Concurrent Technologies (CNC) AIM

Following a strong first half performance, technology group Concurrent Technologies looks set to make further progress. The group operates in growth markets and it seems likely that it will benefit from increased spending in both the defence and telecommunications sectors.

The group continues to introduce new products and it is recruiting more engineers for its design team whilst also looking to strengthen its sales and marketing operations both in the UK and overseas.

The group has a very strong balance sheet with net cash at 30 June 2016 of £8.2m, which will help fund organic growth as well as potential acquisitions.

With significant export sales, notably to the USA, the group seems likely to benefit from the weakness of sterling in the short-term at least, although in the long-term the currency effect should be neutral.

The shares look to have long-term attractions.

Activities

Established in 1985, Concurrent Technologies has grown to become a world leader in the design, manufacture and supply of innovative high-end embedded computer products for use in a wide range of applications within the defence, telecommunications, security, telemetry, scientific and aerospace markets. The company offers an extensive range of high performance products based on long lifecycle components, and cover a range of central processing unit (CPU) boards including single and multi-core processor boards, many using the latest generation of Intel® processors. The products are designed to be compliant with industry specifications and deliver high levels of reliability with substantial processing power whilst a common feature of the newer products is the low level of electrical power required. The group has also developed ruggedized versions of many of its products for use in harsh and wide temperature environments. The group has an extensive customer base with blue chip customers and it has developed long term relationships with many of these. The group's manufacturing is all undertaken at its Colchester headquarters although there are design and engineering teams working in the USA and India as well. Sales and support teams operate from most of these offices as well as additional locations in China.

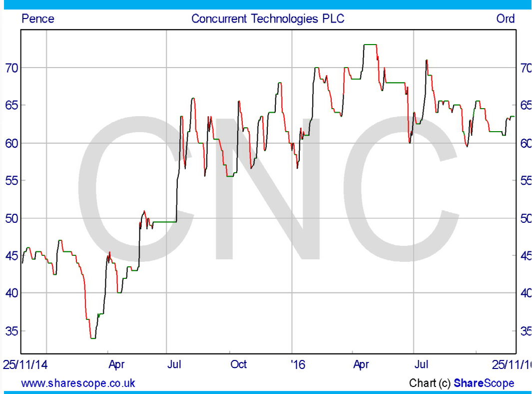
Results and Consensus Forecasts

Year to 31st December	Revenue (£m)	Pre-Tax Profit (£m)	Earnings per share (p)	P/E Ratio	Net Dividend (p)	Net Yield (%)
2014A	12.8	1.7	2.3	27.6	1.8	2.8
2015A	17.1	2.7	3.8	16.7	1.9	3.0
2016E	16.3	2.7	3.7	17.2	2.1	3.3
2017E	17.4	3.3	4.6	13.8	2.2	3.5

KEY DATA

Share Price:	63.5p
Prospective p/e ratio:	17.2x
Prospective net yield:	3.3%
Market Capitalisation:	£45.9m
Next Results Due:	MAR
Net Cash (30 June 2016):	£8.2m
NAV/share (30 June 2016):	23p

SHARE PRICE PERFORMANCE



2015/16 high/low: 73p/34p

BULLET POINTS

- Similar levels of pre-tax profit and earnings per share to the exceptional first half performance in 2015
- Positive outlook statement for the remainder of 2016
- Opportunities for further organic growth notably in defence and telecommunications
- Net cash balance of £8.2m at the end of June 2016
- Continuation of dividend policy
- Further acquisitions are possible
- Solid balance sheet

Date of Report : 2 December 2016

www.brokerlink.co.uk

COMPANY DATA

Stockbrokers:
Cenkos Securities

Significant Shareholders:

Miton Group	17.9%
Liontrust Investment Ptnrs	14.0%
M Collins (Chairman)	6.1%
Hargreave Hale Limited	5.5%

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Interim Results

In the six months to 30 June, group revenue fell to £9.0m (H1 2015: £9.6m) although the first half of 2015 produced an exceptional performance. Gross margins for the period were higher than last year at 54.8% (H1 2015: 48.7%) and this meant that pre-tax profit only declined slightly to £1.5m (H1 2015: £1.6m). Earnings per share actually increased slightly to 2.12p (H1 2015: 2.06p) helped by a reduction in the tax charge and an interim dividend of 0.8p (H1 2015: 0.7p) was declared, continuing the group's dividend policy. The group's balance sheet remains very strong with net cash balances of £8.2m at 30 June 2016 (30 June 2015: £5.7m), an increase of £2.3m over the balance at the start of the year.

The first half benefited from a significant increase in revenues to the defence sector, with these rising by 59% mainly to US customers, although revenues were generated from all regions. Sales relating to industrial applications also increased, mainly due to demand from overseas customers. During the period, exports increased substantially to account for 81% of total revenues (H1 2015: 52%), with the vast bulk of these going to the USA.

The group continued to extend its product range during the first half with a number of product launches, whilst it also maintained its expenditure on research and development.

Prospects

Since the announcement of the interim results, the group has announced the release of two new products which it believes will enhance its product offering. Clearly, with spending on security and defence set to continue to grow, there are a number of opportunities for the group. The telecommunications sector is also seen as a sector with strong growth possibilities and the group is likely to focus on these two areas with its research and development programmes. Both the defence and telecommunications markets utilise the same processor and software technologies as well as the same manufacturing methods. To support this, the group continues to recruit engineers for its design facilities in the UK, US and India as it looks to create more innovative products.

The group is also looking to expand its sales and support function going forward, whilst it also intends to collaborate with its customers at an earlier stage to help them with the development of their systems.

With a strong balance sheet, boasting significant net cash, the group is in an excellent position to take advantage of any acquisition opportunities that may arise. However, even without this the group seems well placed to grow organically and the prospects for the group look encouraging.

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