

A lime is shown splashing in water, creating a large, dynamic splash. The lime is cut vertically down the middle, revealing its bright green interior. The text "HALF YEAR RESULTS" is superimposed over the upper part of the lime and splash.

# **HALF YEAR RESULTS**

**for the period ended 31 March 2019**



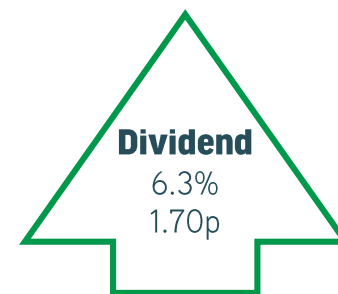
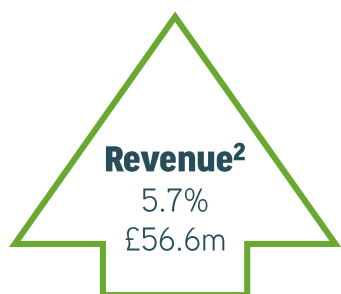
# EXECUTIVE SUMMARY

Half Year results for the 6 months ended 31 March 2019

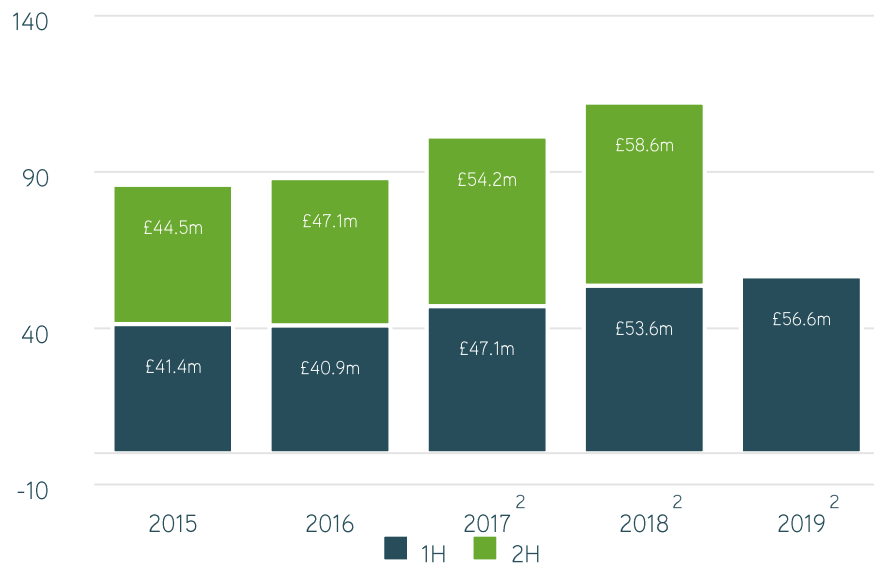
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- ▲ Strong performance from our non-citrus categories
- ▲ Citrus category profits up 6%, citrus revenue down 2%
- ▲ Gross margin increased by 140bp
- ▲ 7% increase in PBT from continuing activities
- ▲ US expansion completed and UK relocation progressing well
- ▲ Order book comfortably up year on year

