

8 June 2022

INTERCEDE GROUP plc
(“Intercede”, the “Group” or the “Company”)

Preliminary Results for the Year Ended 31 March 2022

Intercede, a leading cybersecurity company specialising in digital identities, derived credentials and access control to enable digital trust in a mobile world, today announces its preliminary results for the year ended 31 March 2022.

Financial Highlights

- Revenue of £9.9m (FY21: £11.0m) in line with revised expectations. This represents a 9% fall (4% at constant currency rates) driven by delays in closing large new opportunities. A return to normalised trading has taken longer than previously expected against a backdrop of continued Covid-19 restrictions.
- Recurring Support and Maintenance revenue increased by 10% to £6.7m (FY21: £6.1m) with renewal rates of 98% for FY22 (98% in FY21). Recurring revenues from Support & Maintenance, plus repeatable Professional Services revenues, now largely cover annual fixed costs.
- Operating expenses (OpEx) for the year were £9.3m (FY21: £9.1m). Staff costs continue to represent the major expense representing 84% of total operating expenses (FY21: 88%).
- The Group generated a profit for the year of £0.7m (FY21: £1.5m), which resulted in a basic profit per share of 1.3p and a fully diluted profit per share of 1.2p (FY21: basic profit per share of 3.0p and fully diluted profit per share of 2.8p).
- The Group’s cash position at 31 March 2022 was £7.8m (FY21: £8.0m). The Group has no borrowings (FY21: nil).

Operating Highlights

- Following the completion of the first phase of the Intercede’s turnaround plan in FY21, the Group embarks on Phase Two with a focus on scalability and consistent revenue growth. This will be achieved through a combination of corporate development, with a strategy of acquiring quality companies that meet this aim, and through enhancements to the MyID Credential Management Software (CMS) platform to broaden the addressable market.
- Sixteen new deployments were signed up during the year, double the number for FY21. This substantial increase in new deployment wins is clear evidence of underlying momentum in the context of growing market demand for cybersecurity.
- Intercede’s Connect Partner Programme has signed new partnerships in Europe, the US, ASEAN, Latin America and Africa.
- Two initial orders were received from prestigious independent US Federal Agencies in the last quarter of the year. Both utilise Intercede’s MyID CMS to deploy digital identities to mobile devices in the form of derived PIV credentials, compliant with US government security standards FIPS 201 and SP 800-157. Successful implementation opens the potential for both deployments to rollout to substantially more devices over time.

Chuck Pol, Chairman, said:

***“I would like to take this opportunity to thank all our colleagues, customers, partners and stakeholders for their efforts and understanding during what has continued to be a challenging and uncertain period for everyone. Furthermore, I extend my thanks to Klaas and his management team for their leadership and invaluable assistance.*”**

I would also like to express my sincere thanks to Andrew Walker for his contribution to the Group over his 21 and a half years of service. As announced in November 2021, Andrew informed the Board of his intention to retire and step down from the Board and we wish him the very best for his retirement. He is succeeded by Nitil Patel who was appointed as our new Chief Financial Officer in April 2022.

It has been a promising year of financial and operational progress and Intercede is now very well positioned for further growth. We enter FY23 with positive momentum and lots of opportunities. When I look at the various elements of this business; particularly the experienced management team, the high growth cybersecurity market, the blue-chip customer base, the pipeline and the resilient response to market conditions in the last two years, I remain confident of the Group's future prospects. Significant progress was made in FY22 and I am excited for the year ahead."

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About Intercede

Intercede is a cybersecurity company specialising in digital identities, derived credentials and access control, enabling digital trust in a mobile world.

Headquartered in the UK, with offices in the US, we believe in a connected world in which people and technology are free to exchange information securely, and complex insecure passwords become a thing of the past.

Our vision is to make the highest levels of cybersecurity available to organizations and consumers alike, solving complexity and scalability issues by managing high volumes of digital credentials.

We have been delivering trusted solutions to high profile customers for over 20 years. Our team of experts has deployed millions of identities to governments, most of the largest aerospace and defence corporations, and major financial services and healthcare organizations, as well as leading telecommunications, cloud services and information technology firms, providing industry-leading employee and customer credential management systems.

For more information visit: www.intercede.com

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the company's obligations under Article 17 of MAR.

INTERCEDE GROUP plc

Preliminary Results for the Year Ended 31 March 2022

CHAIRMAN'S STATEMENT

Following the completion of the first phase of the Group's turnaround plan in FY21, it is pleasing to report the benefits that are evident in the performance we achieved against the backdrop of the Covid-pandemic and other geopolitical events. This time last year we reported the close of Phase One of Intercede's turnaround and, as we embark on Phase Two, the focus is on scalability and consistent revenue growth.

In respect of these goals, the Group has made a promising start on a number of fronts. In last year's Annual Report, I noted our anticipation of a return to normalised trading in the next 12-24 months on the back of eased Covid-19 restrictions. It is now clear that we are tracking towards the later end of that estimate with delays experienced on the closure of a number of large new opportunities during FY22.

However, the fundamentals of our business still hold true, namely the market demand for cybersecurity, the introduction of FIDO functionality in our release of MyID v12, a solid pipeline and the growth in new global partnerships underpinned by the Connect Partner Programme. These fundamentals will reinforce consistent growth going forward and it is therefore very pleasing to note the highest number of new customer wins in recent memory, some of which have the potential to lead to substantial follow-on license orders.

Colleagues and Board Changes

I would like to take this opportunity to thank all our colleagues, customers, partners and stakeholders for their efforts and understanding during what has continued to be a challenging and uncertain period for everyone. Furthermore, I would like to extend my thanks to Klaas and his management team for their leadership and invaluable assistance.

Last, but certainly not least, I would like to express my sincere thanks to Andrew Walker for his contribution to the Group over his 21 and a half years of service. As announced in November 2021, Andrew informed the Board of his intention to retire and step down from the Board and we wish him the very best for his retirement. He is succeeded by Nitil Patel who was appointed as our new Chief Financial Officer in April 2022.

Scalability and Growth

One of our most important KPIs is 'New deployments with revenues over £20,000' which was eleven for this financial year and the highest number since we began reporting our KPIs back in FY13. Part of this success can be attributed to the new partnerships formed during the year in Europe, the US, ASEAN, Latin America and Africa which is critical for the Group's future growth prospects.

The other crucial element is the quality of our software and MyID's place as a leading unified credential management solution. At the start of this financial year, we were excited to announce the release of MyID v12, which will expand Intercede's addressable market with the introduction of FIDO (Faster Identity Online) to the MyID credential management platform. Following the delayed release of the US FIPS 201-3 standard in February 2022, the Company is well placed with its latest v12 version as FIDO is now specifically called out in the latest release.

Acquisition Strategy

Meanwhile, the Group continues to assess a pipeline of potential acquisitions that either fit our strategy of expanding our addressable cybersecurity market or add scale to our business through additional customers that bring recurring support and maintenance or subscription contracts.

Intercede has the benefit of an experienced and specialist development team and a number of partner relationships via its Connect Partner Programme and is therefore an attractive acquirer. We offer the opportunity for synergies and the chance for acquirees to develop their businesses more effectively as part of the Group than they would be able to independently.

During the year, Intercede has had exclusive discussions with a number of potential acquisition targets. The majority of the discussions to date were terminated by Intercede, after careful consideration, on the basis that they did not meet our strict financial or strategic criteria. In the current climate, it does take time to identify such opportunities, and the Group will maintain its disciplined approach to pricing and diligence. Our M&A pipeline is healthy, and we are confident we will find success in securing businesses that will create enhanced shareholder value.

