

27 September 2022

Crimson Tide plc

Interim results for the six months ended 30 June 2022

Crimson Tide plc ("Crimson Tide" or "the Company"), the provider of the mpro5 solution is pleased to announce its unaudited interim results for the six months ended 30 June 2022.

Financial headlines

- Revenue increase of 15.3% to £2.3m (H1 2021: £2.0m)
- Annual recurring revenue (ARR) increase of 22.7% to £4.4m (H1 2021: £3.6m)
- Gross margin of 84.5% (H1 2021: 84.9%)
- EBITDA loss post-investment programme of £(0.3)m (H1 2021: +£0.3m)

Operational highlights

- Consistent growth in core recurring revenue
- Contract wins since period end will contribute to H2 ARR
- Resilient gross margins
- Continued investment in product development, marketing activity and US opportunity using funds raised
- Substantial progress on single-platform strategy

Barrie Whipp, Founder and Chairman, commented,

"Our focus on high-margin, long-term contracted revenue continues, and we are on track with our key internal metrics. Our single platform strategy should allow us to add further annual recurring revenue in wider vertical and geographic sectors."

About the Company

Crimson Tide's mpro5 platform allows organisations to complete simple or complex processes and compliance obligations on any modern smart device. The Company's high-margin, long-term contracted revenues model underpins growth in a wide range of vertical and geographic markets. mpro5 is provided as a fully interactive service, including reports, alerting, KPIs and sensor data, as well as integrating with clients' back-end systems. mpro5 quickly embeds itself into our clients' operations.

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Chairman's Statement

The half year to 30th June represented a one-year milestone from our fundraise in 2021. The purpose of the raise was to prosecute opportunities across our business, and I am pleased to report good progress in those areas.

It is important firstly to highlight mpro5's core enterprise business, which continues to add high-quality, high-margin business on long-term contracts. Our core ARR metric moved ahead well year on year, up 22.7% to £4.4m (H1 2021: £3.6m). Our performance at the revenue line was equally solid, with growth coming from a range of existing, expanding customer requirements and new transactions. Contract wins were particularly pleasing in continental Europe under our Master Services Agreement with Compass Group. Our high margin ensures that much of the revenue translates to cash, with mpro5 revenues bolstering our opportunities to invest in growth. Our bottom line will continue to be impacted in the short term by higher than normal investment expenditure utilising the funds raised in 2021, albeit slightly less than expected in the period with some delayed marketing expenditure and delays in recruitment.

Our investment in our "one platform, many apps" strategy is progressing very well. This platform will not only support mpro5 but also future development of our other applications in small business, healthcare and other vertical markets. A new web client will be rolled out in the coming months, followed by a new version of our mpro5 mobile app in Q1 2023. These technologies will fast-track further developments to market, using the latest technologies and a single repository code base for the first time.

Our app for small businesses is currently undergoing its first iteration app store release. Extensive feedback has informed the functionality of this release and will flow through into incremental releases in the coming year. We believe the small business market we addressed when we started our mobile solutions will find the app store version compelling. Our experience marketing this application gives us insight into opportunities for mpro5 and our new healthcare app, which is next in line in our one platform, many app strategy.

Our business in the United States is now established with four full-time staff in Raleigh, NC. A pipeline has been established, and we are working hard to expand this and close our first contracts. Our US operation is also progressing well with our relationship with Cisco, where we are demonstrating mpro5's IoT capabilities.

It is appropriate to mention that two significant contract wins closed in the three weeks following the half year. These contracts have been under discussion for some months and will positively impact the second half and notably the ARR. It is also important to mention that, in August, Jacqueline Daniell assumed the role of Group CEO, and I am very optimistic about further progress under Jacqui's leadership of the executive team.

Our focus on high-margin, long-term contracted revenue continues, and we are on track with our key internal metrics. Our single platform strategy should allow us to add further ARR in wider vertical and geographic sectors.

