

12 April 2021

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

## Half Year Trading Update

### Momentum continues with strong growth in revenue and margins

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 half year ended 31 March 2021 (the "Period").

#### Highlights

- Strong performance across all categories with revenue expected to grow by 14% to approximately £60.8m (H1 2020: £53.6m).
- Growth particularly strong in tea, health & wellness and fruit & vegetables categories meeting growing global consumer demand for healthier living.
- Gross margin improvements reflect the growth of the above categories and the transition into more sophisticated, solution-driven products in citrus.
- New, state-of-the-art, UK headquarters opening April 2021 with colleagues beginning to transition on a phased basis, which, along with the recently expanded US facility, ensures the Group is well-positioned for future growth.
- Trading in line with the Board's revised expectations as announced in January 2021.

#### Trading performance

Following the trading update announced in January 2021, the Board is pleased to confirm that momentum has continued across the business. Expected revenue growth for the half year of 14% (16% in constant currency) has been driven by the Group's fast-growing and higher margin categories of tea, health & wellness and fruit & vegetables. These categories in particular meet the growing demand from consumers for more natural, clean-label and 'better-for-you' beverages and are driving pipeline growth and, in turn, our financial performance.

During the Period the Group has won significant new business across a wide range of beverage and flavour applications including the fast-growing alcoholic seltzer market which continues to expand rapidly in the US and begins to gain traction globally. Revenue growth has been achieved through direct sales to global and local brand owners as well as indirectly through the flavour and fragrance industry, demonstrating the strength of the Group's business model.

Citrus revenue has returned to modest growth, following a decline in FY20, and margins improved materially in the Period as the Group's prior investment in more sophisticated extraction technologies resulted in the launch of more value-add ingredients. In addition, raw material prices for orange oil, which fell significantly in 2019, have returned to more normalised levels.

The Group continues to grow its synthetic aroma business. This category, which includes important flavour ingredients for meat alternative protein flavours and snack foods, performed well with revenue up significantly compared with the prior year. Herbs, spices & florals, which include an extensive range of manufactured and traded essential oils and extracts, saw revenues fall in the Period due to reduced demand caused by Covid-19.

Work on our new UK facility continues apace and we are now a significant way through the operational fit out. We will begin transitioning colleagues across in late April 2021 and will start the commissioning of the new plant and machinery later this calendar year as planned, to enable production to relocate. We believe this site, along with our recently expanded US facility, will provide Treatt with a much stronger platform to support its growth ambitions.

With the UK relocation nearing completion, net debt at the end of the Period was £5.1m with total bank facilities of £21.2m remaining undrawn.

Whilst the Group's hedging strategy is intended to mitigate the impact of exchange rate movements, there can be material effects in the short term. During the Period there was a strengthening of Sterling against the US Dollar and, as a result, the Board anticipates a net positive FX impact on the results for the Period of approximately £0.4m.

## Outlook

As reported in our January 2021 trading update, the financial year began strongly in terms of both revenue and margins; this momentum has continued throughout H1, with trading in line with the Board's revised expectations. April 2021 is on track to be another strong month for the Group and performance in the second half should be bolstered by increased demand for the Group's diverse range of natural extracts as hospitality venues, including sports stadia, gradually open.

It is currently expected that Treatt's half year results for the six months ended 31 March 2021 will be announced on 11 May 2021, when a further update will be provided based on performance to 30 April 2021 and the outlook for the rest of the year.

### Daemmon Reeve, CEO, commented:

"Performance across the Group continues to be very strong despite the ongoing global Covid-19 related restrictions. These measures continue to impact our customers in global hospitality industries and whilst the outlook is promising, we are taking a conservative approach and will assess how our order book progresses in the coming weeks and months. The success we have had in diversifying the Group's flavour and fragrance expertise across a wide range of categories has helped our resilience over the Period.

Our strategy is driven by an obsession with offering solutions that are of clear relevance to our customer base, providing differentiated ingredients that align with consumer trends in growing markets. Our effectiveness in developing these relationships continues to shine through and the execution is testament to the skill and endeavour of our colleagues together with the culture across the Group."

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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](http://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.*