



20 February 2018

TRISTEL plc
(“Tristel”, the “Company” or the “Group”)

Half-year Report
Unaudited Interim Results for the six months ended 31 December 2017

Tristel plc (AIM: TSTL), the manufacturer of infection prevention and contamination control products, announces its interim results for the six months ended 31 December 2017, ahead of guidance at the AGM.

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

- The Human Healthcare market – via the Tristel brand
- The Contamination Control market – via the Crystel brand
- The Animal Healthcare market – via the Anistel brand

Financial highlights

- Revenue up 10% to £10.7m (2016: £9.7m)
- Overseas sales up 28% to £5.4m (2016: £4.2m), representing 50% of total sales (2016: 43%)
- EBITDA before share-based payments up 18% to £2.7m (2016: £2.3m).
- Pre-tax profit before share-based payments up 18% to £2m (2016: £1.7m).
- EPS before share-based payments up 21% to 4.0p (2016: 3.3p).
- Interim dividend of 1.6p per share (2016: 1.4p), up 14%
- Cash of £4.9m (2016: £3.9m)

Operational highlights

- Established direct representation in Hong Kong
- Developing the collaboration with MobileODT, which includes the development of a software APP for training and disinfection compliance
- Additional data requirements of Environmental Protection Agency (EPA) provided. Approval awaited

Commenting on current trading, Paul Swinney, Chief Executive of Tristel, said: *“We are very satisfied with overseas sales growth of 28% and with overseas revenues now accounting for one-half of all revenues. We have increased our pre-tax profit margin, before share-based payments, to 19% from 18% last year, even after costs of £0.5m incurred in the USA regulatory programme. Pre-tax profit before share-based payments has risen by 18% to £2m.*

“We are progressing steadily with our planned entry into the North American hospital market having satisfied the additional data requirements of the EPA. A decision is expected from the EPA during the second half of this financial year. Our expectation continues to be that sales in North America will start next financial year.

“For many years we have been represented in Hong Kong by distributors and have now decided to employ our own team in this market. We expect the increased margin from selling directly to hospitals to exceed operational costs in next financial year. In the second half of this financial year, there will be an exceptional early termination payment to the distributor of approximately £0.2m.”

Tristel plc

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Chairman's statement

Results

The Company made steady progress during the first half, with sales increasing to £10.7m, up 10% on the comparable period last year. Overseas sales grew very strongly by £1.2m, or 28%, whereas UK sales registered a decline of £0.2m (although sales in the first half last year had benefitted from a bulk purchase of £0.2m by our largest customer, NHS Supply Chain). These interim results did not enjoy the benefits of a weakening pound to the extent they did last year.

We are particularly pleased with the continued strong performance of our direct operations in Central Europe (managed by our office in Berlin), Australasia (managed by offices in Melbourne and Tauranga), and those of our international distributors (managed by Tristel UK). We operate in China through a small team that manages a network of distributors. In Hong Kong we have a subsidiary but had no direct presence during the first half of the financial year, although this has changed in the second half.

In Hong Kong we have sold through various distributors over the years. The Hong Kong business has declined recently and to counteract this we have recruited a sales force, negotiated the termination of the distributorship and secured a cooperative hand over of the business, including two government supply contracts. The cost of securing an orderly transfer of contracts and customers, together with set-up costs, will be expensed in the current financial year and will result in an exceptional cost in the second half of approximately £0.2m. We expect this cost to be quickly recouped given we will achieve a much greater gross margin through our direct sales channel.

Overseas sales	First half 2017-18 £	First half 2016-17 £	Period-on- period growth £	Period-on- period growth %	Period-on- period growth % at a constant currency
Australia (subsidiary)	1,155,000	776,000	379,000	49%	48%
China (subsidiary)	297,000	295,000	2,000	0%	2%
Hong Kong (subsidiary managing a distributor)	222,000	354,000	(132,000)	(37%)	(35%)
Germany & Central Europe (subsidiary)	1,953,000	1,526,000	427,000	28%	23%
New Zealand (subsidiary)	374,000	299,000	75,000	25%	28%
Overseas distributors (managed by UK)	1,372,000	943,000	429,000	45%	45%
Total overseas sales	5,373,000	4,193,000	1,180,000	28%	27%
Total UK sales	5,354,000	5,555,000	(201,000)	(4%)	(4%)
Worldwide sales	10,727,000	9,748,000	979,000	10%	10%

Whilst we are very pleased with our progress overseas we are working to reinvigorate sales growth in our domestic market. In several of the key clinical departments in which we enjoy very high penetration in the UK, for example Ear, Nose and Throat and Cardiology, further growth opportunities are limited. In response, we have developed new products for rinse water management in endoscope washing machines, and for surface disinfection in hospitals, and have high hopes for their success. Rinse water management involves both a capital and consumable sales. Whilst first half revenues were modest we are pleased that we are already achieving sales from sixteen installations in the UK and Australia. The new range of surface disinfectants will come to market in the second half of the year and we continue to secure new patents for these surface product innovations.

