Mobile Tornado

Mobile Tornado Group plc
("Mobile Tornado", the "Company" or the "Group")

Final results and Notice of AGM

Mobile Tornado Group plc, the leading provider of instant communication mobile applications to the enterprise market, announces its audited results for the year ended 31 December 2018.

Financial Highlights

	2018 **£'000**	2017 £'000
Recurring revenue	**2,049**	2,070
Non-recurring revenue*	**925**	460
Total revenue	**2,974**	2,530
Gross profit	**2,659**	2,424
Administrative expenses	**(3,547)**	(4,147)
Adjusted EBITDA**	**(888)**	(1,724)
Group operating loss	**(1,283)**	(1,755)
Loss before tax	**(1,902)**	(2,453)

- Total revenue increased by 18% to £2.97m (2017: £2.53m)
  - Recurring revenues remained largely unchanged at £2.05m (2017: £2.07m)
  - Non-recurring revenues* increased by 101% to £0.93m (2017: £0.46m)
- Gross profit increased by 10% to £2.66m (2017: £2.42m)
- Operating expenses before depreciation, amortisation, exceptional items and exchange differences decreased by 14% to £3.55m (2017: £4.15m)
- Adjusted EBITDA** loss of £0.89m (2017: £1.72m)
- Group operating loss for the year decreased to £1.28m (2017: £1.76m)
- Loss after tax of £1.54m (2017: £1.60m)
- Basic loss per share of 0.47p (2017: 0.61p)
- Cash at bank of £0.35m (2017: £0.73m) with net debt of £8.07m (2017: £9.81m)

**Non-recurring fees comprising installation fees, hardware, professional services and capex license fees*
***Earnings before interest, tax, depreciation, amortisation, exceptional items and excluding exchange differences*

Operating highlights

- Development of Bundled push-to-talk ("PTT") Sales solution successfully deployed in volume resulting in significant licence and handset sales improvement
- Sustained R&D investment in platform now delivering material operational cost benefit
- Technical improvements have widened addressable market, with numerous engagements for the first time with high value Public Safety and Government Agency customers

- Total Cost of Ownership reductions increase accessibility for workforce efficiency enterprise customers
- Expanding pipeline of reseller and Independent Solution Vendors ("ISV") engagement following improvement to third party integration solutions

Jeremy Fenn, Chairman of Mobile Tornado, said: "This year has been a landmark year and one of substantial development for the Group. Our improved operating efficiency following a long period of sustained investment is clearly paying off and the successful launch of our Bundled PTT offering which delivers a complete solution to end users has driven significantly improved financial performance.

"We are seeing increasing interest in the Group's products and solutions, and where we encounter inevitable competition, we are demonstrating that we can succeed against established providers based on the superior quality, flexibility, robustness and features of our technical platform. The improved functionality and flexibility we now have has also driven down the total cost of ownership of our solutions widening our addressable market.

"Under Avi Tooba's leadership, we have a strong team focused on consistent execution. We expect that the rapidly improving operating performance of the business will now deliver durable long-term cash flows and we are confident this will start to drive meaningful returns to our shareholders."

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Financial results and key performance indicators

Total revenue for the year ended 31 December 2018 increased by 18% to £2.97m (2017: £2.53m). Recurring revenues remained largely unchanged at £2.05m (2017: £2.07m). Non-recurring revenues, comprising installation fees, hardware, professional services and capex license fees increased to £0.93m (2017: £0.46m). This was a target area for delivering growth during the financial year and the Board is pleased with the increase of 101%. As a result, gross profit increased by 10% to £2.66m (2017: £2.42m).

Our operating expenses before depreciation, amortisation, exceptional items and exchange differences in the year decreased by 14% to £3.55m (2017: £4.15m), reflecting the positive impact those previous investments in the development and operating efficiencies of our enhanced technical platform have delivered.

Due to the annual revaluation of certain financial liabilities on the balance sheet, the Group reported a translation loss of £0.14m (2017: gain of £0.14m) arising from the depreciation of sterling relative to other operating currencies as at 31 December 2018 versus the previous year end. The Group recorded an income tax credit in respect of our qualifying investment in R&D activities of £0.37m (2017: £0.85m).

The loss after tax for the year decreased to £1.54m (2017: loss of £1.60m) and a reduced basic loss per share of 0.47p (2017: 0.61p).

The net cash outflow from operating activities was £1.85m (2017: £1.53m). At 31 December 2018, the Group had £0.35m cash at bank (31 December 2017: £0.73m) and net debt of £8.07m (31 December 2017: £9.81m).

