

This announcement contains inside information

Concurrent Technologies PLC

(the “Company”)

Interim Results for the six months ended 30 June 2022

Concurrent Technologies PLC (AIM: CNC), a world leading specialist in high-end embedded computer products for critical applications, announces its interim results for the six months to 30 June 2022 (“H1 2022”).

Financial Performance

Component supply issues have delayed shipping of some of the Company’s products, such that a proportion of expected H1 2022 revenues will be recognised in a later period. However, this is a short-term issue and in no way relates to the quality of the underlying business. Demand for the Company’s products is higher than ever with a strong H1 order book (£14.2M) and record backlog (£20.3M).

- Revenue of £7.4M (H1 2021: £9.3M) – reduced solely as a result of components supply issues
- Gross profit of £3.7M (H1 2021: £5.1M)
- Gross margin of 50.4% (H1 2021: 54.3%) – reduced as the result of price increases of some components due to high demand and limited supply (-£0.3M against H1 revenue)
- Operating profit of £0.1M (H1 2021: £1.6M) – predominantly driven by revenue/gross margin variance of -£1.4M; net costs increased by c£0.2M, in line with investment strategy
- Profit before tax of £0.0M (H1 2021: £1.6M)
- EPS of 0.75 pence (H1 2021: 2.09 pence)
- Interim dividend suspended for H1 2022 (H1 2021: 1.15 pence per share)
- Cash Balance (including cash deposits) as at 30 June 2022 of £9.3M (31st Dec 2021: £11.8M)
 - reduced due to lower cashflow from operations of £0.6M, and continued investment of £3M, in line with our strategy
 - R&D investment will continue into H2 2022 at a similar level as H1 2022

Operational Summary

- Strong order intake of £14.2M as at 30 June 2022, with significant backlog of £20.3M compared to £15.6M backlog as at 30 June 2021, up 30%
- Defence is largest market sector at 76% revenue
- Global customer base is solid with exports generating 90% of revenue
- R&D costs (talent, improved process & analysis, materials) have increased by 50% to £2.4M (H1 2021 £1.6M), in line with stated strategy to enhance the number of product releases per annum and reflect the more complex nature of our offerings
- Three new products launched in H1 2022 and on track to launch eight new products during FY2022 (approx. double previous cadence)

- Component shortages have been exceptionally challenging, causing a significant limitation to our ability to ship product
- Major new order with a Fortune 500 medical company with a \$2.3M purchase order in 2022 and similar sized orders anticipated for several years to come
- Experienced leadership team fully in place
- New office opened in Theale to attract and retain talent
- 20% increase in headcount, in line with strategy, to enhance new product delivery and support our path to growth

Miles Adcock, CEO of Concurrent Technologies, commented: “Short term component availability is resulting in constrained performance in FY2022, with limited visibility of exactly when it will ease. However, order intake is strong, and would otherwise reflect in a solid improvement in revenues. Order intake should strengthen further as strategic initiatives take effect in FY2023 and beyond. Post period end, total order intake has further strengthened to £20.8M, producing a current backlog of £24.2M as at 12 September 2022. After more than a full year now leading this business, I am even more confident in our ability to grow and develop a successful global enterprise.”

CHAIRMAN’S STATEMENT

Whilst it is clearly disappointing the component supply issue has impacted on our revenues and profitability in the first half of 2022, which will continue in the second half of the year, it is important not to lose sight of the improving underlying fundamentals of the business, demonstrated in our product development, new customers, order intake, backlog and management strength. The component supply issues will ease and, although we can’t be sure exactly when, when they do we are well positioned to benefit from all the underlying fundamentals highlighted, which will drive long term growth.

The cash position of the Company remains strong, which has allowed us to continue to invest in engineering and product development. The long term success of any technology company is bringing innovative new products to market first and that is, and will remain, our focus.

Given the strong balance sheet, paying an interim dividend out of historical retained earnings was considered. However, paying dividends from current year earnings is an important discipline we wish to maintain. We are committed to paying a dividend and our shareholders will see the benefit of this as we drive growth in the coming years.

