

12th May 2022

## Concurrent Technologies Plc

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

### Results for the year ended 31 December 2021

Concurrent Technologies Plc (AIM: CNC), a world leading specialist in high-end embedded computer products for critical applications, announces results for the year to 31 December 2021.

#### Financial Highlights

- Revenue for the year slightly ahead of market expectations at £20.5m (2020: £21.1m)
- Gross profit steady at £11.4m (2020: £11.4m)
- Gross margin increased to 55.9% (2020: 53.7%)
- EBITDA increased to £5.1m (2020: £5.0m)
- Profit before Tax increased 22% to £3.5m (2020: £2.8m)
- Profit after Tax increased to £2.8m (2020: £2.7m)
- Non-cash deferred tax charge of £0.5m reflecting increase in UK tax to 25%
- EPS increased to 3.88p (2020: 3.75p)
- Dividend maintained at 2.55 pence per share for the year (2020: 2.55 pence)
- Cash in the business steady at £11.8m (2020: £11.8m)
- Prior year restatement in 2019 to increase net assets by £0.3m

#### Operational Highlights

- New CEO and refreshed Leadership Team.
- Mitigated the impact of restricted supply of components through longstanding beneficial relationships with suppliers, well managed use of stock levels and flexible actions in response to shortage of specific components.
- Upgraded ability to launch new products, at broadly double the frequency and half the lead time, ensuring products are ready concurrently with market need.

#### Outlook

- The Group is targeting eight new product releases in 2022. Delivery on this objective has begun, with a Position, Navigation and Timing plug in card announced in January 2022 and a 100 Gigabit Ethernet Processor Plug in Card announced in February 2022, simultaneously with the new Intel chip on which it is based.
- Strong bookings with order book increased to £16.2m as 31 March 2022 from £13.2m at 31 December 2021.
- Component shortage represents challenge to ship product in 2022, particularly in H1 with order delivery expected to be delayed and revenues recognised over a longer period than during normal market conditions.

**Miles Adcock, CEO of Concurrent Technologies Plc, commented:** "Having joined Concurrent in June 2021, I have been delighted to find that the potential for growth is very real. Despite the ongoing headwinds from components shortages, the financial performance of 2021 was excellent, with record profit delivered. The past year was a period of keen focus on new product development and investing in strategies for growth, an approach that will continue through 2022. We have also significantly augmented the already excellent team with domain specific expertise, and top talent in broader disciplines.

"Despite growing demand for our products and an increased order book, we do expect short-term supply challenges will result in delivery of it being more protracted than is normal for the Group. However, we are robustly managing

this issue and have a very strong balance sheet and so, rather than damage the business through cost cutting exercises, we will focus on continuing to grow the order book and on creating an even stronger business capable of taking advantage of a number of identified, exciting prospects. We are already seeing increased market interest in our renewed product portfolio, and I am confident in our mid-to-long term profitable growth.”

**Enquiries:**

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## Extracts from the Strategic Report

### Financial Highlights

|                           | 2021   | 2020   |
|---------------------------|--------|--------|
| Revenue                   | £20.5m | £21.1m |
| EBITDA                    | £5.1m  | £5.0m  |
| Profit before tax         | £3.5m  | £2.8m  |
| Earnings per share        | 3.88p  | 3.75p  |
| Dividend per share        | 2.55p  | 2.55p  |
| Cash (including Deposits) | £11.8m | £11.8m |
| Total Assets              | £30.7m | £29.0m |
| Shareholders' Funds       | £23.7m | £22.8m |

The Group generated Revenue for the year of £20.45m (2020: £21.14m). This converted into Gross Profit of £11.43m (2020: £11.36m) while the gross margin improved to 55.9% (2020: 53.7%) reflecting the change in product mix, regarding architecture and geography.

Profit before tax was £3.48m (2020: £2.85m). Earnings per share was 3.88 pence (2020: 3.75 pence) while earnings per share on normal activities, EBITDA (measured as Operating Profit plus Depreciation and Amortisation) for the Group in 2021 was £5.1m (2020: £5.0m).

The Group continued its long-term commitment to R&D by spending £3.60m in 2021 (2020: £3.89m including £0.69m relating to the closure of the development site in India), of which £2.1m was capitalised (2020: £1.9m) One project was judged by the Directors to be at serious risk of not being able to make a positive return to the Group and so has been fully impaired with a resulting charge of £0.5m, with a further charge of £0.1m to partially provide against underperforming projects, a total impairment charge of £0.6m (2020: £0.9m).

The tax charge of £0.6m is largely the impact on Deferred tax of the increase in the UK tax rate to 25% in 2023 of £0.5m, which is a non cash item. 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 borrowings and its cash balances plus short to medium term cash deposits at the year-end were £11.8m (2020: £11.8m).

