

30 June 2023

Concurrent Technologies Plc
("Concurrent" or the "Company" or the "Group")

Results for the year ended 31 December 2022 and Announcement of Annual General Meeting

Concurrent Technologies Plc (AIM: CNC), a world leading specialist high-end embedded computer products for critical applications, is pleased to announce its results for the year to 31 December 2022 ("FY22").

Financial Highlights

The global components shortage continued to constrain financial performance, with management focused on supply chain management to deliver:

- Revenue for the year slightly ahead of market expectations at £18.3m (2021: £20.5m)
- Gross profit at £8.9m (2021: £11.4m)
- Gross margin at 48.6% (2021: 55.9%)
- EBITDA at £2.1m (2021 restated: £4.9m)
- Profit before Tax at £0.4m (2021 restated: Profit £3.5m)
- Profit after Tax at £1m (2021 restated: £2.8m)
- EPS decreased to 1.35p (2021 restated: 3.84p)
- Cash in the business at year end £4.5m (2021: £11.8m)
 - Deliberate use of cash for (i) increased component inventory to mitigate supply chain issues, and (ii) increased cost base to create more products and grow the business.
 - Reverting to cash generative as revenues improve in line with component availability and associated unwinding of inventory holdings.
- Prior Period Adjustment to 2020 closing reserves (opening 2021) reduced by £1m (closing 2021 by £1.1m)

Operational Highlights

- 80% of order intake was for "new" and "current" products, whereas in the year to 31 December 2021 ("FY21") 80% was for "last time buy" or "end of life" products. This is a profound and necessary transformation, validating the need to focus on enhanced product development and sales improvement.
- Eight new products launched.
- Achieved record order intake of £31.5m, surpassing the prior year of £25.2m by 25%, providing excellent revenue visibility for the future as the availability of components continues to improve.
- Received initial purchase orders for Systems.

Prior Period Adjustments

- Having thoroughly reviewed the application of accounting policies with the FY22 audit team it has been identified that historically the Company has over-capitalised development costs. The effect of this has resulted in adjustments to capitalisation, amortisation and impairment, ultimately affecting the Net Book Value of the development assets on the balance sheet. This has also affected tax and retained earnings, which has resulted in a 2020 restatement of £1.1m.
- The effect of the revised capitalisation has had a minimal effect on 2021 (+£10k to retained earnings), and 2020 had a positive impact of £0.2m.
- Other Prior Period Adjustments are: leases (understated by an extension) £0.1m; Dilapidations which have been missed previously £0.1m; EPS restated due to incorrect share options previously included; Financial Instruments note due to erroneous information previously.

Post Period Highlights

- Performance in the period to 30 June 2023 ("H1 FY23") is commensurate with current market expectations and continues to be limited by key component shortages, which are easing as the year progresses.
- Supply chain improvement is evident as the business transitions into H2 FY23, strengthening confidence in reducing lead times to customers, and correspondingly improved shipping volumes, albeit supply chain constraints remain the largest risk to performance for the remainder of the year.
- Significant achievements delivered in line with the business strategy in H1 FY23:
 - Execution of a reseller agreement with Alpha Data Parallel Systems Ltd, enabling the inclusion of their FPGA (Field Programmable Gate Array) cards alongside Concurrent Technologies SBS (Single Board Computer). Together with the provision of GPGPU (General Purpose Graphical Processing Unit) enabled by the prior reseller agreement with Eizo Rugged, the Company can now offer a full range of processing solutions within custom and COTS systems, enabling access to larger markets and opportunity to more completely fulfil customer requirements;
 - Launch of the Hermes high-performance processor Plug In Card, enabling the Company to continue to deliver leading-edge products to the market, demonstrating the focus on releasing new products;
 - Execution of a new distribution agreement with CoC-e, who have deep TSN (Time Sensitive Networking) capability. TSN will now be a differentiating technical capability in the Company's portfolio; and
 - Successfully winning the first Systems win in excess of £1 million in value since the launch of the revised business strategy.
- Order intake expected to be at least in line with prior year, and therefore the Company will transition into growth as component supply further improves.

