

3 June 2019

LightwaveRF plc (AIM: LWRF)

Interim results for the six months ended 31 March 2019

LightwaveRF plc ("LightwaveRF", the "Company" or the "Group"), the leading smart home solutions provider, is pleased to announce its unaudited interim results for the six months ended 31 March 2019.

Financial Highlights

- Revenue more than doubled to £2.50 million (2018: £1.13 million) being approximately 90% of revenue generated of £2.81 million for the whole of the 2018 financial year ("FY2018")
- Gross profit doubled to £0.95 million (2018: £0.46 million) exceeding £0.83 million achieved for FY 2018
- Gross margin of 37.9% (2018: 40.6%) up on 35.3% for FY2018
- Increased investment in research and development of £1.00 million (2018: £0.62 million)
- Loss before taxation of £1.35 million (2018: £0.87 million) following further investment in sales, marketing and customer support
- £1.75 million net cash received from fundraising during the period and further £0.50 million since period end
- Cash as at 31 March 2019 of £0.76 million (2018: £2.46 million)

Operational Highlights

- Direct to consumer sales doubled
- New UK trade distribution agreement with nationwide electrical wholesaler Rexel
- Agreements with E.ON/Berkeley Homes and Honeywell Resideo
- Improvements in support recognised by 4 star Trustpilot status
- Successful development and release of European products
- Lightwave products in Apple stores in 10 European countries and 22 countries online
- New European Distribution partnership with Tech Data

Commenting on the results and outlook, Barry Gamble, Chairman of LightwaveRF, said:

"Doubling overall and direct to consumer revenue is a considerable achievement. This reflects improved marketing, sales, customer support and distribution channels. Lightwave is continuing to innovate with its technology and product reviews are extremely positive. Further product releases, strengthening relations with Apple, E.ON and Resideo as well as broadening our distribution arrangements with Rexel and others should all underpin more progress still for the Company."

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

A copy of this announcement is available on the Company's website www.lightwaverf.com

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About LightwaveRF

LightwaveRF plc is the UK's only fully integrated home automation company.

New customers typically buy a starter pack of Link Plus hub and smart dimmer which has Apple HomeKit compatibility, 2-way communication and built-in energy monitoring. Later adding other easy to install devices from the Lightwave range enables further in-home control, monitoring and automation of lighting, heating and power.

Devices may be operated manually, by smartphone or tablet-based apps and also through Google Assistant and Amazon Alexa voice control.

Leading tech industry publication 9to5 Mac described Lightwave as "the best UK HomeKit solution for smart lighting".

For further information and "Newsletter sign up", please visit: www.lightwaverf.com/corporate/

Chairman's Statement

For the first six months of this financial year, revenue more than doubled to £2.50 million (2018: £1.13 million) representing approximately 90 per cent. of revenue generated of £2.81 million for the whole of the 2018 financial year. Losses increased to £1.35 million (2017: £0.87 million) as a result of higher administrative expenses, specifically considerable further investment in marketing, sales, customer support and technology development.

Doubling overall and direct to consumer revenue is a considerable achievement. This reflects improved marketing, sales, customer support and distribution channels. Lightwave is continuing to innovate with its technology and product reviews remain extremely positive. Further product releases, strengthening relations with Apple, E.ON and Resideo and broadening our distribution arrangements with Rexel and others should all underpin more progress still for the Company.

Barry Gamble
Chairman
31 May 2019

Chief Executive's Review

Our strong focus on revenue growth has continued. The improvements made to direct to consumer sales and distribution partnerships has enabled us to more than double first half revenue. This has been supported by further investment in talent in our marketing and sales teams.

We continue to work closely with our existing UK distributors and for Europe, we now have a partnership with Tech Data, one of the world's largest technology distributors. There is a real opportunity to address the fastest growing Smart Home markets following the initial market entry through the Apple retail network.

At the same time, we have achieved great strides in the further development of Lightwave technology bringing new and improved products to market as well as supporting an ongoing programme of technological innovation.

Results

Revenue for the six months ended 31 March 2019 more than doubled to £2.50 million (2018: £1.13 million) being approximately 90 per cent of revenue generated of £2.81 million for the whole of the 2018 financial year. Gross profit also doubled to £0.95 million (2018: £0.46 million) exceeding £0.83 million achieved for the whole of FY2018 despite slightly lower margins of 37.9% (2018: 40.6%) from the decision to reduce stocks of the Connect Series range. Although gross margin was held back by this, encouragingly it was above the underlying 35.3% for the financial year ended 30 September 2018.