Results and dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018 (year ended 31 December 2017: nil). The Company currently intends to reinvest future earnings to finance the growth of the business over the near term.

Review of Operations

2018 was the second full year under Avi Tooba's tenure as CEO of the business. The significant improvements made to the platform under his guidance in addition to and alongside the strengthening of his team translated into real sales traction in 2018. As initially reported in our half year report, and subsequent trading update, our sales improvements started to show in the second half of the year and we are hugely encouraged by the transition we are now witnessing in our financial performance.

A major contributing factor to this has been the development and successful deployment of a Bundled PTT sales solution that combines a perpetual software licence, handset and dispatch console. This helped to deliver a non-recurring revenue increase of 101% over the period. We made the strategic decision in consultation with our Israeli Mobile Network Operator ("MNO") partner in the early part of the year to develop this package that involved the sourcing of a select number of dedicated PTT handset types.

From the Group's perspective, a Bundled PTT solution has multiple commercial benefits; it reduces the sales cycle considerably allowing for large numbers of the same PTT configured handsets to be sold into large enterprises without significant intervention from our MNO partner. It also allows us to capture additional sales margin on the handset itself, an entirely new revenue stream, and which is highly cash-flow generative as both handset sales and license revenue are received upfront. The initial uptake of our proposition has been encouraging as we have seen large multinational enterprises, taxi companies, international logistics businesses, government entities and municipalities amongst others select our solutions over the competition. Migration has tended to be in batches of users, and so whilst the initial numbers might appear small on a relative basis we see significant intrinsic value in the initial sales we have already made and we anticipate material upsizing in these deployments, an expectation supported by the pipeline forecasts of our MNO partner.

Having successfully launched this solution in Israel, we will selectively make the bundled solution more widely available. We do not see it replacing our recurring licence model, but we see it as a complementary proposition, widening the addressable markets we can serve, especially in business critical and workforce efficiency markets where lower cost cellular PTT handsets are most relevant. Despite the considerable resource we put behind the launch of the bundled solution, it was particularly pleasing to see that we were able to maintain our levels of recurring revenues.

Mobile Network Operators (MNOs)

The strategy and focus around Mobile Tornado's route to market for its products, regionally and segmented by partner type, did not change substantially over the past 12 months. On the MNO side, key markets for the business remain Africa, South America and Israel and we are already partnered with the leading MNO in each market.

We have already highlighted the progress in Israel with our bundled solution, but I would reiterate that we recognise the unique strategic opportunity to capture a large number of PTT users on the back of the planned iDEN switch off now scheduled for the end of 2019. We have already converted a number of high-quality customers and progress with both enterprise and government agency prospects is very positive and we expect sales momentum will continue to build.

In Africa, where we are also engaged with the leading operators, our strategic advantage is the technical superiority we have. Cellular infrastructure on this continent is still largely 2G and 3G, and we are currently the only cellular PTT carrier grade market solution that can transition seamlessly across 2G, 3G, 4G and WiFi networks, delivering an uninterrupted service to the user. We have made good progress with our partner in this territory and have several trials running with public safety and government agency customers. South Africa is also a major security market and we are pleased to have deployed our solution into several multinational blue-chip security companies.

In South America, our partners have continued to support our direct to enterprise offering and trials are being conducted with a number of large enterprise customers. We are also in the process of implementing substantial platform upgrades with our MNO partners in Colombia and Mexico, designed to cater for a material increase in new users. We anticipate that this investment is a precursor to the increased deployment of our proposition in the region in the medium term. The market dynamics of these markets, which are also iDEN influenced, are similar to Israel in some respects so we are being patient.

Independent Solution Vendors (ISVs) and Software Integrators

We continue to see ever more integrated productivity solutions that connect the physical and digital worlds to deliver new and impactful answers to enterprise business challenges. Instant communication solutions are at the centre of this and we are engaged with numerous reseller partners involved in supply chain efficiency across a broad spectrum of business sectors including distribution, retail, remote operator, mining and resources, delivery services and manufacturing. Under this model our solution forms part of a wider bespoke solution to that workforce efficiency customer.

Key to our traction in this area has been the successful work we have completed to improve and simplify our Software Development Kit ("SDK") which now allows a third party system integrator to implement our software solution into their own platform in a matter of minutes under remote guidance from our technical team.

This market is a source of huge recurring revenue potential for the business and having identified numerous sector specialists to partner with we anticipate third party reseller solutions will become an area of increasing focus for the business over the coming 12-month period.