CHIEF EXECUTIVE’S REVIEW

Financial Summary

The Company has continued to operate in a very challenging environment in H1 2022. The global component shortage impacts the entire electronics sector and has had a significant impact on short term performance. The delay in completing the full manufacture of certain products, and a

consequent delay in their shipping, has resulted in deferred invoicing and a corresponding reduction in revenue in the period against the prior year by 20% to £7.4M (H1 2021: £9.3M).

It is important to note that the impacted revenue is delayed and not lost, and we continue to recognise an exceptional backlog. We have strong relationships with our customers and are driving the pace for delivery. It is recognised by the customer base that the issues are driven by external factors (which all our competitors are also facing).

Demand driven increase in the costs of some components has also resulted in a reduction in gross margin of c.7% from 54.3% to 50.4%. Both revenue and gross margin impacts are solely driven by component shortages and are not a reflection of the quality of our underlying business. We have delivered an unaudited profit before tax (PBT) of £0.0M (H1 2021: £1.6M), a net variance of -£1.6M, primarily caused by the reduction in revenue volume and gross margin, with underlying net costs having increased by £0.2M (as per strategy, this is predominantly driven by investment in talent).

The balance sheet remains strong with no debt and £9.3M of cash balances (including cash deposits) as at 30 June 2022 (31 December 2021: £11.8M). In response to the components shortage, there has been a substantial and carefully managed investment in additional inventory, with an increase of £2.8M, to £9.4M (H1 2021: £6.6M). As the global supply chain recovers, and components become available, revenue generation will accelerate as the business not only delivers normal run rate outputs, but also increases capacity to enable the processing of the now record backlog (£20.3M at 30th June 2022 compared to £15.6M at 30 June 2021). Whilst the backlog is to some degree inflated due to the challenges of supply, it is important to note that FY2021 order intake was at a record level (£25.2M), and an order intake of £14.2M in H1 2022 puts the business on track to secure another very strong year of customer commitment.

Review of Operations

Despite the headwind generated by short term components shortages, the business is making good progress with operational improvement and implementation of the strategy.

A refreshed leadership team is now complete, with the new CFO Kim Garrod, being the most recent joiner in May 2022. We have also recruited additional talent across the organisation in engineering and sales, as well as fully implementing new functions such as HR and Legal/Commercial, growing our headcount from 99 to 118 in the last 12 months.

We have previously stated that it is imperative that we deliver more products to market in a timelier fashion. Having set the challenge of broadly doubling our cadence of new product releases to eight this year, we have indeed released three new products in the first half of 2022 and remain on track to achieve the objective of eight for the full year. This is reflected in a 100% increase in the cost of capitalised R&D compared to H1 2021.

We said we would develop a Build to Print partner in the USA to better access that domestic market. We have now qualified Nextek, based in Madison, Alabama. The intent is to be able to offer to the market genuinely 'Assembled in the USA' products by the end of 2022.

In addition to designing and manufacturing single board computers, we committed to invest in developing a systems business. Having recruited specialist experts during H1, and engaging in business development dialogue with potential partners and customers, we will secure initial contracts with new customers in H2 2022. An example of another new customer relationship that

we have developed is the \$2.3M purchase order from a Fortune 500 medical sector business, with the opportunity for similar size purchase orders from the same customer for several years to come.

Current Trading & Outlook

With a record H1 backlog of £20.3M, and a record YTD Order In-take of £20.8M (as at 12 September 2022), the business is starting to benefit from the refreshed approach to operations and strategy. We have transformed from primarily relying on end of life products in recent years, to four fifths of our orders this year being for our current and new products, which are exciting existing and new customers. In addition to increased demand from the market, we have built increased capacity to deliver through additional shifts and a qualified build to print partner in the United States. Whilst the challenge of securing semiconductor components is frustratingly constraining everyone's ability to ship completed product, we are well positioned for material growth as the situation resolves.