Summary

It has been a promising year of financial and operational progress and Intercede is now very well positioned for further growth. We enter FY23 with positive momentum and lots of opportunities. When I look at the various elements of this business; particularly the experienced management team, the high growth cybersecurity market, the blue-chip customer base, the pipeline and the resilient response to market conditions in the last two years, I remain confident of the Group's future prospects. Significant progress was made in FY22 and I am excited for the year ahead.

Chuck Pol
Chairman

INTERCEDE GROUP plc

Preliminary Results for the Year Ended 31 March 2022

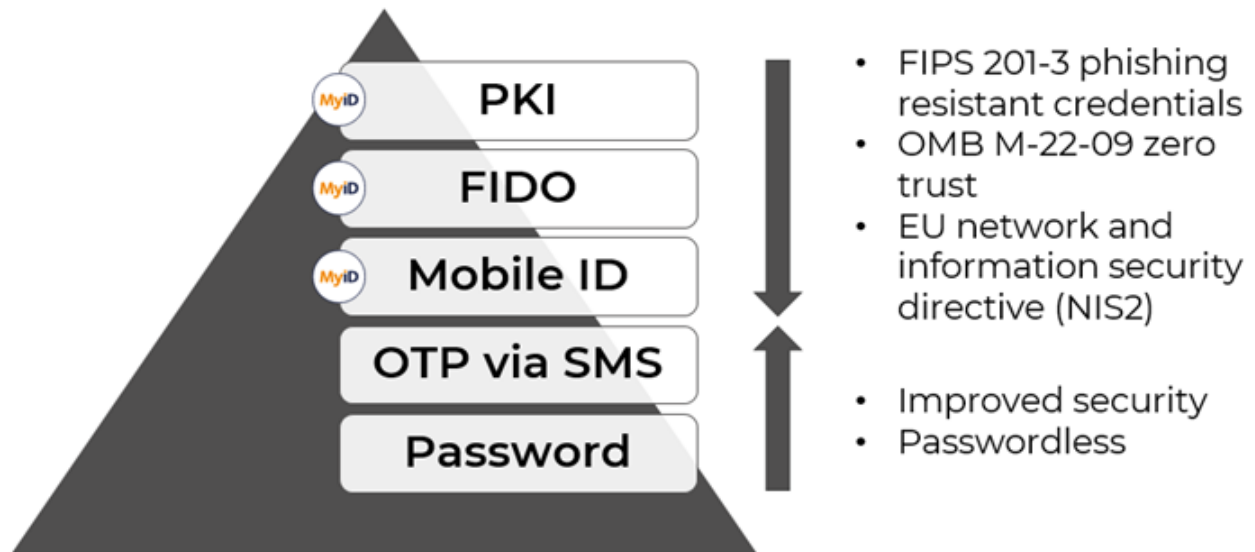
CHIEF EXECUTIVE'S REVIEW

FY22 started with varying degrees of Covid-19 restrictions and has ended with conflict in Europe. It is no understatement to say that it has been the most volatile year in recent memory and unfortunately not the environment in which Intercede wished to start the second phase of its turnaround. Yet, despite these headwinds, the Group continues to demonstrate its potential to drive organic growth with an impressive number of new customer wins.

I am proud to say that this year we have continued to deliver recurring revenue growth, high quality software and excellent service to our customers and partners. We have also continued to make good progress against our growth strategy and last, but not least, finished the year by securing prestigious new US Federal Government customers with the potential to generate substantial follow-on license orders.

Market Opportunity

Intercede's MyID credential management system (CMS) integrates and manages a broad range of PKI (Public Key Infrastructure) and FIDO (Faster Identity Online) technologies and has built a market-leading position in a number of very attractive, but niche, market segments with high barriers to entry. As part of Phase Two we continue to explore new authentication solutions, to complement the existing PKI and FIDO solutions, by moving down the authentication pyramid below and thereby increasing our addressable market:



The MyID platform addresses the issue that cybersecurity is focused on stopping hackers breaking in but is quite often undermined by hackers simply logging in through guessed or breached passwords. MyID provides effective protection against the number one cause of data breach – compromised user credentials. Last year, username/password breaches increased by over 450% in the US, according to ForgeRock's Identity Breach Report 2021. Passwords are simply not safe and represent a very weak form of authentication.

Fundamentally, it is time to move on from passwords and instead use MFA (Multi Factor Authentication) to ensure that digital users are who they say they are by requiring that they provide at least two pieces of evidence to prove their identity. Each piece of evidence must come from a different category: something they know (eg a PIN), something they have (eg a device, card or token) or something they are (eg a finger print or face ID).

Commonly, day-to-day MFA utilises SMS-based OTP's (one-time passwords), but these are at risk of phishing via open source and readily available phishing tools or methods such as SIM swapping that rely on

social engineering. This is not the case with secure MFA (strong authentication solutions) such as PKI and FIDO, which provide highly secure phishing resistant crypto-based security, a cornerstone of zero-trust architectures.

The importance of securing authentication with encryption of data at rest and in transit should not be understated and was in fact mandated in President Biden's Executive Order on cybersecurity in May 2021. This Executive Order is wide ranging, covering enhanced information sharing, replicable 'playbook' style responses to cybersecurity incidents and increased vendor transparency. The EU has subsequently followed suit with the introduction of the NIS2 Directive which defines cybersecurity standards that must be met for a large range of enterprises and their supply chains, specifically calling out strong authentication.

Intercede lives and breathes authentication and encryption and has the skill set to meet the increasing global demand for truly secure digital identity.

Growth Strategy and Review of Operations

Intercede's growth strategy continues to be based on 5Cs, centred around Colleagues, Customers, Channels, Code and Cash but has evolved to include a focused acquisition strategy that is intended to accelerate the Group's growth. As the Group enters the second phase of its turnaround, a new C is added: Corporate Development.

1 Colleagues and Board Changes

Intercede's product innovation roadmap leverages over 1,000 person-years of internal development expertise that would require a competitor to spend significant time and effort to replicate. Put very simply, the Group respects its staff and recognises they are its most valuable assets. To help colleagues thrive the Group aims to create a happy and fulfilling working environment where there are opportunities to gain experience that will support future career development.

It is important for colleagues to feel their contribution is valued and that they are rewarded appropriately. Intercede invests in its people, providing training opportunities to support development and enhance individuals' opportunities for career progression and the Group continues to actively review the benefits package in order to retain and attract the brightest talent.

As announced on 23 November 2021, Andrew Walker has decided to retire and step down from the Board. During my tenure, Andrew has been a phenomenal support and contributor in Phase One. His long-standing experience, professionalism, commitment and prudence has ensured the Group is now well prepared for Phase Two of the turn around and we wish him the very best for his impending retirement as he plans to spend more time with his family. I am very pleased that we have been able to appoint Nitil Patel as his successor and our new Chief Financial Officer. Nitil started in April 2022, so we have had the benefit of a handover prior to Andrew's departure following the completion of the FY22 Accounts.

Staff engagement

The Group maintains regular contact with its staff via annual company-wide kick-off conferences, company-wide video calls, regular management meetings, internal presentations, team announcements and news articles on the company intranet. Cross-department communication between management and their teams is encouraged to happen freely and transparently. During the pandemic we have compensated for the lack of office-based social interaction by introducing quiz nights, virtual bake-offs and 'Virtual Espresso' sessions in which a moderator leads a Q&A on a work-based topic or opens the floor for a free forum chat.

Two-way communication is promoted to encourage colleagues to share their views and preferences, be they positive or negative, so they can be addressed to deliver a workplace that is enjoyable and productive. In September 2021, all colleagues were invited to take part in the annual employee survey which saw a high response of 96% (compared to an industry average in the mid-60%s).

