

Sosandar plc Interim Results

Significant strides in sales growth delivered alongside improvements in efficiency

Trading in line with management's expectations

Sosandar PLC (AIM: SOS), the online women's fashion brand, is pleased to announce its results for the six months ended 30 September 2018.

Financial Highlights

- Revenue increased 407% to £1.84m (6 months to 30 September 2017: £0.36m)
- Gross margin improved 9 percentage points to 55% (6 months to 30 September 2017: 46%)
- Gross profit increased 498% to £1.01m (6 months to 30 September 2017: £0.17m)
- Underlying EBITDA loss of £1.96m (6 months to 30 September 2017: £1.11m loss)
- Period-end cash balance of £2.6m (before the post period-end placing described below)

Operational highlights

- Order growth of 446% to 43,979 orders
- Increased repeat orders by 615%
- Conversion rate increased by 107bps to 2.75%
- Customer database grew 320% to 84,500
- Increased the number of SKUs by 20% and broadened the size range
- More than doubled both Facebook and Instagram followings, and launched Instagram shopping
- Seamlessly re-platformed onto Magento 2 ecommerce platform increasing website functionality
- Now operating seven days a week with Clipper Logistics
- Costs as a percentage of revenue significantly decreased

Post Period

- Successful placing raising £3.0m
- Record sales achieved in October 2018

Performance against KPIs

	6 months ended 30 September 2018	6 months ended 30 September 2017	Change
Sessions	1,599,709	480,320	+233%
Conversion rate	2.75%	1.68%	+107bps
Number of orders	43,979	8,049	+446%
Average Order Value	£105.42	£96.78	+9%
Returns	52%	44%	+800bps
New Customers	24,853	5,375	+362%
Repeat Orders	19,126	2,674	+615%
	As at 30 September 2018	As at 30 September 2017	Change
Customer database	84,500	20,125	+320%

Ali Hall and Julie Lavington, Co-CEOs, commented:

"We are delighted to be reporting another period of significant financial and operational progress for the Company as we have made steps forward across the business. We have set out a clear growth plan and are delivering on it. The exceptional growth in revenue, increased average order values and surge in repeat orders is evidence of how well we are engaging with an underserved market of women and testament to the quality and unique design of our products. It is pleasing that increasing sales have been matched by strong advances in efficiency throughout the business.

"Trading continues to be in line with management's expectations and sales momentum has continued post period, with strong trading in the autumn across all product categories including partywear. September and October delivered consecutive record months for revenue, as well as orders, traffic and conversion rate. We are very excited by Sosandar's long term prospects and look forward to the rest of the financial year with confidence."

Enquiries

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About Sosandar PLC

Sosandar is an online womenswear brand, specifically targeted at a generation of women who have graduated from throwaway fashion and are looking for quality, affordable clothing with a premium, trend-led aesthetic. This is a section of the market that is currently being underserved.

Sosandar was launched in September 2016. The Sosandar business model is built around using trend-led, exclusive designs produced in-house and then manufactured using a variety of global suppliers. Sosandar caters for a growing market of fashion conscious women, while utilising an outsourced logistics provider that can support its planned growth over the coming years.

Sosandar's founders are Ali Hall and Julie Lavington, who previously launched and ran high street fashion magazine Look, as editor and publishing director respectively. They have a combined experience of over 35 years in the fashion industry, including in the design, manufacture and sale of fashion ranges for some of the UK's high street retailers, including Debenhams, Office, Oasis and JD Williams.

More information is available at www.sosandar-ir.com

Operating review

We are delighted with the Company's performance over the period. Revenues climbed by 407%, with strong sales seen throughout the spring, summer and early autumn months. This growth was driven by a variety of factors, including the continued success of customer acquisition activities across multiple channels, increased average order values and a surge in repeat orders.

It is pleasing that these improvements in KPIs have been matched by strong advances in productivity. Over the first half, we have enhanced conversion rates, improved the efficiency of our marketing spend and continued to increase our gross margin. Sosandar is a company in pursuit of long term, quality growth, and we believe delivering improvements in efficiency and the quality of the customer experience, as we have this period, is vital in preparing the business for future success.

