



TREATT

Treatt plc Interim Results

for six months ended 31 March 2016

Daemmon Reeve - Chief Executive Officer
Richard Hope - Finance Director

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- The background of the slide is a photograph of several oranges and a glass of orange juice on a light-colored wooden surface. One orange is sliced in half, showing its segments and a green leaf. Another orange is whole. A glass filled with orange juice is also visible. The text is overlaid on the left side of the image.
- **Our Strategy**
 - **Results at a glance**
 - **Executive Summary**
 - **Financial Review**
 - **Commercial Review**
 - **Future Developments**
 - **Current Trading & Outlook**

Agenda

**Ingredient Solutions
Solving Customer Challenges**



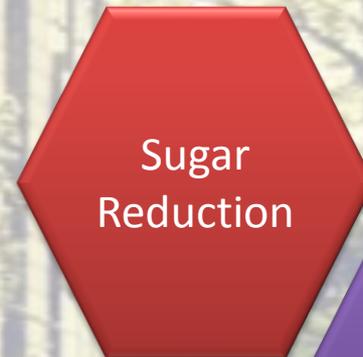
R&D



Sales



Applications



**Sugar
Reduction**



**Beer
Ingredients**



**Imitating
Nature**



**Spirit
Flavours**

**Customer Success Teams
Fast Reactions
Delighting Customers**



Unlocking Further Opportunities

Growth Map

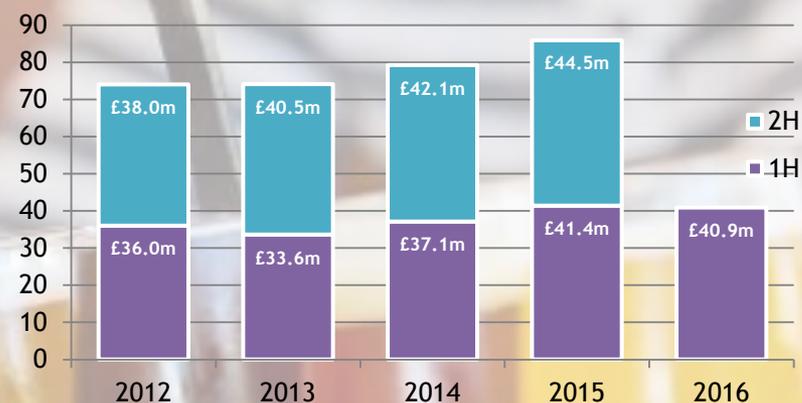
“Sustainable growth in profits in the flavour, fragrance and FMCG markets”



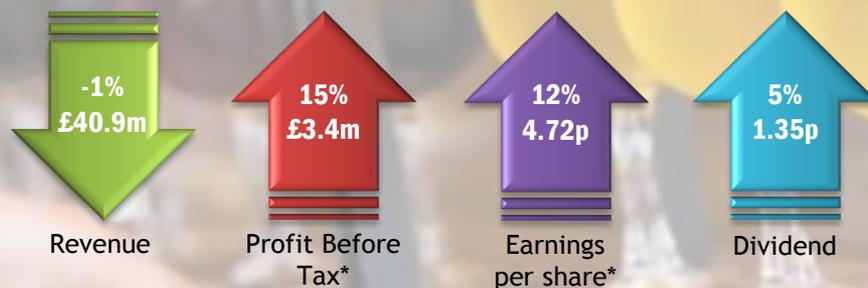
2020 Strategic Plan

| 6 Months Ended 31 March | 2015 | 2016 |
|-------------------------|--------|--------|
| Revenue | £41.4m | £40.9m |
| EBITDA* | £4.0m | £4.5m |
| Profit before tax * | £2.9m | £3.4m |
| Earnings per share * | 4.21p | 4.72p |
| Dividends per share | 1.28p | 1.35p |
| Net Assets per share | 55.0p | 65.0p |

