

INTERIM REPORT

6 MONTHS TO DECEMBER 2019



VIVOBAREFOOT

VIVOBAREFOOT

COMPANY INFORMATION

EXECUTIVE DIRECTORS

G J D Clark (CEO)
A M Clark
D Peat
P R Walker
M A Arnold

NON-EXECUTIVE DIRECTORS

N A Beart (Chairman)
L L M Chen

COMPANY SECRETARY

M A Arnold

REGISTERED NUMBER

03474829

REGISTERED OFFICE

Vivobarefoot Ltd, 28 Britton Street, London, EC1M 5UE

ACCOUNTANTS

Blick Rothenberg Chartered Accountants
1st Floor, 7-10 Chandos Street
London. W1G 9DQ

VIVOBAREFOOT

CEO REPORT - GALAHAD CLARK

Dear Shareholders,

When I last wrote to you, I was pleased to announce our best year yet in 2019/20 and I'm pleased to report that despite everything we're on track to top that again this year. In the first 6 months of this financial year (July to December), we continued top-line momentum with sales up 40% against the same period last year.

At time of writing, we are peak pandemic casting a dull light over our recent history as we focus our attentions on basic health and wellbeing, economic collapse and human suffering.

But, even before Hurricane Covid, we were navigating rough seas on the good ship Vivo: despite strong sales, we missed our profit expectations in the first half of the year. In March 2019, we moved our main production from China to Vietnam, but the transition was tougher and more protracted than we feared. Severe production delays meant our Autumn stock (due to be delivered in August 2019) missed peak trading in September and October and we went through those key trading months chronically under stock and then having to discount autumn winter stock at the end of the season when it finally arrived – significantly hitting our bottom line.

Although this report only formally deals with the first half of our financial year, to December 2019, I must address Covid 19. We live in challenging, uncertain times and by the time you read this I'm sure the situation will have significantly changed again – and one can only hope it is for the better. Day by day we are all adjusting to new ways of living and working and every business is re-writing plans over and over to adjust to the new Covid reality. As I write to you our online trade has far exceeded expectations in March and April 2020 and I am more confident than ever that Vivobarefoot is part of the solution – not the problem. Our values and beliefs in a healthy people and planet will be more important than ever in a post Covid world.

Whilst Covid 19 has not impacted the financials in this report, it will impact the full-year. Pre-pandemic we were closing in on £38m sales and meaningful profits for the year.

The lock-downs have closed all our offline trade and slowed production, meaning we will have a smaller less profitable business than we planned. Even when we come out of our new Zoom realities we expect to feel the repercussions of a global slow down for many months, if not years. Whilst it is impossible to know how things will play out, as things stand, the impact from COVID 19 means that we will likely make a loss for this financial year



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CEO REPORT (CONTINUED)

Whilst we are navigating through unprecedented head winds, our ship is built with strong and relevant foundations (80%+ direct to consumer online, supply chain flexibility across Asia, Africa and Europe and most importantly a product that is healthy just by using it) so we remain confident to survive and ultimately come out of this test a stronger more agile and more resilient business.

To paraphrase Martin Luther King, "The ultimate measure of a [company] is not where it stands in moments of comfort and convenience, but where it stands at times of challenge and controversy. Nothing worthwhile is easy. The ability to overcome unfavourable situations will provide you with time to demonstrate your true strength and determination..."

I could not have been prouder of every single member of the Vivobarefoot team for the way they have responded to the awesome challenges posed by the global lockdown and for staying true to our mission and values.

I am also delighted to announce that we have further strengthened the board with the appointment of Jennifer Roebuck as Non-Executive Director. Jennifer is an experienced digital and e-commerce executive with a background in digital transformation and brand marketing, particularly in the lifestyle and clothing sector. Jennifer is the co-founder of REVL, the events app, and has wide experience working with technology led start-ups and is current the Chief Customers Officer of Ted Baker.



Message from Jennifer

"I am delighted to be part of the Vivobarefoot board. Purpose driven brands have a significant opportunity in the current climate and the team at Vivo have authentically built purpose into the core brand and business DNA. I look forward to being part of an exciting journey ahead focused on scaling the D2C business and building global brand awareness."

See on the next page our 1 page strategy that we have reaffirmed in these tough times. I'm proud to say that even though we have had to write down some of the business numbers, the sustainability and social ambitions remain unabated and the way our marketing team have responded to the challenging times has been awesome.

- Shoespiracy 2.0 had over 1.5m views.
- The Vivobarefoot Health and Regeneration broadcast has been interacted with over 100k times.
- And our Earth Day campaign, 'Sustain This?' raised over 20k for regeneration projects around our areas of operation.

When we re-emerge from our homes, the world will be a very different place – not least in the fact that nature will have regenerated many parts of the planet. We will join together and reconnect with her majesty and 'hopefully' pause... use this as an opportunity to remake a world with a less padding and more feeling.

