12 April 2023

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

Half Year Trading Update and Notice of Results

Strong revenue and profit growth; trading in line with expectations for the full year

Treatt, the manufacturer and supplier of a diverse and sustainable portfolio of natural extracts and ingredients for the beverage, flavour and fragrance industries, announces the following trading update for the half year ended 31 March 2023 (the "Period").

Highlights

- Record H1 revenue with 15% growth (8.5% in constant currency) to £75.9m (H1 2022: £66.3m)
- Profit before tax and exceptional items growth to at least £7.1m, up by c12% (H1 2022: £6.3m)
- Successful pricing actions to recover raw material inflation
- Coffee growth ahead of expectations as we continue to embed this new, value-added category
- Strong cost discipline and other self-help measures continue
- Inventory reduction of c£7.0m since FY22 notwithstanding record high orange oil prices and continued strategic inventory holdings for large beverage customers
- Net debt reduced to £17.7m (FY22: £22.4m) despite normal working capital build in first half, with further reduction of debt anticipated in H2
- Trading in line with the Board's expectations for the full year

H1 2023 performance

We have made a strong start to FY23, with record H1 sales expected to be 15% ahead of the prior year and 8.5% ahead at constant currency.

Despite the uncertain macro environment, our beverage volumes have shown resilience. We continue to win business with both new and existing customers through direct sales to FMCG brands, as well as indirectly through flavour and fragrance houses, demonstrating the strength of the Group's diverse business model.

China continues to be an important strategic region for the Group and our China subsidiary is making encouraging progress, with sales into the region of £4.9m in the Period (H1 2022: £3.5m). We continue to invest in the capability of our China business, both in terms of technical lab equipment and headcount, enabling new business wins and building our sustained confidence in the longer-term outlook for the region.

We have seen particularly encouraging progress in Citrus, where margins have improved across several of our key value-added products, driven by the continued execution of our procurement and pricing strategies as well as accelerating our strategic move away from lower margin, more commoditised products.

Volumes of our value-added solutions in the beverage market were in line with prior year, with stronger performances in Fruit & Vegetables and Coffee. Coffee sales were £2.0m (H1 2022: £0.4m) focusing on the premium cold brew coffee and ready-to-drink (RTD) markets, where we continue to see material growth in sales and in our pipeline. Health & Wellness and Tea sales were broadly in line with prior year.

Synthetic Aromas, which relates primarily to food ingredients, has declined in volume due to customer destocking of products used to flavour savoury snacks and alternative proteins foods. However, sales volumes were largely offset by sales price increases and lower cost to serve, maintaining the contribution level from this product category. Volumes are anticipated to normalise in H2.

After substantial investment in our people and production facilities in the past 18 months to support the Group's next phase of expansion, we do not anticipate any significant increase in administrative expenses in the short to medium term, above the normal rate of inflation. The group headcount has reduced by 6% since September 2022 with the benefits of relocating to our new UK facility beginning to show the expected efficiencies.

Having implemented a revised hedging and currency management strategy, providing increased visibility and controls over our currency exposures, foreign exchange impacts during the Period were successfully managed with a net adverse impact of £0.2m anticipated (H1 2022: £0.6m loss).

Balance sheet

The Group ended the half year with net debt of £17.7m (FY22: £22.4m). We are nearing the end of our capital investment cycle and have reduced inventory levels during H1 by c£7.0m, despite record high orange oil prices and strategic inventory holdings for large beverage customers. The Group has decades of experience managing raw material price movements which are impacted, not only by general inflation, but also by specific supply and demand factors such as climatic conditions. We anticipate a further reduction in net debt in H2 in line with market expectations.

Outlook

The Group has started FY23 strongly and we have good confidence in Treatt's proposition and its ability to deliver top line growth, supported by positive market dynamics. Q2 momentum was particularly encouraging and we enter H2 with a strong order book and conversion of sales pipeline. At this stage, we expect to report full year profit before tax and exceptional items in line with the Board's expectations.

Daemmon Reeve, CEO of Treatt, commented:

"We've had a strong half with record sales performance, particularly driven by our largest category, citrus, where we have both strengthened our longstanding relationships with some of the biggest beverage companies whilst also winning some new customers.

Despite the wider macro uncertainties, we remain well positioned given the prevailing consumer trends and the resilience in both alcoholic and non-alcoholic beverages. Our pipeline continues to remain promising in both new and existing customer partnerships and we are seeing good opportunities across a number of categories, giving us confidence for the second half and beyond."

Notice of Results

Treatt's half year results for the six months ended 31 March 2023 will be announced on 9 May 2023. To register interest please contact MHP on the details below.

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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 approximately 400 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.