Revenue £'m

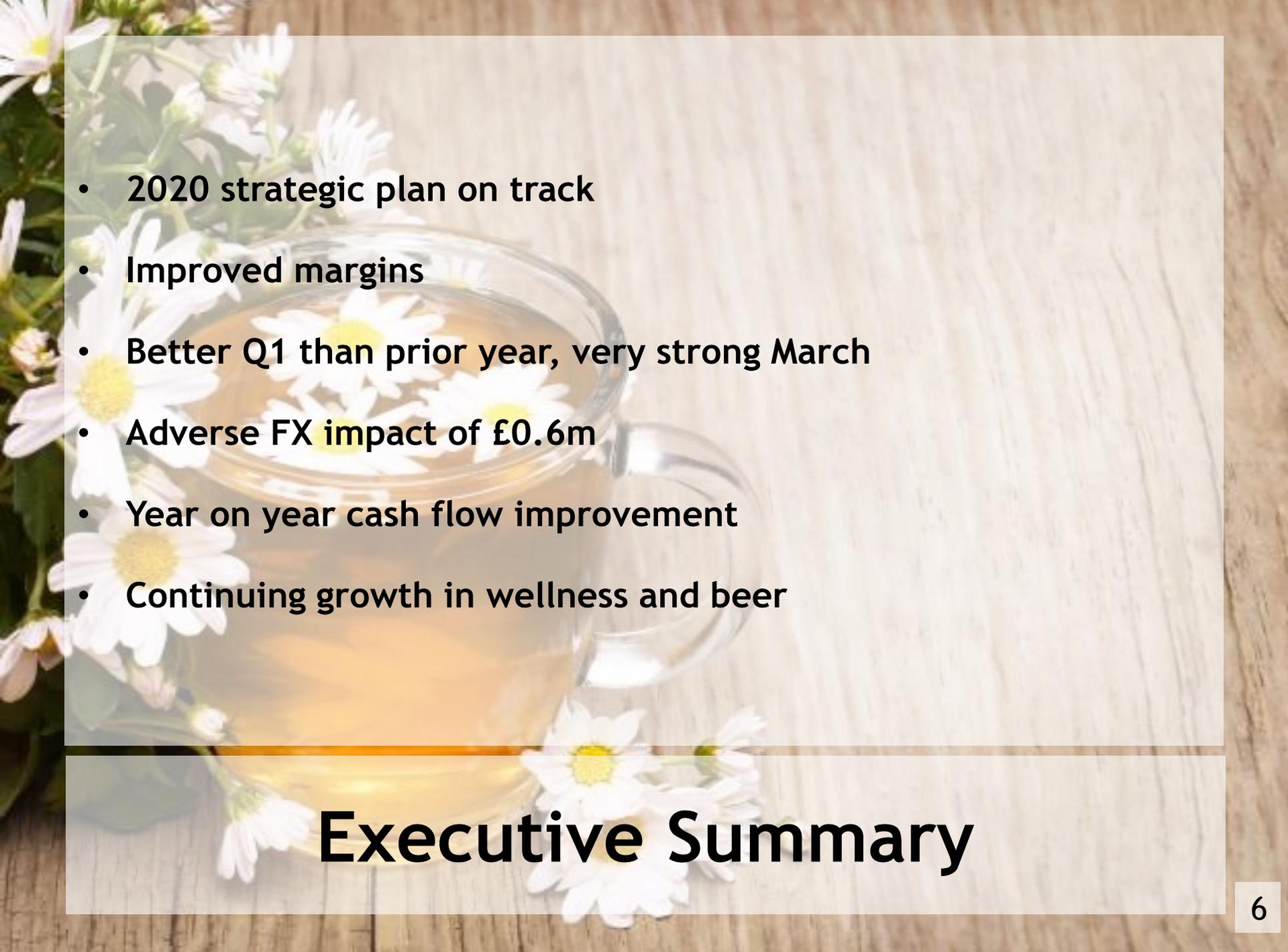


Profit before tax* £'m



* Excludes exceptional items

Results at a Glance

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- **2020 strategic plan on track**
 - **Improved margins**
 - **Better Q1 than prior year, very strong March**
 - **Adverse FX impact of £0.6m**
 - **Year on year cash flow improvement**
 - **Continuing growth in wellness and beer**

