

19 September 2023

## Concurrent Technologies PLC

(the “Company”)

### Interim Results for the six months ended 30 June 2023

Concurrent Technologies PLC (AIM: CNC), a world leading specialist in high-end embedded computer products for critical applications, announces its interim results for the six months to 30 June 2023 (“H1 2023”).

#### Financial Performance

Strengthened order intake has translated into record H1 2023 revenue at £12.1M (representing a 63% increase on H1 2022, and a 22% increase on H1 2020, which was the best revenue year to date). Demand for the Company’s products remains strong with a H1 order intake of £14.5M (H1 2022: £14.2M) and record backlog of £29M (31 December 2022: £26.7M). Despite ongoing challenges with component supply, it is reducing in both difficulty of supply and lead times, beginning to unlock what had otherwise been a major constraint to revenue for the previous 2 years, and will ease further throughout the remainder of this year.

- Revenue of £12.1M (H1 2022: £7.4M) – remained constrained by components, however, represents a record half year, with an increase of 63% on prior year.
- Gross profit of £6.0M (H1 2022: £3.7M); an increase of 62% on prior year.
- Gross margin of 49.7% (H1 2022: 50.4%) – reduced as the result of price increases of some components due to high demand and limited supply, and increased manpower costs.
- Operating profit of £1.0M (H1 2022: £0.0M) – predominantly driven by increase revenue, and hence gross profit (+£2.3M); net costs increased by c£1.3M, in line with investment strategy (Enabling Functions e.g. People, Commercial, Procurement; Operations e.g. talent, 2 shifts; Engineering talent; Facilities e.g. Theale office; Leadership team).
- Profit before tax of £1.0M (H1 2022: £0.0M).
- EPS of 1.54 pence (H1 2022: 0.75 pence); increase of 105% on prior year.
- Cash Balance (including cash deposits) as at 30 June 2023 of £3M (31 Dec 2022: £4.5M).
  - Increased cash from Operations of £0.5M (due to a stronger H1), including increased inventory of £1M.
  - Decrease of £2M from investment activity, predominantly driven by R&D (£1.7M).

#### Operational Summary

- Strong order intake of £14.5M as at 30 June 2023, with significant backlog of £29M compared to £20.3M backlog as at 30 June 2022, up 42%.
- Revenue defined by components availability in H1.
- Defence remains the largest market sector at 73% revenue.
- Global customer base is solid with exports generating +90% of revenue.
- Investment in R&D costs (talent, improved process & analysis, materials) have continued (+£0.4M), in line with stated strategy to improve the cadence and time to market of products that offer the very latest technology.

- Launched new product Hermes, the latest processor plug-in card.
- Key Partnership agreement announced with Alpha Data to act as a reseller of their FPGA (Field Programmable Gate Array) based plug in card.
- New distributor agreement with SoC-e to enable the company to offer the portfolio of Relyum Advanced Networking Solutions.
- Component shortages have remained challenging, limiting the company's ability to ship product. This is expected to ease in H2 2023.
- Major new systems order with FTSE 250 customer for £1.25M.

**Miles Adcock, CEO of Concurrent Technologies, commented:** "We are delivering on our commitment to transition our core Single Board Computer business into growth. We maintained focus and investment throughout a difficult period of component constraints; and are now seeing the customer demand for our new products reflected as increased revenues. In parallel we have been underpinning capability in relation to a wider systems offering, utilising our own products, but also partners' products for use in higher value products and services. This progress on multiple fronts creates the right conditions for our recently announced equity raise and associated acquisition of Phillips Aerospace to accelerate our Systems strategy. Together these developments provide us with confidence for the future."

#### CHAIRMAN'S STATEMENT

The first half of 2023 has seen a significant recovery in the trading performance of the Company, with record revenues as the component shortages ease, although key shortages are still an issue impacting our ability to convert backlog into revenue. Order intake remains strong and our improved time to market with new innovative products will further grow and broaden our customer base.

The acquisition of Phillips Aerospace in September 2023 is an important step in growing our Systems business, transforming the Company beyond our historic Single Board focus, with the potential for a step change in the available market opportunity for the Company.

Although an interim dividend is not being declared, we are confident we will continue the recovery in the second half of 2023 which will allow us to consider the re-introduction of a full year dividend.

#### CHIEF EXECUTIVE'S REVIEW

##### **Financial Summary**

The performance of the Company has remained challenged through limitations of component supply in H1 2023, resulting in a restricted, although record, revenue of £12.1M (H1 2022 £7.4M), a significant increase of 63% on prior year. The company continues to have strong backlog (contracted work) at £29M at H1 2023 (H1 2022: £20.3M), and the Company expects H2 2023 component supply to be improved over that of H1 2023, following a critical delivery in July 2023.