Engagement has increased from 63% in 2017 to 85% in 2021 (significantly above industry norm) and has held steady compared to the prior year, which is reassuring and a positive indication of colleagues' health and wellbeing during the pandemic and the switch to remote working. The results of the survey were shared

with employees and action plans were formulated by the self-selected Employee Working Group (EWG) to address identified opportunities for improvement.

Furthermore, our colleagues raise funds for their chosen charity selected each year (2022: Cancer Research UK), support the local foodbank in Lutterworth and the surrounding villages and work with charities for equipment disposal (WEEE). The Group is also investigating ways to reduce our carbon footprint including the daily use of collaboration tools to complement face to face meetings, as well as a new scheme started in the year with Oblong Trees to plant 200 trees in the UK and US for our colleagues on their birthdays, thereby offsetting CO2. Waste reduction and recycling is actively encouraged and practiced by many.

Finally, we have a Group wide, most valuable player recognition scheme where colleagues nominate individuals or teams who have made significant contributions to the business as a whole.

Staff wellbeing and retention

We take the wellbeing of our colleagues extremely seriously and, with the wider world emphasising the need for mental health awareness, we have proactively trained a large group of mental health first aiders as part of a Group-wide approach whereby line managers as well as all employees will also receive online training.

Over the year, staff numbers increased to 87 as at 31 March 2022 (31 March 2021: 84), while the attrition rate (average number of leavers over the year as a ratio of average headcount over the year) rose to 7% compared to 0% in the previous year. The increase was not unexpected given the distortion of the pandemic on the labour market and 7% still compares favourably to 9% and 33% recorded in FY20 and FY19 respectively. This measure continues to be a validation that the Colleague strategy is contributing to higher staff satisfaction levels and the Group strives for market leading staff retention.

2 Customers

Intercede has built an enviable client list, which has been created by delivering outstanding value. The security, reliability and interoperability of MyID software sets it apart and is why we are proud to help many leading organisations around the world manage the secure digital identities they issue to citizens and employees.



Sixteen new deployments were signed up during the year, which is double the number signed up during FY21. Of these new deployments, eleven meet the criteria to be included in one of the Group's most prominent KPIs 'New deployments with revenues over £20,000' compared to six in FY21. Intercede has built market leading positions in a number of very attractive market segments, meeting the needs of Aerospace & Defence contractors and governments. This is both a blessing, due to the potential for large initial one-off license orders and steady recurring Support & Maintenance, but it can also present a challenge as the timing of contract awards is invariably outside of Intercede's control.

While the lack of a significant license deal has been felt more acutely in the comparison of FY22 revenue to FY21, the substantial increase in new deployment wins is clear evidence of underlying momentum. Meanwhile the quality of the MyID solution is indisputable as evident in the low level of attrition with Support & Maintenance renewal rates of 98% for FY22 (98% in FY21), which is offset by an average inflationary increase in this revenue stream of 3% in FY22 (FY21: 3%).

Hence, even before the impact of new license sales is accounted for, the existing recurring Support & Maintenance revenue stream is increasing. Intercede therefore finds itself in a privileged position in which its annual recurring revenues from Support & Maintenance, plus repeatable Professional Services revenues, now largely cover annual fixed costs. This is a firm foundation that allows the Group to remain profitable, even in leaner years that don't contain a significant license deal.

Intercede works closely with customers and partners to understand what is important to them and reflect this in the MyID product roadmap. New features such as enhanced REST APIs for simpler integration, the improved user experience of the operator interface and support for a wider range of authentication mechanisms including FIDO and mobile ID, help to keep MyID relevant to our customers/partners and ensure that MyID is the system of choice where both security and flexibility are essential in ensuring data is protected now and into the future.

Highlights:

Customer upgrades to the latest release indicate their support for the new features as evidenced by the Group's recent announcement that multiple major customers have chosen to upgrade their existing MyID deployments including:

- A major global Aerospace & Defence manufacturer upgrading to benefit from enhanced system configuration capabilities and integration APIs, enabling them to remove customisations and to achieve greater in-house control of the solution. In addition, support for the latest device types, such as YubiKey 5s, will allow the customer to deploy modern authentication devices better suited to their working environment.
- A major transportation deployment wishing to modernise their supported infrastructure platforms and also benefit from the more intuitive and faster browser-independent operator interface.
- A major US Government agency choosing to extend their deployment to overseas workers, benefiting from enhanced self-service via kiosk interfaces, reducing operational costs while maintaining compliance with stringent government security standards.

One important communication channel we have with our customers is the annual Customer Advisory Board (CAB). Virtual CABs were held during October and November for Customers and partners in the RoW and US respectively. They have followed a different format this year, starting with a Product Roadmap and Customer Success initiative session, then followed by non-concurrent workshops that allowed customers to attend all sessions including: FIDO for the Enterprise, Mobile Authentication & Transaction Signing and Upgrading MyID. A key output of these sessions is to validate Intercede's product roadmap against market requirements, ensuring our product remains relevant and ahead of the competition.

There are encouraging signs that our efforts to increase and improve customer interaction are paying off as evidenced by the increase in participation of the Customer Satisfaction Survey, the low churn rate and an increased NPS (Net Promoter Score).

3 Channels

Intercede's partner-centric growth strategy remains unchanged. The Group grows revenues by expanding market presence and brand awareness through an increasing number of reseller and technology partner relationships and building strong commercial relationships with larger customers by serving those customers with a feature-rich and relevant product that sits at the heart of their cyber security needs. This enables the Group to confidently approach its objectives in order that commercial risks can be contained and that it has the bandwidth and resources to execute its 6C strategy.

Technology Partners:



Integration & Reseller Partners:



The deep focus on strengthening relationships with reseller and technical alliance partners underlies Intercede's go-to-market strategy, namely:

Additional Partners = increased served market = more customer deployments

A key element of the Group's growth strategy is therefore focused on increasing the number of partner relationships via Intercede's Connect Partner Programme. There is a vast and ever-growing number of PKI and FIDO technologies in global circulation and the business is continually assessing them to identify those hardware and software vendors which meet Intercede's criteria for providing a successful partnership.

The Group has made excellent progress on this front with new partnerships formed in Europe, the US, ASEAN, Latin America and Africa. Of the eleven new deployments with revenues over £20,000, nine came through partners with orders in excess of £1.5m, most of which was recognised in revenue in FY22. And, of the nine new deployments that came through partners, three deployments were won via new partners signed up during FY22 with orders in excess of £0.3m, most of which was recognised in revenue in FY22.

Intercede continues to focus on technical alliances so that customers benefit from their digital infrastructure being seamlessly joined by the secure credential issued and managed by the MyID CMS. In Europe we continue to work with the likes of Cryptas and ESYSCO to embed MyID into a turnkey solution comprising of industry leading components, which simplifies the complexities of PKI deployment. This enables enterprises to benefit from a single and secure source of identity to access centralised systems, such as HR and Finance, and provide strong authentication to eIDAS (electronic identification, authentication and trust services) signing services.

There has been interest from a major service provider in Latin America who wishes to issue secure and verifiable digital identities with MyID acting as an identity service for applications such as student ID, healthcare and financial services applications, which would utilise relevant experience that Intercede has from working on the Kuwait National ID scheme. This would involve enrolment in an app using biometric and document scans for which MyID would then issue a digital identity containing information about the applicant into the app and allow the user to securely authenticate to services.

All of this leads Intercede into exciting new territory such as mobile driving licenses, following the publication of the eagerly anticipated ISO/IEC 18013-5 International Standard for Mobile Driver's License. This paves the way for digital driver's licenses to be trusted and accepted across state and national borders and enable the underlying identity to be used securely by citizens of participating jurisdictions to seamlessly access products and service across business, industry and government entities. While it is still early days, Intercede believes it has a role to play in thought leadership and support of the new standard.