Executive Summary

| | <u>2015</u> <u>£'000</u> | <u>Change</u> <u>%</u> | <u>2016</u> <u>£'000</u> |
|---------------------------------------|-----------------------------|---------------------------|-----------------------------|
| Revenue | 41,408 | -1.2% | 40,893 |
| Gross Profit | 9,142 | | 9,622 |
| <i>Gross Profit %</i> | 22.1% | | 23.5% ❶ |
| Administrative expenses | (5,837) | | (5,905) |
| Operating Profit | 3,305 | +12.5% | 3,717 |
| <i>Operating Profit %</i> | 8.0% | | 9.1% |
| Net Finance costs | (368) | | (338) ❷ |
| Profit before taxation & exceptionals | 2,937 | +15.1% | 3,379 |
| Exceptional items | (98) | | (218) ❸ |
| Profit before taxation | 2,839 | +11.3% | 3,161 |
| Taxation | (769) | | (932) ❹ |
| Profit for the period | 2,070 | +7.7% | 2,229 |
| <i>Profit for the period %</i> | 5.0% | | 5.5% |

Key Points

1. Stronger margins through increased added-value and process improvement
2. Lower average borrowings
3. Exceptional costs re. Earthoil Earnout dispute and restructuring costs relate to termination in overseas subsidiaries
4. Effective tax rate of 27.7% v 26.2% due to higher US profits

2016 Half Year Review

Income Statement

| | <u>2015</u> <u>£'000</u> | <u>2016</u> <u>£'000</u> |
|---------------------------------------------------|-----------------------------|-----------------------------|
| Net cash from operating activities | 1,277 | (839) |
| <i>Cash flow from investing activities</i> | | |
| Purchase of property, plant and equipment | (376) | (322) |
| Purchase of intangible assets | (49) | (26) |
| Other | 1 | 6 |
| | (424) | (342) |
| Free cash flow | 853 | (1,181) |
| <i>Cash flow from financing activities</i> | | |
| Interest payable | (369) | (344) |
| Dividends paid | (638) | (662) |
| Net sales of own shares by Share Trust | 33 | 97 |
| | (974) | (909) |
| Net decrease/(increase) in net debt | (121) | (2,090) |
| Effect of foreign exchange rates | (209) | (183) |
| Movement in net debt | (330) | (2,273) |

Key Points

- H1 cash outflow as expected due to higher RM costs and increasing order book
- March 2016 net debt lower than 12 months earlier
- Modest capex

2016 Half Year Review

Cash Flow

| <u>As at 31 March</u> | <u>2015</u> | <u>2016</u> |
|-----------------------|-------------|-------------|
| Goodwill | £1.1m | £1.1m |
| Fixed Assets | £11.9m | £11.6m |
| Inventories | £26.4m | £30.2m ❶ |
| Debtors | £18.8m | £19.0m |
| Creditors | (£12.5m) | (£12.9m) |
| Working Capital | £32.7m | £36.3m |
| Taxation | (£1.1m) | (£1.5m) |
| Net Debt | (£9.9m) | (£8.4m) |
| Other net liabilities | (£5.8m) | (£5.0m) ❷ |
| Shareholders' Funds | £28.9m | £34.1m ❸ |

- Group headroom of £12.3m (Mar 2015: £11.6m)
- Multi bank facilities totalling £21.3m

