Mobile Tornado

31 March 2021

Mobile Tornado Group plc

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

2020 Final results

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 2020.

Financial Highlights

	2020	2019
	£'000	£'000
Recurring revenue	**2,042**	2,063
Non-recurring revenue*	**490**	1,391
Total revenue	**2,532**	3,454
Gross profit	**2,351**	3,174
Administrative expenses	**(2,722)**	(3,164)
Adjusted EBITDA**	**(371)**	10
Group operating loss	**(784)**	(324)
Loss before tax	**(1,390)**	(1,028)

- Total revenue decreased by 27% to £2.53m (2019: £3.45m)
    - Recurring revenues remained largely unchanged at £2.04m (2019: £2.06m)
    - Non-recurring revenues* decreased by 65% to £0.49m (2019: £1.39m)
- Gross profit decreased by 26% to £2.35m (2019: £3.17m)
- Operating expenses before depreciation, amortisation, exceptional items and exchange differences decreased by 14% to £2.72m (2019: £3.16m)
- Adjusted EBITDA** loss of £0.37m (2019: profit of £0.01m)
- Group operating loss for the year increased to £0.78m (2019: £0.32m)
- Loss after tax of £1.14m (2019: £0.82m)
- Basic loss per share of 0.30p (2019: 0.23p)
- Cash at bank of £0.19m (2019: £0.26m) with net debt of £9.10m (2019: £8.62m)

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

Operating highlights

- Recurring revenue stream remained stable despite the highly uncertain global economic environment, demonstrating strength of business model
- Deployment of a "track and trace" application with the Government of Bahamas to assist management of quarantine in the fight against COVID-19
- Partnership Agreement with global LTE telecoms solutions provider, Telrad Networks to offer an integrated, end-to-end solution for Push-to-Talk communication over broadband
- Partner network expanded with new agreements established covering Peru, Spain, Portugal, Andorra and the UK

- Renewal of Agreement with a major Mobile Network Operator ("MNO") in North America for a further 12 months

Jeremy Fenn, Chairman of Mobile Tornado, said: "Notwithstanding the unique challenges that 2020 presented, I am pleased with the resilience the business has exhibited, and the financial results that were delivered. More importantly, we retained and expanded our global network of partners, and have entered 2021 with a strong pipeline of potential new customers.

"We will continue to innovate around the platform, but our core focus now is to scale the recurring revenue base, to drive the business to sustained profitability. There are clear signs that activity levels within our key markets are picking up and we look forward to the business getting back on track and delivering a positive outcome for the current year."

Enquiries:

Mobile Tornado Group plc www.mobiletornado.com
Jeremy Fenn, Chairman +44 (0)7734 475 888

Allenby Capital Limited (Nominated Adviser & Broker) +44 (0)20 3328 5656
James Reeve (Corporate Finance)
David Johnson (Sales and Corporate Broking)

Walbrook PR Ltd +44(0)207933 8780 or mobiletornado@walbrookpr.com
Paul Vann / Nick Rome

Financial results and key performance indicators

Total revenue for the year ended 31 December 2020 decreased by 27% to £2.53m (2019: £3.45m). Recurring revenues remained largely unchanged at £2.04m (2019: £2.06m). Non-recurring revenues, comprising installation fees, hardware, professional services and capex license fees were impacted adversely by the Covid-19 pandemic and decreased to £0.49m (2019: £1.39m). As a result, gross profit decreased by 26% to £2.35m (2019: £3.17m).

Operating expenses before depreciation, amortisation, exceptional items and exchange differences in the year decreased by 14% to £2.72m (2019: £3.16m), reflecting the continued positive impact that further investment in the development and operating efficiencies of our enhanced technical platform have delivered.

Due to the annual retranslation of certain financial liabilities on the balance sheet, the Group reported a translation loss of £0.07m (2019: gain of £0.08m) arising from the depreciation of Sterling relative to the Euro as at 31 December 2020 versus the previous year end. The Group recorded a net income tax credit of £0.25m (2019: £0.21m).

The loss after tax for the year increased to £1.14m (2019: loss of £0.82m) equating to an increased basic loss per share of 0.30p (2019: 0.23p).

