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Trinity Biotech announces Q4 and FY 2018 financial results

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Trinity Biotech plc, a leading developer and manufacturer of diagnostic products for the point-of-care and clinical laboratory markets has announced results for the quarter ended December 31, 2018 and fiscal year 2018.

Total revenues for fiscal year 2018 were $97.0m versus $99.1m in 2017, a decrease of 2% year on year.

Fiscal Year 2018 results

Point-of-Care revenues decreased from $16.8m in 2017 to $14.8m in 2018, which represents a decrease of 11.6%. This was mainly attributable to lower HIV sales in Africa due to erratic ordering patterns and was contributed to by the impact of significant overstocking by one larger customer which occurred during 2017. Meanwhile, HIV sales in the USA continued to be lower due to constraints on federally funded public health programs.

Clinical Laboratory revenues were $82.2m, which is broadly flat when compared with 2017. During the year, Diabetes and Autoimmunity revenues continued their upward growth trajectory. However, this growth was offset by lower Lyme revenues due to the loss of a significant contract with one of the major clinical laboratory service providers in the USA. Revenues were also adversely impacted by foreign exchange movements and this was most pronounced in Brazil where the Real was over 14% weaker year on year.

The gross margin for the year was 42.7% compared to 42.3% in 2017. This increase was mainly attributable to cost savings implemented during the year, the benefit of which outweighed the negative impact of lower point-of-care revenues and adverse currency movements.

Research and Development expenses for the year decreased from $5.7m to $5.4m, a decrease of $0.3m. Meanwhile, Selling General and Administrative (SG&A) expenses decreased from $30m to $28.2m, a decrease of 6%. In both cases the main driver has been the impact of cost savings, though in the case of SG&A expenses a gain recognised in Q3, 2018 on a partial buyback of the company's Exchangeable Notes was also a contributory factor.

Operating profit for the year increased from $5.5m to $6.7m in 2018. This increase was mainly attributable to lower indirect costs and to a lesser extent the increase in gross margin.

Profit after tax (before the impact of once-off items & non-cash financial income) increased to $2.4m from $2.3m in 2017. Whilst operating profit was significantly higher in 2018 it was offset by tax movements. In 2017 the Company recorded an overall tax credit of $0.7m due to the impact of changes in U.S. tax code on the Company's deferred tax balances. Meanwhile, in 2018, we returned to the more normal position of a tax charge of $0.6m which equates to an effective tax charge of 9.5%.

Basic EPS (excluding once-off charges & non-cash financial income) for the year was 11.4 cents versus 10.6 cents in 2017. Meanwhile, unconstrained diluted EPS was 26.0 cents compared to 25.7 cents in 2017.

Earnings before interest, tax, depreciation, amortisation and share option expense for the year was $12.1m.

Quarter 4 Results

Total revenues for Q4, 2018 were $24.5m which compares to $24.6m in Q4, 2017.

Point-of-Care revenues increased by 5.8% to over $4m in Q4, 2018. This was driven by higher HIV sales in Africa. Whilst the impact of the significant fluctuations which characterize this product line were a negative for the year as a whole, in Q4, 2018 it represented a positive factor. Part of this growth was offset by slightly lower HIV sales in the USA.

Clinical Laboratory revenues decreased from $20.7m to $20.5m, which represents a decrease of 1.2% compared to Q4, 2017. This decrease was due to the impact of higher Diabetes and Autoimmunity revenues being offset by lower Lyme sales and adverse currency movements.

Gross profit for Q4, 2018 amounted to $10.2m representing a gross margin of 41.7% which represents an improvement compared to the 41.5% reported in the equivalent quarter last year. As was the case for the year as a whole, the gain was achieved through the cost savings program implemented during 2018 and this served to offset the impact of higher instrument sales and adverse currency movements this quarter.

Research and Development expenses of $1.4m were lower than the equivalent quarter last year ($1.5m) whilst Selling, General and Administrative (SG&A) were also lower for the quarter at $6.8m which represents a decrease of $0.9m compared to Q4, 2017. Again, these reductions were attributable to cost savings implemented earlier in the year.

The combined impact of lower indirect costs and a slightly higher gross margin resulted in an increase in operating profit for the quarter from $0.8m to $1.9m.

The profit after tax, before once-off charges and non-cash financial income, for the quarter was $0.8m compared to $0.9m for the equivalent period last year. This decrease was due to a large tax credit ($1m) due to U.S. tax code changes arising in Q4, 2017 compared to a tax charge of $0.3m in Q4, 2018 thus offsetting the significant improvement in operating profit during Q4, 2018.

The basic EPS (excluding once-off charge and non-cash financial income) for the quarter was 3.8 cents versus 4.2 cents in Q4, 2017. Unconstrained diluted EPS for the quarter amounted to 7.0 cents, which compares to 7.7 cents in the equivalent quarter in 2017.

Cash generated from operations during the quarter was $0.2m, interest and taxes received was $1.4m, and these were offset by capital expenditure of $5m and thus resulting in free cash outflows for the quarter of $3.4m. Other major cash outflows for the quarter included interest payments of $2m. Overall, this resulted in a cash balance at the end of the year of $30.3m.