



**CML
Microsystems
Plc**

**Results announced
for the year ended
31 March 2024**

CHAIRMAN'S STATEMENT

Introduction

A significant amount of work and progress in shaping the company for future growth has been achieved in the last year, principally through the acquisition of MwT in October, bringing a talented team, new customers and offering a major growth opportunity. Although this year's profitability is below both our own and the market's original expectations, the financial results represent a resilient performance, which has been achieved against continuous macroeconomic and geopolitical headwinds.

At the time of our interim results in December 2023, we noted our concerns relating to elevated customer inventory levels and the uncertainty of how that situation would unravel. These turned out to be well founded, with weaker than expected revenues from the Group's traditional market sectors through the second half. This uncertainty remains and we suspect will continue to be a factor through the current financial year.

Some of the progress not reflected in the financial results includes the fact that we relocated our China-based company, Sicomm and the acquisition of Microwave Technology Inc (MwT), which although announced during January 2023, was eventually completed on 2 October 2023. While the completion took significantly longer than expected, it was important for the long-term success of the enlarged Group that we reached an appropriate National Security Agreement with the US Government.

Work remains to be done on the integration of MwT but good progress is being made and we feel very positive about the benefits it brings to the Group.

With our main focus on organic progress, supplemented with appropriate acquisitions, the platform for sustainable long-term growth is in place.

Results

Revenues have increased 11% year-on-year to £22.89m (FY23: £20.64m) assisted by the acquisition of MwT and this represents a record for revenues from the continuing business, post the sale of the storage division in FY21. The gross profit margin, as we expected, reduced slightly from 76% down to 71% due to the addition of the MwT product lines coupled with the transitory product mix resulting from the

customer inventory headwinds communicated throughout the year. Additionally, with the acquisition of MwT, distribution and administration costs have increased, leading to a reduction in profit from operations to £1.94m (FY23: £2.93m pre-exceptional). Coupled with an increase in the tax rate, profit after tax has reduced to £2.06m (FY23: £3.09m pre-exceptionals).

Turning to the balance sheet, goodwill increased to £14.45m (FY23: £7.43m), reflecting the addition of MwT, as does the majority of the inventory increase to £3.67m (FY:23 £2.43m). Net cash ended the year at £18.21m (FY23: £22.26m) after a share buyback of £1.75m (FY23: £4.77m), £1.74m dividend payments (FY23: £1.59m) and CapEx investments of £1.54m. Net assets per share grew slightly to 322.41p (FY23: 319.65p).

Property

Having been granted, in February 2023, planning permission on excess land at the Group's Essex Headquarters site, Oval Park, the land has now been placed on the market for sale. While noting that the current commercial property market is difficult, it is the Group's intention to dispose of all surplus land and property that is outside of its operational needs. This comprises circa 15 acres of the land at Oval Park and a vacant commercial property in Fareham, Hampshire, from which the Group traded historically.

The Board's objective remains to raise cash from its non-operational property interests to yield funds to fuel further growth in the business. These will be one-off transactions with profits additional to the Group's planned operational profits growth.

Share buyback and dividend

This year, £1.75m was spent in April 2023 on the share buyback programme, demonstrating the Board's commitment to returning funds to shareholders and enhancing earnings where possible.

The Board strives to maintain a progressive dividend policy whilst ensuring it has adequate cash to cover its growth objectives which currently include R&D investments, capital expenditure, working capital requirements and further payments in relation to the MwT acquisition. The interim dividend was held at 5p per share and, given the anticipated demands on cash through the year ahead, the Board is recommending a final dividend of 6p per share, making the full-year dividend 11p per share (2023: 11p per share). Subject to shareholder approval, the shares will go ex-dividend on 15 August 2024 and the dividend will be paid to shareholders on 16 August 2024 whose names appear on the register at close of business on 2 August 2024.

The Board and senior management

At the time of the interim results, I reverted to the position of Non-Executive Chairman, Mark McCabe was appointed to the Executive Director position of Chief Operating Officer and Michelle Jones to the senior management position of Director of Finance. At that time the appointment of Dr Nathan Zommer was in progress, and I am pleased to say that these formalities were completed with his appointment to the Board as a Non-Executive Director being announced on 20 December 2023.

Through this year we have enhanced the leadership team, adding further skills, expertise and experience with the objective of driving the Company forward and I am sure the benefits of this will be seen over the coming years.

Employees

Credit to our employees must never be forgotten since they are the key to successfully moving the business forward. We have a multinational global workforce who constantly achieve the demanding goals placed upon them with innovation, passion and commitment. For this, on behalf of the Board, I would like to thank them all.

CHAIRMAN'S STATEMENT

continued

Outlook

Our base strategy is to yield sustainable long-term growth and although at the revenue line these results support this, clearly the level of profitability this year does not. External factors, including current market conditions and the normalising of elevated customer inventory levels, make it difficult to achieve our profits growth objectives.

Despite the short-term outlook not being what I would like to see, I am confident that the Group is well placed against its more medium-term objectives. Exciting opportunities lay before us, we are addressing growing new markets which are supplementary to the more traditional sectors that have been a cornerstone of growth in recent years. The pipeline of opportunities has a strong upward trend, giving us confidence that we will achieve our strategy of sustainable long-term growth.

Nigel G Clark
Non-Executive Chairman

1 July 2024

OPERATIONAL AND FINANCIAL REVIEW

Introduction

FY24 was a resilient and strategically pivotal year for CML, marked by the acquisition of Microwave Technology Inc (MwT) in October 2023 after US Government regulatory procedures delayed completion of the acquisition by over four months. MwT, a leading US designer of semiconductors for the telecoms, defence and medical markets has added a talented team, new customers and a major opportunity to expand our target market.