Walk the Talk, Blaze the Trail and Move More!

Sincerely, Galahad

A handwritten signature in black ink, appearing to read 'Galahad'.

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FINANCIAL HEADLINES

In the original Crowdcube plan in 2016, we outlined a 5-year plan to grow sales from £10m to £30m by 2021. I am delighted to share with you that we remain very much on track to deliver our original sales plan, even with the impact of the current pandemic.

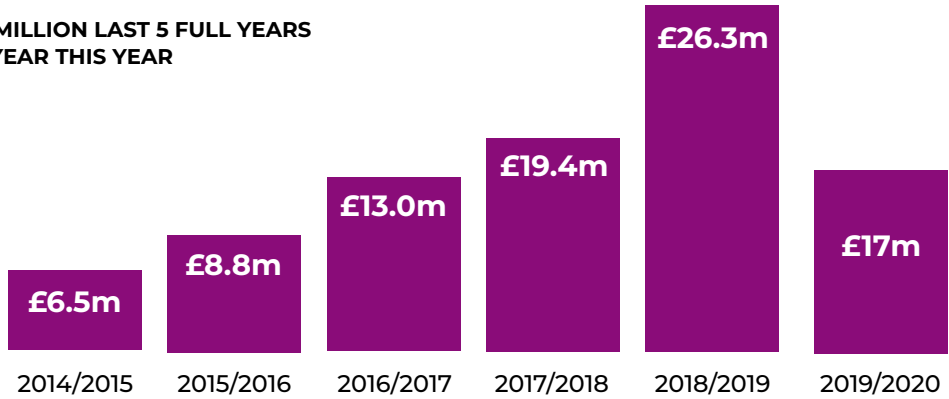
In the first 6 months of this year, we delivered £17m (up 30% year on year). Sales growth in our own E-commerce business increased year on year by 25% with sales of £9.8m (£7.8m 2018/19). Owned online business accounts for 58% of our total sales (60% half one 2018/19).

Despite the strong top-line sales performance, profit conversion has been sluggish. We faced long production delays after moving our main production from China to Vietnam. Because of this, in the first few months of the financial year, we had stock shortages across several key lines. Many Autumn Winter shoes arrived at the end of the season and close to Black Friday. This resulted in heavier discounting than we would have wanted and impacted our profitability in the first half of the financial year.

Nevertheless, before COVID, we were still working towards both record profit and sales for the year. However, COVID will have a significant impact on the financial results in the second half of the year. Every Vivo store worldwide is currently closed and distribution is increasingly challenging and costly. Consumer confidence and disposable income are both low and people are being told to stay at home rather than explore nature.

These factors, together with one-off restructuring costs, means that we may make a loss this financial year. However, the underlying fundamentals of the business are strong. When the world emerges from this crises we will be very well placed to help the world live barefoot and go from strength to strength.

SALES IN £ MILLION LAST 5 FULL YEARS
AND HALF YEAR THIS YEAR



CURRENT PERFORMANCE AND HISTORIC PERFORMANCE FROM THE LAST 5 YEARS

Shown below are the results for the first six months of this financial year compared to the full 12 months of the previous 5 financial years.

| | Half year | Full year | Full year | Full year | Full year | Full year |
|------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 19/20 | 18/19 | 17/18 | 16/17 | 15/16 | 14/15 |
| Pairs of shoes - sold in thousands | 295 | 503 | 429 | 319 | 264 | 259 |
| Sales (£) - thousands | £16,994 | £26,348 | £19,422 | £12,958 | £8,854 | £6,501 |
| Profit (£) - thousands | £138 | £791 | £655 | £73 | £11 | £(1) |

PERFORMANCE AGAINST THE ORIGINAL CROWDCUBE PLAN

Against the original Crowdcube plan set in 2016 sales are above plan but profit is some way below this. As we have noted previous reports we have invested more into marketing and product development than we originally planned 4 years ago. We have also recruited dedicated merchandising and sustainability functions in order to build a far brighter future. We are confident that this is the best way to build a truly global business and achieve sales and profits in excess of our original plan in the long term.

