TREATT

Half Year Results

For the period ended 31 March 2020

Executive Summary

Half Year Results for the 6 months ended 31 March 2020

- No adverse impact from COVID-19 on trading performance to date
- Momentum continues in tea, health & wellness and fruit & vegetables categories
- Withstood anticipated pressure from prior year fall in citrus prices
- Citrus revenue down 15% as expected, non-citrus revenue increased 7%
- Gross margin increased by 120bps
- Interim dividend increased by 8.2%
- US capacity expansion complete
- UK relocation progressing well – construction continues but slowed due to COVID-19

Half Year Results - Highlights at a Glance

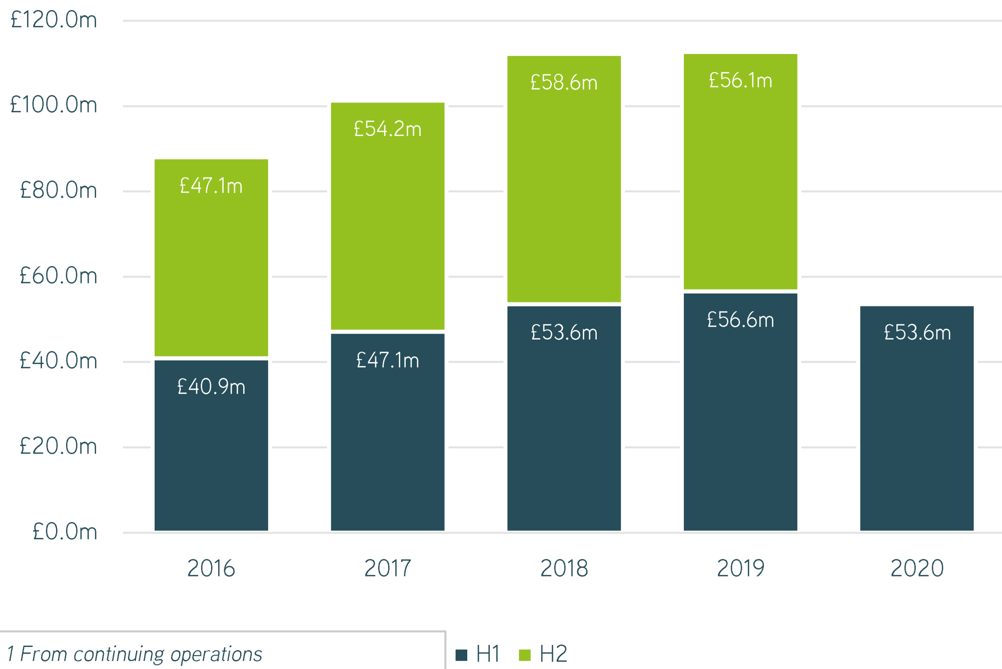
Revenue[1]
(5.3%)
£53.6m

Profit Before Tax[1,2,3]
(2.0%)
£6.1m

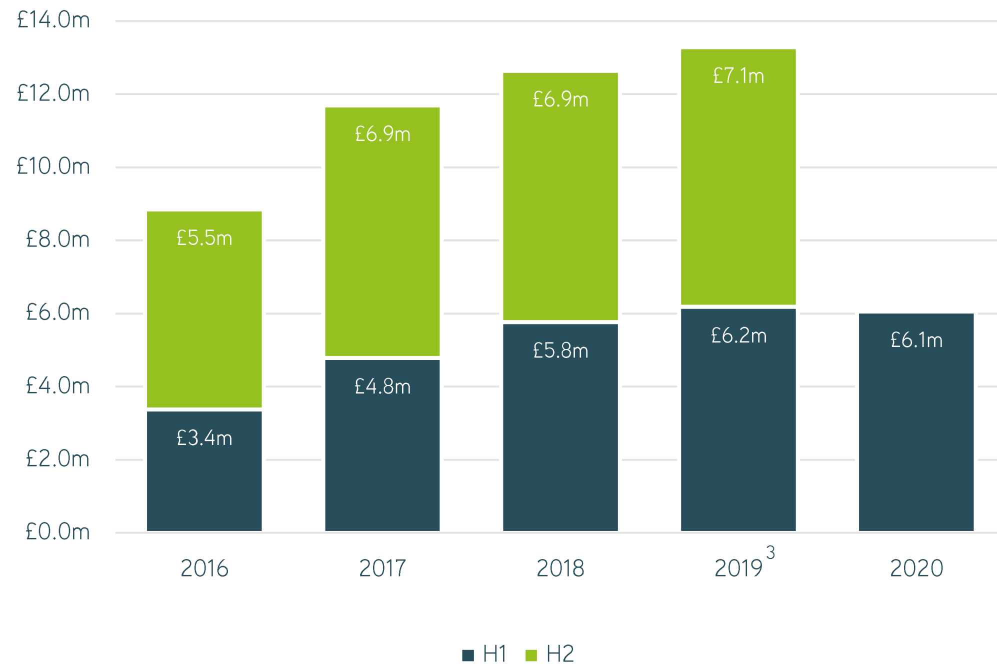
Earnings per Share[1,2,3]
(3.2%)
8.08p

Dividend
+8.2%
1.84p

Revenue[1]



Profit Before Tax and Exceptional Items[1]



1 From continuing operations
2 Excluding exceptional items
