

27 November 2020



LOOPUP GROUP PLC

Trading update

LoopUp Group plc (AIM: LOOP), the cloud platform for premium external communications, provides the following trading update.

Current Trading

In our recent market communications, we expressed that overall macro conditions continue to be marked by a high degree of instability relating to the societal and economic effects of the Covid-19 pandemic, which has made it challenging to provide specific guidance on near-term expectations.

Since our 23 September 2020 half-year report, our core Professional Services¹ ("PS") Meetings and Event businesses, for which the LoopUp platform is optimised and differentiated, have continued to trade robustly versus pre-pandemic levels. We have also continued to see strong momentum in our Cloud Telephony business since launching it onto our global cloud platform in July 2020. Here we remain confident in our ability to drive attractive, sustainable and profitable growth.

However, we are seeing an acceleration of churn in non-PS sectors, where our Meetings capability is less differentiated and competition is more intense. Here, we expect trading to remain challenging, although this now represents just 14% of total LoopUp Platform² revenue.

In light of this, the Group now expects FY20 revenue to be no lower than £50 million (c.18% growth on FY2019) and EBITDA to be no lower than £15 million (c.134% growth on FY2019), moderately below current market expectations. The Group's annualised revenue run-rate (ARR) currently stands at c.£34 million, made up of c.£28 million of LoopUp Platform capabilities (Meetings, Cloud Telephony and Event) and c.£6 million of Cisco resale, which represents an estimated entry ARR for FY2021 trading.

The stark distinction in trading performance between PS and non-PS sectors is highlighted by comparing prevailing trading (the average of September and October 2020) with pre-pandemic levels (the average of January and February 2020):

- **Minute volumes:** 43% higher in PS, but c.10% lower in non-PS, driven by:
 - **Minutes per user:** c.56% higher (broadly consistent across PS and non-PS) resulting from the large scale migration towards remote and distributed working
 - **Non-PS churn:** an increase to c.30%³ in non-PS, where competition is greater and where certain non-PS sectors are facing degrees of financial distress and employee furloughing
- **Effective per-minute rates:** c.24% lower (broadly consistent across PS and non-PS), driven by:
 - **Migration to preferred subscription pricing:** committed subscriptions and minimum spend term contracts (versus pay-as-you-go pricing) now accounting for c.40% of total LoopUp platform business, up from c.30% in our half year report (accounting for c.10 of the 24 percentage points)
 - **A shift in call mix:** towards lower-rated domestic and dial-out minutes and away from higher-rated international and dial-in minutes (accounting for c.14 of the 24 percentage points). For example, North American calling minutes in Asia Pacific have fallen by more than 60% since the onset of the pandemic
- **Revenue:** which as a result is c.6% higher in PS, but c.32% lower in non-PS (a 9% lower net)

Strategy and Outlook

Our decision to focus our strategy on PS sectors remains the right choice, demonstrated by the increase in demand for LoopUp Meetings in those verticals. Looking forward, our priority is to cement and grow

¹ Law, investment banking and corporate finance; private equity and venture capital, asset and fund management, consulting, accounting, marketing and advertising, PR, recruiting, and property

² LoopUp Platform revenue includes Meetings, Cloud Telephony and Event, but excludes Cisco resale

³ Over a trailing 12-month period, for customers who leave LoopUp (or whose revenue drops to <5% of historic levels) in Year X, a ratio of their revenue in Year X-1 to total platform revenue in Year X-1

the strong position we have built in our core PS market, where external communications are business critical and warrant a best-in-class capability.

We believe our technology platform represents a valuable asset to support and grow our premium external cloud communications offering. During the second half, we have made clear strategic progress including:

- Securing flagship wins with three of the world's top-100 law firms, still in the early stages of ramping up, and we have a pipeline of approximately £16 million Annual Contract Value of live opportunities
- In October 2020, we launched our new LoopUp Rooms capability, which enables our Meetings customers to leverage off-the-shelf hardware to create high quality, plug-and-play video conferencing suites that are simple and accessible for all users
- A company-wide focus on launching our c.£3 million revenue Cloud Telephony business onto our global cloud platform under the LoopUp brand. In simple terms this enables our customers to make and receive external calls via Microsoft Teams. The value proposition is differentiated through its voice quality and reliability, licensed international service provision coverage, and deep Microsoft Teams integration expertise. We have strong momentum:
 - We expect to be formally licensed and regulated in more than 30 international jurisdictions by the end of 2020, and approximately 60 by the end of 2021
 - Inbound lead generation is responding positively to content and digital marketing techniques, and is now generating more than 4-times the inbound lead flow that we were receiving pre-pandemic
 - Our pipeline for cloud telephony live opportunities continues to grow rapidly, now standing at potential Total Contract Value of approximately £84 million⁴, 68% higher than reported in our half-year statement
 - We generally expect sales cycles to be approximately 6-8 months, but encouragingly we have already been selected by a leading private banking group to provide their global cloud telephony, subject to a successful 3-month proof of concept which starts next month

While trading is expected to remain challenging in the non-PS part of our Meetings business, this now represents just 14% of our total LoopUp Platform revenue, and with a continued focus to drive forward our PS business, it is expected this will have progressively less impact on overall trading going forward. By contrast in our core market, we remain confident in our ability to drive attractive, sustainable and profitable growth of our premium external cloud communications platform, and therefore plan to invest to maximize growth and shareholder value creation within the constraints of our strong £11.6 million cash balance (at end October 2020).

Market abuse regulation:

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

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About LoopUp Group plc:

LoopUp (LSE AIM: LOOP) is a premium cloud communications solution for business-critical external communications. The solution combines premium remote meetings with inbound and outbound cloud voice services via Direct Routing integration with Microsoft Teams. Our customers benefit from a global fully-managed service, and an emphasis on security, reliability and simplicity, delivered with deep domain expertise and caring customer support. We're proud to be trusted provider to over 5,000 organisations worldwide, including more than 20 of the world's top-100 law firms as well as enterprises such as Kia Motors, Planet Hollywood and National Geographic. The Group is headquartered in London, with offices in San Francisco, New York, Boston, Chicago, Dallas, Los Angeles, Denver, Cardiff, Milton Keynes, Madrid, Berlin, Malmo, Hong Kong, Sydney and Barbados, and is listed on the AIM market of the London Stock Exchange (LOOP). For further information, please visit: www.loopup.com.