

11 October 2023

# LightwaveRF Ltd

## *Intelligent Living – simply delivered*

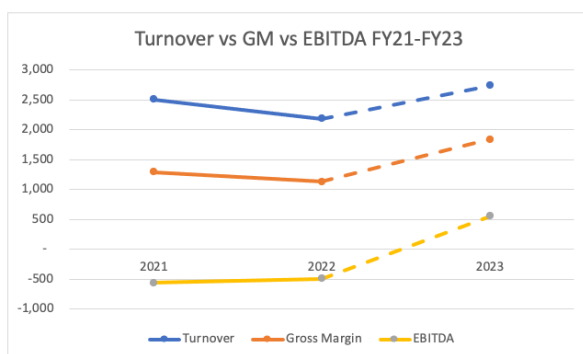
### Investor Update

LightwaveRF Ltd (“Lightwave” or the “Company”), the leading smart home solutions provider, is pleased to provide an update to investors.

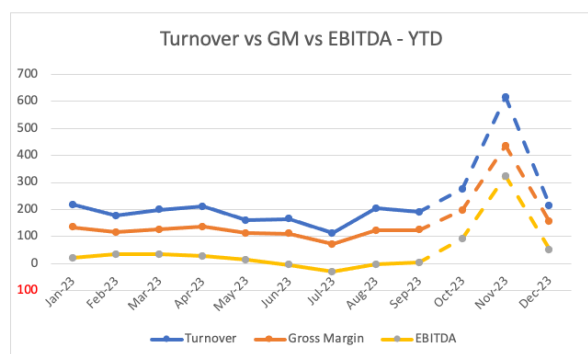
#### Company Update

Following on from progress in all areas made last year, including the addition of new products, the introduction of a luxury range, cost reductions, stock financing, improvements in production efficiency and focused areas of consolidation, I’m pleased to note that the Company is now profitable on a last twelve month basis, and has been since June this year.

Furthermore, there is an expectation that, should we achieve similar sales outcomes in Q4 2023 as those in Q4 2022, the Company will be profitable and cash positive for the financial year ending December 2023, a Company first for a full year period. Financial progress is demonstrated in the charts below:



\*Dashed line is forecast



This is a significant improvement on performance in 2022 as detailed in the Company’s accounts filed earlier this year. This performance improvement can be attributed to consistent access to stock, improved product margins, tight control of costs and better performance from our marketing campaign activity.

Access to stock is much improved as a result of a working capital facility from Stock Finders Ltd. This provides stock purchasing, local warehousing, and logistics services. This has proved successful and for the first time in 2023, the Company has been in full stock of all products throughout the year so far. In addition, developing a new UK built device hub and other new range completing products has provided much needed additional margin and faster access to manufactured product.

Owing to the challenging macro-economic climate in the UK during 2023, the expected round of fundraising of £2.6 million (announced in October 2022) to enable development of new products and an increase marketing spend has only partially been achieved. Our main shareholder, Committed Capital, invested some £613k in ordinary shares and a further £443k

in June 2023 by way of a convertible loan note investment. Their support is encouraging given their depth of understanding of the business. External investors have been more difficult to secure though the Company continues to negotiate potential investment with third parties to accelerate growth.

## **Trading**

Lightwave continues to focus on three primary routes to market, comprising; high margin direct sales (c60% of total sales); Amazon (c20%) and via Lightwave PRO installers and wholesalers (c20%). Additional digital marketing strategies have been employed to great success, in particular, the introduction of highly targeted social media acquisition. By way of example, in 2022, the Company generated 65 individual, face to face consultancy opportunities with end users through social media. In 2023, so far that number is already beyond 500 in total and, conservatively, we would expect this to grow to between 750 and 1,000 in 2024. These opportunities generally have a gestation period of between 6 and 18 months as most are based on customer refurbishment or build projects, and have historically had a high probability of completion. To maximise these opportunities, the Company has recently completed the installation of a state-of-the-art video demonstration facility at its logistics headquarters in the Midlands.

In addition to the very pleasing uplift in project-based enquiries, the Company is now engaged in a number of exciting commercial, business to business opportunities with major UK event locations, internationally renowned commercial landlords and Tier 1 UK house builders.

Following the virtualisation of Lightwave's CPD rated electrician training courses in the installation and maintenance of Lightwave products (Lightwave PRO accreditation), the Company has more than doubled the amount of fully trained Lightwave PRO electricians to act as brand ambassadors with customers. To date we have trained over 600 Lightwave PRO electrical installers.

