



# HALF YEAR RESULTS

*For the Six Months ended 31 March 2023*

Daemmon Reeve – Chief Executive Officer

Ryan Govender – Chief Financial Officer



# DISCLAIMER

This presentation has been prepared for information purposes only, and does not constitute an offer of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in Treatt plc or any of its subsidiary companies.

This presentation contains forward looking statements which are made based on the information available at the time of its publication. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a number of risks and uncertainties that are inherent in any forward looking statement which could cause actual results and performance to differ materially from those currently anticipated.

Neither Treatt plc, nor any of their advisers, representatives, officers, agents or employees makes any representation, warranty or undertaking, express or implied, in respect of this presentation, and no responsibility or liability is accepted by any of them as to the accuracy, completeness and or reasonableness of any of the information in this presentation.

Where information is provided regarding past share price, past dividends and past earnings per share, past performance cannot be relied upon as a guide to future performance.

# 2023

## SUMMARY OF THE HALF YEAR

**RECORD SALES** with growth of 14.6%

---

**PROFIT** increased by 15.0% with strong cash generation

---

**RESILIENT** beverage market with underlying trends continuing

---

**GROWTH** in value-added citrus, coffee and China

---



**2023**

## **KEY LEARNINGS ACTIONED**

**PRICE INCREASES** successfully implemented to support margin discipline

---

**COST CONTROL** and self-help measures ongoing

---

**FX CONTROLS** addressed

---

**REDUCTION** in inventory and net debt in H1

---





# FINANCIAL REVIEW 2023





# H1 2023 FINANCIAL REVIEW

## INCOME STATEMENT

Period Ended 31 March	2022 H1 £'000	2023 H1 £'000	Change %
Revenue	66,283	75,951	14.6%
Gross profit	18,247	21,401	17.3%
Gross profit margin	27.5%	28.2%	70bps
Administrative expenses	(11,668)	(13,695)	(17.4%)
Operating profit	6,579	7,706	17.1%
Operating profit margin	9.9%	10.1%	20bps
Net finance costs	(241)	(417)	(73.0%)
Adjusted profit before tax <sup>(1)</sup>	6,338	7,289	15.0%
Exceptional items			
Gain on property sale	3,323	-	-
Exceptional costs	(709)	(663)	6.5%
Profit before taxation	8,952	6,626	(26.0%)
Taxation	(1,275)	(1,680)	(31.8%)
Profit for the period	7,677	4,946	(35.6%)
Adjusted earnings per share <sup>(1)</sup>	8.21p	9.04p	10.1%

