

Crimson Tide plc

Preliminary Announcement of Results to 31 December 2022

Crimson Tide plc ("Crimson Tide" or "the Company"), the provider of the mpro5 Smart App Solution, is pleased to announce its unaudited preliminary results for the year ended 31 December 2022.

Financial Highlights

- Revenue increased by 30% to £5.4m (2021: £4.1m)
- Annual Recurring Revenue (ARR) increased to £5.75m (2021: £3.8m)
- LBITDA £0.3m (2021: nil) following investment in people, platform and marketing
- Cash at year-end amounted to £3.6m (2021: £5.7m)

Operational Highlights

- Significant contract wins in retail and utilities sectors
- Integration of IoT capabilities into smart workflows
- US pipeline established

Barrie Whipp, Executive Chairman of Crimson Tide, commented:

"In 2022, we grew our key metric, Annual Recurring Revenue, to £5.75m, a record and substantially ahead of the previous year. We saw the height of the deployment of the capital raised in 2021, and all departments of the Company benefitted from fresh investment in technology, people and marketing. As we see the results of these investments, we expect our ability to scale domestically and internationally to increase our technology, marketing and international growth.

Our team has scaled, and in 2023 the most significant upgrades to our technology since the original mpro5 will be complete. Our investments in IoT and the United States should allow us to deliver further growth in ARR, and we are prosecuting a partner-led strategy to optimize our opportunities. "

About the Company

Crimson Tide plc is the provider of mpro5, the Smart App Solution. mpro5 is delivered on smartphones and tablets, 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.

Crimson Tide's Annual Recurring Revenue (ARR) contracts are typically on an initial 36-month subscription basis, with many extending and expanding significantly beyond the initial contracted date.

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Chairman's Statement

The financial year to 31 December 2022 saw the largest investments in growth in the Company's history that impacted all areas of the business. The results, in terms of our key metric, Annual Recurring Revenue, have been very pleasing. Annual Recurring Revenue stood at £5.75m at the year end, allowing us to forecast with confidence.

We commenced a technology-wide upgrade programme, Project Saturn, affecting all areas of our development process. Client websites, which are used to schedule and report upon mpro5's jobs and flows, underwent a fundamental upgrade, and by the year end, our first wave of upgrades was rolled out. They have been well received by our customers. The development of the beepro mobile app will underpin our new Angular 14 / Ionic 6 mobile rollouts in 2023. We also plan the introduction of new notification, messaging and AI technologies in 2023, which will ease our configuration and support requirements, especially as we expand internationally. The Internet of Things (IoT) is becoming a more fundamental part of our offering. We were able to add a new back-end processing system to handle sensor input, with listening technology and a new front-end system planned for 2023.

We were able to add key hires to our team in the year, reinforcing the management team below the Executive Board. This has expanded our ability to grow the business, knowing that our day-to-day operations are grounded and scalable. Reassuringly, the management team is now set and requires no further expansion. Our staff complement is around 50, which is not expected to grow further, save for growth strategies in Sales & Marketing.

Our growth in ARR came from both new customers and the expansion of our offering across our existing base. Our sector-based focus on transportation, retail facilities and FM persisted, with the significant addition of the utility industry. Geographically, we continued to expand our sales in EMEA. Growth in these regions is leading us in the direction of establishing an overseas partner network. In the United States we closed our first sale in January 2023. Implementing mpro5's sensor-driven actions with a global networking organization is very exciting. This office in San Francisco is a flagship site for our IoT capabilities and will be used by the client to demonstrate mpro5 to its partner base. Our US office is established, and we are pursuing a partner-led strategy supported by our team in Raleigh, NC.

Direct marketing has not been an area where we have had significant success; however, our awareness campaigns led to some successes in 2022. Our beepro campaign had limited success in a trades market where the cost of living issues for nano-businesses meant that additional investment was less palatable than expected.

It is unusual for Crimson Tide not to include Profitability as a key metric in our financial performance. 2022 saw the height of our investment programme and resulted in an entirely expected loss at all the traditional lines in the statement of Financial Performance. We invested in the mobile product and development staff, grew investments in the United States and spent more than we ever have on marketing as well as investing in our key team. These investments allowed us to grow the top line to a figure which exceeded market forecasts but, more critically, grew ARR to a record figure of £5.75m, underpinning performance in 2023 and beyond. Our investments are levelling out and being increasingly covered by ARR; we expect to turn into profit again at a point in time in the second half of 2023. Our cash profile (where we hold a substantial amount of cash and no debt) is levelling out in the vicinity of £3m. We continually monitor opportunities for further growth as we go forward; however, our pipeline is at record levels and includes a good percentage of transactions in the United States.

Finally, we have appointed new auditors, are finalizing the recruitment of two new independent Directors and investigating subsidiary Company structuring, as well as a new Employee Benefit Trust. The Directors are pleased with our performance and look forward with optimism to the future.