We succeeded in raising the gross profit margin to 75% from 74% last first half, and our pre-tax profit margin, before share-based payments, of 19% improved upon last year (2016: 18%).

Investment to secure future growth

During the half we raised the pace of our investment in staff, manufacturing plant, product development and intellectual property to accelerate our future rate of revenue and profits growth. Matching the increase in sales of 10%, headcount increased by twelve, a 11% increase. We invested £0.2m in specialised manufacturing equipment; £0.2m in product development for the new surfaces range, and £0.1m in the creation and maintenance of our intellectual property. We will continue to invest in future growth.

We plan to continue with a significant capital investment programme throughout calendar 2018 as we complete tooling and manufacturing set-up for the new surface product innovations.

We are also investing heavily to enter new geographical markets including North America. During the period we spent £0.5m on our North American market entry plan compared to £0.2m in the corresponding period last year. We are pursuing both FDA and EPA approvals for various products. We have incorporated a Delaware subsidiary but have not yet recruited a business development team. We would expect to do this during the second half. I am satisfied that we are progressing well towards our strategic objective of generating first revenues in North America in financial year 2018-19.

Dividend

During the first half a final dividend of 2.63 pence per share was paid, totalling £1.1m. At the period end cash was £4.9m compared to £3.9m on 31 December 2016. We will pay an interim dividend of 1.6 pence per share on 12 April 2018 to shareholders on the register on 23 March 2018, with an ex-dividend date of 22 March 2018. Our policy is to cover the dividend with earnings by at least two times and pay 40% as an interim and 60% as a final.

Outlook

In October 2016 we outlined our strategic financial targets to take us to the year ending June 2019. We are half way through this current plan and on track to meet its objectives which were:

- to grow sales by 10-15% on average over the three years;
- to attain a pre-tax profit before share-based payments margin of at least 17.5%, whilst investing in future growth.

From revenues of £17.1m in the year to 30 June 2016, we set out our ambitions to grow this business significantly. We are making good progress in this regard and I believe that these growth and profitability targets remain very achievable. We look forward to the Group's continued progress in the years ahead.

Francisco Soler
Chairman
20 February 2018

CONDENSED CONSOLIDATED INCOME STATEMENT

RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

		6 months ended 31-Dec-17 (unaudited) £'000	6 months ended 31-Dec-16 (unaudited) £'000	Year ended 30-Jun-17 (audited) £'000
Revenue	Note 3	10,727	9,748	20,273
Cost of sales		(2,643)	(2,496)	(4,598)
Gross profit		8,084	7,252	12,675
Administrative expenses – share based payments		(164)	(5)	(121)
Administrative expenses – depreciation & amortisation		(713)	(595)	(1,310)
Administrative expenses – other		(5,367)	(4,959)	(10,342)
Total administrative expenses		(6,244)	(5,559)	(11,773)
Operating profit		1,840	1,693	3,902
Finance income		1	2	4
Other income		-	-	41
Results from equity accounted associate		8	6	19
Profit before taxation		1,849	1,701	3,966
Taxation		(296)	(312)	(549)
Profit for the period		1,553	1,389	3,417
Attributable to:				
Equity holders of the parent		1,553	1,389	3,417
		1,553	1,389	3,417
Earnings per share from continuing operations attributable to equity holders of the parent	Note 4			
Basic (pence)		3.62	3.30	8.06
Diluted (pence)		3.46	3.14	7.80

All amounts relate to continuing operations.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	6 months ended 31-Dec-17 (unaudited) £'000	6 months ended 31-Dec-16 (unaudited) £'000	Year ended 30-Jun-17 (audited) £'000
Profit for the period	1,553	1,389	3,417
Items that will be reclassified subsequently to Profit and loss			
Exchange differences on translation of foreign operations	6	81	47
Other comprehensive income for the period	6	81	47
Total comprehensive income for the period	1,559	1,470	3,464
Attributable to:			
Equity holders of the parent	1,559	1,470	3,464
	1,559	1,470	3,464

