**Crimson Tide plc**

**Preliminary Announcement of Results to 31 December 2019**

Crimson Tide plc ("Crimson Tide" or "the Company"), the provider of the mpro5 solution, is pleased to announce its unaudited preliminary results for the year ended 31 December 2019.

**Financial Highlights**

- Revenue increased by 22% to £2,921k (2018: £2,398k)
- EBITDA increased by 57% to £775k (2018: £492k)
- Profit before tax increased to £352k (2018: £69k)

**Operational Highlights**

- Full introduction of the rail vertical market
- Significant contract renewals and development with leading supermarkets
- Introduction of a fully featured API across the mpro5 platform
- Expansion of future contracted revenue book
- Increased pipeline

**Barrie Whipp, Executive Chairman of Crimson Tide, commented:**

"Our long term contracted revenues continue to underpin our growth. Our sales team is delivering and increasing pipeline whilst our technical team continues to enhance our mpro5 platform. We are primed to deliver and are now focused on marketing, client attraction and retention."

**About the Company**

Crimson Tide plc is the provider of the full service mobility platform mpro5 – #notjustanapp. mpro5 is delivered on smartphones, tablets and PDAs, and enables organisations to transform their business and strengthen their workforce by smart mobile working. mpro5 is hosted in the cloud on Microsoft Azure. The Company's contracts are provided on a long term, contracted subscription basis and clients immediately experience a return on their investment.

mpro5 is used in over 260,000 sites in logistics, transportation, healthcare & retail.

Enquiries:


| | |
|---|---|
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## **Chairman's Statement**

2019 was the first year where we saw the results of our more expansive strategy implemented at the end of the previous year whereby we enhanced our sales team with proven professionals. We also took the decision to ensure that we had sufficient development, support and implementation resource to support our growth. I am pleased to report that we saw improvements in our key metrics and, with our long-term subscription strategy, this bodes well for the future.

Our key vertical markets continued to evolve and we have now added transportation organisations to our growing base of mpro5 clients. Our expansion into the rail industry now includes train operating companies, engineering firms and Network Rail. These early forays have seen us become recognised by not only industry organisations but by original equipment manufacturers and network operators.

The core of mpro5 has continued to grow, fuelled by demand from our clients. Our platform now handles secure single sign on in the same way as the large global IT suppliers and, as an early pioneer in Cloud technology, we have been able to scale to our clients' requirements. mpro5 users can now be measured in the hundreds of thousands. We embed IoT (Internet of Things) into many of our sales proposals and these are being well received in a market only used to the supply of equipment, not a full-service process solution. IoT is a differentiator for us and we are optimistic in its value to future business.

Crimson Tide is often underestimated in terms of the longevity of its client contracts. Customer demand leads us to extend and add to contracts and this can be demonstrated by the fact that this year, our earliest mobility client extended their contract for a further three years. At the end of this period, the client will have been with us for twenty years. Many of our new clients are asking for longer terms than our usual thirty-six months as mpro5 is being seen as key to their mobility strategy.

Financially, I believe that our results have been strong across our key performance indicators. Turnover for Crimson Tide never tells the full story and doesn't reflect the longevity of our client contracts. Many of our larger clients have been with us for many years reflecting the enduring value mpro5 has for them, whilst new medium size transactions do still add meaningfully to our revenue base. At the same time we experience minimal churn, occurring typically among our smaller contracts, which also tend to be less economic for us. Our strategy has been to grow, but not at the expense of leveraged, highly optimistic investment. Our core, long term contracted revenues underpin our business and we are well placed for future growth.

mpro5's platform is capable of being leveraged into more verticals and to expand further into its existing ones. Crimson Tide continues to have a small capital base and there are opportunities to invest in tailoring the platform to cater for more industries and processes that we have not had sufficient resource to develop. We have a belief that our small ventures into the healthcare field will become increasingly relevant, especially after the effects of COVID-19 are fully digested. Our ability to work remotely had already been established and our cloud infrastructure meant that our clients experienced no change in the way that their systems operated. Our long term contracted revenues have meant that our cash collection profile has seen very limited change. Our largest clients are supermarkets and organisations involved in the national infrastructure and the flexibility of mpro5 to these organisations is more important now than ever before.

I do perceive significant opportunities for the company, both in terms of our existing vertical markets and new ones. Our business in healthcare is still at an early stage but we have exposure to the NHS and large global pharma companies. I also believe that there are large opportunities in Financial Services and the construction, health and safety sectors. We are only limited by our ability to market to these sectors as our infrastructure and delivery process is highly scalable.

2020 will see us continue to pursue the many opportunities in our pipeline, as well as to round out our marketing function and project our offering to a wider potential client base. This process is now underway with a greater degree of clarity and purpose than has been the case historically. The team in place is more professional than ever and we are already seeing positive results.