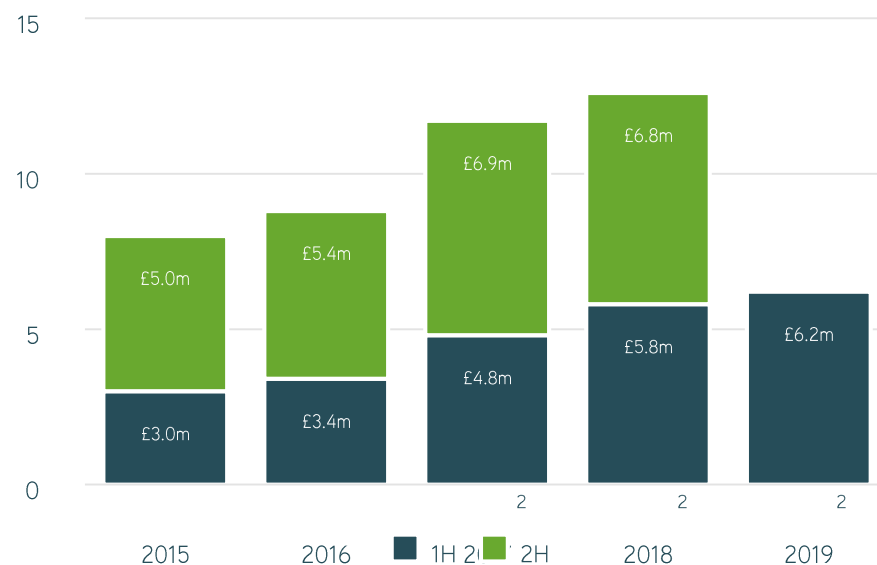
# HALF YEAR RESULTS AT A GLANCE



**Revenue £'m**



**Profit Before Tax<sup>1</sup> £'m**



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

# H1 2019 FINANCIAL REVIEW

## INCOME STATEMENT

Year ended 30 September	2019 H1 £'000	2018 H1 £'000	Change %
Revenue	56,625	53,574	+5.7% <sup>1</sup>
Gross profit	14,143	12,636	+11.9%
<i>Gross profit %</i>	<i>25.0%</i>	<i>23.6%</i>	<i>+1.4%</i> <sup>2</sup>
Administrative expenses	(7,832)	(6,557)	<sup>3</sup>
Operating profit	6,311	6,079	+3.8%
<i>Operating profit %</i>	<i>11.1%</i>	<i>11.3%</i>	<i>-0.2%</i>
Net finance costs	(128)	(314)	
Adjusted profit before tax	6,183	5,765	+7.3%
Exceptional items	(245)	(212)	<sup>4</sup>
Profit before taxation	5,938	5,553	+6.9%
Taxation	(1,206)	(962)	
Profit for the year (continuing operations)	4,732	4,591	+3.1%
(Loss)/profit from discontinued operations	(1,007)	557	<sup>5</sup>
Profit for the period	3,724	5,148	-27.6%
Adjusted EPS <sup>1,2</sup>	8.35p	8.58p	-2.7%

### Key Points

1. Revenue growth in constant currency 3.4%
2. Gross profit improvement due to strong performance in non-citrus product categories
3. Admin expenses up 19.4% due to the impact of FX and increased headcount in UK and US to support business growth
4. Exceptional items relate to UK relocation expenses
5. Kenyan operations classified as a disposal group held for sale. Loss attributable to non-cash impairment

<sup>1</sup> Excludes exceptional items

<sup>2</sup> Excludes discontinued operations

# H1 2019 FINANCIAL REVIEW

## CASH FLOW

	2019 H1 £'000	2018 H1 £'000
Operating cash flow	6,644	8,160
Net working capital	1,733	(6,737) <sup>1</sup>
Taxation paid	(2,106)	(892)
Net cash from operating activities	6,271	531
<i>Cash flow from investing activities</i>		
Purchase of tangible and intangible assets	(4,937)	(2,370) <sup>2</sup>
Other	57	8
	1,391	(1,831)
Free cash flow	1,334	(1,839) <sup>3</sup>
<i>Cash flow from financing activities</i>		
Proceeds on issue of shares	-	20,833
Interest payable	(185)	(352)
Dividends paid	(2,071)	(1,939)
Other	196	2
	(2,060)	18,544
Net decrease/(increase) in net cash	(669)	16,713
Effect of foreign exchange rates	-	6
Movement in net cash	(669)	16,719

### Key Points

1. Working capital inflow of £1.7m – includes £2.1m decrease in inventory due to specific focus on inventory optimisation
2. Capital expenditure includes \$4.9m (£3.8m) on US expansion and £0.4m on UK relocation
3. Free cash flow excluding major projects £5.5m