Gross margin is 49.7% (H1 2022; 50.4) which is driven primarily by cost of components. The company has seen a rise in prices during the period of shortage and high demand.

The Company has delivered an unaudited profit before tax of £1M (H1 2022; £0.0M). This is a £1M increase on 2022, represented by the increase revenue (+£4.7M on H1 2022) and corresponding gross profit (+£2.3M), however net operating expenses were up on prior year, in line with the investment strategy at £5.0M (H1 2022: £3.7M). This is driven predominantly by additional investment in talent in R&D (+£0.4M), enabling functions and the Leadership team (+£0.7M). The Company also benefitted from a £0.4M foreign exchange rate gain in H1 2022, not repeated in H1 2023.

The balance sheet remains strong with no debt and £3M of cash balances (including cash deposits) as at 30 June 2023 (31 December 2022: £4.5M). Component supply issues have continued to dominate H1 2023, and this has meant a further investment in inventory and a restricted level of revenue, resulting in a lower cash profile. The Company expects to see this start to reverse in H2 2023, as component supply eases. Inventory holdings have increased to £11M by the end of H1 2023 (H1 2022: £9.5M), an increase of a further £1M since 31 December 2022. The Company is confident in the quality of the inventory held and that it will see a reduction in the levels during H2 2023. Trade receivables were relatively high at the end of H1 2023 at £5.3M (H1 2022: £3.5M) due to the timing and level of revenue, which was £4.7M higher than H1 2022.

With a record order intake in 2022, and further order intake in H1 2023 of £14.5M, and therefore a significant contracted backlog of £29M, plus easing component supply issues, the Company is confident in its H1 2023 outlook.

### **Post Interim Close Events**

On 6 September 2023 the Company completed the acquisition of Phillips Aerospace for US\$3.4m through a combination of US\$1.9m cash and the issue of equity of \$1.5m to the owners of Phillips Aerospace. Simultaneously the Company raised £6.8m through the issue of fresh equity approved by shareholders at a General Meeting held on 4 September 2023. These events broaden our product offering and strengthen the balance sheet to drive further growth.

### **Current Trading & Outlook**

With a record H1 backlog of £29M and the component supply chain issues easing, the Company is in a good position to begin to revert to strong trading (largely no longer defined by component availability). The Company continues on its growth journey, with the underpinning of its systems strategy through the acquisition of Phillips Aerospace (post H1), and the continued drive in maximising capacity (additional shifts, maximising space, use of third-party manufacturer) allowing for further growth into 2024 and beyond. The product portfolio continues to strengthen with continued investment in R&D and sales, enabling a strong pipeline of opportunities, and conversion of these, to underpin future revenue growth.

Together, these strategic developments continue to provide confidence for the future performance of the Company.

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# Condensed Consolidated Statement of Comprehensive Income

Unaudited interim results to 30th June 2023

	<i>Note</i>	<b>Six months ended 30/06/23</b>	<b>Six months ended 30/06/22</b>	<b>Year ended 31/12/22</b>
		<b>£</b>	<b>£</b>	<b>£</b>
<b>CONTINUING OPERATIONS</b>				
<b>Revenue</b>		12,139,625	7,421,285	18,274,771
Cost of sales		(6,100,879)	(3,680,258)	(9,397,449)
<b>Gross profit</b>		6,038,746	3,741,027	8,877,322
Net operating expenses		(5,028,784)	(3,688,676)	(8,390,682)
<b>Group operating profit</b>		1,009,962	52,351	486,640
Interest Costs		(52,871)	(26,930)	(104,505)
Finance income		16,405	6,992	546
Other Income		-	-	-
<b>Profit before tax</b>		973,496	32,413	382,681
Tax		154,441	518,890	604,344
<b>Profit for the period</b>		1,127,937	551,303	987,025
<b>Other Comprehensive Income</b>				
Exchange differences on translating foreign operations		(41,338)	100,789	69,463
Tax relating to components of other comprehensive income		-	-	-
<b>Other Comprehensive Income for the period, net of tax</b>		(41,338)	100,789	69,463
<b>Total Comprehensive Income for the period</b>		1,086,599	652,092	1,056,488
<b>Profit for the period attributable to:</b>				
Equity holders of the parent		1,127,937	551,303	987,025
<b>Total Comprehensive Income attributable to:</b>				
Equity holders of the parent		1,086,599	652,092	1,056,488
<b>Earnings per share</b>				
Basic earnings per share	4	1.54p	0.75p	1.35p
Diluted earnings per share	4	1.54p	0.75p	1.35p
Adjusted earnings per share		1.54p	0.75p	1.35p

