

23 February 2017

TRISTEL plc
("Tristel", the "Company" or the "Group")

Half-year Report

Unaudited Interim Results for the six months ended 31 December 2016

Tristel plc (AIM: TSTL), the manufacturer of infection prevention, contamination control and hygiene products, announces its interim results for the six months ended 31 December 2016, ahead of management expectations as stated at the AGM.

Tristel's lead technology is a proprietary chlorine dioxide formulation and the Company addresses three distinct markets:

- The Human Healthcare market (hospital infection prevention – via the Tristel brand)
- The Contamination Control market (control of contamination in critical environments – via the Crystel brand)
- The Animal Healthcare market (veterinary practice infection prevention – via the Anistel brand)

Financial highlights

- Revenue up 22% to **£9.75m** (2015: £8.01m)
- Overseas sales up 45% to **£4.2m** (2015: £2.9m), representing 43% of total sales (2015: 36%)
- EBITDA and share based payments up 21% to **£2.3m** (2015: £1.9m)
- Pre-tax profit before share based payments up 15% to **£1.7m** (2015: £1.48m)
- Adjusted EPS before share based payments up 14% to **3.30p** (2015: 2.89p)
- Interim dividend of **1.40p** per share (2015: 1.14p), an increase of 23%
- Cash of £3.9m (2015: £4.3m) post £1.1m for acquisition

Operational highlights

- Positive profit contribution from Australian acquisition
- Results benefiting from Sterling weakness since the EU referendum result
- First meeting with Environmental Protection Agency (EPA) in October 2016
- Second meeting with Food and Drug Administration (FDA) in February 2017
- Company is continuing to invest for future growth

Commenting on current trading, Paul Swinney, Chief Executive of Tristel, said: "We are pleased to report strong half-on-half revenue growth which has been above our targeted range of 10-15%. We have also delivered the pre-tax profit margin of 17.5% that we target, even after costs of £0.2m incurred during the half in pursuit of our North American business plan. Profit before tax and share based payments has risen by 15% to £1.7m and strong cash generation saw cash of £3.9m at 31 December 2016 compared with £5.7m at 30 June last year, despite cash outflows of £1.1m for the Australian acquisition and dividend payments of £2.2m during the period.

"We are progressing satisfactorily with our planned entry into the North American hospital market."

There will be a webinar for investors at 12.15 today (23 February). If you would like to join the webinar, please register here <https://www.equitydevelopment.co.uk/news-and-events/>

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Chairman's statement

Results

The Company made excellent progress during the first half, with sales increasing to £9.75m, up 22% on the comparable period last year.

We are very pleased that sales in the United Kingdom picked up the pace of growth, rising 9% to £5.56m half-on-half. This performance was flattered by a bulk purchase during the half by our largest customer, NHS Supply Chain. This purchase enabled the substitution of a discontinued pack size and contributed approximately £150,000 in sales during the half.

Overseas sales once again rose, up 45% to £4.19m. During the half overseas sales represented 43% of total sales, compared to 36% during the same period last year. Our Australian subsidiary, which we acquired on 15 August 2016, represented £487,000 of the overseas sales growth of £1.3m.

Overseas sales	First half 2016-17 £	First half 2015-16 £	Period-on- period growth £	Period-on- period growth %	Period-on- period growth % at a constant currency
China & Hong Kong (subsidiaries)	649,000	486,000	163,000	34%	31%
Germany (subsidiary)	1,526,000	794,000	732,000	92%	62%
New Zealand (subsidiary)	299,000	202,000	97,000	48%	18%
Overseas distributors (managed by UK) ¹	943,000	1,122,000	(179,000)	-16%	-16%
Overseas sales excluding impact of acquisition	3,417,000	2,604,000	813,000	31%	19%
Australia (subsidiary) ²	776,000	289,000	487,000	169%	113%
Total overseas sales	4,193,000	2,893,000	1,300,000	45%	29%

¹ Certain distributors have been absorbed into direct operations.

² Distributor acquired during the period – included within New Zealand subsidiary sales in last year's Interim Statement.

The weakness of Sterling since the EU Referendum result has benefited Group sales. Stated at constant currency, overseas sales growth would have been reported at 29% rather than 45%.