The Company performed well through the first half year of trading, reporting solid growth. In the second half, we experienced more mixed trading patterns, typical of the wider sector, with some customers and channel partners reducing their inventory levels.

On a more encouraging note, the revenue contribution (October 2023 to March 2024) from MwT has been very positive under CML's first period of ownership and has been above management expectations. The progress made so far is pleasing and we are advanced in our programme to unlock the operational synergies that are expected to realise the full potential of the combined business over the medium term.

Group revenues finished the year in line with market expectations, and while the change in mix between higher-margin core products and lower-margin MwT products did impact the overall Group margin, the Company retained a strong balance sheet, with net cash reserves of over £18m.

Industry data pointed to a mixed performance for the wider semiconductor market in 2023, with growth accelerating through the year before a downturn in early 2024. For context, these trends include memory ICs and microprocessors and are heavily influenced by consumer-related applications such as mobile phones. Whilst the performance of the general semiconductor market may not be directly applicable to CML's industrial and professional end markets, an uncertain economic environment coupled with an excess inventory situation affects most submarkets, making it difficult to call the timing of a pick-up in end demand with any accuracy.

Nevertheless, it is important to note that CML remains a key partner to its customer base. As a typically sole source supplier, our customers are reliant on CML products to drive their own success and we fully expect a return to core product growth through FY25 as the current inventory situation normalises.

Strategy

The global communications market is vast, with a myriad of end-application areas ranging from mobile networks to precise positioning systems to short-range remote-control devices. Within this landscape of opportunity, CML is actively participating in a number of sub-markets that play to our strengths and have excellent growth potential on a sustainable basis. These sub-markets include mission critical communications, wireless networks & satellite, Industrial Internet of Things (IIoT) and more recently, broadcast radio. Combined, this represents an addressable market in terms of semiconductor content which easily exceeds \$1bn.

One key objective for the financial year to 31 March 2024 was to continue with our markets' expansion strategy through the addition of high-frequency microwave & millimetre wave semiconductor products, targeted at global mega trends including satellite communications, 5G and IIoT. This objective builds upon many years of experience producing baseband and RF components for professional wireless and critical communications applications and follows from the strategic decision taken to enhance the Group's design engineering capabilities to include microwave and mmWave compound semiconductor devices, including PAs, LNAs and gain blocks under the SuRF brand.

A major step forward was made on 2 October 2023 with completion of the acquisition of Silicon Valley-based MwT, complementing organic product development activities and accelerating delivery of the technology roadmap. This acquisition not only expands the GaAs and GaN MMIC portfolio, it adds a range of discrete devices and hybrid amplifiers, thereby widening the addressable market to include Aerospace & Defence, Medical and Test & Measurement application areas.

The integration of the MwT business into the Group has proceeded at pace. The relevant MwT products were incorporated under the CML SuRF brand with effect from January 2024 and the enlarged SuRF product portfolio is now being marketed and supported on a global basis. MwT adds engineering, manufacturing and final test capabilities within the US to complement existing resources in the UK and Asia and deliver flexibility to customers in terms of regional product supply. Appropriate investments are being made in personnel and local operations to cope with the very welcome challenges that globalisation will bring and unlock the operational synergies to realise the business' full potential over the medium term.

Another key objective for the year was to enter the digital radio broadcasting market through the launch of a receiver IC and associated module targeted at the Digital Radio Mondiale (DRM) marketplace. DRM is a global, open, green, flexible, efficient, cost-effective digital radio broadcasting standard covering all frequency bands, including LW, MW and SW for large coverage areas and VHF for local and regional coverage. DRM provides high-quality sound along with data services such as emergency warning functionality (EWF), distance learning and traffic information. India, countries in the East and South of Asia, South Africa and Latin America are key DRM development markets.

CML's DRM1000 is a complete 'antenna to speaker' module, containing all hardware, software, IP and patent licenses required for a radio equipment manufacturer to easily realise a dual mode (digital and analogue) DRM capable receiver. The module is a joint development by CML and Cambridge Consultants, part of Capgemini Invent, combining CML's world-leading expertise in wireless IC design with Cambridge Consultants' world-renowned expertise in low-power digital signal processing. First announced at IBC2023, an international broadcasting event held in The Netherlands during September 2023, the module achieved production ready status post the financial year end and offers a 60% cost reduction and 80% power reduction over existing DRM technologies in the market.

OPERATIONAL AND FINANCIAL REVIEW

continued

Early customer adoption has started and a programme of product enhancements to widen the available market further is underway. Revenues are expected to commence through the year ahead.

The Group's multi-year growth strategy has not changed, and we continue to place the emphasis on execution, with the goal of securing a larger share of the expanding global semiconductor communications market.

Markets

The mission critical communications sector is a multibillion-dollar market that is estimated to grow at a CAGR of close to 9% over the next few years. Applications include public safety, government agencies, transportation, energy and utilities, mining and others. Growth is being driven by the increased adoption from energy and utility sectors, rising investment by military forces and trends within the transportation industry where real-time data is being used to support dynamic decision-making. Mission critical communications has been a cornerstone of CML's global business for many years and the year under review was no exception.

Revenues from these end markets recorded a mixed result year-on-year. Shipments into many of the Group's customers increased by a healthy margin; however, a selection of customers continued to work through their elevated inventory levels, leading to delays in the placement of new orders. Ordering patterns for the affected customers should ultimately normalise once end-market demand exhausts excess stock levels. Whilst it remains difficult to precisely predict the timing of a return to normality, we currently anticipate it will commence during the second half of the financial year.

