

# **RESULTS**

**FOR THE YEAR ENDED 30 SEPTEMBER 2020**



# STRONG, RESILIENT PERFORMANCE

FINAL RESULTS FOR THE YEAR ENDED  
30 SEPTEMBER 2020



- Strong results despite COVID-19 related demand disruption
- Profit before tax and exceptional items increased by 11.3% to £14.8m
- Gross margin increased by 380bps
- Dividend for full year increased by 9.1% to 6.00p
  - Proposed final dividend +9.5% to 4.16p (2019: 3.80p)
- Momentum continues in tea, health & wellness and fruit & vegetables categories
- Resilient performance in spite of anticipated pressure from prior year fall in citrus prices

- US/UK infrastructure projects announced in 2017 - 75% complete
- Consumer behaviour materially different due to COVID-19
  - Impact on customer demand and new product innovation
  - At home consumption not equal to away from home channels (COVID-19 disruptions due to lockdown)

# DELIVERING SUSTAINABLE GROWTH FOR OUR STAKEHOLDERS



## 🏠 Investing in our core categories

- 💧 Category management fully embedded
- 💧 Further align R&D with core categories – bringing science into new processes and products

## 🏠 Diversification of portfolio progressing well

- 💧 Non-citrus percentage of revenue increased from 46% to 50%
- 💧 Good progression in the natural portfolio – health & wellness innovation

## 🏠 Diversifying into new categories

- 💧 Pursuing opportunities aligned with our capabilities:
  - 💧 New opportunities in hard seltzers – developing beverage category
  - 💧 RTD cold brew coffee, coffee as an ingredient, e.g. beer

## 🏠 Investing for future growth

- 💧 UK Relocation – adding significant capacity and enabling operational efficiencies

# DELIVERING SUSTAINABLE GROWTH FOR OUR STAKEHOLDERS



## 🌱 Investing in our culture

- 💧 Protecting staff with robust health and safety protocols and supporting them with mental health initiatives
- 💧 Investing in technology to support staff to work from home efficiently
- 💧 Stitching sustainability into our values

## 🌱 Engaging with our communities

- 💧 Supporting local charities who were unable to fundraise during the lockdown
- 💧 Making and supplying hand sanitiser to local care homes

## 🌱 Reducing our environmental impact

- 💧 74% of our portfolio is natural
- 💧 92% of our purchased KGs are natural
- 💧 Developing formal ESG strategy to build on existing sustainability already present in the business



