

Half-year Report
RNS Number : 1853B
Science in Sport PLC
19 September 2018

SCIENCE IN SPORT PLC
("SiS" or the "Company")

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

Science in Sport plc (AIM: SIS), a leading sports nutrition company that develops, manufactures and markets sports nutrition products for professional athletes and sports enthusiasts, is pleased to announce its unaudited results for the 6months ended 30 June 2018.

Highlights

- Revenues increased 20% to £9.93 million (H1 2017: £8.27 million) demonstrating continued strong growth, with the Company's e-commerce platform delivering 30% growth across all markets. All e-commerce channels now account for 53% of total revenues (H1 2017: 51%).
- Investment in H1 driving strong momentum into H2, full year revenue outlook in line with expectations.
- International markets performed strongly with growth of 53%, half the growth being driven by increased investment in the USA and Italy which are trading in line with expectations, as is the Australian business. International revenue accounts for 34% of total revenue (H1 2017: 27%).
- Increased strategic investment in International market expansion and e-commerce platform to capture the strong growth resulted in an increased underlying operating loss of £1.64 million* (H1 2017: -£1.14 million). The planned increased investment, against a backdrop of tightly controlling costs, will lead to a larger than expected EBITDA loss for the full year vs market expectations.
- Core business** is profitable at the half year for the first time with £0.3 million EBITDA including £0.6 million loss in new strategic vertical of Football, compared with breakeven H1 2017, continuing the trend from H2 2017.
- Delivered against Company objective of maintaining gross profit margin which remained consistent with H1 2017 at 59%.
- New product development continued to be a key growth driver and delivered £0.6 million of sales (H1 2017: £0.2 million) contributing 35% to overall revenue growth and strong second half pipeline in place.
- Increased investment in marketing was focused on driving brand awareness in International markets and on growing the e-commerce business customer database by 22% net to 645k, despite 248k opting out under new GDPR legislation.
- Significant investment in a major upgrade to the e-commerce platform, logistics and financial systems and people in all markets to support growth strategy.
- Cash and cash equivalents of £10.7 million (H1 2017: £3.9 million) post fund raise in November 2017. Funds have been utilised for investment in International markets, e-commerce platform and investment in systems in all markets to support accelerated growth.
- The Company is pleased to announce the appointment of Liberum Capital Limited as nominated advisor and sole broker with immediate effect.

* excludes depreciation, amortisation, and share based payments

** core is defined as UK, EU and ROW, excluding strategic markets USA, Italy & Australia, but including Football.

Stephen Moon, Science in Sport's CEO, said: "I am pleased that we had a strong start to the year. We have achieved yet another period of substantial growth, which saw revenue increase 20% year on year, in line with expectations. Post period end we have seen very strong growth in the three months to August as new initiatives generate increased revenue in H2 as planned."

"The pace of change from offline to online across the retail market is accelerating faster. The SIS brand is well placed to take advantage of this structural shift and we continue to invest in our people, technology and brand awareness to underpin our growth ambitions. We launched our football business during the first quarter, having secured an exclusive nutrition partnership with Manchester United and we have already seen an impact on sales to elite clubs. Growth from our own e-commerce platform has accelerated strongly following commissioning our new web platform across all strategic markets. Our strategy of focusing on online and international growth continues to deliver results."

"Group operating losses reflect the increased investment in new international markets, football and our e-commerce platform. The core business has moved into profit at the half year for the first time as we leverage the advantage of a strong gross margin and tightly controlled costs. Having reached the milestone of profitability in our core business and with promising early signs in the USA, we are very confident for the future of the SIS brand."

This announcement contains inside information for the purposes of EU Regulation 596/2014.

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About Science in Sport plc

Science in Sport plc is a leading sports nutrition company that develops, manufactures and markets sports nutrition products for professional athletes and sports enthusiasts. SiS is a strong brand in the elite athlete community - in the 2016 Rio Olympics, 34 medal-winning athletes or teams used SiS products (compared with 24 medal winning athletes or teams in 2012).

The SiS core product ranges include: SiS GO, comprising energy powders, isotonic gels, energy bars, hydration tablets and shots; SiS REGO, including protein-based recovery powders; SiS Protein, products specifically designed to contribute to athletes' lean muscle mass growth and maintenance; SiS Supplements, comprising BCAA Perform, Creatine, Beta Alanine and L Glutamine; SiS Athlete Health, vitamins and supplements range designed to support and maintain immune function, digestive health and bone health. SiS products are sold in a range of retail channels, including specialist sport retailers, major grocers, high street retailers and e-commerce websites.

