

# INTERIM RESULTS

For the 6 months ended 31 March 2018



Daemmon Reeve, Chief Executive Officer  
Richard Hope, Chief Financial Officer

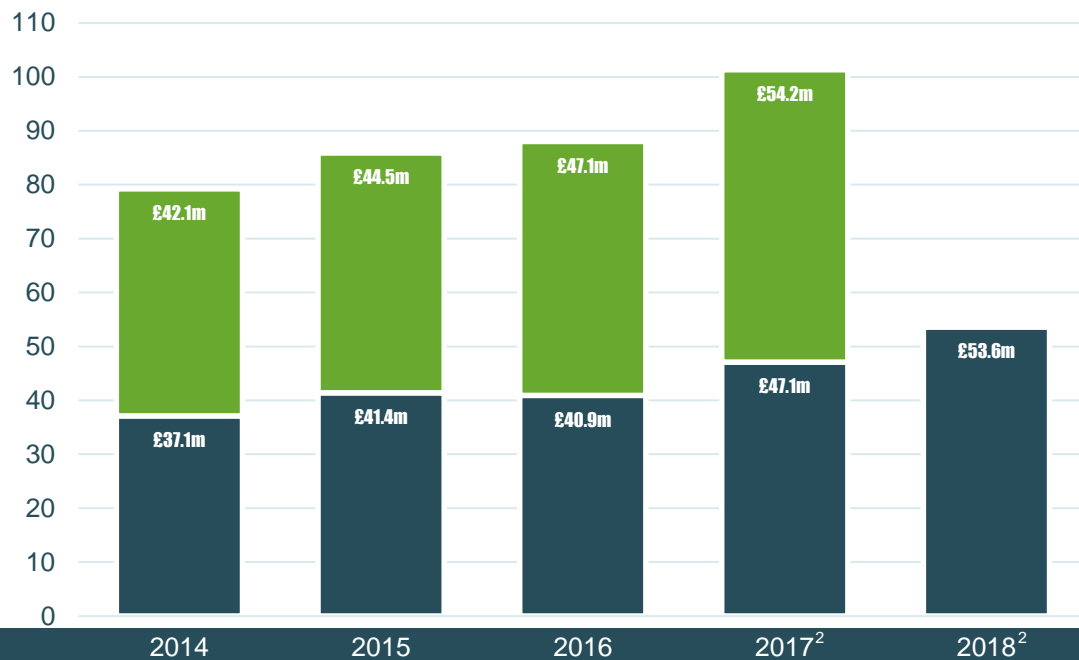
# EXECUTIVE SUMMARY

- Encouraging start to new 5 year strategy
- Key geographical & product categories all performing well
- Strong growth in earnings per share – boosted by US tax changes
- Momentum continued into Q3
- Disposal of Earthoil Plantations
- Capital secured to support investment

