

Holders Technology plc
 (“the Group”)

Specialised PCB Materials, Lighting and Wireless Control Solutions

Final results for the year ended 30 November 2021

Holders Technology plc (AIM: HDT) announces its audited results for the year ended 30 November 2021.

The Group supplies specialty laminates and materials for printed circuit board manufacture (“PCB”) and operates as a Lighting and Control Solutions (“LCS”) provider. The Group operates from the UK and from Germany, with PCB divisions and LCS divisions in each country. In addition, LCS operates joint ventures in the UK, Austria, New Zealand and Australia.

Revenue and profitability for all divisions improved during the year, helped by a general improvement in economic conditions. On 30 September 2021 the Group disposed of certain commodity PCB assets from the UK and Germany divisions.

An interim dividend of 0.50p per share was paid on 5 October 2021, and a special dividend of 2.0p per share was paid on 28 January 2022. The directors will recommend payment of a final dividend of 0.50p per share, a total of 3.0p for the year (2020 total: 0.50p).

The results are summarised below.

		2021	2020
		£'000	£'000
• Revenue	PCB	7,920	7,314
	LCS	4,466	2,524
	Group	<u>12,386</u>	<u>9,838</u>
• Gross Margins	PCB	27.8%	24.4%
	LCS	37.3%	36.5%
	Group	<u>31.2%</u>	<u>27.5%</u>
• Operating Profit/ (Loss)	PCB	434	102
	LCS	32	(246)
	Central costs	(117)	(105)
		<u>349</u>	<u>(249)</u>
• Net Profit on Disposal of Assets*		445	-
	Finance Costs	(10)	(16)
	Income from Joint Ventures	3	1
• Profit/ (Loss) before Tax	Group	<u>787</u>	<u>(264)</u>
	Tax	(92)	-
	Profit/ (Loss) after Tax	<u>695</u>	<u>(264)</u>
• Basic and diluted EPS/ (LPS)		16.45p	(6.25p)
	Dividend paid and proposed	3.00p	0.50p
	Cash	3,192	1,113

* Profit on asset disposal £591,000 less related goodwill impairment £146,000

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) 596/2014 which has been incorporated into UK law by the European Union (Withdrawal) Act 2018.

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Matthew Johnson / Caroline Rowe

Chairman's statement

It is pleasing to be able to report that in the year to 30 November 2021, group turnover grew to £12,386,000 (2020: £9,838,000), with the major part of that growth coming from our LCS business.

The year saw a very significant development for the Group with the sale of our commodity PCB product range. This has enabled us to concentrate on a number of specialised PCB products whilst further growing our LCS business. Further details of this transaction are given in the Operating and Business review and the Financial Review.

The disposal has further strengthened our cash position, with cash at the end of the year being £3.1m (2020: £1.1m). In recognition of this improved position, a special dividend of 2.0p per share has been paid with the balance of the disposal proceeds being available to further strengthen our growing LCS activities.

LCS activities are primarily based in the Europe but during the year, in order to extend our geographical coverage, we established joint venture operations in New Zealand and Australia.

Shareholders will recognise that the expansion of our LCS business will require significant investment to realise the expansion which we believe to be possible. We have always been financially conservative and will continue to be so and will incline to writing off rather than capitalising such expenditures, this may impact short term profitability.

The potential impact of recent events in Ukraine inevitably cast a shadow over the immediate business outlook but we can say that, in part due to the recent disposal of certain activities, we have a strong balance sheet, and this coupled with the opportunities we perceive leaves us, we believe, well positioned to meet the challenges of the years ahead.

R W Weinreich

Executive Chairman

25 March 2022

Operating and Business Review

Corporate strategy

The Board seeks to enhance shareholder value over the medium to long term. Our strategy to achieve this is to focus resources on business activities which can generate profitable and sustainable growth.

In doing so, we ensure that risk is carefully managed, and that high standards of corporate governance and transparency are maintained. Where a suitable investment opportunity is identified, we invest within the bounds of internally generated cash flow and bank facilities where appropriate.

Business strategy

The Group has operated for many years as a distributor of specialised materials to the PCB industry in the UK and continental Europe. The European PCB industry has strengths in the defence, aerospace, automotive and medical sectors. The Group acts as an exclusive supplier of technically sophisticated products to this sector, providing technical support and local warehousing of stock.

With volume PCB manufacture moving to China, the Group views the PCB business as a steady revenue stream, but not one which will provide significant growth to the Group. However, the Group does expect future strong growth from the LCS divisions.