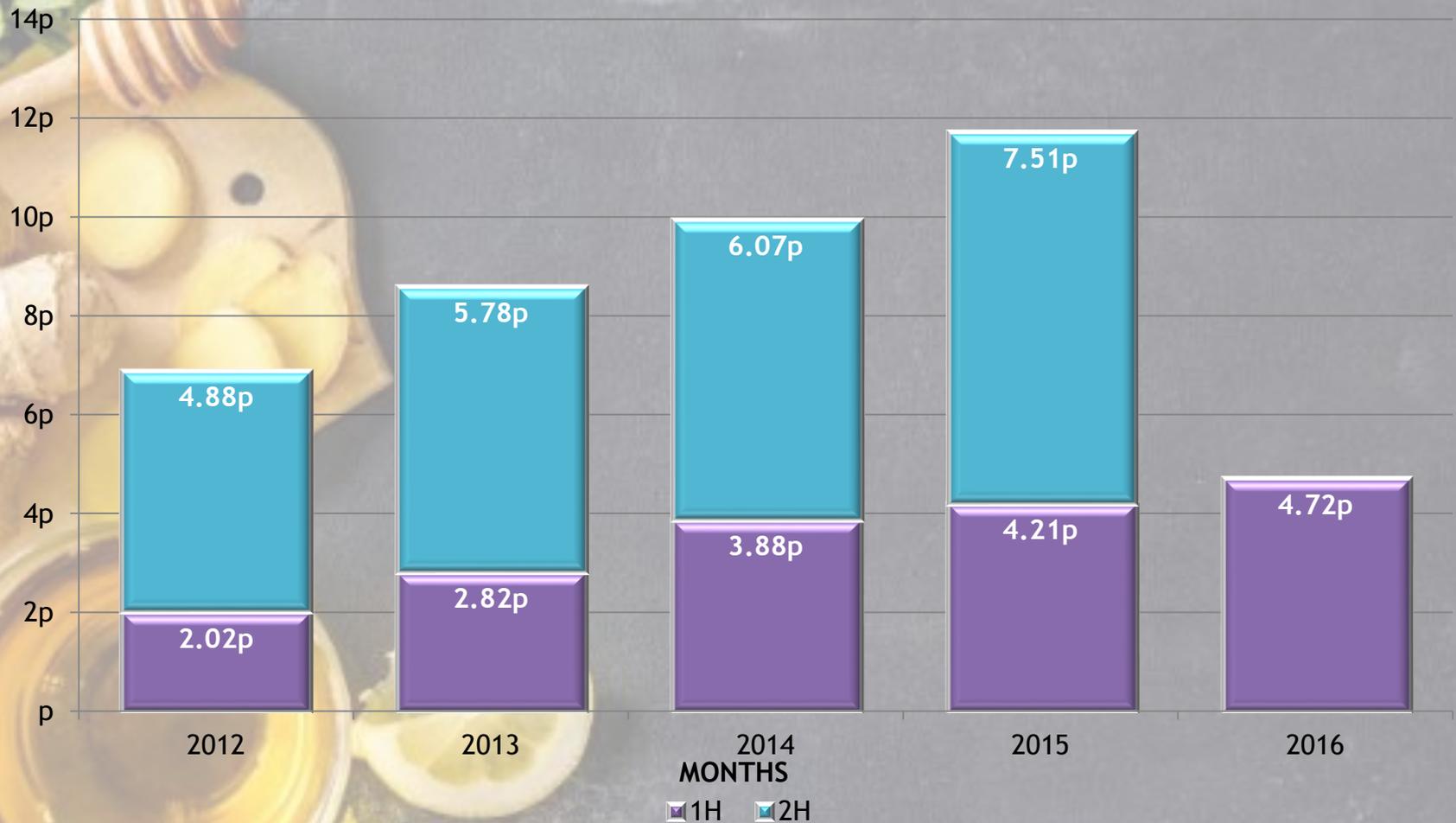
Key Points

1. Inventory levels higher due to Q3 order book plus higher RM prices
2. Pension accounting deficit of £3.4m but actuarial surplus
3. £0.9m FX gain on US assets