### Dividend

The Board has proposed a final dividend of 1.40 pence per share (second interim dividend in 2020: 1.45 pence) which, when added to the first interim dividend of 1.15 pence per share (2020: 1.10 pence), will make a total of 2.55 pence per share for the year (2020: 2.55 pence). Keeping a flat dividend reflects the ongoing concerns on the component shortage and the Group plans to engage with shareholders on the future dividend strategy. The total cost of the final dividend amounts to £1,034,600.

### Operational Highlights

During 2021, the Group introduced several new high-performance embedded computer boards and accessory modules. These included products based on the 11th 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.

The Group were announced as an Intel Platinum Partner during the year, providing the highest level of insight and development opportunity to the Group.

As part of the Group's long-term continuous improvement strategy a further investment was made within manufacturing to introduce a new optical inspection machine.

## **Future Plans and Outlook**

The new financial year of 2022 started with a healthy order book 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 expects to announce several new products during 2022, a Position, Navigation and Timing plug in card was announced in January 2022 and a 100 Gigabit Ethernet Processor Plug in Card was announced simultaneous with the new Intel chip it is based around. This accelerated time to market provides additional and incremental sales opportunities in both the US and Europe.

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.

The Board is taking a cautious approach to revenue and profit in 2022 due to the uncertainty around the speed of a return to normal trading conditions after COVID, but especially in light of the difficulties within the global supply chain impacting when we can ship produce and recognise revenue. To-date there has been no direct impact from the Ukraine crisis, however indirect impacts may arise in time. However, the improved R&D performance alongside the introduction of production capability in the USA and development of system capability leads the Board believe the Group is well positioned to deliver additional growth in its main markets over the coming years.

## **Prior Year Restatement**

A prior year adjustment of £0.3m has been made to the closing 2019 balance sheet to correct for an error on consolidation outside our underlying records dating back before 2019, which has under reported profit, net assets and total equity by this amount. As a result of not being able to definitively trace the cause of the issue, and with investigations ongoing, the auditors are required to qualify their opinion in regard to there being a limitation of scope on other creditors and opening reserves.

The Group will work to resolve the issue fully for the 2022 accounts, thereby allowing the auditors to remove their qualification. Consideration was given to delaying the accounts until the issue was fully resolved, but, on balance, the Board believed that, as it was a historic under reporting of profit of £0.3m against an overall net assets position of £23.4m, it was appropriate to accept the qualification and not delay release of the accounts. Investigations will continue to determine the cause and periods it relates, and the closing reserves for 2019 have been increased by the £0.3m.

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2021

|  | Year to<br>31 December<br>2021 | Year to<br>31 December<br>2020 |
|--|--------------------------------|--------------------------------|
|  | £                              | £                              |
| <b>CONTINUING OPERATIONS</b>   |                                |                                |
| <b>Revenue</b>   | 20,450,453                     | 21,141,294                     |
| Cost of sales  | 9,016,878                      | 9,780,750                      |
| <b>Gross profit</b>  | 11,433,575                     | 11,360,544                     |
| Operating expenses   | 7,889,921                      | 8,444,962                      |
| <b>Group operating profit</b>  | 3,543,654                      | 2,915,582                      |
| Finance costs  | 61,679                         | 83,985                         |
| Finance income   | 1,880                          | 16,480                         |
| <b>Profit before tax</b>   | 3,483,855                      | 2,848,077                      |
| Tax  | 638,421                        | 98,167                         |
| <b>Profit for the year</b>   | <u>2,845,434</u>               | <u>2,749,910</u>               |
| <b>Other Comprehensive Income</b>                                      |                                |                                |
| <b>Items that will be reclassified subsequently to profit or loss:</b> |                                |                                |
| Exchange differences on translating foreign operations                 | 23,894                         | (283,681)                      |
| <b>Other Comprehensive Income for the year, net of tax</b>             | <u>23,894</u>                  | <u>(283,681)</u>               |
| <b>Total Comprehensive Income for the year</b>                         | <u><u>2,869,328</u></u>        | <u><u>2,466,229</u></u>        |
| <b>Earnings per share</b>  |                                |                                |
| Basic earnings per share   | 3.88p                          | 3.75p                          |
| Diluted earnings per share   | 3.84p                          | 3.74p                          |

