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Press release

28 May 2024

Cel AI PLC

("Cel AI " or "the Company")

Interim results

Cel AI (LSE: CLAI), a UK-based company that uses artificial intelligence (**AI**) to deliver the future of personalised beauty, with tailored beauty advice and product recommendations in addition to its breakthrough skincare formulations powered by CBG, announces its unaudited half-year results to 29 February 2024.

Highlights

- Net cash as at 29 February 2024 amounted to £1m (H1 2023: £2.93m);
- Operating Loss Reduction: Reduced operating loss by 66% (equivalent to £1.2m), showcasing effective cost management strategies;
- New Leadership: Appointed Mike Edwards as new CEO and chairman to spearhead breakthroughs in AI technology, leading the Company's ownership of Cel AI, artificial intelligence platform and driving innovation forward;
- Rebranding for Competitiveness: Rebranded the Company from Cellular Goods to Cel AI to enhance competitiveness, signalling a commitment to innovation and market leadership.

Post-period highlights

- Customer Engagement Campaign: Started the campaign "Meet Cel", engaging with customers to take them through the journey of education and awareness on choosing the skincare products suitable for their individual needs;

Outlook

- Successfully completed the rightsizing of the business, significantly reducing costs and extending the Company's financial runway;
- While the development of AI holds significant promise for the Company's future, it's important to note that tangible results may require additional time to materialize.

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About Cel AI PLC:

Cel AI offers an AI-driven skincare analysis tool that provides customers with personalised skincare recommendations based on their individual skin type and concerns. The tool utilises AI algorithms to analyse customer-provided information and offer tailored product recommendations from a range of skincare brands. Additionally, it develops and markets premium quality skincare and wellness products based on proprietary formulations incorporating lab-made cannabinoids. The Company is incorporated in the UK and listed on the Main Market of the London Stock Exchange. For more information, visit www.getcel.ai.

Forward-looking statements:

This document contains forward-looking statements which are subject to known and unknown risks and uncertainties because they relate to future events, many of which are beyond the Company's control. These forward-looking statements include, without limitation, statements in relation to the Company's financial outlook and future performance. No assurance can be given that future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Company.

You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this announcement. The Company undertakes no obligation to update or revise any forward-looking statement to reflect any change in its expectations or any change in events, conditions or circumstances. Nothing in this document is or should be relied upon as a warranty, promise or representation, express or implied, as to the future performance of the Company or the Group or their businesses.

INTERIM MANAGEMENT REPORT

Despite our strategic investments in initiatives such as SheerLux activities, international expansion, and collaboration with Chill PLC, Teyllo and Sephora, Cel AI PLC faced challenges in achieving growth due to the complex development of the cannabinoid industry.

These efforts did not yield the anticipated increase in customer acquisition and revenue generation. As a result, half-year sales for FY24 declined by 42%, amounting to £17.9k up to February 2024, compared to £31k for the same period in 2023.

In response to these performance challenges and to preserve cash, the Company implemented cost reduction measures, reducing costs by 66% from £1.82m up to February 2023 to £627.07k up to February 2024. Going forward, we have successfully reduced our cash burn rate by a third, from £150k per month to average £50k per month.

Our net cash position stood at £1m as of February 2024 (£1.77m as of August 2023).

Marketing and product strategy

Cel AI has expanded its market reach by opening international shipments to Europe, unlocking broader international exposure. This strategic move aims to capitalise on the demand for our products beyond domestic borders.

In addition to this expansion, two significant recognitions underscore the quality and efficacy of our skincare offerings. Our products were recognised as finalists in the Pure Beauty Awards, reflecting our commitment to excellence. Furthermore, our Rejuvenating Face Serum received the Bronze Award in the “Get The Gloss” Beauty Awards, affirming its effectiveness and potential in the skincare industry.

A major development for Cel AI is the refocusing of our investment on our AI tool development that will assist our customers in making the best skincare decisions. We see this as a great opportunity for growth, allowing us to leverage our expertise in the wellness industry more effectively and lucratively.

To further engage and expand our customer base, we have initiated a social media campaign. This campaign aims to raise brand awareness, showcase our products' benefits, and foster community engagement. We are now working to upgrade and optimise our campaign in this space to enhance its reach and impact.

