

This announcement contains inside information

23 April 2020

Concurrent Technologies Plc

Results for the year ended 31 December 2019

Concurrent Technologies Plc (AIM: CNC), a world leading specialist in the design and manufacture of high-end embedded computer boards for critical applications, announces results for the year to 31 December 2019.

Financial Highlights

- Revenue for the year increased to £19.4m (2018: £16.6m)
- Gross profit was £10.2m (2018: £8.7m)
- Gross margin was 52.7% (2018: 52.2%)
- EBITDA increased by 10.9% to £5.1m (2018: £4.6m)
- Profit before Tax was £4.1m (2018: £3.0m) - including other, non-recurring income of £1.0m
- Profit after Tax increased to £4.0m (2018: £3.0)
- Dividend increased by 8.7% to 2.50 pence per share for the year (2018: 2.30 pence)
- Cash in the business increased to £10.5m (2018: £7.7m)

During the year the Group's longstanding Managing Director, Glen Fawcett, passed away after a brief illness. He is a sad loss for the Group and his energy, experience and quick wit will be missed by everyone at the Group.

The Commercial Director, Jane Annear, was appointed as Managing Director in May 2019.

Operational Highlights

- During 2019, the Group introduced several new high-performance embedded computer boards and accessory modules. These included products based on the 9th generation embedded Intel® Xeon® processor for use in VME, CompactPCI® and OpenVPX™ architectures.
- The Group also announced its first Artificial Intelligence board, primarily aimed at the military market.
- During 2019 the Group made two appointments to the Senior Management Team and made changes to the Company's organisational structure.
- The Group's UK manufacturing line was enhanced through the addition of an automatic optical inspection machine and a new surface mount machine providing additional production capacity and capability.

Post Balance Sheet Event

Over the last few weeks the world-wide situation caused by the outbreak of COVID-19 has deteriorated. The Group has been monitoring and following the guidelines relevant to the jurisdictions in which it operates. The greatest current short-term risk to the business is assessed as being the situation at its UK headquarters, in particular the Group's manufacturing operations which are based there. The Group invested early in additional stocks of components in order to meet the demands of a strong order book at the end of 2019. Currently manufacturing has not been interrupted and supply chains, in particular for items originating from Asia, appear generally secure although there are longer lead times for some items.

The Group is a supplier to some of the world's major defence companies. We have received notification from a UK customer that as part of their supply chain we are directed by the UK Government to remain open to ensure that we are able to continue to supply products to key projects whilst at the same time respecting government guidelines to prevent the widespread transmission of the virus. We have received a similar notification from a major US account and provided we can maintain a mix of skills in the production group, management estimate that we could maintain operations with approximately one third of our production staff, albeit with reduced output.

The Directors have examined different potential scenarios using extreme assumptions including a significant period of delayed shipments, bad debts, and decreased sales. While the impact of COVID-19 cannot be entirely quantified, the Directors are confident that the risks to the Group are manageable to minimise any adverse future impact.

Michael Collins, Chairman of Concurrent Technologies Plc, commented:

“The new financial year of 2020 has started with a strong order book giving the Board confidence in the Group's continuing solid performance. There is uncertainty caused by the COVID-19 outbreak which may have some impact on the results of the Group in the second half of 2020. New and existing customers continue to require increasing levels of processing performance and additional product features including, in particular, increased security capabilities and encrypted storage. Our increasing capability to provide development systems and the release of our first product for Artificial Intelligence applications are attracting new opportunities.

The Group plans to maintain its policy of investing in R&D to expand the Group's current range of advanced technology products with a particular focus on the OpenVPX™ bus architecture. In addition to boards and associated software the Group will increase its range of development systems, using both its own products and complementary products from third party partners. These ready to use development systems enable customers to reduce their product development times by focussing on their own areas of expertise to develop specialised applications.

The Board sees many opportunities to grow the business organically into new market areas by widening our product ranges and further developing relationships with key hardware and software partners. We continue to look for worldwide acquisition opportunities which may present themselves in the present uncertain climate.”

