

*This announcement contains inside information*

12 April 2021

## **Concurrent Technologies Plc**

### **Results for the year ended 31 December 2020**

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 2020.

#### **Financial Highlights**

- Revenue for the year increased 9% to £21.1m (2019: £19.4m)
- Gross profit increased 12% to £11.4m (2019: £10.2m)
- Gross margin increased to 53.7% (2019: 52.7%)
- EBITDA steady at £5.0m (2019: £5.1m)
- Adjusted Profit before tax of £2.8m (2019: 3.1m after adjusting for other, non-recurring income of £1.0m)
- Profit before Tax of £2.8m (2019: £4.1m - including other, non-recurring income of £1.0m)
- Profit after Tax of £2.7m (2019: £4.0m)
- Adjusted EPS for 2020 was 3.75 (2019: 4.38 after removing the non-recurring income of £1m and the associated tax impact)
- Dividend increased to 2.55 pence per share for the year (2019: 2.50 pence)
- Cash in the business increased to £11.8m (2019: £10.5m)

#### **Operational Highlights**

- Production and the design and development functions have remained open and, for the most part, fully operational throughout the COVID-19 pandemic. The Group has not participated in any government aid scheme such as the Coronavirus Business Interruption Loan Scheme (CBILS) or VAT payment deferral and no employees have been furloughed during the pandemic.
- Exports remain strong and contribute 91% of Group revenue
- Cessation of R&D facility in India almost completed and functions transferred to UK. Costs of cessation were £0.7m which have been recognised in the 2020 accounts.
- Spending on R&D increased to £3.89m in 2020 (2019: £3.51m), of which £1.88m was capitalised (2019: £2.26m).

The Group's previous Chairman, Michael Collins, retired from the Board in September 2020 after 31 years' service to the Group. Mike's knowledge and experience helped to guide the Group from start-up to PLC. Mark Cubitt was appointed as the Group's new Chairman at the AGM, having previously joined the Board as a Non-Executive Director in March 2020. Mark is a Chartered Accountant and is a member of the Association of Corporate Treasurers. He has extensive multinational experience gained over the last 33 years, including 23 years in the listed PLC environment.

#### **Mark Cubitt, Chairman of Concurrent Technologies Plc, commented:**

"During 2020, 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 AMC, CompactPCI® and OpenVPX™ architectures.

As part of the Group's long-term continuous improvement strategy, and to mitigate an identified risk to the business during 2020, a further investment of £155,000 was made within manufacturing to introduce a new circuit board processing line.

The Board is taking a cautious approach to revenue growth in the coming year because of the continuing uncertainty caused by the COVID-19 outbreak and the delays seen to some programmes potentially moving revenue from 2021 to 2022. However, the Group's proven ability to adapt to the challenges brought about by the pandemic, the overhead savings from closure of the Indian design office, its ability to provide a well-supported, UK designed and manufactured product, and the current record order book, which has seen a substantial increase during the first quarter of 2021, gives the Board confidence in the Group's continuing solid performance."

### **Annual General Meeting**

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

#### **Enquiries:**

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# Extracts from the Strategic Report

## Review of Operations

The Group generated record Revenue for the year of £21.14m (2019: £19.38m). This converted into Gross Profit of £11.36m (2020: £10.21m) while the gross margin improved to 53.7% (2019: 52.7%).

Profit before tax was £2.85m (2019: £4.06m: 2019 included other, non-recurring income of £1.0m). Earnings per share was 3.75 pence (2019: 5.51 pence) while earnings per share on normal activities, adjusted to remove the impact of Other Income, was 3.75 pence (2019: 4.38 pence). EBITDA (measured as Operating Profit plus Depreciation and Amortisation) for the Group in 2020 was £4.99m (2019: £5.07m).

The Group continued its long-term commitment to R&D by spending £3.89m in 2020 (2019: £3.51m), of which £1.88m was capitalised (2019: £2.26m) and £0.69m related to closure costs of the Indian R&D centre. In light of the slowdown in the sales of some projects, an unusually large impairment charge of £888,579 (2019: £483,630) was included during the year to reflect relatively pessimistic cash generating expectations of itemised projects.