# H1 2019 FINANCIAL REVIEW

## BALANCE SHEET

As at 30 September	As at 31 March 2019	As at 30 September 2018	
Fixed assets	£24.3m	£20.8m	①
Inventories	£37.6m	£39.6m	②
Debtors	£30.7m	£28.8m	③
Creditors	(£15.9m)	(£15.3m)	
Working capital	£52.4m	£53.1m	
Taxation	£1.3m	(£0.1m)	
Net cash	£9.4m	£10.1m	
Pension deficit	(£6.4m)	(£3.5m)	④
Net assets held for sale	£0.4m	£1.6m	
Other net assets/(liabilities)	£0.2m	(£0.4m)	
Shareholders' funds	£81.6m	£81.6m	

### Key Points

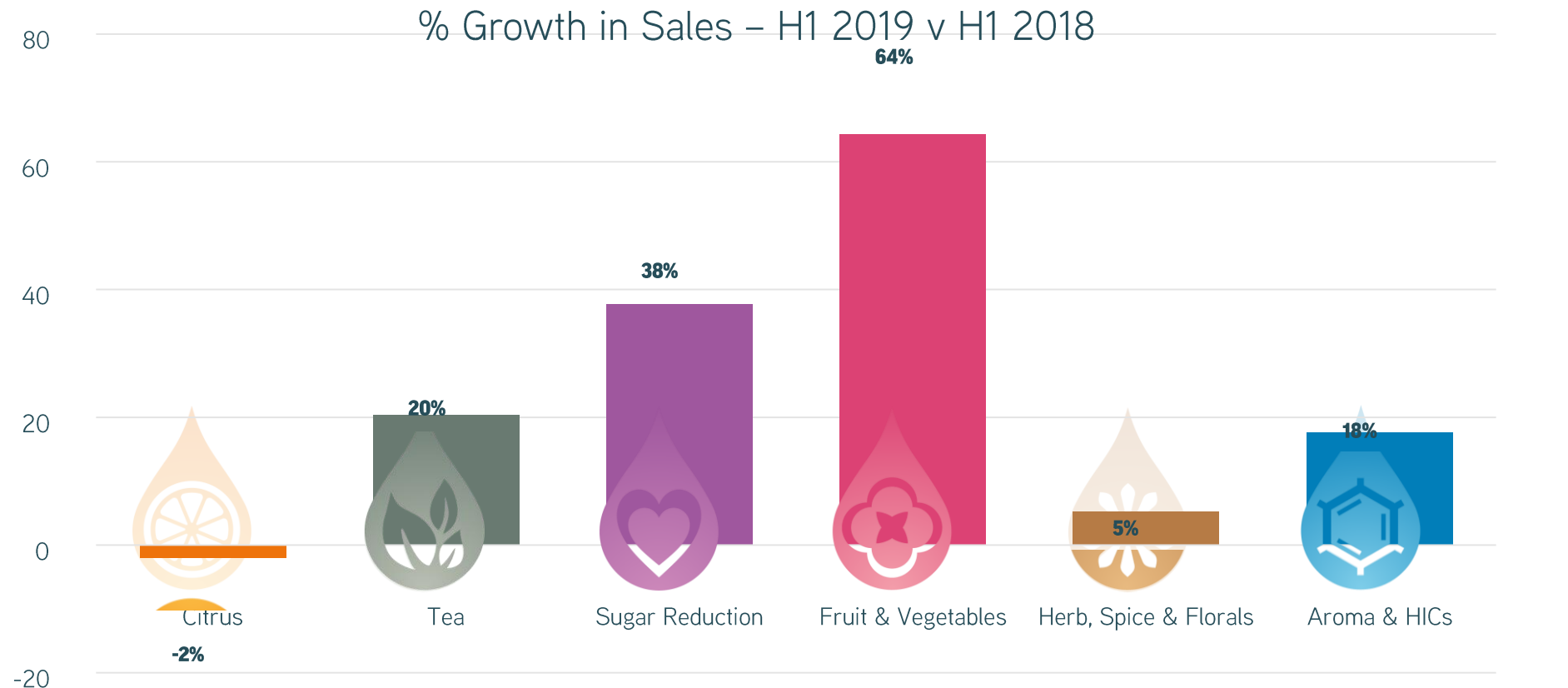
1. Fixed asset increase relates to US expansion
2. Inventory levels reduced
3. Increase in debtors reflecting strong March performance
4. Pension in actuarial surplus – no company contributions; IAS19 deficit due to discount rate

