

1 September 2022



**LOOPUP GROUP PLC**  
**("LoopUp" or the "Group")**

**Material Contract Win; Business and Trading Update**

LoopUp Group plc (AIM: LOOP), the cloud platform for premium hybrid communications, is pleased to announce a new material contract win for the Group, and provide both a strategic business update for Cloud Telephony, its primary growth line of business, and a trading update for the six months ended 30 June 2022.

**Highlights**

- **Meetings:** New material contract win expected to generate c.£10 million of revenue and c.£5 million of net cash in the 12 months from October 2022 to September 2023
- **Cloud Telephony:** 133% increase in customer wins and 252% increase in individual contract wins during the second year post service launch

**New material contract win**

The Group has entered into a revenue sharing and customer transfer agreement with American Teleconferencing Services, Ltd. and Audio Telecommunications Technology II LLC (together "PGi Connect"), a provider of conferencing services. Under the agreement, LoopUp has the rights (but not the obligation) to transfer materially all of PGi Connect's conferencing services customers (but not its webcasting customers) over to LoopUp.

There is no initial or fixed consideration payable to PGi Connect for the transfer of its customers to LoopUp. Instead, the Group has agreed to pay PGi Connect a share of revenue invoiced and received from successfully transferred customers for a period of three years.

This is a highly material contract for the Group in terms of its expected cash generation. After making prudent assumptions for the expected timing of customer transfers, customer losses due to the transfer, and general ongoing business attrition, the Group nevertheless expects this contract:

- to increase LoopUp's revenues materially from October 2022 onwards, with revenue run rate ramping up thereafter through to the FY2022 year-end; and
- in the twelve months from October 2022 to September 2023, to generate revenue of approximately £10 million, at a gross margin of approximately 60% after both LoopUp's cost of goods sold and payment of PGi Connect's revenue share<sup>1</sup>, and provide net cash contribution to the Group of approximately £5 million over the period after other associated cash costs.

It is not possible to quantify the historical profit from customers that will ultimately transfer given that inter alia: (i) the agreement gives LoopUp the option but not the obligation to transfer customers; (ii) there will be churn of PGi Connect customers prior to transfer; and (iii) some customers are expected to be lost during the transfer.

The Group emphasises that while this contract is clearly material and highly cash generative, it does not alter the Group's strategic transition towards hybrid communications solutions, namely Cloud Telephony and Hybridium, and to the contrary, provides the Group with valuable investment capacity into these long-term growth lines of business.

**Steve Flavell and Michael Hughes, co-CEOs of LoopUp, commented:**

*"This is clearly a very significant transaction for the Group as we continue to manage our business through its strategic transition to premium hybrid communications. In addition to the material expected cash generation, it will also bring telecommunications purchasing scale that will benefit our growing*

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<sup>1</sup> Expected to be approximately 13% on a weighted average basis across different product categories

*Cloud Telephony business. PGi Connect has a long history of leadership in the conferencing services industry and we are excited to bring LoopUp Meetings to their customers. We thank the PGi Connect team for working so productively with us to conclude the agreement, and we look forward to continuing to do so during the customer transition project ahead.”*

**Michele Dobnikar, President of PGi Connect, commented:**

*“We are pleased to announce this transaction with LoopUp, who is one of very few operators capable of taking on and looking after such a sizable and global customer book to the exacting standards expected by our customers. We look forward to continuing to work with the LoopUp team for a smooth and timely transition of the business.”*

**Cloud Telephony strategic business update**

In Q3 2020, the Group launched its Cloud Telephony solution, which has since developed into its primary growth line of business for the long-term future of the Group. The Cloud Telephony market is forecast to grow to £29 billion by 2025<sup>2</sup>, and the Group’s aspiration is to become one of a small number of winners in the multinational mid-market and enterprise segment, providing customers with single-vendor service provision globally rather than the status quo of multiple telecommunications carriers in specific countries and regions.