Additionally, our wholly owned subsidiary, King Tide Carbon (**King Tide**), achieved a major milestone in November 2023 with the production of kelp-derived biochar. This accomplishment paves the way for carbon dioxide removal (**CDR**) credit production and a range of applications in agriculture, environmental restoration, and industry. King Tide is also applying for entry into several government grant schemes to unlock funds for future development in the CDR space.

Product pipeline

Cel AI has made the strategic decision to redirect our focus this year towards building Cel, an innovative tool aimed at enhancing customer engagement in a more sophisticated manner.

The development of Cel is not only geared towards benefiting Cel AI but also presents an opportunity to assist other companies with their customer base and is expected to unlock new revenue streams. While we are currently in the development phase, we remain optimistic about the future growth potential of Cel AI.

Management structure

For the current scale of operations, the Board believes that Cel AI has the right size of management team, with the right technical expertise to evolve the business.

Current trading and outlook

The Company has made a solid start to the second half by advancing its AI-driven tool, Cel, and engaging customers through social media campaigns and iterative product generation via user feedback.

In addition to these advancements, the Company has taken significant steps to reduce costs drastically. This cost-cutting measure aims to preserve existing capital.

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

		Six months to 29 February 2024	Six months to 28 February 2023	Year ended 31 August 2023
	Notes	£	£	£
Revenue	4	17,941	31,022	67,236
Cost of sales		(7,682)	(13,332)	(25,796)
Gross profit		10,259	17,890	41,440
Administrative expenses		(627,078)	(1,827,329)	(3,375,179)
Operating loss	5	(626,819)	(1,809,439)	(3,333,739)
Finance income		13,200	3,983	24,113
Loss before taxation		(603,619)	(1,805,456)	(3,309,626)
Taxation		-	-	(95)
Loss after taxation		(603,619)	(1,805,456)	(3,309,721)
Other comprehensive loss Translation of foreign operations		(580)	(25)	(24)
Total comprehensive loss for the period		(604,199)	(1,805,481)	(3,309,745)
Basic and diluted loss per share – pence	6	0.11	0.36	0.62

All transactions arise from continuing operations.

The accompanying accounting policies and notes form an integral part of these unaudited interim financial statements.

CONDENSED STATEMENT OF FINANCIAL POSITION

		As at 29 February 2024	As at 28 February 2023	As at 31 August 2023
	Notes	£	£	£
ASSETS				
Current assets				
Trade and other receivables	7	146,426	139,847	92,835
Cash and cash equivalents		1,000,992	2,930,032	1,772,892
Inventory		583,625	525,533	582,883
TOTAL ASSETS		1,731,043	3,595,412	2,448,610
EQUITY AND LIABILITIES				
Current liabilities				
Trade and other payables	8	(65,223)	(392,889)	(185,802)
TOTAL LIABILITIES		(65,223)	(392,889)	(185,802)
NET ASSETS		1,665,820	3,202,523	2,262,808
EQUITY ATTRIBUTABLE TO SHAREHOLDERS				
Share capital	9	602,250	507,250	602,250
Share premium		12,988,101	12,513,101	12,988,101
Accumulated losses		(13,644,230)	(11,536,345)	(13,040,611)
Share-based payment reserve		1,721,603	1,719,842	1,714,392
Foreign translation reserve		(1,904)	(1,325)	(1,324)
TOTAL EQUITY		1,665,820	3,202,523	2,262,808

The accompanying accounting policies and notes form an integral part of these unaudited interim financial statements.

