Crimson Tide plc

Preliminary Announcement of Results to 31 December 2021

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 2021.

Financial Highlights

- Revenue increased by £0.6m to £4.1m (2020: £3.5m)
- Annual Recurring Revenue (ARR) increased by 24% to £3.8m (2020: £3.1m)
- EBITDA break-even (2020: £0.9m) following investment in platform and marketing
- Capital fund raise yielded net £5.6m
- Cash at year-end amounted to £5.7m (2020: £1.2m)

Operational Highlights

- Continued sector expansion for mpro5
- Master Services Agreement with Compass Group
- Cisco Meraki partnership
- Project wrkrz development
- Talent acquisition in development, marketing and international

Barrie Whipp, Executive Chairman of Crimson Tide, commented:

"The year was transformational for Crimson Tide as, for the first time in our history, we completed an institutional and private investor fund raise to support the next chapter in our growth. mpro5 continued to perform well with strong revenue growth, and we reached annualised recurring revenue of c£4m just after year-end. Our focus is now on sector and international growth, particularly in the United States and Northern Europe. The new versions of mpro5 for tradespeople and healthcare will certainly expand our market and we are excited to develop our "one platform, many apps" strategy with the new hires and investments afforded by the fresh capital. Our key target is to double Annual Recurring Revenue in the medium term. Partnerships with organisations such as Cisco will assist us domestically and internationally to achieve our goal."

About the Company

Crimson Tide plc is the provider of the full-service mobility platform mpro5. mpro5 is delivered on smartphones, tablets, and PDAs, and enables organisations to digitally 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 can immediately experience a return on their investment.

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

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Chairman's Statement

The year saw a fundraise of £5.6m net of expenses which was transformational for the Company. It has provided us with the ability to invest in human resources, to continue with tech development plans and marketing activity as well as allowing us the freedom to add tradespeople (project wrkrz) and healthcare (mpro5rx) to our offering. We are refining and upgrading our mpro5 platform to deal with the requirements of our existing and potential clients. We have also been able to add appropriate marketing activities for the first time in our history which the team is confident will add to our exposure, both nationally and internationally.

Our annual recurring revenue (ARR) has increased to over £4m post year-end and this KPI is our focus to drive the business forward. Our aim is to grow ARR through a range of methods: -

- Increasing our footprint in existing verticals
- Introducing our trade version of mpro5
- Monetising our patient healthcare version of mpro5
- International expansion
- Future vertical market versions of mpro5

As can be implied from the above we have ambitious targets through which we are looking to grow this key metric and we are targeting an overall doubling in ARR over the medium term. Our market knowledge and research tell us the above mechanisms are available to us and underpin our confidence in the achievability of this target.

Margin remains at c80% and churn has been low. Diversification of the revenue model across our three brands will accommodate more dynamic growth as we also look to cement our traditional long-term enterprise revenue. mpro5's cash generation tempered our cash burn, however larger investments in software and marketing are planned during 2022. Our Balance sheet is strong, and we have taken the decision to shorten our amortisation profile on Intangible software assets to seven years.

Current expenditure is focused on development (£2m in the coming months on platform and apps) and a further £1m on marketing in the UK and US. Development expenditure will vary later in the year as we balance the requirements for apps and the platform, however the single platform upgrade should be largely complete by the end of 2022. We aim to invest in the opportunity with our new Cisco Meraki partnership, however our planned spend of c£1m is dependent on a reliably functioning sensor supply chain.

Developments internationally included new contracts in Scandinavia as part of our Master Services Agreement with Compass Group. Food quality is at the heart of Compass' offering, and we are pleased to continue to expand across their international footprint. Compass trades in forty-five countries and mpro5 is only currently used in four of them; it is pleasing to note that mpro5 now processes school meal data and advises Compass on performance across the UK. We continued to expand our contracted revenues further with existing customers, thanks to our excellent service and relationships. Our office in Raleigh, North Carolina is operational, and we are building a pipeline including the World Federation of Haemophilia in Canada for our healthcare version of mpro5.