Annual General Meeting

Due to the COVID-19 crisis and social distancing requirements the date and arrangements for the AGM will be announced separately.

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Extracts from the Strategic Report

Review of Operations

The Group generated record Revenue for the year of £19.38m (2018: £16.62m). This converted into Gross Profit of £10.21m (2018: £8.67m) while the gross margin remained fairly constant at 52.7% (2018: 52.2%).

Profit before tax was £4.06m (2018: £2.97m) including other, non-recurring income of £1.0m (2018: £nil). Earnings per share increased to 5.51 pence (2018: 4.08 pence) while earnings per share on continuing activities, adjusted to remove the impact of Other Income, was 4.38 pence (2018: 4.08 pence). EBITDA (measured as Operating Profit plus Depreciation and Amortisation) for the Group in 2019 also increased to £5.07m (2018: £4.65m).

The Group continued its long-term commitment to R&D by investing £3.51m in 2019 (2018: £3.31m), of which £2.26m was capitalised (2018: £2.44m). As a consequence of the continual assessment of the Group's intangible assets, an impairment charge of £483,630 (2018: £303,030) was included during the year to reflect the cash generating expectations of itemised projects.

A further investment of £250,000 was made within manufacturing to install an Automatic Optical Inspection machine along with a second new surface mount production line. This new production line mirrors the installation made in 2018. It increases production capacity and introduces more flexibility into the production process to meet increasing demands from our customers.

The Group continues to have no borrowings and again paid increased dividends during the year. Its cash balances plus short to medium term cash deposits at the year-end were £10.49m (2018: £7.68m).

Operational Highlights

During 2019, the Group introduced several new high-performance embedded computer boards and accessory modules. These included products based on the 9th generation embedded Intel® Xeon® processor for use in VME, CompactPCI® and OpenVPX™ architectures. The Group also announced its first Artificial Intelligence board, primarily aimed at the military market. As required by many applications, these new products offer support for enhanced security features and most are suitable for both commercial and harsh environments. In addition, support for additional partner software and hardware products and systems was announced to broaden the Group's product range. The Group's UK manufacturing line was enhanced through the addition of an automatic optical inspection machine and a new surface mount machine providing additional production capacity and capability.

Future Plans

The new financial year of 2020 has started with a strong order book giving the Board confidence in the Group's continuing solid performance. There is uncertainty caused by the COVID-19 outbreak which may have some impact on the results of the Group in the second half of 2020. New and existing customers continue to require increasing levels of processing performance and additional product features including, in particular, increased security capabilities and encrypted storage. Our increasing capability to provide development systems and the release of our first product for Artificial Intelligence applications are attracting new opportunities.

The Group plans to maintain its policy of investing in R&D to expand the Group's current range of advanced technology products with a particular focus on the OpenVPX™ bus architecture. In addition to boards and associated software the Group will increase its range of development systems, using both its own products and complementary products from third party partners. These ready to use development systems enable customers to reduce their product development times by focussing on their own areas of expertise to develop specialised applications.

The Board sees many opportunities to grow the business organically into new market areas by widening our product ranges and further developing relationships with key hardware and software partners. We continue to look for worldwide acquisition opportunities which may present themselves in the present uncertain climate.

Dividend

The Board has declared a second interim dividend of 1.45 pence per share (2018: 1.35 pence) which when added to the first interim dividend of 1.05 pence per share (2018: 0.95 pence) will make a total of 2.50 pence per share for the year (2018: 2.30 pence). This is an increase of 8.7% on dividends paid for 2018. The total cost of this second interim dividend amounts to £1,054,563. As in previous years, the Directors do not intend to recommend a final dividend.

Annual General Meeting

Due to the COVID-19 crisis and social distancing requirements the date and arrangements for the AGM will be announced separately.

All trademarks, registered trademarks and trade names used in this announcement are the property of their respective owners.

