

31 May 2018

LightwaveRF plc (AIM: LWRF)

Interim results for the six months ended 31 March 2018

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 2018.

Financial Highlights

- Revenue of £1.13 million (2017: £1.17 million)
- Gross margin of 40.6% (2017: 39.4%)
- Loss before taxation of £0.87 million (2017: loss £0.33 million)
- Cash received, net of fees, of £4.90 million from the fundraising completed in December 2017
- Increased investment in research and development of £0.62 million (2017: £0.35 million)
- Cash as at 31 March 2018 of £2.46 million (2017: £0.82 million)

Operational Highlights

- Successful launch of Generation 2 products
- New and enhanced distribution agreements signed, with John Lewis now stocking Lightwave devices
- Direct to consumer sales doubled
- Partnership with Apple for imminent launch of Apple HomeKit European device range

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

"Significant investment has been made in the first half of the financial year to build on our market leading technology position. We are pushing hard to establish the Company as a leader in the rapidly growing smart home market.

The next launch, expected in the coming weeks, will be the Company's European device range, which in partnership with Apple will take our products into a number of new territories."

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 (“LightwaveRF” or the “Company”) pioneered smart home automation with the introduction of the market’s first internet enabled devices in 2008. Today, the Company offers a market leading platform with applications and connected devices. These provide fully integrated remote control and monitoring of lighting, heating and power directly through the Lightwave platform and through Amazon, Apple and Google smart home offerings. We are dedicated to making everyone’s lives easier and more fulfilled through world leading smart home technology.

For further information and to sign up for investor news alerts please visit www.lightwaverf.com/corporate/

Chairman’s Statement

The Autumn launch of the Generation 2 Apple HomeKit compatible devices, which were initially made available at apple.com, and then on sale in Apple UK stores, was an important milestone for the Company. Additionally, the receipt of the £4.90 million, net of fees, from the fundraising completed in December 2017 marked the start of the process to significantly scale the business. We have made important changes to our distribution arrangements, which, with a clearer focus on direct to consumer sales, should now enable us to achieve stronger revenue growth.

For the first six months of the financial year, revenue of £1.13 million (2017: £1.17 million) was held back by the changes to the distribution arrangements. Losses were higher at £0.87 million (2017: £0.33 million) as a result of a significant increase in administrative expenses, as the Company accelerated investment in product development, marketing, sales and support. We anticipate that the rate of cash burn will fall as revenue increases, costs decrease and inventories stabilise.

Significant investment has been made in the first half of the financial year to build on our market leading technology position. We are pushing hard to establish the Company as a leader in the rapidly growing smart home market.

The next launch, expected in the coming weeks, will be the Company’s European device range, which in partnership with Apple will take our products into a number of new territories.

Barry Gamble
Chairman
31 May 2018

Chief Executive’s Review

I have had the privilege of leading LightwaveRF for over a year now. Although progress has been achieved during this time, we still have much work to do to fully exploit the opportunity of smart home, which is now starting to transform the way we all live and work. We have invested in expanding both our technology and commercial teams and there is real energy and excitement within the Company as we work to leverage our market leading technology.

Results

Revenue for the period ended 31 March 2018 was £1.13 million (2017: £1.17 million). Gross profit was £0.46 million (2017: £0.46 million) with improved margins of 40.6% (2017: 39.4%) resulting from increased direct to consumer sales. Although first half revenue was held back by the significant restructuring of our

distribution arrangements, we believe the changes made now position the Company for future revenue growth.

Administrative expenses were £1.57 million (2017: £0.91 million), including amortisation of £0.24 million (2017: £0.15 million). Total research and development costs were £0.62 million (2017: £0.35 million), of which £0.50 million (2017: £0.23 million) was capitalised under IAS 38. Investment in marketing, sales, customer support and management all increased. Ensuring compliance with the General Data Protection Regulations (GDPR) and further investment in cyber security also contributed to the rise in administrative expenses. After recognising research and development tax credits as other income of £0.23 million (2017: £0.12 million), the loss for the period was £0.87 million (2017: loss £0.33 million). The basic loss per share was 1.73 pence (2017: 1.30 pence).

Cash absorbed by operations for the period increased to £1.94 million (2017: £0.94 million) reflecting underlying losses, the impact of higher inventories to support direct to consumer sales and on-demand ordering from our new distributors. Trade and other receivables as at 31 March 2018 were £0.70 million (2017: £0.59 million), following which collections have seen this reduce. Total loans and borrowings as at 31 March 2018 were £0.41 million (2017: £0.77 million) and cash was £2.46 million (2017 £0.82 million), before receipt of research and development tax credits due shortly.

Operational Summary

We have continued the development of Generation 2 devices for the UK and variants for European markets. We have added functionality to our Generation 2 mobile app and also made further investments in our cloud platform and product integrations with our partners Amazon, Apple and Google. We continue to sell and support our Generation 1 devices to both new and existing customers. These can be operated by the Lightwave Link Plus, allowing a seamless integration with the further features that the Generation 2 products offer. Important progress has been made over the period with our new distribution agreements. We believe all these developments and the shift in strategy to expand our distribution arrangements will be fundamental to stronger revenue growth.