CML has a long history in supporting data-centric applications with decades of experience in helping to solve customers' design problems through delivering class-leading modem and RF ICs. In more recent years much emphasis has been placed on the Internet of Things (IoT), or in CML's case, the IIoT. Simply put, this is an extension of machine-to-machine communications (M2M), enabling the physical world to be monitored and/or controlled through a variety of technologies and mediums that ultimately connect to an external network. Wireless communication continues to play a key role.

Our semiconductor solutions for IIoT include modem ICs, with and without embedded DSP cores, along with a wide range of RF ICs. Customers frequently select a number of CML devices to form a chip-set solution to their engineering needs which helps them minimise issues associated with multi-vendor supply agreements and forced end-of-life programmes that are a typical characteristic with the larger global semiconductor manufacturers.

Combined product shipments into the Group's top customers active in these sectors was slightly stronger than the prior year despite being constrained by the inventory situation in one or two cases.

On a very positive note, good progress is being made with an important strategic objective to broaden our customer base. This is evidenced by the fact that over the last four financial years, excluding the Storage business that was divested during FY21, the number of customers with an annual spend exceeding £0.50m per annum has increased from three to twelve. As a result, several new sub-application areas contributed to Group revenues, including commercial satellite, phased array radar, wireless mesh networking and medical imaging. Across the same four-year period, Group revenues have increased from £13.1m to £22.9m, equating to a CAGR of 20%.

Most of the market sectors being addressed have an industrial or commercial focus and meaningful revenue takes time to flow through after achieving design-in success. However, the above customer metrics validate the strategy being followed and demonstrate the underlying progress being made.

Operations

A rapidly growing product range places greater demands on the Group's internal operations. The expansion of the UK-based in-house testing capability to include the S μ RF high-frequency microwave and mmWave product line has presented interesting challenges across the last couple of years, as has the more recent and ongoing incorporation of MwT into the Group. It is testament to the capabilities of the global operational team that challenges are continually overcome with a combination of dedication and professionalism.

The sales, marketing and customer support teams have each worked diligently to ensure the Group's routes to market remain appropriate, the expansion of the product range is well communicated, and the ongoing customer design-in activities are supported to the high-level that customers have grown to expect from us.

Across the year, as planned, the Company participated at a number of trade shows relevant to the sectors and industries being addressed. These included IMS2023 (San Diego), European Microwave week (Berlin), IBC Amsterdam and BES Expo 2024 (New Delhi). These activities were well received and are an important ingredient for success given the strategy being followed, raising awareness of CML across a wider customer base.

In recent years, the Group has invested heavily in its R&D activities to position the business appropriately for the opportunities that lie ahead. Cash allocation towards R&D is categorised into several sub-areas to ensure the right balance between growing revenues in core CML markets, expanding the addressable markets to capture future growth and internal research and innovation to maintain product superiority and suitability.

R&D expenditure for the year represented 20% of sales and is further detailed within the Financial Review; however, for the year ahead, an appropriate amount of funding will also be directed at a strategic initiative to ensure long-term supply of certain key products to support important existing revenue streams within the core business. This initiative will also have an impact on inventory levels over the next two years but is independent of current end-market dynamics.

While the whole process is one of evolution and refinement over time, the level of effort, commitment and achievement from the employee base globally has been exceptional. Of the 160+ staff employed around the world, staff turnover remains relatively low with the average length of service at 17 years and 51% of our team having worked for our businesses for more than ten years.

OPERATIONAL AND FINANCIAL REVIEW

continued

Multi-year high levels of R&D focused on markets expansion coupled with the recent enlargement of the product range through acquisition has had a very positive effect on the sales opportunity pipeline. It has doubled since FY20. Two-thirds of the design wins recorded during the year under review were for customer projects that will drive new revenue streams, while the remainder consisted of existing customers switching to new or different semiconductor solutions from CML.

Outlook

Clearly global issues remain, including geopolitical and economic uncertainties. We remain mindful of this and continue to manage risk appropriately, whilst staying steadfastly focused on the growth opportunities seen, both in existing and emerging market sectors.

The results for the year to 31 March 2024 demonstrate resilience in challenging conditions and the trading environment for the current year will continue to be influenced by the customer inventory overhang. However, it is important to note that CML remains a key partner to its customer base, who are reliant on CML products to drive their own success.

The business continues to make very good progress from an operational perspective, executing against a solid expansion strategy with an experienced, skilled and enthusiastic team. The relatively strong balance sheet allows longer-term decision-making that is intended to benefit all stakeholders through the years ahead.

The current full financial year is expected to show a further revenue advance, albeit not at the compounded rates seen across the prior four-year period. The full year inclusion of MwT's cost base along with necessary activities to unlock the full potential of the enlarged business will have an impact on operational profitability. However, these are essential and value-added strategic steps in the drive towards much higher medium-term gains.

The longer-term ambition remains unchanged, to drive significantly higher revenues and profits through providing class-leading semiconductor solutions into large and growing end markets. The business has the resources and market focus to drive the progress required and continues to increase its presence in new and emerging growth sectors.

FINANCIAL REVIEW

Revenue

The Group's full-year revenues improved by 11% to £22.89m (FY23: £20.64m), including a contribution of £3.31m from the newly acquired MwT business. Excluding MwT, reported revenues declined by approximately 4%, having been impacted by an ongoing inventory correction across a number of customers and a challenging environment within China. On a constant currency basis, revenues would have been approximately £0.9m higher (4%).

From a geographical perspective, classified by shipment destination, 51% of revenues were derived from Asia (FY23: 59%), with the vast majority of the balance split between the Americas and Europe, contributing 24% (FY23: 19%) and 22% (FY23: 19%) respectively. MwT's revenues were dominated by its US-based customers and are included within the above percentages. The largest customer represented 10% of Group revenues.