The Company further confirms that its Annual General Meeting (AGM) will be held on Thursday 24th August 2023 at the Company's offices at Building 1230 (Second Floor), Waterside Drive, Arlington Business Park, Theale, Berkshire, RG7 4SA at 2:00 p.m. The Notice of General Meeting will be posted in due course. Shareholders are encouraged to send in their votes using proxy cards in advance of the AGM.

Miles Adcock, CEO of Concurrent Technologies Plc, commented: "2022 was a tough year for the global electronics sector due to severe constraints on components availability. We entered the year with a confident strategy for medium to long term growth, and maintained our focus on targeted investment, partnership, and transformation. I am proud that we did what we said we would do, whether launching eight new products, initiating a systems business, or partnering to enable us to manufacture in the USA. As a result, we are anticipating a third record year for order intake in 2023.

The initial progress of our strategy can be seen in the quanta of order intake, but also that it now contains products and systems hitherto not part of our portfolio. Additionally, a healthy portion of our order intake is 'design wins', whereby we benefit from main production revenue in future years. Our approach to, and appetite for, securing much larger design wins is building us a solid base for year-on-year growth. The audit has been a long process this year, and we have demonstrably resolved unfortunate historic issues that have existed for some time. Our CFO, Kim Garrod, has done a great deal to position us for transparent and well-governed execution in her first year, and we look forward with confidence."

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Extracts from the Strategic Report

Financial Highlights

	2022	2021 (Restated)
Revenue	£18.3m	£20.5m
Gross Profit	£8.88m	£11.43m
EBITDA	£2.1m	£4.9m
Profit before tax	£0.4m	£3.5m
Earnings per share	1.35p	3.84p
Dividend per share	0p	2.55p
Cash	£4.5m	£11.8m
Total Assets	£32.6m	£29.8m
Shareholders' Funds	£23.2m	£22.7m

The business generated Revenue for the year of £18.27m (2021: £20.45m). This converted into Gross Profit of £8.88m (2021: £11.43m) whilst the gross margin reduced to 48.6% (2021: 55.9%) reflecting the increased cost of components, created through the challenges of component supply. We issue a revised price book every 6 months (since 2022, previously once a year) to adapt our pricing accordingly. We expect prices to start to stabilise again as supply becomes more available.

Profit before tax was £0.38m (2021 restated: £3.45m). Earnings per share was 1.35 pence (2021 restated: 3.84 pence), EBITDA (measured as Operating Profit plus Depreciation and Amortisation) for the Group in 2022 was £2.11m (2021 restated: £4.94m). The performance was significantly lower than 2021 as a result of the constraint on our revenue created by the component supply challenges. We continued to invest in R&D, talented people and our strategy throughout 2022, and this, plus reduced gross profit impacted profitability. However, our backlog is at record levels with a substantial increase in 2022 order intake. Therefore, revenue will increase once supply constraints are reduced.

Long-term commitment to R&D continues, spending £4.8m in 2022 (2021: £3.5m), of which £3.7m was capitalised (2021 restated: £1.8m). Following full review of all projects, two projects totalling £0.24m have been impaired. Both were partially impaired in 2020, however on further review in 2022, a lack of future revenue stream to provide any returns to the Group became clear and full impairment was undertaken. A further £0.09m was also impaired across several small projects where future returns were not apparent. These products are all older products and all costs now impaired refer to historical costs.

The tax credit in 2022 of £0.6m (2021: tax charge £0.6m) is largely the result of our significant investment in R&D. The Group continues to benefit from R&D tax credits in the UK and does not anticipate being in a UK cash tax paying position whilst this incentive continues.