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	Share capital	Share premium account	Merger reserve	Foreign exchange reserve	Retained earnings	Total attributable to owners of the parent	Non- controlling interests	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
30 June 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
Transactions with owners								
Dividends paid	-	-	-	-	(594)	(594)	-	(594)
Shares issued	3	262	-	-	-	265	-	265
Share-based payments	-	-	-	-	116	116	-	116
Total transactions with owners	3	262	-	-	(478)	(213)	-	(213)
Profit for the period ended 30 Jun 2017	-	-	-	-	2,028	2,028	2	2,030
Other comprehensive income:-								
Exchange differences on translation of foreign operations	-	-	-	(34)	-	(34)	-	(34)
Total comprehensive income	-	-	-	(34)	2,028	1,994	-	1,996
30 Jun 2017	427	10,705	478	46	4,399	16,055	7	16,062
Transactions with owners								
Dividends paid	-	-	-	-	(1,130)	(1,130)	-	(1,130)
Shares issued	2	187	-	-	-	189	-	189
Share-based payments	-	-	-	-	164	164	-	164
Total transactions with owners	2	187	-	-	(966)	(777)	-	(777)
Profit for the period ended 31 Dec 2017	-	-	-	-	1,553	1,553	-	1,553
Other comprehensive income:-								
Exchange differences on translation of foreign operations	-	-	-	6	-	6	-	6
Total comprehensive income	-	-	-	6	1,553	1,559	-	1,559
31 Dec 2017	429	10,892	478	52	4,986	16,837	7	16,844

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2017

	31-Dec-17 (unaudited) £'000	31-Dec-16 (unaudited) £'000	30-Jun-17 (audited) £'000
Non-current assets			
Investment	589	-	589
Goodwill & other Intangible assets	6,815	6,882	6,989
Property, plant and equipment	1,518	1,381	1,409
	8,922	8,263	8,987
Current assets			
Inventories	2,226	1,753	2,292
Trade and other receivables	3,871	3,776	3,745
Cash and cash equivalents	4,945	3,854	5,088
	11,042	9,383	11,125
Total assets	19,964	17,646	20,112
Capital and reserves attributable to the Company's equity holders			
Called up share capital	429	424	427
Share premium account	10,892	10,443	10,705
Merger reserve	478	478	478
Foreign exchange reserves	52	80	46
Retained earnings	4,986	2,849	4,399
	16,837	14,274	16,055
Equity attributable to equity holders of parent	16,837	14,274	16,055
Non-controlling interest	7	5	7
	16,844	14,279	16,062
Total Equity	16,844	14,279	16,062
Current liabilities			
Trade and other payables	2,296	2,583	3,147
Current tax liabilities	639	649	728
	2,935	3,232	3,875
Total current liabilities	2,935	3,232	3,875
Non-current liabilities			
Deferred tax	185	135	175
	3,120	3,367	4,050
Total liabilities	3,120	3,367	4,050
Total equity and liabilities	19,964	17,646	20,112

CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

		6 months ended 31-Dec-17 (unaudited) £'000	6 months ended 31-Dec-16 (unaudited) £'000	Year ended 30-Jun-17 (audited) £'000
Cash flows generated from operating activities				
Cash generated from operating activities	Note 6	1,814	1,701	4,806
Corporation tax		(375)	(94)	(454)
		1,439	1,607	4,352
Cash flows used in investing activities				
Interest received		1	2	4
Purchase of intangible assets		(263)	(204)	(419)
Consideration for acquisition		-	(959)	(994)
Purchase of investments		-	-	(589)
Purchase of property, plant and equipment		(402)	(244)	(585)
Proceeds on sale of property, plant and equipment		17	14	45
		(647)	(1,391)	(2,538)
Cash flows used in financing activities				
Share issues		189	35	300
Equity dividends paid		(1,130)	(2,193)	(2,787)
		(941)	(2,158)	(2,487)
(Decrease) in cash and cash equivalents		(149)	(1,942)	(673)
Cash and cash equivalents at the beginning of the period		5,088	5,715	5,715
Exchange difference on cash and cash equivalents		6	81	46
Cash and cash equivalents at the end of the period		4,945	3,854	5,088

NOTES TO THE ACCOUNTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

1 PRINCIPAL ACCOUNTING POLICIES**Basis of Preparation**

For the year ended 30 June 2017, the Group prepared consolidated financial statements under International Financial Reporting Standards ('IFRS') as adopted by the European Commission. 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) which are effective from 1 July 2017.

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 2017.

2 PUBLICATION OF NON-STATUTORY ACCOUNTS

The financial information for the six months ended 31 December 2017 and 31 December 2016 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 2017 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 89% of Group revenues.

The second segment, which constitutes 5% 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.