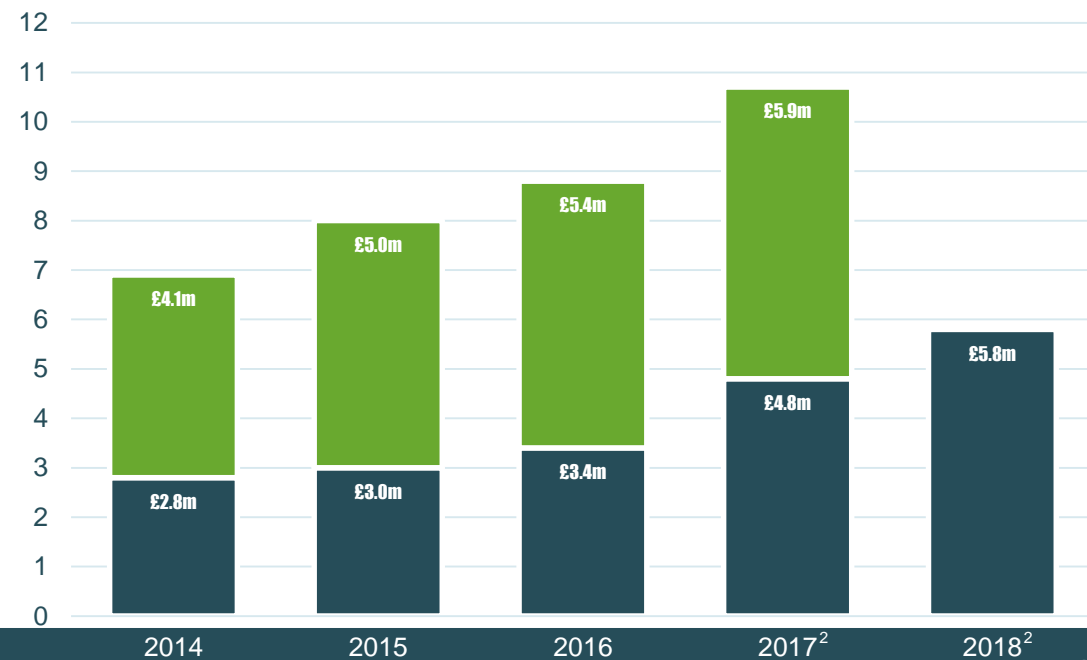
# RESULTS AT A GLANCE



## Revenue £'m



## Profit Before Tax<sup>1</sup> £'m



<sup>1</sup> Excludes exceptional items  
<sup>2</sup> Excludes discontinued activities

# 2018 HALF YEAR REVIEW

## INCOME STATEMENT

	2018 H1 £'000	2017 H1 £'000	Change %
Revenue	53,574	47,132	13.7% <sup>1</sup>
Gross Profit	12,636	11,501	
<i>Gross Profit %</i>	23.6%	24.4%	<sup>2</sup>
Administrative Expenses	(6,557)	(6,333)	<sup>3</sup>
Operating Profit	6,079	5,168	17.6%
<i>Operating Profit %</i>	11.3%	11.0%	<sup>4</sup>
Net Finance Costs	(314)	(378)	
Profit Before Taxation & Exceptional items	5,765	4,790	20.4%
Exceptional items	(212)	-	<sup>5</sup>
Profit Before Taxation	5,553	4,790	15.9%
Taxation	(962)	(1,359)	<sup>6</sup>
Profit for the Period from continuing operations	4,591	3,431	
Profit for the Period from discontinued operations	557	579	
Profit for the Period	5,148	4,010	28.4%

### Key Points

1. In constant currency, revenue growth of 18% following strong growth in UK and US
2. Gross margins affected by FX
3. Admin expenses up 3.5%, 7.7% in constant currency driven by increased headcount in UK and US to support future growth
4. Operating margin improved as result of operational leverage drop through
5. Exceptional items relate to UK relocation
6. Effective tax rate down to 17% (was 27%) due to lower US taxes

# 2018 HALF YEAR REVIEW

## CASH FLOW

	2018 H1 £'000	2017 H1 £'000
Operating cash flow	8,160	7,096 ①
Net working capital	(6,737)	(7,158) ②
Taxation paid	(892)	(1,512)
Net cash from operating activities	531	(1,574)
<b>Cash flow from investing activities</b>		
Investment in subsidiaries/loan notes	-	(1,575)
Purchase of tangible and intangible assets	(2,370)	(607) ③
Other	8	1
	(1,831)	(3,755)
<b>Free cash flow</b>	(1,839)	(2,181)
<b>Cash flow from financing activities</b>		
Proceeds on issue of shares	20,833	- ④
Interest payable	(352)	(421)
Dividends paid	(1,939)	(2,267)
Other	2	100
	18,544	(2,588)
Net decrease/(increase) in net debt	16,713	(6,343)
Effect of foreign exchange rates	6	4
Movement in net debt	16,719	(6,339)

### Key Points

1. Growth in EBITDA driving cash flow growth
2. Working capital outflow of £6.7m – includes increase in trade receivable due to strong March 2018 which is expected to unwind in H2
3. Capex includes \$2.2m on US expansion and related costs
4. Equity placing raised net £20.8m to fund investment programme