The Group continues to have no debt and its cash balances at the year-end were £4.5m (2021: £11.8m). The reduction in cash is a factor of reduced receipts from revenue and increased investment in line with strategy. We are confident of improvement in our cash flow in 2023 as stock unwinds (significant investment in 2022 to de-risk component challenges), and cash receipts improve from less constrained revenue. Stock grew considerably in 2022, with a closing balance of £10m (2021: £6.4m), this was as a mitigation against the component challenges, and has enabled us to be in a better position to deliver revenue in 2023. This should unwind to a normal level in 2023.

Dividend

The Board has agreed no dividend will be paid in 2022, due to the constrained performance of the

business, with a low profit performance and a significantly reduced cash balance.

Operational Highlights

During 2022 the Company started shipping several new rugged plug-in card products that were based on the latest standards before competitive alternatives. This enabled the Company to capitalise on the need for next generation products in, especially, our home UK and USA markets. To augment our plug in card products, the Company introduced rugged system level products that are suitable for deployment in response to a need from key customers that are looking for application ready platforms.

Concurrent Technologies Plc continues as an Intel Titanium Partner during the year, providing the highest level of insight and product development opportunity.

Future Plans and Outlook

The new financial year of 2023 started with a healthy backlog of £26.7M reflecting in part the long-term sales pipeline the Group enjoys but also in part the willingness of our customers to order further in advance to provide the maximum opportunity to manage the supply chain to meet delivery times.

The Group will maintain its policy of investing in R&D to expand its current range of advanced technology products broadening out to include deployable systems and integration of third-party products to complement the hardware and software already developed internally.

The Board sees opportunities to grow the business organically by broadening the range of both hardware, software and systems products within its existing core markets of defence and telecommunications. In addition, the Board continues to look to recruit key individuals and skills for both succession and organic growth as well as for worldwide acquisition opportunities which would assist the Group in introducing new skills and technologies complementary and adjacent to its current product ranges. This is with the aim of increasing the Group's potential share of the total available market.

Improved product development timescales and cadence, alongside the introduction of increased production capacity, and development of system capability, leads the Board to believe the Group is well positioned to deliver material growth in its main markets over the coming years. Short term uncertainty in supply chains will disrupt production in 2023, but the medium-term outlook is strong, with some good progress milestones achieved in 2022.

Prior Year Restatement

We have made certain prior year restatements within the accounts.

- 1) As a result of over capitalisation in previous years an adjustment has been made to 2021 retained earnings of a £1.1m reduction, representing the reduction in capitalisation of £2.1m with a resulting reduction in accumulated amortisation of £0.7m and an overcharge to the P&L for impairment of £0.3m, resulting in a £1.1m reduction in total net book value (reduction as at 31/12/20 £1.1m, with only a minimal change in 2021).
- 2) An adjustment to increase the lease right of use asset and liabilities of £0.2m and depreciation of £0.1m to correct the prior position to account for the extension of the Colchester office lease and correct charges. The impact to the 2021 profit is a reduction of £23k.
- 3) A dilapidation provision for the Colchester office has been added, this has increased the PPE asset value and increased the provisions within the account. The P&L impact in 2021 is an additional charge of £0.02m.
- 4) An adjustment to the weighted average of shares for EPS has been made. This is a result of certain share options being included in the calculation incorrectly.
- 5) Financial instruments have been restated as the total financial liabilities at amortised cost figure was found to be erroneous, as it contained items that it should not have contained and also missed balances that should have been included..