3 Restated for the adoption of IFRS 16, 'Leases'

H1 2020 Financial Review - Income Statement

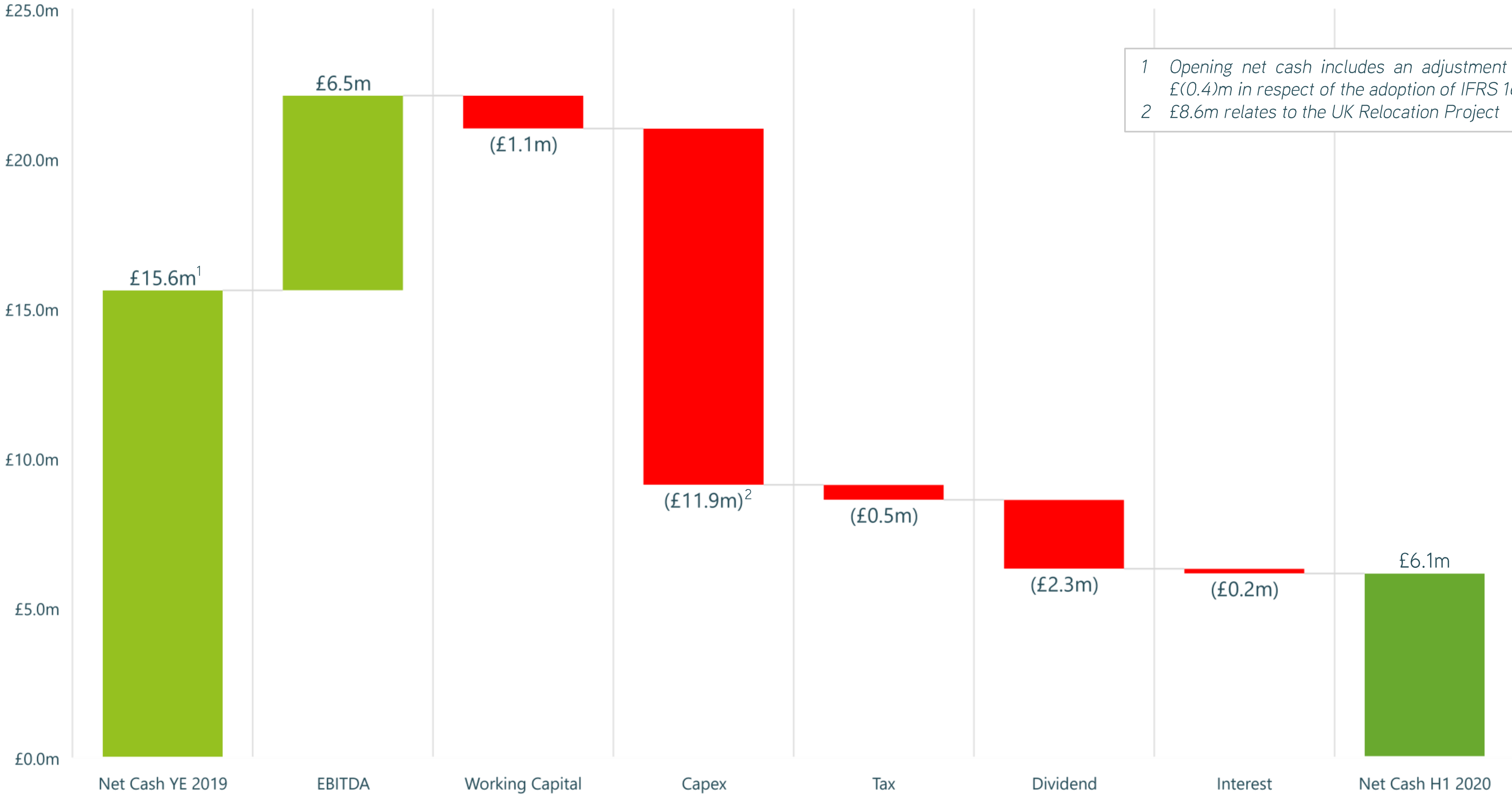
	Year ended 30 September	2020 H1 £'000	2019 H1 £'000[1]	Change %	
Continuing Operations	Revenue	53,604	56,625	-5.3%	(1)
	Citrus	*26,938*	*31,743*	*-15.1%*	
	Non-citrus	*26,666*	*24,882*	*+7.2%*	
	Gross profit	14,043	14,143	-0.7%	(2)
	Gross profit %	*26.2%*	*25.0%*	+120bp	
	Administrative expenses	(7,966)	(7,822)	+1.8%	
	Operating profit	6,077	6,321	-3.7%	
	Operating profit %	*11.3%*	*11.2%*	+10bp	
	Other gains	113	-		(3)
	Net finance costs	(134)	(139)	-4.7%	
	Profit before tax and exceptional items	6,056	6,182	-2.0%	
	Exceptional items	(475)	(245)		(4)
	Profit before taxation	5,581	5,937	-6.0%	
	Taxation	(1,200)	(1,206)	-0.1%	(5)
	Profit for the period (continuing operations)	4,381	4,731	-7.4%	
	Loss from discontinued operations	(929)	(1,007)		(6)
	Profit for the period	3,452	3,724	-7.3%	
	Adjusted earnings per share[2,3]	8.08p	8.35p	-3.2%	

