22 February 2017

Hotel Chocolat Group plc
("Hotel Chocolat", the "Company" or the "Group")
Interim Results

Hotel Chocolat Group plc, a premium British chocolatier and omni-channel retailer, today announces its Interim Results for the 26 weeks ended 25 December 2016.

Financial highlights:

- Proforma revenue up 12% to £62.5m (H1 FY16: £55.7m)[1]
- Reported revenue up 14% to £62.5m (H1 FY16: £54.9m)
- Underlying EBITDA up 27% to £13.7m (H1 FY16: £10.8 m)[2]
- Underlying EBITDA margin of 21.9% (H1 FY16: 19.7%)
- Profit before tax up 28% to £11.2m (H1 FY16 £8.8m)
- Strong balance sheet with net cash at period end of £16.2m (H1 FY16: net debt of £1m)
- EPS of 7.8p (H1 FY16: adjusted 6.2p)[3]

Operational highlights:

- Strong sales growth across retail, digital & corporate channels
- Opened 10 new stores during the period, contributing 4% to Group sales year-on-year
- Improved Christmas ranges and strong availability resulted in increases in footfall, items per basket and a mix shift to higher priced gift items
- Factory investment delivered improved gross margin in the period; +60bps year-on-year
- Now have 10 Shop+Cafe format stores, giving the ability to flex customer offer for each catchment
- New website launched January 2017, driving improved conversion

[1] Hotel Chocolat Estates Limited, Saint Lucia (HCESL) was acquired by the Group in April 2016, proforma result includes HCESL in both years.
[2] Underlying EBITDA in H1 FY17 excludes £0.3m of share-based compensation (H1 FY16: £ nil).
[3] H1 FY16 profit divided by the number of shares in issue at the time of IPO in May 2016.

Angus Thirlwell, Co-founder and Chief Executive Officer of Hotel Chocolat said:

"This has been another period of good progress for Hotel Chocolat with strong growth in both sales and profitability. The critical Christmas period was very successful, helped by good availability, popular and innovative new ranges and significantly increased digital transactions. We have strong plans in place for the key spring seasons of Mother's Day and Easter and are confident of further progress.

"I would like to thank everyone in the HC team for continuing to work tirelessly to build the business and strengthen our brand.

"We continue to make good headway against our three key strategic objectives of opening more stores, improving our digital capability and increasing our production capacity."

This announcement contains inside information for the purposes of the Market Abuse Regulation.

For further information:

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Notes to Editors:
Hotel Chocolat is a premium British chocolatier with a strong and distinct brand. The business was founded in 1993 by Angus Thirlwell and Peter Harris and has traded under the Hotel Chocolat brand since 2003. The Group sells its products online and through a network of 93 stores in the UK and abroad. The Group has ten Shop+Cafe format stores, two restaurants in the UK and a cocoa plantation and hotel in Saint Lucia. The Group was admitted to trading on AIM in 2016.

Chief Executive's statement (inclusive of financial review)

RESULTS

	Period ended 25 December 2016 £000	**Period ended 27 December 2015 £000**
Revenue	**62,528**	**54,875**
Gross profit	42,544	36,979
Operating expenses	(28,846)	(26,180)
Underlying EBITDA	**13,698**	**10,799**
Share-based payments	(277)	-
EBITDA	13,421	10,799
Depreciation & amortisation	(1,743)	(1,590)
Loss on disposal of property, plant & equipment	(16)	-
Operating profit	**11,662**	**9,209**
Finance income	3	96
Finance expense	(446)	(528)
Profit before tax	**11,219**	**8,777**
Tax expense	(2,422)	(1,782)
Profit for the period	**8,797**	**6,995**
Adjusted EPS*	7.8p	6.2p

* Adjusted EPS is calculated by dividing the profit in the prior period by the number of shares in issue at the time of IPO in May 2016.

