareholders						
Dividends	-	-	-	-	(7,481)	(7,481)
Share-based payment charge	-	-	100	-	-	100
Purchase of own shares	-	-	-	(2,040)	-	(2,040)
Exercise of share options issued from treasury shares	-	-	-	262	(144)	118
Fair value of options exercised in the period	-	-	(35)	-	35	-
	-	-	65	(1,778)	(7,590)	(9,303)
Balance at 30 June 2024	**100**	**679**	**362**	**(2,273)**	**11,834**	**10,702**

Statement of Cash Flows

For the year ended 30 June 2024

	2024	2023
	£'000	£'000
Cash flows from operating activities		
Profit before taxation	13,934	10,854
Adjustments for		
Depreciation	15	16
Amortisation	809	908
Share-based payment charge	100	125
Finance income	(1,127)	(341)
Finance expense	19	5
(Increase)/decrease in trade and other receivables	111	(4,083)
Increase/(decrease) in trade and other payables	4,297	6,115
Income tax paid	(2,839)	(1,750)
Net cash flows from operating activities	15,319	11,849
Cash flows from investing activities		
Interest received	1,127	341
Payments to acquire tangible assets	(18)	(19)
Payments to acquire intangible assets	(1,061)	(1,040)
Net cash flows from investing activities	48	(718)
Cash flows from financing activities		
Net proceeds from issue of equity	119	-
Dividends paid	(7,481)	(6,860)
Purchase of own shares	(2,040)	(495)
Capital payments in respect of leases	(115)	(116)
Interest paid in respect of leases	(18)	(4)
Net cash flows from financing activities	(9,535)	(7,475)
Net increase in cash and cash equivalents for the period	5,832	3,656
Cash and cash equivalents at beginning of period	20,648	16,992
Cash and cash equivalents at end of period	**26,480**	**20,648**

Statement of Underlying Cash Flows

For the year ended 30 June 2024

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 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.

	2024	**2023**
	£'000	£'000
Underlying cash flows from operating activities		
Profit before taxation	13,934	10,854
Adjustments for		
Depreciation	15	16
Amortisation	809	908
Share-based payment charge	100	125
Finance income	(1,127)	(341)
Finance expense	19	5
(Increase)/decrease in trade and other receivables	(31)	11
Increase/(decrease) in trade and other payables	485	24
Income tax paid	(2,839)	(1,750)
Net underlying cash flows from operating activities	11,365	9,852
Underlying cash flows from investing activities		
Interest received	1,127	341
Payments to acquire tangible assets	(18)	(19)
Payments to acquire intangible assets	(1,061)	(1,039)
Net underlying cash flows from investing activities	48	(717)
Underlying cash flows from financing activities		
Net proceeds from issue of equity	119	-
Dividends paid	(7,481)	(6,860)
Purchase of own shares	(2,040)	(495)
Capital payments in respect of leases	(115)	(116)
Interest paid in respect of leases	(18)	(4)
Net underlying cash flows from financing activities	(9,535)	(7,475)
Net increase in underlying cash for the period	1,878	1,660
Underlying cash at beginning of period	9,446	7,786
Underlying cash equivalents at end of period	**11,324**	**9,446**

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 2024 has been extracted from the company's audited financial statements which were approved by the Board of Directors on 23 September 2024 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 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 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 is not externally funded and accordingly is not affected by borrowing covenants. In addition, the cost of capital represents dividend distributions or share buy-backs – which are discretionary.

At 30 June 2024 the company had cash and cash equivalents of £26.5 million (2023: £20.6 million) and net current assets of £9.2 million (2023: £8.2 million). The business model of

Fonix is cash generative – with increased sales generally 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 or share buy-backs 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 broadly in line with the forecast for the year.

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:

Gross profit	2024 £'000	2023 £'000
Mobile payments	14,782	12,689
Mobile messaging	2,332	1,626
Managed services	772	760
	17,886	15,075

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	2024 £'000	2023 £'000
United Kingdom	15,691	13,534
Rest of Europe	2,195	1,541
	17,886	15,075

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	2024 £'000	2023 £'000
Mobile payments	54,199	47,607
Mobile messaging	19,859	15,513
Managed services	2,031	1,796
	76,089	64,916

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

Revenue by geography	2024 £'000	2023 £'000
United Kingdom	63,915	55,352
Rest of Europe	12,174	9,564
	76,089	64,916

The number of customers representing more than 10% of revenue or gross profit in the year was 3 (2023: 3).

5. Earnings per share

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

	2024 £'000	2023 £'000
Retained profit for the financial year	10,617	8,797

Number of shares	2024 Number	2023 Number
Weighted average number of shares outstanding	99,651,884	99,970,504
Share options	803,079	760,799
	100,454,963	100,731,303
Earnings per ordinary share		
Basic	10.7p	8.8p
Diluted	10.6p	8.7p

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

Adjusted earnings per share	2024 £'000	2023 £'000
Retained profit for the financial year	10,617	8,797
Adjustments		
Share-based payment charge	100	125
Net adjustments	100	125
Adjusted earnings	10,717	8,922
Adjusted basic earnings per ordinary share	10.8p	8.9p

At 30 June 2024, the total number of ordinary shares of 0.1 pence each in the capital of the Company, in issue was 100,000,000. The Company held 1,024,580 shares in treasury, and therefore the total number of ordinary shares outstanding in the Company was 98,975,420.