# **FINANCIAL REVIEW**

# FINAL RESULTS AT A GLANCE



## Revenue<sup>1</sup>

-3.3%  
£109.0m

## Profit Before Tax<sup>1,2</sup>

+11.3%  
£14.8m

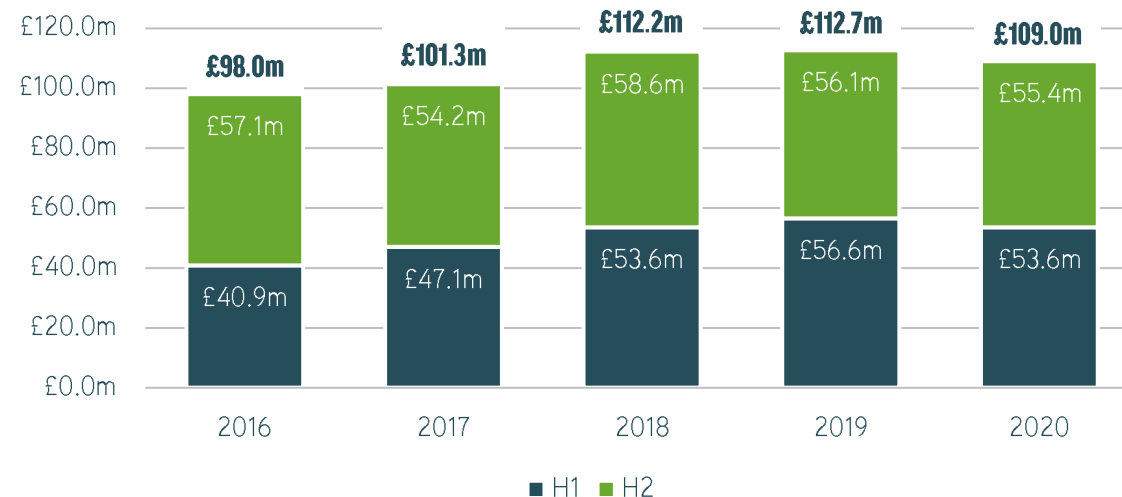
## Earnings per Share<sup>1,2</sup>

+10.7%  
19.72p

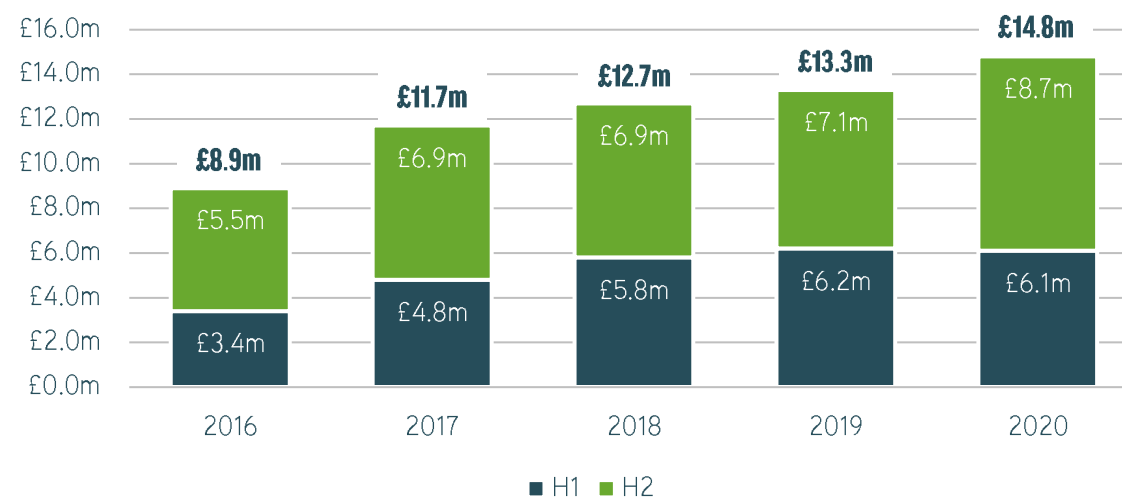
## Full Year Dividend

+9.1%  
6.00p

### Revenue<sup>1</sup>



### Profit Before Tax<sup>1,2</sup>



<sup>1</sup> From continuing activities  
<sup>2</sup> Excluding exceptional items

# 2020 FINANCIAL REVIEW

## INCOME STATEMENT



Year ended 30 September		2020 £'000	2019 £'000	Change %
Continuing Operations	Revenue	109,016	112,717	(3.3%) (1)
	<i>Citrus</i>	54,844	60,823	(9.8%)
	<i>Non-citrus</i>	54,172	51,894	4.4%
	Gross profit	31,876	28,657	11.2%
	Gross profit %	29.2%	25.4%	380bps (2)
	Administrative expenses	(16,784)	(15,158)	(10.7%) (3)
	Operating profit	15,092	13,499	11.8%
	Operating profit %	13.8%	12.0%	187bps
	Other gains	45	-	
	Net finance costs	(336)	(199)	(68.8%)
	Adjusted profit before tax	14,801	13,300	11.3%
	Exceptional items	(1,060)	(755)	(40.4%) (4)
	Profit before taxation	13,741	12,545	9.5%
	Taxation	(2,896)	(2,673)	8.3%
	Profit for the year	10,845	9,872	9.9%
	Loss from discontinued operations	(1,080)	(1,084)	(0.4%) (5)
	Profit for the period	9,765	8,788	11.1%
	Adjusted earnings per share <sup>1,2</sup>	19.72p	17.82p	10.7%

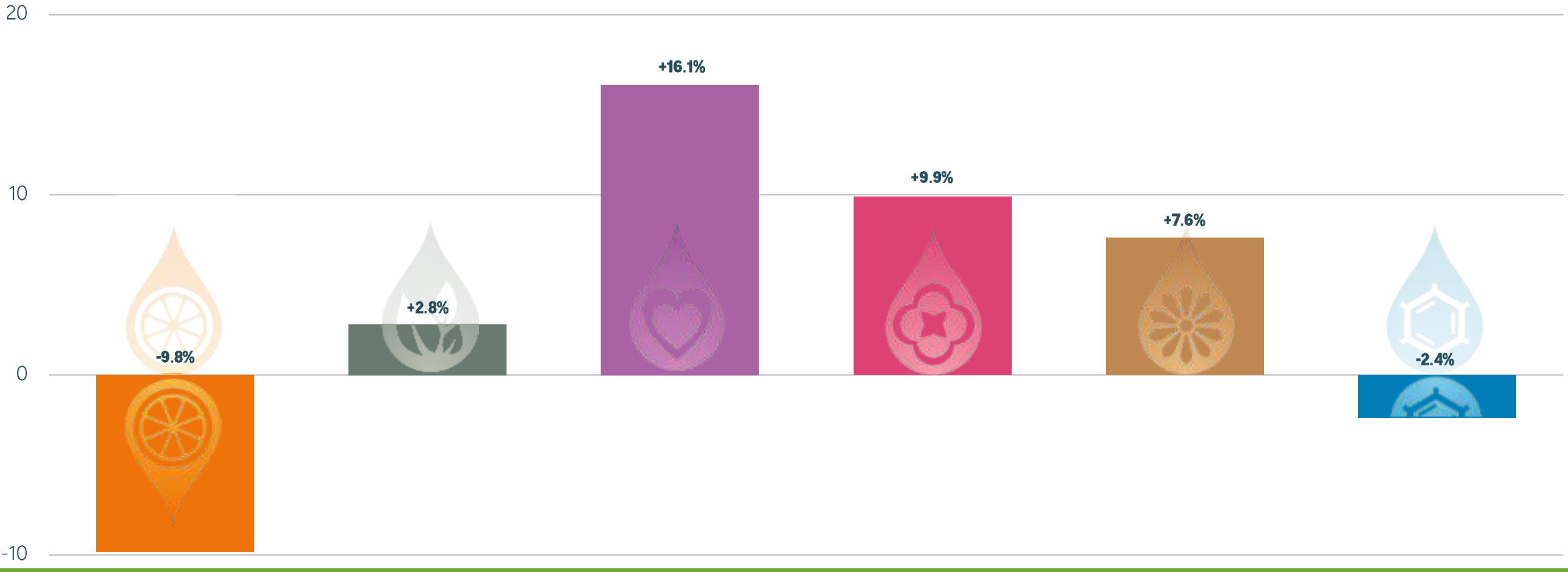
## KEY POINTS

- 1) Good growth in non-citrus categories
- 2) Strong growth in gross margin due to improved product mix and lower commoditised citrus revenue
- 3) Administration expenses up 10.7% - £2.4m increase in payroll costs, 8% increased headcount across all disciplines, reflects ongoing investment in talent
- 4) Exceptional items – these related solely to UK relocation expenses
- 5) Loss from discontinued activities – in June 2020 the Group's Kenyan operations were disposed for a nominal sum. All Treatt manufacturing now in UK & US only.