<sup>1</sup> Excluding exceptional items

### Key Points:

**REVENUE** growth 14.6%. Ahead 8.5% on constant currency basis

**GROSS MARGIN** strengthened following successful execution of price increase strategy

**COST DISCIPLINES EMBEDDED** although admin expenses higher with increased depreciation and inflationary pressures

# SALES PERFORMANCE

## RECORD SALES REVENUE IN THE PERIOD

Key Driver



Price increase and value-add growth



Customer destocking.  
Margin protected by price increase



Continued demand in clean-label ingredients



Customer destocking.  
Margin protected by price increase



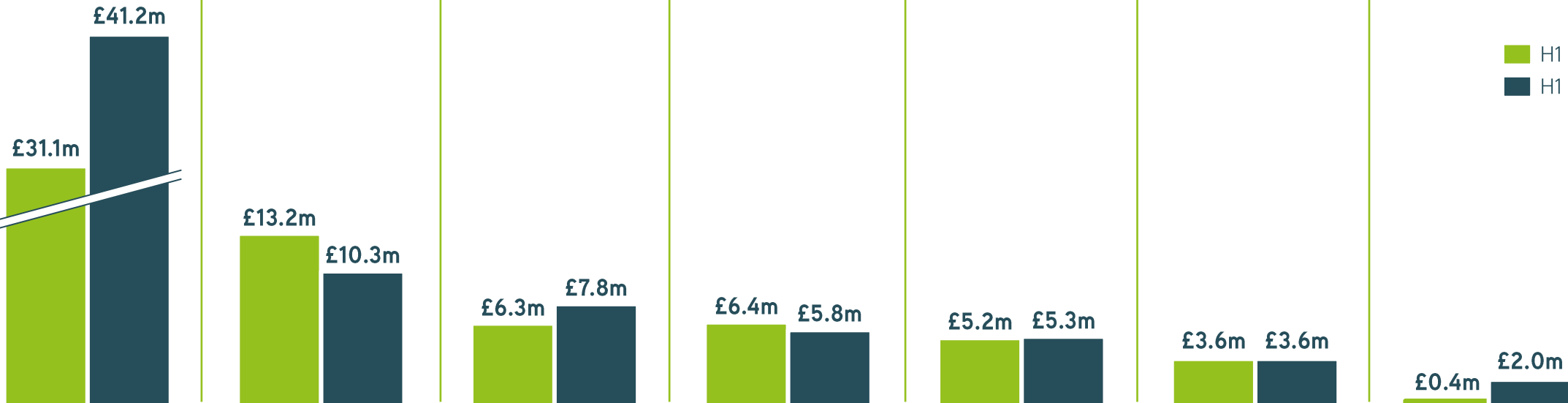
Growth in sugar reduction



Normalised iced-tea volumes



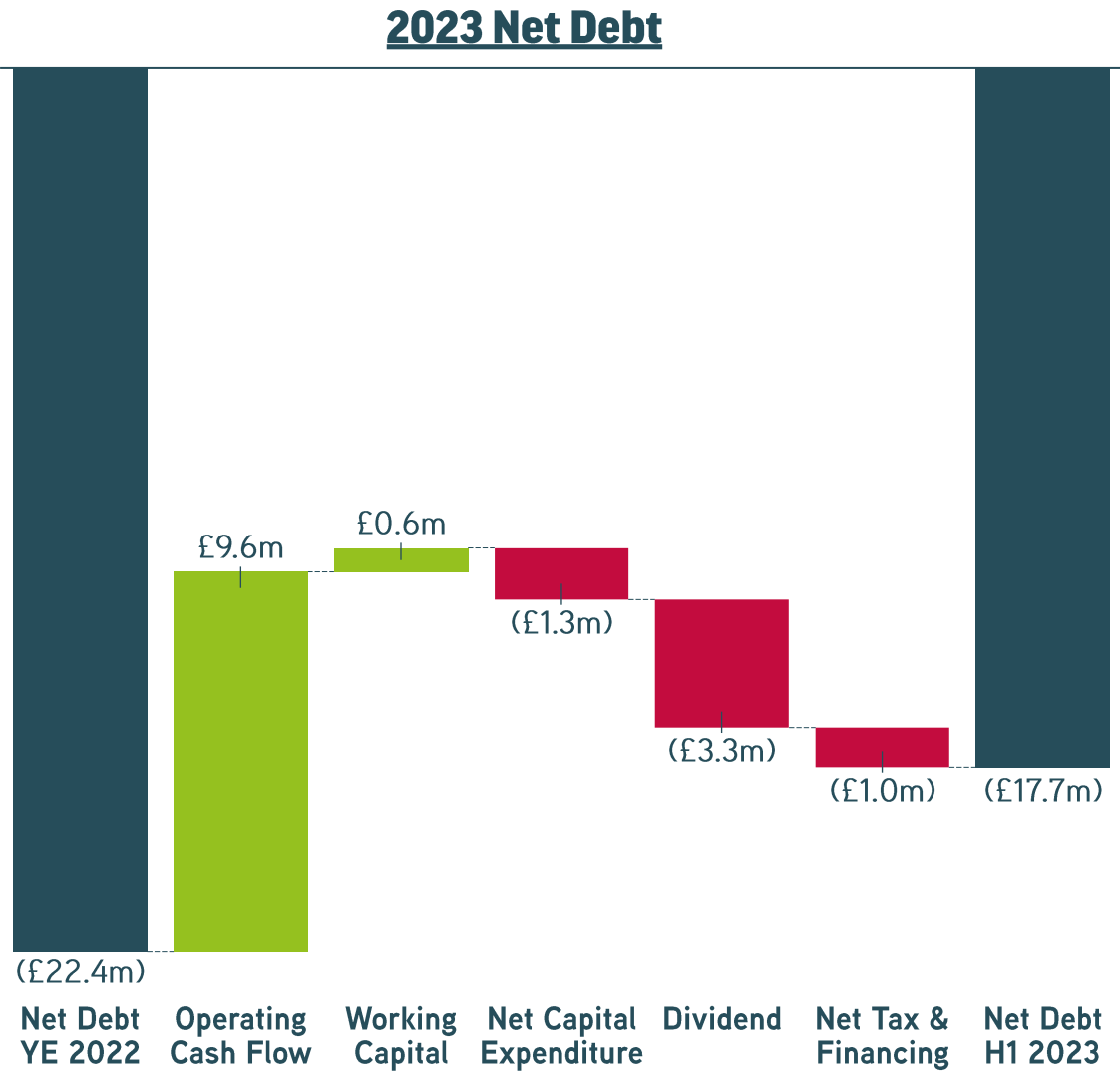
Growth with US retailer



■ H1 2022  
■ H1 2023

# STRONG CASH GENERATION

## HIGHEST H1 CASH IN-FLOW IN A DECADE



**IMPROVED** cashflow and net debt despite traditional H1 working capital build

**INVENTORY** improvement and lower capital spend

Net debt to EBITDA = 0.8x

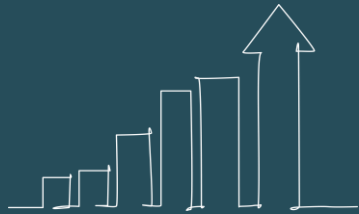
**COMPLETED** refinance of US bank borrowings with increased facilities to \$25m for minimum 3 years



# FY23 OBJECTIVES

## DELIVERING CONFIDENCE

GUIDANCE  
RANGE



**SALES**  
**+7-10%**

Continued focus on higher margin value-add categories

Sales price increase to manage raw material inflation

Opportunities in Coffee and China



**GROSS MARGIN**  
**28-30%**

Higher minimum order value

Margin discipline and control

S&OP and Operational Excellence



**NET OPERATING MARGIN**  
**11-12%**

Full year effect of depreciation for UK site

