

PCI-PAL

Record H1 new business

PCI Pal's H126 trading update confirmed strong growth in both annual recurring revenue (ARR) and contracted ARR (CARR) after winning record new business for a first half. Revenue increased 7% y-o-y, or 14% on a normalised basis. Management commented that it was seeing the highest levels of demand for its core secure payments products and a highly encouraging sales pipeline entering H2, giving it confidence that the group can meet the board's expectations for FY26. We maintain our forecasts.

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	DPS (p)	EV/EBITDA (x)	P/E (x)
6/24	18.0	0.9	(0.6)	(1.10)	0.00	42.5	N/A
6/25	22.5	2.3	0.8	0.69	0.00	15.9	78.8
6/26e	24.0	0.7	(1.2)	(1.16)	0.00	54.4	N/A
6/27e	27.2	2.2	0.1	0.09	0.00	16.4	N/A

Note: EBITDA, PBT and diluted EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

End-H126 ARR +21% y-o-y, CARR +18% y-o-y

ARR stood at £20.3m at the end of H126 (+21% y-o-y, +25% in constant currency (cc)), in line with the company's target of growing ARR at 18–21% per year in the medium term. CARR stood at £24.0m at the end of H126 (+18% y-o-y, +21% cc), providing the foundation for revenue growth as new customer projects are deployed through the course of H226 and H127. H126 revenue of £11.3m was 7% higher year-on-year, or 14% higher once the one-off revenue deferral reported in H125 is stripped out. Gross revenue retention (GRR) of 95% was flat year-on-year and net revenue retention (NRR) increased to 105% from 103% in H125, showing the benefit of the company's broader product range.

On track to meet FY26 expectations

We believe that our end-FY26 forecasts for ARR of £22.5m and CARR of £25.2m look achievable based on the H126 performance and the strong sales pipeline. Management pointed to deepening relationships with strategic partners, growth in the SMB and enterprise customer bases, and further penetration of the US healthcare market. Cash at the end of H126 was £2.6m, below our end-FY26 forecast of £3.9m. However, we expect certain customer renewals in H226 to provide a working capital boost and we maintain our forecasts.

Valuation: Only modest growth factored in

The stock is currently trading on EV/sales multiples of 1.5x FY26e and 1.4x FY27e, at a discount to both global CCaaS/UCaaS vendors and UK subscription software providers despite revenue and ARR growth at the higher end of the UK software group. A reverse discounted cash flow analysis shows that the market is only factoring in mid single-digit revenue growth and mid-teen EBITDA margins in the medium to long term, well below the company's targets. If we assume a higher rate of revenue growth (15% in FY28 trending down to 3% by FY35) and the EBITDA margin expanding to 30% by FY30, we arrive at a valuation of 141.6p/share.

H126 trading update

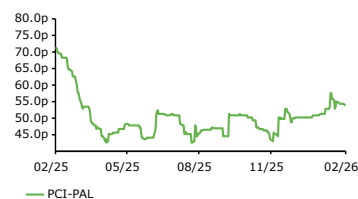
Software and comp services

3 February 2026

Price 54.50p
Market cap £39m

Net cash/(debt) at end H126	£2.6m
Shares in issue	72.5m
Free float	89.4%
Code	PCIP
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	6.8	19.6	(23.1)
52-week high/low		72.0p	42.5p

Business description

PCI-PAL (PCI Pal) is a global cloud provider of secure payment solutions for business communications.

Next events

H126 results	March
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Exhibit 1: Financial summary