CONDENSED STATEMENT OF CHANGES IN EQUITY

	Ordinary share capital £	Share premium £	Foreign currency translation £	Share- based payment reserve £	Retained earnings £	Total £
Balance at 1 September 2022	507,250	12,513,101	(1,300)	1,564,070	(9,730,889)	(4,852,232)
Loss for the period	-	-	-	-	(1,805,456)	(1,805,456)
Other comprehensive income	-	-	(25)	-	-	(25)
Total comprehensive income for the period	-	-	(25)	-	(1,805,456)	(1,805,481)
Share-based payments	-	-	-	155,772	-	155,772
Total contributions by owners	-	-	-	155,772	-	155,772
Balance at 29 February 2023	507,250	12,513,101	(1,325)	1,719,842	(11,536,345)	3,202,523
Balance at 1 March 2023	507,250	12,513,101	(1,325)	1,719,842	(11,536,345)	3,202,523
Loss for the period	-	-	-	-	(1,504,266)	(1,504,266)
Other comprehensive income	-	-	1	-	-	1
Total comprehensive income for the period	-	-	1	-	(1,504,266)	(1,504,265)
Shares issued	95,000	475,000				570,000
Share-based payments	-	-	-	(5,450)	-	(5,450)
Total contributions by owners	95,000	475,000	-	(5,450)	-	564,550
Balance at 31 August 2023	602,250	12,988,101	(1,324)	1,714,392	(13,040,611)	2,262,808
Balance at 1 September 2023	602,250	12,988,101	(1,324)	1,714,392	(13,040,611)	2,262,808
Loss for the period	-	-	-	-	(603,619)	(603,619)
Other comprehensive income	-	-	(580)	-	-	(580)
Total comprehensive income for the period	-	-	(580)	-	(603,619)	(604,199)
Share-based payments	-	-	-	7,211	-	7,211
Total contribution by owners	-	-	-	7,211	-	7,211
Balance at 29 February 2024	602,250	12,988,101	(1,904)	1,721,603	13,644,230	1,665,820

The accompanying accounting policies and notes form an integral part of these unaudited interim financial statements.

CONDENSED STATEMENT OF CASH FLOWS

	Six months to 29 February 2024	Six months to 28 February 2023	Year ended 31 August 2023
	£	£	£
Cashflow from operating activities			
Loss before income tax	(603,619)	(1,805,456)	(3,309,721)
Share-based payment charge	7,211	155,772	150,322
Increase in inventory	(742)	(21,406)	(78,757)
Increase in trade and other receivables	(53,591)	111,257	158,269
Increase in trade and other payables	(120,579)	113,756	(93,331)
Research and development non cash	-	-	570,000
Foreign exchange differences	(580)	(25)	(24)
Finance income	10,913	(2,682)	(22,812)
Net cash flows used in operating activities	(760,987)	(1,448,784)	(2,626,054)
Cash flows from investing activities			
Finance income	(10,913)	2,682	22,812
Net cash flow from investing activity	(10,913)	2,682	22,812
Cash flows from financing activities			
Proceeds from issue of shares, net of issue costs	-	-	-
Net cash inflow from financing activities	-	-	-
Net movement in cash and cash equivalents	(771,900)	(1,446,102)	(2,603,242)
Opening cash and cash equivalents	1,772,892	4,376,134	4,376,134
Closing cash and cash equivalents	1,000,992	2,930,032	1,772,892

The accompanying accounting policies and notes form an integral part of these unaudited interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Information on the Company

The Company is incorporated in England and Wales (registration number 11537452) and has a Standard Listing under Chapter 14 of the Listings Rules, trading on the London Stock Exchange with ticker CLAI.

Cel AI uses advanced cutting-edge artificial intelligence (**AI**) to deliver the future of personalised beauty, with tailored beauty advice and product recommendations in addition to its breakthrough skincare formulations powered by CBG.

2. Basis of preparation and principal accounting policies

This condensed consolidated interim financial information was approved for issue by the Board on Saturday the 25th of May 2024.

The Company's directors are responsible for the preparation of the unaudited interim financial statements.

The preparation of unaudited interim financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited interim financial statements and the reported amounts of expenses during the period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The Directors consider that in the proper preparation of the unaudited interim financial statements there were no critical or significant areas which required the use of accounting estimates and exercise of judgement by management while applying the Company's accounting policies.

This condensed consolidated interim financial information has not been audited and does not include all of the information required for full annual financial statements. The financial figures included within this interim report have been computed in accordance with IFRS applicable to interim periods, and this report constitutes an interim financial report as set out in International Accounting Standard 34: Interim Financial Reporting.

There is no material difference between the fair value of financial assets and liabilities and their carrying amount.

The functional and presentational currency is UK Sterling.

3. Going concern

The Directors have assessed the current financial position of the Company, along with future cash flow requirements, to determine if the Company has the financial resources to continue as a going concern for the foreseeable future.

The conclusion of this assessment is that it is appropriate that the Company be considered a going concern. For this reason, the Directors continue to adopt the going concern basis in preparing the unaudited interim financial statements.

4. Revenue

The Company generated revenue from the sales of its products during the period of £17,941 (28 February 2023: £31,022 and 31 August 2023: £67,236).

5. Operating loss

Total administrative expenses include share-based payments of £7,211 (28 February 2023: £155,772). The related credit to equity is taken to retained earnings.