We have made notable technology advancements with the launch of Generation 2 Apple HomeKit certified devices, now on sale in Apple UK stores. Additionally, our distribution agreement with Exertis has seen our devices go on sale in John Lewis, both online and in-store. These relationships provide real and tangible evidence that our technology is market leading and of significant value to our customers. The commitment that Apple and John Lewis have shown in stocking and promoting our products, together with support from our new distributors, Exertis and West Coast, have opened up a number of new opportunities. We doubled our direct sales in the period to £0.5 million (2017: £0.22 million) through tele-sales and ecommerce, which is now supported by field-based sales consultants visiting prospective customers in their homes.

We are investing in marketing to extend our brand awareness through digital marketing, press relations activity and selected consumer events. We are also expanding our partnerships with Amazon and Apple in technology, joint marketing and retail promotion, as well as with Google in technology and joint marketing.

Strategy

LightwaveRF is determined to be a leader in the smart home market. Our competitors remain focused on gadgets and single device or single market segment solutions. By contrast, we have a wide range of devices for lighting, heating and power that allows our customers to create a truly integrated smart home operated increasingly through voice control.

Our focus for the second half of 2018 will be to increase revenues and launch the European range of our Generation 2 switches and sockets. This will be marketed in partnership with Apple in about 20 countries, with initial online availability to be followed by Apple stores and selected Apple Premium Reseller stores.

Outlook

We offer market leading smart home solutions that are a result of our deep and long-standing smart home expertise. We are investing in our product range, marketing, support and installation services to ensure

that we have the right customer proposition to build a profitable smart home company. We expect to see revenue growth in the second half of this year. With the recent significant investments made, we believe that we have the right strategy in place to deliver value for shareholders.

Andrew Pearson
Chief Executive Officer
 31 May 2018

Interim accounts for the six months ended 31 March 2018

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 30 May 2018 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 31-Mar-18 £ (Unaudited)	6 Months 31-Mar-17 £ (Unaudited)	Year Ended 30-Sep-17 £ (Audited)
	Note			
REVENUE		1,131,699	1,173,973	3,032,268
Cost of sales		(672,581)	(711,700)	(1,954,942)
GROSS PROFIT		459,118	462,273	1,077,326
Other Income		233,000	124,000	248,000
Administrative expenses		(1,565,051)	(912,667)	(2,121,559)
OPERATING LOSS		(872,933)	(326,394)	(796,233)
Finance expense		(1,614)	(6,828)	(49,079)
LOSS BEFORE TAXATION		(874,547)	(333,222)	(845,312)
Taxation		-	-	-
LOSS AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE PARENT		(874,547)	(333,222)	(845,312)
Basic loss per share	2	1.73p	1.30p	2.39p

Diluted loss per share	2	1.73p	1.30p	2.39p
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Group statement of financial position

		As at 31-Mar-18 £ (Unaudited)	As at 31-Mar-17 £ (Unaudited)	As at 30-Sep-17 £ (Audited)
ASSETS				
Non-current assets				
Intangible assets	3	1,476,203	897,704	1,210,071
Property, plant & equipment		59,503	11,729	25,766
		1,535,706	909,433	1,235,837
Current assets				
Inventories		1,235,659	213,126	388,012
Trade and other receivables		702,112	592,567	468,697
Cash and cash equivalents		2,462,602	816,018	221,933
Corporate tax recoverable		481,000	313,000	248,000
		4,881,373	1,934,711	1,326,642
TOTAL ASSETS		6,417,079	2,844,144	2,562,479
Equity				
Share capital	4	3,578,633	1,938,452	1,938,452
Share premium		8,726,773	5,466,889	5,462,804
Reverse acquisition reserve		(100,616)	(100,616)	(100,616)
Share based payment reserve		78,967	63,566	70,811
Profit and loss reserve		(7,024,446)	(5,637,809)	(6,149,899)
Total equity		5,259,311	1,730,482	1,221,552
Current liabilities				
Trade and other payables		748,777	343,220	752,623
Loans and borrowings	5	408,991	770,442	588,304
Total current liabilities		1,157,768	1,113,662	1,340,927
Non current liabilities				

Loans and borrowings	5	-	-	-
TOTAL EQUITY AND LIABILITIES		6,417,079	2,844,144	2,562,479

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 2017	1,938,452	5,466,889	(100,616)	63,566	(5,637,809)	1,730,482
Loss for the period and total comprehensive income	-	-	-	-	(512,090)	(512,090)
Share based payments	-	-	-	7,245	-	7,245
Share issue costs	-	(4,085)	-	-	-	(4,085)
As at 1 October 2017	1,938,452	5,462,804	(100,616)	70,811	(6,149,899)	1,221,552
Loss for the period and total comprehensive income	-	-	-	-	(874,547)	(874,547)
Share based payments	-	-	-	8,156	-	8,156
Shares issued	1,640,181	3,608,398	-	-	-	5,248,579
Share issue costs	-	(344,429)	-	-	-	(344,429)
As at 31 March 2018	3,578,633	8,726,773	(100,616)	78,967	(7,024,446)	5,259,311