SiS is currently the official sports nutrition supplier to professional cycling organisations Team SKY, British Cycling, Cycling Australia, and USA Cycling. SiS is also a partner to British Triathlon and Rock n Roll Marathon Series. Along with supplying over 70 professional English & Scottish League football teams, SiS Sports Nutrition is the partner to the world's most popular football club, Manchester United

FC. In addition, Olympians Sir Chris Hoy MBE, Mark Cavendish MBE and Adam Peaty MBE are Brand Ambassadors.

SiS was founded in 1992 and is headquartered in Hatton Garden, London. Its manufacturing facility is in Nelson, Lancashire.

SiS shares are traded on the AIM market of the London Stock Exchange under the ticker symbol SIS.

For further information, please visit www.scienceinsport.com

BUSINESS REVIEW

Overview and Strategy

We are delighted to report another strong set of interim results, both financially and operationally. The six months to 30 June 2018 saw a period of strong revenue growth with half year sales up 20% to £9.93 million from £8.27 million for the same period last year, driven by International expansion, the launch of Football and investing in our e-commerce business. This continues to demonstrate the effectiveness of our growth strategy, as we further extend our UK and International presence as a leader in the global endurance sports nutrition market.

As part of our growth strategy, the Company has invested heavily in International markets, focusing on the USA, Italy and Australia. Major emphasis has been on building brand awareness and implementing our proven online customer acquisition and conversion model, both of which will continue to be key strategies in our International expansion. In addition to strategic markets, we are seeing good growth in a number of regions, as well as imminent launches in new territories including China and Latin America.

We secured our exclusive nutrition partnership with Manchester United Football Club in February, to spearhead our entry into the new vertical of Football. This powerful endorsement has resulted in growing elite usage, with more than 70 elite clubs now purchasing from the Company. Education and product trial will be key to gaining long term leadership in the sport and to this end an online Football content hub has been launched. Progress is beginning to be made in retail channels and SiS.com

The Core business has continued to perform well, and the Company continues to invest in brand awareness to broaden visibility and availability of our product across all retail and online channels. The Core business is in profit at the half year for the first time and will deliver further EBITDA in the second half.

We delivered against our objective of maintaining gross margin, offsetting shipping and duty costs related to our growing International business and the mix change due to the growth of lower margin protein products. We continue to manage overhead growth, in order to underpin investment in the brand and to benefit from operational gearing.

Investment in our e-commerce platform and financial and logistics systems continues, for both the Core market and to facilitate effective logistics and high customer service levels in strategic International markets. We invested significantly in the development and launch of a new Magento 2 e-commerce platform in Q1.

The Board continues to believe that there are significant growth opportunities for the Company over the next few years. To maximise these opportunities the Company will continue to invest in International markets, Football, the e-commerce platform and infrastructure, whilst growing profitability of the Core UK and EU business.

Financial Summary

The 6 months to 30 June 2018 was a period of good revenue growth, with sales up 20% at £9.93 million (H1 2017: £8.27 million). International and e-commerce sales growth was particularly strong, reflecting the continued investment in our e-commerce platform and brand awareness.

Gross profit of 59.0% (H1 2017: 58.8%) is reflective of our low-cost manufacturing facility in Nelson which remains a strategic advantage.

The underlying operating loss of £1.64 million (H1 2017: £1.14 million loss) reflected the accelerated investment in all markets in marketing, sales and e-commerce of £5.66 million (H1 2017: £4.67 million). The Core UK and EU business was profitable, and will continue to deliver further profit in H2, in line with management expectations.

Overheads excluding sales and marketing were £2.94 million (H1 2017: £2.39 million) for the six months. The increase was primarily due to the premises, IT and legal and professional costs associated with new overseas operations, together with additional investment in new product development, and the impact of upskilling finance, IT and HR from July 2017.

Cash and cash equivalents at the period end were £10.66 million (H1 2017: £3.88 million). Cash outflow since the year end represents continued operational investment as planned to support the strongly growing International and e-commerce businesses. In addition, significant investment has continued in the e-commerce platform to accelerate customer conversion, investment in systems to further support International expansion with the integration of third party logistics in the Italy and USA, as well as the introduction of SAP to support finance and operations across the whole business.

Sales Channels

Our e-commerce platform continues to be a key focus in 2018 and has achieved growth across all markets of 30% for the period (H1 2016: 87%). The Company upgraded to the web platform Magento 2, which was launched at the end of March. This was a significant upgrade with new functionality as well as enhanced customer experience. Third-party online performed well, growing 19% in the period, with Amazon performing strongly with 34% growth.