Consolidated Statement of Comprehensive Income

	For the year ended 31 December 2022	
	Year to 31 December 2022	Year to 31 December 2021 (restated)
	£	£
Revenue	18,274,771	20,450,453
Cost of sales	(9,397,449)	(9,016,878)
Gross profit	8,877,322	11,433,575
Administrative expenses	(8,390,682)	(7,896,155)
Operating profit	486,640	3,537,420
Finance costs	(104,505)	(84,746)
Finance income	546	1,880
Profit before tax	382,681	3,454,554
Tax	604,344	(638,421)
Profit for the year	987,025	2,816,133

Other Comprehensive Income		
<i>Amounts which may be reclassified to profit or loss</i>		
Exchange differences on translating foreign operations	69,463	23,894
Other Comprehensive Income for the year, net of tax	69,463	23,894
Total Comprehensive Income for the year	1,056,488	2,840,027
Profit for the period attributable to:		
Equity holders of the parent	987,025	2,816,133
Total Comprehensive Income attributable to:		
Equity holders of the parent	1,056,488	2,840,027
Earnings per share		
Basic earnings per share	1.35p	3.84p
Diluted earnings per share	1.35p	3.84p

Consolidated Balance Sheet

For the year ended 31 December 2022			
	31 December 2022 £	31 December 2021 Restated £	31 December 2020 Restated £
ASSETS			
Non-current assets			
Intangible assets	8,807,290	6,621,166	6,124,291
Property, plant and equipment	2,685,107	1,618,463	1,922,991
Deferred tax assets	350,753	24,139	112,532
	<u>11,843,150</u>	<u>8,263,768</u>	<u>8,159,814</u>
Current assets			
Inventories	10,090,437	6,425,436	5,533,574
Trade and other receivables	5,439,912	2,988,633	2,356,157
Current tax assets	762,545	258,622	232,988
Cash and cash equivalents	4,512,720	11,839,758	11,765,974
	<u>20,805,614</u>	<u>21,512,449</u>	<u>19,888,693</u>
Total assets	<u>32,648,764</u>	<u>29,776,217</u>	<u>28,048,507</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	2,126,588	1,873,249	1,236,321
Trade and other payables	1,257,820	805,481	909,101
Long term provisions	304,336	223,940	213,792
	<u>3,688,744</u>	<u>2,902,670</u>	<u>2,359,214</u>
Current liabilities			
Trade and other payables	5,765,262	4,169,672	3,832,367
Short term provisions	18,256	19,300	16,354
Current tax liabilities	-	4,817	26,504
	<u>5,783,518</u>	<u>4,193,789</u>	<u>3,875,225</u>
Total liabilities	<u>9,472,262</u>	<u>7,096,459</u>	<u>6,234,439</u>
Net assets	<u>23,176,502</u>	<u>22,679,758</u>	<u>21,814,068</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	(27,936)	(97,399)	(121,293)
Profit and loss account	18,509,357	18,082,076	17,240,280
Equity attributable to equity holders of the parent	<u>23,176,502</u>	<u>22,679,758</u>	<u>21,814,068</u>
Total equity	<u>23,176,502</u>	<u>22,679,758</u>	<u>21,814,068</u>

Consolidated Cash Flow Statement

	Year to 31 December 2022 £	Year to 31 December 2021 (restated) £
Cash flows from operating activities		
Profit before tax for the period	382,681	3,454,554
Adjustments for:		
Finance income	(546)	(1,880)
Finance costs	104,505	84,746
Depreciation	422,047	294,132
Amortisation	1,197,972	1,111,300
Impairment loss	327,526	509,955
Loss on disposal of property, plant and equipment (PPE)	-	27,401
Share-based payment	219,363	12,963
Exchange differences	82,384	46,623
(Increase) in inventories	(3,665,001)	(891,862)
(Increase) in trade and other receivables	(2,451,279)	(632,476)
Increase in trade and other payables	2,222,123	354,297
Cash generated from operations	(1,158,225)	4,369,753
Tax received / (paid)	267,884	(40,274)
Net cash generated from operating activities	(890,341)	4,329,479
Cash flows from investing activities		
Interest received	546	1,880
Purchases of property, plant and equipment (PPE)	(1,480,394)	(185,878)
Sale of property, plant and equipment (PPE)	-	1,500
Capitalisation of development costs and purchases of intangible assets	(3,711,617)	(1,950,245)
Net cash used in investing activities	(5,191,465)	(2,132,743)
Cash flows from financing activities		
Equity dividends paid	(1,027,088)	(1,907,447)
Repayment of leasing liabilities	(94,842)	(107,519)
Interest paid	(104,505)	(84,746)
Sale of treasury shares	2,425	-
Net cash used in financing activities	(1,224,010)	(2,099,712)
Effects of exchange rate changes on cash and cash equivalents	(21,222)	(23,240)
Net (decrease)/increase in cash	(7,327,038)	73,784
Cash at beginning of period	11,839,758	11,765,974
Cash at the end of the period	4,512,720	11,839,758