CHIEF EXECUTIVE'S STATEMENT

I am pleased to report continued progress for the Hotel Chocolat brand during the 26 weeks to 25 December 2016. Revenue in the period grew by 14% (12% on a proforma basis) and profit before tax for the period increased by 28%. Hotel Chocolat delivered growth across all channels, benefitting from improved seasonal ranges including new gift hampers, which encouraged customers to "trade up" to higher price points. The business remains focused on the three key pillars of its growth strategy:

1) Open stores including new Shop+Cafe format

We opened 10 new stores in the period and completed one relocation. Of the new stores, seven included variations of our Hot Chocolat-led cafe offer. The modular design of the cafe allows us to tailor the offer to the site and the catchment; for example our new store at Euston station includes a takeaway-only cafe, whereas our new store in Worcester includes 50 seats and a separate space for tasting experiences. The Group also signed a further lease on a 1,500 sq ft unit in a prime location on Buchanan Street in Glasgow, which will open later in 2017.

2) Increase capacity and capture efficiencies from the vertically integrated supply chain

Significant capital investments at our factory were completed in September, on time and on budget, this increased manufacturing capacity by 20%. This increase enabled the Group to produce more stock and thus maintain strong availability right up to the end of the Christmas season. Improved efficiency supported a gross margin increase of 0.6 percentage points.

3) New digital proposition to grow customer base and improve gifting proposition

Digital revenues, comprising website plus subscription club, grew 11% overall.

The website delivered a 23% year-on-year growth driven by a strong increase in customer numbers and increased average transaction value. A new website launched in January 2017 and initial indications are encouraging with mobile conversion increasing significantly, the new site is faster and dwell time has also increased.

Subscription club sales declined 6%, while operating profit increased. New customer recruitment activities into the club have been scaled back whilst the model is being improved and reformed around the new website, which launched in January 2017. The next phase of the Tasting Club evolution will improve the online customer experience and integrate product despatch into the central distribution centre, rather than outsource. A new subscription clubs team is now in place to add focus and drive behind this important channel, with good growth opportunities ahead.

Other developments
This is the first reporting period for which Hotel Chocolat Estates Limited, Saint Lucia (HCESL) was part of the Group for the full period. Development of a new visitor attraction is progressing well and expected to open in 2018.

The Group has a Cocoa Spa in Saint Lucia and also sells a range of Cocoa Beauty products. Currently these products represent less than 1% of total sales. The Group has entered into a joint venture with its Chairman Andrew Gerrie to further develop and grow this category. The Group owns 30% of the venture "Rabot 1745 Limited" and Andrew Gerrie holds 49%, with the balance held by other parties. It is envisaged that the venture will operate as a low cost start-up, with the goal of developing an enhanced beauty product range with a view to growth in the medium to long term.

FINANCIAL REVIEW

Revenue
10 new stores opened during the period, contributing 4% to the Group's year-on-year growth in revenue. Retail, digital and corporate wholesale all delivered like for like sales growth.

Gross margin, operating expense and underlying EBITDA
Gross margin increased 60 basis points to 68.0%, supported by the efficiency investments at the factory. A tight focus on operating expenses meant that expenditure of £28.8m represented an improved ratio of 46.1% of sales (H1 FY16: 47.7%). The combined effect of increased sales, improved gross margins and a reduction in operating costs as a percent of sales, was a 27% increase in underlying EBITDA to £13.7m (H1 FY16 £10.8m).

Share based payments
Share-based payment expense of £0.3m (H1 FY16: £ nil) related to a new share-based Long-Term Incentive Plan and an all-employee Save As You Earn Plan. Both these schemes were detailed in the admission document.

Foreign currency
The business manufactures the majority of its products in the UK, however it does purchase some ingredients in foreign currencies, predominantly in Euros. The Group hedges its forecast Euro purchases 18 months ahead.

Finance income and expense
Finance income of £3k in H1 FY17 represents interest on bank deposits, in the prior period income of £96k represented related-party loan interest receivable from Hotel Chocolat Estates Limited, Saint Lucia (HCESL). Following the acquisition of HCESL in April 2016 the outstanding loans were capitalised.

Earnings per share
Earnings per share in the period were 7.8p. To facilitate a meaningful comparison dividing the profit in the prior period by the number of shares in issue at the time of IPO in May 2016 gives an adjusted prior period EPS of 6.2p.