Key Points

1) Fall in citrus oil input prices in prior year impacted total revenue - non-citrus categories continued to perform well
2) Citrus oil pricing impacted gross profit margins by (£1.5m): off-set by growth in higher margin categories
3) Other gains – gains on FX hedges deemed ineffective
4) Exceptional items – UK relocation expenses
5) Increase in effective tax rate[1,2] from 20% to 22%
6) Loss from discontinued activities - £0.6m impairment charge. Kenyan companies held for sale

1 Restated for the adoption of IFRS 16, 'Leases'
2 Excludes exceptional items
3 Excludes discontinued operations

Cash Flow

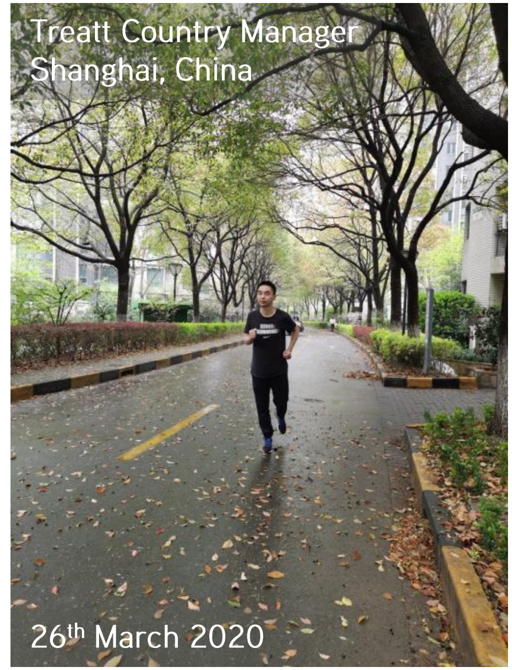


1 *Opening net cash includes an adjustment of £(0.4)m in respect of the adoption of IFRS 16*
2 *£8.6m relates to the UK Relocation Project*