Overseas sales are now approaching 50% of the total and reflect the Company's strategic goal of becoming a global force in the infection prevention industry. We expect the contribution to Group sales from overseas markets to exceed 50% during the course of our current strategic plan which takes us to 30 June 2019.

Progress of our investments to improve efficiency and for future growth

This time last year I explained how the business was investing in plant and process in order to improve efficiency. During the period we increased sales by £1.7m, gross margin from 71% to 74%, whilst headcount increased by only six people (five of whom joined with our Australian acquisition).

During the period we have made significant investments towards future growth, including £200,000 spent on our North American market entry plan, and £54,000 in relation to other potential markets.

Our pre-tax profit margin of 17.5% is in line with our strategic target, and represents profit before tax and share based payments of £1.7m, which is an increase of 15% half-on-half.

We are pursuing a broadly based plan to enter the United States and Canadian markets and this programme includes eight products for which we will require a combination of FDA and EPA approvals. We have held two meetings with the FDA and one with the EPA, we have attended a number of clinical conferences and trade exhibitions during the half and are in the process of piecing together our market entry plan. I am satisfied that we are progressing well towards our strategic objective of entering the North American market in the financial year 2018-19.

Dividend

The business continues to convert profit to cash. During the half to 31 December 2016 a special dividend of 3 pence per share and a final dividend of 2.19 pence per share were paid, aggregating £2.2m. In addition, we completed upon an acquisition of our Australian distributor's business, at a cost of £1.1m. At the period end cash was £3.9m. We will pay an interim dividend of 1.40 pence per share on 13 April to shareholders on the register on 24 March 2017, with an ex-dividend date of 23 March 2017. Our historic dividend policy is to cover the standard dividend two times and in the past was paid 25% as an interim dividend and 75% as a final. Last year, given the increase in dividend tax effective from 6 April 2016, we paid 40% as an interim and brought forward the payment to March. Going forward we will continue to cover the standard dividend two times and we will pay 40% as an interim in April and 60% as a final dividend in December.

Outlook

We outlined in October 2016 our strategic targets:

- to grow sales by 10-15% on average over the next three years
- to attain a profit before tax and share based payments margin of at least 17.5%, whilst investing in future growth
- to return cash that is surplus to the operational and investment needs of the business in the form of special dividends

These targets continue to guide us and remain achievable.

I believe the business is in good shape and shareholders can confidently look forward to their Company's further progress and growth in the years ahead.

Francisco Soler
Chairman
23 February 2017

CONDENSED CONSOLIDATED INCOME STATEMENT
RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	6 months ended 31-Dec-16 (unaudited) £'000	6 months ended 31-Dec-15 (unaudited) £'000	Year ended 30-Jun-16 (audited) £'000
Revenue	Note 3	9,748	8,010
Cost of sales		(2,496)	(2,289)
Gross profit		7,252	5,721
Administrative expenses – share based payments	(5)	(1,015)	(674)
Administrative expenses – depreciation & amortisation	(595)	(401)	(1,071)
Administrative expenses – other	(4,959)	(3,850)	(8,242)
Total administrative expenses		(5,559)	(5,266)
Operating profit		1,693	455
Finance income	2	4	12
Results from equity accounted associate	6	6	13
Profit before taxation		1,701	465
Taxation	(312)	(273)	(491)
Profit for the period		1,389	192
Attributable to:			2,102
Equity holders of the parent	1,389	192	2,102
Earnings per share from continuing operations attributable to equity holders of the parent	Note 4		
Basic (pence)	3.30	0.46	5.01
Diluted (pence)	3.14	0.45	4.81

All amounts relate to continuing operations.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016**

	6 months ended 31-Dec-16 (unaudited) £'000	6 months ended 31-Dec-15 (unaudited) £'000	Year ended 30-Jun-16 (audited) £'000
Profit for the period	1,389	192	2,102
Items that will be reclassified subsequently to Profit and loss			
Exchange differences on translation of foreign operations	81	13	146
Other comprehensive income for the period	81	13	146
Total comprehensive income for the period	1,470	205	2,248
Attributable to:			
Equity holders of the parent	1,470	205	2,248
	1,470	205	2,248