# STRATEGY UPDATE

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# STRATEGIC FOCUS

## CORE PRODUCT CATEGORIES



- Increasing consumer demand for natural and clean-label products
- Falling citrus raw material input prices
- Key growth opportunities in speciality high impact flavour chemicals (HICs)



# STRATEGIC FOCUS

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Strategic focus on key product categories supporting growth plan to 2022

- ▲ Harnessing business growth and new product opportunities from increasing consumer demand for natural and clean-label beverages
- ▲ Strategic growth markets:
  - US – continuing growth opportunity in Group's largest beverage market
  - China – a period of growth and further opportunities ahead
  - India – developing presence with encouraging growth plans in place
- ▲ Ongoing investment in operational capacity and innovative capability for long-term growth:
  - US expansion - construction completed March 2019 / fully operational from June 2019
  - UK relocation – construction due to commence summer 2019

# US EXPANSION

- ⬆️ \$14m capacity driven expansion
- ⬆️ Significant additional manufacturing capacity to meet demand and support future growth in tea and sugar reduction
- ⬆️ Modernises and expands our global technical and R&D capabilities
- ⬆️ Construction completed March 2019 / fully operational from June 2019
- ⬆️ Achieved without service disruption



# UK SITE RELOCATION

- ⬆ £35m project – ROI 10-15% - 3 years after completion
- ⬆ Planning permission for revised proposal granted April 2019
- ⬆ Construction work to commence summer 2019 with completion summer 2020



# UK ENHANCED CAPABILITIES

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## Improved client interaction

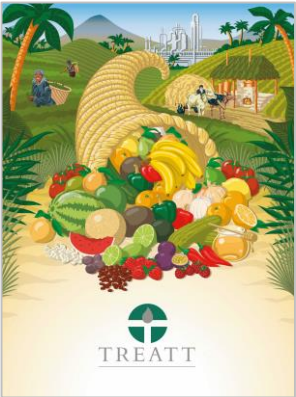
- ⬆ Technical/Technical collaboration
- ⬆ Heightened customer experience of Treatt
- ⬆ Collaborative hub space, driving customer interaction, partnership-based model and product innovation

## Step-change in capacity

- ⬆ Significantly higher volumes possible
- ⬆ Modular design – future expansion available throughout

## Multiple operational efficiencies

- ⬆ Site logistics
- ⬆ Automated warehousing
- ⬆ Computer-controlled stills
- ⬆ Enhanced technical facilities
- ⬆ 24-hour working





# MARKET INTELLIGENCE



## CITRUS Oils

### ORANGE

#### Brazil

Fundecitrus published its third crop forecast update for the 2018/2019 season on 11th February at 285 million boxes (mbx), a 9 mbx increase from their second update of 276 mbx in December 2018.

The final 2018/2019 forecast is scheduled for 10th April 2019. Although currently no official indication of crop levels for the 2019/2020 season has been given, it is expected to be well more than 300 mbx.

Moving into the first quarter of 2019, talk of a negative global juice inventory trend continued, as Citrus BR forecast that by the end of June 2019 we could see a potential 41% reduction from the same period in 2018. The last quarter of 2018 saw an exceptionally quiet oil market with the gap between terpenes and orange oil a minimum of USD 2/kg. This prompted some buyers to take a position and lock in a proportion of their volumes, whilst leaving some uncovered to hedge against the further potential of oil softening following the terpene and d-limonene markets.

In certain parts of the world and in some applications, the market is challenging the premium paid for terpenes over crude d-limonene. However, it remains clear in the F&F market it is not so easy to substitute food grade terpenes, which has aided in Europe holding at slightly higher price levels than North America. Still, this hasn't stopped the negative influence that crude d-limonene continues to have over terpenes.