Maintaining other admin costs, outside of inflation

Mitigating FX exposure



**NET DEBT**  
**£12-14M**

Normalised capex spend

Improve inventory turn  
Target 1.5x to 2.0x

Reduction in net debt to offset higher interest rates



# H2 PROSPECTS



# BEVERAGE MARKET

## GROWTH DRIVERS

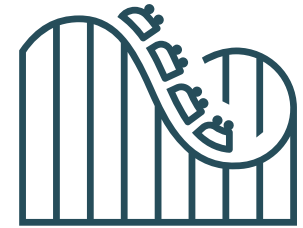
### CONSUMER BEHAVIOUR



Loyal to brands



Healthy living



Experience and enjoyment

### MARKET INSIGHT



Big brands  
re-inventing portfolios



Emerging categories  
growing rapidly



Accelerating  
growth in China

### BEVERAGE SEGMENT

Citrus  
Herbs, Spices & Florals

Health & Wellness  
Tea & Coffee  
Fruit & Vegetables

China

# CHINA

## BUILDING BLOCKS FOR LONG-TERM OUTLOOK

**CUSTOMER WINS** in 3 of 4 largest beverage brands in the country

---

**CITRUS** key driver for growth

---

**INVESTMENT** in laboratories to accelerate sales

---

**LOCAL** partnership evolution

---





# COFFEE

## INNOVATION DRIVING GROWTH AHEAD OF EXPECTATIONS

**STRONG** RTD volume growth in North America & Europe

---

**FLAVOUR** and roast are everything

---

**AFFORDABLE** indulgence

---

**MANUFACTURING** platform optimisation

---

**FURTHER** customer penetration required

---



# 2023 OUTLOOK

**BEVERAGE** volume resilience expected to continue

---

**CHINA** unlocked from Covid and demonstrating potential

---

**COFFEE** growth promising and ahead of schedule

---

**COST BASE** discipline benefits embedded

---

*Positive momentum going into H2*





# THANK YOU

ANY QUESTIONS?





