

Corporate

Current price **1.525p**

Sector **Support Services**

Code **REAT.L**

AIM **AIM**

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data*

Market Cap (£m) **6.3**

Shares in issue (m) **415.4**

52 weeks High Low

1.8p **0.3p**

Financial year end **September**

Source: Company Data, Allenby Capital. * pre-placing

Key Shareholders*

Helium Rising Stars 23.74%

Octopus Investments 18.52%

Mr Jonathan Whitmore 6.34%

Mr George Stavrinidis 3.98%

Source: Company Data, Allenby Capital. * pre-placing

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REACT Group plc (REAT.L)

Fund raise of £1.25m to accelerate growth

REACT Group (REACT) specialises in extreme cleaning and decontamination services in a range of market sectors including hospitals, transport, police, prisons, education and leisure. Its specialist deep cleaning services are often undertaken in difficult locations and/or in sensitive circumstances and are of a complexity non-specialist companies find difficult to replicate. Customers include public sector organisations and private companies with revenues typically split evenly between reactive cleaning and regular maintenance contracts. With a strong recovery anticipated in FY20, Covid-19 is offering both opportunities and challenges. The placing, which was materially oversubscribed, will provide funding to support a growing contract pipeline, accelerate growth through investment in sales & marketing and for additional working capital.

- In a good position to meet or exceed expectations** – REACT has significantly strengthened its management team over the past 18 months, transforming the business by targeting improvements to margins and gross profit, while reducing the cost base to create a much leaner organisation. As a result, REACT entered its current financial year with an expectation of achieving profits after four year of consecutive losses. Recent trading updates from the Company indicate that REACT did achieve profitability in H1 and is well positioned to meet or exceed management expectations for the full year.
- Covid-19 -opportunities and challenges** – Covid-19 began to have an initial impact on activity levels in the final two weeks of the first half and has had the subsequent effect of increasing demand for reactive decontamination and infection control services. Consequently, REACT has expanded capacity to support demand through partnerships and is sub-contracting with smaller specialist cleaning companies. Management notes, however, that it is too early to estimate the impact of any sustained period of disruption as any increase in demand in one sector may well be balanced by a reduction in another.
- Cash balances fell by £0.1m in H1** – As at 31 March 2020 cash balances stood at £0.3m, down from £0.4m at the year-end, partly reflecting the initial working capital requirements relating to the mobilisation of a £0.5m Tier 1 deep cleaning contract in the rail sector announced in January 2020. From April 2020 this contract began to generate cash thus reducing pressure on the balanced sheet. Furthermore, REACT has recently been awarded another contract with a Tier 1 customer in the rail sector worth £0.4m which will run for a period of 35 weeks to the end of the calendar year.
- Placing strengthens the balance sheet** - REACT has raised £1.25m at 1.5p/share in an oversubscribed placing to provide funds to continue the expansion of the business along the lines of its strategic plan, namely to strengthen the sales and marketing function within the business and continue the focus on margins, operational efficiency and growth in business activity within sectors where REACT can add the greatest value.

Year End: September

(£'000)	2016A	2017A	2018A	2019A
REVENUE	2,432	2,645	3,295	3,103
ADJ. EBITDA	17	(222)	(601)	(126)
ADJ. (Loss)/Profit before tax	(146)	(378)	(614)	(178)
ADJ. EPS (p)	(0.05)	(0.14)	(0.21)	(0.04)
NET CASH	931	529	423	440

Source: REACT Group plc. Allenby Capital acts as Broker to REACT Group plc.

Please refer to the last page of this communication for all required disclosures and risk warnings.

Financial summary (historic)

PROFIT & LOSS	£000	£000	£000	£000
Y/E September	FY 2016	FY 2017	FY 2018	FY 2019
Revenue	2,432	2,645	3,295	3,103
Gross Profit	1,013	830	693	885
margin	41.7%	31.4%	21.0%	28.5%
Admin costs	-996	-1,052	-1,294	-1,011
EBITDA	17	-222	-601	-126
Underlying operating (loss)	-146	-378	-614	-178
Statutory profit/(loss) before tax	-146	-393	-1,951	-183
Underlying profit/(loss) before tax	-146	-378	-614	-178
Underlying net profit/(loss)	-147	-378	-614	-178
Weighted Average Shares (fully diluted)	275.41	275.41	287.30	415.41
Underlying EPS (p)	-0.05	-0.14	-0.21	-0.04
CASH FLOW	£000	£000	£000	£000
Y/E December	FY 2016	FY 2017	FY 2018	FY 2019
Net cash inflow/(outflow) from operating activities	-698	-376	-625	34
Net cash inflow/(outflow) from investing activities	-210	0	-18	-17
Net cash inflow/(outflow) from financing activities	0	0	435	0
Net increase/(decrease) in cash and cash equivalents in the year	-908	-376	-208	17
Cash and cash equivalents at end of period	931	529	423	440
BALANCE SHEET	£000	£000	£000	£000
Y/E December	FY 2016	FY 2017	FY 2018	FY 2019
Assets				
Total non-current assets	1,696	1,561	290	255
Current assets				
Other (excluding cash)	788	860	1,141	718
Cash and cash equivalents	931	529	423	440
Total current assets	1,719	1,389	1,564	1,158
Total Assets	3,415	2,950	1,854	1,413
Liabilities				
Total current liabilities	-352	-156	-793	-535
Total non-current liabilities	-21	0	0	0
Total Liabilities	-373	-156	-793	-535
Net current assets	1,367	1,233	771	623
Net Assets	3,042	2,794	1,061	878

Source: REACT Group plc

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