

RNS Number : 2651R
Science in Sport PLC
20 September 2017

The following amendment has been made to the Half-year Report announcement released on 20 September 2017 at 7.00 a.m. under RNS number 2156R.

In the previous version of the announcement, the consolidated statement of comprehensive income incorrectly stated unaudited Total Costs for the six months ended 30 June 2017 as £4,118k; the correct figure of £6,006k is now shown.

All other details remain unchanged, and the full amended announcement is shown below.

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 6 months ended 30 June 2017.

Highlights

- Revenues increased 28% to £8.27 million (H1 2016: £6.48 million) demonstrating continued strong growth, with the Company's e-commerce platform delivering 87% growth across all markets. All e-commerce channels now account for 51% of total revenues (H1 2016: 46%).
- International performed strongly with growth of 55%, driven by increased investment in the USA and Italy which are trading in line with expectations, as is the Australian business. International revenue accounts of 27% of total revenue (H1 2016: 22%).
 - Strategic investment in international market expansion and e-commerce business resulted in underlying operating loss of £1,141k* in line with expectations and growth strategy (H1 2016: -£369k).
 - Core UK and EU business break even at the half year and on track for profitable second half, given first half phasing of marketing investment.
 - Increased input prices on raw materials and growth in protein products have been absorbed through increased efficiencies, leaving overall gross profit unchanged at 58.8%.
 - New product development and launches continued with GO Caffeine Shots launched in H1, and further acceleration in H2 with WHEY20 relaunched in July 2017 and GO Energy + Immune Gel and REGO Rapid Recovery Plus launched in August 2017.
- Increased investment in marketing was focused on driving brand awareness in international markets and on growing our e-commerce business customer database by 38% from the beginning of the period.
- Significant investment in systems and people in all markets to support growth strategy.
 - Cash and cash equivalents of £3.9 million (H1 2016: 6.7 million) reflecting investment in international markets, e-commerce platform and investment in systems in all markets to support the accelerated growth.

* excludes depreciation, amortisation, and share based payments

Stephen Moon, Science in Sport's CEO, said: "I am pleased that we have had such a strong start to the year in a difficult market of rising input costs and uncertain consumer spending. We have achieved yet another period of substantial growth, which was in line with our expectations, and saw revenues increase 28% year on year."

"We have invested heavily in international markets during the first half and trading is in line with expectations in Australia, Italy and the USA. We have also seen exceptionally strong growth from our own e-commerce platform. Our strategy of focusing on online and international growth is delivering results."

"Operating losses are in line with expectations and reflect our investment in category leading growth in new markets and digital channels. The core business is expected to be profitable at EBITDA level for the full year and we will continue to invest in strategic international markets. Costs remain tightly controlled and gross margin is very robust in a difficult climate. We remain confident in our growth-led strategy."

For further information:

Science in Sport PLC

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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 medals in 2012).

The SiS core product ranges include: SiS GO, comprising energy powders, isotonic gels, energy bars and hydration tablets; and SiS REGO, including protein-based recovery powders and bars; and SiS Protein, products specifically designed to contribute to athletes' lean muscle mass growth and maintenance. 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 team Team SKY, British Cycling, Cycling Australia, USA Cycling and British Triathlon. SiS is also the official sports nutrition partner to Celtic FC and Aston Villa FC and has supplies over 40 clubs including four national teams and seven Premiership teams. In addition, Olympians Sir Chris Hoy MBE, and Katarina Johnson-Thompson are Brand Ambassadors and Mark Cavendish MBE is an Elite Sports Consultant to the brand.

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 a strong set of interim results, both financially and operationally. The six months to 30 June 2017 saw a period of strong revenue growth with half year sales up 28% to £8.27 million from £6.48 million for the same period last year, driven by international expansion 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 Australia, Italy and the USA. Major emphasis has been on building brand awareness and implementing our proven online customer acquisition and conversion model, both of which we will continue to be key strategies in our international expansion.

The core business has continued to outperform market growth 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 expected to be profitable at EBITDA level in 2017.

We delivered against our objective of maintaining gross margin, against a backdrop of increases in some raw material costs and the growth in the mix of protein products. We continue to tightly control underlying 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 is underway, for both the core market and to facilitate effective logistics and high customer service levels in strategic international markets.