Traditional retail channels saw a decline in the first half of 3% overall. Encouragingly, High Street sales have seen 7% growth through new distribution with Superdrug and Holland & Barrett. However, the Heartland of independent cycle and running shops declined 7% compared with 2017, reflecting the continuing pressure on this channel from online, although SiS continues to dominate shelf space in the channel. Distribution in Grocery has continued to come under space pressure from other lifestyle-oriented categories, although we remain optimistic about the medium-term potential of the channel, through extending distribution and new product introduction.

International sales across all channels grew 53%, and 34% of total revenues came from existing and new overseas markets (H1 2017: 27%). Additional digital marketing spend has been channeled into the new strategic International markets of USA and Italy. We have invested for growth in these markets in the first half, and we are seeing growth accelerating in the third quarter as planned. The infrastructure is in place in these markets to enable further leverage going forward.

Across all International markets we are further developing our relationship with Amazon, particularly in the USA. International distributors contributed to our progress, with new markets such as Russia, China and South America contributing to our growth strategy.

Product Innovation

In the first half, 35% of total Group sales growth was delivered through new products. One of the key launches in the first six months was an Athlete Health range, formulated alongside six-time Grand Tour winners Team Sky and available exclusively through e-commerce channels.

We have also developed Beta Fuel with Team Sky, a high carbohydrate isotonic sports drink, launched in July following a successful trial period which included the fuelling of Chris Froome in his Giro D'Italia victory.

The outlook for the remainder of 2018 is very positive. REGO Power and Whey Power, developed in conjunction with Manchester United, launched in August in the protein and recovery categories.

We have continued to invest in this strategically important area and have a strong pipeline of novel products. We expect innovation revenue growth to be consistent with the contribution to sales made in previous periods, and to continue to underpin our growth going forward and maintain our position as the leading endurance sport nutrition business

People

We have invested in commercial teams in the USA and Italy and Football as well as investing in senior management in our supply chain to accelerate our continued growth.

Investment in training and skills across both sites has continued, with focus and investment on project management skills.

Outlook

Whilst the trading environment in the UK remains difficult, we are confident of delivering revenue growth in line with market expectations for 2018. The Core UK and EU business will be increasingly profitable at EBITDA level for the year. Accelerated investment in e-commerce, International markets and new executive management talent in the second half will underpin expected growth plans for 2019.

Early progress in the USA supports our confidence to invest for further growth over the coming years and new International opportunities continue to present themselves. The investment in our e-commerce platform has resulted in increased momentum in all markets and this will be a key element of our long term growth strategy.

Stephen Moon
Chief Executive Officer

Elizabeth Lake
Chief Financial Officer

Consolidated statement of comprehensive income

Six months ended 30 June 2018

	Notes	Unaudited six months ended 30 June 2018 £'000	Unaudited six months ended 30 June 2017 £'000	Audited twelve months ended 31 December 2017 £'000
Revenue		9,934	8,274	15,615
Cost of goods		(4,079)	(3,408)	(6,300)
Gross profit		5,861	4,865	9,315
Total Costs		(7,504)	(6,006)	(11,019)
Underlying operating profit/(loss)		(1,643)	(1,141)	(1,704)
Depreciation and amortisation		(276)	(210)	(567)
Share-based payment charges		(819)	(851)	(1,581)
Exceptional Items		-	-	-
Loss from operations and before tax		(2,738)	(2,202)	(3,852)
Taxation	4	145	167	246
Loss for the period		(2,593)	(2,035)	(3,606)
Exchange differences on translation of foreign operations		(59)	21	78
Total comprehensive loss for the period		(2,652)	(2,014)	(3,528)
(Loss)/profit per share to owners of the parent				
Basic and diluted	5	(3.8)p	(4.6p)	(7.7p)

All amounts relate to continuing operations

**Consolidated statement of financial position
30 June 2018**

	Unaudited six months ended 30 June 2018	Unaudited six months ended 30 June 2017	Audited twelve months ended 31 December 2017
	£'000	£'000	£'000
Assets			
Non-current assets			
Intangible assets	1,772	1,212	1,359
Plant and equipment	817	847	793
Deferred tax	1,476	1,253	1332
Total non-current assets	4,066	3,312	3,484
Current assets			
Inventories	4,780	2,338	2,713
Trade and other receivables	5,379	3,746	2,851
Cash and cash equivalents	10,659	3,883	16,570
Total current assets	20,819	9,967	22,134
Total assets	24,884	13,279	25,618
Liabilities			
Current liabilities			
Trade and other payables	(3,910)	(3,662)	(2,810)
Total current liabilities	(3,910)	(3,662)	(2,810)
Net current assets	16,909	6,305	19,324
Total net assets	20,975	9,617	22,808
Capital and reserves attributable to owners of the parent company			
Share capital	6,774	4,562	6,683
Share premium reserve	22,706	10,440	22,339
Employee benefit trust	(405)	(422)	(397)
Merger reserve	(907)	(907)	(907)
Foreign exchange reserve	(31)	(29)	28
Retained earnings	(7,163)	(4,027)	(4,938)
Total Equity	20,975	9,617	22,808