Highlights

We are proud to have achieved high levels of growth across a broad range of KPIs. Site visits increased by 233% year on year, and our customer database increased by 320% to over 84,000. Conversion rates and average order values (AOV) also both continued to follow the growth trend since listing, with conversion rates up 107bps to 2.75% and AOV up 9% to £105.42. We have delivered exceptional growth across both new and repeat orders. New customers increased by 362% and repeat customers by 615%, demonstrating the desirability of the products and increasing engagement with the brand.

We were also very pleased to have raised £3.0m through a placing with institutional investors post-period end. The net funds raised will help drive further the Company's development and support the ongoing growth plans for the business.

Strong customer acquisition

The number of new customers acquired over the period has increased by 362% to 24,853 and our customer database now stands at over 84,000 - more than four times larger than this time last year. Both growing brand awareness and more efficient, targeted marketing have been key in driving this growth. Pleasingly, our customers are becoming Sosandar brand ambassadors, repeat ordering from the website and engaging with the Company through social media.

As more customers learn of Sosandar, we are continually learning more about our customers; building our understanding of exactly what they are looking for from a one-stop fashion destination. This increased insight has led to a decreasing cost per customer acquisition over the period, in line with previously reported trends.

Building a committed fanbase

The Group's marketing strategy centres around content, underpinned by algorithm-based data science. This approach makes use of detailed customer targeting, tracks return on investment and analyses purchasing habits to ensure spend is impactful. The Group's focus on marketing was demonstrated in the first half through an increase in marketing resource and the hire of a new data analyst. The success of this approach is reflected in the fact that every one of Sosandar's marketing channels is currently in growth.

Particular channels of note are the Company's highly successful direct mail brochures, Facebook and Instagram. The Sosandar brochures have proven that the use of high quality lifestyle content is particularly valuable in driving high-converting customers to the website. Facebook and Instagram followings have both more than doubled since 30 September 2017 and after reaching a milestone number of Instagram followers in June, Sosandar launched Instagram shopping. The swipe to shop functionality enhances brand engagement and capitalises on the growing number of influencers and celebrities posting about Sosandar on Instagram.

The success of our paid-for marketing strategy has been complemented by sustained high levels of PR-driven media coverage. Management's expertise in this area has seen Sosandar featured regularly on national TV, newspapers and magazines. Sosandar clothing continues to be worn regularly by an ever-growing list of celebrities and social influencers including Denise Van Outen, Tamsin Outhwaite,

Rebecca Adlington, Charlotte Hawkins and Laura Whitmore. A velvet dress worn by Dame Darcey Bussell on Strictly Come Dancing, currently the UK's biggest TV show, sold out in an hour.

More product choice, same quality style

The rise of repeat orders and average order value size, alongside positive feedback from customers, demonstrates that Sosandar continues to produce excellent quality products across the entire range. Sosandar aims to be at the forefront of trends with a wide variety of styles and choice for all occasions, and as such we further strengthened the team over the period with more garment design and technology resource. This has worked well, with high demand for products across all categories, with animal print a stand out trend, and higher priced point items such as coats and leather also continuing to sell well.

The product range, by number of SKUs, has been expanded by 20% in the last six months, with the addition of more choice within product types, and new categories such as accessories and nightwear. The size range has broadened and now covers sizes 6 to 20. The broadening of the product range along with the desirability of the products are a key factor in the improved conversion rate from 1.68% to 2.75%.

Improving the customer journey

As announced previously, we have made significant operational advancements, including working with our partner, Clipper Logistics, to move to a seven day a week service and upgrading our e-commerce platform to Magento 2. Both projects were implemented successfully with no down time to the business and provide our customers with improved delivery options and increased functionality.

Post the reporting period, we have made further enhancements to our customer proposition with the launch of Apple Pay functionality and streamlined faster checkout, as well as enhancing our customer service proposition with the addition of live chat. As we continue to grow and add scale, we are committed to providing our customers with an exceptional personal offering.

Operational efficiency

Margins have increased by 900 basis points to 55%, largely due to achieving higher levels of stock sold at full price and improvement in the Company's buying power as scale and repeat business builds.

Returns levels have increased during the period for two principal reasons: higher than anticipated levels of customer acquisition, as new customers find their correct fit; and a particularly high demand for dresses during the Spring/Summer period. Dresses have higher return rates due to a more complex body fit. Management expects the returns rate will be lower at the full year, reflecting the different product mix in Autumn/Winter.