# 2018 HALF YEAR REVIEW

## BALANCE SHEET

	As at 31 March 2018	As at 30 September 2017
Goodwill	-	£2.7m
Fixed Assets	£16.1m	£15.4m
Inventories	£39.0m	£42.9m <sup>1</sup>
Debtors	£25.3m	£20.0m
Creditors	(£19.2m)	(£17.8m)
Working Capital	£45.1m	£45.1m
Taxation	(£0.1m)	(£0.7m)
Net cash / (Debt)	£6.5m	(£10.2m) <sup>2</sup>
Pension deficit	(£6.8m)	(£5.8m)
Other net liabilities	£0.1m	-
Assets held for sale	£8.5m	- <sup>3</sup>
Shareholders' Funds	£69.4m	£46.5m

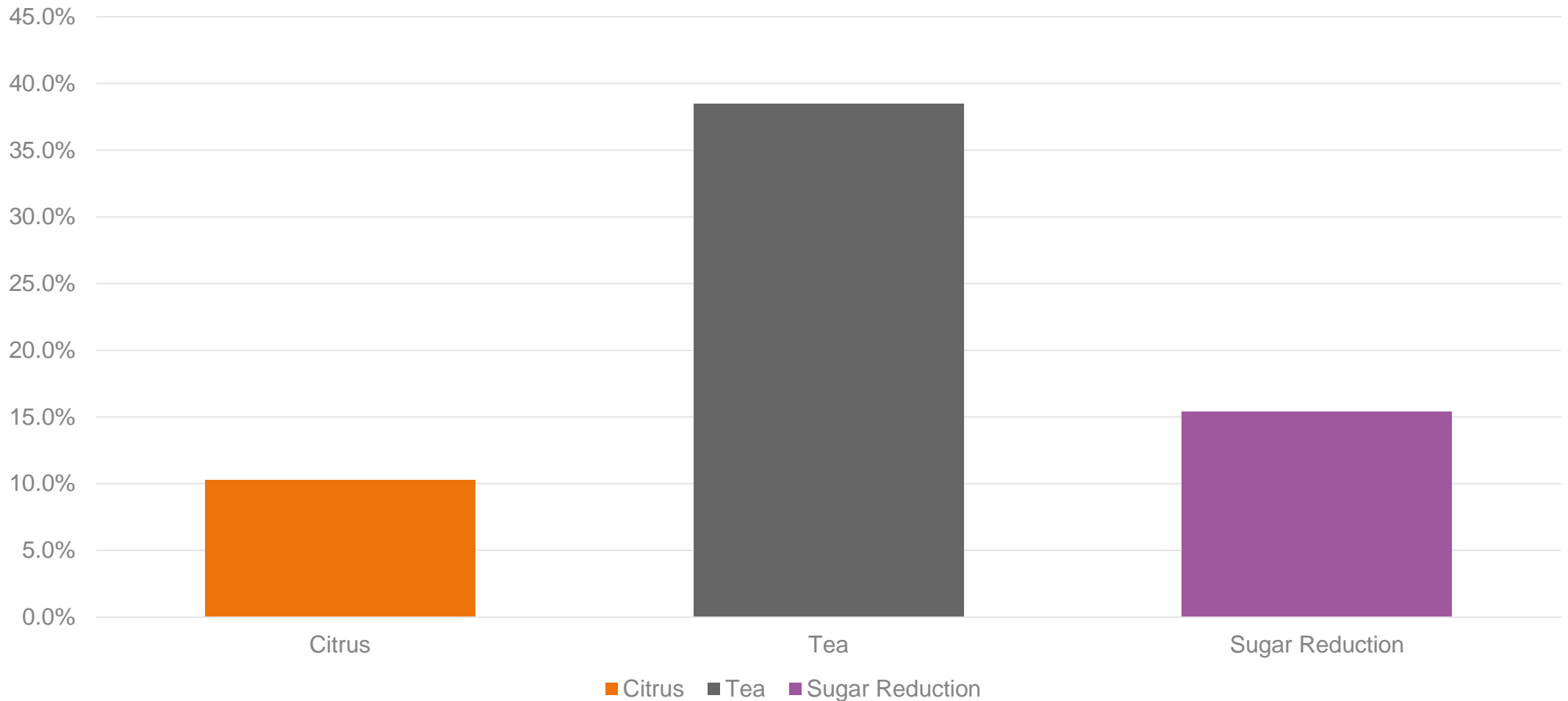
- Multi bank facilities totalling £21.8m
- Group headroom of £27.9m (Mar 2017: £16.4m)

