



22 July 2020

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

Trading update

Tristel plc (AIM: TSTL), the manufacturer of infection prevention products, provides a trading update for the year ended 30 June 2020.

The Company confirms that results will be ahead of market expectations and expects to report turnover of no less than £31.6m (2019: £26.2m), a 21% increase, and adjusted pre-tax profit (before share-based payments) of at least £6.8m (2019: £5.6m), a 21% increase. Revenues from overseas markets increased by 32% and contributed 60% of total revenues – a record level (2019: 55%). Revenue in the UK, the Company's largest and most mature market, rose by 7%.

Cash balances on 30 June 2020 were £6.2m (30 June 2019: £4.2m). Tristel has no debt. During the year, the Company spent £0.6m to acquire 80% of Tristel Italia Srl from its local management and invested £1.2m in its new warehouse and office facilities in Newmarket.

Tristel intends to maintain its current dividend policy for the financial year. This policy is to pay out half of adjusted earnings per share, before share-based payments, to shareholders. An interim dividend of 2.34 pence per share was paid in April 2020 and the interim dividend typically approximates 35% to 40% of the annual dividend.

Impact of COVID-19

Tristel medical device decontamination products accounted for 80% of global sales in the eight-month period to 28 February 2020. These products are principally used for diagnostic purposes in hospital departments such as ear, nose and throat, obstetrics and gynaecology, cardiology, urology, and ophthalmology.

The Company's hospital surface disinfection products have historically been the less significant element of its product mix, albeit that the global hospital surface disinfection market is far greater in value terms than the global medical device decontamination market. The Company's hospital surface disinfection products accounted for 9% of global sales in the eight months to the end of February.

Commencing in March, the Company experienced two powerful countervailing forces: 1) a decline in the use of its medical device decontamination products as hospitals worldwide postponed all but the most critical patient appointments to free up resources to deal with COVID-19 related cases, and 2) a surge in purchasing and use of its hospital surface disinfection products.

During the last four months of the year, when the impact of COVID-19 was at its greatest, global sales were £11.8m compared to £9.1m in the same period last financial year, an increase of 30%. Medical device decontamination product sales accounted for 61% of global sales in this period, whilst sales of hospital surface disinfection products accounted for 27%. Tristel estimates that COVID-19 resulted in a temporary reduction of £0.5m in medical device decontamination product sales and an increase in sales of hospital surface disinfection products of £2m above the underlying trend.

As can be seen, Tristel was able to navigate its way through the COVID-19 crisis by mitigating the fall in demand for its primary product portfolio by a rapid increase in supply of its hospital surface disinfection products. The Company has invested heavily over the past three years to create a product portfolio for hospital surface disinfection and has given the portfolio a different brand name: the Cache Collection. Whilst anchored upon Tristel's proprietary chlorine dioxide chemistry, Cache incorporates other cleaning and disinfection chemistries widely used in hospitals. The key theme of the Cache proposition is a powerful environmental and ecological message.

In the run up to March, the Company had been building its inventory of Cache product components in preparation for a full-scale launch towards the end of this year. Tristel was thereby able to take advantage of unprecedented buying by hospitals of all types of disinfectant products in several geographical markets where the Company had already obtained necessary regulatory approvals. These markets were principally the UK, Belgium, the Netherlands, France, Hong Kong, and China. The COVID-19 experience has validated the Cache proposition and accelerated the rate of customer acquisition beyond the Company's pre-pandemic business plan.

COVID-19 has provided an extreme stress test of the Company's manufacturing capability and supply chain management, and it has performed very well in both regards. The Company was able to meet all demand for products, particularly its surface disinfectant products, at a time when many suppliers to hospital systems worldwide were unable to satisfy the sudden surge in demand.

