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Concurrent Technologies PLC
12 May 2022

This announcement contains inside information

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."

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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.

Dividend

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).

Operational Highlights

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's policy to maintain a flat dividend to ensure the highest level of insight and development opportunity to the Group. During 2021, the Group introduced several new high performance embedded computer boards and accessories 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 Titanium 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 31 December 2021	Year to 31 December 2020
	£	£
CONTINUING OPERATIONS		
Revenue	20,450,453	21,141,294
Cost of sales	9,016,878	9,780,750
Gross profit	11,433,575	11,360,544
Operating expenses	7,889,921	8,444,962
Group operating profit	3,543,654	2,915,582
Finance costs	61,679	83,985
Finance income	1,880	16,480
Profit before tax	3,483,855	2,848,077
Tax	638,421	98,167
Profit for the year	2,845,434	2,749,910
Other Comprehensive Income		
Items that will be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	23,894	(283,681)
Other Comprehensive Income for the year, net of tax	23,894	(283,681)
Total Comprehensive Income for the year	2,869,328	2,466,229
Earnings per share		
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 31 December 2021	As at 31 December 2020 Restated	As at 31 December 2019 Restated
	£	£	£
ASSETS			
Non-current assets			
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
Current assets			
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
Total assets	30,744,154	29,036,139	28,336,432
LIABILITIES			
Non-current liabilities			
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
Current liabilities			
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
Total liabilities	7,003,555	6,190,532	6,163,078
Net assets	23,740,599	22,845,607	22,173,354
EQUITY			
Capital and reserves			
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
Equity attributable to equity holders of the parent	23,740,599	22,845,607	22,173,354
Total equity	23,740,599	22,845,607	22,173,354

Consolidated Cash Flow Statement

	<i>Note</i>	Year to 31 December 2021 £	Year to 31 December 2020 £
Cash flows from operating activities			
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
Cash flows from investing activities			
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)
Cash flows from financing activities			
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
Net increase/(decrease) in cash		73,784	1,278,072
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 capital £	Share premium £	Capital redemption reserve £	Cumulative translation reserve £	Profit and loss account £	Total Equity £
As at 31 December 2019 (reported)	739,000	3,699,105	256,976	162,388	17,027,245	21,884,714
Prior Year adjustment (note 2)					288,640	288,640
Balance at 1 January 2020 (restated)	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 translating foreign operations	-	-	-	(283,681)	-	(283,681)
Total comprehensive income for the period	-	-	-	(283,681)	2,749,910	2,466,229
Transactions with owners:						
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)
Transfer of treasury shares	-	-	-	-	47,529	47,529
Balance at 31 December 2020 (restated)	739,000	3,699,105	256,976	(121,293)	18,271,819	22,845,607
As at 31 December 2020 (reported)	739,000	3,699,105	256,976	(121,293)	17,983,179	22,556,967
Prior Year adjustment (note 2)	-	-	-	-	288,640	288,640
Balance at 1 January 2021 (restated)	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 translating foreign operations	-	-	-	23,894	-	23,894
Total comprehensive income for the period	-	-	-	23,894	2,845,434	2,869,328
Transactions with owners:						
Share-based payment	-	-	-	-	12,963	12,963
Deferred tax on share-based payment	-	-	-	-	(79,852)	(79,852)
Dividends paid	-	-	-	-	(1,907,447)	(1,907,447)
Sale of treasury shares	-	-	-	-	-	-
Balance at 31 December 2021	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 29th 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.

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32670581 A Thu, 05/12/2022 - 07:00 LSE RNS Results and Trading Reports CNC