1 From continuing activities  
2 Excluding exceptional items

# PRODUCT CATEGORY PERFORMANCE

% GROWTH IN SALES<sup>1</sup> - 2020 v 2019



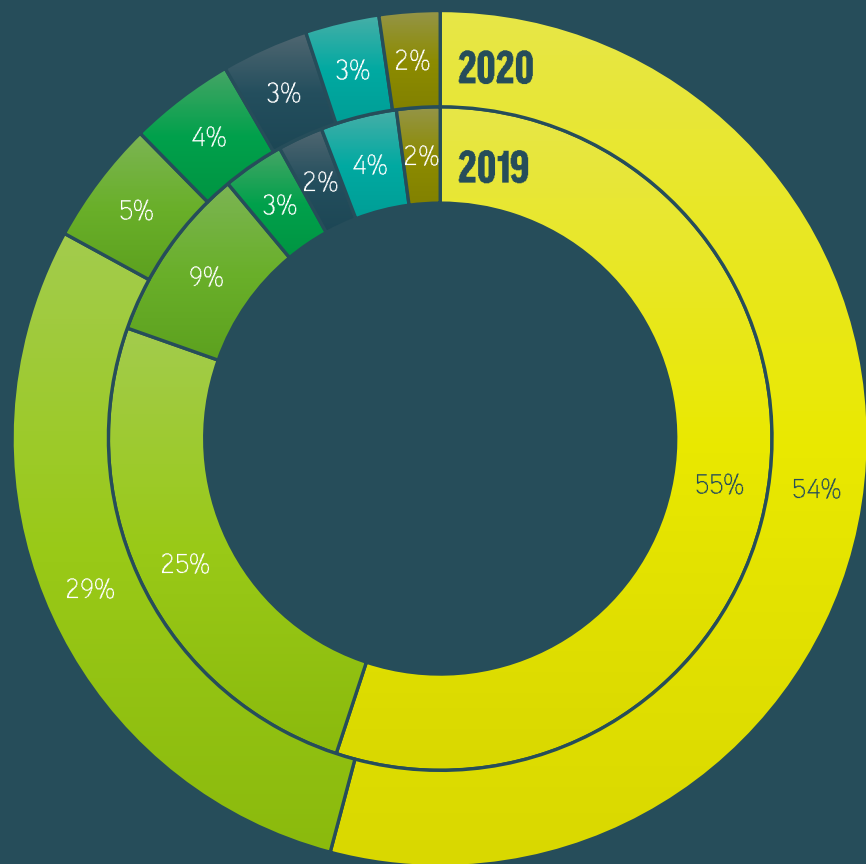
	Citrus	Tea	Health & Wellness	Fruit & Vegetables	Herbs, Spices & Florals	Aroma & HICs
2019	£60.9m	£6.2m	£6.4m	£7.2m	£10.7m	£21.3m
2020	£54.9m	£6.4m	£7.4m	£7.9m	£11.5m	£20.9m
% of Revenue	50.3%	5.9%	6.8%	7.3%	10.6%	19.1%

<sup>1</sup> From continuing operations



# SALES

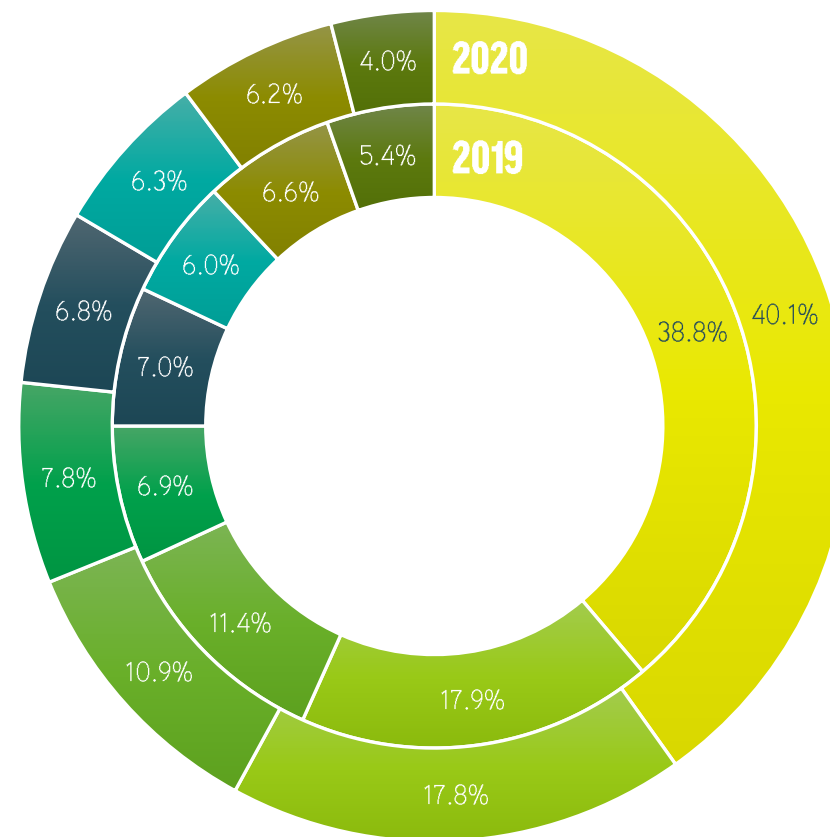
## ROUTES TO MARKET



■ Flavour Houses ■ Beverage ■ Personal Care ■ Trader/Distributor ■ Food ■ Chemicals ■ Other