Since launch, the Group has secured 60 customer wins, comprising 131 individual contracts, and has done so at an accelerating win rate:

- 133% increase in customer wins, with 42 won during the second year post service launch ending August 2022 (18 during the first year post service launch ending August 2021); and
- 252% increase in individual contract wins, with 102 won during the second year post service launch ending August 2022 (29 during the first year post service launch ending August 2021). The greater acceleration in contract wins versus customer wins reflects the ‘layering effect’ from progressive geographic customer rollouts – i.e. approximately one third of the contract wins in the second year post launch were from customers won in the first year post launch.

In aggregate, these 60 customer wins represent:

- Minimum Annual Recurring Revenue (ARR) of £1.2 million and minimum Total Contract Value (TCV) of £4.3 million, based on minimum contracted levels;
- Expected ARR of c.£2.4 million and expected TCV of c.£7.8 million, based on expected rollout levels, where LoopUp has relatively strong visibility of customer intent based on conversations, planning and pricing; and
- Potential ARR of c.£5.2 million and potential TCV of c.£16.1 million, based on identified potential rollout levels but where LoopUp currently has less clear visibility of customer intent.

Operationally, all customer deployments to date have been successful, and all rollouts are progressing positively.

In addition to these 60 customer wins, the Group’s sales pipeline of potential new Cloud Telephony opportunities continues to grow and now stands at more than £100 million of additional potential ARR, of which approximately 15% is at written proposal stage or later.

The Group is achieving this strong and accelerating commercial traction in Cloud Telephony due to its differentiated offer for multinational mid-market and enterprise customers versus competition from telecommunications carriers and UC platform calling plans. Specifically, this includes the Group’s:

- licensed and regulated geographic coverage;
- highest quality and resilient audio routing across 19 tier-1 carrier partners;
- customer connectivity options – UC-integrated / SIP / hybrid – for future-proofed customer decision-making at varied stages of the Cloud Telephony journey;

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<sup>2</sup> Source: Gartner, 2022

- Microsoft 'Advanced Specialization' expertise (level above gold) in Teams telephony for design, configuration and implementation customer support;
- Global Management Portal for consistent service visibility and administration, globally; and
- PerfectBundle pricing for spend commitment pooling across global billing entities.

## **H1 2022 trading update and outlook**

The Group expects revenues of approximately £6.6 million for the six month period ended 30 June 2022, at a gross margin of approximately 67%, and an EBITDA loss of approximately £1.5 million. Net debt was approximately £8.0 million at 30 June 2022, prior to the receipt of an R&D tax credit of c.£1.9 million that the Group expects to receive within the next 60 days.

Given the material contract announced today with PGi Connect, combined with the development of ARR from Cloud Telephony, the Group now expects:

- FY2022 revenue to be marginally above market expectations, at marginally lower profitability after some additional required investment associated with the PGi Connect customer transfer project; and
- FY2023 revenue to be materially above market expectations at materially higher profitability.

The Group will announce its unaudited interim results for the period ended 30 June 2022 by the end of September 2022.

## **Market abuse regulation:**

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

## **For further information, please contact:**

**LoopUp Group plc**  
Steve Flavell, co-CEO

**via FTI**

**Panmure Gordon (UK) Limited**  
Dominic Morley / Alina Vaskina (Corporate Finance)  
Erik Anderson (Corporate Broking)

**+44 (0) 20 7886 2500**

**Cenkos Securities Limited**  
Giles Balleny / Dan Hodgkinson (Corporate Finance)  
Alex Pollen (Sales)

**+44 (0) 20 7397 8900**

**FTI Consulting, LLP**  
Matt Dixon / Jamille Smith / Tom Blundell

**+44 (0) 20 3727 1000**

## **About LoopUp Group plc**

LoopUp (LSE AIM: LOOP) is a cloud platform for premium hybrid communications. The Group's flagship Cloud Telephony solution for Microsoft Teams enables multinational enterprises to consolidate their global telecommunications into a single, consistently managed cloud implementation rather than disparate implementations from multiple carriers. The Group's hybrid auditorium and events solution, Hybridium ([www.hybridium.com](http://www.hybridium.com)), brings unrivalled engagement and analytics to larger scale hybrid education, training and events such as management onsite, departmental kick-offs, capital markets days and thought leadership seminars.

The Group is listed on the AIM market of the London Stock Exchange (LOOP) and is headquartered in London, with offices in the US, Spain, Germany, Hong Kong, Barbados and Australia.