# Consolidated Balance Sheet

At 31 December 2021

|  | As at<br>31 December<br>2021<br>£ | As at<br>31 December<br>2020<br>Restated<br>£ | As at<br>31 December<br>2019<br>Restated<br>£ |
|--|-----------------------------------|---|---|
| <b>ASSETS</b>  |                                   |   |   |
| <b>Non-current assets</b>                                  |                                   |   |   |
| Property, plant and equipment                              | 1,436,009                         | 1,734,965                                     | 1,638,429                                     |
| Intangible assets  | 7,692,528                         | 7,205,581                                     | 7,991,119                                     |
| Deferred tax assets  | 31,042                            | 134,775                                       | 142,894                                       |
| Other financial assets                                     | -                                 | -   | -   |
|  | 9,159,579                         | 9,075,321                                     | 9,772,442                                     |
| <b>Current assets</b>                                      |                                   |   |   |
| Inventories  | 6,425,436                         | 5,533,574                                     | 5,097,907                                     |
| Trade and other receivables                                | 2,988,633                         | 2,356,157                                     | 2,703,960                                     |
| Current tax assets   | 330,748                           | 305,113                                       | 274,221                                       |
| Other financial assets                                     | -                                 | -   | -   |
| Cash and cash equivalents                                  | 11,839,758                        | 11,765,974                                    | 10,487,902                                    |
|  | 21,584,575                        | 19,960,818                                    | 18,563,990                                    |
| <b>Total assets</b>  | 30,744,154                        | 29,036,139                                    | 28,336,432                                    |
| <b>LIABILITIES</b>   |                                   |   |   |
| <b>Non-current liabilities</b>                             |                                   |   |   |
| Deferred tax liabilities                                   | 2,193,418                         | 1,571,830                                     | 1,453,331                                     |
| Trade and other payables                                   | 570,576                           | 704,800                                       | 838,001                                       |
| Long term provisions                                       | 19,172                            | 16,162  | 16,731  |
|  | 2,783,166                         | 2,292,792                                     | 2,308,063                                     |
| <b>Current liabilities</b>                                 |                                   |   |   |
| Trade and other payables                                   | 4,196,272                         | 3,854,882                                     | 3,838,183                                     |
| Short term provisions                                      | 19,300                            | 16,354  | 16,832  |
| Current Tax Liabilities                                    | 4,817                             | 26,504  | -   |
|  | 4,220,389                         | 3,897,740                                     | 3,855,015                                     |
| <b>Total liabilities</b>                                   | 7,003,555                         | 6,190,532                                     | 6,163,078                                     |
| <b>Net assets</b>  | 23,740,599                        | 22,845,607                                    | 22,173,354                                    |
| <b>EQUITY</b>  |                                   |   |   |
| <b>Capital and reserves</b>                                |                                   |   |   |
| 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                             | (97,399)                          | (121,293)                                     | 162,388                                       |
| Profit and loss account                                    | 19,142,917                        | 18,271,819                                    | 17,315,885                                    |
| <b>Equity attributable to equity holders of the parent</b> | 23,740,599                        | 22,845,607                                    | 22,173,354                                    |
| <b>Total equity</b>  | 23,740,599                        | 22,845,607                                    | 22,173,354                                    |

# Consolidated Cash Flow Statement

|  | <i>Note</i> | <b>Year to<br/>31 December<br/>2021<br/>£</b> | <b>Year to<br/>31 December<br/>2020<br/>£</b> |
|--|-------------|---|---|
| <b>Cash flows from operating activities</b>                            |             |   |   |
| Profit before tax for the period                                       |             | 3,483,855                                     | 2,848,077                                     |
| Adjustments for:   |             |   |   |
| Finance income   |             | (1,880)                                       | (16,480)                                      |
| Finance costs  |             | 61,679  | 83,985  |
| Depreciation   |             | 288,560                                       | 282,563                                       |
| Amortisation   |             | 1,234,655                                     | 1,793,628                                     |
| Impairment loss  |             | 570,812                                       | 888,579                                       |
| Loss on disposal of property, plant and equipment (PPE)                |             | 27,401  | -   |
| Share-based payment  |             | 12,963  | 6,991   |
| Exchange differences   |             | 46,623  | (300,569)                                     |
| Decrease/(increase) in inventories                                     |             | (891,862)                                     | (435,667)                                     |
| (Increase)/decrease in trade and other receivables                     |             | (632,476)                                     | 347,803                                       |
| Increase/(decrease) in trade and other payables                        |             | 330,735                                       | (9,354)                                       |
| Cash generated from operations   |             | 4,531,065                                     | 5,489,556                                     |
| Tax (paid) / received  |             | (40,274)                                      | 40,536  |
| Net cash generated from operating activities                           |             | 4,490,791                                     | 5,530,092                                     |
| <b>Cash flows from investing activities</b>                            |             |   |   |
| Interest received  |             | 1,880   | 16,480  |
| Purchases of property, plant and equipment (PPE)                       |             | (185,878)                                     | (385,964)                                     |
| Sale of property, plant and equipment (PPE)                            |             | 1,500   | -   |
| Capitalisation of development costs and purchases of intangible assets |             | (2,124,529)                                   | (1,896,659)                                   |
| Net cash used in investing activities                                  |             | (2,307,027)                                   | (2,266,143)                                   |
| <b>Cash flows from financing activities</b>                            |             |   |   |
| Equity dividends paid  |             | (1,907,448)                                   | (1,864,968)                                   |
| Repayment of leasing liabilities                                       |             | (117,613)                                     | (108,195)                                     |
| Interest paid  |             | (61,679)                                      | (83,985)                                      |
| Sale of treasury shares  |             | -   | 47,529  |
| Net cash used in financing activities                                  |             | (2,086,740)                                   | (2,009,619)                                   |
| Effects of exchange rate changes on cash and cash equivalents          |             | (23,240)                                      | 23,742  |
| <b>Net increase/(decrease) in cash</b>                                 |             | <b>73,784</b>                                 | <b>1,278,072</b>                              |
| Cash at beginning of period  |             | 11,765,974                                    | 10,487,902                                    |
| Cash at the end of the period  |             | 11,839,758                                    | 11,765,974                                    |