4 Code

Code for Intercede's MyID CMS is written and managed by a large in-house team of expert and experienced developers, which makes MyID the leading unified credential management solution. During this financial year, Intercede has continued to invest in the MyID platform in accordance with its core development principles:

- Create and maintain a modern platform based upon market leading technology;
- Broaden the addressable market with new functionality; and
- Meet constantly evolving Customer and Partner needs.

The start of FY22 saw the announcement of the release of MyID v12 which introduced the following significant new features:

- **FIDO** – MyID can now operate as a FIDO server, supporting a wide range of FIDO2 authenticators and delivering the ability to manage issuance policy and lifecycle management, providing organisations with the control they need to ensure that only the right people can access protected systems and resources.
- **Authentication Server** – an easy to operate method of authentication that enables a customer to use mobile devices within their existing PKI to secure access to the applications, such as Office 365, that they need as part of their role using fingerprint, PIN, or facial matching.

- **Operator Client** – additional features have now been migrated to the new operator client to improve performance and user experience. The operator client is now supported on Google Chrome, Microsoft Edge (Chromium) and Mozilla Firefox browsers.

Intercede has maintained a quarterly release schedule, the most recent being MyID v12.3 in March 2022. These releases have incorporated new and improved features such as:

- Improvement to FIDO functionality to allow derived FIDO credentials to be issued to users compliant with US Government security standard FIPS 201-3. The solution is zero-footprint (requiring no software on the user's device) making it quick and easy to deploy.
- Improvements to searches and reports on the new Operator Client, providing more flexibility and simpler access to audit and management information.
- The MyID Self Service Kiosk can be customized to incorporate a customer's own web pages and content, making the solution highly adaptable to environments via a zero/low code approach without the need for custom development.
- The MyID Toolkit consists of a package of APIs, documentation and sample code designed to extend the capabilities of MyID, enabling partners and customers to add value to MyID and integrate it simply into their own environments and applications.
- Updated MyID integration with the Office of Personnel Management (OPM) for Background Investigations, allowing adjudication decisions to be recorded in MyID and enhanced 10-Slap fingerprint capture and EFT generation, fully compliant with the latest US Government security standards.

The ever expanding and evolving code base, with its associated features and benefits, will support the use of new use cases which in turn lead to:

Additional technology/code = increased addressable market = more customer deployments

MyID releases during the year also incorporated integrated updates with the latest technology in the secure authentication market:

- Latest generation of Yubikeys and Yubikey FIPS devices.
- Simplified interface to Entrust Certificate Authority products.
- Latest Thales smartcards, eTokens, T-Series HSMs and Safenet Authentication Client.
- Latest PrimeKey EJBCA Enterprise PKI.
- Digicert One PKI.
- SecuGen Pro 10 & Pro 20 fingerprint readers.
- Aware Preface (PIV Facial biometric enrolment) with Canon EOS.

As mentioned in the 'Customer' section above, some of our largest customers are choosing to upgrade MyID to benefit from these new features and capabilities, making the MyID CMS a heavily integrated and embedded solution.

5 Cash

The Group continues to maintain its fine record of managing working capital cash flow and benefits from relatively low credit risk from trade receivables due to the requirement for customers to pay in advance for their recurring Support and Maintenance, which is the business's biggest revenue stream. Where there are credit accounts, these are typically with the largest and most reputable companies in the world and receivables are controlled through tight credit terms and regular monitoring.

Cash balances were £7.8m as at 31 March 2022, a small decline from cash of £8.0m as at 31 March 2021. Cash balances are monitored weekly for working capital and corporate development funding requirements. The Group continues to have no debt.

6 Corporate Development

The Group is actively exploring buy-side M&A following the Summer 2021 appointment of a new full time Head of Corporate Development with extensive experience as a software investment banker and who has

led corporate development efforts in one of the largest M&A based software scale ups undertaken in the public markets.

The Board sees the value in taking time to ensure the right strategic fit(s) to ensure scalability and accelerated revenue growth, whilst also pursuing a disciplined approach to deal pricing. Any future acquisition will aim to be earnings enhancing as well as increasing our ability to access a larger addressable market and/or provide an end-to-end offering to our customers.

Outlook and Phase Two

Intercede's strategic priorities are clear as the Group embarks on Phase Two of its turnaround. The overall aim of scalability and consistent revenue growth will be achieved through a combination of:

- corporate development, with a focus on acquiring quality companies that meet this aim; and
- enhancements to the MyID CMS platform to broaden the addressable market.

Meanwhile the Group will continue to pursue organic growth in all its forms – winning new customers via new and existing partners and growing recurring revenue streams from existing customer relationships.

We will maintain our open and transparent style of communication and collaboration with colleagues, customers, partners and the wider stakeholder community in order to create increased growth opportunities as well as shareholder value.

Moving forward, the Group has a great opportunity for growth with Intercede having established a strong market position in a rapidly expanding sector. Our differentiated offering sets us apart from competitors, in addition to a quality team and a strong financial position. We look forward to the future with confidence.

I would like to thank Intercede's Board, colleagues, customers and partners for their valuable contributions to the Group's progress. As FY23 begins, the year has also been marked by a terrible conflict that affects us all. We expect Intercede's progress to continue unabated, and we hope for a stable, secure and peaceful environment for ourselves and the wider global community.

Klaas van der Leest
Chief Executive Officer

INTERCEDE GROUP plc

Preliminary Results for the Year Ended 31 March 2022

STRATEGIC REPORT

Introduction

Intercede is a best-in-class cybersecurity software and services provider specialising in digital trust for a hyper-connected, increasingly mobile world.

The Group's vision is a world without passwords and its mission is to provide the enabling technology and services to make this possible simply, securely and at scale. Intercede's core pillars of strength can be outlined as follows:

- For over 20 years, Intercede has been providing trusted identities for some of the world's largest corporations and government agencies.
- Intercede's product innovation roadmap leverages well over 1,000 person-years of internal expertise and is underpinned by strong customer demand and a committed set of international partners.
- New solutions are engineered at high speed by a specialist team with longevity of employment. Product design is also informed by major customers and interoperability partners.
- Intercede's MyID software is US and UK Government accredited, which secures access to regulated markets. Traditionally it was delivered as an on-premise solution for employee ID, but it is now also deployed on a large scale by managed service partners for transport workers and national ID programmes.

These core strengths mean that Intercede is well placed to take advantage of opportunities in the market, in particular:

- Passwords are universally recognised as being insecure and inconvenient by organisations and end users.
- A growing number of governments and industry bodies are enacting legislation (such as FIPS 201-3 in the US and NIS2 in Europe) to mandate enhanced levels of security by removing passwords. This increased regulation covers a wide range of activities including banking & finance, general data protection and critical national infrastructure.
- In-house cybersecurity skills are in short supply creating an increased demand for packaged security solutions.
- There is a growing demand for identity solutions to meet the scalability requirements of large end user populations, particularly in the government, enterprise and supply chain markets.

Intercede has the experience, skills and technology platform to deliver digital identity solutions across a wide range of market sectors and geographical regions, meeting the growing demand for a secure and convenient alternative to passwords.

Trading Results

Intercede continues to demonstrate its resilience against the backdrop of the Covid-19 pandemic and other geopolitical events, securing sixteen new deployments, which is double the number signed up during FY21. It is pleasing to note that eleven of these meet the criteria to be included in the KPI 'New deployments with revenues over £20,000', a sizable increase on the six new deployments in FY21.

While overall revenue decreased slightly compared to last year owing to the impact of Covid-19 on client decision-making, particularly impacting license purchases, the underlying recurring Support & Maintenance revenue stream continues to increase.