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, the e-commerce platform and infrastructure, whilst growing profitability of the core UK and EU business.

Financial Summary

The 6 months to 30 June 2017 was a period of strong revenue growth, with sales up 28% at £8.27 million (H1 2016: £6.48 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 58.8% (H1 2016: 58.9%) is reflective of our low-cost manufacturing facility in Nelson which remains a strategic advantage. Investment has driven further efficiencies at the facility which has enabled the business to absorb increases in raw material costs and the growth of protein products within the overall product mix.

The underlying operating loss was in line with management expectations at £1.14 million (H1 2016: £0.37 million loss) given accelerated investment in all markets in marketing, sales and e-commerce of £4.67 million (H1 2016: £3.04 million). The core UK and EU business broke even in the first half and with marketing expenditure phased heavily to the first half, is on track to be profitable at EBITDA level for the full year, in line with management expectations.

Overheads excluding sales and marketing were £2.39 million (H1 2016: £1.61 million) for the six months. Share-based payments are higher this period by £0.59 million, as H1 2016 had no LTIP charge given no share schemes were in place. Management continue to seek to limit underlying overheads to single-digit increases in the future, currently achieving 13.8% excluding the share-based payments charge. The increase over the targeted single-digit growth rate was due to one-off costs related to a significant upgrade in our world-class banned substance programme, and investment in project management skills to ensure delivery of a range of major commercial and operational strategic projects.

Cash and cash equivalents at the period end were £3.88 million (H1 2016: £6.64 million). Cash outflow since the year end represents continued operational investment 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 2017 and has achieved growth across all markets of 87% for the period (H1

2016: 73%). The Company has invested in the platform in all markets to enhance the customer experience, including features such as world-class knowledge content and effective checkout processes. We launched our market leading Premier delivery subscription service in March 2017 providing unlimited next day delivery for a single annual fee. Third-party online grew at a more modest 13% in the period, although Amazon performed very strongly (+56%).

Traditional retail channels have grown by 14% despite the tough trading environment. High Street sales have recovered following a challenging year in 2016 with Decathlon and Halfords leading the progress and channel growth was 27%. The Heartland of independent cycle and running shops also had a good first half to the year compared with 2016, with distribution remaining robust and channel growth of 12%, to cement our dominant position in this important channel. Despite growing our distribution in multiple Grocers, revenue growth was 6% and below expectation due to space pressure from other lifestyle-oriented categories, although we remain optimistic about the medium-term potential of the channel.

International sales across all channels grew 55%, and 27% of total revenues came from existing and new overseas markets (H1 2016: 22%). Additional digital marketing spend has been channeled into the key strategic international markets of Australia, Italy and USA. In the USA we established a foothold via a focused test market and this has enabled us to prove our e-commerce customer acquisition and conversion model. We expect to accelerate our investment in the USA next year, while maintaining a conservative and risk-managed approach.

Italy has delivered strong growth through all channels, with our own e-commerce platform being particularly pleasing. A third-party managed distribution hub has been established to improve speed and cost of delivery, giving us a market-leading position. Our Australian business has also performed well and in line with expectations. 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 and China beginning to underpin our growth strategy.

Product Innovation

We have continued to invest in this strategically important area and have an exciting pipeline of novel products. We expect innovation revenue growth to be consistent with the contribution to sales made in previous periods.

In the first half we launched our new GO Caffeine Shots which are performing well and in line with expectation. An enhanced WHEY20 was relaunched in July and has been very well received by our customers. Ahead of the winter season we have launched a range of GO Energy+ Immune gels with enhanced immunity properties. In August we launched the premium recovery product REGO Rapid Recovery Plus, which we developed in conjunction with Team Sky.

In addition, our world-class science team is working on a range of technology and product innovations to underpin growth in the medium and long term and to cement our position as the leading endurance sport nutrition business.

In May 2017 patents were granted in respect of our novel WHEY20 protein product and we have a series of further patents in process.

People

We have continued to strengthen the commercial teams during 2017, with the central e-commerce team seeing a number of new appointments, and new in-market staff to support international growth.