Project wrkrz has made progress and we have a working app with many of the features we designed, with further versions to come. Our branding and go to market campaigns are undergoing their final iterations and we will announce a new brand for the application in the coming weeks. Market research has helped us refine the application and we are combining the engine of this product with mpro5's existing technologies.

10% of UK employment is provided in the trades and increasingly this skill base is become smarter and more professional in terms of the use of technology. Of course, our tradespeople application will evolve internationally, however our focus is currently only on the UK & Ireland.

Our partnership ambitions have expanded due to our nascent relationship with Cisco Meraki. We are the solution to the "what happens now?" data endpoints of Meraki cameras and sensors and this gives us the opportunity to attach ourselves to Cisco's global name and marketing engine. Our IoT offering continues to be piloted in rail and it is only the speed of client decision making that is holding us up. We are developing our sensor offering further in anticipation of demand from the Cisco Meraki community. Cisco has over 270 locations in eighty-eight countries.

From our group marketing efforts, we are seeing wider demand for our core mpro5 solutions. With an expanded marketing team and budget, we are optimistic that more MQLs (marketing qualified leads) will convert to SQLs (sales qualified leads).

Challenges have included recruitment and we are not alone in seeing the effects of competition for technical staff and wage inflation. As expected, in seeing our team grow to forty-eight staff members we have been bedding in new staff as well as tasking external contractors and outsource firms. In summary we are extremely busy with development and marketing, while our operational infrastructure is well set, save for a few extra hires. Our product focus has aided us in a "one platform, many apps" strategy and we are pursuing this with optimism and determination. Underpinning our ambition is a growing and stable customer base which provides high levels of profitable, recurring revenue. Our goals and investment decisions are based on areas where we know there is demand for our solutions and feedback to date supports this. We are expanding marketing and deploying capital and 2022 will see a full year of a Company accelerating its growth. The Board looks to the future with confidence.

Barrie RJ Whipp
Founder & Chairman

Chief Executive Officer's Statement

Fresh capital allowed us to proceed with investments in our technical, marketing, and international departments. We have remained pragmatic in an ever-changing talent acquisition landscape, attracting the right talent to deliver our three-year strategy and beyond. We have also leveraged our partner and contractor networks to accelerate the implementation of our strategic objectives – namely investing in new product offerings, partner marketing, and growing internationally.

With user testing of our new consumer (Project Wrkrz) & healthcare (mpro5rx) offerings complete and third-party research positioning us as a disruptor in these spaces we begin to target the new revenue streams they offer. These opportunities, coupled with the growing mpro5 enterprise pipeline gives the Board reason for optimism.

Our partner strategy with Cisco places us uniquely within their Meraki marketplace, and I believe mpro5's unrivalled ability to provide digital workflow and a "single pane of glass" will lead to exciting opportunities in the coming months across Europe and the Americas.

Our international revenue acquisition is underpinned by our Master Service Agreement with Compass Group leading to a number of mpro5 rollouts across Northern Europe. Having provided mpro5 to Compass UK for many years culminating in them becoming the largest mpro5 customer, we remain excited as these opportunities mature and subscriptions grow.

Luke Jeffrey
CEO

Financial Review

Financial indicator	Year ended December 2021	Year ended December 2020
	£'000	£'000
Revenue	4,114	3,542
Gross profit margin	80.4%	80.9%
EBITDA	14	946
(Loss)/Profit before tax	(575)	532
Annual recurring revenue (ARR)	3,804	3,060
Cash	5,737	1,175

Revenue

The Company's sustained focus of delivering long-term revenue at a high margin contributed to revenue growth of 16% (2020: 21%) of which 85% was recurring revenue. Annual recurring revenue (ARR) as at 31 December 2021 of £3.8 million (2020: £3.06 million) increased by 24%. During a challenging period of national lockdowns, this was achieved by upselling additional modules to existing customers, while also adding new clients at entry level price points. Revenue churn during 2021 was negligible at 2.4% (2020: 4.9%), continuing the trend of churn amongst small legacy customers. The gross profit margin of 80.4% (2020: 80.9%) remained above the Board's 80% target rate.