The net cash outflow from operating activities reduced by 86% to £0.1m (2019: £0.71m). At 31 December 2020, the Group had £0.19m cash at bank (2019: £0.26m) and net debt of £9.10m (31 December 2019: £8.62m).

The balance sheet continues to reflect the cumulative loss position of the Group, and those net liabilities that have resulted from this. We continue to hold levels of debt in the Group which have funded these historical losses.

Results and dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020 (year ended 31 December 2019: nil). The Company currently intends to reinvest future earnings to finance the growth of the business over the near term.

Review of Operations

Despite the enormous impact that the COVID 19 pandemic has had on the global economy, I am pleased to report that our business has weathered the storm and is emerging in good shape. Our recurring revenue streams, generated across 21 customers operating in 19 countries, remained largely unchanged at £2.04m, illustrating the robustness and quality of our proposition and customer base.

Many of the new business opportunities that we were working towards when the pandemic took hold in March 2020, were in South America and South Africa. Unfortunately, these two markets were hit particularly hard, and we were unable to complete the normal sales cycle with prospective customers. Furthermore, a number of these opportunities were with Government departments, agencies and utilities, which became subject to budget cuts and freezes as resources were redeployed to manage the response to the crisis. As a result, our new business non-recurring revenues, comprising installation fees, hardware, professional services and capex licenses declined by 65% to £0.49m.

To mitigate the impact of this shortfall, we worked hard to drive further efficiencies across our operations and were able to take out approximately £0.44m of cost-base during the year. This enabled us to limit cash used in operations during the year to a very modest £0.10m (2019: £0.71m), maintaining our operation with no further funding requirement from shareholders.

There were some notable successes during the year, including the sale of a "track and trace" system to the Bahamas Government to protect its residents and manage those individuals placed into quarantine. It was a relatively small deployment, but it illustrated the flexibility of our solution in handling mission-critical requirements.

We have put a lot of energy into supporting our business activities in South America and are now beginning to see signs that these economies are emerging from the worst of the pandemic. Our intention is to establish a strong business platform in Mexico and Colombia and to use that as the base to move into other countries within the region. Our solution is being used by approximately 400 organisations across these two markets, and the pipeline is very strong for 2021. It is a market that I hope will drive the growth in our recurring revenues during the current financial year.

Our engagements with various Government departments and utilities in South Africa have been severely impacted during the last 12 months, driven by the redirection of budgets towards managing the impact of COVID-19. We have, however, maintained a good dialogue with our MNO partner and are hopeful that Governmental budget constraints will be eased during this year, and that we can conclude some of the deals we have been working towards.

In Israel we have continued to progress our business with the leading MNO in the country and are encouraged that their early emergence from lockdown as a result of a successful vaccine rollout should result in renewed deal activity in the first half of 2021. Towards the end of 2020, we closed out a partnership agreement with Telrad Networks, the leading global LTE telecoms solution provider. Telrad will market a solution that allows customers with traditional land mobile radio (LMR) and digital mobile radio (DMR) to migrate to an integrated end-to-end solution for Push to Talk communication over broadband. This solution offers all modes of communication including voice, messaging, alerts and SOS, and marketing has commenced during the current quarter, with early interest from a number of prospects within the Oil and Gas sector.

In addition to establishing relationships with new partners in Peru, Spain, Portugal, Andorra and the UK, we were delighted to renew our deal with a major MNO in North America for a further 12 months. We have now provided services to its customers for seven years, a further illustration of the quality of the solution and business model.

Research and Development

With the pause in sales activity during the year, we took the opportunity to accelerate the development of our technical platform, adding further features and functions. As well as facilitating the sharing of image and video files on the dispatch console, we integrated with a number of new devices including body-cams and scanners. We also developed a new mobile device manager (MDM) application that will allow customers to generate significant efficiencies through the utilisation of our platform. Our team have also managed to increase the size of groups that the server and dispatch console can handle to 3,500 users, which we believe makes us the market leader for large group communications.

We are also working with a number of existing and potential customers to develop additional workforce management functionality within our platform that would allow them to consolidate their activities into one single solution, thereby facilitating significant cost savings. Our focus initially is the security sector, and we hope to be running field trials with a number of prospective customers towards the end of the first half.

As highlighted above, we have been able to take out further costs during the year, as the robustness of our technical platform steadily improves. We currently operate R&D centres in both Israel and India, and we have been able to flex the mix of skills and location to drive additional efficiencies.