Condensed Consolidated Statement of Comprehensive Income

Unaudited interim results to 30th June 2022

	Note	Six months ended 30/06/22 £	Six months ended 30/06/21 £	Year ended 31/12/21 £
CONTINUING OPERATIONS				
Revenue		7,421,285	9,315,839	20,450,453
Cost of sales		3,680,258	4,255,669	9,016,878
Gross profit		3,741,027	5,060,170	11,433,575
Net operating expenses		3,688,676	3,439,699	7,889,921
Group operating profit		52,351	1,620,471	3,543,654
Interest Costs		(26,930)	(32,233)	(61,679)
Finance income		6,992	3,696	1,880
Other Income		-	-	-
Profit before tax		32,413	1,591,934	3,483,855
Tax		(518,890)	56,559	638,412
Profit for the period		551,303	1,535,375	2,845,443
Other Comprehensive Income				
Exchange differences on translating foreign operations		100,789	(19,626)	23,894
Tax relating to components of other comprehensive income		-	-	-
Other Comprehensive Income for the period, net of tax		100,789	(19,626)	23,894
Total Comprehensive Income for the period		652,092	1,515,749	2,869,337
Profit for the period attributable to:				
Equity holders of the parent		551,303	1,535,375	2,845,443
Total Comprehensive Income attributable to:				
Equity holders of the parent		652,092	1,515,749	2,869,337
Earnings per share				
Basic earnings per share	4	0.75p	2.09p	3.88p
Diluted earnings per share	4	0.75p	2.09p	3.88p
Adjusted earnings per share		0.75p	2.09p	3.72p

CONDENSED CONSOLIDATED BALANCE SHEET

Unaudited interim results to 30th June 2022

	As at 30/06/22	As at 30/06/21	As at 31/12/21
	£	£	£
ASSETS			
Non-current assets			
Property, plant and equipment	2,445,996	1,735,125	1,436,009
Intangible assets	9,058,713	7,333,105	7,692,528
Deferred tax assets	7,243	88,455	31,042
Other Financial Assets	-	-	-
	<u>11,511,952</u>	<u>9,156,685</u>	<u>9,159,579</u>
Current assets			
Inventories	9,460,432	6,619,081	6,425,436
Trade and other receivables	3,460,344	2,614,711	2,988,633
Current tax assets	597,086	351,104	330,748
Other Financial Assets	-	-	-
Cash and cash equivalents	9,265,663	12,386,445	11,839,758
	<u>22,783,525</u>	<u>21,971,341</u>	<u>21,584,575</u>
Total assets	<u>34,295,476</u>	<u>31,128,026</u>	<u>30,744,154</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	2,176,884	1,638,947	2,193,418
Trade and other payables (LT Lease)	505,767	518,919	570,576
Long term provisions	18,256	18,256	19,172
	<u>2,700,907</u>	<u>2,176,122</u>	<u>2,783,166</u>
Current liabilities			
Trade and other payables	7,119,058	5,625,215	4,196,272
Short term provisions	18,256	18,256	19,300
Current tax liabilities	15,779	33,190	4,817
	<u>7,153,093</u>	<u>5,676,661</u>	<u>4,220,389</u>
Total liabilities	<u>9,854,000</u>	<u>7,852,783</u>	<u>7,003,555</u>
Net assets	<u>24,441,476</u>	<u>23,275,243</u>	<u>23,740,599</u>
EQUITY			
Capital and reserves			
Share capital	739,000	739,000	739,000
Share premium account	3,699,105	3,699,105	3,699,105
Capital redemption reserve	256,976	256,976	256,976
Cumulative translation reserve	3,390	(140,919)	(97,399)
Profit and loss account	19,743,006	18,721,081	19,142,917
Equity attributable to equity holders of the parent	<u>24,441,477</u>	<u>23,275,243</u>	<u>23,740,599</u>
Total equity	<u>24,441,477</u>	<u>23,275,243</u>	<u>23,740,599</u>