As the executive team has now had a solid period of working together and are delivering the results that we hoped, I shall focus on the development of new areas of the business, both in terms of new technologies, international and market verticals. We continue to enhance the remuneration and benefits of our team, many of whom are long term employees. I am extremely confident in the team's ability to drive the business forward and look forward to the next stage in our evolution.

**Barrie R. J. Whipp**
**Founder & Chairman**
**7 May 2020**

## Chief Executive Officer's Statement

**Performance Overview**
2019 has seen a significant increase in the size of the organisations that are becoming mpro5 subscribers. We are benefitting from greater exposure to large enterprises thanks to our investment in Sales & Marketing, and our dedicated partner channel created in late-2018.

The Company's forays into new verticals have led to us already becoming a disruptor within the transportation sector, most notably within the rail industry. We have also learned a lot from our international expansions, and the transition to a partner model in Dubai has been transformational for our presence there. Underpinned by subscriber growth and related consultancy, I am confident this place us on solid footing for future growth.

**Solutions on Subscription**
I am also pleased to report that the introduction of our solutions services has augmented the mpro5 offering and the Company has welcomed new revenue streams across mobile sims, IoT hardware, and Mobile Device Management (MDM) accordingly. Although revenue generation within this new stream is in its early stages, we have created a strong foundation of partners and knowledge upon which we can build.

Our subscriber churn remains low, testament to the strength of our platform in terms of its flexibility and its robustness, and a sign that we work in true partnership with our customer. To complement this, we have invested recently in the technical pre-sales areas of the business based on customer demand for integrated reporting and dashboard requirements. These are complimentary offerings that position mpro5 as a long-term investment and partnership for our subscribers which offers immediate new insights and cost savings.

Our partner channel is maturing and I am encouraged to see the mpro5 partner network delivering great opportunities and revenue potential.

**Our Unique mpro5 Platform**
The mpro5 platform is uniquely positioned by its blend of service, cloud infrastructure, flexibility and capability. We frequently replace multiple disparate solutions by using the single mpro5 integrated platform. To that end, 2019 has seen the inclusion of some key features that have made the barrier of entry for enterprise customers significantly lower. For example, Single Sign On (SSO) now enables customers to use their own security infrastructure to authenticate with mpro5.

The introduction of a fully featured API across the mpro5 platform now means that companies can adopt the elements of mpro5 that they need quickly and integrate into wider enterprise products. We have seen with larger customers, that this more gradual transition is much more palatable.

**Summary**
2019 has been the first year of prosecution of our 2018 investments in sales and marketing. I remain confident in our ability to deliver future growth for our shareholders, as ever, built on long-term subscription revenues. I believe there are exciting times ahead.

**Luke Jeffrey**
**CEO**
**7 May 2020**

**Financial Review**

The financial results for 2019 reflect a year of strong growth for Crimson Tide. Revenue increased by 22% to £2,921k (2018: £2,398) of which 81% represents recurring revenues. The composition of these recurring revenues continues to move towards software-only contracts. This shift, as well as increased consultancy fees, where we adapt mpro5 specifically for client requirements, has increased gross margin to 87.2% (2018: 86.5%). International recurring revenue increased by 5% and comprises approximately 11% of total recurring revenue.

Despite a strategy of significant increase in sales and marketing expenditure, announced in 2018, the Group's profit before tax increased to £352k (2018: £69k).

EBITDA increased to £775k (2018: £492k). Under the new IFRS 16 accounting rules (see below), lease expenses (previously reported within operating costs) have been replaced by depreciation and interest expense. Under the new rules, EBITDA for 2019 is £65k higher than the comparative figure under the previous rules.

**Changes in accounting rules**

The Group has applied IFRS 16: Leases, effective for accounting periods that begin on or after 1 January 2019, using the modified retrospective approach without restatement of the comparative information.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. At year-end the Group had a right-of-use asset of £149k with a matching lease liability of £152k. Comparative figures are not required under the modified retrospective transition approach.

**Capitalisation of intangible asset**

Development costs of the mpro5 platform of £380k (2018: £347k) were capitalised during the year. The Board continually monitors the carrying value of the intangible asset on the balance sheet and is satisfied with the current valuation of £1,318k (2018: £1,105k). Amortisation of this intangible asset during 2019 amounted to £171k (2018: £141k).

**Trade receivables**

Trade receivables at year end amounted to £649k (2018: £373k). Although this is substantially higher than the prior year, it is mostly a timing issue and a function of a large number of pilot agreements and new contracts entered into during the last quarter of the financial year.