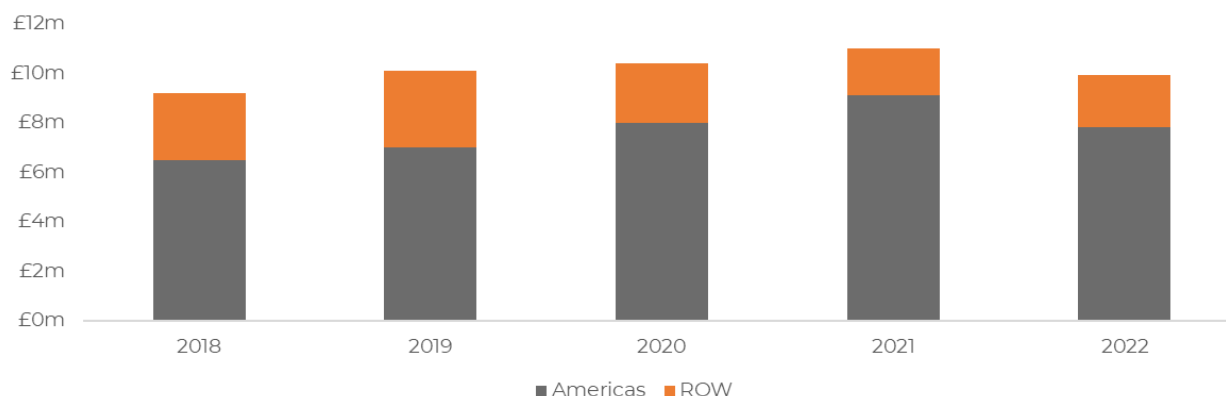
Intercede therefore finds itself at an inflection point in which its annual recurring revenues from Support & Maintenance, plus repeatable Professional Services revenues, now largely cover annual fixed costs. This is a firm foundation that allows the Group to remain profitable, even in leaner years that don't contain a significant license deal.

Revenue Highlights:

- A new MyID PIV deployment order from a prestigious independent US Federal Agency. The deployment will leverage Intercede's technology partnership with Microsoft, by delivering PKI credentials into Microsoft Intune managed smartphones enabling sensitive data protection and secure access to agency systems. This order is for an initial 20,000 devices plus associated Professional Services and Support & Maintenance totalling \$0.5m, the majority of which was recognised as revenue in FY22. The deployment has the potential to rollout to substantially more devices over time.
- Immediately prior to year-end, Intercede announced an initial order totalling \$0.3m from another large and prestigious US Federal Agency. This deployment also has the potential to rollout to a significant number of devices over time. The contract relates to the supply of Intercede's MyID credential management software to deploy digital identities to mobile devices in the form of derived PIV credentials, compliant with US government security standards FIPS 201 and SP 800-157. Intercede will work closely with its new partner to commence the migration from a competitor.
- A new MyID Enterprise deployment sale to the US Air Force to support an overseas forward deployment.
- As previously mentioned, multiple major customers have chosen to upgrade their existing MyID deployments including, but not limited to, a major global Aerospace & Defence manufacturer, a major transportation program and a major US government agency.
- A new MyID Enterprise deployment sale to a photonics technology business based in the UK to help them automate the issue of virtual smart cards (VSCs) at scale.
- A new MyID Enterprise deployment sale and order for Professional Services to assist a new partner based in South America to set up a pilot ID Provider for the service network of a multinational financial services corporation.
- A new MyID Enterprise deployment sale to a shared service provider for a major US government defence agency.
- Two new MyID PIV deployment sales to an existing US Air Force base customer. This customer now operates six similarly sized MyID PIV deployments.

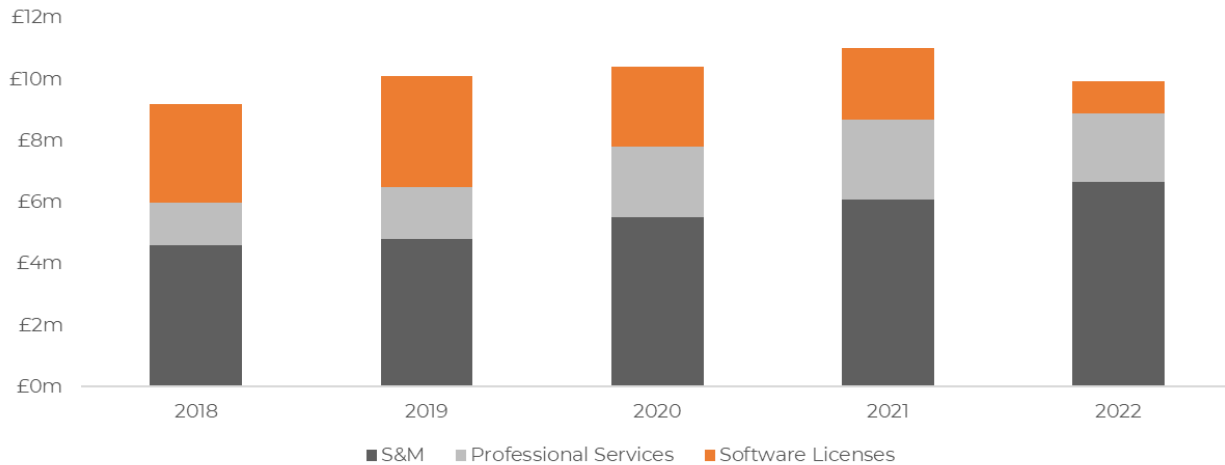
These orders include software licenses, associated Support & Maintenance and Professional Services, some of which will be recognised as revenue in FY23.

Regional Revenue



The US continues to represent Intercede's largest market with the Americas making up 79% of total revenues during 2022 (2021: 83%). Key markets for Intercede in Europe and the Middle East have continued to experience Covid-19 lockdowns at various points during FY22, which inevitably slowed down new customer opportunities with their short-term focus switching to the public health emergency.

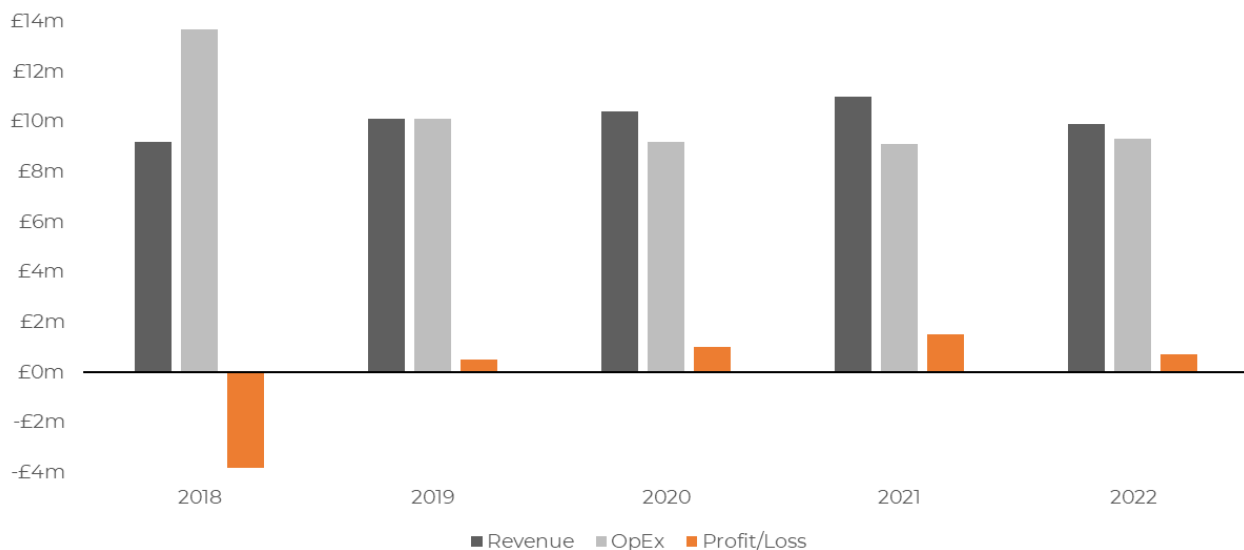
Revenue Breakdown



The last five years has seen progressive growth in recurring Support & Maintenance (S&M) revenues due to an increase in deployments and a loyal customer base that is resilient to churn. Software Licenses revenue decreased in the absence of a significant license deal due to delays in customer decision-making. However Professional Services revenue remained steady reflecting customer appetite to upgrade to the latest release to take advantage of new features. This, in combination with a low rate of churn, is evidence that the quality of the MyID solution is indisputable.