Condensed Consolidated Cash Flow Statement

Unaudited interim results to 30th June 2022

	Six months ended 30/06/2022 £	Six months ended 30/06/2021 £	Year ended 31/12/2021 £
Cash flows from operating activities			
Profit before tax for the period	32,413	1,591,934	3,483,855
Adjustments for:			
Finance income	(6,992)	(3,696)	(1,880)
Finance costs	26,930	32,233	61,679
Depreciation	121,589	84,757	288,560
Amortisation	627,395	606,453	1,234,655
Impairment loss	-	150,000	570,812
Loss on disposal of property, plant and equipment (PPE)	-	28,778	27,401
Share-based payment	48,785	16,339	12,963
Exchange differences	111,153	(16,762)	46,623
(Increase)/decrease in inventories	(3,034,996)	(1,085,507)	(891,862)
(Increase)/decrease in trade and other receivables	(471,711)	(258,554)	(632,476)
Increase/(decrease) in trade and other payables	2,920,826	1,645,319	330,735
Cash generated from operations	375,392	2,791,294	4,531,065
Tax (paid)/received	270,780	(21,110)	(40,274)
Net cash generated from operating activities	646,172	2,770,184	4,490,791
Cash flows from investing activities			
Interest received	6,992	3,696	1,880
Cash placed on deposit	-	-	-
Purchases of property, plant and equipment (PPE)	(1,124,354)	(115,045)	(185,879)
Proceeds from sale of PPE	-	-	1,500
Purchases of intangible assets	(1,993,577)	(883,983)	(2,124,529)
Net cash used in investing activities	(3,110,939)	(995,332)	(2,307,028)
Cash flows from financing activities			
Equity dividends paid	-	(1,063,769)	(1,907,447)
Repayment of leasing liabilities	(64,809)	(56,871)	(117,613)
Interest paid	(26,930)	(32,233)	(61,679)
Cash received from share issue	-	-	-
Purchase of treasury shares	-	-	-
Net cash used in financing activities	(91,739)	(1,152,873)	(2,086,739)
Effects of exchange rate changes on cash and cash equivalents	(17,589)	(1,508)	(23,240)
Net increase/(decrease) in cash	(2,574,095)	620,471	73,784
Cash at beginning of period	11,839,758	11,765,974	11,765,974
Cash at the end of the period	9,265,663	12,386,445	11,839,758

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited interim results to 30th June 2022

	Share capital	Share premium	Capital redemption reserve	Cumulative translation reserve	Profit and loss account	Total Equity
	£	£	£	£	£	£
Balance at 1 January 2021	739,000	3,699,105	256,976	(121,293)	18,271,819	22,845,607
Profit for the period	-	-	-	-	1,535,375	1,535,375
Exchange differences on translating foreign operations	-	-	-	(19,626)	-	(19,626)
Total recognised comprehensive income for the period	-	-	-	(19,626)	1,535,375	1,515,749
Share-based payment	-	-	-	-	16,339	16,339
Deferred tax on share based payment	-	-	-	-	(38,683)	(38,683)
Dividends paid	-	-	-	-	(1,063,769)	(1,063,769)
Sale of treasury shares	-	-	-	-	-	-
Issue of Ordinary shares	-	-	-	-	-	-
Balance at 30 June 2021	<u>739,000</u>	<u>3,699,105</u>	<u>256,976</u>	<u>(140,919)</u>	<u>18,721,081</u>	<u>23,275,243</u>
Total recognised comprehensive income for the period	-	-	-	-	1,310,059	1,310,059
Exchange differences on translating foreign operations	-	-	-	43,520	-	43,520
Total recognised comprehensive income for the period	-	-	-	43,520	1,310,059	1,353,579
Share-based payment	-	-	-	-	(3,376)	(3,376)
Deferred tax on share based payment	-	-	-	-	(41,169)	(41,169)
Dividends paid	-	-	-	-	(843,678)	(843,678)
Sale of treasury shares	-	-	-	-	-	-
Balance at 31 December 2021	<u>739,000</u>	<u>3,699,105</u>	<u>256,976</u>	<u>(97,399)</u>	<u>19,142,917</u>	<u>23,740,599</u>
Total recognised comprehensive income for the period	-	-	-	-	551,303	551,303