Cashflow and liquidity

Cash at year-end amounted to £5.74m (2020: £1.17m), following a fund raise during April 2021 that yielded a net £5.64m. In the light of investments in sales and marketing, platform improvements and establishing an office in the USA, cash generated by operations remained positive at £0.17m (2020: £1.39m).

Trade receivables

Trade receivables at year-end amounted to £899k (2020: £576k). The increase predominantly relates to two large customers that migrated to new procurement platforms during the year, which caused some delay in payment, which has unwound since the year end. The Company did not experience a noticeable increase in trade receivables or bad debt related to the pandemic.

Debt and finance costs

Loans and leases decreased to £103k (2019: £288k). Finance charges amounted to £10k (2020: £29k).

Capitalisation of intangible asset

Software development costs of £485k (2020: £539k) relating to the core mpro5 product were capitalised during the year, while an additional £479k (2020: £nil) were capitalised relating to the new project wrkrz product. Amortisation during 2021 amounted to £388k (2020: £216k). The value of the capitalised software intangible asset at year-end was £2.2m (2020: £1.64m). The amortisation period of the mpro5 intangible asset will be reduced from 10 to 7 years in 2022.

Tax

A deferred tax asset of £32k (2020: £nil) was expensed due to timing differences between the tax base and net book value of certain assets. No corporation tax charge has been included (2020: £nil) due to the availability of historic tax losses.

Earnings per share

The average number of ordinary shares in issue during the year was 596.1m (2020 457.5m). Basic and diluted loss per share was 0.10p (2020: 0.16p – earnings per share).

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Unaudited Consolidated Statement of Profit or Loss

	Notes	Year ended December 2021 £000	Year ended December 2020 £000
Revenue		4,114	3,542
Cost of Sales		(807)	(677)
Gross Profit		3,307	2,865
Administrative expenses	2	(4,014)	(2,309)
(Loss)/Profit from operations		(707	556
Other income		142	5
Finance costs		(10)	(29)
(Loss)/Profit before taxation		**(575)**	**532**
Taxation	3	(32)	202
(Loss)/Profit for the year after taxation		(607)	734
(Loss)/Earnings per share			
Basic (pence)	4	(0.10)	0.16
Diluted (pence)	4	(0.10)	0.16

Unaudited Consolidated Statement of Comprehensive Income

	Year ended December 2021 £000	Year ended December 2020 £000
(Loss)/Profit for the year after taxation	(607)	734
Other comprehensive income/(loss) for the year:		
Exchange differences on translating foreign operations	2	4
Total comprehensive (loss)/profit for the year	(605)	738

Unaudited Consolidated Statement of Financial Position

	As at 31 December 2021 £000	As at 31 December 2020 £000
Non-current assets		
Capitalised development costs	2,219	1,642
Other intangible assets	817	799
Equipment, fixtures & fittings	167	235
Right-of-use asset	36	92
Deferred tax asset	-	32
	3,239	2,800
Current assets		
Inventories	-	6
Trade and other receivables	1,351	1,221
Cash and cash equivalents	5,737	1,175
	7,088	2,402
Total assets	10,327	5,202
Current liabilities		
Trade and other payables	1,180	907
Borrowings	5	8
Lease liabilities	98	181
	1,283	1,096
Non-current liabilities		
Borrowings	-	5
Lease liabilities	-	94
	-	99
Total liabilities	1,283	1,195
Net assets	9,044	4,007
Equity		
Share capital	657	457
Share premium	5,590	148
Other reserves	481	479
Reverse acquisition reserve	(5,244)	(5,244)
Retained earnings	7,560	8,167
Total equity	9,044	4,007

