

Science in Sport

Consumer
27 May 2020

Debt financing

Following the equity fund-raising via a new share placing on 22 April 2020, Science in Sport has announced a new debt financing facility. The equity placing raised gross proceeds of £4.5m, and the group has now secured a new £8m invoice financing facility from HSBC for an initial one-year term. This latest undrawn facility provides further headroom to the company's liquidity position during the COVID-19-related uncertainty and gives it the financial flexibility to continue with its strategy of pursuing strong sales growth.

COVID-19 a temporary setback

The COVID-19 pandemic has caused sports events in all Science in Sport's major markets to be cancelled, and gyms remain closed in many markets. Consumption of Science in Sport's products is therefore likely to have declined since lockdowns began, and the return to normal levels of consumption could be slow, as sports events and gyms are currently perceived to be high-risk environments. That said, we believe the long-term trend of increased consumption of premium sports nutrition by fitness enthusiasts and the gym lifestyle community is unlikely to be affected.

Financial flexibility removes uncertainty

The additional headroom of up to £12.5m provided by the share placing and new debt financing facility will help the business should the effects of the COVID-19 pandemic persist over several quarters. The long-term growth profile remains attractive, in our view, with FY19 sales rising to £50.6m from £41m, and EBITDA loss declining from £2.7m to £0.3m.

Valuation

Peer group analysis is not straightforward, as there are few direct peers. Consensus is unavailable, and the company has not provided external financial guidance given the uncertainty caused by the COVID-19 pandemic.

Consensus estimates

Year end	Revenue (£m)	PBT (£m)	EPS (p)	DPS (p)	P/E (x)	EV/Sales (x)
12/18	41.0	(6.0)	(8.2)	0.0	N/A	1.8
12/19	50.6	(5.1)	(4.6)	0.0	N/A	0.9
12/20e	N/A	N/A	N/A	0.0	N/A	N/A
12/21e	N/A	N/A	N/A	0.0	N/A	N/A

Source: Company data, NB external guidance has not been provided given the uncertainty surrounding the COVID-19 pandemic

Price 34p
Market cap £46m

Share price graph



Share details

Code	SIS
Listing	AIM
Shares in issue	135m

Business description

Science in Sport is a British premium performance nutrition company, which develops, manufactures and markets innovative nutrition products for elite professional athletes, fitness enthusiasts and the gym lifestyle community. Its two main brands are SiS and PhD nutrition.

Bull

- Well-placed business in a category that is attractive in the long term.
- Online opportunity is significant and should drive margin expansion.
- Well-capitalised to weather COVID-19-related disruption.

Bear

- COVID-19 pandemic causing sports events to be cancelled and gyms to be closed, hence consumption of Science in Sport's products will decline.
- Products are aspirational and ultimately discretionary.
- The business is currently loss-making as the management has made the conscious choice to grow sales more aggressively.

Analysts

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