### Key Points

1. On like-for-like basis adjusting for Earthoil, inventory up £1.5m
2. Net cash at period end in advance of capex investment programme
3. Earthoil transferred to assets held for sale, including goodwill

# STRATEGIC FOCUS – CORE PRODUCT AREAS

% Growth in Sales – 2017 H1 v 2018 H1



# STRATEGIC UPDATE



TREATT



# STRATEGIC FOCUS

5-year growth plan now in place, driven by **citrus**, **sugar reduction** and **tea** – backing winners:

1. US expansion progressing
2. Performance culture and employee engagement strategy – pulse surveys and tailored training
3. Winning business in successful products – strong progress with existing customers
4. Focused R&D delivering creative solutions for customers
5. Strategic growth markets:
  - China progress - winning market share and growing opportunity pipeline
  - India progressing with citrus key and sugar reduction beginning
  - US – premium beverages demanding edge in authenticity, the sweet spot of Treatt's portfolio

# SALE OF EARTHOIL PLANTATIONS

- Fair trade and organic cosmetic ingredients business
- Identified as non-core to group activities
- Consideration of £11m (subject to adjustment) receivable in cash
  1. 90% on Completion;
  2. Deferred payment of 10% twelve months after Completion
- Proceeds used to strengthen balance sheet, and increasing debt capacity for further growth and investment in key product categories
- Expected to be slightly earnings dilutive for current financial year ending 30 September 2018

# US EXPANSION

New production capacity needed to meet demand and support future growth



Progressing as planned for completion December 2018

## Breakdown of Costs\*

Land and Buildings	US\$8.8m
Plant and Machinery	US\$2.9m
Contingency	US\$2.3m
<b>Total budget</b>	<b>US\$14.0m</b>



# UK RELOCATION

Enhanced capabilities:

Step-change in capacity

Improved client interaction

Operational efficiencies



Project cost £35m

Full planning permission granted early 2018

Main contractor to be appointed and construction to commence mid 2018

Target return on investment of 10-15% in medium term

# CURRENT TRADING & OUTLOOK

- Encouraging start to Q3
- Further growth in key product categories citrus, sugar reduction and tea expected
- Capital investment programme on track
- Board confident that the Group will meet its expectations for the financial year ending 30 September 2018

# APPENDIX



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# PRODUCT CATEGORIES

## Citrus

- Treatt's largest product category
- Both natural and synthetic offerings create significant market opportunities
- Building on know-how and technical expertise for customer benefit



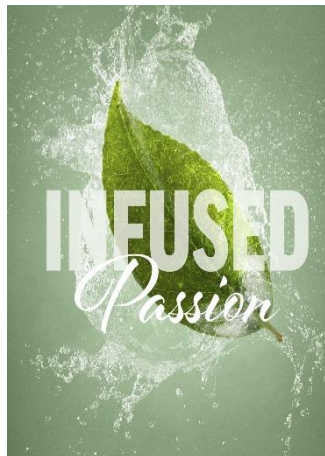
## Sugar Reduction

- Natural flavour of sugar – without carbs or calories
- Sugar tax / obesity agenda leading to strong customer demand and growth in size of market
- New business wins with global FMCGs



## Tea

- Natural tea flavours
- Continued growth in the ready-to-drink tea market
  - 2011-16 grew by > 40%
- Noteworthy wins at multiple FMCGs and F&F Houses