Dividend
The Board does not propose an interim dividend. The Board's objective is to pay a maiden final dividend, subject to the continued performance of the business in the balance of the year.

Cash flow and closing cash position
Net cash inflow from operating activities was £22.1m (H1 FY16: £16.2m).

Net cash at the end of the period was £16.2m, an improvement of £17.2m on the prior period. The Group has access to an £18m revolving credit facility with Lloyds Bank plc to fund seasonal working capital requirements. The facility matures in April 2018.

Major capital projects in the period included 10 new shops, one re-location, the Group's new website and upgrades to the manufacturing facility in Huntingdon.

OUTLOOK
Since the end of the period, trading has continued in line with expectations. The plans for the key Mother's Day and Easter seasons build upon the successes of Christmas, including improved gifts and children's ranges. The pipeline for new stores is encouraging with the new formats providing increased flexibility to adapt to different locations. We are in the process of finalising our next set of capacity and capability investments for our production facility in order to ensure we can both meet our growth aspirations and improve efficiency in the years ahead. The transition to the new website happened on time and now provides us with exciting growth potential.

The headwinds facing all retailers in the UK are widely projected to drive input cost inflation, however the Group seeks to mitigate these headwinds through a combination of vertical integration, UK-based manufacturing, and currency hedging. A strong differentiated brand that offers great products and customer service, priced as an affordable luxury also provides further mitigation, giving the Board confidence in the Group's continued progress.

Angus Thirlwell
Co-founder and Chief Executive Officer

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the period ended 25 December 2016

	Notes	*Unaudited* 26 weeks ended 25 December 2016 £	*Unaudited* 26 weeks ended 27 December 2015 £
Revenue		62,527,738	54,874,984
Cost of sales		(19,983,960)	(17,895,950)
		42,543,778	36,979,034
Administrative expenses	2	(30,881,742)	(27,769,970)
		11,662,036	9,209,064
Finance income	3	3,068	96,276
Finance expenses	3	(445,871)	(528,098)
Profit before tax		11,219,233	8,777,242
Tax expense		(2,421,861)	(1,782,000)
Profit for the period		8,797,372	6,995,242
Other comprehensive income:			
Derivative financial liabilities		(198,302)	-
Deferred tax charge on equity items		113,975	-
Currency translation differences arising from consolidation		780,993	67,095
Total comprehensive income for the period		9,494,038	7,062,337
Earnings per share – Basic and Diluted (Adjusted*)	4	7.8p	68.6p (6.2p*)

* Adjusted EPS is calculated by dividing the profit in the prior period by the number of shares in issue at the time of IPO in May 2016.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 25 December 2016

	Notes	*Unaudited* As at 25 December 2016 £	*Unaudited* As at 27 December 2015 £	*Audited* As at 26 June 2016 £
ASSETS				
Non-current assets				
Intangible assets		2,144,098	1,452,623	1,856,800
Property, plant and equipment	5	29,194,640	13,528,867	26,111,111
Investment in joint ventures		300	-	-
Derivative financial assets		9,346	-	85,075
Prepayments		5,034	-	7,461
Deferred tax asset		-	194,342	-
		31,353,418	15,175,832	28,060,447
Current assets				
Derivative financial assets		523,385	-	439,239
Inventories		7,569,092	6,115,599	6,604,104
Trade and other receivables		6,194,439	15,023,642	5,534,835
Cash and cash equivalents		23,522,550	14,132,905	6,475,446
		37,809,466	35,272,146	19,053,624
Total assets		**69,162,884**	**50,447,978**	**47,114,071**
LIABILITIES				
Current liabilities				
Trade and other payables	6	25,799,854	21,337,985	16,334,191
Corporation tax payable		2,396,211	1,573,564	611,051
Derivative financial liabilities		144,974	-	-
Bank overdraft		-	2,199,586	-
Borrowings	7	391,994	1,857,347	432,544
Provisions		-	73,932	-
		28,733,033	27,042,414	17,377,786
Non-current liabilities				
Other payables and accruals	6	1,850,884	1,017,194	1,485,090
Derivative financial liabilities		102,824	-	-
Deferred tax liabilities		10,729	-	78,989
Borrowings	7	6,924,131	11,046,193	6,643,212
Provisions		705,513	487,344	464,486
		9,594,081	12,550,731	8,671,777
Total liabilities		**38,327,114**	**39,593,145**	**26,049,563**
NET ASSETS		**30,835,770**	**10,854,833**	**21,064,508**
EQUITY				
Share capital		112,838	103,548	112,838
Share premium		11,749,487	-	11,749,487
Retained earnings		16,884,722	10,998,788	8,087,350
Translation reserve		1,134,119	(475,832)	353,126
Merger reserve		223,251	223,251	223,251
Capital redemption reserve		6,301	5,078	6,301
Other reserves		725,052	-	532,155
Total equity attributable to shareholders		**30,835,770**	**10,854,833**	**21,064,508**