Administrative expenses increased to £2.48 million (2018: £1.57 million), including amortisation of £0.37 million (2018: £0.24 million), reflecting the necessary investment made to strengthen our marketing, sales, customer support and technology. Total research and development costs were £1.00 million (2018: £0.62 million), of which £0.79 million (2018: £0.50 million) was capitalised under IAS 38.

After recognising research and development tax credits as other income of £0.21 million (2018: £0.23 million) the loss for the period was £1.35 million (2018: loss £0.87 million). The basic loss per share was 1.85 pence (2018: 1.73 pence). The Board is not declaring the payment of an interim dividend.

Cash absorbed by operations for the period decreased to £0.90 million (2018: £1.94 million), a good improvement, reflecting the reduction in inventories. Trade and other receivables as at 31 March 2019 of £1.02 million (2018: £0.70 million) were broadly balanced by Trade and other payables of £1.00 million (2018: £0.75 million). Total loans and borrowings as at 31 March 2019 were £0.70 million (2018: £0.41 million) including an R&D tax credit loan of £0.3 million. Cash at 31 March 2019 was £0.76 million (2018: £2.46 million) before the receipt of funds deferred under the fundraising of £0.50 million which has now been received.

Operational Summary

Our sales channels - direct to consumer through our online eCommerce presence and telesales team, sales through premium retailers such as Apple, John Lewis and Selfridges, sales through online retailers, such as Amazon, BT Shop, Dixons Carphone, Screwfix and newly added AO as well as trade sales, continue to show encouraging progress.

The upgrading of our eCommerce capability, to enhance the overall customer buying experience, has enabled a significant increase in our direct to consumer sales in the period to £1.17 million (2018: £0.5 million). This provides a vital contribution to our revenue, cash generation and margin position, but also gives us hugely valuable direct customer contact.

We have put a real focus on customer support by streamlining process, improving internal performance measures and investing in scaling the support team. The tangible results from this are clearly reflected by the Lightwave Trustpilot rating, gathered through almost 250 reviews to date. This now stands at 'Great' with 66% of those ratings being 5 star or excellent and with an overall rating of 4 star. This puts the Lightwave brand in a market leading position in Smart Home technology.

All the indicators suggest that our overall marketing activities, which continue to include a number of trade and consumer shows, are proving successful. Our digital marketing cost per £1 of sales generated is tracking ahead of industry norms and our first 'above the line' marketing campaign 'The Smarts', has generated nearly 800,000 digital channel views providing a significant boost to Lightwave brand recognition.

Our technology team, which now includes in-house industrial design capability, has successfully released multiple new products, including for the European market.

We are continuing to educate the consumer about the benefits of smart home products and develop a seamless experience for the consumer. Lightwave technology has a unique capability that not only provides a world class smart lighting, power and heating control solution, but also the ability for consumers to get the most from their other ,increasingly voice activated, smart home purchases by integrating them with Lightwave products. This is being further facilitated by installation support and training networks for both consumer and trade customers

Strategy and Outlook

On a daily basis we are seeing the real opportunity for the Lightwave smart home brand to achieve significant UK and international scale. As a result, we are planning to increase the resources deployed in sales and marketing. In addition, we will continue to strengthen the business processes to support the growth that we are now experiencing.

Lightwave's key challenge remains the prioritisation of the many opportunities arising, whether from our own initiatives or from others seeking to work with us in the smart home market. As well as refining existing working relationships with partners and distributors, including some joint branding collaborations, we are continuing to add to the network of outlets.

We anticipate further momentum in revenue growth in the second half of this year. With recent significant investments made, we believe that we have the right strategy in place to deliver for shareholders.

Jason Elliott
Chief Executive Officer
31 May 2019

Interim accounts for the six months ended 31 March 2019

The financial information contained within these unaudited accounts has been prepared by the Directors who accept responsibility for the financial information presented below and confirm that it has been properly presented in accordance with applicable law. The interim financial statements were approved by the Board of Directors on 31 May 2019 and have been prepared on the basis of the accounting policies set out in note 1 below. A copy of this announcement is available at www.lightwaverf.com.