The Company's subsidiaries in the UK, Belgium, the Netherlands, France, Germany, Switzerland, Italy, Russia, Hong Kong, China, Australia and New Zealand all achieved record sales levels. Stand-out performances were delivered by France where sales tripled to reach £1.75m, and China where sales more than doubled to nearly £0.5m. Tristel Malaysia was incorporated in February 2020 and started operation on 1 July 2020 with a team of four who had previously worked for Tristel's distributor in the country.

Regulatory

The Company has made its first North American medical device disinfectant submission. This is to Health Canada for registration of its Duo foam product for ophthalmology. This is the high-level disinfectant Duo OPH. In the USA Tristel is progressing the submission for its Duo foam product for ultrasound: the high-level disinfectant Duo ULT. The Company has already put in place a manufacturing arrangement with Parker Laboratories Inc., New Jersey, for supply of all versions of Duo to both the Canadian and United States markets.

The prohibition on travel to the USA has prevented two important parts of the FDA submission from progressing during the second half of the financial year. These are the in-clinic product evaluations which require Tristel staff to be able to enter hospitals with an accompanying team of microbiologists, and the usability study which entails the recruitment of lay public volunteers. Both can only resume when travel restrictions to the USA are lifted and social distancing is relaxed.

We have made a number of submissions to the regulatory bodies in India and expect to receive our first medical device decontamination product approvals during this financial year.

Outlook

A major influence upon the current financial year will be the pace at which hospitals in our key geographical markets, and the key clinical areas we target, return to the levels of patient throughput that they were running at before COVID-19. As June progressed, different countries were already returning to their own norm dependent upon how they had succeeded in controlling the pandemic. In this regard, the geographical spread of the Group's operations is an important defensive strength, as is the Company's lack of exposure to any one clinical area or to any one device type.

The availability of personal protective equipment (PPE), protocols for its use, waiting room management, and more stringent cleaning and disinfection protocols between patient examinations, all contribute to slower throughput of patients. We have some concern that the UK, which will account for approximately 35% of our global medical device decontamination sales this year, might lag behind our other markets in catching up with the patient throughput that would be required to avoid severe lengthening of waiting times for the diagnostic procedures we are involved in.

COVID-19 gave a boost to our ambition to become a leading participant in the global hospital surface disinfection market with the Cache Collection. We expect to continue to benefit from more intense hospital disinfection regimes and from more rigorous selection by infection prevention teams of only the most effective disinfectant products. The legal requirement is for all products to be supported by complete scientific validation of their efficacy

and safety claims, and these requirements are very clearly set out. However, enforcement of the highest standards is not universal. We anticipate that this can only improve in the current environment.

Tristel has acquired a significant number of hospital users, particularly in the UK, Western Europe and China, earlier than anticipated in its Cache business plan. The challenge now is to hold on to these client wins and continue to build the Cache business globally.

Paul Swinney, CEO of Tristel plc, comments: *“We are very pleased with our performance during a turbulent period. To maintain the momentum that has built over the past four months we need hospitals, especially in the UK, to return to pre-COVID-19 levels of patient throughput. Whilst we believe that hospitals will revert to more normal levels of activity, we cannot be certain as to timing.*

“We also need hospitals to maintain the intensity of their cleaning and disinfection routines, searching for and selecting the best-performing disinfection technology, such as our chlorine dioxide-based products.

“We are cautiously optimistic for the Company’s prospects in this financial year and beyond.”

Virtual Shareholder Open Day

From 9am on 22 July various presentations will be available for view at www.tristelopenday.com.

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

For further information please contact:

Tristel plc

Paul Swinney, Chief Executive Officer
Liz Dixon, Finance Director

Tel: 01638 721 500

Walbrook PR Ltd

Paul McManus
Lianne Cawthorne

Tel: 020 7933 8780 or tristel@walbrookpr.com

Mob: 07980 541 893

Mob: 07584 391 303

finnCap

Geoff Nash/ Giles Rolls (Corporate Finance)
Alice Lane (ECM)

Tel: 020 7220 0500