Oil has shown slight softening, but it remains undeniable that it is not falling with the same trajectory as terpenes have. This has, of course, put pressure on the prices of folded orange oil and fractions which will have to bear a greater percentage of cost due to the infamous "gap."

Will there be oil carryover from 2018/2019 season? With a potentially healthy crop ahead, this is a question we are all asking ourselves as we consider whether processors will be looking to clear their inventories.

#### USA

We are delighted to be able to report that the news continues in a positive vein for Floridian growers and the latest USDA update from March 2019 is consistent with February 2019 at 77 mbx, which represents an increase of 70% on the previous season's crop. This is particularly encouraging given the number of potential hurricanes forecast back in May 2018, and the devastation caused by those

that did materialise (Florence and Michael). As we approach June again, we must give consideration to new weather threats, though the first reviews of global climate patterns that can influence hurricane season have highlighted a 65% chance of a less active hurricane season this year compared to last.

California is bouncing back this year to a healthy consistent crop size after the 20% reduction we saw in 2018, which was the lowest for many years. According to the California Citrus Pest and Disease Prevention Program, however, the number of Huanglongbing (HLB) detections in California increased by 160% from 2017 to 2018. This gives growers cause to carry an elevated level of concern as the entire citrus world continues to search for a cure for this disastrous disease.

#### Mexico

As we reach the halfway point of the processing season, indications suggest a total crop of 4.6 million metric tonnes (mt) of fruit - a 300,000 mt increase on the projection we saw at the start of the season. With approximately 50-55% destined for the processing industry, this could yield some 5,000-5,500 mt of oil. Although the hurricane season proved to be extremely challenging, we were thankful it was not detrimental to the crops, despite Hurricane Wilma in October 2018 being initially registered as a Category 5. Mexico's position as a global player in citrus continues to grow as processors there are committed to investing in the future.

### LEMON

#### Argentina

As predicted, this season's crop stabilised as Spain and Italy came on line in the last quarter of 2018. Moving into 2019, supply and demand levelled out, in fact, it tilted towards oversupply on a global basis. This resulted in a softening of prices as processors jockeyed to move oil. Those who are strategically integrated with customers continued to move oil, whilst others found it more difficult to do so.