Consolidated Statement of Comprehensive Income

	Year to 31 December 2019	Year to 31 December 2018
CONTINUING OPERATIONS	£	£
Revenue	19,384,724	16,624,151
Cost of sales	9,174,588	7,950,636
Gross profit	10,210,136	8,673,515
Operating expenses	7,204,073	5,788,094
Group operating profit	3,006,063	2,885,421
Finance costs	(41,808)	-
Finance income	96,601	88,326
Other Income	1,000,000	-
Profit before tax	4,060,856	2,973,747
Tax	52,857	5,886
Profit for the year	4,007,999	2,967,861
Other Comprehensive Income		
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(186,972)	43,903
Tax relating to components of other comprehensive income	-	-
Other Comprehensive Income for the year, net of tax	(186,972)	43,903
Total Comprehensive Income for the year	3,821,026	3,011,764
Profit for the period attributable to:		
Equity holders of the parent	4,007,999	2,967,861
Total Comprehensive Income attributable to:		
Equity holders of the parent	3,821,026	3,011,764
Earnings per share		
Basic earnings per share	5.51p	4.08p
Diluted earnings per share	5.47p	4.08p

Consolidated Balance Sheet

	As at 31 December 2019 £	As at 31 December 2018 £
ASSETS		
Non-current assets		
Property, plant and equipment	1,638,429	704,969
Intangible assets	7,991,119	7,990,759
Deferred tax assets	142,894	120,385
	<u>9,772,442</u>	<u>8,816,113</u>
Current assets		
Inventories	5,097,907	4,096,576
Trade and other receivables	2,703,960	3,352,581
Current tax assets	274,221	316,428
Other financial assets	-	-
Cash and cash equivalents	10,487,902	7,679,352
	<u>18,563,990</u>	<u>15,444,937</u>
Total assets	<u>28,336,432</u>	<u>24,261,050</u>
LIABILITIES		
Non-current liabilities		
Deferred tax liabilities	1,453,331	1,448,012
Long term provisions	16,731	8,183
	<u>1,470,062</u>	<u>1,456,195</u>
Current liabilities		
Trade and other payables	4,964,824	2,802,852
Short term provisions	16,832	8,688
	<u>4,981,656</u>	<u>2,811,540</u>
Total liabilities	<u>6,451,718</u>	<u>4,267,735</u>
Net assets	<u>21,884,714</u>	<u>19,993,315</u>
EQUITY		
Capital and reserves		
Share capital	739,000	739,000
Share premium account	3,699,105	3,699,105
Capital redemption reserve	256,976	256,976
Cumulative translation reserve	162,388	349,360
Profit and loss account	17,027,245	14,948,874
Equity attributable to equity holders of the parent	<u>21,884,714</u>	<u>19,993,315</u>
Total equity	<u>21,884,714</u>	<u>19,993,315</u>

Consolidated Cash Flow Statement

	Year to 31 December 2019 £	Year to 31 December 2018 £
Cash flows from operating activities		
Profit before tax for the period	4,060,856	2,973,747
Adjustments for:		
Finance income	(96,601)	(88,326)
Finance costs	41,808	-
Depreciation	315,687	219,455
Amortisation	1,788,003	1,542,749
Impairment loss	483,630	303,030
Loss/(profit) on disposal of property, plant and equipment (PPE)	-	(1,000)
Share-based payment	82,421	(77,595)
Exchange differences	(205,790)	56,016
Decrease/(increase) in inventories	(1,001,331)	(873,776)
(Increase)/decrease in trade and other receivables	648,621	(612,246)
Increase/(decrease) in trade and other payables	1,232,237	466,383
Cash generated from operations	7,349,541	3,908,437
Tax received	(21,173)	(183,524)
Net cash generated from operating activities	7,328,368	3,724,913
Cash flows from investing activities		
Interest received	96,601	88,326
Cash released from/(placed) on deposit	-	2,502,281
Purchases of property, plant and equipment (PPE)	(476,376)	(442,280)
Proceeds from sale of PPE	-	1,000
Capitalisation of development costs and purchases of intangible assets	(2,272,054)	(2,438,917)
Net cash used in investing activities	(2,651,829)	(289,590)
Cash flows from financing activities		
Equity dividends paid	(1,745,345)	(1,636,163)
Repayment of leasing liabilities	(108,426)	-
Interest paid	(41,808)	-
Sale of treasury shares	4,950	-
Net cash used in financing activities	(1,890,629)	(1,636,163)
Effects of exchange rate changes on cash and cash equivalents	22,640	(12,112)
Net increase/(decrease) in cash	2,808,550	1,787,048
Cash at beginning of period	7,679,352	5,892,304
Cash at the end of the period	10,487,902	7,679,352

