9 October 2020

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

Trading update for the year ended 30 September 2020

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 2020 ("FY20").

Highlights

- FY20 profit before tax and exceptional items in line with pre-COVID-19 Board expectations.
- 16% revenue growth in our health & wellness category.
- Stronger margins from our focus on added-value products, despite the impact of lower orange oil prices and COVID-19.
- UK relocation project progressing well and on budget - transition expected in Spring 2021.
- Cautiously optimistic outlook for the new financial year despite on-going uncertainty from COVID-19.

FY20 performance

Building on the momentum seen in H1, the Group performed well during the second half of the financial year, reflecting our focus on added-value products. The Board expects to report profit before tax and exceptional items for FY20 of approximately £14m, in line with its pre-COVID-19 expectations.

Revenue for the year is anticipated to be in the region of £109m, a decrease of 3% (-3% in constant currency) compared with the prior year. As previously reported, revenue for the year was impacted by the substantial reduction in orange oil raw material input costs, which fell by more than 50% in the prior year. Excluding orange oil related products (which represent around 22% of FY20 revenue), revenue grew by 4% in the year. The impact of COVID-19 on on-trade demand was particularly felt in Q3, with Q4 revenue showing some recovery as the hospitality sectors in Europe and the US began to reopen.

Despite a 10% reduction in reported revenue from our citrus category, which contributes 50% (FY19: 54%) of Group revenue, gross profit from this category increased year on year as the business continues to transition away from traded and minimally processed products to more added-value customer solutions. In addition, the Group experienced increased demand for citrus co-products used in industrial and household cleaning products, as new cleaning protocols across the globe drove demand.

In non-citrus revenues; health & wellness (including sugar reduction and representing 7% of Group revenue; FY19: 6%) grew by 16% and fruit & vegetables (representing 7% of Group revenue; FY19: 6%) grew by 10% as the Group's clean label innovations continue to perform well in the marketplace.

A strong category for the Group in recent years has been tea (representing 6% of Group revenue; FY19: 6%) which grew revenue by 47% in H1. This category was materially affected by the loss of on-trade demand in H2 (including business to hospitality, bars, restaurants and cruise lines) and has consequently ended the year marginally down (-2%) against the prior year's revenue.

The Group's traditional range of herbs, spices & florals (representing 11% of Group revenue; FY19: 10%) grew revenue by 8% in the year. Whilst 'natural' now represents approximately 81% of the Group's portfolio, revenue from our aroma and high impact chemical category into the synthetic flavour and fragrance market remained broadly unchanged.

New product launches in our consumer markets have been less prevalent over the last six months due to COVID-19, however the Group continues to grow revenue from the alcoholic seltzer market*, which has increased significantly in the US over the last year (particularly through off-trade channels) and is now beginning to make inroads into Europe. The Group continues to invest in its natural coffee extract capabilities, which also represents a significant growth opportunity for the business.

We are pleased to confirm that construction work on our new facility in the UK is almost complete which means that we are approximately 75% of the way through our overall capital investment programme in the US and UK. The fitout of the new UK facility is under way and we expect to begin transitioning to the new site in Spring 2021.

As previously reported, the expansion of our US manufacturing facility was completed last year and is now fully operational. Our capacity for products in our fruit & vegetables, health & wellness and tea product categories doubled and came on stream in time for the new crop season, with growth in these categories expected to continue from both existing and new customers.

Cash and dividends

The cash performance for the Group was encouraging, with the Group remaining cash positive despite significant capital investment in our new UK facility. At the end of FY20 the Group had net cash of £1m (excluding lease liabilities) and total bank facilities of £20m. The Board confirms its intention to propose a final dividend in line with its unchanged dividend policy.

Outlook

As we begin our new financial year, the global impact of COVID-19 continues, and the wellbeing and safety of our colleagues remains our priority. Despite the significant disruption to consumer demand across our markets, we continue to diversify our revenues and position the Group as an added-value natural extracts and ingredients provider across a range of growth categories. As such, we are cautiously optimistic about our growth trajectory into FY21.

The build out of our coffee platform continues and we anticipate gaining traction in the cold brew coffee market. Additionally, we foresee continued benefit from the ongoing growth in the global alcoholic seltzer market.

The Group is well-positioned as a natural extracts business and we anticipate further growth across all our product categories. With additional capacity in the US and the forthcoming transition to our new UK facility, the Group enters the new financial year well placed, with the products, the people and the production capacity to optimise market opportunities.

Daemmon Reeve, CEO of Treatt, commented:

"We have delivered a strong performance in spite of the difficult backdrop during the year and I thank our colleagues across the Group for their skill, flexibility and determination in what has been an extraordinary period.

"Our strategy has built resilience into our business model and we are strongly positioned to benefit from key consumer trends including the preference for natural products, a growing interest in health and wellness, and premiumisation. As such, we remain confident in the long-term prospects for the business."

Treatt's results for the year ended 30 September 2020 are expected to be announced on 24 November 2020.

* The global alcoholic seltzer market size was valued at USD 4.4 billion in 2019 and is expected to grow at a compound annual growth rate (CAGR) of 16.2% from 2020 to 2027. Source: Grand View Research www.grandviewresearch.com.

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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.

Information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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.