In the year ended 31 March 2022, revenue decreased 9% (4% at constant currency rates) to £9,925,000 (2021: £10,961,000). This is predominately the reason for the Group's gross profit decreasing to £9,727,000 (2021: £10,726,000) as the gross profit margin has remained constant at 98% year on year.

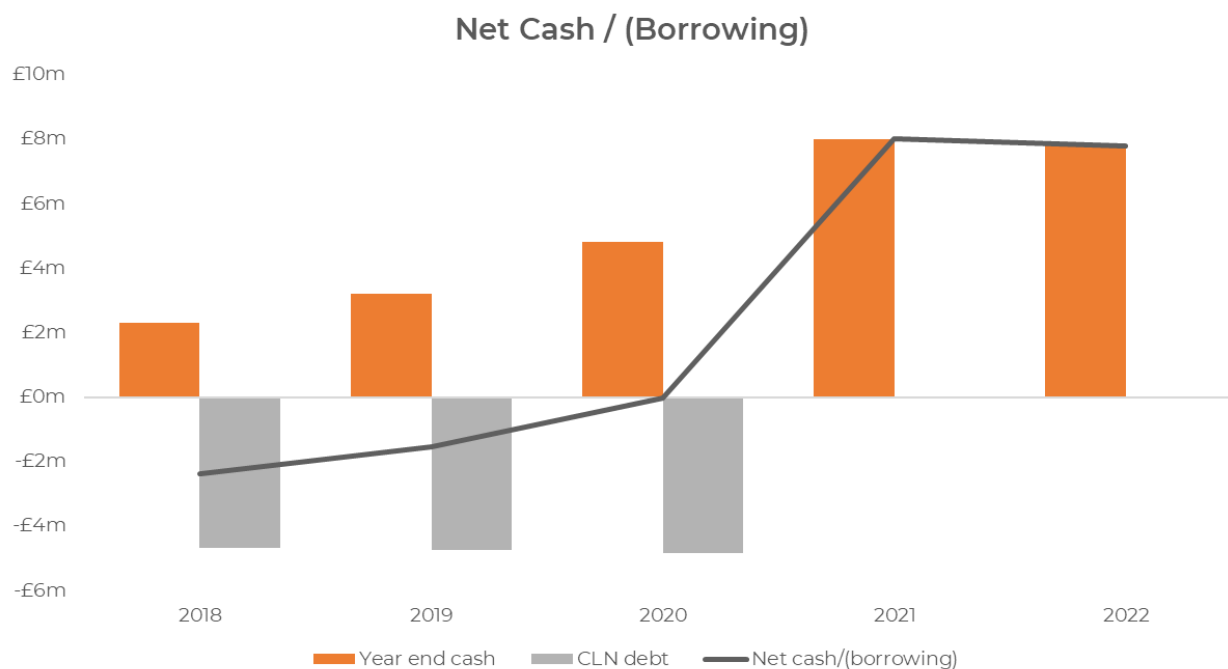
Revenue, OpEx & Profit/Loss



Higher Operating expenses (OpEx) in FY18 primarily reflected strategic investment in product development to expand MyID into emerging high-volume markets to secure mobile apps and devices, provide cloud services and protect the Internet of Things (IoT). This expenditure was substantially reduced following the change in strategy reported in the FY18 Annual Report and has averaged £9.4m during the period from FY19 to FY22. This lower cost base, when combined with increased recurring revenues, has enabled the Group to return to profit and cash generation.

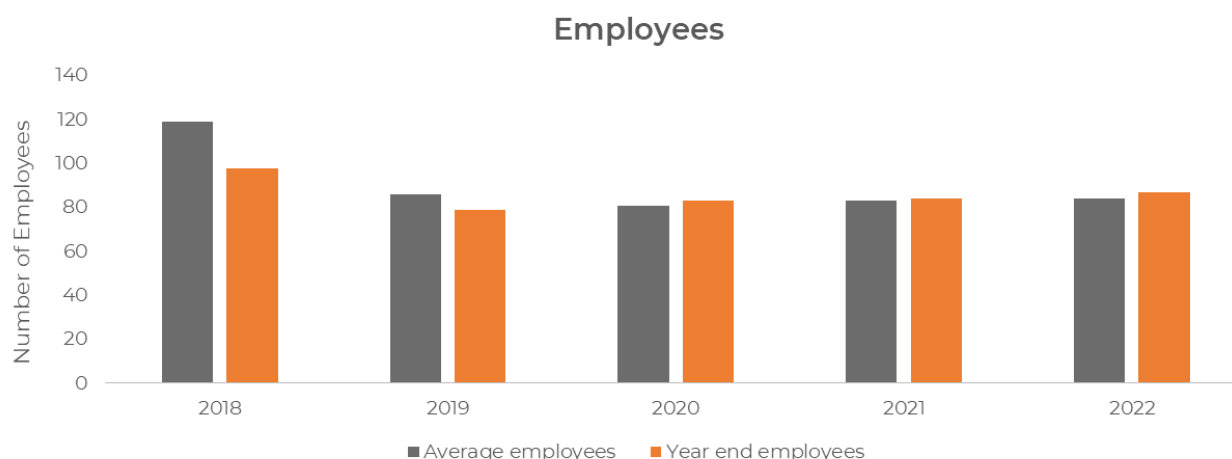
Operating expenses (OpEx) for the year were £9,337,000 (2021: £9,137,000). OpEx is in line with the prior year and the small increase primarily reflects the impact of the April 2021 pay review and an increase in

headcount. Staff costs continue to represent the main area of expense, representing 84% of total operating expenses (2021: 88%).



Following the successful early conversion and redemption of all convertible loan notes (CLNs) in February 2021, Intercede is debt free with a much strengthened financial position, enabling the Group to embark on Phase Two of its turnaround plan.