Consolidated statement of cash flows

	Unaudited six months ended 30 June 2018 £'000	Unaudited six months ended 30 June 2017 £'000	Audited twelve months ended 31 December 2017 £'000
Cash flows from operating activities			
(Loss)/profit after tax	(2,593)	(2,036)	(3,606)
Adjustments for:			
Amortisation	130	86	307
Depreciation	146	124	260
Loss on sale of fixed assets	-	-	17
Taxation	(145)	(167)	(246)
Share-based payment charges	819	851	1,581
Operating cash (outflow)/inflow before changes in working capital	(1,643)	(1,141)	(1,687)
Changes in inventories	(2,067)	(100)	(475)
Changes in trade and other receivables	(2,528)	(1,529)	(635)
Changes in trade and other payables	1,049	1,109	271
Total cash outflow from operations	(5,189)	(1,661)	(2,526)
Cash flow from investing activities			
Purchase of property, plant and equipment	(170)	(225)	(255)
Purchase of intangible assets	(551)	(370)	(799)
Interest received	0	0	0
Net cash outflow from investing activities	(721)	(595)	(1,054)
Cash flow from financing activities			
Proceeds from issue of share capital	-	-	14,848
Expenses paid on share issues	-	-	(828)
Net cash (outflow)/inflow from financing activities	-	-	14,020
Net (decrease)/increase in cash and cash equivalents	(5,911)	(2,256)	10,440
Opening cash and cash equivalents	16,570	6,130	6,130
Closing cash and cash equivalents	10,659	3,874	16,570

Consolidated statement of changes in equity

		Share Capital	Share Premium	Preference Shares/EBT	Other Reserve	Foreign exchange reserve	Retained earnings/(deficit)	Total Equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 31 December 2016		4,322	10,331	(215)	(907)	(50)	(2,662)	10,819
Comprehensive Income								
Loss for the period							(2,035)	(2,035)
Issue of shares - consideration related to sponsorship Jan 17		16	109					125
Transactions with owners recorded directly in equity								
Issue of shares to the EBT - 23 March 2017		224		(224)				0
Exercise of share options				17			(17)	0
Recognition of share-based payments charge							687	687
FX on translation of foreign subs						21		21
Balance at 30 June 2017		4,562	10,440	(422)	(907)	(29)	(4,027)	9,617
Comprehensive Income								
Loss for the period							(1,572)	(1,572)
Issue of shares - consideration related to sponsorship Jan 16		2,121	12,727					14,848
Transaction cost of placing			(828)					(828)
Transactions with owners recorded directly in equity								
Issue of shares to the EBT								
Exercise of share options				25			(25)	0
Recognition of share-based payments charge							686	686
FX on translation of foreign subs						57		57
Balance at 31 December 2017		6,683	22,339	(397)	(907)	28	(4,938)	22,808
Comprehensive Income								
Loss for the period							(2,593)	(2,593)
Issue of shares - consideration related to sponsorship Jan 16		57	368					425
Transactions with owners recorded directly in equity								
Issue of shares to the EBT - 10 May 2018		34		(34)				0

Exercise of share options				26				(26)	0
Recognition of share-based payments charge								394	394
FX on translation of foreign subs							(59)		(59)
Balance at 30 June 2018	6,774	22,706	(405)	(907)	(31)	(7,163)			20,975

EBT Own shares held by the Employee Benefit Trust ('EBT') which will be used to settle options held by employees under the Group's Employee Share Option Plan.

Other reserve The other reserve arose as a result of applying the principles of reverse acquisition accounting following the demerger of SiS (Science in Sport) Limited from Proxavis plc and represents the difference between the capital reserves of Science in Sport plc (the legal acquirer) and those of SiS (Science in Sport) Limited (the legal acquire).

Notes to the interim financial information

For the six months ended 30 June 2018

1. Basis of preparation

This interim report has been prepared using the same accounting policies as those applied in the annual financial statements for the year ended 31 December 2017, and those expected to be adopted in the financial statements for the year ending 31 December 2018.

The Directors believe that the operating loss before depreciation, amortisation and impairment of intangibles, share-based payments and exceptional items measure provides additional useful information for shareholders on underlying trends and performance. This measure is used for internal performance analysis.