**Debt and finance costs**

Included in the debt position, is the recognition of a capitalised lease liability of £152k relating to IFRS 16 (see above).

Borrowings excluding this capitalised lease liability, decreased by £95k to £281k (2018: £376k). These borrowings consist of loans and leases used to finance devices supplied with software contracts as well as those sold with our solutions sales.

Finance costs of £44k (2018: £40k) includes an amount of £10k that is an effect of IFRS 16.

**Cashflow and liquidity**

During 2019, the Group incurred £279k (2018: £33k) of capital expenditure other than intangibles. With the adoption of IFRS 16, £207k of these additions are associated with a "right-of-use" asset.

The Group has an undrawn overdraft facility of £250k. At year-end, cash balances (excluding the overdraft facility) amounted to £320k (2018: £613k). This decrease is mostly due to the strategy of increased investment in sales and marketing, and increased investment in development resources to support the Group's growth. Operating activities generated cash of £358k (2018: £541k).

**Peter Hurter**
**Finance Director**
**7 May 2020**

**Crimson Tide plc**

**Unaudited Consolidated Income Statement**

| | **Year ended December 2019 £000** | **Year ended December 2018 £000** |
|---|---|---|
| Revenue | 2,921 | 2,398 |
| Cost of Sales | (375) | (324) |
| Gross Profit | 2,546 | 2,074 |
| Administrative expenses | (2,285) | (1,965) |
| **Profit from operations** | 261 | 109 |
| Other income | 135 | - |
| Finance costs | (44) | (40) |
| **Profit before taxation** | **352** | **69** |
| Tax (note 2) | - | - |
| **Profit for the year** | 352 | 69 |
| | | |
| **Earnings per share** (note 3) | | |
| Basic earnings per Ordinary share (pence) | 0.08 | 0.02 |
| Diluted earnings per Ordinary share (pence) | 0.08 | 0.01 |

**Unaudited Consolidated Statement of Comprehensive Income**

| | **Year ended December 2019 £000** | **Year ended December 2018 £000** |
|---|---|---|
| Profit for the year | 352 | 69 |
| Other comprehensive income/(loss) for the year: | | |
| Exchange differences on translating foreign operations | (3) | - |
| Total comprehensive profit for the year | 349 | 69 |

**Unaudited Statement of Financial Position**

| | As at 31 December 2019 £000 | As at 31 December 2018 £000 |
|---|---|---|
| **Non-current assets** | | |
| Intangible assets | 2,118 | 1,904 |
| Equipment, fixtures & fittings | 325 | 401 |
| Right-of-use asset | 149 | - |
| Deferred tax asset | 32 | 32 |
| | 2,624 | 2,337 |
| **Current assets** | | |
| Inventories | 12 | 15 |
| Trade and other receivables | 1,220 | 903 |
| Cash and cash equivalents | 320 | 613 |
| | 1,552 | 1,531 |
| **Total assets** | 4,176 | 3,868 |
| **Current liabilities** | | |
| Trade and other payables | 474 | 572 |
| Borrowings | 31 | 45 |
| Lease liabilities | 228 | 106 |
| | 733 | 723 |
| **Non-current liabilities** | | |
| Borrowings | 9 | 29 |
| Lease liabilities | 165 | 196 |
| | 174 | 225 |
| **Total liabilities** | 907 | 948 |
| **Net assets** | 3,269 | 2,920 |
| **Equity** | | |
| Share capital | 457 | 457 |
| Share premium | 148 | 148 |
| Other reserves | 475 | 478 |
| Reverse acquisition reserve | (5,244) | (5,244) |
| Retained earnings | 7,433 | 7,081 |
| **Total equity** | 3,269 | 2,920 |

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**Unaudited Statement Of Changes In Equity**

| **Group** | **Share capital** | **Share premium** | **Other reserves** | **Reverse acquisition reserve** | **Retained earnings** | **Total** |
|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| Balance as at 1 January 2018 | 454 | 121 | 478 | (5,244) | 7,012 | 2,821 |
| Retained profit for the | | | | | 69 | 69 |
| Share options exercised | 3 | 27 | | | | 30 |
| Balance as at 31 December 2018 | 457 | 148 | 478 | (5,244) | 7,081 | 2,920 |
| Retained profit for the | | | | | 352 | 352 |
| Translation movement | | | (3) | | | (3) |
| Balance as at 31 December 2019 | 457 | 148 | 475 | (5,244) | 7,433 | 3,269 |