Barrie Whipp

Founder and Chairman

27 September 2022

Chief Executive's Statement

Crimson Tide's performance during the first half of 2022 has really begun to illustrate the business growth we have planned. Although we are still only in the relatively early stages of post-fundraise investment deployment, a lot has been achieved and solid foundations set allowing all areas of the business to effectively scale.

Investment in the Development Roadmap has already achieved technology scalability. Working inside a single flexible platform means that we can support new applications for new markets, currently manifested in the mpro5 platform being made available to smaller businesses. Investment in the product means we can offer the features, functionality and usability that our customers want. Our internal teams can work more efficiently and empower users thus also scaling the service element of our offering. Insights and metrics measuring the customer experience of our product and service have long demonstrated loyalty and suggest a brand of world-class potential. This year's growth in revenue, long-term contract commitments and low churn are the recent validations of the value of the product.

Continued investment in marketing has resulted in a significant increase in sales pipelines, both in the UK and the US. An initial outbound marketing focus at the beginning of the year launched a digital program of activity, content creation and partner collateral. Later in the year, this was complemented with an inbound approach, resulting in go-to-market strategies for a range of business sectors and territories. The overall effect has seen specific deal activity being directly attributed to marketing investment.

The outlook is extremely promising. A focused organisation with a unique product and service combination, a strong pipeline and visibility of revenue means we can be confident about reaching our targets and longer-term ambitions.

Jacqueline Daniell

Group CEO

27 September 2022

Financial Review

Financial indicator	Six months ended 30 June 2022 £'000	Six months ended 30 June 2021 £'000	Year ended 31 December 2021 £'000
Revenue	2,324	2,015	4,114
Gross profit	1,964	1,711	3,483
EBITDA	(344)	588	183
(Loss)/Profit before tax	(860)	286	(582)
Annual recurring revenue (ARR)	4,368	3,600	3,804
Cash	3,731	6,596	5,736
Churn rate	1%	1.4%	2.4%

Revenue

Revenue increased by 15.3% compared to the corresponding period of 2021, while Annual Recurring Revenue (ARR) increased by 22.7% to £4.4m. Contracted long-term revenue exceeded 90% of total revenue and revenue churn remained negligible. The geographic split of revenue remains consistent with the prior year, with a UK weighting of 91% of revenue (H1 2021: 92%).

Cashflow and liquidity

Cash at the period-end was £3.7m (H1 2021: £6.6m). Operating cash flows before movements in working capital for the period was an outflow of £376k (H1 2021: £530k inflow). This outflow is in line with management expectations and the Company's previous communication following the capital fundraise in 2021. The funds were utilised on additional marketing expenditure and territorial expansion in North America to enable further revenue growth.

Lease liabilities

The company entered into a new office lease agreement at the beginning of 2022. This created a lease liability of £883k with a related Right-of-Use asset. The lease liability will be settled, and the related asset depreciated, over a 5-year period.

Intangible assets

Software development costs of £771k (H1 2021: £259k) were capitalised during the period under review, while amortisation amounted to £203k (H1 2021: £123k). The value of the capitalised software intangible asset at period-end was £2.8m (H1 2021: £1.8m).

Other intangible assets related to goodwill, website development costs and incremental contract costs.

Loss before taxation

The Company made a loss before taxation of £860k (H1: 2021 £286k profit). The loss was in line with management expectations and arose due to the investments in sales and marketing and territorial expansion in North America as mentioned above. The current market forecast is for the Company to return to profitability in 2024.

Earnings per share

Basic and diluted loss per share was 0.13p (H1 2021: 0.05p earnings) during the period under review. 16.7 million share options outstanding were not included in the calculation of diluted earnings per share because they are anti-dilutive in terms of IAS 33.