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 £11.8m (2019: £10.5m).

## Operational Highlights

During 2020, 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 AMC, CompactPCI® and OpenVPX™ architectures. These products were introduced as part of the Group's policy to provide existing customers with products that can be used as upgrade paths from previous generations where additional processing power or enhanced features are required. New customers benefit from choosing products based on the latest technologies. 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 was announced to broaden the Group's product range. The Group's AI technology product is currently being developed for use on a prototype third-party end product that may come to market this year.

As part of the Group's long-term continuous improvement strategy, and to mitigate an identified risk to the business during 2020, a further investment of £155,000 was made within manufacturing to introduce a new circuit board processing line. This line will significantly help to reduce lead times for particular product variants.

## Outlook

The new financial year of 2021 started with a healthy order book which has seen a significant increase during the first quarter of the year. The Group's telecoms business is now recovering and growing after last year's second half slow down, and several customers in the defence and telecoms sectors have placed orders for previous generation products that have been offered under extended manufacturing to protect and extend the lifecycle of their projects. These orders are due for delivery in 2021 and beyond. Several of the Group's customers have made the decision to upgrade to its newer generation products.

The Group plans to maintain its policy of investing in R&D to expand its current range of advanced technology products with a particular focus on the OpenVPX™ bus architecture, featuring the latest Intel processors suitable for the long lifecycle embedded markets in which the Group operates. Support for third party software and hardware products will be continued in order to enhance the Group's capability to provide development systems. 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 opportunities to grow the business organically by broadening the range of both hardware and software products within its existing core markets of defence and telecommunications. Savings made from ceasing operations in the Indian office will largely be reinvested to increase and

broaden the skills and technical expertise within the UK team. In addition, the Board continues to look to recruit key individuals and skill 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.

### **Dividend**

The Board has declared a second interim dividend of 1.45 pence per share (2019: 1.45 pence) which, when added to the first interim dividend of 1.10 pence per share (2019: 1.05 pence), will make a total of 2.55 pence per share for the year (2019: 2.50 pence). This is an increase of 2.0% on dividends paid for 2019. The total cost of this second interim dividend amounts to £1,063,771. 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<br>31 December<br>2020 | Year to<br>31 December<br>2019 |
|--|--------------------------------|--------------------------------|
| <b>CONTINUING OPERATIONS</b>   | <b>£</b>                       | <b>£</b>                       |
| <b>Revenue</b>   | 21,141,294                     | 19,384,724                     |
| Cost of sales  | 9,780,750                      | 9,174,588                      |
| <b>Gross profit</b>  | 11,360,544                     | 10,210,136                     |
| Operating expenses   | 8,444,962                      | 7,204,073                      |
| <b>Group operating profit</b>  | 2,915,582                      | 3,006,063                      |
| Finance costs  | (83,985)                       | (41,808)                       |
| Finance income   | 16,480                         | 96,601                         |
| Other Income   | -                              | 1,000,000                      |
| <b>Profit before tax</b>   | 2,848,077                      | 4,060,856                      |
| Tax  | 98,167                         | 52,857                         |
| <b>Profit for the year</b>   | 2,749,910                      | 4,007,999                      |
| <b>Other Comprehensive Income</b>                                      |                                |                                |
| <b>Items that will be reclassified subsequently to profit or loss:</b> |                                |                                |
| Exchange differences on translating foreign operations                 | (283,681)                      | (186,972)                      |
| Tax relating to components of other comprehensive income               | -                              | -                              |
| <b>Other Comprehensive Income for the year, net of tax</b>             | (283,681)                      | (186,972)                      |
| <b>Total Comprehensive Income for the year</b>                         | 2,466,229                      | 3,821,026                      |
| <b>Profit for the period attributable to:</b>                          |                                |                                |
| Equity holders of the parent   | 2,749,910                      | 4,007,999                      |
| <b>Total Comprehensive Income attributable to:</b>                     |                                |                                |
| Equity holders of the parent   | 2,466,229                      | 3,821,026                      |
| <b>Earnings per share</b>  |                                |                                |
| Basic earnings per share   | 3.75p                          | 5.51p                          |
| Diluted earnings per share   | 3.74p                          | 5.47p                          |