	6 months ended 31 December 2017 (unaudited)				6 months ended 31 December 2016 (unaudited)				Year ended 30 June 2017 (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	9,535	488	704	10,727	8,730	440	578	9,748	18,107	878	1,288	20,273
Cost of material	(2,213)	(179)	(251)	(2,643)	(2,170)	(106)	(220)	(2,496)	(3,881)	(223)	(494)	(4,598)
Gross profit	<u>7,322</u>	<u>309</u>	<u>453</u>	<u>8,084</u>	<u>6,562</u>	<u>332</u>	<u>358</u>	<u>7,252</u>	<u>14,226</u>	<u>655</u>	<u>794</u>	<u>15,675</u>

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

Dep'n & amort'n of non- financial assets		(713)					(595)					(1,310)
Other administrative expenses		(5,367)					(4,959)					(10,342)
Share based payments		(164)					(5)					(121)
Segment operating profit		<u>1,840</u>					<u>1,693</u>					<u>3,902</u>
Segment operating profit can be reconciled to Group profit before tax as follows: -												
Segment operating profit		1,840					1,693					3,902
Results from equity accounted associate		8					6					19
Finance income		1					2					4
Other income		-					-					41
Group profit		<u>1,849</u>					<u>1,701</u>					<u>3,966</u>

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

	6 months ended 31 December 2017 (unaudited)				6 months ended 31 December 2016 (unaudited)				Year ended 30 June 2017 (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	4,397	337	620	5,354	4,739	314	502	5,555	8,910	636	1,129	10,675
Germany	1,881	-	27	1,908	1,523	3	-	1,526	3,048	62	150	3,260
Rest of the World	3,257	151	57	3,465	2,468	123	76	2,667	6,149	180	9	6,338
Group Revenues	<u>9,535</u>	<u>488</u>	<u>704</u>	<u>10,727</u>	<u>8,730</u>	<u>440</u>	<u>578</u>	<u>9,748</u>	<u>18,107</u>	<u>878</u>	<u>1,288</u>	<u>20,273</u>

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 2017 (unaudited) £'000	6 months ended 31 December 2016 (unaudited) £'000	Year ended 30 June 2017 (audited) £'000
Retained profit for the period attributable to equity holders of the parent	<u>1,553</u>	<u>1,389</u>	<u>3,417</u>
Retained profit for the period attributable to equity holders of the parent adjusted for share based payments	<u>1,717</u>	<u>1,394</u>	<u>3,538</u>
	Shares '000 Number	Shares '000 Number	Shares '000 Number
Weighted average number of ordinary shares for the purpose of basic earnings per share	42,884	42,056	42,418
Share options	1,942	2,198	1,399
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>44,826</u>	<u>44,254</u>	<u>43,817</u>
Earnings per ordinary share			
Basic (pence)	3.62	3.30	8.06
Diluted (pence)	3.46	3.14	7.80
Before share based payments (pence)	<u>4.00</u>	<u>3.30</u>	<u>8.34</u>

5 DIVIDENDS

	6 months ended 31 December 2017 (unaudited) £'000	6 months ended 31 December 2016 (unaudited) £'000	Year ended 30 June 2017 (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)	-	1,265	1,265
Final dividend for the year ended 30 June 2017 of 2.63p (2016: 2.19p) per share	1,130	928	928
Interim dividend for the year ended 30 June 2017 of 1.40p (2016: 1.14p) per share	-	-	594
	<u>1,130</u>	<u>2,193</u>	<u>2,787</u>
Proposed interim dividend for the year ending 30 June 2018 of 1.60p (2017: 1.40p) per share	<u>688</u>	<u>594</u>	<u>-</u>

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-17 (unaudited) £'000	6 months ended 31-Dec-16 (unaudited) £'000	Year ended 30-Jun-17 (audited) £'000
Profit before taxation	1,849	1,701	3,966
Adjustments for:			
Depreciation	276	270	564
Amortisation of intangibles	437	325	679
Impairment	-	-	67
Gain on settlement of pre-existing agreement	-	-	(41)
Share based payments expense (IFRS2)	164	5	121
(Profit)/Loss on disposal of property plant and equipment	-	(6)	(16)
Loss on disposal of intangible asset	-	-	-
Finance costs	-	-	-
Finance income	(1)	(2)	(4)
Operating cash flows before movement in working capital	2,725	2,293	5,336
Decrease/(increase) in inventories	66	122	(294)
Increase in trade and other receivables	(126)	(41)	(1)
(Decrease) in trade and other payables	(851)	(673)	(235)
Cash generated from operating activities	1,814	1,701	4,806