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

Outlook

While the trading environment in the UK remains difficult, we are confident of delivering revenue growth in line with market expectations for 2017. The core UK and EU business is expected to be profitable at EBITDA level for the year and overall group EBITDA loss will be broadly in line with expectations, this loss reflecting the planned strategic expansion into major new growth markets.

The Board believes there continues to be significant growth opportunity for the Company and we will continue to invest in international markets and our e-commerce platform.

Stephen Moon
Chief Executive Officer

Elizabeth Lake
Chief Financial Officer

Consolidated statement of comprehensive income

Six months ended 30 June 2017

	Notes	Unaudited six months ended 30 June 2017 £'000	Unaudited six months ended 30 June 2016 £'000	Audited twelve months ended 31 December 2016 £'000
Revenue		8,274	6,484	12,243
Cost of goods		(3,408)	(2,665)	(4,865)
Gross profit		4,865	3,819	7,378
Total Costs		(6,006)	(4,188)	(8,177)
Underlying operating profit/(loss)		(1,141)	(369)	(799)

Depreciation and amortisation		(210)	(213)	(419)
Share-based payment charges		(851)	(257)	(1,572)
Exceptional Items		-	-	-
Loss from operations		(2,202)	(839)	(2,790)
Finance income		-	-	1
Finance costs		0	(2)	(4)
Loss before taxation		(2,202)	(841)	(2,793)
Taxation	4	167	160	149
(Loss)/profit and total comprehensive expense for the period		(2,035)	(681)	(2,644)
Attributable to:				
Owners of the parent		(2,035)	(681)	(2,644)
(Loss)/profit and total comprehensive expense for the period		(2,035)	(681)	(2,644)
Foreign currency translation differences for foreign operations		21	(25)	(50)
Total comprehensive income for the year		(2,014)	(706)	(2,694)
(Loss)/profit per share to owners of the parent				
Basic and diluted	5	(4.6)p	(1.6p)	(6.2p)

All amounts relate to continuing operations

Consolidated statement of financial position 30 June 2017

	Unaudited six months ended 30 June 2017	Unaudited six months ended 30 June 2016	Audited twelve months ended 31 December 2016
	£'000	£'000	£'000
Assets			
Non-current assets			
Intangible assets	1,212	585	884
Plant and equipment	847	645	798
Deferred tax	1,253	1,097	1086
Total non-current assets	3,312	2,327	2,768
Current assets			
Inventories	2,338	2,289	2,238
Trade and other receivables	3,746	2,648	2,217
Cash and cash equivalents	3,883	6,637	6,130
Total current assets	9,967	11,574	10,585
Total assets	13,279	13,901	13,353
Liabilities			
Current liabilities			
Trade and other payables	(3,662)	(2,342)	(2,534)
Borrowings	-	(15)	-
Total current liabilities	(3,662)	(2,357)	(2,534)
Net current assets	6,305	9,217	8,051
Non-current liabilities			
Borrowings	-	-	-
Total non-current liabilities	-	-	-
Total liabilities	(3,662)	(2,357)	(2,534)
Total net assets	9,617	11,544	10,819
Capital and reserves attributable to owners of the parent company			
Share capital	4,562	2,557	4,322
Share premium reserve	10,440	3,519	10,331
Employee benefit trust	(422)	(64)	(215)
Merger reserve	(907)	(907)	(907)
Foreign exchange reserve	(29)	-	(50)
Retained earnings	(4,027)	(1,145)	(2,662)
Total Equity	9,617	11,544	10,819