Consolidated Statement of Changes in Equity

	Share capital £	Share premium £	Capital redemption reserve £	Cumulative translation reserve £	Profit and loss account £	Total Equity £
Balance at 1 January 2018	739,000	3,699,105	256,976	305,457	13,715,512	18,716,050
Profit for the period	-	-	-	-	2,967,861	2,967,861
Exchange differences on translating foreign operations	-	-	-	43,903	-	43,903
Total comprehensive income for the period	-	-	-	43,903	2,967,861	3,011,764
Transactions with owners:						
Share-based payment	-	-	-	-	(77,595)	(77,595)
Deferred tax on share based payment	-	-	-	-	(20,741)	(20,741)
Dividends paid	-	-	-	-	(1,636,163)	(1,636,163)
Purchase of treasury shares	-	-	-	-	-	-
Balance at 31 December 2018	<u>739,000</u>	<u>3,699,105</u>	<u>256,976</u>	<u>349,360</u>	<u>14,948,874</u>	<u>19,993,315</u>
Adjustment for the initial application of IFRS 16	-	-	-	-	(278,321)	(278,321)
Balance at 1 January 2019	<u>739,000</u>	<u>3,699,105</u>	<u>256,976</u>	<u>349,360</u>	<u>14,670,553</u>	<u>19,714,994</u>
Profit for the period	-	-	-	-	4,007,999	4,007,999
Exchange differences on translating foreign operations	-	-	-	(186,972)	-	(186,972)
Total comprehensive income for the period	-	-	-	(186,972)	4,007,999	3,821,027
Transactions with owners:						
Share-based payment	-	-	-	-	82,421	82,421
Deferred tax on share based payment	-	-	-	-	6,667	6,667
Dividends paid	-	-	-	-	(1,745,345)	(1,745,345)
Sale of treasury shares	-	-	-	-	4,950	4,950
Balance at 31 December 2019	<u>739,000</u>	<u>3,699,105</u>	<u>256,976</u>	<u>162,388</u>	<u>17,027,245</u>	<u>21,884,714</u>

NOTES

- 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 Financial Reporting Standards ('IFRSs') as adopted by European Union. The accounting policies, except for IFRS 16, adopted in this results announcement have been consistently applied to all the years presented and are consistent with the policies used in the preparation of the statutory accounts for the period ended 31 December 2018. The Group applied IFRS 16 using the modified retrospective approach,

under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. The impact on the Profit and loss account is £278,321. The consolidated financial information is presented in sterling (£), which is the Company's functional and the Group's presentation currency.

2. The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2019 or 2018, but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Annual General Meeting. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not contain statements under section 498(2) or (3) of the Companies Act 2006 in respect of 2018 or 2019 and (iii) did not draw attention to any matters by way of emphasis.
3. The calculation of basic earnings per share is based on the weighted average number of Ordinary Shares in issue during 2019 of 72,724,271 (2018: 72,718,490) after adjustment for treasury shares on the profit after tax for 2019 of £4,007,999 (2018: £2,967,861). The calculation of diluted earnings per share incorporates 574,542 Ordinary Shares (2018: 2,457) in respect of performance related employee share options. The profit after tax is the same as for basic earnings per share.
4. Due to the COVID-19 crisis and social distancing requirements the date and arrangements for the AGM will be announced separately.

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.