COVID-19

Effect on Treatt

- China – early impact, and lessons learnt for wider group
- Resilient supply chain – no raw material supply issues
- UK and US stayed open – 50% of workforce still on site
- Social distancing and strict health & safety measures in place
- UK construction continuing, albeit at a slower pace
- Culture
  - Leveraging strong and collaborative culture developed over a number of years
  - Regular remote video meetings across global operations
  - No staff furloughed
  - Manufactured hand sanitiser donated to local community
  - Employee return to nursing – Treatt funding salary
  - Staff supported with wellbeing, food and essential items



COVID-19

Impact on Markets

- Dramatic change in consumption behaviour
  - Back to basics – consumers looking for familiar brands
  - Health before wealth:
    - economical and own-label alternatives over premium brands
    - increase in bottled waters, juice and still drinks markets
  - Consumer consciousness – consideration continuing to be given to ethical and environmental implications of their purchases
  - A new normal – two main types of consumers:
    - Cabin fever fatigue – returning to normal habits immediately, going out more, seeing indulgence as a reward for lockdown
    - Home birds – more connected to home, purchasing online, economical products with larger pack sizes. Spending less on luxury items

Strategic Drivers

Delivering sustainable growth for our stakeholders

- Investing for future growth
  - US capacity now doubled – in time for new crop season
  - New UK site construction progressing
  - Additional capex for water-soluble citrus
- Diversifying into new categories
  - New coffee platform development – progressing well
- Investing in our culture
  - Commitment never more important than now
  - At the heart of everything Treatt does
- Engaging with our communities
  - Donations to local hospitals COVID-19 Appeal
  - Donation of food items to local food bank
  - Working with local schools providing scientific resources to access from home
  - Garden supplies for local hospice
- Reducing our environmental impact
  - Growing natural portfolio and sustainability drive

Environmental - Social – Governance

Circular Economy Approach

- Environmental performance and strategy
  - Natural supply chain
  - Manage waste & environmental impact – zero waste to landfill
  - Purpose-built energy efficient premises

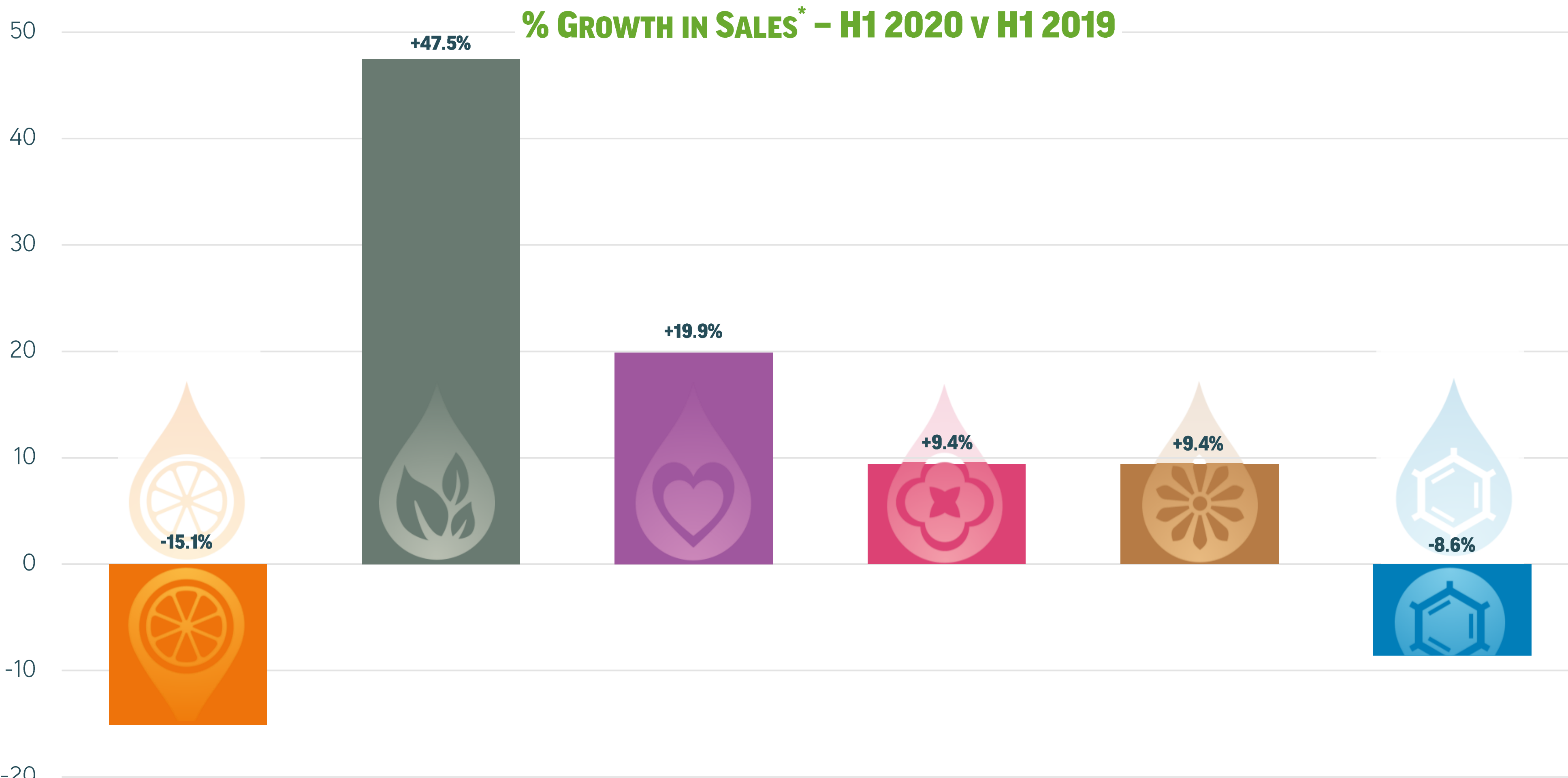
- Social investment
  - Health & safety
  - Looking after and investing in our people
  - Community projects