Other incl. Spirits, Pharmaceuticals, Breweries and Animal Care

## GEOGRAPHICAL BREAKDOWN<sup>1</sup>

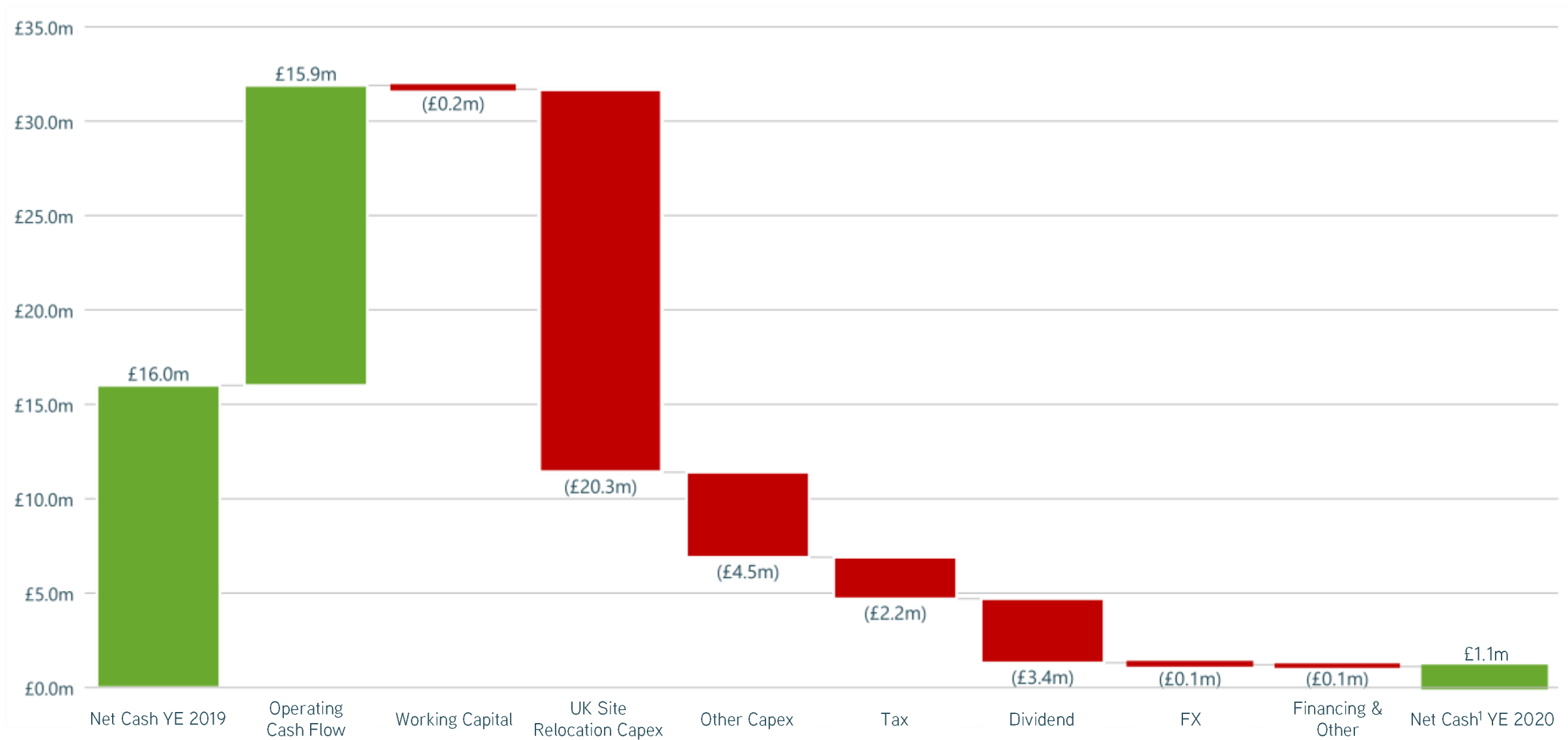


■ North America ■ Other Markets ■ Rest of Europe ■ The Americas  
 ■ United Kingdom ■ China ■ Ireland ■ Germany

<sup>1</sup> From continuing operations

The Americas (17 countries) / Other Markets (35 countries)