Gross profit

Gross margin achieved was 71% (FY23: 76%), reflecting the blended outcome of lower voice and data-centric product sales, increased S μ RF shipments and the incorporation of the MwT product range for the second half of the year. That said, the overall revenue improvement more than compensated for the margin effect, leading to a 4% increase in gross profit to £16.21m (FY23: £15.61m). Looking to the future, gross margin as a percentage is expected to reduce as Group revenues move higher and the overall share from the S μ RF product range increases.

Distribution and administration

Distribution and administration expenses increased to £14.23m (FY23: £12.64m) with the increase driven largely by the inclusion of the MwT business for the second half period. The figure also includes £0.46m of acquisition-related costs. On a like-for-like basis (excluding MwT), D&A expenses were approximately 2% higher at £12.84m, highlighting the diligent focus of the Group's operational management team globally.

The combined research and development expense for the year amounted to £4.50m, of which £0.96m was expensed (FY23: £5.13m, of which £0.68m expensed). This reduction in overall R&D expenditure is not a reflection of any change in commitment towards expanding the product portfolio. Instead, it reflects the completion timing of certain development projects along with a strategic review of the Group's product roadmap following the substantial MwT portfolio acquired.

Operating profit

After accounting for share-based payments and the positive effects of an R&D expenditure credit (RDEC), profit from operations amounted to £1.94m. This compares to a prior year operating profit of £2.93m, excluding the exceptional profit from the sale of excess land that occurred during that year (£2.06m).

Profit before tax

An improved interest rate environment enabled the Company to achieve a higher return on cash and short-term deposits held. Finance income climbed to £0.55m (FY23: £0.26m) lifting profit before tax to £2.52m (FY23: £3.16m excluding exceptional item).

Profit after tax

In addition to the RDEC credit that is accounted for under other operating income within the Consolidated Income Statement, the Group continued to benefit from the R&D tax credit scheme that has existed for some years in the UK. For the year under review, tax assessed for the period is lower than the 25% standard rate of corporation tax in the UK, providing an effective tax rate of 18%. Profit after taxation was £2.06m (FY23: £3.09m excluding exceptional item).

OPERATIONAL AND FINANCIAL REVIEW

continued

Earnings per share

Basic earnings per share for the year equated to 13.00p. After adjusting for the prior year exceptional sale of land, this represented a decline of 33% (FY23: 19.44p). On a reported basis, including exceptionals, the figure for FY23 was 30.29p.

Cash

At 31 March 2024, the Group's cash reserves, including short-term deposits, stood at £18.21m. The reduction of £4.05m across the year follows an R&D cash spend of £4.5m, a share buyback of £1.75m, dividend payments of £1.74m and a one-off spend of £1.08m relating to the relocation of the Oval Park HQ car parking to unlock the maximum potential benefit from selling the excess land held. For the year ahead, an ongoing programme of capital investment is in place to support internal development and production capabilities for the high-frequency SURF product family, which is a cornerstone of the growth strategy.

Cash flow will come under pressure for the year ahead for two main reasons; firstly, working capital to support the aforementioned strategic R&D initiative and secondly, as a result of further payments relating to the MWT acquisition, being \$1.17m already paid on 2 April 2024 and a \$2.65m payment due 2 October 2024.

Inventories

Inventory levels ended the year at £3.67m (FY23: £2.43m) and consisted of £2.81m relating to the pre-existing CML product portfolio and a further £0.86m attributable to the inclusion of the acquired MWT products. It has been an intentional strategy to maintain a higher level of raw material inventory to address semiconductor supply chain disruptions that have been a feature of recent years. The expanding product range also plays a role. In conjunction with the strategic R&D initiative mentioned earlier in this review, the raw material inventory levels for a selection of key products will rise further through the year ahead. Of the £3.67m, 45% was held as raw material.

Pension scheme

The Group currently has a retirement benefit obligation in respect of an historic defined benefit pension scheme, which was closed to new members in 2002 and to future accruals in 2009. The most recent triennial actuarial *funding valuation* of the scheme carried out by an independent professionally qualified actuary, as at 31 March 2023, resulted in a net pension surplus of £0.13m with the assets of the scheme valued at £15.70m. An annual update of the schemes position, as at 31 March 2024, showed that the surplus had improved to £0.41m.

The pension scheme surplus calculated under the *funding valuation* basis above differs from the *accounting valuation* presented in the Consolidated Statement of Financial Position, which shows a net pension liability of £1.70m. Differences arise between the funding valuation and accounting valuation, mainly due to the use of different assumptions in valuing the liabilities in accordance with the accounting standard IAS 19 Retirement Benefits.

All administrative expenses of running the scheme are met directly by the scheme along with pension protection fund levies.

Dividend

As communicated within the Chairman's Statement, the Board is proposing a final dividend of 6p (FY23: 6p), giving a full-year dividend of 11p (FY23: 11p).

Chris Gurry
Group Managing Director

1 July 2024

Consolidated income statement
for the year ended 31 March 2024

	Notes	2024			2023		
		Before exceptional items £'000	Exceptional items £'000	Total £'000	Before Exceptional items £'000	Exceptional items £'000	Total £'000
Revenue	1,2	22,893	-	22,893	20,643	-	20,643
Cost of sales		(6,683)	-	(6,683)	(5,032)	-	(5,032)
Gross profit		16,210	-	16,210	15,611	-	15,611
Distribution and administration costs		(14,226)	-	(14,226)	(12,644)	-	(12,644)
Share-based payments		(214)	-	(214)	(234)	-	(234)
		1,770	-	1,770	2,733	-	2,733
Profit on sale of fixed asset		-	-	-	-	2,058	2,058
Other operating income		173	-	173	199	-	199
Profit from operations		1,943	-	1,943	2,932	2,058	4,990
Other income		62	-	62	18	-	18
Finance income		547	-	547	255	-	255
Finance expense		(37)	-	(37)	(47)	-	(47)
Profit before taxation		2,515	-	2,515	3,158	2,058	5,216
Income tax charge	4	(455)	-	(455)	(71)	(335)	(406)
Profit after taxation attributable to equity owners of the parent		2,060	-	2,060	3,087	1,723	4,810

All financial information presented relates to continuing activities.