Funding

Despite the challenging business environment, I am pleased to report that we have been able to trade through the last 12 months within our existing cash resources. We extended our £0.3m revolving loan facility with our principal shareholder, Intechnology plc, for a further 12 months in September 2020, and I can confirm that as at today's date the balance drawn down is £nil. (31 December 2019: £nil)

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 Group's current research and development strategy and are confident that the Group is able to react effectively to 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

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, together with that continued support offered by our principal shareholder Intechnology plc, who, as in previous years, has agreed not to call on existing loans and borrowings and to extend our working capital facility (as announced on 23 September 2020). Further consideration has been given to 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.

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 the ongoing deferral and phased payment of some of the Group's creditors (as disclosed in note 14 to the financial statements of the annual report and accounts), and the continuation at the current level of recurring revenue and a significant increase in the level of non-recurring revenues. 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, for which there is currently no shareholder commitment requested. These conditions, together with the other matters explained in note 1 to the financial statements of the annual 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, whilst 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

Notwithstanding the unique challenges that 2020 presented, I am pleased with the resilience the business has exhibited, and the financial results that were delivered. More importantly, we retained and expanded our global network of partners, and have entered 2021 with a strong pipeline of potential new customers.

We will continue to innovate around the platform, but our core focus now is to scale the recurring revenue base, to drive the business to sustained profitability. There are clear signs that activity levels within our key markets are picking up and we look forward to the business getting back on track and delivering a positive outcome for the current year.

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

Jeremy Fenn
Chairman
31 March 2021

Consolidated income statement
For the year ended 31 December 2020

	2020	2019
	£'000	£'000
Continuing operations		
Revenue	**2,532**	3,454
Cost of sales	**(181)**	(280)
Gross profit	**2,351**	3,174
Operating expenses		
Administrative expenses	**(2,722)**	(3,164)
Exchange differences	**(69)**	83
Depreciation and amortisation expense	**(344)**	(417)
Total operating expenses	**(3,135)**	(3,498)
Group operating loss before exchange differences, exceptional items & depreciation and amortisation expense	**(371)**	10
Group operating loss	**(784)**	(324)
Finance costs	**(606)**	(704)
Loss before tax	**(1,390)**	(1,028)
Income tax credit	**248**	211
Loss for the year	**(1,142)**	(817)
Loss per share (pence)		
Basic and diluted	**(0.30)**	(0.23)

Consolidated statement of comprehensive income
For the year ended 31 December 2020

	2020	2019
	£'000	£'000
Loss for the year	**(1,142)**	(817)
Other comprehensive gain/(loss)		
Item that will subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**16**	21
Total comprehensive loss for the year	**(1,126)**	(796)
Attributable to:		
Equity holders of the parent	**(1,126)**	(796)

Consolidated statement of financial position
As at 31 December 2020

	2020	2019
	£'000	**£'000**
Assets		
Non-current assets		
Property, plant and equipment	**148**	213
Intangible assets	**12**	50
Right-of-use assets	**316**	558
	476	821
Current assets		
Trade and other receivables	**1,906**	1,976
Inventories	**56**	108
Cash and cash equivalents	**187**	264
	2,149	2,348
Liabilities		
Current liabilities		
Trade and other payables	**(4,968)**	(4,482)
Borrowings	**(8,902)**	(8,311)
Lease liabilities	**(252)**	(275)
Net current liabilities	**(11,973)**	(10,720)
Non-current liabilities		
Trade and other payables	**(1,451)**	(1,776)
Borrowings	**(46)**	-
Lease liabilities	**(83)**	(301)
	(1,580)	(2,077)
Net liabilities	**(13,077)**	(11,976)
Equity attributable to the owners of the parent		
Share capital	**7,595**	7,595
Share premium	**15,797**	15,797
Reverse acquisition reserve	**(7,620)**	(7,620)
Merger reserve	**10,938**	10,938
Foreign currency translation reserve	**(2,204)**	(2,220)
Accumulated losses	**(37,583)**	(36,466)
Total equity	**(13,077)**	(11,976)