CONSOLIDATED STATEMENT OF CASH FLOW
For the period ended 25 December 2016

	Notes	*Unaudited* 26 weeks ended 25 December 2016 £	*Unaudited* 26 weeks ended 27 December 2015 £
Profit before tax for the period		11,219,233	8,777,242
Adjusted by:			
Depreciation of property, plant and equipment	5	1,605,009	1,227,321
Amortisation of intangible assets		137,983	362,230
Net interest expense		442,803	431,822
Share-based payments		277,224	-
Loss on disposal of property, plant and equipment and intangible assets		15,852	-
Operating cash flows before movements in working capital		**13,698,104**	**10,798,615**
Increase in inventories		(657,176)	(1,621,758)
Increase in trade and other receivables		(1,036,358)	(1,351,046)
Increase in trade and other payables and provisions		10,842,602	8,861,696
Cash inflow generated from operations		**22,847,172**	**16,687,507**
Interest received		3,068	-
Income tax paid		(590,985)	13,925
Interest paid on:			
- finance leases and hire purchase loans		(7,153)	-
- bank loans and overdraft		(113,417)	(543,575)
Cash flows from operating activities		**22,138,685**	**16,157,857**
Purchase of property, plant and equipment		(4,435,006)	(2,759,334)
Proceeds from disposal of property, plant and equipment		12,000	-
Purchase of intangible assets		(414,299)	(349,860)
Cash flows used in investing activities		**(4,837,305)**	**(3,109,194)**
Buy back of Chocolate bonds		(118,000)	(123,000)
Capital element of hire purchase and finance leases repaid		(296,827)	(219,525)
Proceeds from bank loans		-	4,993,226
Cash flows (used in)/from financing activities		**(414,827)**	**4,650,701**
Net change in cash and cash equivalents		16,886,553	17,699,364
Cash and cash equivalents at beginning of period		6,475,446	(5,697,390)
Foreign currency movements		160,551	(68,655)
Cash and cash equivalents at end of period		**23,522,550**	**11,933,319**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the period ended 25 December 2016

	Share capital £	Share Premium £	Retained earnings £	Translation reserve £	Merger reserve £	Capital redemption reserve £	Other reserves £	**Total £**
As at 28 June 2015	103,418	-	4,003,546	(542,927)	223,251	5,078	-	3,792,366
Shares issued in the period	130	-	-	-	-	-	-	130
Profit for the period	-	-	6,995,242	-	-	-	-	6,995,242
Other comprehensive income for the period	-	-	-	67,095	-	-	-	67,095
Equity as at 27 December 2015	**103,548**	**-**	**10,998,788**	**(475,832)**	**223,251**	**5,078**	**-**	**10,854,833**
Loss for the period	-	-	(2,911,438)	-	-	-	-	(2,911,438)
Capital redemption	(1,223)	-	-	-	-	1,223	-	-
Shares issued in the period	10,513	11,989,487	-	-	-	-	-	12,000,000
Costs of issue of equity shares	-	(240,000)	-	-	-	-	-	(240,000)
Share-based payments	-	-	-	-	-	-	64,642	64,642
Derivative financial instruments	-	-	-	-	-	-	581,959	581,959
Deferred tax charge on derivative financial instruments	-	-	-	-	-	-	(114,446)	(114,446)
Other comprehensive income for the period	-	-	-	828,958	-	-	-	828,958
Equity as at 26 June 2016	**112,838**	**11,749,487**	**8,087,350**	**353,126**	**223,251**	**6,301**	**532,155**	**21,064,508**
Profit for the period	-	-	8,797,372	-	-	-	-	8,797,372
Share-based payments	-	-	-	-	-	-	277,224	277,224
Derivative financial instruments	-	-	-	-	-	-	(198,302)	(198,302)
Deferred tax charge on equity items	-	-	-	-	-	-	113,975	113,975
Other comprehensive income for the period	-	-	-	780,993	-	-	-	780,993
Equity as at 25 December 2016	**112,838**	**11,749,487**	**16,884,722**	**1,134,119**	**223,251**	**6,301**	**725,052**	**30,835,770**