# Condensed Consolidated Balance Sheet

Unaudited interim results to 30th June 2023

	As at 30/06/23	As at 30/06/22	As at 31/12/22
	£	£	£
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2,528,605	2,445,996	2,685,107
Intangible assets	9,843,724	9,058,713	8,807,290
Deferred tax assets	321,577	7,243	350,753
Other Financial Assets	-	-	-
	<u>12,693,906</u>	<u>11,511,952</u>	<u>11,843,150</u>
<b>Current assets</b>			
Inventories	11,048,329	9,460,432	10,090,437
Trade and other receivables	5,337,017	3,460,344	5,439,912
Current tax assets	1,126,010	597,086	762,545
Other Financial Assets	-	-	-
Cash and cash equivalents	2,976,823	9,265,663	4,512,720
	<u>20,488,179</u>	<u>22,783,525</u>	<u>20,805,614</u>
<b>Total assets</b>	<u>33,182,086</u>	<u>34,295,477</u>	<u>32,648,764</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities	2,311,767	2,176,884	2,126,588
Trade and other payables	1,118,819	505,767	1,257,820
Long term provisions	309,735	18,256	304,336
	<u>3,740,321</u>	<u>2,700,907</u>	<u>3,688,744</u>
<b>Current liabilities</b>			
Trade and other payables	5,165,320	7,119,058	5,765,262
Short term provisions	18,256	18,256	18,256
Current tax liabilities	51,864	15,779	-
	<u>5,235,440</u>	<u>7,153,093</u>	<u>5,783,518</u>
<b>Total liabilities</b>	<u>8,975,761</u>	<u>9,854,000</u>	<u>9,472,262</u>
<b>Net assets</b>	<u>24,206,325</u>	<u>24,441,477</u>	<u>23,176,502</u>
<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	(69,274)	3,390	(27,936)
Profit and loss account	19,580,518	19,743,006	18,509,357
<b>Equity attributable to equity holders of the parent</b>	<u>24,206,325</u>	<u>24,441,477</u>	<u>23,176,502</u>
<b>Total equity</b>	<u>24,206,325</u>	<u>24,441,477</u>	<u>23,176,502</u>

# Condensed Consolidated Cash Flow Statement

Unaudited interim results to 30th June 2023

	Six months ended 30/06/2023 £	Six months ended 30/06/2022 £	Year ended 31/12/2022 £
<b>Cash flows from operating activities</b>			
Profit before tax for the period	973,496	32,413	382,681
Adjustments for:			
Finance income	(16,405)	(6,992)	(546)
Finance costs	52,871	26,930	104,505
Depreciation	447,858	121,589	422,047
Amortisation	650,862	627,395	1,197,972
Impairment loss	-	-	327,526
Loss on disposal of property, plant and equipment (PPE)	-	-	-
Share-based payment	155,603	48,785	219,363
Exchange differences	(44,219)	111,153	82,384
(Increase)/decrease in inventories	(957,892)	(3,034,996)	(3,665,001)
(Increase)/decrease in trade and other receivables	102,895	(471,711)	(2,451,279)
Increase/(decrease) in trade and other payables	(663,334)	2,920,826	2,222,123
Cash generated from operations	701,735	375,392	(1,158,225)
Tax (paid)/received	(155,183)	270,780	267,884
Net cash generated from operating activities	546,552	646,172	(890,341)
<b>Cash flows from investing activities</b>			
Interest received	16,405	6,992	546
Cash placed on deposit	-	-	-
Purchases of property, plant and equipment (PPE)	(235,971)	(1,124,354)	(1,480,394)
Proceeds from sale of PPE	-	-	-
Purchases of intangible assets	(1,744,508)	(1,993,577)	(3,711,617)
Net cash used in investing activities	(1,964,074)	(3,110,939)	(5,191,465)
<b>Cash flows from financing activities</b>			
Equity dividends paid	-	-	(1,027,088)
Repayment of leasing liabilities	(70,210)	(64,809)	(94,842)
Interest paid	(52,871)	(26,930)	(104,505)
Cash received from share issue	-	-	-
Purchase of treasury shares	-	-	2,425
Net cash used in financing activities	(123,081)	(91,739)	(1,224,010)
Effects of exchange rate changes on cash and cash equivalents	4,707	(17,589)	(21,222)
<b>Net increase/(decrease) in cash</b>	(1,535,896)	(2,574,095)	(7,327,038)
Cash at beginning of period	4,512,720	11,839,758	11,839,758
Cash at the end of the period	2,976,824	9,265,663	4,512,720