# CASH FLOW



<sup>1</sup> Excluding IFRS 16 lease liabilities

# FINANCIAL METRICS

## MEDIUM TERM TARGETS

### 🏠 Net Operating Margin

- 💧 Increased from 10.8% to 13.8% over the last 4 years
- 💧 Target: 15%

### 🏠 Return On Investment (ROI) on UK Relocation

- 💧 Will report ROI from FY2022

### 🏠 Return On Capital Employed (ROCE)

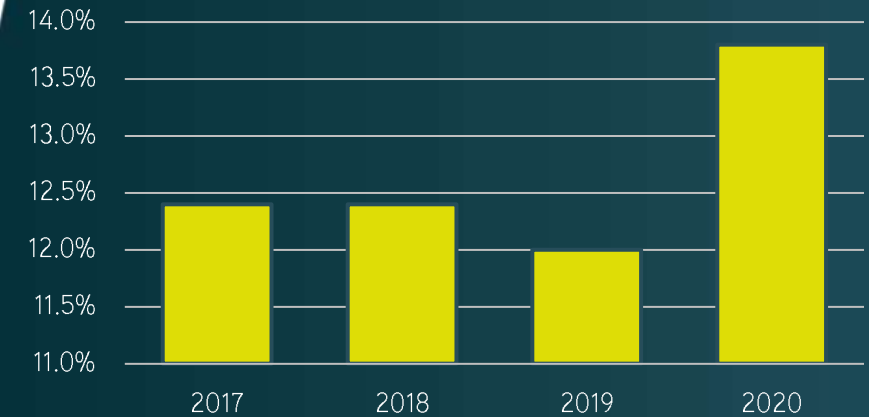
- 💧 10% placing dilution in 2017
- 💧 ROCE for FY 2020 – 16.7%
- 💧 Target: 20-25% (post infrastructure investment phase)

### 🏠 Free Cash Flow

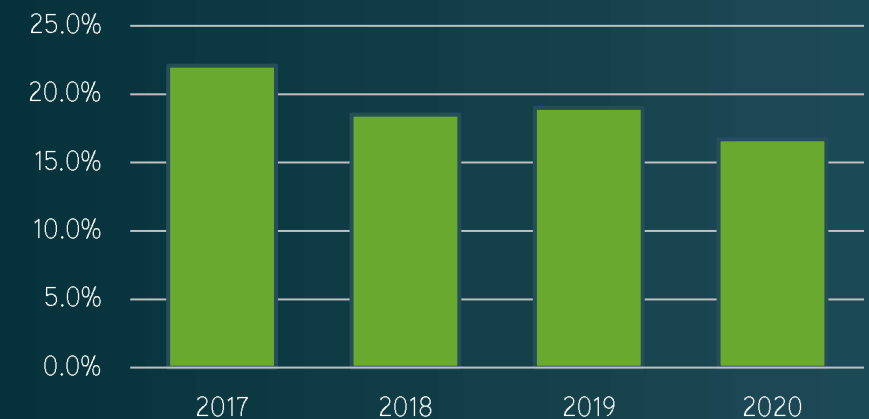
- 💧 Target cash conversion ratio >60% over next 5 years



### Net Operating Margin<sup>1</sup>



### Return on Capital Employed<sup>1</sup>



<sup>1</sup> From continuing activities



# **MARKET OVERVIEW & STRATEGIC PRIORITIES**

# PARTNERSHIP MODEL

BUILDING LONG-TERM RELATIONSHIPS FOR ORGANIC GROWTH WITH CUSTOMERS

Top 10 Customers					
Ranking by Revenue FY20	Type of Products	No. Years Traded	Categories	FY20 v FY15	Ranking by Revenue FY15
1		>25	     	6%	1
2	 	>25	     	100%	2
3		>10	   	905%	19
4	 	>25	     	270%	12
5		>10	  	4%	3
6	 	>25	     	19%	4
7		>25	     	44%	6
8		>20	     	2%	5
9		>20	   	32%	7
10		>10	   	727%	-

"Being a source of solutions rather than supplier of product enables us to grow our relationships with our customers"