# APPENDICES





### **Herbs, Spices & Florals**

Botanical ingredients are growing in popularity in several markets as 'naturalness' continues to be an increasing priority

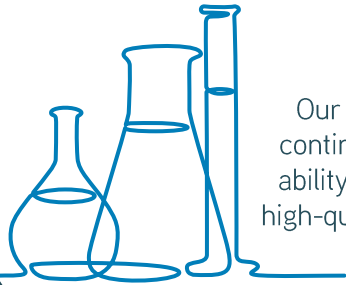
### **Citrus**

With a strong and established background in citrus, our range of natural and synthetic products are well aligned with consumer tastes



### **Synthetic Aroma**

Our synthetic aroma business continues to perform well as our ability to deliver a consistent and high-quality service stands us apart from other players



### **Health & Wellness**

Consumers continue to look for 'better-for-you' products and our minimal label solutions are performing well in this space



## **PRODUCT CATEGORIES**

Our diverse and growing product range allows us to maximise commercial opportunities across the world

### **Coffee**

Coffee has become one of the fastest growing beverage categories in the world and we are well positioned to take advantage



### **Fruit & Vegetables**

Our natural distillates deliver on impact and minimal label requirements, both of which are increasingly important to customers



### **Tea**

Tea is the second most widely consumed beverage in the world, after water, and our natural range of tea products continue to win