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

	Share capital £	Share premium £	Capital Redemption reserve £	Cumulative Translation reserve £	Profit and loss account (restated) £	Total Equity (restated) £
Balance at 1 January 2021 (as previously stated)	739,000	3,699,105	256,976	(121,293)	18,271,819	22,845,607
Impact of prior period adjustments	-	-	-	-	(1,031,539)	(1,031,539)
Balance at 1 January 2021						

(restated)	739,000	3,699,105	256,976	(121,293)	17,240,280	21,814,068
Profit for the period (restated)	-	-	-	-	2,816,133	2,816,133
Exchange differences on translating foreign operations	-	-	-	23,894	-	23,894
Total comprehensive income for the period (restated)	-	-	-	23,894	2,816,133	2,840,027
Share-based payment	-	-	-	-	12,963	12,963
Deferred tax on share based payment	-	-	-	-	(79,852)	(79,852)
Dividends paid	-	-	-	-	(1,907,447)	(1,907,447)
Balance at 31 December 2021 (restated)	739,000	3,699,105	256,976	(97,399)	18,082,077	22,679,759
As at 31 December 2021 (reported)	739,000	3,699,105	256,976	(97,399)	19,142,917	23,740,599
Prior year adjustment	-	-	-	-	(1,060,841)	(1,060,841)
Balance at 31 December 2021 (restated)	739,000	3,699,105	256,976	(97,399)	18,082,076	22,679,758
Profit for the period	-	-	-	-	987,025	987,025
Exchange differences on translating foreign operations	-	-	-	69,463	-	69,463
Total comprehensive income for the period	-	-	-	69,463	987,025	1,056,488
Share-based payment	-	-	-	-	219,363	219,363
Deferred tax on share based payment	-	-	-	-	245,555	245,555
Dividends paid	-	-	-	-	(1,027,088)	(1,027,088)
Sale/Purchase of treasury shares	-	-	-	-	2,425	2,425
Balance at 31 December 2022	739,000	3,699,105	256,976	(27,936)	18,509,357	23,176,502

NOTES

1. The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the 'Group'). The financial information set out in these preliminary results has been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The accounting policies adopted in this results announcement have been consistently applied to all the years presented.
2. The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2022 or 2021, but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies and those for 2022 are being delivered today. The auditors have reported on 2022 accounts; their report includes a qualified opinion and did not contain statements under section 498(2) or (3) of the Companies Act 2006.
3. The calculation of basic earnings per share is based on the weighted average number of Ordinary Shares in issue during 2022 of 73,363,490 (2021 restated: 73,363,490) after adjustment for treasury shares on the profit after tax for 2022 of £987,025 (2021 restated: £2,816,133). The calculation of diluted earnings per share is the same as for basic earnings per share.
4. The AGM will be held on Thursday 24 August 2023, at the Company's offices at Building 1230 (Second Floor), Waterside Drive, Arlington Business Park, Theale, Berkshire, RG7 4SA.

Copies of the Annual Report will be sent to Shareholders and will also be available from the Company's Registered Office: 4 Gilberd Court, Newcomen Way, Colchester, Essex, CO4 9WN, UK, and on the Company's website: www.gocct.com.

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