Exchange differences on translating foreign operations	-	-	-	100,789	-	100,789
Total recognised comprehensive income for the period	-	-	-	100,789	551,303	652,092
Share-based payment	-	-	-	-	48,785	48,785
Deferred tax on share based payment	-	-	-	-	1	1
Dividends paid	-	-	-	-	-	-
Issue of ordinary shares	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-
Balance at 30 June 2022	<u>739,000</u>	<u>3,699,105</u>	<u>256,976</u>	<u>3,390</u>	<u>19,743,006</u>	<u>24,441,477</u>

NOTES TO THE INTERIM REPORT

1. General information

The principal activity of the Group is design, manufacture and supply of innovative high-end embedded single board computers and complementary accessories aimed at a wide base of customers within the defence & aerospace, telecommunications, medical and other markets.

Concurrent Technologies PLC (“the Company”) is the Group’s ultimate parent company. It is incorporated and domiciled in Great Britain. Concurrent Technologies PLC shares are listed on the Alternative Investment Market of the London Stock Exchange.

The Group’s condensed consolidated interim financial statements are presented in pounds sterling (£), which is also the functional currency of the parent company.

These condensed consolidated interim financial statements, which are unaudited, have been approved for issue by the Board of Directors on 23rd September 2022.

The information relating to the six months ended 30th June 2022 is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The statutory accounts for the year ended 31st December 2021, prepared in accordance with IFRSs (International Financial Reporting Standards) as adopted by the European Union, have been reported on by the Group’s auditors and delivered to the Registrar of Companies. The auditor’s report was qualified, and this qualification will be addressed in the statutory accounts for 31st December 2022.

2. Summary of significant accounting policies

2.1 Basis of preparation

These condensed consolidated interim financial statements are for the six months period ended 30th June 2022. They have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31st December 2021, which have been prepared in accordance with adopted IFRSs.

The accounting policies applied and methods of computation are consistent with those of the annual financial statements for the year end 31st December 2021, as described in those financial statements. The accounting policies have been consistently applied to all the periods presented.

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial period beginning on or after 1st January 2022 that would be expected to have a material impact on the results or financial position of the Group.

2.2 Going Concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly the continue to adopt the going concern basis in preparing these condensed financial statements.

2.3 Taxation

Current tax expense is recognised in these condensed consolidated interim financial statements based on the estimated effective tax rates for the full year.

3. Segmental reporting

The Directors consider that the Group is engaged in a single segment of business, being design, manufacture of high-end embedded computer products and that therefore, the Company has only a single operating segment. The key measure of performance used by the Board to assess the Group's performance is the Group's profit before tax, as calculated under IFRS, and therefore no reconciliation is required between the measure of profit or loss used by the Board and that contained in the condensed consolidated interim financial statements.

4. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all contracted dilutive potential ordinary shares. The Company only has one category of dilutive potential ordinary shares, namely share options.

The inputs to earnings per share calculation are shown below:

	Six months ended 30/06/22 £	Six months ended 30/06/21 £	Year ended 31/12/21 £
Profit attributable to ordinary equity holders	<u>551,303</u>	<u>1,535,375</u>	<u>2,845,443</u>
	Six months ended 30/06/22 N°	Six months ended 30/06/21 N°	Year ended 31/12/21 N°
Weighted average number of ordinary shares for basic earnings per share	73,363,490	73,673,490	73,363,490
Adjustment for share options	-	-	-
Weighted average number of ordinary shares for diluted earnings per share	<u>73,363,490</u>	<u>73,673,490</u>	<u>73,363,490</u>

5. Shareholder Communication

A copy of these condensed interim financial statements is available from the Company's
Registered office at:

4 Gilberd Court,
Newcomen Way,
Colchester,
Essex, UK
CO4 9WN

They are also available from the Company's website at www.gocct.com