## KEY

### Type of Products:



Flavour



Fragrance



Alcoholic Beverage



Non-Alcoholic Beverage



Consumer Goods



Distributor

### Categories:



Citrus



Tea



Health & Wellness



Fruit & Vegetables



Herbs, Spices & Florals



Aroma & High Impact Chemicals

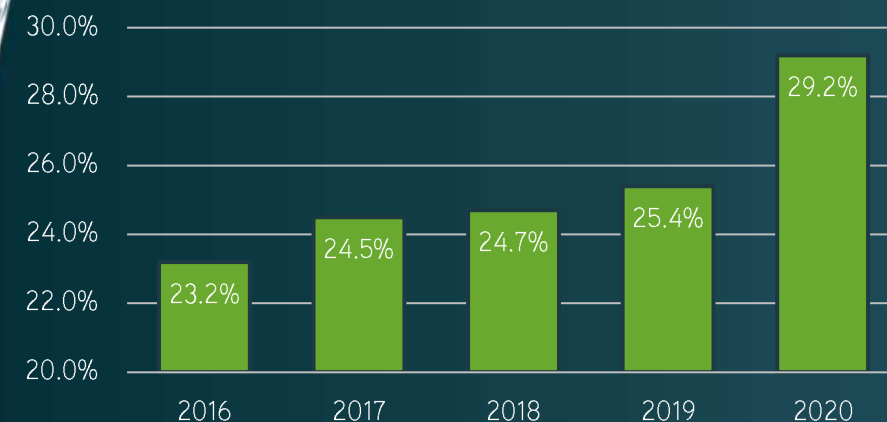
# ADDED-VALUE SOLUTIONS

## MOVING UP THE VALUE CHAIN

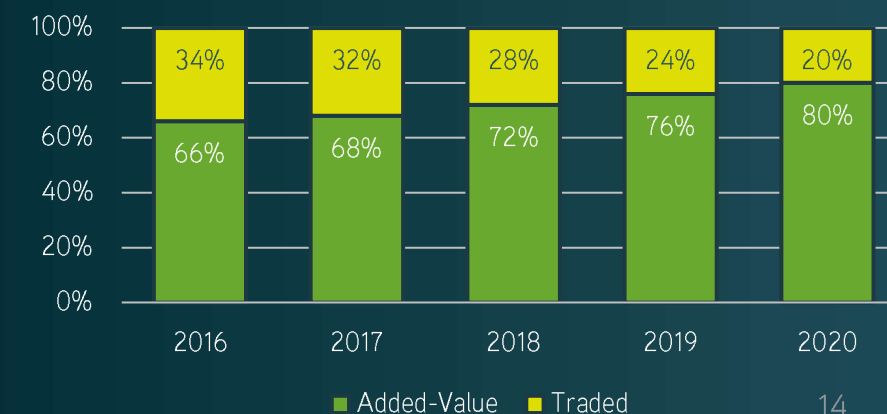
- Strong growth in margins driven by fruit & vegetables and health & wellness categories
- Citrus becoming a more added-value category - reduced dependency on traded and minimally-processed citrus
- Leveraging existing key customer relationships – cross-selling opportunities
- Technical capability and know-how to deliver added-value products and solutions
- Further margin improvement anticipated over medium-term driven by US capacity expansion and new optimised UK Headquarters
- Collaboration with customers at new and expanded facilities



### Driving Gross Margin



### Sales – Added-Value v Traded



# CONSUMER TRENDS

## WELL PLACED FOR GROWTH



### North America

- ⬆ Clean-label alcoholic seltzers - driven by health-conscious consumers
- ⬆ Low and no alcohol – increasing as consumer cuts back on alcohol
- ⬆ Non-alcoholic beverage - \$250.5bn in 2021, growing annually by 6.9% (CARG 2020-2025)
- ⬆ Innovation in Ready-To-Drink (RTD) market drives category forward in 2021 – cold-brew coffee grew by 7.3% in US in 2019

### UK & Europe

- ⬆ Europe follows trends in US
- ⬆ Hard seltzers launched in 2020 – growth of category looks promising
- ⬆ Reduced sugar solutions continue to drive in innovation
- ⬆ Natural ingredients – demand rising for use of botanicals

### Asia

- ⬆ Growing opportunities in Asia as disposable income rises
- ⬆ War on sugar – brands reduce and re-formulate to appeal to health-conscious consumers
- ⬆ RTD tea and coffee continues to rise in popularity

# ALCOHOLIC SELTZER

## SIGNIFICANT GROWTH OPPORTUNITY

- 🍷 Alcoholic, naturally fruit-flavoured sparkling water
- 🍷 Low calories – 100 calories or fewer
- 🍷 Alcohol volume of around 5%
- 🍷 Aimed at lifestyle drinkers – increased health consciousness
- 🍷 Global hard seltzer market valued at \$4bn\* (2019) – expected to grow at a compound annual growth rate (CAGR) of 12.7% from 2020 to 2027 to \$11bn\*
- 🍷 Winning market share from the beer and wine industry



**Low calorie  
carbonated  
water with  
alcohol and  
natural extracts**



# UK SITE RELOCATION



- 🏡 £36m project –ROI 10-15% - 3 years after completion
- 🏡 On budget – remaining spend of £14.6m<sup>1</sup>
- 🏡 Includes £17m investment in plant & machinery, laboratories and new technologies
- 🏡 Building construction finished – fit-out underway
  - 🌱 Built to 'BREEAM Very Good' standard
- 🏡 Completion delayed due to COVID-19
  - 🌱 move expected to begin in mid-2021
  - 🌱 reduces expected peak net debt in 2021 to < 0.5X EBITDA





# BENEFITS OF UK RELOCATION



## IMPROVED CLIENT INTERACTION

- ⚡ Significantly enhanced customer experience
- ⚡ Science-led business immediately obvious on arrival – customer to see into multiple laboratories from reception
- ⚡ Collaborative hub space driving customer interaction, partnership-based model and product innovation
- ⚡ Attractive design and feel to showcase Treatt's full capability

## STEP-CHANGE IN CAPACITY

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

## MULTIPLE OPERATIONAL EFFICIENCIES

- ⚡ Optimal site logistics, 24-hour working capabilities
- ⚡ Digital and data driven manufacturing processes



# ENVIRONMENTAL - SOCIAL - GOVERNANCE

IT'S IN OUR DNA

## 🌱 Environmental performance and strategy

- 🌱 Engaged specialist independent consultant to assist with development of sustainability strategy and embed throughout business
- 🌱 Sustainable sourcing - natural, traceable, supply chain across product categories
- 🌱 Waste management with the aim of reducing our impact on the environment

## 🌱 Social investment – response to COVID-19:

- 🌱 Making and supplying hand sanitiser to local care home
- 🌱 Helped local charities who were unable to fundraise due to lockdown
- 🌱 Enabled a trained nurse employee to return to help the NHS during the peak of the crisis

## 🌱 Governance

- 🌱 Board strengthened during year

## 🌱 Working responsibly:

- 🌱 Focus on staff safety and welfare throughout pandemic
- 🌱 Zero citrus waste production – utilise bi-product from citrus industry
- 🌱 Sustainable field crop growth – waste returned to field as fertilizer



# CURRENT TRADING & OUTLOOK



## NEAR TERM

- 🏡 Strong start to the new financial year
- 🏡 COVID-19 disruption expected into 2021
- 🏡 Strong opportunities in North American and China markets
  - 🌱 New Chinese subsidiary planned for next twelve months
- 🏡 Relocation to new UK Headquarters commencing mid-2021
- 🏡 Whilst still early in the financial year, the Group continues to perform in line with the Board's expectations for the full year



