

Trading Update

TREATT PLC

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("Treatt" or "the Group")

Trading Update

Treatt, the manufacturer and supplier of a diverse and sustainable portfolio of natural extracts and ingredients for the beverage, flavour and fragrance industries, today announces a trading update for the year ending 30 September 2022.

In the Group's half year results announcement, we referenced the anticipated return to Treatt's traditional H2 profit weighting supported by a very strong order book. Although the Group is still expecting to report strong revenue growth for the full year and retains an excellent order book, it has been affected by a number of separate factors which will impact profitability for the full year. We now expect profit before tax and exceptional items to be between £15.0m and £15.3m.

The revised guidance is given for the following reasons:

- As stated in the half year results, we anticipated a much stronger performance from our higher margin Tea category in H2 driven by iced and hard tea consumption in North America. As has been well-documented, consumer confidence in the US has deteriorated in recent months causing lower demand in this category which has materially reduced our margins. Whilst Tea sales will be lower year-on-year, after an exceptional FY21 performance, our anticipated two year growth of over 60% in this category highlights the significant opportunity in the future.
- The Group's margins have been adversely affected by increasing volatility in FX movements during H2. The UK business makes a portion of its sales in US Dollars and uses foreign currency exchange contracts to manage risk. The rapid devaluation of Sterling against the US Dollar during the period has had a significant impact on margins.
- The Group is experiencing significant input cost inflation and whilst, in a number of cases, the business has been able to pass this onto its customers, some longer term contracts have not yet allowed this to be achieved across the full portfolio.

- Our China subsidiary has experienced well documented extended Covid-19 related restrictions in large parts of the region resulting in the loss of some higher margin revenue in the year.

Notwithstanding these negative, predominantly short-term, challenges to profitability, we are encouraged by other trends seen through H2, including the ongoing strength of the order book which, as announced in the half year results, continues to be up c.25% year-on-year, giving us confidence as we head towards the new financial year. Aside from the Tea category, we are seeing strong growth in all other Treatt categories and the opportunity for efficiencies in our new UK manufacturing site is increasingly clear.

After substantial investment in our people over the past 12-18 months, we believe we now have the right people infrastructure in place to seize the multiple growth opportunities available; we do not anticipate any significant increase in administrative expenses in the short to medium term, outside of the normal rate of inflation. The Company is also reviewing how it can better limit FX exposure in light of increasing volatility.

Daemmon Reeve, CEO of Treatt, commented:

“Whilst clearly disappointed by the short term impact on profitability, we remain encouraged by the underlying trading performance of the business and are confident in the long term growth drivers for Treatt.

We have significant opportunities across our categories and geographies and, notwithstanding the short-term impacts in Tea, we see strong momentum in all of our categories given the alignment with prevailing consumer trends. For example, there continues to be sustained growth in demand for our natural and authentic extracts and bespoke solutions for a wide range of beverages.

We also remain excited about the potential in Coffee over the next few years and expect this category to be reported separately at the full year given we are now seeing growth in orders and multiple opportunities for the future.”

Financial calendar

The Group expects to issue a trading update in October 2022, after the completion of the financial year to 30 September 2022.

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This announcement contains inside information within the meaning of the Market Abuse Regulation. The person responsible for arranging release of this announcement on behalf of Treatt is Ryan Govender, Chief Financial Officer.

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.