Group statement of cash flows

	6 Months	6 Months	Year ended
	31-Mar-18	31-Mar-17	30-Sep-17
	£ (Unaudited)	£ (Unaudited)	£ (Audited)
Cash flow from operating activities			
Loss for the period	(874,547)	(333,222)	(845,312)
Adjusted for:			
Depreciation and amortisation	246,763	165,494	323,121
Share based payments	8,156	11,672	49,079
Finance expense	1,614	6,828	18,918
Tax credit in respect of R&D	(233,000)	(124,000)	(248,000)
Foreign exchange profit on convertible loan	-	-	(11,781)
Increase in inventories	(847,647)	(110,599)	(285,485)
Increase in trade and other receivables	(233,415)	(273,540)	(149,671)
(Decrease) / increase in trade and other payables	(3,846)	(285,240)	124,163
Cash absorbed by operations	(1,935,922)	(942,607)	(1,024,968)
Tax credits in respect of R&D	-	-	189,000
Finance costs paid	(1,614)	(6,828)	(49,079)
	(1,937,536)	(949,435)	(885,047)
Cash flows from investing activities			
Purchase of property, plant & equipment	(43,661)	(9,622)	(28,533)
Deferred development expenditure	(502,971)	(228,117)	(693,237)
	(546,632)	(237,739)	(721,770)
Cash flows from financing activities			
Proceeds from issue of shares	5,248,579	2,365,256	2,361,172
Costs associated with issue of shares	(344,429)	(141,655)	(141,655)
Invoice discounting repaid	(8,341)	(19,311)	(45,450)
Repayment of convertible loan note	(50,857)	(47,971)	(69,859)
Repayment of borrowings	(120,115)	(155,243)	(277,574)
	4,724,837	2,001,076	1,826,634
Net increase in cash and cash equivalents	2,240,669	813,902	219,817
Cash and cash equivalents at start of period	221,933	2,116	2,116
Cash and cash equivalents at end of period	2,462,602	816,018	221,933

Notes to the Interim financial statements

1. Accounting policies

Basis of accounting

The financial information covers the six months ended 31 March 2018. There have been no changes to the policies applied and disclosed in the Company's annual financial statements for the year ended 30 September 2017.

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 2018. 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 2017 does not constitute the full statutory accounts for that period, but is derived from those accounts. The Annual Report and Financial Statements for 2017 have been filed with the Registrar of Companies. The independent Auditors' Report on the Annual Report and Financial Statements for 2017 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 and analysis of the accounts, 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 directors have considered the group budgets, cash flow forecasts and associated risks and the availability of external finance facilities.

2. Loss per share

	6 Months 31-Mar-18 £ (Unaudited)	6 Months 31-Mar-17 £ (Unaudited)	Year ended 30-Sep-17 £ (Audited)
Numerator			
Loss used for calculation of basic and diluted earnings per share	874,547	333,222	845,312
The weighted average number of shares were:			
Denominator			
Weighted average number of ordinary shares	50,505,434	25,565,840	35,343,621
Loss per share	1.73p	1.30p	2.39p
Diluted loss per share	1.73p	1.30p	2.39p

3. Intangible assets

	Deferred development costs	Platform	Total
	£	£	£
FIXED ASSETS – Group			
Cost			
As at 1 April 2017	214,573	931,073	1,145,646
Additions	84,798	380,322	465,120
As at 30 September 2017	299,371	1,311,395	1,610,766
Additions	318,538	184,433	502,971
As at 31 March 2018	617,909	1,495,828	2,113,737
Accumulated amortisation			
As at 1 April 2017	-	247,942	247,942
Charge for the period	-	152,753	152,753
As at 30 September 2017	-	400,695	400,695
Charge for the period	39,591	197,248	236,839
As at 31 March 2018	39,591	597,943	637,534
Net book value as at 31 March 2018	578,318	897,885	1,476,203
Net book value as at 30 September 2017	299,371	910,700	1,210,071
Net book value as at 31 March 2017	214,573	683,131	897,704

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 are supported by the discounted future cash flows forecast by the Group.

4. Share capital

	As at 31-Mar-18	As at 31-Mar-17	As at 30-Sep-17
	£	£	£
Issued share capital	(Unaudited)	(Unaudited)	(Audited)
71,572,647 Ordinary shares of 5p each	3,578,633	1,938,452	1,938,452

Allotted, issued and fully paid			
Ordinary share capital brought forward	1,938,452	1,028,738	1,028,738
Issue of ordinary shares for cash	1,640,181	909,714	909,714
	3,578,633	1,938,452	1,938,452

5. Loans and borrowings

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

	As at 31-Mar-18 £ (Unaudited)	As at 31-Mar-17 £ (Unaudited)	As at 30-Sep-17 £ (Audited)
Current			
Convertible loan note	408,991	493,517	459,848
Invoice discounting loan	-	34,480	8,341
Other loan	-	242,445	120,115
Total loans and borrowings current	408,991	770,442	588,304

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