- Governance
  - Compliance
  - Business integrity
  - Standards

Investing in our Core Categories

- Investment in value-added products to drive demand through innovation continues
- Strategic focus on key product categories supporting growth plan to 2022
    - Coffee – we continue to built on our platform and explore market entry points
- Diversification of portfolio progressing well
    - Non-citrus percentage of revenue increased from 44% to 50%
    - Well positioned as clean-label and natural extracts business
    - Good progression in the natural portfolio – health & wellness innovation
- Strategic growth markets:
    - US – beverage opportunities continue to drive growth with doubling of capacity enabling us to meet expected demand
    - China – growth temporary stalled due to COVID-19 but resumption in demand since April

Strategic Focus – Core Product Categories



* From continuing operations

	Citrus	Tea	Health & Wellness	Fruit & Vegetables	Herbs, Spices & Florals	Aroma & HICs
H1 2019	£31.8m	£2.3m	£3.1m	£3.6m	£5.5m	£10.3m
H1 2020	£26.9m	£3.5m	£3.7m	£4.0m	£6.1m	£9.4m
H1 % of Revenue	50.2%	6.5%	6.9%	7.5%	11.4%	17.5%

Strategy has decoupled the historic link of group profits to orange oil price

* *From continuing operations*

Product Diversification

Playing a crucial role in key supply chains

- Beverage
- Food supply
- Cleaning products
  - Use of citrus by-products

UK SITE RELOCATION

- £36m project on budget - ROI 10-15% - 3 years after completion
- Includes £17m investment in plant & machinery, laboratories and new technologies
- Commenced construction in September 2019
- Completion delayed due to COVID-19 – move expected in 2021

UK Enhanced Capabilities

Improved client interaction

- Technical collaboration with customers
- Heightened customer experience of Treatt
- Collaborative hub space driving customer interaction, partnership-based model and product innovation
- Attractive design and feel to showcase Treatt's full capacity
- Science-led business immediately obvious on arrival – customers to see into labs behind reception

Step-change in capacity

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

Multiple operational efficiencies

- Optimal site logistics, 24-hour working
- Automated warehousing & computer-controlled stills
- Enhanced technical facilities

CURRENT TRADING & OUTLOOK

- Strong finish to H1, momentum building into H2
- Consumer behaviour materially different due to COVID-19
  - Possible impact on customer demand and new product innovation
  - any slowdown offset by taking market share and winning new customers in current categories whilst product innovation opens new opportunities
- H2 improvement expected in key citrus performance – outlook promising
- Fastest growing categories performing well
- China markets re-opening
- Robust order book in spite of lower citrus prices
- At this time trading remains in line with the Board’s expectations for the full year

APPENDICES

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

Health & Wellness

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

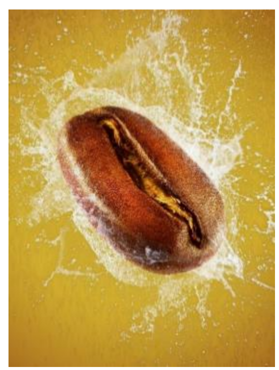
Noteworthy wins at multiple FMCGs and F&F Houses

Coffee

Coffee is one of the most exciting and diverse beverage categories in the world today.