# Condensed Consolidated Statement of Changes in Equity

Unaudited interim results to 30th June 2023

	Share capital	Share premium	Capital redemption reserve	Cumulative translation reserve	Profit and loss account	Total Equity
	£	£	£	£	£	£
<b>Balance at 1 January 2022</b>	739,000	3,699,105	256,976	(97,399)	18,082,077	22,679,759
Profit for the period	-	-	-	-	551,303	551,303
Exchange differences on translating foreign operations	-	-	-	100,789	-	100,789
Total recognised comprehensive income for the period	-	-	-	100,789	551,303	652,092
Share-based payment	-	-	-	-	48,785	48,785
Deferred tax on share based payment	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-
Issue of Ordinary shares	-	-	-	-	-	-
<b>Balance at 30 June 2022</b>	739,000	3,699,105	256,976	3,390	18,682,165	23,380,636
Total recognised comprehensive income for the period	-	-	-	-	435,722	435,722
Exchange differences on translating foreign operations	-	-	-	(31,326)	-	(31,326)
Total recognised comprehensive income for the period	-	-	-	(31,326)	435,722	404,396
Share-based payment	-	-	-	-	170,578	170,578
Deferred tax on share based payment	-	-	-	-	245,555	245,555
Dividends paid	-	-	-	-	(1,027,088)	(1,027,088)
Sale of treasury shares	-	-	-	-	2,425	2,425
<b>Balance at 31 December 2022</b>	739,000	3,699,105	256,976	(27,936)	18,509,357	23,176,502
Total recognised comprehensive income for the period	-	-	-	-	1,127,937	1,127,937
Exchange differences on translating foreign operations	-	-	-	(41,338)	-	(41,338)
Total recognised comprehensive income for the period	-	-	-	(41,338)	1,127,937	1,086,599
Share-based payment	-	-	-	-	155,603	155,603
Deferred tax on share based payment	-	-	-	-	(212,379)	(212,379)
Dividends paid	-	-	-	-	-	-
Issue of ordinary shares	-	-	-	-	-	-
Sale of treasury shares	-	-	-	-	-	-



<b>Balance at 30 June 2023</b>	739,000	3,699,105	256,976	(69,274)	19,580,518	24,206,325
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## NOTES TO THE INTERIM REPORT

### 1. General information

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

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

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

These condensed consolidated interim financial statements, which are unaudited, have been approved for issue by the Board of Directors on 18 September 2023.

The information relating to the six months ended 30 June 2023 is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2022, prepared in accordance with IFRSs (International Financial Reporting Standards) as adopted by the European Union, have been reported on by the Group’s auditors and delivered to the Registrar of Companies. The auditor’s report was qualified, and this qualification will be addressed in the statutory accounts for 31 December 2023.

### 2. Summary of significant accounting policies

#### 2.1 Basis of preparation

These condensed consolidated interim financial statements are for the six months period ended 30 June 2023. They have been prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2022, which have been prepared in accordance with adopted IFRSs.

The accounting policies applied, and methods of computation are consistent with those of the annual financial statements for the year end 31 December 2022, as described in those financial statements. The accounting policies have been consistently applied to all the periods presented.

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial period beginning on or after 1 January 2023 that would be expected to have a material impact on the results or financial position of the Group.

## 2.2 Going Concern

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

## 2.3 Taxation

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

## 3. Segmental reporting

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

## 4. Earnings per share

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

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

The inputs to earnings per share calculation are shown below:

The inputs to the earnings per share calculation are shown below:

	<b>Six months ended 30/06/23 £</b>	<b>Six months ended 30/06/22 £</b>	<b>Year ended 31/12/22 £</b>
Profit attributable to ordinary equity holders	<u>1,127,937</u>	<u>551,303</u>	<u>987,025</u>
	<b>Six months ended 30/06/23 N°</b>	<b>Six months ended 30/06/22 N°</b>	<b>Year ended 31/12/22 N°</b>
Weighted average number of ordinary shares for basic earnings per share	73,363,490	73,673,490	73,363,490
Adjustment for share options	-	-	-
Weighted average number of ordinary shares for diluted earnings per share	<u>73,363,490</u>	<u>73,673,490</u>	<u>73,363,490</u>

## 5. Shareholder Communication

A copy of these condensed interim financial statements is available from the Company's

Registered office at:

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They are also available from the Company's website at [www.gocct.com](http://www.gocct.com).