# Consolidated Balance Sheet

|  | As at<br>31 December<br>2020<br>£ | As at<br>31 December<br>2019<br>(as restated)<br>£ |
|--|-----------------------------------|--|
| <b>ASSETS</b>  |                                   |  |
| <b>Non-current assets</b>                                  |                                   |  |
| Property, plant and equipment                              | 1,734,965                         | 1,638,429  |
| Intangible assets  | 7,205,581                         | 7,991,119  |
| Deferred tax assets  | 134,775                           | 142,894  |
|  | <u>9,075,321</u>                  | <u>9,772,442</u>                                   |
| <b>Current assets</b>                                      |                                   |  |
| Inventories  | 5,533,574                         | 5,097,907  |
| Trade and other receivables                                | 2,356,157                         | 2,703,960  |
| Current tax assets   | 305,113                           | 274,221  |
| Other financial assets                                     | -                                 | -  |
| Cash and cash equivalents                                  | 11,765,974                        | 10,487,902   |
|  | <u>19,960,818</u>                 | <u>18,563,990</u>                                  |
| <b>Total assets</b>  | <u>29,036,139</u>                 | <u>28,336,432</u>                                  |
| <b>LIABILITIES</b>   |                                   |  |
| <b>Non-current liabilities</b>                             |                                   |  |
| Deferred tax liabilities                                   | 1,571,830                         | 1,453,331  |
| Trade and other payables                                   | 704,800                           | 838,001  |
| Long term provisions                                       | 16,162                            | 16,731   |
|  | <u>2,292,792</u>                  | <u>2,308,063</u>                                   |
| <b>Current liabilities</b>                                 |                                   |  |
| Trade and other payables                                   | 4,143,522                         | 4,126,823  |
| Short term provisions                                      | 16,354                            | 16,832   |
| Current Tax Liabilities                                    | 26,504                            | -  |
|  | <u>4,186,380</u>                  | <u>4,142,655</u>                                   |
| <b>Total liabilities</b>                                   | <u>6,479,172</u>                  | <u>6,451,718</u>                                   |
| <b>Net assets</b>  | <u>22,556,967</u>                 | <u>21,884,714</u>                                  |
| <b>EQUITY</b>  |                                   |  |
| <b>Capital and reserves</b>                                |                                   |  |
| 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                             | (121,293)                         | 162,388  |
| Profit and loss account                                    | 17,983,179                        | 17,027,245   |
| <b>Equity attributable to equity holders of the parent</b> | <u>22,556,967</u>                 | <u>21,884,714</u>                                  |
| <b>Total equity</b>  | <u>22,556,967</u>                 | <u>21,884,714</u>                                  |