Investment and R&D

Moving onto the investment and operating expense side of the business, I would like to highlight that the improvement in our financial performance was not driven entirely from our sales successes. The multiple enhancements made to our technical platform following sustained investment over the last two years has allowed us to operate our technical platform more efficiently and was the primary reason for the £600,000 reduction in administrative expenses during the year. This was achieved despite widening our sales channels with the development of our bundled PTT solution, and further increasing the overall functionality and available features of our products.

The focus of our technical investment activity continues to centre on the robustness and efficiency of our platform, and its complimentary feature set. The costs of deploying our platform in terms of servers, devices and consoles continues to fall, widening our addressable market at both the higher and lower end of the market.

At the higher end, which encompasses Public Safety and Government Agency customers, the quality, relevance and efficiency of our technology solution cannot be ignored and there are developments to be excited about in this regard. Meeting the needs of this market from a technology perspective has not been easy but we have made four key improvements in this area over the period.

First, is our user and channel capacity. Our dual redundant servers can now be deployed to comfortably cater for up to 200,000 users, and our dispatch console solution can now simultaneously handle 18 independent PTT channels. This is a key threshold for most government agencies from a public safety perspective. Secondly, we have increased security by introducing end-to-end encryption where we now have a different encryption key on every transmission. Thirdly, we are about to launch our recording server that will enable customers to record all private and group communications across the system to support any necessary investigations. And finally, on the efficiency side, we have made significant improvements to the server and application to materially improve battery consumption on the device. This is particularly relevant to the public safety customers we are engaged with where operators can be field based for long periods.

We recognise that the barriers to entry for cellular based PTT solution providers like Mobile Tornado into the public safety markets are very high, in large part due to the control exerted by the incumbent players offering radio-based solutions which operate on their own high cost bespoke infrastructure and handsets. They will not give up their control of these markets easily, but we believe that, with our constantly improving cellular based solution, we are well placed to secure Public Safety contracts for the first time. These system improvements aimed specifically at the Public Safety market ensure we are at the forefront of cellular PTT communications technology and give us confidence that the trials and negotiations we are engaged in will bring us success in due course.

At the lower end of the market, enterprise engagement is largely about the "Total Cost of Ownership" and ensuring that we are widening the accessibility of our solutions to workforce efficiency customers. We have already covered some aspects of this that surround the efforts we made around our bundled PTT offering with lower cost handsets. Alongside this, we can now make our server platform available for as little as $20,000, which allows an enterprise to deploy a bespoke system at a very reasonable price. A good example of the relevance of this is the interest seen from certain mining groups in Africa who are interested to deploy dedicated bespoke platforms within each of their mines.

Principal risks and uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks.

The Directors have set out below the principal risks facing the business. The Directors are of the opinion that a thorough risk management process is adopted, which involves the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

Product obsolescence

Due to the nature of the market in which the Group operates, products are subject to technological advances and as a result, obsolescence. The Directors are committed to the research and development strategy in place and are confident that the Group is able to react effectively to the developments within the market.

Indirect route to market

As described above, one of the Group's primary channels to market are MNOs reselling our services to their enterprise customers. Whilst MNOs are ideally positioned to forward sell our services and are likely to possess material resources for doing so, there remains an inherent uncertainty arising from the Group's inability to exert full control over the sales and marketing strategies of these customers.

Going concern and funding

The Financial Statements are prepared on a going concern basis.

When determining the adoption of this approach the Directors have considered a wide range of information relating to present and future conditions, including the current state of the Balance Sheet, future projections, cash flow forecasts, access to funding, ability to successfully secure additional investment, available mitigating actions and the medium-term strategy of the business.

As noted above, 2018 represented a significant year of delivery for the Group, both in terms of financial performance and technical development and as we look ahead into 2019, the Group expects to continue this upward trajectory across its three key geographical markets.

In common with many businesses at this stage of development, the Group is dependent on its ability to meet its cash flow forecasts. Within those forecasts, the Group has included a number of significant payments and receipts based on its best estimate but, as with all forecasts, there does exist some uncertainty as to the timing and size of those payments and receipts. In particular the forecasts assume receipt of a significant outstanding customer debt, the ongoing deferral and phased payment of some of the Group's creditors, and the continuation at the current level of both the recurring revenue and a significant increase in the level of non-recurring revenues, including receipts in the current quarter. In the event that some or all of these receipts are delayed, deferred or reduced, or payments not deferred, management has considered the actions that it would need to take to conserve cash. These actions would include significant cost savings (principally payroll based) and/or seeking additional funding from its shareholders. These conditions, along with the other matters explained in note 1 to the financial statements in the report and accounts, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The Directors, while noting the existence of a material uncertainty and having considered the possible management actions as noted above, are of the view that the Group is a going concern and will be able to meet its debts as and when they fall due for a period of at least 12 months from the date of signing these accounts.