Our test and repeat strategy continues to work well as we focus on fast stock turn with new product launching constantly, helping to minimise stock risk and allowing us to capitalise on best-selling items in real time. As we grow, our levels of stock will increase, however our stock is carefully controlled and linked directly to marketing investment to ensure a continued fast and efficient stock turn.

Outlook

We have made significant strides forward over the period, both operationally and financially. We have set out a clear growth plan and are pleased to have delivered on it as expected thus far.

Sales momentum has continued post period, with another record month recorded in October for revenue, as well as orders, traffic and conversion rate. We have begun to invest in stock in advance of the busy Christmas period, and so far sales of cold-weather and partywear have been very promising.

Trading continues to be in line with management's expectations. In the second half we will aim to build further on our early successes, driving acceleration of sales and awareness of the brand alongside increasing efficiencies and bottom line improvement. Sosandar has delivered a strong first half performance and the Board looks forward to continuing to grow into 2019 and beyond.

Financial Review

KPIs and financial performance

Strong growth has been achieved across KPIs, with increasing brand awareness and customer engagement driving sales improvement. The business continues to invest in customer acquisition and efficiencies have been delivered in this area. These new customers are also increasingly becoming repeat customers underpinning future growth.

Investment has been made in people, with the majority of the strategic hires needed to take the business forward now in place. Product imagery is an area which has benefited from increased resources, with higher quality visual assets enhancing brand perception, contributing to increased conversion and product sell through rates.

Whilst the cost base has increased in absolute terms, the money that is being spent is delivering economies of scale. This is evidenced by costs as a percentage of revenue decreasing significantly in comparison to the prior period.

Expenditure has also successfully created enhanced product demand and increased full price sales which, combined with buying improvements, have helped increase margin 900 basis points to 55%.

Financial position and cashflow

Cash balances of £2.6m at the end of the period have been added to post period by a successful £3m placing. Driven by strong institutional demand, the October 2018 placing was delivered at a significant premium to the November 2017 IPO issue price and provides funds to support our continued growth plans.

Amplified product demand has improved stock turn and sell-through rates, providing significant working capital improvements with a 407% revenue increase delivered from only a 42% increase in inventories.

Capex investment in the period relates to costs of transferring to the latest Magento 2 platform, which provides significant website improvements and will allow easier adoption of any new ecommerce technologies that enhance the customer journey.

There is no other significant capex planned with future cashflows relating to ongoing working capital movements as the business builds towards breakeven.

KPIs

	6 months ended 30 September 2018 £'000	6 months ended 30 September 2017 £'000	Change
Revenue	£1,844	£364	+407%
Gross Profit	£1,010	£169	+498%
Gross Margin	55%	46%	+900bps
Operating Loss	£(1,971)	£(1,116)	-77%
EBITDA	£(1,958)	£(1,107)	-77%

	6 months ended 30 September 2018	6 months ended 30 September 2017	Change
Sessions	1,599,709	480,320	+233%
Conversion rate	2.75%	1.68%	+107bps
Number of orders	43,979	8,049	+446%
AOV	£105.42	£96.78	+9%

	As at 30 September 2018	As at 30 September 2017	Change
Facebook Followers	55,143	24,042	+129%
Instagram Followers	16,700	5,665	+195%
Customer database	84,500	20,125	+320%

	6 months ended 30 September 2018	6 months ended 30 September 2017	Change
New customers	24,853	5,375	+362%
Repeat orders	19,126	2,674	+615%

UNAUDITED CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2018

	Notes	6 months ended 30 September 2018 £'000	6 months ended 30 September 2017 £'000	Year ended 31 March 2018 £'000
Revenue		1,844	364	1,353
Operational costs		(834)	(195)	(684)
Gross profit		1,010	169	669
Administrative expenses		(2,981)	(1,285)	(3,793)
Deemed cost of reverse		-	-	(1,439)
Reverse acquisition cost		-	-	(1,493)
Operating loss		(1,971)	(1,116)	(6,056)
Loss on ordinary activities before taxation		(1,971)	(1,116)	(6,056)
Tax on loss on ordinary activities		-	-	-
Loss for the period		(1,971)	(1,116)	(6,056)
Other Comprehensive income		-	-	-
Total Comprehensive income for the period		(1,971)	(1,116)	(6,056)
Attributable to:				
Equity holders of the parent		(1,971)	(1,116)	(6,056)
Non-controlling interests		-	-	-
Group loss for the period		(1,971)	(1,116)	(6,056)
Exchange translation differences		-	-	-
Total comprehensive loss for the period		(1,971)	(1,116)	(6,056)
Loss per share:				
Loss per share - basic and diluted, attributable to ordinary equity holders of the parent (pence)	5	(1.85)	(4.44)	(10.31)
Loss per share - basic and diluted, from continuing operations (pence)	5	(1.85)	(4.44)	(10.31)