Earnings per share for profit attributable to the ordinary equity holders of the Company:

	2024	2023
Basic earnings per share	5	13.00p
Diluted earnings per share	5	12.86p

The following measure is considered an alternative performance measure not a generally accepted accounting principle. This ratio is useful to ensure that the level of borrowings in the business can be supported by the cashflow in the business. For definition and reconciliation see note 6.

	2024	2023
Adjusted EBITDA	6	5,901

Consolidated statement of total comprehensive income
for the year ended 31 March 2024

	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Profit for the year		2,060		4,810
Other comprehensive income/(expense):				
Items that will not be reclassified subsequently to profit or loss:				
Re-measurement of defined benefit obligation	(361)		1,393	
Deferred tax on actuarial loss	90		(348)	
Foreign exchange differences	(1,153)		(140)	
Other comprehensive income for the year net of taxation attributable to equity owners of the parent		(1,424)		905
Total comprehensive income for the year attributable to the equity owners of the parent		636		5,715

Consolidated statement of financial position
as at 31 March 2024

	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Assets				
Non-current assets				
Goodwill		14,449		7,429
Other intangible assets		3,350		984
Development costs		15,150		13,801
Property, plant and equipment		5,655		5,249
Right-of-use assets		813		1,022
Deferred tax assets		788		766
		40,205		29,251
Current assets				
Property, plant and equipment – held for sale	1,124		485	
Investment properties – held for sale	1,975		1,975	
Inventories	3,672		2,425	
Trade receivables and prepayments	3,734		2,413	
Current tax assets	190		1,659	
Cash and cash equivalents	11,262		21,041	
Short term cash deposits	6,951		1,218	
		28,908		31,216
Total assets		69,113		60,467
Liabilities				
Current liabilities				
Trade and other payables		7,528		3,036
Provisions		208		-
Lease liabilities		219		210
Current tax liabilities		16		78
		7,971		3,324
Non-current liabilities				
Deferred tax liabilities	5,224		4,343	
Trade and other payables	2,509			
Lease liabilities	637		842	
Retirement benefit obligation	1,696		1,204	
		10,066		6,389
Total liabilities		18,037		9,713
Net assets		51,076		50,754

Consolidated statement of financial position continued
as at 31 March 2024

	2024 £'000	2024 £'000	2023 £'000	2023 £'000
Capital and reserves attributable to equity owners of the parent				
Share capital		825		796
Share premium		2,327		2,462
Capital redemption reserve		8,372		8,372
Other reserve		3,073		-
Treasury shares – own share reserve		(1,822)		(324)
Share-based payments reserve		666		488
Foreign exchange reserve		(111)		1,042
Accumulated profits reserve		37,746		37,918
Total shareholders' equity		51,076		50,754

Consolidated cash flow statement
for the year ended 31 March 2024

	2024	2023
	£'000	£'000
Operating activities		
Profit for the year before taxation	2,515	5,216
Adjustments for:		
Foreign exchange movement	(140)	-
Depreciation – on property, plant and equipment	520	367
Depreciation – on right-of-use assets	486	300
Amortisation of development costs	2,110	1,826
Amortisation of other intangible assets	368	224
Loss/(profit) on disposal of fixed assets	5	(2,058)
Employee retention credit – US	-	110
Movement in non-cash items (Retirement benefit obligation)	131	158
Share-based payments	214	234
Finance income	(547)	(255)
Finance expense	37	47
Movement in working capital	(1,966)	(653)
Cash flows from operating activities	3,733	5,516
Income tax received / (paid)	1,311	(104)
Net cash inflow from operating activities	5,044	5,412

Consolidated cash flow statement continued
for the year ended 31 March 2024

	2024 £'000	2023 £'000
Investing activities		
Proceeds from sale of fixed assets	-	2,500
Purchase of property, plant and equipment	(1,524)	(932)
Investment in development costs	(3,541)	(4,455)
(Investment) /repayment in fixed term deposits	(5,733)	4,740
Acquisition of subsidiary (net of cash acquired)	(565)	-
Investment in intangibles	(32)	(98)
Finance income	547	255
Net cash (outflow)/inflow from investing activities	(10,848)	2,010
Financing activities		
Lease liability repayments	(502)	(321)
Issue of ordinary shares (net of expenses)	117	1,118
Purchase of own shares for treasury	(1,750)	(4,767)
Dividends paid to shareholders	(1,739)	(1,589)
Finance expenses	(4)	-
Net cash outflow used in financing activities	(3,878)	(5,559)
(Decrease) / increase in cash and cash equivalents	(9,682)	1,863
Movement in cash and cash equivalents:		
At start of year	21,041	19,084
(Decrease) / increase in cash and cash equivalents	(9,682)	1,863
Effects of exchange rate changes	(97)	94
At end of year	11,262	21,041

Cash flows presented exclude sales taxes.

