

29 September 2021

Mobile Tornado Group plc

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

Half Yearly Report

Mobile Tornado (AIM: MBT), the leading provider of instant communication mobile applications to the enterprise market, announces its unaudited results for the six-month period to 30 June 2021.

Financial highlights

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000
Recurring revenue	1,066	1,014
Non-recurring revenue*	203	280
Total revenue	1,269	1,294
Gross profit	1,232	1,169
Administrative expenses	(1,219)	(1,374)
Adjusted EBITDA**	13	(205)
Group operating loss	(76)	(533)
Loss before tax	(378)	(835)

- Total revenue decreased by 2% to £1.27m (H1 2020: £1.29m)
 - Recurring revenues increased by 5% to £1.07m (H1 2020: £1.01m)
 - Non-recurring revenues* decreased by 28% to £0.20m (H1 2020: £0.28m)
- Operating expenses decreased by 11% to £1.22m (H1 2020: £1.37m)
- Adjusted EBITDA** of £0.01m (H1 2020: £0.21m loss)
- Group operating loss for the year decreased to £0.08m (H1 2020: £0.53m)
- Loss before tax of £0.38m (H1 2020: £0.84m)
- Basic loss per share of 0.09p (H1 2020: 0.22p)
- Net cash inflow from operating activities of £0.11m (H1 2020: £0.31m)
- Net debt at 30 June 2021 of £9.09m (H1 2020: £8.16m)
- Cash and cash equivalents of £0.16m (H1 2020: £0.45m)

*Non-recurring revenues comprising installation fees, hardware, professional services and capex license fees

**Earnings before interest, tax, depreciation, amortisation, exceptional items and excluding exchange differences

Operating Highlights

- Continued resilience of our recurring revenue base in the face of a challenging global trading environment
- Significant deal closed in Columbia with a global security company
- Further platform operating efficiencies have reduced total operating expenses and enabled us to deliver a positive EBITDA result for the period
- Development of a more comprehensive resource management solution, combining our PTT services with specific workforce management functionality and device management capabilities.

Jeremy Fenn, Chairman of Mobile Tornado, said: "The biggest challenge we have faced during the last 18 months has been customer engagement and new customer acquisition due to the enforced travel restrictions as a result of COVID-19. This problem has been particularly acute in our two primary markets, South America and Africa. The strength of our customer base, technical platform and recurring revenue streams has allowed us to trade through the period without incurring material losses or requiring further cash injections. Given the relative size of our business, this has been a notable achievement.

"Notwithstanding the difficulties it has caused us, the COVID-19 pandemic has positively impacted the workforce management market, driving digitisation and automation across business sectors globally. In the wake of the disruption that has been caused, many businesses have identified the need to improve employee time, attendance and scheduling processes, thereby driving the efficiency of their workforces.

"We have identified this wider opportunity and believe that the addition of WFM and MDM functionality to our real time communication platform, will offer something unique and compelling to the market. We look forward to updating shareholders in November when we expect to formally launch this new platform to the market.

"In the meantime, we are continuing to support our existing partners across the many geographies within which we operate. We have reached a position where the cost base is broadly covered by core recurring revenues, and we are now seeing increasing levels of activity. I am hopeful that we may see some revenue growth in the second half as we continue to be engaged with some significant prospects across all key markets."

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Financial results

Total turnover in the six-month period to 30 June 2021 decreased by 2% to £1.27m (H1 2020: £1.29m). Recurring revenues increased by 5% to £1.07m (H1 2020: £1.01m). Non-recurring revenues, comprising installation fees, hardware, professional services and capex license fees decreased by 28% to £0.20m (H1 2020: £0.28m). Gross profit increased by 5% to £1.23m (H1 2020: £1.17m), a result of the increase in higher margin recurring revenues.

Operating expenses before depreciation, amortisation, exceptional items and exchange differences in the period continued their downward trajectory, decreasing by 11% to £1.22m (H1 2020: £1.37m) and reflecting the continued 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 currency translational gain of £0.08m (H1 2020: £0.16m loss) arising from the appreciation of Sterling comparative to the start of the period. As a result of the above, the loss after tax for the period decreased by 57% to £0.36m (H1 2020: Loss £0.84m).