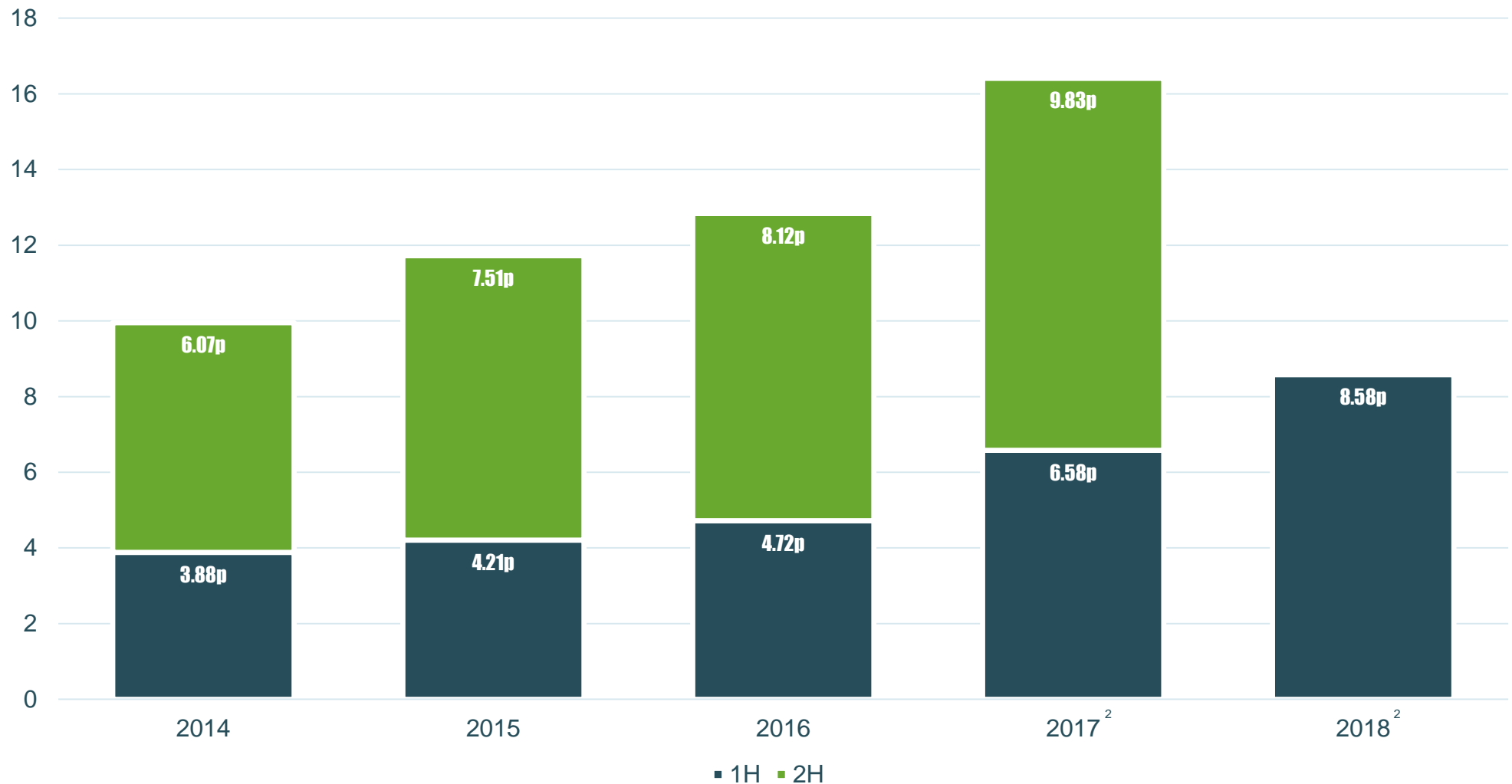
## Other

- Synthetic and natural flavours, e.g. natural cucumber, aroma chemicals
- Other essential oils
- Cosmetic ingredients
- Potential new growth areas e.g. coffee

# INTERIM/FINAL EARNINGS PER SHARE<sup>1</sup>

## 2014 - 2018

“Consistent Profitable Growth”