£'m	2020	2021	2022	2023	2024	2025	2026e	2027e
Year end 30 June	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT								
Revenue	4.4	7.4	11.9	14.9	18.0	22.5	24.0	27.2
EBITDA	(3.6)	(2.6)	(1.9)	(1.1)	0.9	2.3	0.7	2.2
Normalised operating profit	(4.1)	(3.3)	(2.9)	(2.3)	(0.5)	0.8	(1.2)	0.1
Amortisation of acquired intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	(0.6)	0.0	(2.3)	(0.8)	(0.7)	0.0	0.0
Share-based payments	(0.1)	(0.1)	(0.2)	(0.3)	(0.3)	(0.3)	(0.3)	(0.3)
Reported operating profit	(4.2)	(4.0)	(3.1)	(4.9)	(1.7)	(0.2)	(1.5)	(0.2)
Net Interest	(0.1)	(0.2)	(0.0)	(0.0)	(0.1)	0.0	0.0	0.0
Joint ventures & associates (post tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)	(4.3)	(3.5)	(2.9)	(2.3)	(0.6)	0.8	(1.2)	0.1
Profit Before Tax (reported)	(4.4)	(4.2)	(3.1)	(4.9)	(1.7)	(0.2)	(1.5)	(0.2)
Reported tax	0.2	0.2	0.2	(0.0)	0.5	0.2	0.5	0.1
Profit After Tax (norm)	(4.0)	(3.4)	(2.7)	(2.3)	(0.7)	0.6	(0.8)	0.1
Profit After Tax (reported)	(4.1)	(4.0)	(2.9)	(4.9)	(1.2)	0.0	(1.1)	(0.1)
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)	(4.0)	(3.4)	(2.7)	(2.3)	(0.7)	0.6	(0.8)	0.1
Net income (reported)	(4.1)	(4.0)	(2.9)	(4.9)	(1.2)	0.0	(1.1)	(0.1)
Basic average number of shares outstanding (m)	47	61	65	65	68	72	72	72
EPS - basic normalised (p)	(8.64)	(5.54)	(4.18)	(3.53)	(1.10)	0.78	(1.16)	0.10
EPS - normalised fully diluted (p)	(8.64)	(5.54)	(4.18)	(3.53)	(1.10)	0.69	(1.16)	0.09
EPS - basic reported (p)	(8.84)	(6.64)	(4.50)	(7.47)	(1.74)	0.06	(1.45)	(0.19)
Dividend (p)	0	0	0	0	0	0	0	0
Revenue growth (%)		67.5	62.1	25.2	20.2	25.2	6.6	13.6
EBITDA Margin (%)	(81.3)	(34.7)	(15.7)	(7.4)	4.8	10.3	2.8	8.2
Normalised Operating Margin (%)	(93.7)	(44.8)	(23.9)	(15.2)	(2.9)	3.4	(5.1)	0.3
BALANCE SHEET								
Fixed Assets	2.6	3.2	3.9	5.0	5.7	5.9	6.3	6.7
Intangible Assets	2.1	2.4	2.7	3.2	4.1	4.4	4.9	5.2
Tangible Assets	0.1	0.1	0.2	0.2	0.1	0.1	0.1	0.1
Investments & other	0.4	0.8	1.0	1.6	1.5	1.4	1.4	1.4
Current Assets	6.6	10.4	9.1	6.5	9.8	9.9	10.2	11.8
Stocks	0.1	0.0	0.0	0.1	0.0	0.1	0.1	0.1
Debtors	1.3	2.1	3.0	3.5	3.6	3.8	4.1	4.7
Cash & cash equivalents	4.3	7.5	4.9	1.2	4.3	3.9	3.9	5.0
Other	1.0	0.7	1.2	1.7	1.9	2.0	2.0	2.0
Current Liabilities	(5.7)	(7.8)	(11.7)	(12.1)	(15.7)	(15.7)	(17.0)	(18.7)
Creditors	(0.7)	(0.6)	(0.7)	(1.8)	(0.7)	(1.4)	(1.6)	(1.7)
Tax and social security	(0.2)	(0.4)	(0.5)	(0.4)	(0.6)	(0.7)	(0.7)	(0.7)
Short-term borrowings	(0.6)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Other	(4.2)	(6.9)	(10.4)	(10.0)	(14.4)	(13.6)	(14.7)	(16.2)
Long-Term Liabilities	(1.6)	(1.9)	(1.5)	(3.9)	(1.8)	(1.3)	(1.4)	(1.6)
Long-term borrowings	(0.7)	0.0	(0.1)	(0.0)	0.0	(0.0)	0.0	0.0
Other long-term liabilities	(0.9)	(1.9)	(1.4)	(3.9)	(1.8)	(1.3)	(1.4)	(1.6)
Net Assets	1.9	3.9	(0.2)	(4.5)	(2.0)	(1.2)	(1.9)	(1.8)
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	1.9	3.9	(0.2)	(4.5)	(2.0)	(1.2)	(1.9)	(1.8)
CASH FLOW								
Op Cash Flow before WC and tax	(3.6)	(2.6)	(1.9)	(1.1)	0.9	2.3	0.7	2.2
Working capital	1.9	2.7	1.5	1.1	1.3	(0.3)	1.2	1.3
Exceptional & other	(0.0)	0.1	(1.1)	(2.0)	(0.8)	(0.7)	0.0	0.0
Tax	0.2	0.2	0.2	(0.0)	0.5	(0.0)	0.5	0.1
Net operating cash flow	(1.5)	0.4	(1.3)	(2.0)	1.9	1.2	2.3	3.6
Capex	(1.3)	(1.0)	(1.3)	(1.7)	(2.0)	(1.8)	(2.3)	(2.5)
Acquisitions/disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net interest	(0.1)	(0.2)	(0.0)	(0.0)	(0.0)	0.1	0.0	0.0
Equity financing	4.6	5.3	0.0	0.0	3.4	0.1	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
Net Cash Flow	1.6	4.5	(2.6)	(3.7)	3.2	(0.4)	(0.0)	1.1
Opening net debt/(cash)	(1.5)	(3.0)	(7.5)	(4.8)	(1.1)	(4.3)	(3.9)	(3.9)
FX	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Other non-cash movements	(0.1)	0.0	(0.1)	0.0	0.0	(0.0)	0.0	0.0
Closing net debt/(cash)	(3.0)	(7.5)	(4.8)	(1.1)	(4.3)	(3.9)	(3.9)	(5.0)
Closing net debt/(cash) excluding leases	(3.0)	(7.5)	(4.9)	(1.2)	(4.3)	(3.9)	(3.9)	(5.0)

Source: PCI Pal, Edison Investment Research

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