Consolidated statement of comprehensive income

		6 Months	6 Months	Year Ended
		31-Mar-19	31-Mar-18	30-Sep-18
		£	£	£
	Note	(Unaudited)	(Unaudited)	(Audited)
REVENUE		2,501,309	1,131,699	2,813,997
Cost of sales		(1,553,057)	(672,581)	(1,988,426)
GROSS PROFIT		948,252	459,118	825,571
Other Income		205,000	233,000	410,848
Administrative expenses		(2,483,662)	(1,565,051)	(3,735,662)
OPERATING LOSS		(1,330,410)	(872,933)	(2,499,243)
Finance expense		(17,613)	(1,614)	(45,407)
LOSS BEFORE TAXATION		(1,348,023)	(874,547)	(2,544,650)
Taxation		-	-	-
LOSS AND TOTAL COMPREHENSIVE EXPENDITURE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT		(1,348,023)	(874,547)	(2,544,650)
Basic loss per share	2	1.85p	1.73p	3.80p
Diluted loss per share	2	1.85p	1.73p	3.80p

Group statement of financial position

		As at 31-Mar-19 £ (Unaudited)	As at 31-Mar-18 £ (Unaudited)	As at 30-Sep-18 £ (Audited)
	Note			
ASSETS				
Non-current assets				
Intangible assets	3	2,484,533	1,476,203	2,070,485
Property, plant & equipment		57,815	59,503	50,132
		2,542,348	1,535,706	2,120,617
Current assets				
Inventories		822,420	1,235,659	992,991
Trade and other receivables		1,015,505	702,112	677,887
Cash and cash equivalents		764,486	2,462,602	469,550
Corporate tax recoverable		615,848	481,000	410,848
		3,218,259	4,881,373	2,551,276
TOTAL ASSETS		5,760,607	6,417,079	4,671,893
Equity				
Share capital	4	4,793,012	3,578,632	3,578,632
Share premium		9,261,657	8,726,774	8,726,774
Reverse acquisition reserve		(100,616)	(100,616)	(100,616)
Share based payment reserve		111,391	78,967	88,340
Profit and loss reserve		(10,042,572)	(7,024,446)	(8,694,549)
Total equity		4,022,872	5,259,311	3,598,581
Current liabilities				
Trade and other payables		1,002,497	748,777	615,860
Loans and borrowings	5	701,678	408,991	423,892
Total current liabilities		1,704,175	1,157,768	1,039,752
Non current liabilities				
Warranty provision		33,560		33,560

TOTAL EQUITY AND LIABILITIES**5,760,607****6,417,079****4,671,893****Group statement of changes in equity**

	Issued share capital	Share premium	Reverse acquisition reserve	Share based payment reserve	Profit and loss reserve	Total equity
	£	£	£	£	£	£
As at 31 March 2018	3,578,632	8,726,774	(100,616)	78,967	(7,024,446)	5,259,311
Loss for the period and total comprehensive income	-	-	-	-	(1,670,103)	(1,670,103)
Share based payments	-	-	-	9,373	-	9,373
Share issue costs	-	-	-	-	-	-
As at 1 October 2018	3,578,632	8,726,774	(100,616)	88,340	(8,694,549)	3,598,581
Loss for the period and total comprehensive income	-	-	-	-	(1,348,023)	(1,348,023)
Share based payments	-	-	-	23,051	-	23,051
Shares issued	1,214,380	850,066	-	-	-	2,064,446
Share issue costs	-	(315,183)	-	-	-	(315,183)
As at 31 March 2019	4,793,012	9,261,657	(100,616)	111,391	(10,042,572)	4,022,872

Group statement of cash flows	6 Months	6 Months	Year ended
	31-Mar-19	31-Mar-18	30-Sep-18
	£ (Unaudited)	£ (Unaudited)	£ (Audited)
Cash flow from operating activities			
Loss for the period	(1,348,023)	(874,547)	(2,544,650)
Adjusted for:			
Depreciation and amortisation	389,433	246,763	646,849
Share based payments	23,051	8,156	45,407
Finance expense	17,613	1,614	17,529
Tax credit in respect of R&D	(205,000)	(233,000)	(412,794)
Foreign exchange loss on convertible loan	-	-	14,019
Decrease / (Increase) in inventories	170,571	(847,647)	(604,979)
Increase in trade and other receivables	(337,618)	(233,415)	(194,140)
Decrease / (increase) in trade and other payables	386,637	(3,846)	(118,253)
Cash absorbed by operations	(903,336)	(1,935,922)	(3,151,012)
Tax credits in respect of R&D	-	-	249,946
Finance costs paid	(17,613)	(1,614)	(45,407)
	(920,949)	(1,937,536)	(2,946,473)
Cash flows from investing activities			
Purchase of property, plant & equipment	(25,452)	(43,661)	(59,905)
Development expenditure	(785,712)	(502,971)	(1,471,724)
	(811,164)	(546,632)	(1,531,629)
Cash flows from financing activities			
Proceeds from issue of shares	2,064,446	5,248,579	5,248,579
Costs associated with issue of shares	(315,183)	(344,429)	(344,429)
Invoice discounting repaid	-	(8,341)	(8,341)
Repayment of convertible loan note	(22,214)	(50,857)	(49,975)
Drawdown/repayment of other loans	300,000	(120,115)	(120,115)