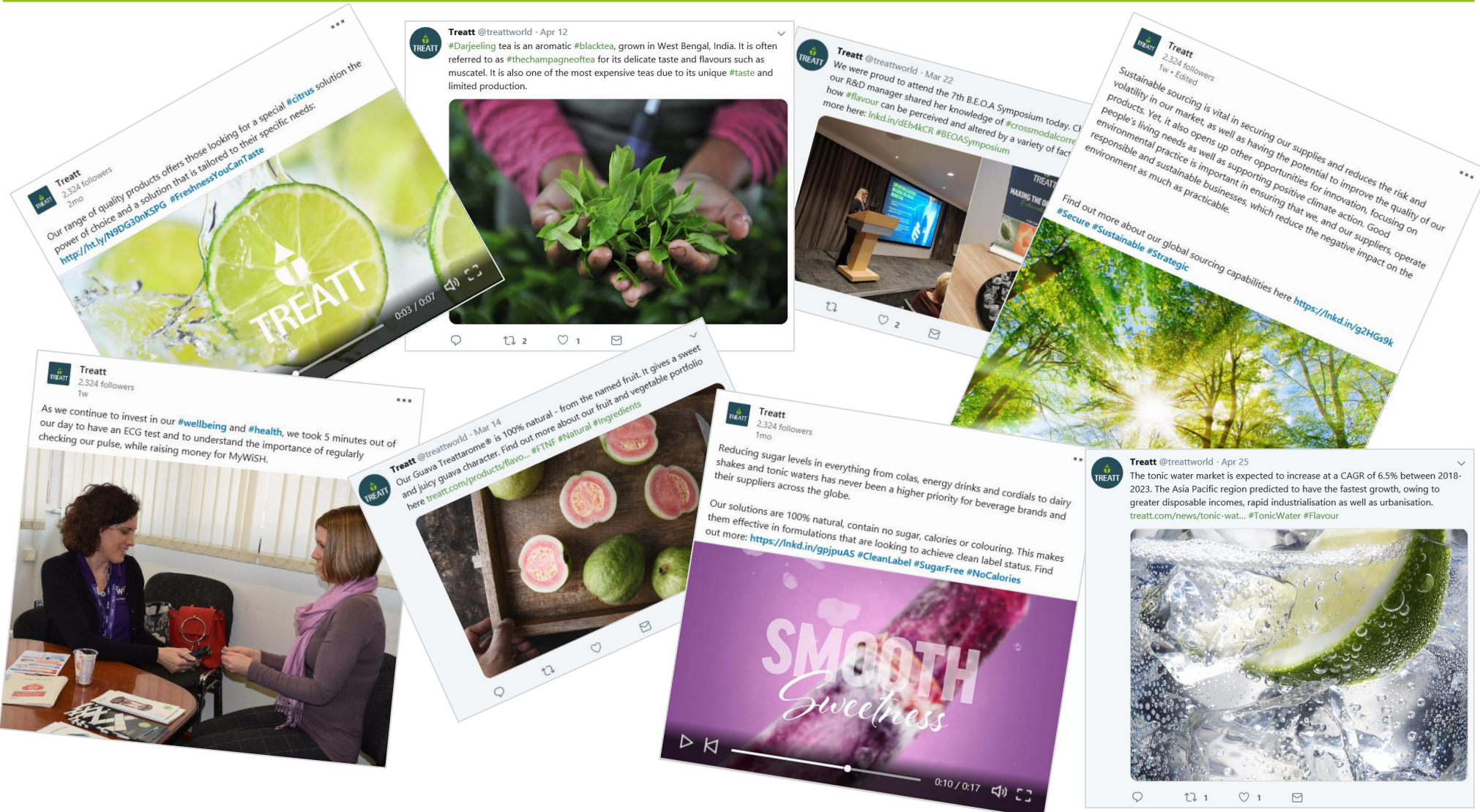
2019 projections are looking healthy, with 14 million mt forecast this season. With processing already underway in Tucuman we will have seen a year-round supply of oil for the 2018 through 2019 season. Planting of more new crops continues, and processors are working to map out their strategies for sustainable growth in what is a densely populated market place.

[Continued on next page](#)





# SOCIAL MEDIA



# CURRENT TRADING & OUTLOOK

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- ▲ Order books comfortably up year on year
- ▲ Core business remains strong and increasing contribution from key strategic categories
- ▲ Opportunity pipeline growing
- ▲ US expansion to be fully operational June 2019
- ▲ UK construction to commence summer 2019
- ▲ Whilst there is still much to do to complete the year the Board remains confident that the Group will meet its expectations for the financial year ending 30 September 2019

# 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

Noteworthy wins at multiple FMCGs and F&F Houses



## Fruit & Vegetable

Aqueous distillates – 100% natural (Treattarome™)

Distilled at low temperatures over short periods to maximise flavour

Effective at low dosages – highly concentrated



## Herb, Spice & Floral

100% natural ingredients made from the named food

Source, manufacture and supply over 500 herb, spice and floral products

Work closely with customers to match specific requirements

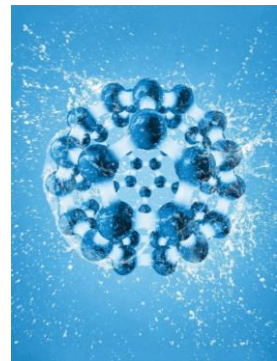
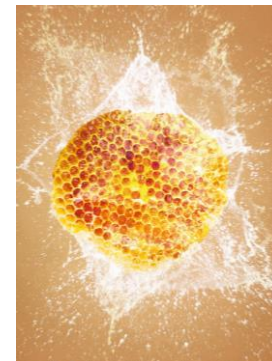
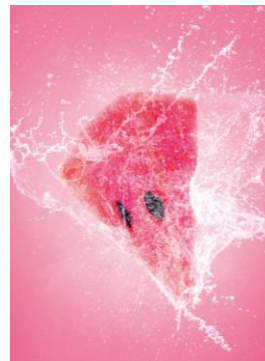