Our carefully curated product range delivers on flavour every time.

Multi-billion-dollar industry driven by growing population of consumers.

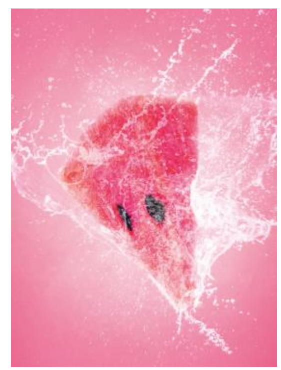


Fruit & Vegetables

Aqueous distillates – 100% natural (Treattarome™)

Distilled at low temperatures over short periods to maximise flavour

Effective at low dosages – highly concentrated

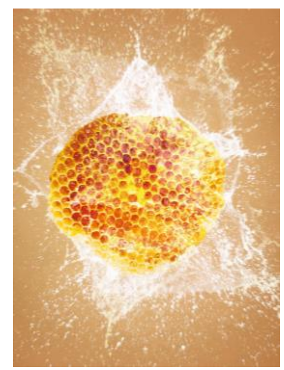


Herbs, Spices & Florals

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

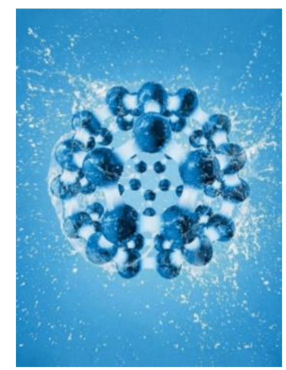


Aroma & HICs

Extensive portfolio of speciality high impact aroma chemicals

Ideal for creating powerful flavours and fragrances

Low dose levels offer great value for money



H1 2020 Financial Review – Cash Flow

	2020 H1 £'000	2019 H1 £'000[1]	
Operating cash flow	6,473	6,644	
Decrease in inventories	2,244	2,303	(1)
(Increase) in trade and other receivables	(4,958)	(1,740)	(2)
Other working capital	1,607	1,170	
Cash generated from operations	5,366	8,377	
Taxation paid	(486)	(2,106)	
Net cash from operating activities	4,880	6,271	
Purchase of property, plant & equipment	(11,857)	(4,920)	(3)
Purchase of intangible asset	(73)	(17)	
Free cash flow	(7,050)	1,334	(4)
Disposal of subsidiaries	(138)	-	(5)
Dividends paid	(2,275)	(2,071)	
Other financing activities	56	92	
FX	(93)	(24)	
Movement in net cash	(9,500)	(669)	
Net cash/(debt) at start of period	15,567	9,668	
Cash at end of period	6,067	8,999	

Key Points

1) Lower inventories – benefit from ongoing measures to reduce stock and improve turn: lower citrus prices
2) Increase in trade receivables – strong finish to the period has increased debtors
3) £11.8m cap ex - £8.6m on UK relocation project and continuing investing in increasing manufacturing capacity in the US and the existing UK site
4) Free cash flow of £2.0m excluding UK relocation expenditure
5) Disposal of subsidiaries – cash outflow as a result of writing down assets of Kenyan operations to zero