Consolidated statement of changes in equity
for the year ended 31 March 2024

	Share capital £'000	Share premium £'000	Redemption reserve £'000	Other Reserve £'000	Treasury shares £'000	Share-based payments £'000	Foreign exchange reserves £'000	Retained earnings £'000	Total £'000
At 31 March 2022	865	1,362	8,285	-	(1,670)	490	1,182	39,339	49,853
Profit for year								4,810	4,810
Other comprehensive income									
Foreign exchange differences							(140)		(140)
Re-measurement of defined benefit obligations								1,393	1,393
Deferred tax on actuarial gain								(348)	(348)
Total comprehensive income for year	-	-	-	-	-	-	(140)	5,855	5,715
	865	1,362	8,285	-	(1,670)	490	1,042	45,194	55,568
Transactions with owners in their capacity as owners									
Issue of ordinary shares	18	1,100							1,118
Purchase of own shares – treasury					(4,767)				(4,767)
Cancellation of treasury shares	(87)		87		6,113			(6,113)	-
Dividend paid								(1,589)	(1,589)
Total transactions with owners in their capacity as owners	(69)	1,100	87	-	1,346	-	-	(7,702)	(5,238)
Share-based payments in year						234			234
Deferred tax on share-based payments								190	190
Cancellation/transfer of share-based payments						(236)		236	-
At 31 March 2023	796	2,462	8,372	-	(324)	488	1,042	37,918	50,754

Consolidated statement of changes in equity continued
for the year ended 31 March 2024

	Share capital £'000	Share premium £'000	Redemption reserve £'000	Other reserve £'000	Treasury shares £'000	Share- based payments £'000	Foreign exchange reserves £'000	Retained earnings £'000	Total £'000
Profit for year								2,060	2,060
Other comprehensive income									
Foreign exchange differences							(1,153)		(1,153)
Re-measurement of defined benefit obligations								(361)	(361)
Deferred tax on actuarial gain								90	90
Total comprehensive income for year	-	-	-	-	-	-	(1,153)	1,789	636
	796	2,462	8,372	-	(324)	488	(111)	39,707	51,390
Transactions with owners in their capacity as owners									
Issue of ordinary shares - acquisition	29	-		3,073					3,102
Issue of treasury shares		(135)			252				117
Purchase of own shares – treasury					(1,750)				(1,750)
Dividend paid								(1,739)	(1,739)
Total transactions with owners in their capacity as owners	29	(135)	-	3,073	(1,498)	-	-	(1,739)	(270)
Share-based payments in year						214			214
Deferred tax on share-based payments								(258)	(258)
Cancellation/transfer of share-based payments						(36)		36	-
At 31 March 2024	825	2,327	8,372	3,073	(1,822)	666	(111)	37,746	51,076

Notes to the financial statements

For the year ended 31 March 2024

1 Segmental analysis

Reported segments and their results in accordance with IFRS 8, are based on internal management reporting information that is regularly reviewed by the chief operating decision maker (C. A. Gurry). The measurement policies the Group uses for segmental reporting under IFRS 8 are the same as those used in its financial statements.

The Group is focused for management purposes on one operating segment, which is reported as the semiconductor segment, with similar economic characteristics, risks and returns, and the Directors therefore consider there to be one single segment, being semiconductor components for the communications industry.

Geographical information (by origin)

	UK £'000	Americas £'000	Far East £'000	Total £'000
Year ended 31 March 2024				
Revenue to third parties – by origin	5,546	5,802	11,545	22,893
Property, plant and equipment	5,479	119	57	5,655
Right-of-use assets	373	275	165	813
Investment properties – held for sale	1,975	-	-	1,975
Property, plant and equipment – held for sale	1,124	-	-	1,124
Development costs	13,621	272	1,257	15,150
Intangibles - software and intellectual property	323	-	62	385
Goodwill	1,531	7,429	5,489	14,449
Other intangible assets arising on acquisition	133	2,585	247	2,965
Total assets	53,961	4,473	10,679	69,113
Year ended 31 March 2023				
Revenue to third parties – by origin (restated)	5,024	3,413	12,206	20,643
Property, plant and equipment	5,074	80	95	5,249
Right-of-use assets	473	330	219	1,022
Investment properties – held for sale	1,975	-	-	1,975
Property, plant and equipment – held for sale	485	-	-	485
Development costs	12,416	-	1,385	13,801
Intangibles - software and intellectual property	320	-	80	400
Goodwill	1,531	-	5,898	7,429
Other intangible assets arising on acquisition	159	-	425	584
Total assets	47,151	1,575	11,741	60,467

Notes to the financial statements continued
For the year ended 31 March 2024

2 Revenue

The geographical classification of business turnover (by destination) is as follows:

	2024	2023
	£'000	£'000
Europe	4,895	4,009
Far East	11,754	12,036
Americas	5,524	3,910
Others	720	688
	22,893	20,643

3 Dividend – paid and proposed

During the year a final dividend of 6p per ordinary share was paid in respect of the year ended 31 March 2023. An interim dividend of 5p per ordinary share was paid on 12 January 2024 to shareholders on the Register on 22 December 2023.

It is proposed to pay a final dividend of 6p per ordinary share, taking the total dividend amount in respect of the year ended 31 March 2024 to 11p. It is proposed to pay the final dividend of 6p, if approved, on 16 August 2024 to shareholders registered on 2 August 2024 (2023: paid 18 August 2023 to shareholders registered on 4 August 2023).

4 Income tax expense

The Directors consider that tax will be payable at varying rates according to the country of incorporation of a subsidiary and have provided on that basis.