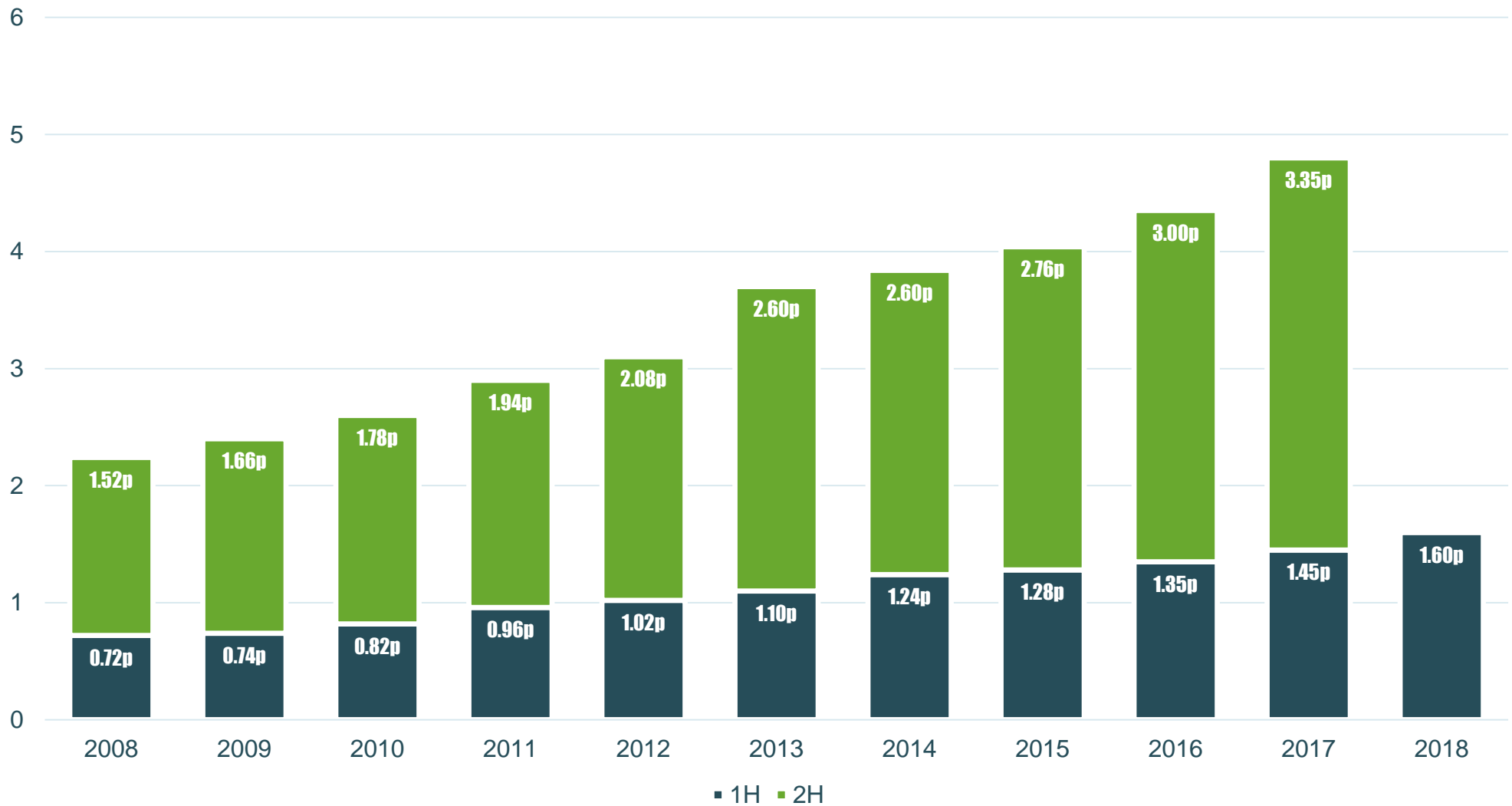




# INTERIM/FINAL DIVIDEND

## 2008 - 2018

“Progressive Dividend Policy”





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