Barrie RJ Whipp
Founder & Chairman

Chief Executive Officer's Statement

Throughout 2022 we continued to build on the investments made in the previous year. We made significant strides in the implementation of the roadmap strategy for the mpro5 product, positioned mpro5 for expansion in the US and other locations, reinforced internal structures and scaled our marketing effort.

The rewriting of our core platform, automation engine and IoT framework provides a firm grounding for mpro5 product innovation. The web application redesign was completed, including a more responsive and modern UI/UX. The building out of all the features and the implementation of the mpro5 mobile front end will now follow. During 2022 comprehensive R&D was completed utilising our One Platform approach, and we will now benefit from simpler technical implementation, significantly enhancing the end-user experience and the level of functionality.

Our partner strategy is seeing pleasing results, especially with Cisco Meraki, where mpro5 is now available within their Meraki marketplace. This positions mpro5 for expansion amongst their partners globally. In the US, particularly, opportunities continued to build throughout the year, with the San Francisco showcase potentially extending to other locations around the world.

Subscription additions to Monthly Recurring Revenue increased significantly, and our marketing effort continues to evolve; software buying trends have been better reflected in our marketing focus, and content is noticeably influencing buyers.

Overall, the pipeline growth, engagement and velocity of the Company are continuously increasing, and we remain excited as these opportunities mature and subscriptions grow.

Jacqueline Daniell
CEO

Financial Review

Financial indicator	Year ended December 2022	Year ended December 2021
	£'000	£'000
Revenue	5,350	4,114
Gross profit margin	84%	84.7%
LBITDA / EBITDA	(293)	14
Loss before tax	(1,586)	(582)
Annual recurring revenue (ARR)	5,751	3,804
Cash	3,617	5,736

Revenue

The Company's sustained focus of delivering long-term revenue at a high margin contributed to revenue growth of 30% (2021: 16%) of which 87% was recurring contracted revenue. Annual recurring revenue (ARR) as at 31 December 2022 of £5.75 million (2021: £3.8 million) increased by 51%. This was achieved by upselling to existing customers, while also adding substantial new contracts. Revenue churn of 3.8% (2021: 2.4%) was within management's 5% target range. The gross profit margin of 84% (2021: 84.7%) remained above the Board's 80% target rate and correlates with its focus on cost efficiency.

Cashflow and liquidity

Cash at year-end amounted to £3.6m (2021: £5.7m). Following investment in enhancing the sales and marketing operations, technical platform improvements, and funding of the first full year of operations in the USA, net cash expended by operations was £0.6m (2021: £0.2m – cash generated). This amount was in line with management's expectations, due to the above-mentioned investment in growth post the 2021 fundraising.

Trade receivables

Trade receivables at year-end amounted to £1.2m (2021: £0.9m). The increase is in line with revenue growth of 30%. The Company continues to have low default rates due to the quality of our customer base and focus on debt collection.

Debt and finance costs

Finance leases increased to £0.8m (2019: £0.1m) due to the recognition requirements of a new 5-year office lease. Finance charges amounting to £54k (2020: £10k) primarily relates to this lease.

Capitalisation of intangible asset

Software development costs of £1.3m (2021: £1.0m) were capitalised during the year. Software amortisation during 2022 amounted to £0.8m (2021: £0.4m) which included an impairment charge of £0.26m. The amortisation period of the mpro5 intangible asset was reduced from 10 to 7 years in 2022. The value of the capitalised software intangible asset at year-end was £2.7m (2021: £2.2m).

Tax

No corporation tax charge has been included (2021: £nil) due to the tax loss for the year. The Company received an R&D tax rebate of £445k (2021: £nil).

Earnings per share

The average number of ordinary shares in issue during the year was 657.5m (2021 596.1m). Basic and diluted loss per share was 0.17p (2021: 0.10p).

Crimson Tide plc**Unaudited Consolidated Statement of Profit or Loss
FOR THE YEAR ENDED 31 DECEMBER 2022**

		2022	2021
	Note	£000	£000
Revenue		5,350	4,114
Cost of Sales		(857)	(631)
Gross Profit		4,493	3,483
Administrative expenses		(6,025)	(4,197)
Other income		-	142
Finance costs		(54)	(10)
Loss before income tax expense		(1,586)	(582)
Income tax expense	3	445	(32)
Loss after income tax		(1,141)	(614)
Loss per share			
Basic	4	(0.17)	(0.10)
Diluted	4	(0.17)	(0.10)

**Unaudited Consolidated Statement of Comprehensive Income
FOR THE YEAR ENDED 31 DECEMBER 2022**

		2022	2021
		£000	£000
Loss for the year		(1,141)	(614)
Items that may be classified subsequently to profit and loss			
Exchange differences on translating foreign operations		(34)	2
Total comprehensive loss for the year		(1,175)	(612)