The Group reported a net cash inflow from operating activities during the period of £0.11m (H1 2020: £0.31m) reflecting the continued strong focus on cash management. At 30 June 2021, the Group had £0.16m cash at bank (30 June 2020: £0.45m) and net debt of £9.09m (30 June 2020: £8.16m).

Review of operations

The continued resilience of our recurring revenue base has been the key highlight of our first half trading performance. We have seen a 5% overall increase, with positive uplifts in South America offsetting some churn from our customer in Canada.

Our partner in Colombia closed out a significant deal with a global security company, which provides further validation that our communication platform is attractive to major corporate enterprises with large remote workforces.

The COVID-19 related restrictions that have continued in our primary markets of South America and South Africa have made it difficult to engage and deploy trials with prospective customers, which has made winning new business challenging. As a result, our non-recurring revenues are slightly down on the prior period. There are, however, clear signs that enterprises and government agencies are engaging again with our partners in these territories and I am optimistic that we will see activity levels increasing as we finish the year.

To counter the challenging trading environment, we have kept tight control of our cost base, and the platform efficiencies we have driven through the business has allowed us to deliver a saving on operating expenses, which has enabled us to announce a positive EBITDA outcome for the period. We have also continued to report a net cash inflow from operating activities which, given the challenges we have faced during the last 18 months, is a further testament to the strength of our business model and the quality of the customers deploying our platform.

Research and development

Given the lull in activity levels during the last 12 months, and the reduction in demands on our technical team, we have taken the opportunity to continue the development of our proposition, with a view to expanding our addressable market.

We have been developing a comprehensive resource management solution, which combines the current Push to Talk ('PTT') application with workforce management functionality ('WFM') and mobile device management ('MDM'). Many of our customers are currently using our PTT service alongside separate WFM and MDM applications. We believe this new approach will offer customers a more efficient and cost-effective way to optimise the management of remote workforces and streamline back-office operations.

Our target market will be businesses with remote workforces, but initially we will focus on the security, hospitality and public utility verticals. We will continue to distribute the new proposition through resellers and mobile network operators, but in the future, we may look to sell direct through the internet.

We have commenced beta trials with several companies and expect to formally launch the new service in November of this year, when more detail around the features and functionality of the new platform will be released.

Funding

We announced on 24 September 2021 a 12-month extension of our £0.3m revolving loan facility with principal shareholder, Intechnology plc. This facility now has a term ending on 26 September 2022 and as at today's date, the balance drawn down is £nil.

Whilst we recognise the continued uncertainty COVID-19 brings to our projections, we remain confident that our available cash resources together with our long-established recurring revenue customer base and anticipated future contracts will provide us with adequate financial resources for the foreseeable future.

Outlook

The biggest challenge we have faced during the last 18 months has been customer engagement and new customer acquisition due to the enforced travel restrictions as a result of COVID-19. This problem has been particularly acute in our two primary markets, South America and Africa. The strength of our customer base, technical platform and recurring revenue streams has allowed us to trade through the period without incurring material losses or requiring further cash injections. Given the relative size of our business, this has been a notable achievement.

Notwithstanding the difficulties it has caused us, the COVID-19 pandemic has positively impacted the workforce management market, driving digitisation and automation across business sectors globally. In the wake of the disruption that has been caused, many businesses have identified the need to improve employee time, attendance and scheduling processes, thereby driving the efficiency of their workforces.

We have identified this wider opportunity and believe that the addition of WFM and MDM functionality to our real time communication platform, will offer something unique and compelling to the market. We look forward to updating shareholders in November when we expect to formally launch this new platform to the market.

In the meantime, we are continuing to support our existing partners across the many geographies within which we operate. We have reached a position where the cost base is broadly covered by core recurring revenues, and we are now seeing increasing levels of activity. I am hopeful that we may see some revenue growth in the second half as we continue to be engaged with some significant prospects across all key markets.