2016 Half Year Review

Balance Sheet

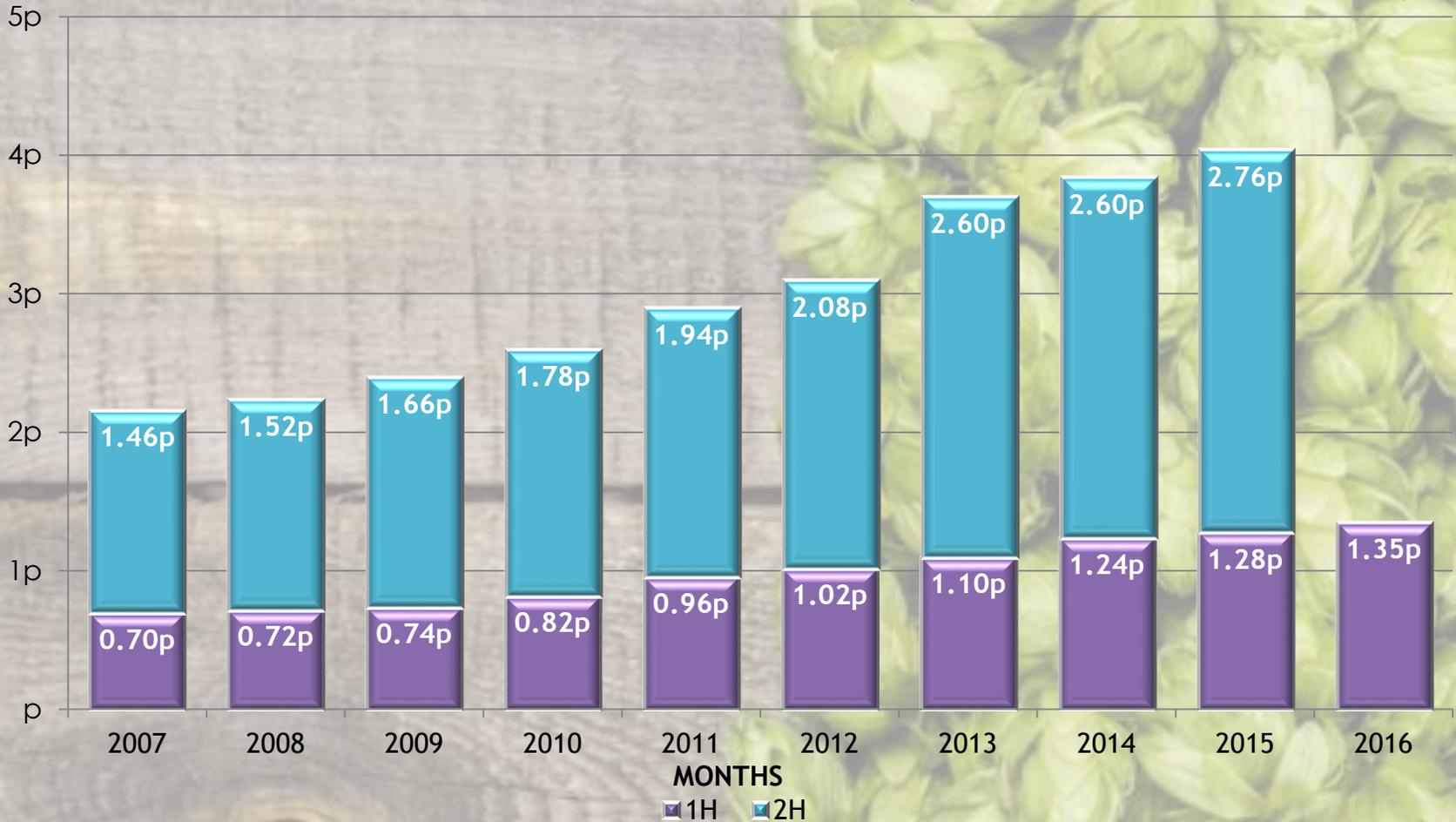
“Consistent Profitable Growth”



Interim/Final Earnings per Share

2012-2016

“Progressive Dividend Policy”