	2,027,049	4,724,837	4,725,719
Net increase in cash and cash equivalents	294,936	2,240,669	247,617
Cash and cash equivalents at start of period	469,550	221,933	221,933
Cash and cash equivalents at end of period	764,486	2,462,602	469,550

Notes to the Interim financial statements

1. Accounting policies

Basis of accounting

The financial information covers the six months ended 31 March 2019. There have been no changes to the policies applied and disclosed in the Company's annual financial statements for the year ended 30 September 2018 except for the adoption of IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments which came into effect for accounting periods beginning on or after 1 January 2018.

This interim report has been prepared in accordance with the recognition and measurement principles that are consistent with International Financial Reporting Standards (IFRSs) as endorsed by the European Union using accounting policies that are expected to be applied for the financial year ending 30 September 2019. The financial information in this interim report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

The financial information for the year ended 30 September 2018 does not constitute the full statutory accounts for that period, but is derived from those accounts. The Annual Report and Financial Statements for 2018 have been filed with the Registrar of Companies. The independent Auditors' Report on the Annual Report and Financial Statements for 2018 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

Going concern

The Directors, having made suitable enquiries, analysis and judgements, consider that the Group has adequate resources to continue in business for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements. In making this assessment, the Board has considered the Group's budgets, routinely updated forward forecasts for revenue, costs and cashflow and applied sensitivities thereto. In addition, it has also considered the availability of, and access to, debt and equity finance. Committed Capital Ltd, which holds 34.89% of the Company's issued share capital, has also confirmed its continued willingness, if required, to invest further funds into the Company in support of its strategy.

2. Loss per share

	6 Months	6 Months	Year ended
	31-Mar-19	31-Mar-18	30-Sep-18
	£	£	£
	(Unaudited)	(Unaudited)	(Audited)
Numerator			

Loss used for calculation of basic and diluted earnings per share	1,348,023	874,547	2,544,650
The weighted average number of shares were:			
Denominator			
Weighted average number of ordinary shares	72,732,874	50,505,434	66,952,179
Loss per share	1.85p	1.73p	3.80p
Diluted loss per share	1.85p	1.73p	3.80p

3. Intangible assets

	Deferred development costs	Platform	Total
	£	£	£
Cost			
As at 1 April 2018	617,909	1,495,828	2,113,737
Additions	237,222	731,531	968,753
As at 30 September 2018	855,131	2,227,359	3,082,490
Additions	484,632	301,080	785,712
As at 31 March 2019	1,339,763	2,528,439	3,868,202
Accumulated amortisation			
As at 1 April 2018	39,591	597,943	637,534
Charge for the period	58,696	315,775	374,471
As at 30 September 2018	98,287	913,718	1,012,005
Charge for the period	110,922	260,742	371,664
As at 31 March 2019	209,209	1,174,460	1,383,669
Net book value as at 31 March 2019	1,130,554	1,353,979	2,484,533
Net book value as at 30 September 2018	756,844	1,313,641	2,070,485

Net book value as at 31 March 2018

578,318

897,885

1,476,203

The Company categorises software development, such as firmware, server software and user apps, as a platform asset essential to support the operation of the full range of hardware devices.

The Directors have undertaken an impairment review and have concluded that the value of the intangible assets is supported by the discounted future cash flows forecast by the Group.

4. Share capital

	As at 31-Mar-19 £ (Unaudited)	As at 31-Mar-18 £ (Unaudited)	As at 30-Sep-18 £ (Audited)
Issued share capital			
95,860,244 ordinary shares of 5p each	4,793,012	3,578,632	3,578,632
Allotted, issued and fully paid			
Ordinary share capital brought forward	3,578,633	1,938,452	1,938,452
Issue of ordinary shares for cash	1,214,379	1,640,180	1,640,180
	4,793,012	3,578,632	3,578,632

5. Loans and borrowings

The carrying value which is a reasonable approximation to fair value of borrowings is as follows:

	As at 31-Mar-19 £ (Unaudited)	As at 31-Mar-18 £ (Unaudited)	As at 30-Sep-18 £ (Audited)
Current			
Convertible loan note	384,026	408,991	423,892
Invoice discounting loan	-	-	-
Other loan	317,652	-	-
Total loans and borrowings current	701,678	408,991	423,892

The convertible loan note carries an interest rate of 3%.