Consolidated statement of changes in equity
For the year ended 31 December 2020

	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 2019	**6,985**	**14,924**	**(7,620)**	**10,938**	**(2,241)**	**(35,701)**	**(12,715)**
Equity settled share-based payments	-	-	-	-	-	52	52
Issue of share capital	610	873	-	-	-	-	1,483
Transactions with owners	**610**	**873**	**-**	**-**	**-**	**52**	**1,535**
Loss for the year	-	-	-	-	-	(817)	(817)
Exchange differences on translation of foreign operations	-	-	-	-	21	-	21
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**21**	**(817)**	**(796)**
Balance at 31 December 2019	**7,595**	**15,797**	**(7,620)**	**10,938**	**(2,220)**	**(36,466)**	**(11,976)**

	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 2020	**7,595**	**15,797**	**(7,620)**	**10,938**	**(2,220)**	**(36,466)**	**(11,976)**
Equity settled share-based payments	-	-	-	-	-	25	25
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**25**	**25**
Loss for the year	-	-	-	-	-	(1,142)	(1,142)
Exchange differences on translation of foreign operations	-	-	-	-	16	-	16
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**16**	**(1,142)**	**(1,126)**
Balance at 31 December 2020	**7,595**	**15,797**	**(7,620)**	**10,938**	**(2,204)**	**(37,583)**	**(13,077)**

Consolidated statement of cash flows
For the year ended 31 December 2020

	2020 £'000	2019 £'000
Operating activities		
Cash used in operations	**(101)**	(705)
Tax received	**238**	313
Interest paid	**-**	(12)
Net cash from/(used in) operating activities	**137**	(404)
Investing activities		
Purchase of property, plant & equipment	**(3)**	(100)
Purchase of right-of-use assets	**-**	(836)
Net cash used in investing activities	**(3)**	(936)
Financing activities		
Issue of ordinary share capital	**-**	1,525
Share issue costs	**-**	(42)
Increase/(decrease) in borrowings	**50**	(775)
IFRS 16 leases	**(259)**	549
Net cash from/(used in) financing activities	**(209)**	1,257
Effects of exchange rates on cash and cash equivalents	**(2)**	(7)
Net decrease in cash and cash equivalents in the year	**(77)**	(90)
Cash and cash equivalents at beginning of year	**264**	354
Cash and cash equivalents at end of year	**187**	264

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 2020 will be made available to shareholders for approval at the next Annual General Meeting. 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 2019 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 maker (Board of Directors). At 31 December 2020 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 £25,000 (year ended 31 December 2019: £52,000).

Revenue by category

	2020 **£'000**	2019 £'000
License fees	**1,843**	2,185
Hardware & software	**267**	451
Professional services	**218**	609
Support & Maintenance	**204**	209
Total	**2,532**	3,454

	2020 **£'000**	2019 £'000
Recurring	**2,042**	2,063
Non-recurring	**490**	1,391
Total	**2,532**	3,454

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

	2020 **Revenue** **£'000**	**2020** **Non-current assets** **£'000**	2019 Revenue £'000	2019 Non-current assets £'000
UK	**24**	**-**	36	5
Europe	**213**	**-**	153	-

North America	**755**	**-**	985	-
South America	**805**	**-**	1,047	1
Israel	**365**	**476**	731	815
Africa	**367**	**-**	502	-
Asia/Pacific	**3**	**-**	-	-
Total	**2,532**	**476**	3,454	821

Of the total revenue of the Group, four customers each represented revenue greater than 10% of this total – these being 27% or £684,000 (2019: 23% or £912,000), 16% or £414,000 (2019: 20% or £676,000), 15% or 367,000 (2019: 15% or £525,000) and 15% or £391,000 (2019: 11% or £369,000) respectively.

3 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £1,142,000 (2019: £817,000) by the weighted average number of ordinary shares in issue during the year of 379,744,923 (2019: 359,770,621).

	2020		2019	
	Basic and diluted		Basic and diluted	
	Loss	**Loss per share**	Loss	Loss per share
	£'000	**pence**	£'000	pence
Loss attributable to ordinary shareholders	**(1,142)**	**(0.30)**	(817)	(0.23)
Adjusted basic loss per share	**(1,142)**	**(0.30)**	(817)	(0.23)

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 announced separately in due course. The audited results for the year ended 31 December 2020 will be made available to shareholders shortly and will be available on the Company's website at www.mobiletornado.com at the same time.