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

|   | 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>As at 31 December 2019<br/>(reported)</b>              | 739,000               | 3,699,105             | 256,976                               | 162,388                                   | 17,027,245                         | 21,884,714           |
| Prior Year adjustment (note 2)                            |                       |                       |                                       |   | 288,640                            | 288,640              |
| <b>Balance at 1 January 2020<br/>(restated)</b>           | 739,000               | 3,699,105             | 256,976                               | 162,388                                   | 17,315,885                         | 22,173,354           |
| Profit for the period                                     | -                     | -                     | -                                     | -   | 2,749,910                          | 2,749,910            |
| Exchange differences on<br>translating foreign operations | -                     | -                     | -                                     | (283,681)                                 | -                                  | (283,681)            |
| Total comprehensive income for<br>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<br>payment                    | -                     | -                     | -                                     | -   | 16,472                             | 16,472               |
| Dividends paid  | -                     | -                     | -                                     | -   | (1,864,968)                        | (1,864,968)          |
| Transfer of treasury shares                               | -                     | -                     | -                                     | -   | 47,529                             | 47,529               |
| <b>Balance at 31 December 2020<br/>(restated)</b>         | 739,000               | 3,699,105             | 256,976                               | (121,293)                                 | 18,271,819                         | 22,845,607           |
| <b>As at 31 December 2020<br/>(reported)</b>              | 739,000               | 3,699,105             | 256,976                               | (121,293)                                 | 17,983,179                         | 22,556,967           |
| Prior Year adjustment (note 2)                            |                       |                       |                                       |   | 288,640                            | 288,640              |
| <b>Balance at 1 January 2021<br/>(restated)</b>           | 739,000               | 3,699,105             | 256,976                               | (121,293)                                 | 18,271,819                         | 22,845,607           |
| Profit for the period                                     | -                     | -                     | -                                     | -   | 2,845,434                          | 2,845,434            |
| Exchange differences on<br>translating foreign operations | -                     | -                     | -                                     | 23,894                                    | -                                  | 23,894               |
| Total comprehensive income for<br>the period              | -                     | -                     | -                                     | 23,894                                    | 2,845,434                          | 2,869,328            |
| <b>Transactions with owners:</b>                          |                       |                       |                                       |   |                                    |                      |
| Share-based payment                                       | -                     | -                     | -                                     | -   | 12,963                             | 12,963               |
| Deferred tax on share-based<br>payment                    | -                     | -                     | -                                     | -   | (79,852)                           | (79,852)             |
| Dividends paid  | -                     | -                     | -                                     | -   | (1,907,447)                        | (1,907,447)          |
| Sale of treasury shares                                   | -                     | -                     | -                                     | -   | -                                  | -                    |
| <b>Balance at 31 December 2021</b>                        | 739,000               | 3,699,105             | 256,976                               | (97,399)                                  | 19,142,917                         | 23,740,599           |

## 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. 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.
2. The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 December 2021 or 2020, but is derived from those accounts. Statutory accounts for 2020 have been delivered to the Registrar of Companies and those for 2021 will be delivered following the Annual General Meeting. The auditors have reported on 2021 accounts; their report includes a disclaimer of 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 2021 of 73,253,120 (2020: 73,253,120) after adjustment for treasury shares on the profit after tax for 2021 of £2,845,434 (2020: £2,749,910). The calculation of diluted earnings per share incorporates 749,826 Ordinary Shares (20: 574,542) in respect of performance related employee share options. The profit after tax is the same as for basic earnings per share.
4. The AGM will be held on Wednesday 29<sup>th</sup> June 2022, exact location to be confirmed..

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).