Shown below are the results for the first six months of this financial year against the original Crowdcube plan published in early 2016.

| | Actual | Crowdcube plan |
|------------------------------------|---------|----------------|
| | 19/20 | 19/20 |
| Pairs of shoes - sold in thousands | 295 | 332 |
| Sales (£) - thousands | £16,994 | £14,507 |
| Profit (£) - thousands | £138 | £1,063 |



THE SUNDAY TIMES

International Track **200**

Britain's private companies with the fastest-growing international sales

THE SUNDAY TIMES

Fast Track **100**

Britain's private companies with the fastest-growing sales



VIVOBAREFOOT

FLOURISHING DIVERSITY: RECONNECTING TO NATURE AND OUR HUMANITY







VIVOBAREFOOT

PRODUCT



VIVOBAREFOOT

UNAUDITED PROFIT AND LOSS

| | Half year | Full year | Full year | Full year | Full year | Full year | Full year |
|---------------------------------|-------------------|-------------------|------------------|------------------|------------------|------------------|------------------|
| | 19/20 | 18/19 | 17/18 | 16/17 | 15/16 | 14/15 | 13/14 |
| Turnover | 16,993,932 | 26,347,777 | 19,422,081 | 12,958,999 | 8,845,170 | 8,432,525 | 6,501,429 |
| Cost of sales | (6,697,783) | (10,052,693) | (10,773,898) | (7,624,475) | (5,274,035) | (5,677,877) | (4,058,981) |
| GROSS PROFIT | 10,296,149 | 16,295,084 | 8,648,183 | 5,334,524 | 3,571,135 | 2,754,648 | 2,442,448 |
| Administrative Expenses | (10,153,511) | (15,569,630) | (7,928,748) | (5,352,269) | 3,502,672 | (2,666,459) | (2,467,343) |
| OPERATING PROFIT/(LOSS) | 142,638 | 725,454 | 719,435 | (17,745) | 68,463 | 88,189 | 24,895 |
| Interest payable | (4,961) | (15,439) | (63,900) | (35,363) | (57,226) | (76,440) | (15,029) |
| PROFIT/(LOSS) BEFORE TAX | 137,677 | 710,008 | 655,535 | (53,108) | 11,237 | 11,749 | (39,924) |
| Tax of profit | - | 80,993 | - | 126,164 | - | - | 38,989 |
| NET PROFIT | 137,677 | 791,008 | 655,535 | 73,056 | 11,237 | 11,749 | 935 |

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BALANCE SHEET AS AT 29 DEC 19

| | As at 29 Dec 19 £ | As at 29 Dec 19 £ | As at 29 Dec 18 £ | As at 29 Dec 18 £ |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|
| FIXED ASSETS | | | | |
| Intangible assets | | 264,433 | | 5,335 |
| Tangible assets | | 328,677 | | 306,452 |
| | | 593,110 | | 331,787 |
| CURRENT ASSETS | | | | |
| Stocks | 4,028,886 | | 2,378,903 | |
| Trade debtors | 776,995 | | 1,870,703 | |
| Other debtors | 310,719 | | 48,221 | |
| Intercompany | 0 | | 0 | |
| Cash and bank | 2,045,803 | | 1,528,588 | |
| Prepayments | 258,949 | | 194,021 | |
| | 7,421,352 | | 6,020,435 | |
| Creditors due within one year | | | | |
| Creditors | (2,624,730) | | (1,134,296) | |
| Other creditors | (840,089) | | (560,572) | |
| Accruals | (2,250,780) | | (1,886,583) | |
| Taxation and salaries | (38,661) | | 17,061 | |
| VAT | 152,793 | | (2,188,028) | |
| | (2,418,958) | | (3,832,407) | |
| NET CURRENT ASSETS | | 1,819,886 | | 2,188,028 |
| Creditors due after one year | | | | |
| Creditors >1 year | | 5,963 | | (161,322) |
| | | 5,963 | | (161,322) |
| NET ASSETS | | 2,418,958 | | 2,338,493 |
| CAPITAL AND RESERVES | | | | |
| Share capital | | 4,594,795 | | 4,594,462 |
| Share premium | | (0) | | 6,892,644 |
| Reserves | | (3,818,195) | | (12,397,156) |
| Shareholders loans | | 1,503,682 | | 1,899,999 |
| Retained (Deficit)/Profit | | 1137,677 | | 1,348,544 |
| SHAREHOLDER'S FUNDS | | 2,418,958 | | 2,338,493 |

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PRIMUS SWIMRUN

THE OFFICIAL SHOE OF THE ÖTILLÖ SWIMRUN WORLD SERIES.



ACCOUNTING PRINCIPLES

TURNOVER

Turnover companies revenue recognised by the company in respect of goods and services supplied during the first 6 months of the financial year, exclusive of Value Added Tax and trade discounts.

INTANGIBLE FIXED ASSETS AND AMORTISATION

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and Loss Account over its estimated economic life.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basics:

- Plant and machinery - 3 years straight line
- Motor vehicles - 5 years straight line
- Fixtures and fittings - 3 years straight line
- Office equipment - 3 years straight line
- Computer equipment - 3 years straight line

INVESTMENTS

Investments held as fixed assets are shown at cost less provision for impairment.

OPERATING LEASES

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term. Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line bases over the life of the lease.

STOCKS

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads.

FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Sterling at the rate ruling on the date of the transaction. Exchange gains and losses are recognised in the Profit and Loss Account.



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