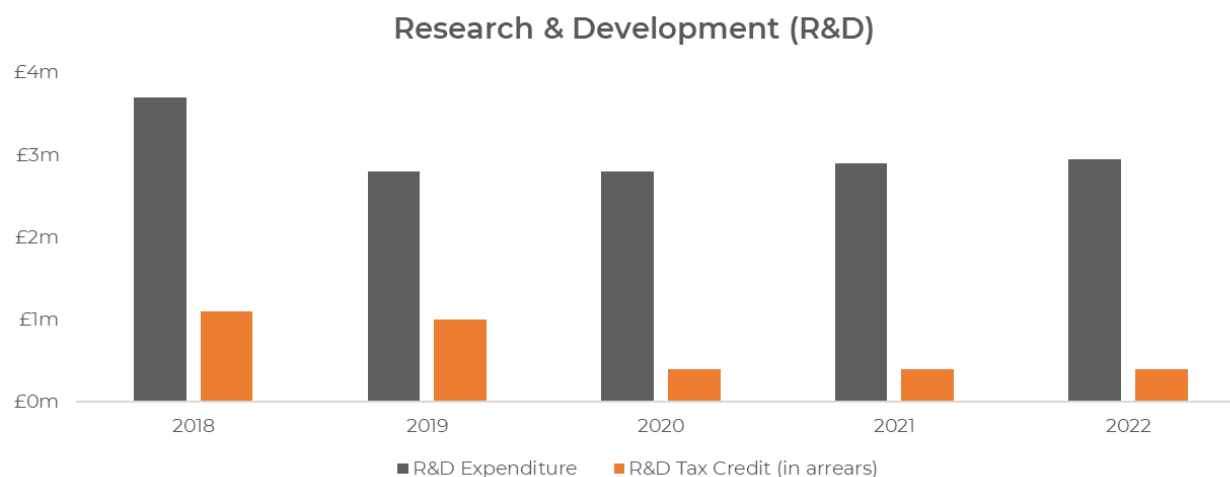
Intercede continues to recognise the achievements of its staff with pay rises and performance-related rewards. The average number of employees and contractors was 84, up from the previous year's average of 83 and the number of employees and contractors as at 31 March 2022 was 87 (31 March 2021: 84). Throughout the pandemic staff numbers have been consistent; business as usual has been maintained without anyone being furloughed or made redundant and without any pay cuts or reductions in working hours. Intercede has not utilised any government Covid-19 assistance schemes, so there is nothing to repay.



Employee numbers have stabilised and started to selectively increase again following the substantial reductions that were made during FY18.

Expenditure on research and development (R&D) activities totalled £2,953,000 (2021: £2,892,000). In accordance with the IFRS recognition criteria, the Board has continued to determine that all internal R&D

costs incurred in the year are expensed. No development expenditure has been capitalised during the year (2021: £nil).



R&D is an important part of Intercede’s investment strategy. Intercede makes an R&D Claim as part of its annual tax return and can choose whether to carry taxable losses forward or to request a cash repayment from the UK government. Prior to FY20, the tax credit received was unrestricted due to taxable losses exceeding R&D expenditure. As that is no longer the case, the level of cash received has reduced.

A £400,000 taxation credit in the year (2021: £425,000) primarily reflects cash received following the 2021 R&D claim as a result of the investment activities outlined above. The Group is a beneficiary of the UK Government’s efforts to encourage innovation by allowing 130% of qualifying R&D expenditure to be offset against taxable profits.

The net finance cost for the year was £67,000 (2021: £485,000). This includes interest in respect of lease liabilities totalling £83,000 (2021: £65,000). The conversion and redemption of all convertible loan notes (CLNs) in FY21 means there were no CLN finance costs during the year (2021: £429,000).

Profit for the year was £723,000 (2021: £1,529,000), which resulted in a decreased basic profit per share of 1.3p and a fully diluted profit per share of 1.2p (2021: basic profit per share of 3.0p and fully diluted profit per share 2.8p). Intercede employs a high operating leverage which can result in large swings in profit depending on whether significant license orders are received.

Financial Position and Cashflow

The Group’s cash position as at 31 March 2022 was £7,787,000, compared to cash of £8,029,000 as at 31 March 2021. During FY22 there has been a net cash inflow from operating activities of £110,000 (2021: £4,235,000 inflow, which reflected cash received from significant license orders received both during the year and prior to the end of FY20). The conversion and redemption of all CLNs in FY21 resulted in £nil CLN finance costs (2021: £445,000) and £nil repayments in respect of the redemptions of CLNs (2021: repayment of £450,000).

The Group remains focused on investing in the MyID platform to deliver future growth and has no plans to commence the payment of dividends. It will do so when the Board considers this to be appropriate.

Treasury

The Group manages its treasury function as part of the finance department. Whilst the Group’s operations are primarily based in the UK it has successfully exported its technology throughout the world for many years. This results in invoices being raised in currencies other than sterling; the most notable being US dollars and euros. A number of suppliers also invoice the Group in US dollars and euros. The Group’s current policy is not to hedge these exposures and the exchange differences are recognised in the Statement of Comprehensive Income in the year in which they arise.

Key Performance Indicators (KPIs)

	2018	2019	2020	2021	2022
Revenue growth	11%	10%	2%	6%	(9%)
Revenues - Export	94%	97%	99%	99%	99%
Revenues - Americas	71%	69%	77%	83%	79%
New deployments with revenues over £20,000	10	9	4	6	11

Principal Risks and Uncertainties

Like all businesses, Intercede operates in an environment that is not free from risks or uncertainties. The nature and complexity of the services it provides can present technical challenges that carry a certain element of commercial risk, and the Group is naturally exposed to external market, geopolitical and compliance related risks that are not necessarily within its control. Intercede works diligently to identify, monitor and mitigate all risks and uncertainties:

- The Group operates in a complex and competitive technological environment so the business will be negatively affected if it does not enhance its product offerings and/or respond effectively to technological change. This risk is mitigated by ongoing investment in research and development.
- The Group operates in multiple markets, both geographically and by sector, so there is a risk that territory and global macro-economic conditions (including the impact of the Ukraine conflict) may result in one or more of these markets being adversely affected and the revenues of the business impacted accordingly. This risk is mitigated to an extent, both through the long-term nature of customer relationships and the diversification that results from operating in multiple markets as well as the increased focus on cyber security.
- To date, the Group has not experienced interruptions in its operations or services to customers as a result of the Covid-19 pandemic. Management was well prepared for the current conditions, with business continuity plans already in place precisely for situations where staff were unable to work from the office. All staff continue to work productively either remotely or in the office where permissible. Intercede continually assesses travel, meetings and office working needs across its global locations in advance of formal government directives.
- Technology companies are exposed to intellectual property infringement and piracy. The Group rigorously defends its intellectual property in the primary jurisdictions within which it operates.
- The Group's performance is largely dependent on the experience and expertise of its employees. The loss or lack of key personnel is likely to adversely impact the Group's results. To mitigate this risk, the Group aims to put in place appropriate management structures and to provide competitive remuneration packages to retain and attract key personnel.

By order of the Board

Andrew Walker
Finance Director

INTERCEDE GROUP plc**Consolidated Statement of Comprehensive Income for the year ended 31 March 2022**

	2022	2021
	£'000	£'000
Continuing operations		
Revenue	9,925	10,961
Cost of sales	<u>(198)</u>	<u>(235)</u>
Gross profit	9,727	10,726
Operating expenses	<u>(9,337)</u>	<u>(9,137)</u>
Operating profit	390	1,589
Finance income	16	9
Finance costs	<u>(83)</u>	<u>(494)</u>
Profit before tax	323	1,104
Taxation	<u>400</u>	<u>425</u>
Profit for the year	<u>723</u>	<u>1,529</u>
Total comprehensive income attributable to owners of the parent company	<u>723</u>	<u>1,529</u>
Profit per share (pence)		
- basic	1.3p	3.0p
- diluted	<u>1.2p</u>	<u>2.8p</u>

INTERCEDE GROUP plc

Consolidated Balance Sheet as at 31 March 2022

	2022 £'000	2021 £'000
Non-current assets		
Property, plant and equipment	117	154
Right of use assets	431	725
	548	879
Current assets		
Trade and other receivables	4,598	4,098
Cash and cash equivalents	7,787	8,029
	12,385	12,127
Total assets	12,933	13,006
Equity		
Share capital	577	571
Share premium	5,268	5,138
Merger reserve	1,508	1,508
Accumulated deficit	(1,842)	(2,471)
Total equity	5,511	4,746
Non-current liabilities		
Lease liabilities	388	762
Deferred revenue	233	420
	621	1,182
Current liabilities		
Lease liabilities	368	350
Trade and other payables	1,464	1,920
Deferred revenue	4,969	4,808
	6,801	7,078
Total liabilities	7,422	8,260
Total equity and liabilities	12,933	13,006