Crimson Tide plc
Condensed Consolidated Statement of Profit or Loss
for the 6 months to 30 June 2022

	Unaudited 6 Months ended 30 June 2022 £000	Restated Unaudited 6 Months ended 30 June 2021 £000	Audited 12 Months ended 31 December 2021 £000
Revenue	2,324	2,015	4,114
Cost of Sales	(360)	(304)	(631)
Gross Profit	<u>1,964</u>	<u>1,711</u>	<u>3,483</u>
Other income	5	123	142
Operating expenses	(2,313)	(1,246)	(3,442)
Operating (loss)/profit	<u>(344)</u>	<u>588</u>	<u>183</u>
Finance costs	(21)	(12)	(10)
Depreciation	(194)	(108)	(185)
Amortisation	(301)	(182)	(570)
(Loss)/Profit before taxation	<u>(860)</u>	<u>286</u>	<u>(582)</u>
Taxation	-	-	(32)
(Loss)/Profit for the period attributable to equity holders of the parent	<u><u>(860)</u></u>	<u><u>286</u></u>	<u><u>(614)</u></u>
(Loss)/Earnings per share	Unaudited 6 Months ended 30 June 2022	Unaudited 6 Months ended 30 June 2021	Audited 12 Months ended 31 December 2021
Basic (pence)	(0.13)	0.05	(0.10)
Diluted (pence)	(0.13)	0.05	(0.10)

**Condensed Consolidated Statement of Comprehensive Income
for the 6 months to 30 June 2022**

	Unaudited 6 Months ended 30 June 2022 £000	Unaudited 6 Months ended 30 June 2021 £000	Audited 12 Months ended 31 December 2021 £000
(Loss)/Profit for the period	(860)	286	(614)
<i>Other comprehensive income/(loss) for period:</i>			
Exchange differences on translating foreign operations	(14)	1	2
Total comprehensive (loss)/profit recognised in the period and attributable to equity holders of parent	<u>(874)</u>	<u>287</u>	<u>(612)</u>

Condensed Consolidated Statement of Financial Position at 30 June 2022

	Unaudited As at 30 June 2022 £000	Restated Unaudited As at 30 June 2021 £000	Audited As at 31 December 2021 £000
ASSETS			
Non-current assets			
Intangible assets	3,928	2,959	3,282
Property, plant & equipment	260	189	167
Right-of-use asset	795	64	36
Deferred tax asset	-	32	-
Total non-current assets	<u>4,983</u>	<u>3,244</u>	<u>3,485</u>
Current assets			
Inventories	-	6	-
Trade and other receivables	1,406	1,038	1,079
Cash and cash equivalents	3,731	6,596	5,736
Total current assets	<u>5,137</u>	<u>7,640</u>	<u>6,815</u>
Total assets	<u>10,120</u>	<u>10,884</u>	<u>10,300</u>
LIABILITIES			
Current liabilities			
Trade and other payables	1,071	741	1,160
Borrowings	1	7	5
Lease liabilities	136	134	98
Total current liabilities	<u>1,208</u>	<u>882</u>	<u>1,263</u>
Non-current liabilities			
Lease liabilities	749	64	-
Total non-current liabilities	<u>749</u>	<u>64</u>	<u>-</u>
Total liabilities	<u>1,957</u>	<u>946</u>	<u>1,263</u>
Net assets	<u>8,163</u>	<u>9,938</u>	<u>9,037</u>
EQUITY			
Share capital	657	657	657
Share premium	5,590	5,590	5,590
Other reserves	467	481	481
Reverse acquisition reserve	(5,244)	(5,244)	(5,244)
Retained earnings	6,693	8,454	7,553
Total equity	<u>8,163</u>	<u>9,938</u>	<u>9,037</u>

Condensed Consolidated Statement of Changes in Equity

Six-month period ended 30 June 2022 (Unaudited)

	Share capital £000	Share premium £000	Other reserves £000	Reverse acqui- sition reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2021	657	5,590	481	(5,244)	7,553	9,037
Loss for the period	-	-	-	-	(860)	(860)
Translation movement	-	-	(14)	-	-	(14)
Balance at 30 June 2022	657	5,590	467	(5,244)	6,693	8,163

Six-month period ended 30 June 2021 (Unaudited)

	Share capital £000	Share premium £000	Other reserves £000	Reverse acqui- sition reserve £000	Retained earnings £000	Total £000
Balance at 31 December 2020	457	148	479	(5,244)	8,167	4,007
Shares issued	200	5,442	-	-	-	5,642
Profit for the period	-	-	-	-	286	286
Translation movement	-	-	2	-	1	3
Balance at 30 June 2021	657	5,590	481	(5,244)	8,454	9,938