Outlook

This year has been a landmark year and one of substantial development for the Group. Our improved operating efficiency following a long period of sustained investment is clearly paying off and the successful launch of our Bundled PTT offering which delivers a complete solution to end users has driven significantly improved financial performance.

We are seeing increasing interest in the Group's products and solutions, and where we encounter inevitable competition we are demonstrating that we can succeed against established providers based on the superior quality, flexibility, robustness and features of our technical platform. The improved functionality and flexibility we now have has also driven down the total cost of ownership of our solutions widening our addressable market.

Under Avi Tooba's leadership we have a strong team focused on consistent execution. We expect that the rapidly improving operating performance of the business will now deliver durable long term cash flows and we are confident this will start to drive meaningful returns to our shareholders.

Approved by the Board of Directors and signed on behalf of the Board

Jeremy Fenn
Chairman
17 April 2019

Consolidated income statement
For the year ended 31 December 2018

	2018	2017
	£'000	£'000
Continuing operations		
Revenue	**2,974**	2,530
Cost of sales	**(315)**	(106)
Gross profit	**2,659**	2,424
Operating expenses		
Administrative expenses	**(3,547)**	(4,147)
Exchange differences	**(138)**	135
Exceptional items	**(49)**	(54)
Depreciation and amortisation expense	**(208)**	(112)
Total operating expenses	**(3,942)**	(4,179)
Group operating loss before exchange differences, exceptional items & depreciation and amortisation expense	**(888)**	(1,724)
Group operating loss	**(1,283)**	(1,755)
Finance costs	**(619)**	(698)
Loss before tax	**(1,902)**	(2,453)
Income tax credit	**367**	852
Loss for the year	**(1,535)**	(1,601)
Loss per share (pence)		
Basic and diluted	**(0.47)**	(0.61)

Consolidated statement of comprehensive income
For the year ended 31 December 2018

	2018	2017
	£'000	£'000
Loss for the year	**(1,535)**	(1,601)
Other comprehensive loss		
Item that will subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(28)**	41
Total comprehensive loss for the year	**(1,563)**	(1,560)

Attributable to:		
Equity holders of the parent	**(1,563)**	(1,560)

Consolidated statement of changes in equity
For the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Accumulated Losses £'000	Total equity £'000
Balance at 1 January 2017	**4,951**	**12,012**	**(7,620)**	**10,938**	**(2,254)**	**(32,664)**	**(14,637)**
Equity settled share-based payments	-	-	-	-	-	45	45
Issue of share capital	476	660	-	-	-	-	1,136
Transactions with owners	**476**	**660**	**-**	**-**	**-**	**45**	**1,181**
Loss for the year	-	-	-	-	-	(1,601)	(1,601)
Exchange differences on translation of foreign operations	-	-	-	-	41	-	41
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**41**	**(1,601)**	**(1,560)**
Balance at 31 December 2017	**5,427**	**12,672**	**(7,620)**	**10,938**	**(2,213)**	**(34,220)**	**(15,016)**

	Share	Share	Reverse acquisition	Merger	Foreign currency translation	Accumulated	Total

	capital £'000	premium £'000	reserve £'000	reserve £'000	reserve £'000	Losses £'000	equity £'000
Balance at 1 January 2018	**5,427**	**12,672**	**(7,620)**	**10,938**	**(2,213)**	**(34,220)**	**(15,016)**
Equity settled share-based payments	-	-	-	-	-	54	54
Issue of share capital	1,558	2,252	-	-	-	-	3,810
Transactions with owners	**1,558**	**2,252**	**-**	**-**	**-**	**54**	**3,864**
Loss for the year	-	-	-	-	-	(1,535)	(1,535)
Exchange differences on translation of foreign operations	-	-	-	-	(28)	-	(28)
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(28)**	**(1,535)**	**(1,563)**
Balance at 31 December 2018	**6,985**	**14,924**	**(7,620)**	**10,938**	**(2,241)**	**(35,701)**	**(12,715)**