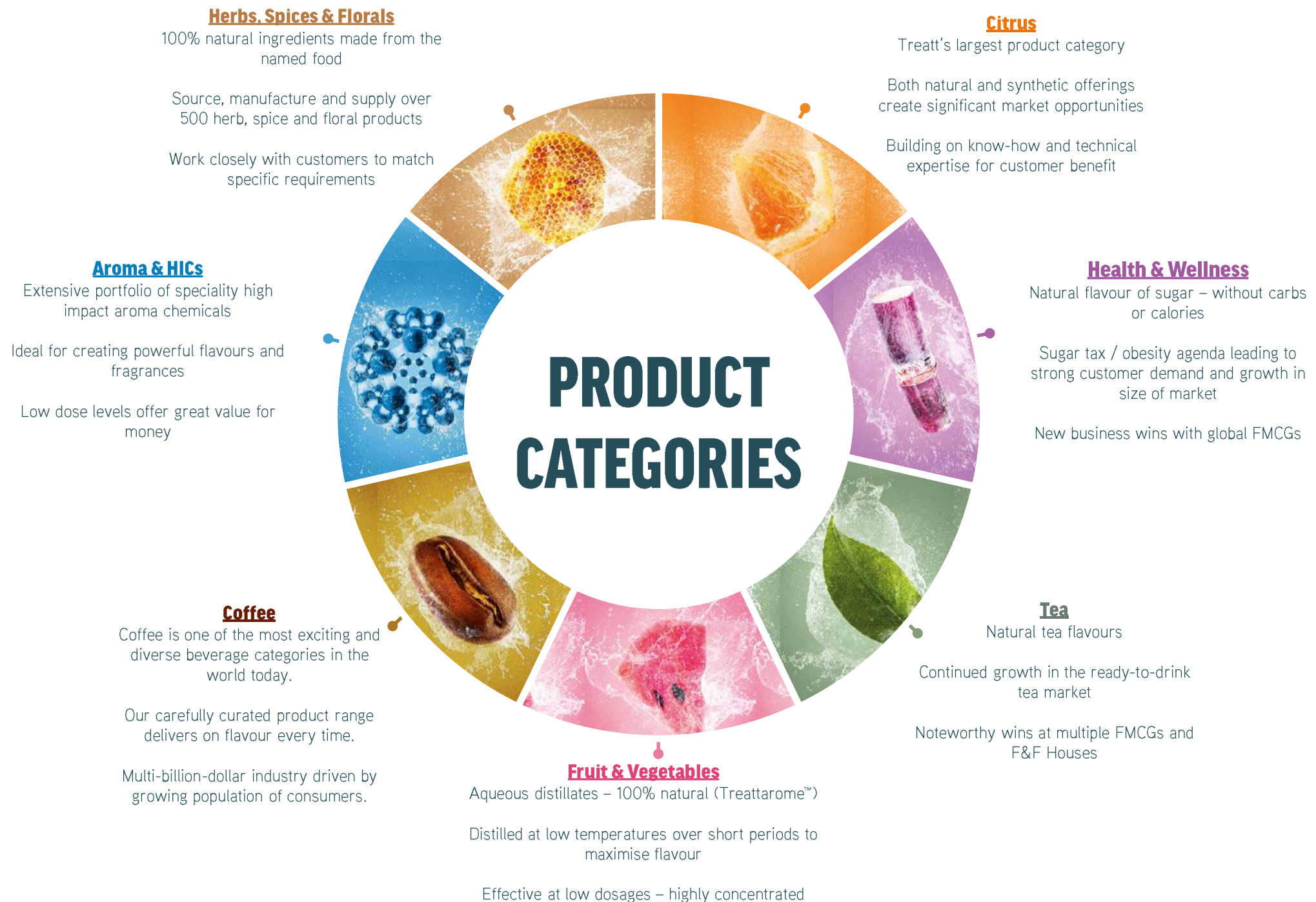
# MEDIUM TERM OPPORTUNITIES

- 🌱 Well placed to capitalise on growing consumer trends around health & wellness – 74% of revenue from natural products
- 🌱 Focus on leveraging the advantages of the new UK facility
- 🌱 Continue to build on strategic opportunities – providing added value solutions to growing customer base
- 🌱 Strong balance sheet for future investment
- 🌱 Sustainability embedded throughout our business



# APPENDICES







# 2020 CASH FLOW



Year ended 30 September	2020 £'000	2019 £'000
Operating cash flow	15,902	14,895
Decrease/(Increase) in inventories	(458)	3,970
Decrease/(Increase) in trade and other receivables	(1,278)	5,293
Other working capital	1,511	(3,614)
Cash generated from operations	15,677	20,544 (1)
Taxation paid	(2,191)	(2,208)
Net cash from operating activities	13,486	18,336
Purchase of property, plant & equipment	(23,909)	(10,392) (2)
Purchase of intangible asset	(905)	(178)
Free cash flow	(11,328)	7,766 (3)
Disposal of subsidiaries	(136)	1,033
Dividends paid	(3,378)	(3,080)
Issue of share capital	2	14
Other financing activities	56	327
FX	(88)	(161)
Movement in net cash	(14,872)	5,899
Net cash/(debt) at start of year	15,958	10,059
Net cash at end of year	1,086	15,958 (4)