Consolidated statement of cash flows

	Unaudited six months ended 30 June 2017 £'000	Unaudited six months ended 30 June 2016 £'000	Audited twelve months ended 31 December 2016 £'000
Cash flows from operating activities			
(Loss)/profit after tax	(2,035)	(706)	(2,644)
Adjustments for:			
Amortisation	86	57	160
Depreciation	124	156	261
Net finance cost	-	2	3
Taxation	(167)	(160)	(149)
Share-based payment charges	851	257	1,572
Operating cash (outflow)/inflow before changes in working capital	(1,141)	(394)	(797)
Changes in inventories	(100)	(818)	(767)
Changes in trade and other receivables	(1,529)	(1,399)	(968)
Changes in trade and other payables	1,109	832	921
Total cash outflow from operations	(1,661)	(1,779)	(1,611)
Tax credits received	-	-	-
Total cash outflow from operating activities	(1,661)	(1,779)	(1,611)
Cash flow from investing activities			
Purchase of property, plant and equipment	(225)	(178)	(402)
Purchase of intangible assets	(370)	(123)	(558)
Interest received	0	0	1
Net cash outflow from investing activities	(595)	(301)	(959)
Cash flow from financing activities			
Decrease in borrowings	-	(34)	(49)
Interest paid	-	(2)	(4)
Net cash (outflow)/inflow from financing activities	-	(36)	(53)
Net (decrease)/increase in cash and cash equivalents	(2,256)	(2,116)	(2,623)
Opening cash and cash equivalents	6,130	8,753	8,753
Closing cash and cash equivalents	3,874	6,637	6,130

Consolidated statement of changes in equity

	Share Capital £'000	Share Premium £'000	Preference Shares/EBT £'000	Other Reserve £'000	Foreign exchange reserve £'000	Retained earnings/(deficit) £'000	Total Equity £'000
Balance at 31 December 2015	4,025	10,228	(61)	(907)	0	(1,269)	12,016
Comprehensive Income							
Loss for the period						(681)	(681)
Issue of shares - consideration related to sponsorship Jan 16	22					103	125
Transactions with owners recorded directly in equity							
Issue of shares to the EBT - 31 March 2016	275		(275)				0
Exercise of share options			121			(121)	0
Recognition of share-based payments charge						109	109
FX on translation of foreign subs						(25)	(25)
Balance at 30 June 2016	4,322	10,228	(215)	(907)	0	(1,884)	11,544
Comprehensive Income							
Loss for the period						(1,963)	(1,963)
Issue of shares - consideration related to sponsorship Jan 16		103				(103)	0
Transactions with owners recorded directly in equity							
Issue of shares to the EBT - 31 March 2016							0
Exercise of share options						(0)	(0)
Recognition of share-based payments charge						1,263	1,263
FX on translation of foreign subs					(50)	25	(25)
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 16	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

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 Provexis 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 acquiree).

Notes to the interim financial information For the six months ended 30 June 2017

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 2016, and those expected to be adopted in the financial statements for the year ending 31 December 2017.

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 2016.

The statutory Accounts for the last period ended 31 December 2016 were approved by the Board on 22 March 2017 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 19 September 2017

2. Segmental reporting

The Directors have determined that only one operating segment exists under the terms of IFRS 8 Operating Segments, as the Group is organised and operates as a single business unit.

3. Operating expenses

	Unaudited six months ended 30 June 2017	Unaudited six months ended 30 June 2016	Audited twelve months ended 31 December 2016
	£'000	£'000	£'000
Sales and marketing costs	4,673	3,044	5,931
Operating Costs	1,334	1,144	2,246
Depreciation and amortisation	210	213	419
Share-based payments	851	257	1572
Exceptional items	-	-	-
Administrative Costs	2,394	1,614	4,237
Total costs	7,067	4,658	10,168

4. Taxation

The corporation tax and deferred tax for the six months ended 30 June 2017 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 2017 £'000	Unaudited six months ended 30 June 2016 £'000	Audited twelve months ended 31 December 2016 £'000
(Loss)/profit for the financial period	(2,035)	(681)	(2,644)
Number of shares	Number	Number	Number
	'000	'000	'000
Weighted average number of shares-basic and diluted	44,592	41,848	42,528
EPS Summary			
Basic and diluted loss per share	(4.6)p	(1.6)p	(6.2)p

6. Share Capital

The number of ordinary shares in issue as at 30 June 2017 is 45,613,456 shares (31 December 2016 43,216,191).

On 9 January 2017 159,236 ordinary shares were issued as consideration related for sponsorship services.

On 23 March 2017 2,238,029 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 4,219,240, (30 June 2016: 2,152,892, 31 December 2016: 2,152,892 shares).

8. 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.

9. Copies of the interim report

The interim report for the six months ended 30 June 2017 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.

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