NOTES TO THE INTERIM FINANCIAL INFORMATION

1. Basis of preparation

The consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively IFRSs), as adopted by the European Union.

The accounts have been prepared in accordance with accounting policies that are consistent with the Group's Annual Report and Accounts for the period ended 26 June 2016 and that are expected to be applied in the Group's Annual Report and Accounts for the period ended 2 July 2017. There are new or revised standards that apply to the period beginning 27 June 2016 but they do not have a material effect on the financial statements for the period ended 25 December 2016.

The comparative financial information for the period ended 26 June 2016 in this interim report does not constitute statutory accounts for that period under 435 of the Companies Act 2006.

Statutory accounts for the period ended 26 June 2016 have been delivered to the Registrar of Companies.

The auditors' report on the accounts for 26 June 2016 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

The results for the period ended 26 June 2016 have been adjusted to reflect a restatement of fair value of foreign currency forward contracts. The impact of this restatement has been to increase net assets by £935,026 (impacting the derivative financial instruments and deferred tax balances) and increase total comprehensive income by £935,026. Profit after tax and earnings per share are unchanged.

2. Profit from operations

Profit from operations is arrived at after charging:

	Unaudited **26 weeks ended 25 December 2016 £**	***Unaudited*** **26 weeks ended 27 December 2015 £**
Staff cost	14,477,191	12,215,185
Depreciation of property, plant and equipment	1,605,009	1,227,321
Amortisation of intangible assets	137,983	362,230
Loss on disposal of property, plant and equipment and intangible assets	15,852	-
Operating leases:		
- Property	4,194,423	4,197,701
- Plant and equipment	94,548	109,146
Exchange differences	149,253	84,669
Bad debt expense	23,228	37,422

3. Finance income and expenses

	Unaudited 26 weeks ended 25 December 2016 £	*Unaudited* 26 weeks ended 27 December 2015 £
Interest from related party	-	96,260
Interest on bank deposits	3,068	16
Finance income	3,068	96,276
Interest on bank borrowings	157,795	359,810
Interest on derivative financial liabilities	106,802	-
Finance leases and hire purchase contracts	7,153	15,668
Finance charges on Chocolate bonds	174,121	152,620
Finance expenses	445,871	528,098

4. Earnings per share

Profit for the period used in the calculation of the basic and diluted earnings per share:

	Unaudited 26 weeks ended 25 December 2016 £	*Unaudited* 26 weeks ended 27 December 2015 £
Profit after tax for the period	**8,797,372**	**6,995,242**

The weighted average number of shares for the purposes of diluted earnings per share reconciles to the weighted average number of shares used in the calculation of basic earnings per share as follows:

	Unaudited 26 weeks ended 25 December 2016 £	*Unaudited* 26 weeks ended 27 December 2015 £
Weighted average number of shares in issue used in the calculation of earnings per share (number)	112,837,828	10,200,040
Earnings per share (pence) – Basic and Diluted	7.8	68.6

Due to the nature of the options granted under the Hotel Chocolat Group plc 2016 Long-Term Incentive Plan, they are considered contingently issuable shares and therefore have no dilutive effect.