## Aroma & HICs

Extensive portfolio of speciality high impact aroma chemicals

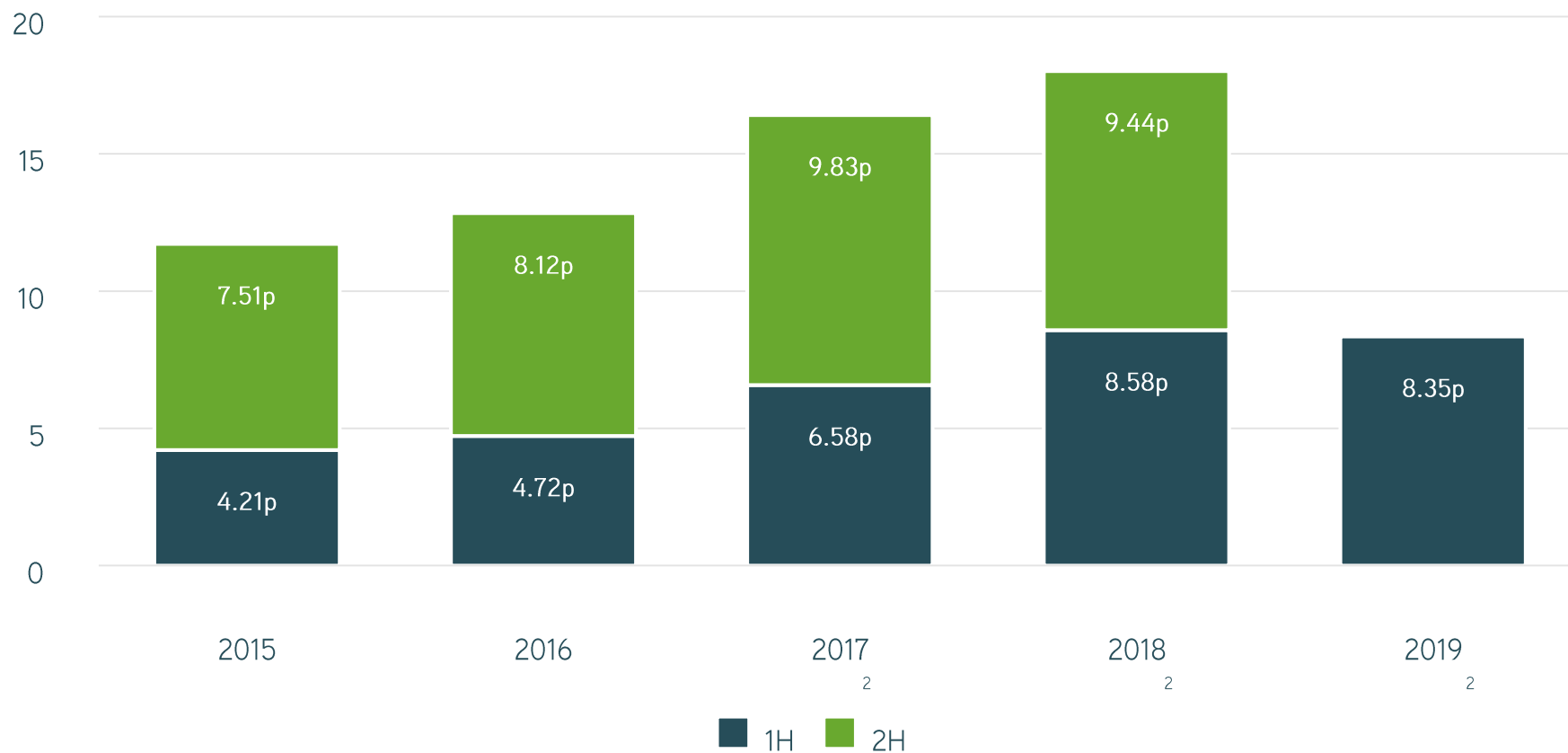
Ideal for creating powerful flavours and fragrances