**Unaudited Consolidated Statement of Financial Position
AT 31 DECEMBER 2022**

	2022	2021
	£000	£000
Assets		
Non-current assets		
Intangible Assets	3,889	3,282
Property, plant and equipment	239	167
Right-of-use asset	703	36
Total non-current assets	4,831	3,485
Current assets		
Trade and other receivables	1,601	1,079
Cash and cash equivalents	3,617	5,736
Total current assets	5,218	6,815
Total assets	10,049	10,300
Liabilities		
Current liabilities		
Trade and other payables	1,432	1,160
Borrowings	-	5
Lease liabilities	148	98
Total current liabilities	1,580	1,263
Non-current liabilities		
Lease liabilities	607	-
Total non-current liabilities	607	-
Total liabilities	2,187	1,263
Net assets	7,862	9,037
Equity		
Issued capital	657	657
Share premium	5,590	5,590
Other reserves	447	481
Reverse acquisition reserve	(5,244)	(5,244)
Retained profits	6,412	7,553
Total equity	7,862	9,037

**Unaudited Consolidated Statement of
Changes in Equity
AT 31 DECEMBER 2022**

	Issued Capital £000	Share premium £000	Other Reserves £000	Reserves £000	Retained earnings £000	Total equity £000
Consolidated						
Balance at 1 January 2021	457	148	479	(5,244)	8,167	4,007
Issue of shares	200	5,442				5,642
Loss after income tax expense for the year					(614)	(614)
Translation movement			2			2
Balance at 31 December 2021	657	5,590	481	(5,244)	7,553	9,037
Loss after income tax expense for the year					(1,141)	(1,141)
Translation movement			(34)			(34)
Balance at 31 December 2022	657	5,590	447	(5,244)	6,412	7,862

**Unaudited Consolidated Statement of Cash Flows
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022	2021
	£000	£000
Loss before taxation	(1,586)	(582)
Adjustments for:		
Amortisation of intangibles	958	570
Depreciation of property, plant and equipment	149	129
Depreciation of right-of-use assets	132	56
Unrealised currency translation gains/(losses)	(88)	2
Interest paid	54	10
Operating cash flows before movements in working capital	(381)	185
Decrease in inventories	-	6
Increase in trade and other receivables	(522)	(215)
Increase in trade and other payables	272	253
Cash (expended)/generated by operations	(631)	229
Income taxes received	445	-
Interest paid in cash	(54)	(10)
Net cash from operating activities	(240)	219
Cash flows from investing activities		
Purchases of property, plant and equipment	(221)	(61)
Purchases of other intangible assets	(300)	(90)
Development expenditure capitalised	(1,265)	(964)
Net cash used in investing activities	(1,786)	(1,115)
Cash flows from financing activities		
Net proceeds from share issues	-	5,642
Repayments of borrowings	(4)	(8)
Repayments of lease liability	(89)	(177)
Net cash (used)/generated in financing activities	(93)	5,457
Net (decrease)/increase in cash and cash equivalents	(2,119)	4,561
Cash and cash equivalents at the beginning of the financial year	5,736	1,175
Cash and cash equivalents at the end of the financial year	3,617	5,736

Notes to the Preliminary Results for the year ended 31 December 2022

1) Significant accounting policies

i. Basis of preparation

The preliminary results for the period to 31 December 2022 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 appropriate for profit oriented entities.

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:

	2022	2021
	£000	£000
<i>Depreciation</i>		
Equipment, fixtures and fittings	149	129
Buildings right-of-use assets	132	56
Total depreciation	<u>281</u>	<u>185</u>

	2022	2021
	£000	£000
<i>Amortisation</i>		
Incremental contract costs	163	183
Development software	535	197
Development software - impairment	260	190
	<hr/>	<hr/>
Total amortisation	<u>958</u>	<u>570</u>
<i>Auditors remuneration for:</i>		
Audit services	38	14
Auditing of accounts of associate	-	14
Other services supplied pursuant to such legislation	-	6
	<hr/>	<hr/>
	<u>38</u>	<u>34</u>

3) Taxation

The Group received an R&D tax credit of £445,000 during the year (2021: £nil). No corporation tax charge has been included in the consolidated accounts for the period ended 31 December 2022 (2021: £nil) due to the availability of tax losses. In 2021 a deferred tax asset of £32,000 was expensed due to timing differences between the tax base and net book value of certain assets.

4) Loss 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 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	Year ended
	31 December	31 December
	2022	2021
Loss per share		
Reported loss for the year (£000)	(1,141)	(607)
Reported basic loss per share (pence)	(0.17)	(0.10)
Reported diluted loss per share (pence)	(0.17)	(0.10)

	Year ended 31 December 2022 No.	Year ended 31 December 2021 No.
Weighted average number of ordinary shares:		
Opening balance	657,486,234	457,486,234
Weighted average number of ordinary shares for basic EPS	657,486,234	596,116,371
Dilutive effect of options outstanding	-	-
Weighted average number of ordinary shares for diluted EPS	657,486,234	596,116,371

At 31 December 2022 there were 24,300,000 (2021: 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 year ended 31 December 2022. The auditors have reported on the 2021 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 2022 which are prepared in accordance with International Financial Reporting Standards 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.crimsonside.co.uk in June 2023.