6. Earnings per share

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of Ordinary Shares in issue during the period.

	29 February 2024	28 February 2023	31 August 2023
	£	£	£
Loss used to calculate basic and diluted earnings per share	(603,619)	(1,805,456)	(3,309,721)
Weighted average number of shares used in calculating basic earnings per share	537,962,329	507,250,000	537,962,329
Weighted average number of shares used in calculating diluted earnings per share	537,962,329	507,250,000	537,962,329
Basic loss per share (pence)	(0.11)	(0.36)	(0.615)
Diluted loss per share (pence)	(0.11)	(0.36)	(0.615)

7. Trade and other receivables

	29 February 2024	28 February 2023	31 August 2023
	£	£	£
Trade receivables	790	683	-
VAT debtor	16,115	38,654	31,491
Prepayments	28,437	99,376	59,100
Other debtors	101,084	1,134	2,244
	146,426	139,847	92,835

There were no receivables that were past due or considered to be impaired. There is no significant difference between the fair value of the other receivables and the values stated above.

8. Trade and other payables

	29 February 2024	28 February 2023	31 August 2023
	£	£	£
Trade creditors	37,107	259,392	104,892
Accruals	23,491	36,891	56,926
Other creditors	4,625	96,606	23,984
	65,223	392,889	185,802

All liabilities are payable on demand or have payment terms of less than 90 days.

9. Share capital

	29 February 2024 £	28 February 2023 £	31 August 2023 £
Ordinary shares of £0.001 each	602,250	507,250	602,250

The Ordinary Shares have been classified as Equity. The Ordinary Shares have attached to them full voting and capital distribution rights.

On 5 May 2023, 95,000,000 Ordinary Shares of £0.001 each were issued, on conversion of warrants over 95,000,000 shares at 1p each, increasing the number of Ordinary Shares to 602,250,000.

10. Capital and reserves

Share capital represents issued Ordinary Shares of £0.001 each, all of which are fully paid.

Share premium is the amount subscribed for share capital in excess of nominal value less attributable share issue expenses.

Retained earnings is the cumulative loss of the Company attributable to equity shareholders.

11. Share-based payments

The Company has a total of 12,500,000 warrants to subscribe for additional share capital of the Company. Each warrant entitles the holder to subscribe for one Ordinary Share in the Company. Once vested, the right to convert each warrant is unconditional.

The right to subscribe for Ordinary Shares in the Company is subject to minimum vesting periods of up to three years.

No new warrants were issued in the period.

Warrants issued	Weighted average exercise price (pence)	29 February 2024 Number	28 February 2023 Number	31 August 2023 Number
At the beginning of the period	3.62	41,460,000	50,460,000	50,460,000
Issued in the period	-	-	-	12,000,000
Exercised in the year	-	-	-	(21,000,000)
Lapsed in the year	4.45	(28,960,000)		
At the end of the period	1.37	12,500,000	50,460,000	41,460,000

In the period, the Company issued share options to employees as follows:

Share options issued	Weighted average exercise price (pence)	29 February 2024	28 February 2023	31 August 2023
		Number	Number	Number
At the beginning of the period	5.74p	24,331,594	22,550,000	22,550,000
Issued in year	-	-	-	7,000,000
Lapsed in the period	-	-	(5,218,406)	(5,218,406)
At the end of period	5.74p	24,331,594	17,331,594	24,331,594

Equity-settled share-based payments are measured at fair-value (excluding the effect of non-market-based vesting conditions) as determined through use of the Black-Scholes technique, at the date of issue.

Volatility for the calculation of the share-based payment charge in respect of the options issued was determined by reference to movements in the relative share prices of a selected peer-group of companies listed on the London Stock Exchange up to the date of admission and also proportionately on post admission share-price movements of the Company where relevant.

The total share-based payment charge in the period was £7,211, which has been charged to administrative expenses (six months to 28 February 2023: £155,772, all of which was charged to administrative expenses; year to 31 August 2023: £150,322, all of which was charged to administrative expenses). All warrants and options have an exercise period between one and three years from the date of issue.

The total of the share-based payment charge has been simultaneously credited to retained earnings.

The total number of warrants issued to directors (including former directors) is 9,000,000 and the total number of share options issued to directors is Nil.

Share-based payment charge for the period	29 February 2024	28 February 2023	31 August 2023
	£	£	£
Administrative expenses	7,211	155,772	150,322