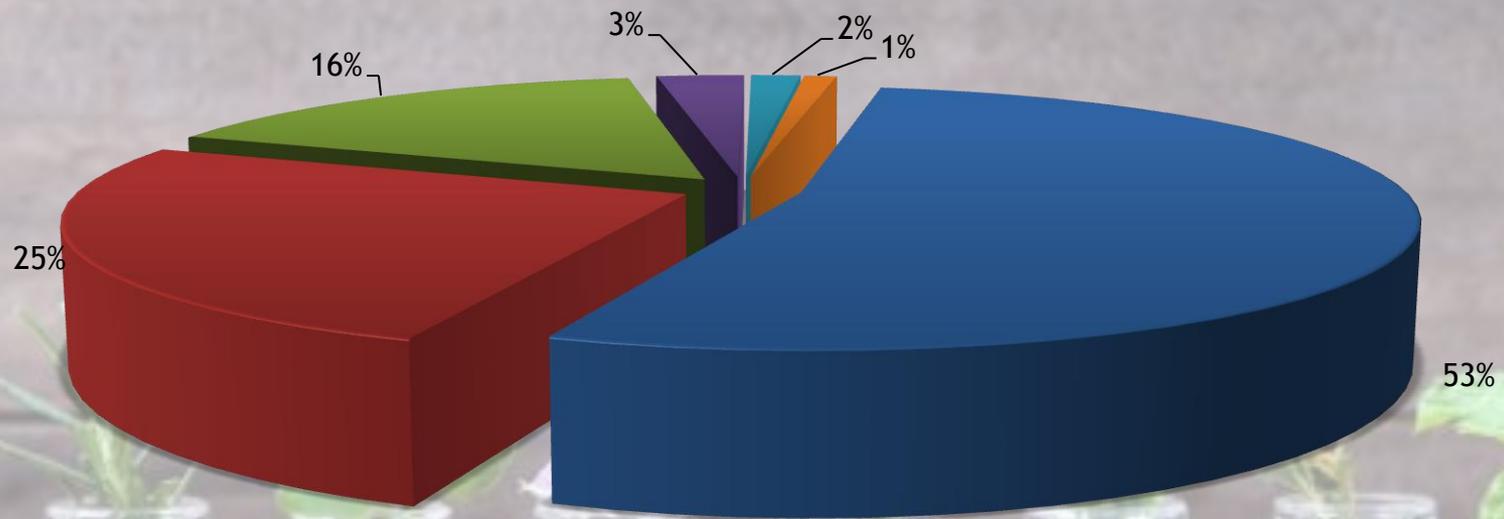


Interim / Final Dividends

2007-2016

- **Ongoing commitment to R&D investment**
- **New business wins in price-stable ingredient solutions**
- **Enhanced margins through strategic focus on added-value**
- **Emphasis on people, staff engagement and culture continues to deliver**
- **Yield improvements from Kenya through productivity gains**
- **China expansion - improved office and added laboratory facilities**
- **Product mix moving in line with strategy**

Commercial Review



■ Flavour & Fragrance ■ Beverage ■ Personal Care ■ Chemicals ■ Breweries ■ Pharmaceutical

Customer Industry Sectors

Sales



Over next 2-3 years continue to invest to drive our growth:

- **UK site relocation - land negotiations underway**
- **Enhanced customer facing technical infrastructure in US**
- **Increased headcount investment in revenue driving areas**
- **Increased sales focus on China - dedicated technical and sales team**

Future Developments

- In advanced discussions for 10 acre site in Bury St Edmunds
- Planning and regulatory consent expected to take 6-9 months
- Update shareholders as plans progress
- Up and running on new site by late 2018
- Total project costs of:
 - £20.0m - £25.0m for relocation, land and build
 - £3.0m - £5.0m for CAPEX to enhance capabilities
 - £5.0m for disposal of existing site

UK Site Relocation

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- Q3 started well, more even split between H1 and H2
 - Underlying growth, but steady sales due to falling prices of some key raw materials
 - H1 FX impact to reverse
 - Strong opportunity pipeline over 18 months - 2 years
 - Earthoil growth from increased capacity
 - Favourable product mix, margin improvement to continue in line with strategy
 - Important potential new customer opportunities

Current Trading & Outlook



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www.treatt.com