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Unaudited Consolidated 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 2020	457	148	475	(5,244)	7,433	3,269
Profit for the year					734	734
Translation movement			4			4
Balance as at 31 December 2020	457	148	479	(5,244)	8,167	4,007
Issue of shares	200	5,442				5,642
Loss for the year					(607)	(607)
Translation movement			2			2
Balance as at 31 December 2021	657	5,590	481	(5,244)	7,560	9,044

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Unaudited Consolidated Statement of Cash Flows

	Year ended December 2021	**Year ended December 2020**
	£000	**£000**
Cash flows from operating activities		
(Loss)/Profit before taxation	(575)	532
Adjustments for:		
Amortisation of intangible assets	388	216
Depreciation of property, plant, and equipment	135	111
Depreciation of right-of-use assets	56	57
Unrealised currency translation gains	2	4
Finance costs	10	29
Operating cash flows before movements in working capital	16	949
Decrease in inventories	6	6
Increase in trade and other receivables	(130)	(1)
Increase in trade and other payables	273	433
Cash generated from operating activities	**165**	**1,387**
Taxes received	-	202
Interest paid in cash	(10)	(27)
Net cash generated from operating activities	155	1,562
Cash flows used in investing activities		
Purchases of fixed assets	(67)	(21)
Purchases of other intangible assets	(18)	-
Development expenditure capitalised	(965)	(539)
Net cash used in investing activities	**(1,050)**	**(560)**
Cash flows from financing activities		
Net proceeds from share issue	5,642	-
Repayments of borrowings	(8)	(21)
Repayments of lease liability	(177)	(126)
Net cash from financing activities	**5,457**	**(147)**
Net increase/(decrease) in cash and cash equivalents	**4,562**	**855**
Net cash and cash equivalents at beginning of period	1,175	320
Net cash and cash equivalents at end of period	**5,737**	**1,175**

Notes to the Consolidated Financial Statements for the year ended 31 December 2021

1) Significant accounting policies

i. Basis of preparation

The preliminary results for the period to 31 December 2021 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.

ii. Basis of consolidation

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

iii. Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised. Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

2) Expenses

Loss before income tax includes the following specific expenses:

	2021 **£000**	**2020** **£000**
Depreciation		
Equipment, fixtures, and fittings	135	111
Buildings right-of-use assets	56	57
Total depreciation	191	168

	2021 £000	2020 £000
Amortisation		
Development software	261	216
Development software - impairment	127	-
Total amortisation	388	216
Auditors remuneration for:		
Audit services	14	12
Auditing of accounts of associate	14	14
Other services supplied pursuant to such legislation	6	6
	34	32

3) Taxation

A deferred tax asset of £32k (2020: £nil) was expensed due to timing differences between the tax base and net book value of certain assets. No corporation tax charge has been included in the consolidated accounts for the period ended 31 December 2021 (2020: £nil) due to the availability of tax losses. For 2020 a research and development tax credit of £202k was recognised in the Consolidated Statement of Profit or Loss.

4) (Loss) / Earnings per share

The basic (loss)/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 (loss)/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 2021	**Year ended 31 December 2020**
(Loss) / Earnings per share		
Reported (loss)/profit for the year (£000)	(607)	734
Reported basic earnings per share (pence)	(0.10)	0.16
Reported diluted earnings per share (pence)	(0.10)	0.16

	Year ended 31 December 2021 No.	Year ended 31 December 2020 No.
Weighted average number of ordinary shares:		
Opening balance	457,486,234	457,486,234
Weighted average number of ordinary shares for basic EPS	596,116,371	457,486,234
Dilutive effect of options outstanding	-	2,938,478
Weighted average number of ordinary shares for diluted EPS	596,116,371	460,424,712

At 31 December 2021 there were 16,700,000 share options outstanding. These share options were not included in the calculation of diluted earnings per share because they are antidilutive in terms of IAS 33.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2021 or 31 December 2020. Statutory accounts for 2020, which were prepared under IFRS, have been delivered to the Registrar of Companies. The auditors have reported on the 2020 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 2021 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 2022.