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Share capital £'000	Share premium account £'000	Merger reserve £'000	Foreign exchange reserve £'000	Retained earnings £'000	Total attributable to owners of the parent £'000	Non-controlling interests £'000	Total equity £'000
30 June 2015	414	9,920	478	(147)	3,493	14,158	7	14,165
Transactions with owners								
Dividends paid	-	-	-	-	(2,141)	(2,141)	-	(2,141)
Shares issued	7	535	-	-	-	542	-	542
Adjustment for change of controlling interests	-	-	-	-	-	-	-	-
Share-based payments	-	-	-	-	1,015	1,015	-	1,015
Total transactions with owners	7	535	-	-	(1,126)	(584)	-	(584)
Profit for the period ended 31 Dec 2015	-	-	-	-	192	192	-	192
Other comprehensive income:-								
Exchange differences on translation of foreign operations	-	-	-	13	-	13	-	13
Total comprehensive income	-	-	-	13	192	205	-	205
31 December 2015	421	10,455	478	(134)	2,559	13,779	7	13,786
Transactions with owners								
Dividends paid	-	-	-	-	(480)	(480)	-	(480)
Shares issued	-	(44)	-	-	-	(44)	-	(44)
Share-based payments	-	-	-	-	(341)	(341)	-	(341)
Total transactions with owners	-	(44)	-	-	(821)	(865)	-	(865)
Profit for the period ended 30 Jun 2016	-	-	-	-	1,910	1,910	-	1,910
Other comprehensive income:-								
Exchange differences on translation of foreign operations	-	-	-	133	-	133	-	133
Total comprehensive income	-	-	-	133	1,910	2,043	-	2,043
30 Jun 2016	421	10,411	478	(1)	3,648	14,957	7	14,964
Transactions with owners								
Dividends paid	-	-	-	-	(2,193)	(2,193)	-	(2,193)
Shares issued	3	32	-	-	-	35	-	35
Share-based payments	-	-	-	-	5	5	-	5
Total transactions with owners	3	32	-	-	(2,188)	(2,153)	-	(2,153)
Profit for the period ended 31 Dec 2016	-	-	-	-	1,389	1,389	(2)	1,387
Other comprehensive income:-								
Exchange differences on translation of foreign operations	-	-	-	81	-	81	-	81
Total comprehensive income	-	-	-	81	1,389	1,470	(2)	1,468
31 Dec 2016	424	10,443	478	80	2,849	14,274	5	14,279

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2016

	31-Dec-16 (unaudited) £'000	31-Dec-15 (unaudited) £'000	30-Jun-16 (audited) £'000
Non-current assets			
Goodwill & other Intangible assets	6,882	6,253	6,047
Property, plant and equipment	1,381	1,330	1,416
Deferred tax	68	37	-
	8,331	7,620	7,463
Current assets			
Inventories	1,753	1,589	1,875
Trade and other receivables	3,776	3,319	3,735
Cash and cash equivalents	3,854	4,264	5,715
	9,383	9,172	11,325
Total assets	17,714	16,792	18,788
Capital and reserves attributable to the Company's equity holders			
Called up share capital	424	421	421
Share premium account	10,443	10,455	10,411
Merger reserve	478	478	478
Foreign exchange reserves	80	(134)	(1)
Retained earnings	2,849	2,559	3,648
Equity attributable to equity holders of parent	14,274	13,779	14,957
Minority interest	5	7	7
Total Equity	14,279	13,786	14,964
Current liabilities			
Trade and other payables	2,583	2,444	3,256
Interest bearing loans and borrowings	-	-	-
Current tax liabilities	649	403	432
Total current liabilities	3,232	2,847	3,688
Non-current liabilities			
Deferred tax	203	159	136
Total liabilities	3,435	3,006	3,824
Total equity and liabilities	17,714	16,792	18,788

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	6 months ended 31-Dec-16 (unaudited) £'000	6 months ended 31-Dec-15 (unaudited) £'000	Year ended 30-Jun-16 (audited) £'000
Cash flows generated from operating activities			
Cash generated from operating activities	Note 6	1,701	2,231
Corporation tax		(94)	(96)
		1,607	2,135
		4,550	
Cash flows used in investing activities			
Interest received		2	4
Purchase of intangible assets		(204)	(147)
Consideration for acquisition	Note 7	(959)	
Purchase of property, plant and equipment		(244)	(203)
Proceeds on sale of property, plant and equipment		14	16
		(1,391)	(330)
		(877)	
Cash flows used in financing activities			
Loans repaid		-	-
Share issues		35	542
Equity dividends paid		(2,193)	(2,141)
		(2,158)	(1,599)
		(2,123)	
(Decrease)/increase in cash and cash equivalents		(1,942)	206
Cash and cash equivalents at the beginning of the period		5,715	4,045
Exchange difference on cash and cash equivalents		81	13
		3,854	4,264
		5,715	