**UNAUDITED CONSOLIDATED STATEMENT OF
FINANCIAL POSITION AS AT 30TH SEPTEMBER 2018**

		As at 30 September 2018 Unaudited	As at 30 September 2017 Unaudited	As at 31 March 2018 Audited
	Notes	£'000	£'000	£'000
Assets				
Non-current assets				
Intangible assets		111	53	56
Property, plant and equipment		187	205	172
Total non-current assets		298	258	228
Current assets				
Inventories		735	516	531
Trade and other receivables		413	145	478
Cash and cash equivalents		2,555	49	4,616
Total current assets		3,703	710	5,625
Total assets		4,001	968	5,853
Equity and liabilities				
Equity				
Share capital	4	107	1	107
Share premium	4	27,796	2,743	27,796
Capital redemption reserve	4	4,648	-	4,648
Other reserves		70	-	32
Reverse acquisition reserve	4	(19,596)	-	(19,596)
Retained earnings		(10,026)	(3,115)	(8,055)
Equity attributable to owners of the parent		2,999	(371)	4,932
Non-controlling interests		-	-	-
Total equity		2,999	(371)	4,932
Current liabilities				
Trade and other payables		1,002	1,339	921
Total current liabilities		1,002	1,339	921
Total liabilities		1,002	1,339	921
Total equity and liabilities		4,001	968	5,853

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2018**

	6 months ended 30 September 2018 Unaudited £'000	6 months ended 30 September 2017 Unaudited £'000	Year ended 31 March 2018 Audited £'000
Notes			
Cash flows from operating activities			
Group loss for the period	(1,971)	(1,116)	(6,056)
Share-based payments	38	-	582
Depreciation and amortisation	13	9	55
Reverse acquisition costs	-	-	1,439
Working capital adjustments:			
Change in inventories	(204)	(153)	(168)
Change in trade and other receivables	65	(84)	(445)
Change in trade and other payables	81	1,057	849
Net cash flow from operating activities	(1,978)	(287)	(3,744)
Cash flow from investing activities			
Addition of property, plant and equipment, and intangibles	(83)	(2)	(18)
Acquisition, net of cash acquired	-	-	(1,938)
Net cash flow from investing activities	(83)	(2)	(1,956)
Cash flow from financing activities			
Net proceeds from issue of equity instruments	-	-	9,978
Net cash flow from financing activities	-	-	9,978
Net change in cash and cash equivalents	(2,061)	(289)	4,278
Cash and cash equivalents at beginning of period	4,616	338	338
Cash and cash equivalents at end of period	2,555	49	4,616

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

	Notes	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Capital redemption reserve £'000	Retained earnings £'000	Share based payment reserve £'000	Total £'000
THREAD 35 LTD								
Balance at 31 March 2017	1		2,743	-	-	(1,999)	-	745
Loss for 6 months	-	-	-	-	-	(1,116)	-	(1,116)
Balance at 30 September 2017	1	2,743	-	-	-	(3,115)	-	371
SOSANDAR PLC								
Balance at 1 January 2017		4,651	12,268	-	-	(17,441)	610	88
Thread 35 Ltd earnings bfw		-	-	-	-	(1,999)	-	(1,999)
Loss for the year	-	-	-	-	-	(6,056)	-	(6,056)
Transfer of share- based payment reserve	-	-	-	-	-	610	(610)	-
Loss for the period to acquisition	-	-	-	-	-	(770)	-	(770)
Reverse Acquisition	-	-	-	(19,596)	-	17,601	-	(1,995)
Shares based payments	-	-	-	-	-	-	32	32
Acquisition of a subsidiary	-	-	-	-	-	-	-	-
Issue of share capital		104	15,528	-	-	-	-	15,632
Cancellation of share capital		(4,648)	-	-	4,648	-	-	-
Balance at 31 March 2018		107	27,796	(19,596)	4,648	(8,055)	32	4,932
Loss for six months	-	-	-	-	-	(1,971)	-	(1,971)
Shares based payments	-	-	-	-	-	-	38	38
Balance at 30 September 2018		107	27,796	(19,596)	4,648	(10,026)	70	2,999

Share capital is the amount subscribed for shares at nominal value.