Condensed Consolidated Statement of Changes in Equity

Year ended 31 December 2021 (Audited)

	Share capital £000	Share premium £000	Other reserves £000	Reverse acqui- sition reserve £000	Retained earnings £000	Total £000
Balance at 1 January 2021	457	148	479	(5,244)	8,167	4,007
Shares issued	200	5,442	-	-	-	5,642
Profit for the period	-	-	-	-	(614)	(614)
Translation movement	-	-	2	-	-	2
Balance at 31 December 2021	657	5,590	481	(5,244)	7,553	9,037

**Condensed Consolidated Statement of Cash flows
For the 6 months to 30 June 2022**

	Unaudited 6 Months ended 30 June 2022 £000	Restated Unaudited 6 Months ended 30 June 2021 £000	Audited 12 Months ended 31 December 2021 £000
Cash flows from operating activities			
(Loss)/Profit before tax	(860)	286	(582)
Adjustments for:			
Amortisation of Intangible Assets	301	123	570
Depreciation of property, plant and equipment	103	80	129
Depreciation of right-of-use assets	91	28	56
Unrealised currency translation movement	(14)	1	2
Finance costs	3	12	10
Operating cash flows before movement in working capital and provisions	(376)	530	185
Decrease in inventories	-	-	6
Increase in trade and other receivables	(327)	(253)	(215)
(Decrease)/increase in trade and other payables	(89)	(166)	253
Cash (utilised)/generated by operations	(792)	111	229
Finance costs	(21)	(10)	(10)
Net cash (used in)/ generated from operating activities	(813)	101	219
Cash flows from investing activities			
Purchases of property, plant and equipment	(196)	(34)	(61)
Purchases of other intangible assets	(176)	-	(90)
Development expenditure capitalised	(771)	(259)	(964)
Net cash used in investing activities	(1,143)	(293)	(1,115)
Cash flows from financing activities			
Net proceeds from share issues	-	5,696	5,642
Repayments of borrowings	(4)	(6)	(8)
Repayments of lease liability	(45)	(77)	(177)
Net cash (used in)/ from financing activities	(49)	5,613	(5,457)
Net movement in cash and cash equivalents	(2,005)	5,421	4,561
Net cash and cash equivalents at beginning of period	5,736	1,175	1,175
Net cash and cash equivalents at end of period	3,731	6,596	5,736

Crimson Tide Plc

Notes to the Unaudited Interim Results for the 6 months ended 30 June 2022

1. General information and basis of preparation

Crimson Tide plc is a public company, limited by shares, and incorporated and domiciled in the United Kingdom. The Company's shares are publicly traded on the London Stock Exchange's AIM market. The address of its registered office is Brockbourne House, 77 Mt. Ephraim, Tunbridge Wells, Kent, TN4 8BS.

Basis of preparation

The condensed consolidated interim financial statements ("interim financial statements") have been prepared using accounting policies that are consistent with those applied in the previously published financial statements for the year ended 31 December 2021, which have been prepared in accordance with IFRS as adopted by the UK.

The information for the period ended 30 June 2022 has neither been audited nor reviewed and does not constitute statutory accounts as defined in section 434 of the Companies Act 2006.

The interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2021. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain statements under section 498 (2) or (3) of the Companies Act 2006.

Going concern

The interim financial statements are prepared on the going concern basis. The financial position of the Company, its cash flows and liquidity position are described in the interim financial statement and notes. The Company has the financial resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report.

2. Revenue and operating segments

The Group has three main regional centres of operation; one in the UK, the others in Ireland and the United States but the Group's resources, including capital, human and non-current assets are utilised across the Group irrespective of where they are based or originate from. The Board is the chief operating decision maker ("CODM"). The CODM allocates these resources based on revenue generation, which due to its high margin nature and the Group's reasonably fixed overheads, in turn drives profitability and cashflow generation. The Board consider it most meaningful to monitor financial results and KPIs for the consolidated Group, and decisions are made by the Board accordingly.