NOTES TO THE ACCOUNTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

1 PRINCIPAL ACCOUNTING POLICIES

Basis of Preparation

For the year ended 30 June 2016, the Group prepared consolidated financial statements under International Financial Reporting Standards ('IFRS') as adopted by the European Commission. These will be those International Accounting Standards, International Financial Reporting Standards and related interpretations (SIC-IFRIC interpretations), subsequent amendments to those standards and related interpretations, future standards and related interpretations issued or adopted by the IASB that have been endorsed by the European Commission. This process is ongoing and the Commission has yet to endorse certain standards issued by the IASB.

These condensed consolidated interim financial statements (the interim financial statements) have been prepared under the historical cost convention. They are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union (EU) and which are, or are expected to be, effective at 30 June 2017. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2016. The interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2016. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these condensed consolidated interim financial statements.

Accounting Policies

The interim report is unaudited and has been prepared on the basis of IFRS accounting policies.

The accounting policies adopted in the preparation of this unaudited interim financial report are consistent with the most recent annual financial statements being those for the year ended 30 June 2016.

2 PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information for the six months ended 31 December 2016 and 31 December 2015 have not been audited and does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006.

The financial information relating to the year ended 30 June 2016 does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006. This information is based on the Group's statutory accounts for that period. The statutory accounts were prepared in accordance with International Financial Reporting Standards ("IFRS") and received an unqualified audit report and did not contain statements under Section 498(2) or (3) of the Companies Act 2006. These financial statements have been filed with the Registrar of Companies.

3 SEGMENTAL ANALYSIS

The Board considers the Group's revenue lines to be split into three operating segments, which span the different Group entities. The operating segments consider the nature of the product sold, the nature of production, the class of customer and the method of distribution. The Group's operating segments are identified from the information which is reported to the chief operating decision maker.

The first segment concerns the manufacture, development and sale of infection control and hygiene products which incorporate the Company's chlorine dioxide chemistry, and are used primarily for infection control in hospitals ("Human Health"). This segment generates approximately 90% of Group revenues.

The second segment, which constitutes 4% of the business activity, relates to manufacture and sale of disinfection and cleaning products, principally into veterinary and animal welfare sectors ("Animal Health").

The third segment addresses the pharmaceutical and personal care manufacturing industries ("Contamination Control"). This activity has generated 6% of the Group's revenue for the period.

The operation is monitored and measured on the basis of the key performance indicators of each segment, these being revenue and gross profit; strategic decisions are made on the basis of revenue and gross profit generating from each segment.

The Group's centrally incurred administrative expenses and operating income are not attributable to individual segments.

3 SEGMENTAL ANALYSIS - continued

	6 months ended 31 December 2016 (unaudited)				6 months ended 31 December 2015 (unaudited)				Year ended 30 June 2016 (audited)			
	Human Health	Animal Health	Cont'n Control	Total	Human Health	Animal Health	Cont'n Control	Total	Human Health	Animal Health	Cont'n Control	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	8,730	440	578	9,748	6,740	500	770	8,010	14,599	1,015	1,490	17,104
Cost of material	(2,170)	(106)	(220)	(2,496)	(1,762)	(156)	(371)	(2,289)	(3,574)	(333)	(642)	(4,549)
Gross profit	<u>6,562</u>	<u>332</u>	<u>358</u>	<u>7,252</u>	<u>4,978</u>	<u>344</u>	<u>399</u>	<u>5,721</u>	<u>11,025</u>	<u>682</u>	<u>848</u>	<u>12,555</u>

Centrally incurred income and expenditure not attributable to individual segments: -

Dep'n & amort'n of non- financial assets	(595)	(401)	(1,071)
Other administrative expenses	(4,959)	(3,850)	(8,242)
Share based payments	<u>(5)</u>	<u>(1,015)</u>	<u>(674)</u>
Segment operating profit	<u>1,693</u>	<u>455</u>	<u>2,568</u>
Segment operating profit can be reconciled to Group profit before tax as follows: -			
Segment operating profit	1,693	455	2,568
Results from equity accounted associate	6	6	12
Finance income	2	4	13
Finance costs	-	-	-
Group profit	<u>1,701</u>	<u>465</u>	<u>2,593</u>