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**Unaudited Consolidated Cash Flow Statement**

| | Group | |
|---|---|---|
| | **Year ended 31 December 2019** | **Year ended 31 December 2018** |
| | **£000** | **£000** |
| **Cash flows from operating activities** | | |
| Profit before taxation | 352 | 69 |
| Add back: | | |
| Amortisation of intangible assets | 171 | 141 |
| Depreciation of equipment, fixtures and fittings | 148 | 243 |
| Depreciation of right-of-use assets | 58 | - |
| Unrealised currency translation gains | (3) | - |
| Interest expense | 44 | 40 |
| Operating cash flows before movements in working capital | 770 | 493 |
| Decrease/(increase) in inventories | 3 | (7) |
| (Increase)/decrease in trade and other receivables | (317) | 70 |
| Decrease in trade and other payables | (98) | (15) |
| Cash generated from operating activities | 358 | 541 |
| Taxes paid | - | (32) |
| **Net cash generated from operating activities** | **358** | **509** |
| **Cash flows used in investing activities** | | |
| Purchases of fixed assets | (279) | (33) |
| Development expenditure capitalised | (385) | (347) |
| **Net cash used in investing activities** | **(664)** | **(380)** |
| **Cash flows from financing activities** | | |
| Net proceeds from share issues | - | 30 |
| Interest paid | (44) | (40) |
| Net increase/(decrease) in borrowings | 57 | (263) |
| **Net cash from financing activities** | **13** | **(273)** |
| **Net (decrease)/increase in cash and cash equivalents** | **(293)** | **(144)** |
| Net cash and cash equivalents at beginning of period | 613 | 757 |
| **Net cash and cash equivalents at end of period** | **320** | **613** |

| | Group | |
|---|---|---|
| | **Year ended 31 December 2019 £000** | **Year ended 31 December 2018 £000** |
| **Analysis of net funds:** | | |
| Cash and cash equivalents | 320 | 613 |
| Borrowings due within one year* | (195) | (151) |
| Borrowings due after one year* | (86) | (225) |
| **Net funds** | **39** | **237** |

In addition to net funds, the Group has an overdraft facility of £250,000 in place.
*Borrowings due exclude the lease liability related to the righ-of-use asset, which were previously classified as operating leases.

**Notes to the Consolidated Financial Statements for the year ended 31 December 2019**

**1) Significant accounting policies**

a. Basis of preparation

The preliminary results for the period to 31 December 2019 are unaudited. The consolidated financial statements of Crimson Tide plc will be prepared and approved by the Directors in accordance with applicable law and International Financial Reporting Standards, incorporating International Accounting Standards (IAS) and Interpretations (collectively IFRSs) as endorsed by the European Union.

b. Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiaries.

On an acquisition, fair values are attributed to the Group's share of net assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill, which is capitalised and subjected to annual impairment reviews. The results of acquired companies are brought in from the date of their acquisition.

c. Changes in accounting policy

The Group has applied IFRS 16: Leases, which is effective for accounting periods that begin on or after 1 January 2019, using the modified retrospective approach without restatement of the comparative information.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets.

d. Revenue recognition

Subscription income and support income is credited to turnover in equal monthly instalments over the period of the agreement. There is no recognition in the Consolidated Income Statement of the contracted value of future revenues.

## 2) Taxation

A reduced corporation tax charge of £nil (2018: £nil) has been included in the consolidated accounts for the period ended 31 December 2019 due to the availability of tax losses.

## 3) Earnings per share

The basic earnings per share has been calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of shares in issue during the period.

The diluted earnings per share has been calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of shares that would be in issue, assuming conversion of all dilutive potential ordinary shares into ordinary shares.

Reconciliation of the weighted average number of shares used in the calculations are set out below.

| | **Group** | |
|---|---|---|
| | **Year ended 31 December 2019** | **Year ended 31 December 2018** |
| **Earnings per share** | | |
| Reported profit for the year (£000) | 352 | 69 |
| Reported basic earnings per share (pence) | 0.08 | 0.02 |
| Reported diluted earnings per share (pence) | 0.08 | 0.01 |

| Weighted average number of ordinary shares: | Year ended 31 December 2019 No. | Year ended 31 December 2018 No. |
|---|---|---|
| Opening balance | 457,486,234 | 454,486,234 |
| Effect of 3m share options issued during the year | - | 493,151 |
| Weighted average number of ordinary shares for basic EPS | 457,486,234 | 454,979,385 |
| Effect of options outstanding | 7,427,083 | 8,580,357 |
| Weighted average number of ordinary shares for diluted EPS | 464,913,317 | 463,559,742 |

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2019 or 31 December 2018. Statutory accounts for 2018, which were prepared under IFRS, have been delivered to the Registrar of Companies. The auditors have reported on the 2018 accounts; their report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The statutory accounts for 2019 which are prepared under accounting standards adopted by the EU will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's annual general meeting. The audited statutory accounts will be published on the Company's website www.crimsontide.co.uk in June 2020.