Low dose levels offer great value for money



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

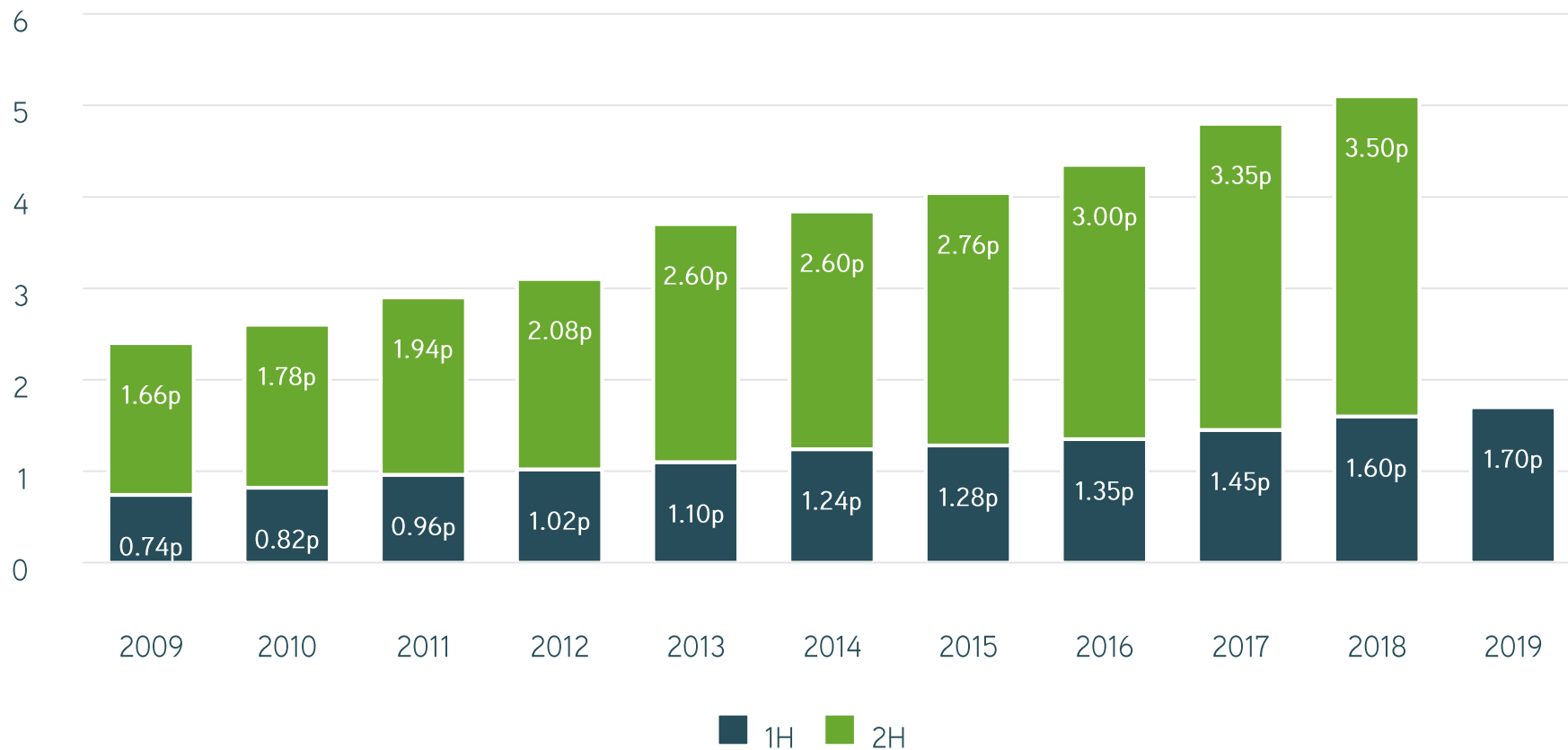
## 2015-2019



# INTERIM/FINAL DIVIDEND

## 2009-2019

*"Progressive Dividend Policy"*







TREATT