	2024	2023
	£'000	£'000
Current tax		
UK corporation tax on results of the year	(155)	(809)
Adjustment in respect of previous years	114	(372)
	(41)	(1,181)
Foreign tax on results of the year	215	317
Total current tax	174	(864)
Deferred tax		
Deferred tax - Origination and reversal of temporary differences	259	683
Change in deferred tax rate	-	103
Adjustments to deferred tax charge in respect of previous years	22	484
Total deferred tax	281	1,270
Tax expense on profit on ordinary activities	455	406

Notes to the financial statements continued
For the year ended 31 March 2024

5 Earnings per share

	2024	2023
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		
Basic earnings per share	13.00p	30.29p
Diluted earnings per share	12.86p	29.93p

The calculation of basic and diluted earnings per share is based on the profit attributable to ordinary shareholders, divided by the weighted average number of shares in issue during the year, as shown below:

	2024			2023		
	Profit	Weighted average number of shares	Earnings per share	Profit	Weighted average number of shares	Earnings per share
	£'000	Number	p	£'000	Number	p
Basic earnings per share						
Basic earnings per share – from profit for year	2,060	15,842,911	13.00	4,810	15,878,401	30.29
Diluted earnings per share						
Basic earnings per share	2,060	15,842,911	13.00	4,810	15,878,401	30.29
Dilutive effect of share options	-	173,856	(0.14)	-	194,043	(0.36)
Diluted earnings per share - from profit for year	2,060	16,016,767	12.86	4,810	16,072,444	29.93

Notes to the financial statements continued

For the year ended 31 March 2024

6 Adjusted EBITDA

Adjusted earnings before interest, tax, depreciation and amortisation ('Adjusted EBITDA') is defined as profit from operations before all interest, tax, depreciation and amortisation charges, exceptional items and before share-based payments. The following is a reconciliation of the Adjusted EBITDA for the years presented:

	2024	2023
	£'000	£'000
Profit before taxation (earnings)	2,515	5,216
Adjustments for:		
Finance income	(547)	(255)
Finance expense	37	47
Depreciation	520	367
Depreciation – right-of-use assets	486	300
Amortisation of development costs	2,110	1,826
Amortisation of other intangible assets	368	224
Share-based payments	214	234
Profit on sale of fixed asset	-	(2,058)
Adjusted EBITDA	5,703	5,901

7 Cash, cash equivalents and fixed term deposits

	2024	2023
	£'000	£'000
Cash equivalents	3,095	13
Cash at bank	8,167	21,038
	11,262	21,041
Short term cash deposits	6,951	1,218
	18,213	22,259

Notes to the financial statements continued
For the year ended 31 March 2024

8 Principal risks and uncertainties

Key risks of a financial nature

Foreign exchange

The Group's earnings are linked to the US Dollar, a decline in this currency will have a direct effect on both transactional and translational foreign exchange risk.

The Group maintains a natural hedge by matching the cash inflows and cash outflows which reduces the risk at the gross profit line. The Group maintains the majority of its cash in sterling and manages exposure through the sale and purchase of currencies as required.

Customer dependency

The Group has a very diverse customer base generally, however in certain market sectors, key customers can represent a significant amount of revenue. Key customer relationships are closely monitored; however, changes in buying patterns of key customers could have an adverse effect on the Group's performance, financial condition and results from operations.

Supply chain dependency, interruption and cost inflation

The Group has a number of key supplier relationships, which are closely maintained to minimise the impact from any potential supply chain disruption. Some of the raw materials used within the Group's semiconductor products are sole sourced from highly specialised suppliers on a global basis.

The Group has increased levels of inventory held to protect against disruption and are dual sourcing some of the manufacturing functions where possible. If a key raw material supplier was unable to continue supply on a permanent basis, then the Group would need to invest the R&D effort and associated costs to replace the supplier, subject to that being considered commercially viable.

Supplier prices, currency exchange rates and gross margins are continually monitored which can lead to pricing adjustments with customers.

Credit risk

The Group has the potential to be exposed to bad debt risk from customers, there is no recent history of material bad debts in the Group.

The Group monitors ageing receivables on a regular basis and takes action to enforce the collection of overdue debts.

Taxation

The Group invests in research and development as part of its ongoing product development and innovation activities. Changes to the enhanced tax benefits in the UK will likely have an impact on future cash generation and profitability of the Group.

The Group works with its professional advisers to ensure that this impact is minimal. The Group will continue to invest in research and development.

IT systems – failure or malicious damage

The Group has a standardised systematic approach to maintaining and operating its IT systems globally. The Group has an internal team supported by a number of world class external partners ensuring that the Group's electronic records and resources remain secure. The backup and recovery of its global IT systems has been real-time tested. The threat from malicious cyber activity is an ever-increasing risk with awareness and responsibility at Board level and appropriate investments being made.

Notes to the financial statements continued
For the year ended 31 March 2024

Key risks of a non-financial nature
Customer product demand

The Group operates in a highly competitive global market that is evolving continually.

The Group's ability to respond to many competitive factors including, but not limited to, pricing, technological innovations, product quality, customer service, raw material availabilities, manufacturing capabilities and employment of qualified personnel will be key in the achievement of its objectives. The Group's ultimate success will depend on the demand for its customers' products, since the Group is a component supplier.

Legal requirements

A substantial proportion of the Group's revenue and earnings are derived from outside the UK. The Group's ability to achieve its financial objectives could be impacted by risks and uncertainties associated with local legal requirements, political risk, the enforceability of laws and contracts, changes in the tax laws, terrorist activities, natural disasters or health epidemics.

The Group partially manages this risk by working with local professional advisers to ensure that all local laws and regulations are complied with.

Understanding of the development, performance or position of the Company's business

The Directors do not believe that environmental matters (including the impact of the Company's business on the environment), details of the Company's employees (including gender) and social, community and human rights issues are needed for an understanding of the development, performance or position of the Company's business and accordingly have not included these within the Strategic Report, but have added these to the Directors' Report and Environment, social and governance sections of this Annual Report.