The Group's LCS products range from the sale of lighting components to supporting customers with the design and assembly of complete light engines. LCS divisions also offer a complete ecosystem of wireless control solutions, project services and data analytic solutions.

The Group's lighting components strategy is to provide a competitive premium product range and value-added services to lighting manufacturers in our markets. The Group's wireless lighting controls strategy is to focus on the specification of the wireless technology, as well as all project and data analytic services to lighting specifiers, M & E consultants, as well as building engineering companies.

The Group continues to expand its wireless controls business into other geographical territories. In August 2021 the Group established Holders Technology (New Zealand) Ltd and Holders Technology Australia PTY Ltd, which sell wireless lighting control solutions and all related project services and data analytics in New Zealand and Australia.

Market Overview

PCB divisions in 2021 experienced significant instability, with widespread raw material shortages and marked cost increases for goods and freight. Alternative materials were sourced where available, and existing goods were re-priced where possible. By the year end, revenue had increased from £7.3m to £7.9m and operating profitability improved from £102,000 to £554,000.

LCS divisions in 2021 recovered strongly after the effects of the Covid-19 pandemic in 2020. LCS divisions' revenue grew from £2.5m to £4.5m and operating profitability improved from £246,000 loss to £32,000 profit.

Business Review

In 2021, the Group divested certain assets of its PCB business. This enabled the Group to remain focused on the retained and more technically sophisticated PCB products, rather than the more commodity and lower margin products. This also provided the company with additional cash reserves to invest in the higher growth LCS divisions.

2021 was an exciting year in terms of our development and growth of the LCS divisions. Highlights included the following:

- Successful implementation of large commercial, industrial, retail and hospitality projects with wireless controls hardware provided by the Group, as well as a full range of project services. These are a combination of new build as well as retrofit projects.
- Announcement of a strategic partnership with Tridonic, a global leading provider of wireless emergency lighting systems. The partnership enables Holders Technology to promote wireless technology not only for standard luminaires, but also for emergency luminaires within a building.
- Acquisition of first customers for the Holders Technology Data Analytics solution. Using the wireless lighting control infrastructure, we are able to supply customers with energy, lighting, and occupancy.

- Broadening of our range of wireless control products and supplier relationships, to ensure the largest and most complete portfolio of products available in our markets.
- Further investment in knowledgeable and experienced sales and technical staff, across the Group.
- Expansion outside of Europe to New Zealand and Australia, leveraging our supplier base and European expertise to these new joint venture companies.

Conclusion

2021 was a transitional year for the Group with divestment of certain PCB assets and strengthening of our LCS businesses. In 2022, we expect our PCB business to have continuing strong demand for the products we offer. For the LCS business, we plan further staff recruitment and technology investment, to strengthen our business and further enhance our product and services portfolio.

Victoria Blaisdell

Group Managing Director

25 March 2022

Financial Review

Key performance indicators

The Board believes that the following key performance indicators are of most significance to assessment of the Group's performance and financial position:

- Revenue

The turnover level is an important indication of the strength of the Group's product range and coverage.

- Profitability

Profitability is largely a function of the gross margins achieved and management's success in containing administrative expenses in relation to turnover.

- Liquidity

The Group operates in a cyclical industry and the directors have consistently adopted a conservative approach to financing the Group's activities. The key measure is net liquid funds, as described below.

- Efficiency

Production efficiency is important in a competitive PCB market.

Revenue

Group revenue from continuing operations increased from £9.8m to £12.4m. Overall PCB revenue increased by 8.3%, whilst Lighting and Controls revenue increased by 76.9%.

Profitability

The operating profit was £469,000 compared to an operating loss of £249,000 in 2020. The gross profit margin was 31.2% compared to 27.5% in 2020. Administration costs increased from £2.6m to £3.0m (2020 costs were lower due to the implementation of measures in response to the Covid-19 pandemic.) Administration costs, however, fell as a proportion of revenue from 26.0% in 2020 to 24.2% in 2021.

PCB Asset Disposal

On 31 September 2021 the Group disposed of various PCB assets in the UK and Germany comprising machinery and commercial information relating to commodity materials used in the production of PCBs in the European market. Proceeds of the disposal were £1,634,000 and the profit on disposal was £471,000. Goodwill of £146,000 relating to the Germany PCB acquisition in 2003 was written off following the disposal.

Post tax result

The profit for the financial year after tax, attributable to equity shareholders was £695,000 (2020: loss of £264,000). The basic and fully diluted earnings per share was 16.45p (2020: 6.25p loss per share).