1 Restated for the adoption of IFRS 16, 'Leases'

H1 2020 Financial Review – Balance Sheet

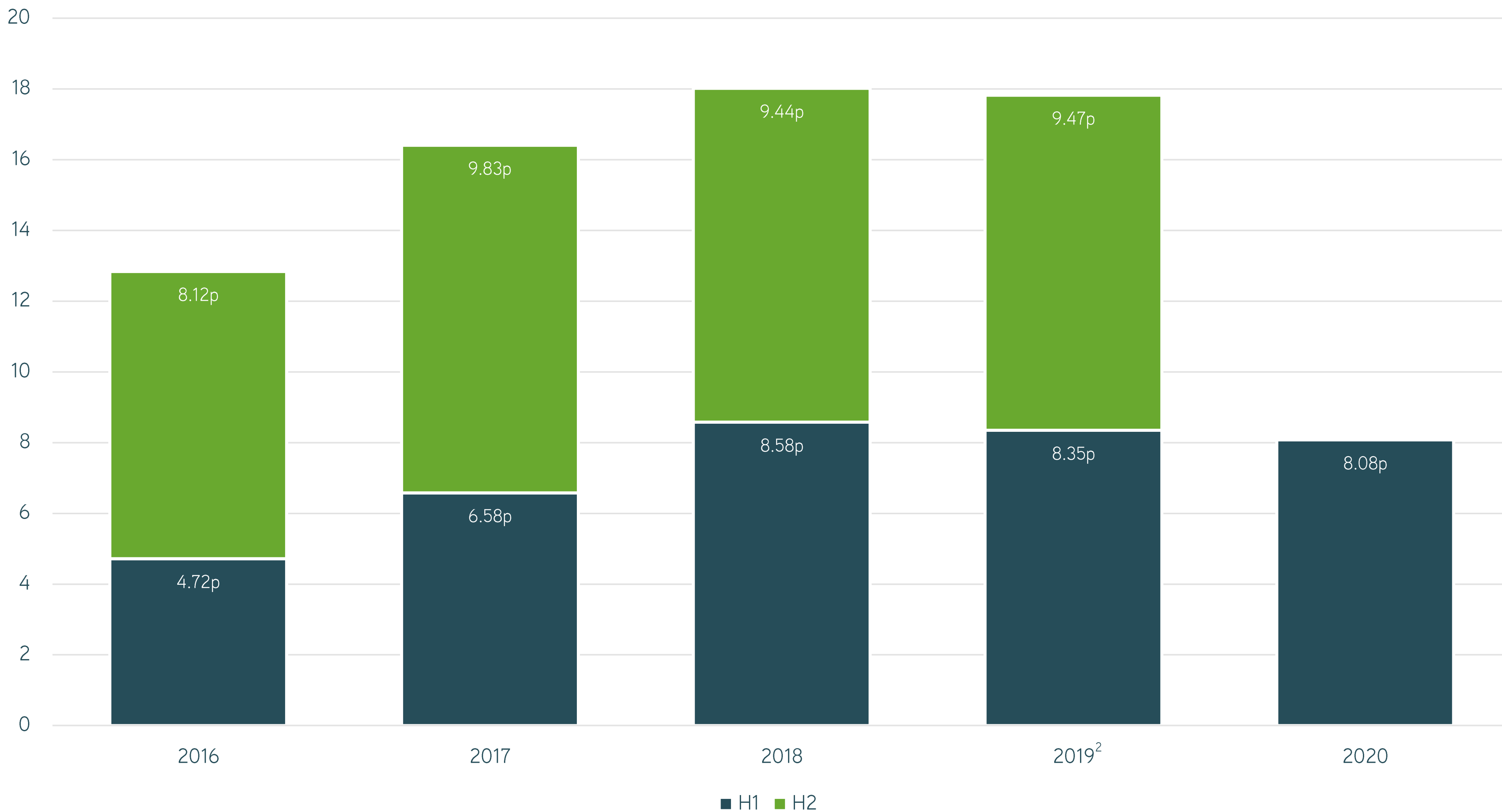
As at 30 September	As at 31 March 2020 £'000	As at 30 September 2019 £'000[1]	
Fixed assets	£41.5m	£30.7m	(1)
Inventories	£34.3m	£36.8m	(2)
Debtors	£28.3m	£23.0m	(3)
Creditors	(£12.5m)	(£11.3m)	
Working capital	£50.1m	£48.5m	
Taxation	(£0.6m)	-	
Net cash	£6.1m	£15.6m	
Pension deficit	(£7.2m)	(£7.8m)	(4)
Net assets held for sales	-	£0.7m	(5)
Other net liabilities	(£1.1m)	(£0.6m)	
Shareholders' funds	£88.8m	£87.1m	

Key Points

1) Fixed asset spend on capital investment programme
2) Inventory turn improved, £1.5m lower citrus inventory
3) Significant increase in receivables compared to PY due to high sales at the end of H1
4) Pension deficit reduced – increase in IAS19 discount rate
5) Kenyan companies held for sale – net assets of Kenyan operation have been written down to zero in the period