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of share issue expenses.

Share based payments reserve relate to the charge for share-based payments in accordance with International Financial Reporting Standard 2.

Retained earnings represent the cumulative loss of the Group attributable to equity shareholders.

Reverse acquisition reserve relates to the effect on equity of the reverse acquisition of Thread 35 Limited.

Capital redemption reserve represents the aggregate nominal value of all the deferred shares repurchased and cancelled by the Company. The reserve is non-distributable.

NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

1. General Information

Sosandar Plc is a company incorporated and domiciled in England and Wales. The Company's offices are in Wilmslow. The Company is listed on the AIM market of the London Stock Exchange (ticker: SOS).

The financial information set out in this Half Yearly report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 31 March 2018, prepared under International Financial Reporting Standards ("IFRS"), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain statements under Sections 498(2) and 498 (3) of the Companies Act 2006.

Copies of the annual statutory accounts and the Half Yearly report can be found on the Company's website at <http://www.sosandar-ir.com/content/investors/annual-reports.asp>.

2. Basis of preparation and significant accounting policies

This Half Yearly report has been prepared using the historical cost convention, on a going concern basis and in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, using accounting policies which are consistent with those set out in the financial statements for the year ended 31 March 2018.

New and amended standards adopted by the group

There are no IFRSs or IFRIC interpretations that are effective for the first time in this financial period that would be expected to have a material impact on the group.

3. Segmental reporting

In the opinion of the directors, the Group has one class of business, being that of a clothing manufacturer and distributor via internet and mail order. The Group's primary reporting format is determined by the geographical segment according to the location of its establishments. There is currently only one geographic reporting segment, which is the UK. All costs are derived from the single segment.

4. Share capital and reserves

Details of ordinary shares issued are in the table below:

Ordinary Shares (£0.001)					
Date	Details	Number of shares	Issue Price £	Total Share Capital £'000	Total Share Premium £'000
At 31 Dec 2015		5,507,669,337		551	12,181
9 Aug 2016	Share placing - £350,000	2,333,333,333	0.00015	233	87
At 31 Dec 2016		7,841,002,670		784	12,268
07 Apr 2017	Consolidation becomes	31,364,011	0.0001	784	12,268

10 Apr 2017	Share issue	231,364,011	0.0001	231	3,239
03 May 2017	Share issue	2,000,000	0.0001	2	28
01 Nov 2017	Consolidation becomes	26,472,816	0.001	27	15,773
02 Nov 2017	Share Issue	80,341,842	0.001	80	12,023
At 31 March 2018 and 30 Sep 2018		106,814,658	0.001	107	27,796

Deferred shares were cancelled on 1st November 2017.

5. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period:

	6 months ended September 2018	6 months ended September 2017	Year ended March 2018
Loss after tax attributable to equity holders of the parent (£'000)	(1,971)	(1,116)	(6,056)
Weighted average number of ordinary shares in issue	106,814,658	25,128,694	58,770,354
Fully diluted average number of ordinary shares in issue	106,814,658	25,128,694	58,770,354
Basic and diluted loss per share (pence)	(1.85)	(4.44)	(10.31)

Basic and diluted earnings per share have changed, since where a loss is incurred the effect of outstanding share options and warrants is considered anti-dilutive and is ignored for the purpose of the loss per share calculation. The share options outstanding as at 31 March 2018 totalled 20,056,748 (2017: 380,000,000) and are potentially dilutive.

6. Post balance sheet events

On 10 October 2018, Sosandar PLC raised £3.0 million (gross) through a placing of 9,375,000 new ordinary shares of 0.1p each in the capital of the Company with institutional investors at a price of 32 pence per share.