In due consideration of the requirements of IFRS 8 Operating Segments, the Board consider segmental reporting by (i) business activity, by turnover, and (ii) region, by turnover to be appropriate. Business activity is best split between (i) the strategic focus of the business, i.e. mobility solutions and the resulting development services that emanate from that, (ii) non-core software solutions, including reselling third party software and related development and support services, and (iii) hardware sales to existing customers.

Segment information for the reporting periods is as follows:

	Unaudited 6 Months ended 30 June 2022 £000	Unaudited 6 Months ended 30 June 2021 £000	Audited 12 Months ended 31 December 2021 £000
Revenue by business activity			
Mobility solutions and related development	2,109	1,837	3,766
Software consultancy	215	178	348
	2,324	2,015	4,114

Revenue can be further analysed by geographic reason as follows:

	Unaudited 6 Months ended 30 June 2022 £000	Unaudited 6 Months ended 30 June 2021 £000	Audited 12 Months ended 31 December 2021 £000
Revenue by geographic region			
UK	2,123	1,855	3,735
European Union	201	160	379
	2,324	2,015	4,114

3. Intangible assets

	Enterprise development expenditure £000	Consumer focused development expenditure £000	Website develop- ment costs £000	Incremental contract costs £000	Goodwill £000	Total £000
Cost						
At 1 January 2022	2,937	479	18	742	799	4,975
Additions	324	447	74	102	-	947
At 30 June 2022	3,261	926	92	844	799	5,922

Enterprise development expenditure	Consumer focused development expenditure	Website develop- ment costs	Incremental contract costs	Goodwill	Total
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	£000	£000	£000	£000	£000	£000
Amortisation and impairment						
At 1 January 2022	(1,197)	-	-	(496)	-	(1,693)
Charge for the period	(203)	-	(10)	(88)	-	(301)
At 30 June 2022	(1,400)	-	(10)	(584)	-	(1,994)
Carrying amount at 30 June 2022	1,861	926	82	260	799	3,928
Carrying amount at 30 June 2021	1,778	-	-	382	799	2,959

4. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share is based on the profit per share attributable to ordinary shareholders and the weighted average number of ordinary shares that would be in issue, assuming conversion of all dilutive potential ordinary shares into ordinary shares.

Reconciliations of the profit and weighted average number of ordinary shares used in the calculation are set out below:

	Unaudited 6 Months ended 30 June 2022	Unaudited 6 Months ended 30 June 2021	Audited 12 Months ended 31 December 2021
Earnings per share			
Reported (loss)/profit (£000)	(860)	286	(614)
Reported basic earnings per share (pence)	(0.13)	0.05	(0.10)
Reported diluted earnings per share (pence)	(0.13)	0.05	(0.10)

	Unaudited 6 Months ended 30 June 2022	Unaudited 6 Months ended 30 June 2021	Audited 12 Months ended 31 December 2021
	No. '000	No. '000	No. '000
Weighted average number of ordinary shares			
Shares in issue at start of period	657,486	457,486	457,486
Effect of shares issued during the period*	-	76,243	138,630
Weighted average number of ordinary shares for basic EPS	657,486	533,729	596,116
Effect of share options outstanding	-	291	-
Weighted average number of ordinary shares for diluted EPS	657,486	534,020	596,116

*200 million ordinary shares were issued on 23 April 2021.

At 30 June 2022 there were 16,700,000 (30 June 2021: 16,700,000; 31 December 2021: 16,700,000) share options outstanding. These share options were not included in the calculation of diluted earnings per share for the period ended 30 June 2022 and the year ended 31 December 2021 because they are anti-dilutive in terms of IAS 33.

5. Prior period restatement

During the 2021 financial year, it was identified that under IFRS 15, costs that are incremental to obtaining a contract should be capitalised. There was therefore a reclassification applied from prepayments to intangible assets of £246,218 (2020: £357,138). The impact of this had £nil impact on reserves and £nil impact on total assets.