The Company is now entering its busiest sales and operational period with a detailed and ambitious plan to execute several high value sales campaigns. The aim is to generate additional income to fund further marketing opportunities and to enhance 2024 sales.

Building upon this solid foundation, the Directors believe that the Company is at an exciting stage and is poised for a period of sustained growth. Successful trading through Q4 2023, and into early 2024 will also see the re-introduction of a share trading facility.

## **Financial Year 2022 Results and 2023 trading.**

In line with the generally positive update above, the first 3 full quarters of trading in 2023 are well ahead of the same period in 2022 in relation to both revenue and profit. Revenue for the first three quarters 2023 are £1.634 million, versus £1.384m in 2022. 2023 Gross margins year to date are 60% (versus 52% last year) and Lightwave is EBITDA positive year to date, even prior to Q4, its most active trading period.

Having filed the 2022 accounts, we would like to provide you with an overview of the Group's results for 2022.

- Revenue for 2022 £2.2 million (2021 at £2.51 million)
- In 2022, 80.3% of total sales came from direct sales initiatives. (2021: 76.5%)
- Gross profit decreased to £1.13 million (2021: £1.29 million). Gross margin remained at 51% (2021: 51%). In 2023 margins have risen to above 60%.

- Administrative costs have been reduced to £1.85 million (2021 £2.03 million), a reduction of 14%, as a result of planned cost rationalisation.
- Capitalised development costs remained unchanged under IAS 38 at £0.52 million (£0.52 million). Whilst this is the same as the previous year, we continue to undertake significant work to re-engineer and develop new products.
- Research and development tax credits of £0.23 million (2021 £0.25 million) were recognised as other income.
- EBITDA has remained unchanged with a loss of £0.49 million in 2022 versus a loss of £0.48 million in 2021. This is after recognising the extra costs relating to logistics and global chip shortage in both years.
- As expected, the related amortisation of intangible assets remained similar in 2022 at £0.86 million (£0.78 million). We have continued the same amortisation periods of five years. The Company incurred interest costs of £0.03 million (2021 £0.15 million).
- This resulted in stated pre-and post-tax losses of £1.35 million (2021 £1.41 million), an improvement of 4%.
- The business now has an EBITDA breakeven point of around £2.50 million (2022: £3.75 million) at current margins.
- The key aims in 2023 are to be cash positive after all expenditure and grow revenue by around 20%; these targets will continue into FY 2024.

## **Opportunity to Fund**

On the basis that the Company now has well managed and predictable financial metrics and has a very healthy blended Return on Advertising Spend multiple of 14.57 (for every £1 spent on digital marketing we receive a £14.57 in return), the Company is looking to raise further funds to invest directly into marketing to accelerate growth.

Both convertible, unsecured loan stock (CULS) and EIS qualifying shares are available for investment, subject to conditions – please do contact us if you would like more information in this regard. Any additional funds raised are not included in the projections above. Please contact Jason Elliott ([Jason.elliott@lightwaverf.com](mailto:Jason.elliott@lightwaverf.com)) in the first instance.

We look forward to continuing progress and development of the Company.

Jason Elliott (and Kevin Edwards)  
CEO (CFO)

## **About Lightwave**

Lightwave is Europe's leading supplier of installed home automation technology.

Lightwave products offer convenient automation, control and monitoring of lighting, heating and power via its app, Apple HomePod, Amazon Alexa or Google Assistant.

Lightwave is also integrated with Samsung SmartThings and EVO protocols from Honeywell Home by Resideo. With market leading quality and wireless range, the modular system

enables users to begin with a small number of devices and grow over time to easily control an entire property.

Devices are retrofittable using existing standard wiring and are easy to install. Lightwave also recommends a network of approved, qualified electricians who have been trained by the Company.

In markets across Europe, Lightwave products can be purchased from the Company directly or from approved stockists, including Amazon and selected wholesalers, including Rexel and CEF.

Lightwave technology can also be specified as a pre-installed option in newly built properties from Berkeley Homes in partnership with E.ON Home, Urban Splash and Trivselhus.

Leading tech industry publication 9to5 Mac described Lightwave as "the best UK HomeKit solution for smart lighting" and Trustpilot rates Lightwave at near 5 stars.

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