

Trading Update

TREATT PLC

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Treatt PLC

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

Trading update for the year ended 30 September 2022

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 2022 ("FY22").

Highlights

- FY22 profit before tax and exceptional items still expected to be in line with revised Board expectations of between £15.0m and £15.3m, announced on 15 August 2022
- Revenue growth of c.13% (9% in constant currency) in line with market expectations
- Progressive dividend policy unchanged
- Correction of over-hedged FX contracts and implementation of new FX management systems
- Majority of production now transitioned to the new UK facility and UK production capacity will at least double once process is fully completed (anticipated in FY23)
- Substantial investment over recent years in production and people to support significant growth opportunities over medium term, bolstered by favourable consumer trends in the beverage market

FY22 performance

Revenue for the year is anticipated to be c.£140m (FY21: £124.3m), an increase of c.13% (c. 9% in constant currency). Revenue growth was broad-based, across all of our categories, except for Tea as previously communicated. This performance was driven in particular by our Citrus, Synthetic Aroma and Health & Wellness categories. Coffee sales, which are anticipated to be c.£1m, will be reported separately for the first time in our full year results. Tea sales declined on the back of an exceptional FY21 performance and lower than expected demand in hard tea in the US, which also materially impacted margins for the year.

Our Citrus category, which contributed 48% of Group revenue (FY21: 44%), grew by over 20%, while margins were broadly in line. During the year we implemented selected price increases to offset higher commodity prices.

Our Health & Wellness category (including sugar reduction) had another strong year, growing by 15% (FY21: 29%) with strong consumer demand for 'better for you' products driving sales in our specialist solutions, such as the reduction of calorific content in beverages.

Despite a very strong prior year, our Fruit & Vegetables category continued to grow by 8% (FY21: 60%) with mango, pineapple, strawberry and kiwi leading the way.

An increase in products used to flavour alternative proteins and savoury snack foods helped grow our Synthetic Aroma category by 14% (FY21: 9%).

In line with revised guidance announced in August 2022, the Board expects to report profit before tax and exceptional items of between £15.0m and £15.3m.

Operational developments

The Company has reviewed how it can better limit FX exposure in light of increasing volatility. This has resulted in the correction of previously over-hedged FX contracts and the implementation of new FX management systems which will provide greater controls for the Group in this area moving forwards.

The majority of production has now transitioned to the new UK headquarters and UK production capacity will at least double once this process is fully completed. Distillation equipment is anticipated to move to the new site in 2023.

Cash and dividends

The Group ended the year with net debt of c.£23m (FY2021: £9.1m). During the year the Group spent £6m on its new UK facility and invested in holding prudent levels of inventory to mitigate supply chain risks for customers.

The business continues to generate good levels of cash and the Board confirms its intention to continue its progressive dividend policy.

Outlook

After a challenging year, the Group enters the new financial year with confidence in Treatt's proposition and its ability to deliver top line growth, supported by positive market dynamics.

After substantial investment in our people and production facilities 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.

Daemmon Reeve, CEO of Treatt, commented:

"We delivered continued positive growth in sales for the year, reflecting a good performance across the vast majority of our categories, however, we were impacted by some specific factors in the second half which ultimately led to a disappointing outcome for the full year.

We have taken a number of immediate actions in recent weeks to ensure the business has the right systems in place, whilst also confirming that the substantial investment in our team and facilities is adequate to meet our ambitious goals.

Whilst the macro environment remains uncertain, we are encouraged by prevailing consumer trends, particularly in the beverage market, which play into our specialist expertise in flavour. As such, we are confident the business can revert to its trajectory of growth."

Treatt's results for the year ended 30 September 2022 are expected to be announced on 29 November 2022.

Treatt plc

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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 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.