Jeremy Fenn
Chairman
29 September 2021

Consolidated income statement
For the six months ended 30 June 2021

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	Year ended 31 December 2020 Audited £'000
Note			
Continuing Operations			
Revenue	1,269	1,294	2,532
Cost of sales	(37)	(125)	(181)
Gross profit	1,232	1,169	2,351
Other operating expenses	(1,219)	(1,374)	(2,722)
Group operating profit/(loss) before exchange differences, exceptional items, depreciation and amortisation expense	13	(205)	(371)
Exchange differences	78	(155)	(69)
Depreciation and amortisation expense	(167)	(173)	(344)
Total operating expenses	(1,307)	(1,702)	(3,135)
Group operating loss	(76)	(533)	(784)
Finance costs	(302)	(302)	(606)
Loss before tax	(378)	(835)	(1,390)
Income tax credit	22	(1)	248
Loss for the period	(356)	(836)	(1,142)
Loss per share (pence)			
Basic and diluted	3	(0.09)	(0.30)

**Consolidated statement of comprehensive income
For the six months ended 30 June 2021**

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	Year ended ended 31 December 2020 Audited £'000
Loss for the period	(356)	(836)	(1,142)
Other comprehensive income			
Exchange differences on translation of foreign operations	7	(38)	16
Total comprehensive loss for the period	(349)	(874)	(1,126)

Consolidated statement of changes in equity
For the six months ended 30 June 2021

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'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	-	-	-	-	-	9	9
Transactions with owners	-	-	-	-	-	9	9
Loss for the period	-	-	-	-	-	(836)	(836)
Exchange differences on translation of foreign operations	-	-	-	-	(38)	-	(38)
Total comprehensive income for the period	-	-	-	-	(38)	(836)	(874)
Balance at 30 June 2020	7,595	15,797	(7,620)	10,938	(2,258)	(37,293)	(12,841)
	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2020	7,595	15,797	(7,620)	10,938	(2,258)	(37,293)	(12,841)
Equity settled share-based payments	-	-	-	-	-	16	16
Issue of share capital	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	16	16
Loss for the period	-	-	-	-	-	(306)	(306)
Exchange differences on translation of foreign operations	-	-	-	-	54	-	54
Total comprehensive income for the period	-	-	-	-	54	(306)	(252)
Balance at 31 December 2020	7,595	15,797	(7,620)	10,938	(2,204)	(37,584)	(13,077)
	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	7,595	15,797	(7,620)	10,938	(2,204)	(37,583)	(13,077)
Equity settled share-based payments	-	-	-	-	-	10	10

Issue of share capital	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	10	10
Loss for the period	-	-	-	-	-	(356)	(356)
Exchange differences on translation of foreign operations	-	-	-	-	7	-	7
Total comprehensive income for the period	-	-	-	-	7	(356)	(349)
Balance at 30 June 2021	7,595	15,797	(7,620)	10,938	(2,197)	(37,929)	(13,416)

**Consolidated balance sheet
As at 30 June 2021**

	30 June 2021 Unaudited £'000	30 June 2020 Unaudited £'000	31 December 2020 Audited £'000
Note			
Assets			
Non-current assets			
Property, plant & equipment	116	194	148
Intangible assets	-	31	12
Right-of-use assets	200	437	316
	316	662	476
Current assets			
Trade and other receivables	1,620	1,590	1,906
Inventories	43	88	56
Cash and cash equivalents	159	446	187
	1,822	2,124	2,149
Liabilities			
Current liabilities			
Trade and other payables	(4,318)	(4,839)	(4,968)
Borrowings	(3,504)	(8,604)	(8,902)
Lease liabilities	(213)	(275)	(252)
Net current liabilities	(6,213)	(11,594)	(11,973)
Non-current liabilities			
Trade and other payables	(1,776)	(1,728)	(1,451)
Borrowings	(5,743)	-	(46)
Lease liabilities	-	(181)	(83)
	(7,519)	(1,909)	(1,580)
Net liabilities	(13,416)	(12,841)	(13,077)
Shareholders' equity			
Share capital	4 7,595	7,595	7,595
Share premium	4 15,797	15,797	15,797
Reverse acquisition reserve	(7,620)	(7,620)	(7,620)
Merger reserve	10,938	10,938	10,938
Foreign currency translation reserve	(2,197)	(2,258)	(2,204)
Retained earnings	(37,929)	(37,293)	(37,583)
Total equity	(13,416)	(12,841)	(13,077)