Principal risks and uncertainties

The directors believe that the following are the principal risks and uncertainties faced by the Group:

• Competition

Both the PCB and Lighting and Controls sectors are highly competitive, and the Group faces competition from a wide range of companies. The Group continually seeks the most cost-effective sources for its products in order to remain competitive.

• Customers

The Group is exposed to the risk of bad debts. Within the major European markets, the Group uses credit analysis data to monitor customer risk levels and maintain appropriate credit limits. Credit insurance is used for UK and European customers whenever it is economically available.

• Suppliers

As with any distribution business, the Group is dependent on maintaining supply. The Group has diversified its product range and sources in order not to be overly dependent on any single supplier.

• Key Management

In order to ensure retention of key management, the Group offers competitive remuneration, a stimulating working environment and clear two-way communication.

• Business Interruption

In order to minimise the impact of business interruption, the Group offers dual capacity in UK and Germany, and holds appropriate business interruption insurance.

• Financial Control

Internal controls and multiple authorisation levels, with monthly review of results and cash, are used to combat fraud and potential misstatement of results.

• Covid-19

The Covid-19 pandemic has created risks in terms of market disruption and health risk to our workforce. The Group continues to follow government health advice in respect of the Covid-19 virus.

Cash flow, liquidity and financing

The Group's cash position improved during the year. Cash balances increased from £1,113,000 to £3,192,000. The improvement principally arose from operating profits plus proceeds from the PCB asset disposal. The Group does not currently require or maintain an overdraft facility. A trade financing facility is used for occasional letters of credit.

At 30 November 2021 the Group had net liquid funds (trade and other receivables plus cash minus current liabilities excluding lease liabilities) of £3.1m (2020: £1.3m). Net assets per ordinary share at 30 November 2021 were £1.07 (2020: £0.95).

Derivatives and other financial instruments

Operations are financed from retained profits. The Group's financial instruments, other than forward currency contracts, comprise cash and items, such as trade receivables and payables that arise directly from its operations. The main purpose of these instruments is to provide finance for operations if necessary. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

Currency risk and exposure

The Group enters into forward currency contracts that are used to manage the currency risks arising from purchases from foreign suppliers where the products are sold in local currencies. The overseas sales operations during the year were predominantly in the European Union. The Group has currency exposures primarily in US dollars and Euros.

Although daily transactional exposures are regularly covered by forward contracts, the Group has an underlying exposure, particularly to the Euro.

Net assets

Net assets at the 2021 year-end were £4,528,000 (2020: £3,999,000).

Conclusion

The Group enters 2021 with a stronger balance sheet and increased capacity for investment as new opportunities are identified.

Paul Geraghty

Group Finance Director

25 March 2022

Group income statement for the year ended 30 November 2021

	Note	2021 £'000	2020 £'000
Revenue		12,386	9,838
Cost of sales		(8,516)	(7,135)
Gross profit		3,870	2,703
Distribution costs		(408)	(348)
Administrative expenses		(3,001)	(2,562)
Impairment of goodwill		(146)	-
Other operating (expenses)/ income		8	(42)
Operating profit/ (loss)		323	(249)
Profit on disposal of assets		471	-
Income from joint ventures		3	1
Finance expense		(10)	(16)
Profit/ (loss) before taxation		787	(264)
Tax expense	2	(92)	-
Profit/ (loss) after taxation attributable to equity shareholders		695	(264)
Basic and diluted earnings/ (loss) per share	4	16.45p	(6.25p)

Group statement of comprehensive income for the year ended 30 November 2021

	2021 £'000	2020 £'000
Profit for the year	695	(264)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(134)	120
Total comprehensive income/ (loss) for the year	561	(144)

Statement of changes in equity for the year ended 30 November 2021

Group	Share capital	Share premium account	Capital redemption reserve	Translation reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 December 2019	422	1,590	1	128	2,023	4,164
Dividends	-	-	-	-	(21)	(21)
Transactions with owners	-	-	-	-	(21)	(21)
Loss for the year	-	-	-	-	(264)	(264)
Exchange differences on translating foreign operations	-	-	-	120	-	120
Total comprehensive (loss)/ income for the year	-	-	-	120	(264)	(144)
Balance at 30 November 2020	422	1,590	1	248	1,738	3,999
Dividends	-	-	-	-	(32)	(32)
Transactions with owners	-	-	-	-	(32)	(32)
Loss for the year	-	-	-	-	695	695
Exchange differences on translating foreign operations	-	-	-	(134)	-	(134)
Total comprehensive income/ (loss) for the year	-	-	-	(134)	695	561
Balance at 30 November 2021	422	1,590	1	114	2,401	4,528