Consolidated statement of financial position
As at 31 December 2018

	2018	2017
	£'000	£'000
Assets		
Non-current assets		
Property, plant and equipment	**219**	276
Intangible assets	**88**	125
	307	401
Current assets		
Trade and other receivables	**1,705**	1,721
Inventories	**151**	1
Cash and cash equivalents	**354**	732
	2,210	2,454
Liabilities		
Current liabilities		
Trade and other payables	**(4,555)**	(5,085)
Borrowings	**(2,796)**	(10,545)
Net current liabilities	**(5,141)**	(13,176)
Non-current liabilities		
Trade and other payables	**(2,257)**	(2,241)
Borrowings	**(5,624)**	-
	(7,881)	(2,241)
Net liabilities	**(12,715)**	(15,016)
Equity attributable to the owners of the parent		
Share capital	**6,985**	5,427
Share premium	**14,924**	12,672
Reverse acquisition reserve	**(7,620)**	(7,620)
Merger reserve	**10,938**	10,938
Foreign currency translation reserve	**(2,241)**	(2,213)
Accumulated losses	**(35,701)**	(34,220)
Total equity	**(12,715)**	(15,016)

Consolidated statement of cash flows
For the year ended 31 December 2018

	2018 £'000	2017 £'000
Operating activities		
Cash used in operations	**(1,849)**	(1,528)
Tax received	**493**	431
Net cash used in operating activities	**(1,356)**	(1,097)
Investing activities		
Purchase of property, plant & equipment	**(101)**	(80)
Net cash used in investing activities	**(101)**	(80)
Financing activities		
Issue of ordinary share capital	**1,351**	1,190
Share issue costs	**(81)**	(54)
(Repayment of) /Proceeds from borrowings	**(200)**	620
Net cash inflow from financing activities	**1,070**	1,756
Effects of exchange rates on cash and cash equivalents	**9**	(12)
Net (decrease)/increase in cash and cash equivalents in the year	**(378)**	567
Cash and cash equivalents at beginning of year	**732**	165
Cash and cash equivalents at end of year	**354**	732

Notes to the financial statements

1 Financial information

The financial information set out in this final results announcement does not constitute statutory accounts within the meaning of s434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2018 will be dispatched to shareholders for approval at the Annual General Meeting to be held on 17 June 2019. The statutory accounts contain an unqualified audit report, which did not include a statement under s498(2) or s498(3) of the Companies Act 2006, and will be delivered to the Registrar of Companies.

The statutory accounts for the year ended 31 December 2017 which have been delivered to the Registrar of Companies, contained an unqualified audit report and did not include a statement under s498(2) or s498(3) of the Companies Act 2006.

2 Segmental analysis

The Group presents its results in accordance with internal management reporting information to the chief operating decision makers (Board of Directors). At 31 December 2018 the Board continued to monitor operating results by category of revenue within a single operating segment, the provision of instant communication solutions. Under IFRS 8 the Group has only one operating segment. Therefore, the results presented in the income statement are the same as those required under IFRS 8, save for the year end entry of IFRS 2 share option charge of £54,000 (year ended 31 December 2017: £45,000).

Revenue by category

	2018 **£'000**	2017 £'000
License fees	**2,124**	1,972
Hardware & software	**307**	38
Professional services	**319**	319
Other	**224**	201
Total	**2,974**	2,530

Revenue is reported by geographical location of customers. Non-current assets are reported by geographical location of assets.

	2018 **Revenue** **£'000**	**2018** **Non-current assets** **£'000**	2017 Revenue £'000	2017 Non-current assets £'000
UK	**31**	**10**	33	15
Europe	**352**	**-**	437	-
North America	**1,146**	**-**	1,018	-
South America	**421**	**17**	367	28
Israel	**695**	**269**	274	358
Africa	**329**	**11**	401	-
Total	**2,974**	**307**	2,530	401

Our mobile network operator customer in Canada represents £1,050,000 (2017: £886,000) of the total revenue of the Group.

3 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £1,535,000 (2017: £1,601,000) by the weighted average number of ordinary shares in issue during the year of 326,694,121 (2017: 263,398,121).

	2018		2017	
	Basic and diluted		Basic and diluted	
	Loss	**Loss per share**	Loss	Loss per share
	£'000	**pence**	£'000	pence
Loss attributable to ordinary shareholders	**(1,535)**	**(0.47)**	(1,601)	(0.61)
Adjusted basic loss per share	**(1,535)**	**(0.47)**	(1,601)	(0.61)

The loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options are anti-dilutive under the terms of IAS 33.

4 Annual General Meeting

The Annual General Meeting of the Company will be held at Cardale House, Cardale Court, Beckwith Head Road, Harrogate, HG3 1RY on 17 June 2019 at 9.00 a.m. The audited results for the year ended 31 December 2018 will be posted to shareholders shortly and will be available on the Company's website at www.mobiletornado.com at the same time.