Consolidated cash flow statement
For the six months ended 30 June 2021

	Note	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	Year ended 31 December 2020 Audited £'000
Operating activities				
Cash (used in)/from operations	5	(187)	26	(101)
Tax credit received		293	279	238
Interest paid		-	-	-
Net cash inflow from operating activities		106	305	137
Investing activities				
Purchase of property, plant & equipment		(9)	(1)	(3)
Purchase of right-of-use assets		-	-	-
Net cash used in investing activities		(9)	(1)	(3)
Financing				
Proceeds from/(repayment of) borrowings		-	-	50
IFRS 16 leases		(124)	(130)	(259)
Net cash (outflow)/inflow from financing		(124)	(130)	(209)
Effects of exchange rates on cash and cash equivalents				
		(1)	8	(2)
Net increase/(decrease) in cash and cash equivalents in the period				
Cash and cash equivalents at beginning of period		187	264	264
Cash and cash equivalents at end of period		159	446	187

**Notes to the interim report
For the six months ended 30 June 2021**

1 General information

The financial information in the interim report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 and has not been audited or reviewed. The financial information relating to the year ended 31 December 2020 is an extract from the latest published financial statements on which the auditor gave an unmodified report that did not contain statements under section 498 (2) or (3) of the Companies Act 2006 and which have been filed with the Registrar of Companies.

2 Basis of preparation

These interim financial statements are for the six months ended 30 June 2021. They have been prepared using the recognition and measurement principles of IFRS.

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2020. The accounting policies have been applied consistently throughout the Group for the purpose of preparation of the interim financial statements.

3 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £356,000 (30 June 2020: £836,000, 31 December 2020: £1,142,000) by the weighted average number of ordinary shares in issue during the period of 379,744,923 (30 June 2020: 379,744,923, 31 December 2020: 379,744,923).

	Six months ended 30 June 2021 Unaudited Basic and diluted Loss Loss per share		Six months ended 30 June 2020 Unaudited Basic and diluted Loss Loss per share		Year ended 31 December 2020 Audited Basic and diluted Loss Loss per share	
	£'000	pence	£'000	pence	£'000	pence
Loss attributable to						
ordinary shareholders	(356)	(0.09)	(836)	(0.22)	(1,142)	(0.30)

4 Share capital and share premium

	Number of shares '000	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2020, 31 December 2020 & 30 June 2021	379,745	7,595	15,797	23,392

Non-voting preference shares

	Number of shares '000	Nominal Value £'000
At 30 June 2020, 31 December 2020 and 30 June 2021	71,277	5,702

Liabilities and preference shares totalling £5,702k were converted into 71,277k 8p preference shares on 28 August 2013. The preference shares are non-voting, non-convertible redeemable preference shares currently redeemable at par value on 31 December 2022, or, at the Company's discretion, at any earlier date. The Preference Shares accrue interest at a fixed rate of 10% per annum.

5 Cash used in operations

	Six months ended 30 June 2021 Unaudited £'000	Six months ended 30 June 2020 Unaudited £'000	Year ended 31 December 2020 Audited £'000
Loss before taxation	(378)	(835)	(1,390)
Adjustments for:			
Depreciation and amortisation	167	173	344
Share based payment charge	10	9	25
Interest expense	302	302	606
Changes in working capital:			
Decrease in inventories	13	28	52
Decrease/(Increase) in trade and other receivables	12	125	76
Increase/(Decrease) in trade and other payables	(313)	224	186
Net cash inflow from/(used in) operations	(187)	26	(101)

6 Shareholder information

The interim announcement will be published on the company's website www.mobiletornado.com on 29 September 2021.