# FINANCIAL HIGHLIGHTS

**£76.0m**

**Revenue**

**+14.6%**

**28.2%**

**Gross Margin**

**+70bps**

**£7.3m**

**Profit Before Tax<sup>1</sup>**

**+15.0%**

**9.04p**

**Earnings Per Share<sup>1</sup>**

**+10.1%**

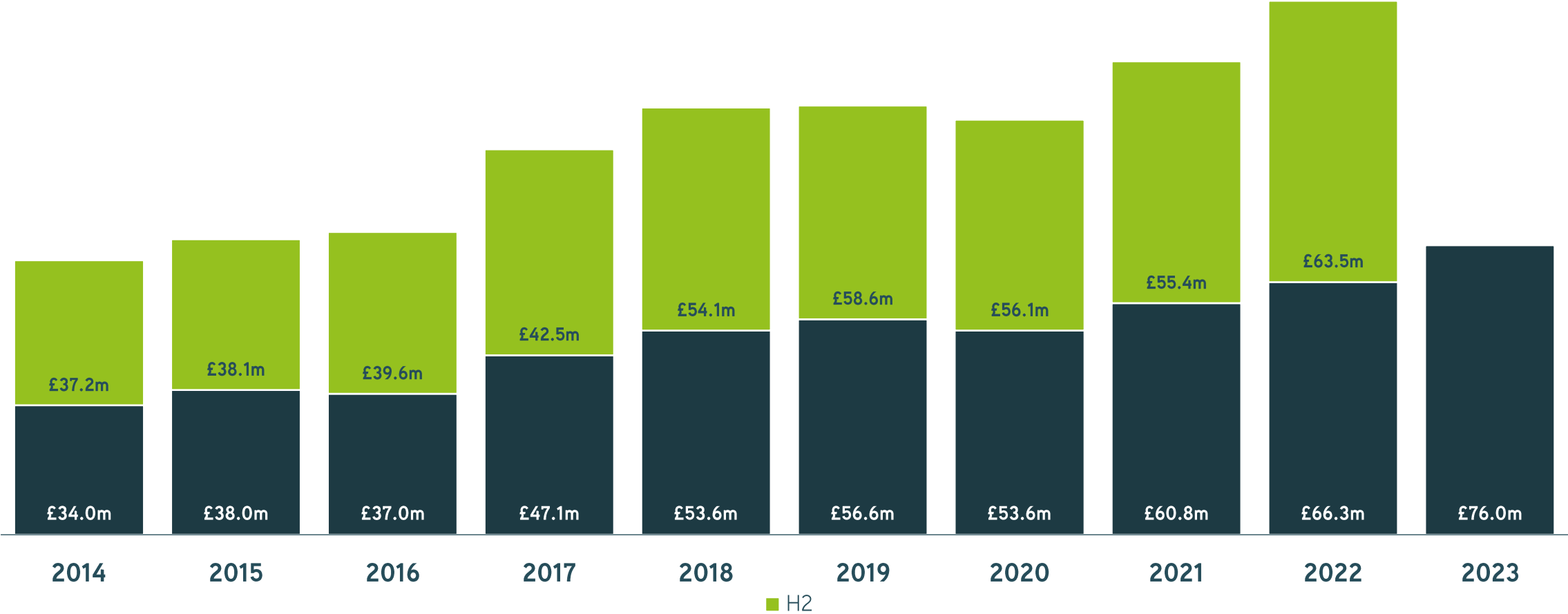
**2.55p**

**Dividend**

**+2.0%**

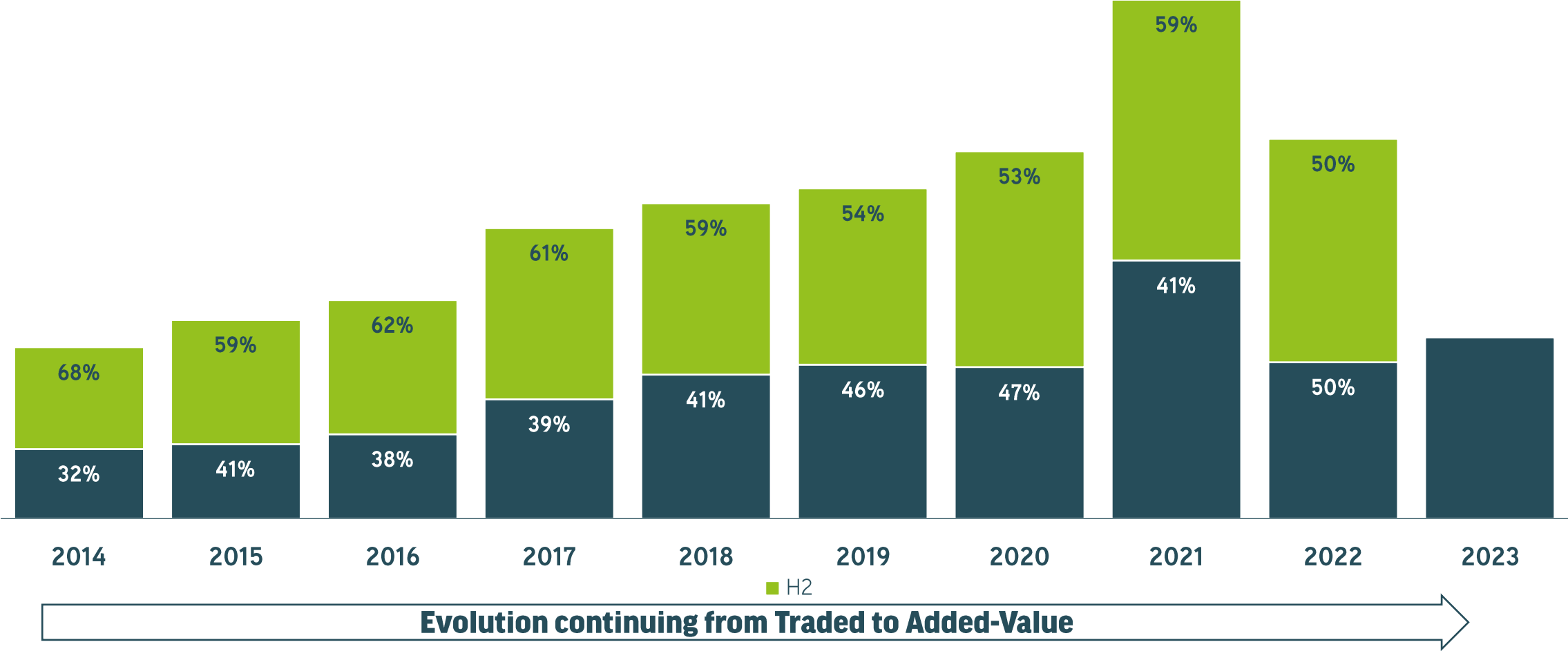
<sup>1</sup> Excluding exceptional items and in the case of earnings per share the related tax effect