The Group's revenues from external customers are divided into the following geographical areas:

	6 months ended 31 December 2016 (unaudited)				6 months ended 31 December 2015 (unaudited)				Year ended 30 June 2016 (audited)			
	Human healthcare	Animal healthcare	Cont'n control	Total	Human healthcare	Animal healthcare	Cont'n control	Total	Human healthcare	Animal healthcare	Cont'n Control	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom	4,739	314	502	5,555	4,155	373	589	5,117	8,547	679	1,140	10,366
Germany	1,523	3	-	1,526	791	3	-	794	1,778	-	-	1,778
Rest of the World	2,468	123	76	2,667	1,794	124	181	2,099	4,274	336	350	4,960
Group Revenues	8,730	440	578	9,748	6,740	500	770	8,010	14,599	1,015	1,490	17,104

4 EARNINGS PER SHARE

The calculations of earnings per share are based on the following profits and number of shares:

	6 months ended 31 December 2016 (unaudited)	6 months ended 31 December 2015 (unaudited)	Year ended 30 June 2016 (audited)
	Shares '000 Number	Shares '000 Number	Shares '000 Number
Retained profit for the period attributable to equity holders of the parent	<u>1,389</u>	<u>192</u>	<u>2,102</u>
Retained profit for the period attributable to equity holders of the parent adjusted for share based payments	<u>1,394</u>	<u>1,207</u>	<u>2,776</u>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>42,056</u>	<u>41,753</u>	<u>41,945</u>
Share options	<u>2,198</u>	<u>1,040</u>	<u>1,747</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>44,254</u>	<u>42,793</u>	<u>43,692</u>
Earnings per ordinary share			
Basic (pence)	<u>3.30</u>	0.46	5.01
Diluted (pence)	<u>3.14</u>	0.45	4.81
Before share based payments (pence)	<u>3.30</u>	<u>2.89</u>	<u>6.62</u>

5 DIVIDENDS

	6 months ended 31 December 2016 (unaudited) £'000	6 months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Amounts recognised as distributions to equity holders in the period:			
Ordinary shares of 1p each			
Special dividend for the year ended 30 June 2016 of 3.00p per share (2015: 3.00p)	<u>1,265</u>	1,242	1,242
Final dividend for the year ended 30 June 2016 of 2.19p (2015: 2.14p) per share	<u>928</u>	899	899
Interim dividend for the year ended 30 June 2016 of 1.14p	-	-	480
	<u>2,193</u>	<u>2,141</u>	<u>2,621</u>
Proposed interim dividend for the year ending 30 June 2017 of 1.40p (2016: 1.14p) per share	<u>594</u>	480	-

The proposed interim dividend has not been included as a liability in the financial statements.

6 RECONCILIATION OF PROFIT BEFORE TAX TO CASH GENERATED FROM OPERATIONS

	6 months ended 31-Dec-16 (unaudited) £'000	6 months ended 31-Dec-15 (unaudited) £'000	Year ended 30-Jun-16 (audited) £'000
Profit before taxation	1,701	465	2,593
Adjustments for:			
Depreciation	270	208	442
Amortisation of intangibles	325	193	524
Impairment	-	-	125
Results from associates	-	(6)	-
Share based payments expense (IFRS2)	5	1,015	674
(Profit)/Loss on disposal of property plant and equipment	(6)	3	(2)
Loss on disposal of intangible asset	-	-	8
Finance costs	-	-	-
Finance income	(2)	(4)	(12)
Operating cash flows before movement in working capital	2,293	1,874	4,352
Decrease in inventories	122	472	186
Increase in trade and other receivables	(41)	(125)	(541)
(Decrease)/increase in trade and other payables	(673)	10	822
Cash generated from operating activities	1,701	2,231	4,819

7 AUSTRALIAN ACQUISITION

On 15 August 2016 the Group acquired from the Australian company Ashmed PTY Ltd, its customer base, stock, fixed assets and staff, for a total consideration of £1.1m in cash. The customer base and staff were purchased for a consideration of £959k, the amount will be recognised within intangible assets. Stock was acquired for £119k.