## KEY POINTS

- 1) Working capital – net impact on cash flow is neutral despite the much tougher global market conditions in the year
- 2) £24.8m capex – £20.3m on the UK new site capex which progressed significantly in the year despite COVID-19 setbacks. Remains on budget, move to commence mid-2021
- 3) Free cash flow of £10.0m excluding new site capex and exceptional costs
- 4) Excluding IFRS 16 lease liabilities of £0.7m

# 2020 BALANCE SHEET



As at 30 September	2020	2019
Fixed assets	£52.7m	£30.3m (1)
Inventories	£36.1m	£36.8m
Debtors	£24.2m	£23.0m
Creditors	(£12.4m)	(£11.3m)
Working capital	£47.9m	£48.5m (2)
Taxation	£0.1m	-
Net cash	£1.1m	£16.0m (3)
Pension deficit	(£10.1m)	(£7.8m) (4)
Net assets held for sale	-	£0.7m (5)
Other net liabilities	(£0.6m)	(£0.6m)
Shareholder funds	£91.1m	£87.1m

## KEY POINTS

- 1) Fixed asset spend on capital investment programme continues
- 2) Working capital neutral in the year despite tougher global market conditions
- 3) Net cash\* remains positive despite £24.8m capital spend in the year
- 4) IAS 19 pension deficit increased largely due to the lower discount rate on liabilities. Contributions increased to £450k p.a. for 2020/21
- 5) In June 2020 the Group disposed of its Kenyan operations for a nominal sum and no longer has any assets held for sale

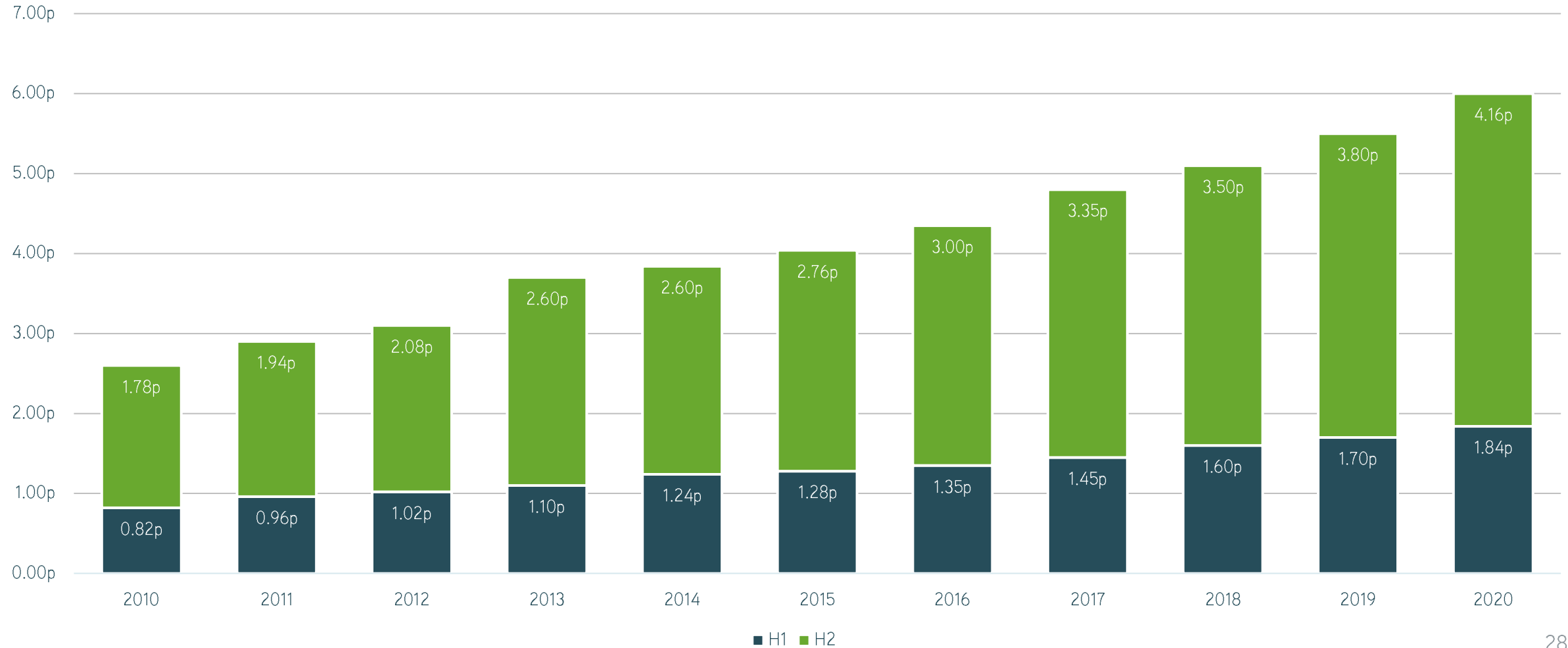
\* Excluding IFRS 16 lease liabilities

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



<sup>1</sup> From continuing operations, excluding exceptional items

# DIVIDEND PER SHARE



# INVESTMENT INFRASTRUCTURE PHASE TIMELINE

- 🏠 2017 – initiated £48m Capital Investment Programme
  - 💧 Equity fund raise £20m
- 🏠 2019 – US \$15m expansion complete
  - 💧 Doubles our capacity for Health & Wellness, Fruit & Vegetables and Tea – currently 20% of Group revenue
- 🏠 2020 – UK build complete (fit-out underway)
  - 💧 On budget – potential to double capacity in UK subject to product mix
  - 💧 Improved margins over medium term due to operational efficiencies and investment in new technologies