# RECORD REVENUE



# PROFIT BEFORE TAX<sup>1</sup>

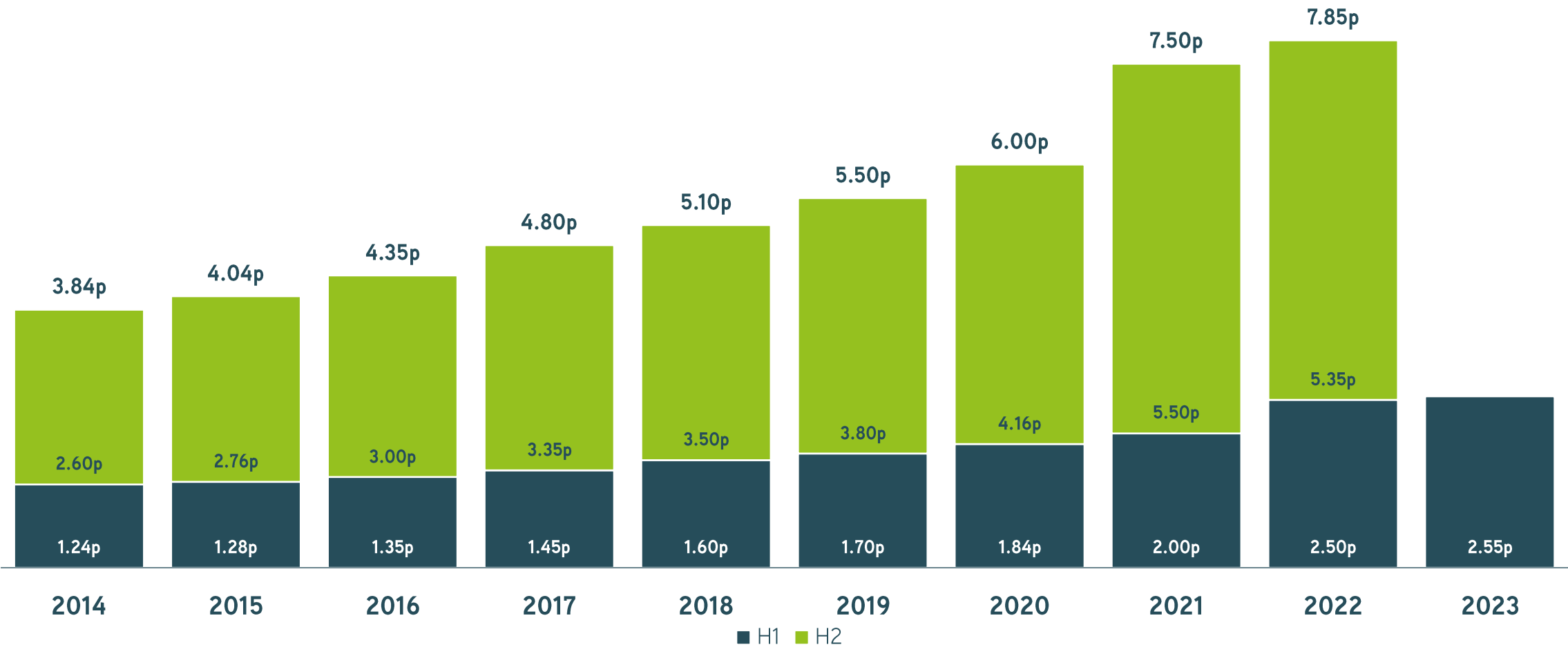
## H1/H2 SPLIT



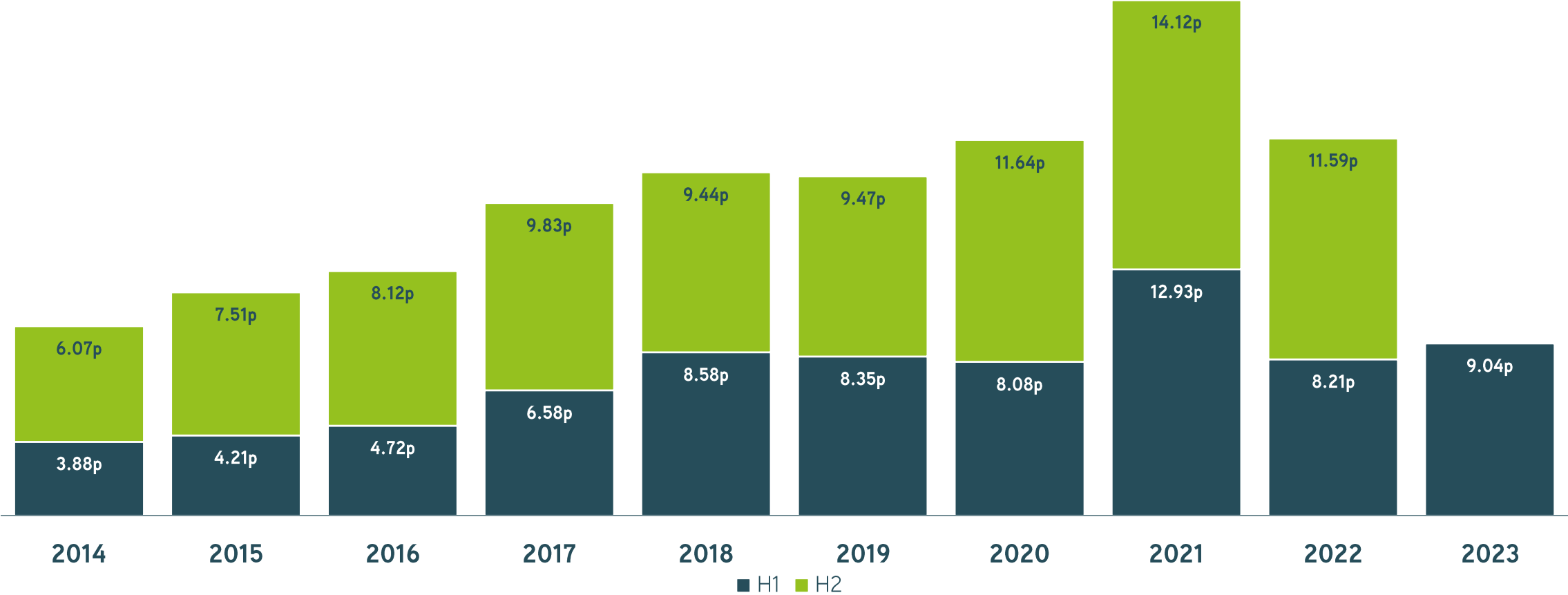
<sup>1</sup> Excluding exceptional items  
<sup>2</sup> Treatt compiled consensus of four analyst forecasts for FY22 profit before tax and exceptional items



# DIVIDEND PER SHARE



# EARNINGS PER SHARE<sup>(1)</sup>



<sup>1</sup> 2018 – 2020 EPS is shown from continuing activities

# 2023 CASH FLOW

Period ended 31 March	H1 2023 £'000	H1 2022 £'000
Operating cash flow	9,637	7,697
Decrease/(Increase) in inventories	3,732	(9,749)
Decrease/(Increase) in receivables	2,339	(5,498)
(Decrease)/Increase in payables	(5,440)	197
Cash generated from/(used in) operations	10,268	(7,353)
Contributions to pension scheme	(225)	(225)
Taxation (paid)/received	(681)	811
Net cash from operating activities	9,362	(6,767)
Purchase of property, plant & equipment	(2,318)	(6,231)
Purchase of intangible assets	(64)	(474)
Proceeds on disposal of property, plant & equipment	1,103	5,597
Free cash outflow	8,083	(7,875)
Dividends paid	(3,250)	(3,322)