Notes to the financial statements continued
For the year ended 31 March 2024

9 Acquisition of Microwave Technology Inc

Following the announcement on 17 January 2023 that a definitive agreement had been signed to acquire Silicon Valley based semiconductor company Microwave Technology, Inc (MwT) and having obtained US regulatory clearance, the acquisition completed on 2 October 2023. The Group acquired 100% of the issued share capital for a total consideration of \$13.18m, of which \$7.65m is payable in cash and \$5.53m is payable in shares.

Founded in 1982, MwT is a recognised leader in the design, manufacturing and marketing of GaAs and GaN based MMICs, Discrete Devices and Hybrid Amplifier Products for Commercial Wireless Communication, Defence, Space, and Medical (MRI) applications.

The acquisition expands the Group's product portfolio, strengthens and enhances its support resources and increase its R&D capabilities, providing essential knowhow and experience in system level understanding, product manufacturing and packaging techniques. MwT's products are complementary to CML's existing offering. For this reason, combined with the anticipated synergies to arise from integrating the MwT business into existing Group businesses, the Group paid a premium over the acquisition net assets, giving rise to goodwill. All intangible assets in accordance with IFRS 3 Business Combinations were recognised at their provisional fair values on the date of acquisition, with the residual excess over net assets being recognised as goodwill. Intangibles arising from the acquisition consist of R&D, brand values, customer relationships and intellectual property and have been independently valued by professional advisors.

Details of the purchase consideration and provisional fair values of assets acquired, and liabilities assumed at the date of acquisition:

Purchase consideration:	£'000
Cash paid	6,266
Ordinary shares issued	4,530
Total purchase consideration	10,796

The fair value of the 864,349 shares issued as part of the consideration paid for MwT was based on the published share price on 16 January 2023 of 492.49p per share. The consideration value of £4.53m is based upon a share for share exchange of 5.87 MwT shares for 1 CML share.

The provisional fair values of assets acquired, and liabilities assumed at the date of acquisition are as follows:

	£'000
Property, plant and equipment	42
Right-of-use asset	44
<i>Intangible fixed assets:</i>	
Brands and Trademarks	631
Customer relationships	1,349
Intellectual property	849
Inventory	841
Trade receivables and prepayments	639
Cash and cash equivalents	1,016
Trade and other payables	(1,759)
Lease liability	(44)
Provisions	(208)
Deferred tax assets	414
Deferred tax liabilities	(707)
Net assets acquired	3,107
Goodwill	7,689
Consideration	10,796

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

There are no non-controlling interests in relation to the MwT acquisition. Fair values in the above table have only been determined provisionally and may be subject to change in the light of any subsequent new information becoming available in time. The review of the fair value of assets and liabilities acquired will be completed within twelve months of the acquisition date. Receivables at the date of acquisition are expected to be collected in accordance with the gross contractual amounts.

MwT has a 31 December 2023 financial period end; in the six months to 31 March 2024, MwT contributed revenue of £3,307,000 and a net gain before taxation of £478,000. If MwT had been part of the Group for the full reporting period the contributed revenue would have been £5,806,000 with a net loss before taxation of £(695,000).

Notes to the financial statements continued.

For the year ended 31 March 2024

Net cash outflow arising on acquisition:

	£'000
Cash consideration paid (less cash retention)	1,581
Cash and cash equivalents	(1,016)
Total Consideration	565

In addition to the cash consideration paid of £1,581,000, other payables includes retention along with £1,427,421 (272,339 shares) ordinary share issue retention. The retention is payable over a three-year period, cash consideration £956,325 on 2 April 2024, cash consideration £2,171,783 and £475,807 (90,780 shares) on 2 October 2024, cash consideration of £1,557,331 and £475,807 (90,780 shares) on 2 October 2025 and £475,807 (90,779 shares) on 2 October 2026.

Other costs relating to the acquisition have not been included in the consideration cost. Directly attributable acquisition costs include external legal and accounting costs and the performance of due diligence activity and amount to £732,000. These costs have been charged to distribution and administrative expenses in the consolidated income statement over a two-year period, with £268,066 included in the current year.

10 Post balance sheet events

In April 2024 the Company purchased 42,500 ordinary shares as a share buyback and these shares are held in Treasury for the principal purpose of reducing the issued share capital of the Company and returning funds to Shareholders.

11 Significant accounting policies

The accounting policies used in preparation of the annual results announcement are the same accounting policies set out in the year ended 31 March 2024 financial statements.

12 General

These Condensed Consolidated Financial Statements have been prepared in accordance with UK adopted International Accounting Standards and are in conformity with the requirements of the Companies Act 2006. They do not include all of the information required for full annual statements and should be read in conjunction with the 2024 Annual Report.

The comparative figures for the financial year 31 March 2023 have been extracted from the Group's statutory accounts for that financial year. The statutory accounts for the year ended 31 March 2023 have been filed with the registrar of Companies. The auditor reported on those accounts: their report was (i) unqualified, (ii) did not include references to any matters to which the auditor drew attention by way of emphasis without qualifying the reports and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The statutory accounts for the year ended 31 March 2024 were approved by the Board of Directors on 1 July 2024 and will be delivered to the Registrar of Companies following the Company's Annual General Meeting on 13 August 2024.

The financial information contained in this announcement does not constitute statutory accounts for the year ended 31 March 2024 or 2023 as defined by Section 434 of the Companies Act 2006.

A copy of this announcement can be viewed on the company website

<http://www.cmlmicroplc.com>.

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