



React Group PLC - REAT Trading Update
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React Group PLC
06 April 2020

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014.

REACT Group PLC

("REACT" or the "Company")

REACT Group Plc., (AIM: REAT.L) the leading specialist cleaning and decontamination company, provides the following market update.

The REACT business is experiencing high demand to provide decontamination and infection control services, including the thorough deep cleaning of premises thought be harbouring SARS-CoV-2, the virus responsible for CV-19 (2019 novel coronavirus/COVID-19).

REACT provides a rapid response to the threat posed by CV-19, applying high standards of deep cleaning and testing to enable Customers to return potentially infected properties to safe operational use, alongside providing reassurance to the people that use or pass through them.

Making use of some proprietary components our methodology eliminates all traces of the virus, applies onsite ATP testing to confirm and certify a site is clear and equips our specialist cleaning operators beyond recommended standards to ensure their health and safety.

REACT has expanded capacity to support demand by cross training our experienced operators and through partnerships and sub-contracting with smaller specialist cleaning operators.

REACT has entered into a number of agreements with Tier 1 Customers to provide a 'first-response' service to support multiple premises in England and Wales. Although we anticipate the rate of demand softening over the next few weeks as the impact of the lock-down reduces incidents requiring remedial action, we believe demand for deep cleaning and decontamination will increase again as the country returns, albeit in stages, to some form of normality.

The REACT business is divided into two-parts of approximately equal size of revenues; reactive cleaning services - which is supporting the deep cleaning requirements; and regular maintenance services. The regular maintenance business largely operates in the Healthcare, Road and Rail sectors, all of which have yet to see material changes to operations. Whilst at present we anticipate any reduction in activity in one sector will be counter-balanced by demand in another, it is too early to reliably forecast the impact of any sustained period of economic disruption on our underlying business.

At the start of the financial year, which runs to 30 September 2020, management expectations had been for the business to move into profitability after reporting annual losses for the last four-years. Recent trading, notably in March, has been ahead of management expectations and as result the Group is likely to have delivered a small operating profit in the six months to 31 March 2020, which puts the Group in a good position to meet or exceed management expectations for the full year.

The health and welfare of all our colleagues is paramount; for those not in front-line services, such as sales and administration, we took the early decision to put in place policies and procedures to enable remote working in early March 2020.

Management are using all tools at its disposal to preserve cash, focusing on secure revenue streams with high quality Customers, deferring non-critical capital expenses and using government-backed support initiatives where appropriate.

The (unaudited) cash balances at 31 March 2020 amounted to c.£306,000. This includes only one week's worth of payments from the c. £0.5 million Tier 1 Customer contract announced via RNS on 23 January 2020, and which has until this point consumed cash. The cashflow remittances from this Contract, which is continuing to perform very well, are weekly from this point onwards and will contribute positively to the Company's cash position. In addition, REACT has negotiated with a bank an initial line of credit of £225,000 on favourable terms secured through invoice discounting. We therefore believe we are in a strong position to support growth in key areas of the business.

In summary, the Company is facing opportunities and challenges, the scale and nature of which is constantly changing and, as yet, we have no clear visibility of its likely duration. We will further update the market once we have the information to credibly do so, in the meantime management continues to closely monitor the situation regarding CV-19 and remains confident in the continued performance and flexibility of the Group to deliver for its Clients.

The Company expects to publish its half year report for the six months ended 31 March 2020 in June 2020.

REACT Group PLC

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Note to Editors:

The official names for the virus responsible for COVID-19 (previously known as '2019 novel coronavirus') and the disease it causes are:

Disease:
Coronavirus disease (COVID-19)

Virus:
SARS-CoV-2

ATP testing is the process of rapidly measuring actively growing micro-organisms through detection of adenosine triphosphate - REACT use ATP testing to confirm swabbed areas have been cleared of pathogens, i.e. decontamination has removed the presence of SARS-CoV-2.

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