Issue of share capital	1	1
Other financing activities	(353)	653
FX	234	(130)
Movement in net (debt)/cash	4,715	(10,673)
Net (debt)/cash at start of period	(22,419)	(9,114)
Net (debt)/cash at end of period	(17,704)	(19,787)

## Key Points

**WORKING CAPITAL** improvements driven by greater focus on inventory reduction and cash collection

**CAPEX** normalisation of spend due to near-completion of relocation program

**NET DEBT** reduced from YE22 £22.4m to £17.7m despite traditional H1 working capital build

# 2023 BALANCE SHEET

	As at 31 March 2023	As at 30 September 2022
Fixed assets	£73.7m	£77.9m
Inventories	£60.7m	£68.4m
Receivables	£33.4m	£37.1m
Payables	(£16.6m)	(£22.9m)
Working capital	£77.5m	£82.6m
Taxation	(£5.6m)	(£4.9m)
Net (debt)/cash	(£17.7m)	(£22.4m)
Pension asset/(deficit)	£1.9m	£1.8m
Other net (liabilities)/assets	(£0.1m)	(£1.1m)
Shareholder funds	£129.7m	£133.9m

## Key Points

**IAS 19 PENSION SURPLUS** contributions of £450k p.a. will continue to be paid

**INVENTORY** improvement of £7.7m (turn = 1.4x)

**COMPLETED** US bank facilities refinancing