5. Property, plant and equipment

	Freehold property £	Leasehold property £	Furniture & fittings, Equipment, Computer software & hardware £	Plant & machinery £	Total £
26 weeks ended 27 December 2015					
Cost:					
As at 28 June 2015	2,840,841	734,999	21,319,086	9,512,635	34,407,561
Additions	-	-	1,208,234	1,253,690	2,461,924
As at 27 December 2015	**2,840,841**	**734,999**	**22,527,320**	**10,766,325**	**36,869,485**
Accumulated depreciation:					
As at 28 June 2015	279,491	731,356	13,422,487	7,679,963	22,113,297
Depreciation charge	14,204	475	790,833	421,809	1,227,321
As at 27 December 2015	**293,695**	**731,831**	**14,213,320**	**8,101,772**	**23,340,618**
Net book value					
As at 27 December 2015	**2,547,146**	**3,168**	**8,314,000**	**2,664,553**	**13,528,867**
26 weeks ended 25 December 2016					
Cost:					
As at 26 June 2016	**11,469,455**	**734,999**	**22,899,192**	**14,662,588**	**49,766,234**
Additions	132,410	-	3,201,724	639,882	3,974,016
Disposals	-	-	-	(49,900)	(49,900)
Translation differences	675,049	-	113,095	-	788,144
As at 25 December 2016	**12,276,914**	**734,999**	**26,214,011**	**15,252,570**	**54,478,494**
Accumulated depreciation:					
As at 26 June 2016	**408,612**	**732,306**	**14,013,001**	**8,501,204**	**23,655,123**
Depreciation charge	79,564	475	1,035,145	489,825	1,605,009
Disposal	-	-	-	(22,048)	(22,048)
Translation differences	7,168	-	38,602	-	45,770
As at 25 December 2016	**495,344**	**732,781**	**15,086,748**	**8,968,981**	**25,283,854**
Net book value					
As at 25 December 2016	**11,781,570**	**2,218**	**11,127,263**	**6,283,589**	**29,194,640**

Included above are assets held under finance leases and hire purchase agreements which, as at 25 December 2016 had a net book value of £465,351 (27 December 2015: £706,749).

6. Trade and other payables

	Unaudited 26 weeks ended 25 December 2016 £	*Unaudited* 26 weeks ended 27 December 2015 £
Current		
Trade payables	5,351,132	4,197,655
Other payables	4,140,000	2,310,713
Other taxes payable	5,985,535	5,706,288
Accruals	10,323,187	9,123,329
	25,799,854	**21,337,985**
Non-current		
Other payables	1,850,884	1,017,194
	1,850,884	**1,017,194**

7. Borrowings

	Unaudited 26 weeks ended 25 December 2016 £	*Unaudited* 26 weeks ended 27 December 2015 £
Current		
Finance and lease hire purchase liabilities	433,244	397,350
Chocolate bonds	6,000	110,000
Bank loans	-	1,349,997
	439,244	1,857,347
Unamortised costs of issue	(47,250)	-
Total current borrowings	**391,994**	**1,857,347**
Non-current		
Finance and lease hire purchase liabilities	336,131	222,193
Chocolate bonds	6,588,000	6,624,000
Bank loans	-	4,200,000
Total non-current borrowings	**6,924,131**	**11,046,193**
Total borrowings	**7,316,125**	**12,903,540**

Chocolate bonds pay a return either in boxes of luxury chocolates or by way of a Hotel Chocolat gift card. For those bonds with a return in the form of chocolate, the coupon is fixed by number of boxes. For bonds where there is a return paid by way of a Hotel Chocolat gift card, there is a fixed rate of interest. The interest as stated on issue of the bonds ranged between 6.7% and 7.3%.

Chocolate bonds are repayable subject to formal notice given six months prior to a redemption note. In order to redeem the bond, notice must be given by January and payment is made in July of the same year. For all chocolate bonds, where notice has been given, the amount repayable is shown within current liabilities. The remaining bonds for which notice has not yet been given are shown within non-current liabilities. Both bonds are unsecured.

On 27 April 2016, the Group negotiated a two-year, bilateral revolving credit facility (RCF). Interest is charged at 1.9% over base rate and a commitment fee of 0.8% is due on the available commitment, not yet drawn down.

The existing hire purchase and finance leases are secured by a charge over the related fixed assets and have incurred interest at an effective annual rate of 2.0%. A new finance lease was signed during the period.