Group balance sheet at 30 November 2021

	2021 £'000	2020 £'000
Assets		
Non-current assets		
Intangible fixed assets	220	381
Property, plant and equipment	82	219
Leased assets	97	341
Investments in joint ventures	111	28
Deferred tax assets	12	12
	512	981
Current assets		
Inventories	1,180	2,340
Trade and other receivables	1,593	1,420
Cash and cash equivalents	3,192	1,113
	5,965	4,873
Liabilities		
Current liabilities		
Trade and other payables	(1,661)	(1,274)
Lease liabilities	(58)	(105)
	(1,719)	(1,379)
Net current assets	4,246	3,494
Non-current liabilities		
Retirement benefit liability	(186)	(223)
Lease liabilities	(58)	(244)
Deferred tax liabilities	(9)	(9)
	(230)	(476)
	4,528	3,999
Shareholders' equity		
Share capital	422	422
Share premium account	1,590	1,590
Capital redemption reserve	1	1
Retained earnings	2,401	1,738
Cumulative translation adjustment reserve	114	248
	4,528	3,999

Statement of cash flows for the year ended 30 November 2021

	2021 £'000	2020 £'000
Cash flows from operating activities		
Profit/ (loss) before tax from continuing operations	787	(264)
Depreciation	168	292
Gain on disposal of property, plant and equipment	(471)	-
Impairment of goodwill	146	-
Decrease in inventories	1,093	284
(Increase)/ decrease in trade and other receivables	(527)	385
Increase/ (decrease) in trade and other payables	702	(50)
Interest expense	10	16
Cash generated from operations	1,907	663
Interest paid	(10)	(16)
Tax paid	(92)	-
Income from investments	(3)	(1)
Net cash (used in)/ generated from operations	1,801	646
Cash flows from investing activities		
Purchase of property, plant and equipment	(65)	(25)
Investment in Joint Venture	(80)	(27)
Proceeds from sale of property, plant and equipment	553	-
Net cash (used in)/generated from investing activities	408	(52)
Cash flows from financing activities		
Repayment of leases	(37)	(213)
Equity dividends paid	(32)	(21)
Net cash used in financing activities	(69)	(234)
Net change in cash and cash equivalents	2,139	360
Cash and cash equivalents at start of period	1,113	734
Effect of foreign exchange rates	(61)	19
Cash and cash equivalents at end of period	3,192	1,113

Notes

1. Basis of preparation

The Group and parent company financial statements have been prepared in accordance with International Accounting Standards (IAS), in conformance with the requirements of the Companies Act 2006. All accounting standards and interpretations issued by the International Accounting Standards Board effective at the time of preparing these financial statements have been applied.

2. Taxation

	2021	2020
	£'000	£'000
Analysis of the charge in the period		
Current tax - Current period	92	-
Deferred tax charge	-	-
Total tax	92	-

Tax reconciliation

The tax for the period is lower (2020: lower) than the standard rate of corporation tax in the UK, effectively 19.0% (2020: 19.0%) for the company's financial year. The differences are explained below:

	2021	2020
	£'000	£'000
Profit/ (loss) before taxation	787	(264)
Profit/ (loss) before taxation multiplied by the rate of corporation tax in the UK of 19.0% (2020: 19.0%)	150	(50)
Effects of:		
Adjustment from prior years	-	-
Taxation losses	(58)	50
Taxation	92	-

3. Dividends

The directors have proposed a final dividend of 0.50p per share payable on 31 May 2022 to shareholders on the register at close of business on 13 May 2022. The total dividend for the year, including the interim dividend of 0.50p (2020: 0.25p) per share paid on 5 October 2021, and the special dividend of 2.00p (2020: nil) per share paid on 28 January 2022, amounts to £127,000 (2020: £21,000), which is equivalent to 3.00p (2020: 0.50p) per share.

- The basic and diluted earnings per share are based on the profit for the financial year of £787,000 (2020: loss of £264,000) and on ordinary shares of 4,224,164 (2020: 4,224,164 shares), the weighted average number of shares in issue during the year. There were no share options in issue during either year.
- This statement, which has been approved by the Board on 25 March 2022, is not the Company's statutory accounts. The statutory accounts for each of the two years to 30 November 2020 and 30 November 2021 received audit reports which were unqualified and did not contain statements under section 498(2) and section 498(3) of the Companies Act 2006. The 2020 accounts have been filed with the registrar of Companies, but the 2021 statutory accounts are not yet filed.