1 Restated for the adoption of IFRS 16, 'Leases'

Interim/Final Earnings Per Share[1] 2016-2020



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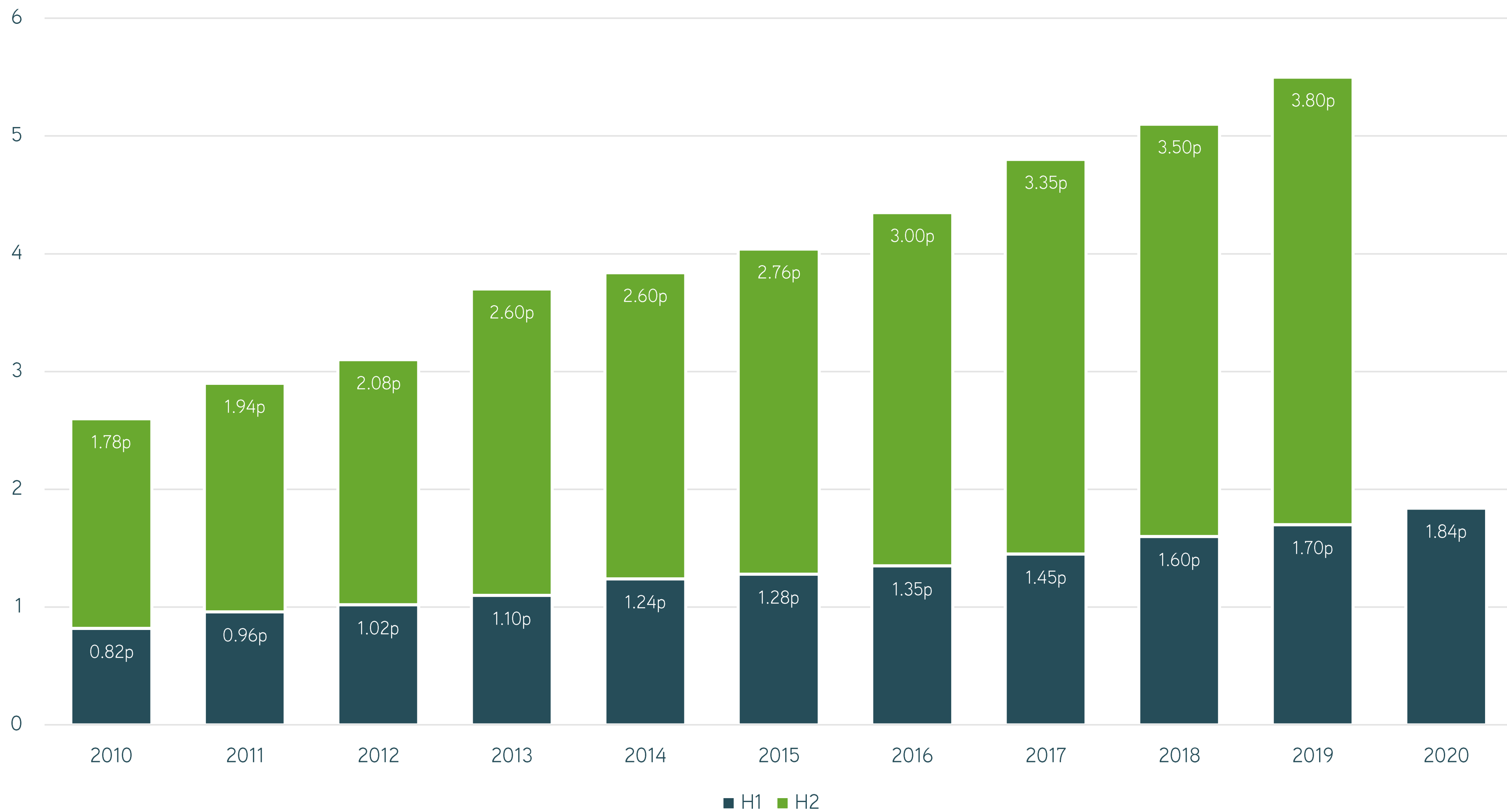
Interim/Final Dividend 2010-2020



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