Underlying operating loss is not defined by IFRS and therefore many not be directly comparable with other companies' adjusted profit measures. It is not intended to be suitable substitute for, or superior to IFRS measurements of profit. A reconciliation of underlying operating profit to statutory operating profit is set out on the face of the statement of comprehensive income.

The condensed financial information herein has been prepared using accounting policies consistent with International Financial Reporting Standards in the European Union (IFRS). While the financial figures included in this interim report have been prepared in accordance with IFRS applicable for interim periods, this interim report does not contain sufficient information to constitute an interim financial report as defined in IAS 34.

The Company has taken advantage of the exemption not to apply IAS 34 'Interim Financial Reporting' since compliance is not required by AIM listed companies.

This interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and has been neither audited nor reviewed by the Company's auditors Moore Stephens LLP, pursuant to guidance issued by the Auditing Practices Board.

The interim report should be read in conjunction with the annual financial statements period ended 31 December 2017.

The statutory Accounts for the last period ended 31 December 2017 were approved by the Board on 20 March 2018 and are filed at Companies House. The report of the auditors on those accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498 of the Companies Act 2006.

The unaudited interim report was authorised by the Company's Board of Directors on 18 September 2018

2. Segmental reporting

The Group's operating segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Chief Executive Officer, with support from the Board and senior management team. The performance of operating segments is assessed on earnings before interest, tax and depreciation, excluding equity-settles share option charges recognised under IFRS 2 "Share-based payment".

The Core segment manufactures and sells sports nutrition in the UK through SiS.com, third-partyetailers, grocers, high street and heartland bike shops. Also included in this segment is sales to Europe (excluding Italy) through distributors and online.

	Core	International	Total Group
Year ended 30 June 2018	£'000	£'000	£'000
External revenue	8,590	1,344	9,934
Segment profit/(loss) before recharges	3	(1,646)	(1,643)
Recharge International costs	259	(259)	-
Segment profit/(loss)	262	(1,905)	(1,643)
Depreciation and amortization	(270)	(6)	(276)
Share based payment charge	(819)	-	(819)
Loss from operations	(827)	(1,911)	(2,738)
Finance income	-	-	-
Finance Costs	-	-	-
Loss before taxation	(827)	(1,911)	(2,738)

3. Operating expenses

	Unaudited six months ended 30 June 2018 £'000	Unaudited six months ended 30 June 2017 £'000	Audited twelve months ended 31 December 2017 £'000
Sales and marketing costs	5,655	4,673	7,982
Operating Costs	1,849	1,334	3,037
Depreciation and amortisation	276	210	567
Share-based payments	819	851	1,581
Exceptional items	-	-	-
Administrative Costs	2,944	2,394	5,184
Total costs	8,599	7,067	13,167

4. Taxation

The corporation tax and deferred tax for the six months ended 30 June 2018 has been calculated with reference to the estimated effective tax rate on the operating results for the full year.

5. Loss per share

Basic and diluted loss per share is calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

	Unaudited six months ended 30 June 2018 £'000	Unaudited six months ended 30 June 2017 £'000	Audited twelve months ended 31 December 2017 £'000
(Loss)/profit for the financial period	(2,593)	(2,035)	(3,606)
Number of shares	Number	Number	Number
	'000	'000	'000
Weighted average number of shares-basic and diluted	67,376	44,592	46,696
EPS Summary			
Basic and diluted loss per share	(3.8)p	(4.6)p	(7.7)p

6. Share Capital

The number of ordinary shares in issue as at 30 June 2018 is 67,739,803 shares (31 December 2017 66,824,821).

On 24 January 2018 436,241 ordinary shares were issued as consideration related for sponsorship services.

On 27 March 2018 136,612 ordinary shares were issued as consideration related for sponsorship services.

On 10 May 2018 342,129 ordinary shares were issued to the EBT to satisfy STIP and LTIP awards with respect to previous periods performance.

The number of shares held by the EBT and referred to as Treasury shares was 4,055,270, (30 June 2017: 4,219,240, 31 December 2017: 3,972,986)

7. Cautionary statement

This document contains certain forward-looking statements with respect to the financial condition, results and operations of business. These statements involve risk and uncertainty as they relate to events and depend on circumstances that will incur in the future. Nothing in this interim report should be construed as a profit forecast.

8. Copies of the interim report

The interim report for the six months ended 30 June 2018 can be downloaded from the Company's website www.scienceinsport.com. Further copies can be obtained by writing to the Company Secretary, Science in Sport plc, 16-18 Hatton Garden, Farringdon, London, EC1N 8AT.