11 October 2021

TREATT PLC
("Treatt" or "the Group")

Trading update for the year ended 30 September 2021

Treatt, the manufacturer and supplier of a diverse and sustainable portfolio of natural extracts and ingredients for the beverage, flavour and fragrance industries, today publishes a trading update for the year ended 30 September 2021 ("FY21").

Highlights

- 64% revenue growth across healthier living categories, with tea a stand-out performer.
- Stronger margins driven by a number of fast growing, higher margin categories and a more value-add, solution-based citrus portfolio.
- Transition of people and production to the new UK facility underway, which will triple UK production capacity once completed (anticipated in FY23).
- FY21 profit before tax and exceptional items expected to be in line with previously upgraded Board expectations.
- A positive outlook for the new financial year: the order book is up materially year-on-year and the Board remains committed to ongoing strategic investments to support multiple longer term market opportunities.

FY21 performance

Following on from the strong performance in H1, momentum continued into H2, reflecting our increasing focus on innovative, added-value products. Following upgraded guidance in January 2021 and May 2021, the Board expects to report profit before tax and exceptional items for FY21 in line with its revised expectations.

Revenue for the year is anticipated to be c.£124m, an increase of c.14% (c.18% in constant currency) compared with the prior year. Revenue growth was driven by categories focused on healthier living; our tea, health & wellness (including sugar reduction) and fruit & vegetables categories grew by a combined 64% in FY21.

Within our healthier living categories, tea performed exceptionally well, growing by 113% to represent 11% of Group revenue (FY20: 6%). This growth was driven by the return of on-trade in many parts of the world, together with material new product launches by customers which had been delayed due to the pandemic. Health & wellness (including sugar reduction) had another strong year, growing by 29% as the drive to reduce the calorific content in beverages shows no sign of abating and represented 8% of Group revenue (FY20: 7%). Passion fruit, watermelon, cucumber and mango natural extracts led the way in the fruit & vegetables category which has been growing consistently for many years, with strong growth in FY21 of 60%, and represented 10% of Group revenue (FY20: 7%)

Reported revenue from our citrus category, which contributed 44% of Group revenue (FY20: 50%), remained broadly similar to the prior year, however, gross profit margin improved as we continued to strategically shift away from lower margin activities towards higher value, solution-based products.

The Group's traditional range of herbs, spices & florals, representing 9% of Group revenue (FY20: 11%), saw revenues remain broadly unchanged in the year. Whilst 'natural' now represents approximately 80% of the Group's portfolio, revenue from our portfolio of sustainable synthetic aroma products into the flavour and fragrance market grew by 9%.

The pre-pandemic market trends for 'better-for-you' and natural products continues in both the alcoholic and non-alcoholic beverage sectors and the Group won numerous new customers in the year, whilst expanding with existing ones. In particular, the Group continues to grow its presence in the burgeoning alcoholic seltzer market as new brands and new flavour combinations compete for market share. With our two routes to market, being direct to brand owners and indirectly through flavour houses, the Group has a strong position in multiple leading seltzer brands as well as in a number of challenger brands, which has had a positive impact across a number of our product categories.

Whilst the well documented global supply chain issues have inevitably been felt by our logistics teams, to date this has not materially impacted the Group. Treatt does not have large numbers of container movements on a daily basis, instead transporting concentrated product, and the Group has continued to hold prudent levels of inventory in order to mitigate supply chain risks for our customers.

In a major milestone for the Group, we have begun transitioning to our new state-of-the-art facility in the UK. Many colleagues are now based at the new site and we are in the process of installing and commissioning plant and machinery which will transform our UK manufacturing capabilities to an advanced digital system. We expect our technical, and most of our manufacturing capabilities to be fully up and running at the new facility by mid-2022, with the final transfer and upgrade of our most complex manufacturing equipment due to be completed by mid-2023. We have exchanged contracts on the disposal of our old site for an aggregate consideration, net of costs, of c.£5.5m, with completions due in 2022 and a leaseback on one of the units until 2023. Once fully up and running, subject to product mix, the new facility will be capable of delivering up to three times the output of our old UK site.

Cash and dividends

The Group ended the year with net debt of approximately £6m despite significant capital investment in the year of £9.5m in our new UK facility, whilst retaining total bank facilities of £26m. The Board confirms its intention to propose a final dividend in line with its dividend policy.

Outlook

Following a year of significant growth, momentum continues with order books materially up year-on-year. Consequently the Group enters the new financial year with a positive outlook. In order to support future growth, we will continue to invest in the products, people and production capacity to capitalise on the multiple longer term market opportunities we see across the business.

In the current financial year we expect to see our healthier living categories continuing to perform strongly, and our new coffee category to begin monetising some material opportunities. Our citrus category is expected to continue its transition up the value chain and our sustainable synthetic aroma business is set for further growth. Geographically we are excited about the growth opportunities which our China business is working on, whilst the US is set to continue as our largest market.

Daemmon Reeve, CEO of Treatt, commented:

“It has been a great year for Treatt, with some fantastic achievements across the Group, despite the backdrop of Covid-19. My thanks go to all of our colleagues for their tremendous endeavours and commitment.

“In an evolving consumer market, we continue to make great strides in products that facilitate healthier living and we have increasingly strong capabilities allowing us to innovate and partner more closely with our customers.

“We have much to look forward to as a Group and continue to invest in our people and infrastructure to ensure we sharpen our focus on value-add solutions for our customers and can take advantage of the multiple opportunities we see for further success in the future.”

Treatt's results for the year ended 30 September 2021 are expected to be announced on 30 November 2021.

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About the Group

Treatt is a global, independent manufacturer and supplier of a diverse and sustainable portfolio of natural extracts and ingredients for the flavour, fragrance and multinational consumer product industries, particularly in the beverage sector. Renowned for its technical expertise and knowledge of ingredients, their origins and market conditions, Treatt is recognised as a leader in its field.

The Group employs over 300 staff in Europe, North America and Asia and has manufacturing facilities in the UK and US. Its international footprint enables the Group to deliver powerful and integrated solutions for the food, beverage and fragrance industries across the globe.

For further information about the Group, visit www.treatt.com.

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

This announcement contains forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and markets in which the Group operates. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a wide range of variables which could cause actual results to differ materially from those currently anticipated. No assurances can be given that the forward-looking statements in this announcement will be realised. The forward-looking statements reflect the knowledge and information available at the date of preparation of this announcement and the Group undertakes no obligation to update these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.