INTERCEDE GROUP plc

Consolidated Statement of Changes in Equity for the year ended 31 March 2022

	Share capital £'000	Share premium £'000	Equity reserve £'000	Merger reserve £'000	Accumulated deficit £'000	Total equity £'000
As at 1 April 2020	505	673	66	1,508	(4,133)	(1,381)
Purchase of own shares	-	-	-	-	(29)	(29)
Issue of new shares on conversion of convertible loan notes	66	4,465	(60)	-	-	4,471
Reversal of equity component following redemption of convertible loan notes	-	-	(6)	-	-	(6)
Proceeds from recycling of own shares	-	-	-	-	26	26
Employee share option plan charge	-	-	-	-	88	88
Employee share incentive plan charge	-	-	-	-	48	48
Profit for the year and total comprehensive income	-	-	-	-	1,529	1,529
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2021	571	5,138	-	1,508	(2,471)	(4,746)
Purchase of own shares	-	-	-	-	(187)	(187)
Issue of new shares	6	130	-	-	-	136
Employee share option plan charge	-	-	-	-	67	67
Employee share incentive plan charge	-	-	-	-	26	26
Profit for the year and total comprehensive income	-	-	-	-	723	723
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 March 2022	<u>577</u>	<u>5,268</u>	<u>-</u>	<u>1,508</u>	<u>(1,842)</u>	<u>5,511</u>

All amounts included in the table above are attributable to owners of the parent company.

INTERCEDE GROUP plc

Consolidated Cash Flow Statement for the year ended 31 March 2022

	2022	2021
	£'000	£'000
Cash flows from operating activities		
Profit for the year	723	1,529
Taxation	(400)	(425)
Finance income	(16)	(9)
Finance costs	83	494
Depreciation of property, plant & equipment	70	60
Depreciation of right of use assets	237	255
Exchange losses / (gains) on foreign currency lease liabilities	22	(74)
Employee share option plan charge	67	88
Employee share incentive plan charge	26	48
Employee unit incentive plan charge	9	30
(Increase) / decrease in trade and other receivables	(550)	1,078
(Decrease) / increase in trade and other payables	(465)	357
(Decrease) / increase in deferred revenue	(26)	877
	(220)	4,308
Cash (used in) / generated from operations		
Finance income	13	12
Finance costs on convertible loan notes	-	(445)
Finance costs on leases	(83)	(65)
Tax received	400	425
	110	4,235
Net cash generated from operating activities		
Investing activities		
Purchases of property, plant and equipment	(33)	(95)
	(33)	(95)
Cash used in investing activities		
Financing activities		
Purchase of own shares	(187)	(29)
Proceeds from recycling of own shares	-	26
Proceeds from issue of ordinary share capital	136	-
Principal element of lease payments	(321)	(338)
Repayment of convertible loan notes	-	(450)
	(372)	(791)
Cash used in financing activities		
Net (decrease) / increase in cash and cash equivalents	(295)	3,349
Cash and cash equivalents at the beginning of the year	8,029	4,758
Exchange gains / (losses) on cash and cash equivalents	53	(78)
	7,787	8,029
Cash and cash equivalents at the end of the year		

INTERCEDE GROUP plc

Preliminary Results for the Year Ended 31 March 2022

NOTES

1. While the financial information included in this annual financial results announcement has been prepared in accordance with UK adopted international accounting standards (IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, this announcement does not contain sufficient information to comply therewith. The financial information set out in this announcement does not constitute the Group's Statutory Accounts for the years ended 31 March 2022 or 2021. Statutory Accounts for 2021 have been delivered to the Registrar of Companies and those for 2022, which have been approved by the Board of Directors, will be delivered following the Group's Annual General Meeting. The Company's auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 498 of the Companies Act 2006.

The Annual General Meeting will be held on Wednesday 21 September 2022. Copies of the full Statutory Accounts and the Notice of Annual General Meeting will be despatched to shareholders in due course. Copies will also be available on the website (www.intercede.com) and from the registered office of the Company: Lutterworth Hall, St. Mary's Road, Lutterworth, Leicestershire, LE17 4PS.

2. REVENUE

All of the Group's revenue, operating profits and net assets originate from operations in the UK. The Directors consider that the activities of the Group constitute a single business segment.

The split of revenue by geographical destination of the end customer can be analysed as follows:

	2022 £'000	2021 £'000
UK	119	115
Rest of Europe	992	1,061
Americas	7,801	9,095
Rest of World	1,013	690
	<u>9,925</u>	<u>10,961</u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	2022 £'000	2021 £'000
Staff costs	7,819	8,022
Foreign exchange loss	31	167
Depreciation of property, plant and equipment	70	60
Depreciation of right of use buildings	210	228
Depreciation of right of use equipment	27	27

Included in the staff costs above is research and development expenditure totalling £2,953,000 (2021: £2,892,000).

4. TAXATION

The tax credit comprises:	2022 £'000	2021 £'000
Current year – UK corporation tax	-	-
Current year – US corporation tax	(33)	(22)
Research and development tax credits relating to prior years	433	447
Taxation	<u>400</u>	<u>425</u>

The Group has unused tax losses of £10,446,000 (2021: £9,174,000) and unrecognised deferred tax assets of £2,612,000 (2020: £1,743,000) calculated at the corporation tax rate of 25% (2020: 19%), being the enacted rate at which the deferred tax assets would unwind, were they to be recognised. Intercede makes an R&D Claim as part of its annual tax return and can choose whether to carry taxable losses forward or to request a cash repayment from the UK government.

5. EARNINGS PER SHARE

The calculations of earnings per ordinary share are based on the profit for the financial year and the weighted average number of ordinary shares in issue during each year.

	2022 £'000	2021 £'000
Profit for the year	<u>723</u>	<u>1,529</u>
	Number	Number
Weighted average number of shares – basic	57,265,739	51,359,410
– diluted	<u>59,413,261</u>	<u>54,049,938</u>
	Pence	Pence
Profit per share – basic	1.3p	3.0p
– diluted	<u>1.2p</u>	<u>2.8p</u>

The weighted average number of shares used in the calculation of basic and diluted earnings per share for each year were calculated as follows:

	2022 Number	2021 Number
Issued ordinary shares at start of year	57,143,357	50,523,926
Effect of treasury shares	(112,412)	(41,645)
Effect of issue of ordinary share capital	<u>234,794</u>	<u>877,129</u>
Weighted average number of shares – basic	<u>57,265,739</u>	<u>51,359,410</u>
Add back effect of treasury shares	112,412	41,645
Effect of share options in issue	<u>2,035,110</u>	<u>2,648,883</u>
Weighted average number of shares – diluted	<u>59,413,261</u>	<u>54,049,938</u>

Please see note 7 for details of issues of ordinary share capital.

6. DIVIDEND

The Directors do not recommend the payment of a dividend.

7. SHARE CAPITAL

	2022	2021
	£'000	£'000
<i>Authorised</i>		
481,861,616 ordinary shares of 1p each (2021: 481,861,616)	<u>4,819</u>	<u>4,819</u>
<i>Issued and fully paid</i>		
57,743,357 ordinary shares of 1p each (2021: 57,143,357)	<u>577</u>	<u>571</u>

The increase in issued and fully paid ordinary shares of 1p each represents the issue of 100,000 shares to facilitate the exercise of options by senior managers in June 2021 and the issue of 500,000 shares to facilitate the exercise of options by a Director in December 2021.

As at 31 March 2022, the Company had 131,645 ordinary shares held in treasury (2021: 41,645). During the year 67,500 options were exercised using treasury shares (2021: 35,000) and the Company purchased 157,500 ordinary shares (2021: 35,000) for a consideration of £155,000 (2021: £29,000) to facilitate the exercise of options by senior managers during the year.