

Half Year Trading Update and Notice of Results



TREATT PLC

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("Treatt" or "the Group")

Half Year Trading Update

Good revenue growth continues; full year trading in line with expectations

Treatt, the manufacturer and supplier of a diverse and sustainable portfolio of natural extracts and ingredients for the beverage, flavour and fragrance industries, today publishes a trading update for the half year ended 31 March 2022 (the "Period").

Highlights

- Revenue grew by 9% (11% in constant currency) to £66.3m (H1 2021: £60.8m)
- Order book up in excess of 15%, with a particularly strong pipeline in healthier living, citrus and coffee categories
- As previously guided, a return to pre COVID-19 seasonality with operating profit H2 weighted
- Investment in skills and expertise across all levels of the business continues to support long-term growth
- Trading in line with the Board's expectations for the full year

Trading performance

The Board is pleased to confirm that revenue momentum has continued across the business. Expected revenue growth for the half year of 9% (11% in constant currency) has been driven by the Group's largest category, citrus, as the Group's renowned expertise and value-add solutions continued to demonstrate its strong market position in this market.

As previously guided, following an unusually strong H1 in FY21, driven by a shift in demand from on to off trade caused by COVID-19, FY22 has returned to more normal spring/summer beverage consumption seasonality; as a result both margins and profits are expected to be materially H2 weighted.

Revenue in synthetic aroma and herbs, spices & florals, being two of the Group's larger categories, grew strongly in the Period. Whilst good progress continued in the Group's higher margin healthier

living categories of tea, health & wellness and fruit & vegetables, materially stronger performance is expected from these categories in H2, as evidenced by a good pipeline.

The Group continues to win new business with both new and existing customers through direct sales to global and local FMCG brands, as well as indirectly through the flavour and fragrance houses, demonstrating the strength of the Group's diverse business model. Further significant progress was also made with building out the Group's coffee platform which is focussed on the premium ready-to-drink and cold brew coffee markets, where we continue to see material growth in the opportunity pipeline.

The Group's investment in its substantial inventory holdings (equating to approximately six months trading) has helped the Group to successfully navigate various supply chain challenges. In addition the Group has decades of experience in managing movements in raw material prices which are impacted, not only by general inflation, but also by specific supply and demand factors such as climatic conditions. For example, in the Period orange oil prices continued to build to all-time highs, whereas lemon oil prices fell.

Our new UK facility is fully open for office-based employees as well as some of our R&D and technical teams. The operational commissioning continues apace and we are looking forward to most of our manufacturing being up and running by the middle of this calendar year. Thereafter will be a final phase of gradually transferring our most complex manufacturing activities to the new site by the middle of 2023. We believe this site, along with our recently expanded US facility, will provide Treatt with a much stronger platform to support its growth ambitions.

With the UK relocation nearing completion, and a strategic investment in inventory levels reflecting both higher orange oil prices and a strong order book, net debt at the end of the Period was approximately £20m.

The Group's hedging strategy is intended to mitigate the impact of long term exchange rate movements, which can mean fluctuations in the short term. During the Period there was a weakening of Sterling against the US Dollar and, as a result, the Board anticipates a net negative FX impact on the results for the Period of approximately £0.6m (H1 2021: £0.4m gain).

Outlook

H1 ended strongly and this momentum has continued into H2 with order books at record levels. With stronger growth coming through in H2 from the higher margin healthier living categories, the Group expects to deliver materially stronger margins in H2.

Notice of Results

Treatt's half year results for the six months ended 31 March 2022 will be announced on 10 May 2022 and the Group will also be hosting a Capital Markets Day on 27 May 2022. To register interest please contact MHP on the details below.

Daemmon Reeve, CEO, commented:

"After a record performance for the business last year, we've continued the momentum into the first half with a good sales performance, particularly driven by our largest category, citrus, where we have grown a number of longstanding relationships working with some of the biggest beverage companies.

"This year's performance is expected to reflect a reversion to more normalised beverage trends and overall trading continues in line with the Board's expectations. Despite the wider macro uncertainties, our second half pipeline is strong, we are bringing more of our new UK site into operation and we are seeing good opportunities across a number of categories, so remain confident for the future."

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About the Group

Treatt is a global, independent manufacturer and supplier of a diverse and sustainable portfolio of natural extracts and ingredients for the flavour, fragrance and multinational consumer product industries, particularly in the beverage sector. Renowned for its technical expertise and knowledge of ingredients, their origins and market conditions, Treatt is recognised as a leader in its field.

The Group employs over 400 staff in Europe, North America and Asia and has manufacturing facilities in the UK and US. Its international footprint enables the Group to deliver powerful and integrated solutions for the food, beverage and fragrance industries across the globe.

For further information about the Group, visit www.treatt.com.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this announcement will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation of this announcement and the Group undertakes no obligation to update these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.