# Consolidated Cash Flow Statement

|  | Year to<br>31 December<br>2020<br>£ | Year to<br>31 December<br>2019<br>£ |
|--|-------------------------------------|-------------------------------------|
| <b>Cash flows from operating activities</b>                            |                                     |                                     |
| Profit before tax for the period                                       | 2,848,077                           | 4,060,856                           |
| Adjustments for:   |                                     |                                     |
| Finance income   | (16,480)                            | (96,601)                            |
| Finance costs  | 83,985                              | 41,808                              |
| Depreciation   | 282,563                             | 315,687                             |
| Amortisation   | 1,793,628                           | 1,788,003                           |
| Impairment loss  | 888,579                             | 483,630                             |
| Share-based payment  | 6,991                               | 82,421                              |
| Exchange differences   | (300,569)                           | (205,790)                           |
| Decrease/(increase) in inventories                                     | (435,667)                           | (1,001,331)                         |
| (Increase)/decrease in trade and other receivables                     | 347,803                             | 648,621                             |
| Increase/(decrease) in trade and other payables                        | (9,354)                             | 1,232,237                           |
| Cash generated from operations   | 5,489,557                           | 7,349,541                           |
| Tax received   | 40,536                              | (21,173)                            |
| Net cash generated from operating activities                           | 5,530,092                           | 7,328,368                           |
| <b>Cash flows from investing activities</b>                            |                                     |                                     |
| Interest received  | 16,480                              | 96,601                              |
| Purchases of property, plant and equipment (PPE)                       | (385,964)                           | (476,376)                           |
| Capitalisation of development costs and purchases of intangible assets | (1,896,659)                         | (2,272,054)                         |
| Net cash used in investing activities                                  | (2,266,143)                         | (2,651,829)                         |
| <b>Cash flows from financing activities</b>                            |                                     |                                     |
| Equity dividends paid  | (1,864,968)                         | (1,745,345)                         |
| Repayment of leasing liabilities                                       | (108,195)                           | (108,426)                           |
| Interest paid  | (83,985)                            | (41,808)                            |
| Sale of treasury shares  | 47,529                              | 4,950                               |
| Net cash used in financing activities                                  | (2,009,619)                         | (1,890,629)                         |
| Effects of exchange rate changes on cash and cash equivalents          | 23,742                              | 22,640                              |
| <b>Net increase/(decrease) in cash</b>                                 | 1,278,072                           | 2,808,550                           |
| Cash at beginning of period  | 10,487,902                          | 7,679,352                           |
| Cash at the end of the period  | 11,765,974                          | 10,487,902                          |

## Consolidated Statement of Changes in Equity

|  | Share<br>capital<br>£ | Share<br>premium<br>£   | Capital<br>redemption<br>reserve<br>£ | Cumulative<br>translation<br>reserve<br>£ | Profit<br>and loss<br>account<br>£ | Total<br>Equity<br>£     |
|--|-----------------------|-------------------------|---------------------------------------|---|------------------------------------|--------------------------|
| <b>Balance at 1 January 2019</b>                       | 739,000               | 3,699,105               | 256,976                               | 349,360                                   | 14,670,553                         | 19,714,994               |
| 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                |
| <b>Transactions with owners:</b>                       |                       |                         |                                       |   |                                    |                          |
| 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)              |
| Purchase of treasury shares                            | -                     | -                       | -                                     | -   | 4,950                              | 4,950                    |
| <b>Balance at 31 December 2019</b>                     | <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>        |
| Profit for the period                                  | -                     | -                       | -                                     | -   | 2,749,910                          | 2,749,910                |
| Exchange differences on translating foreign operations | -                     | -                       | -                                     | (283,681)                                 | -                                  | (283,681)                |
| Total comprehensive income for the period              | -                     | -                       | -                                     | (283,681)                                 | 2,749,910                          | 2,466,229                |
| <b>Transactions with owners:</b>                       |                       |                         |                                       |   |                                    |                          |
| Share-based payment                                    | -                     | -                       | -                                     | -   | 6,991                              | 6,991                    |
| Deferred tax on share based payment                    | -                     | -                       | -                                     | -   | 16,472                             | 16,472                   |
| Dividends paid   | -                     | -                       | -                                     | -   | (1,864,968)                        | (1,864,968)              |
| Sale of treasury shares                                | -                     | -                       | -                                     | -   | 47,529                             | 47,529                   |
| <b>Balance at 31 December 2020</b>                     | <u><u>739,000</u></u> | <u><u>3,699,105</u></u> | <u><u>256,976</u></u>                 | <u><u>(121,293)</u></u>                   | <u><u>17,983,179</u></u>           | <u><u>22,556,967</u></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 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. The restatement of balance sheet items refers to lease liabilities which have been reclassified from current to non-current liabilities. The adjustment does not impact shareholder funds or profit previously stated.
- The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2020 or 2019, but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 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 2019 or 2020 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 2020 of 73,253,120 (2019: 72,724,271) after adjustment for treasury shares on the profit after tax for 2020 of £2,749,910 (2019: £4,007,999). The calculation of diluted earnings per share incorporates 311,651 Ordinary Shares (2019: 574,542) 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, Gilbert Court, Newcomen Way, Colchester, Essex, CO4 9WN, UK, and on the Company's website: [www.gocct.com](http://www.gocct.com).