

Treatt plc Interim Results



TREATT

for the 6 months ended 31 March 2017

**Daemmon Reeve - Chief Executive Officer
Richard Hope - Finance Director**

Agenda

- **Executive Summary**
- **Results at a glance**
- **Financial Review**
- **Our Strategy**
- **Commercial Review**
- **Future Developments**
- **Current Trading & Outlook**

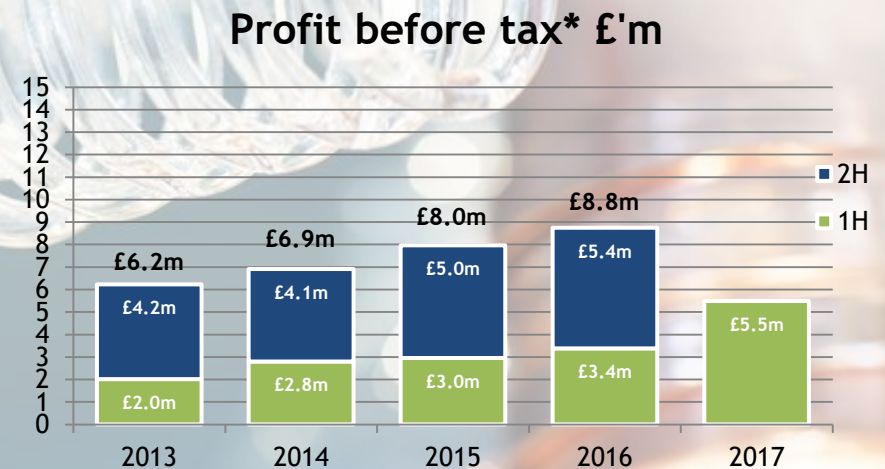
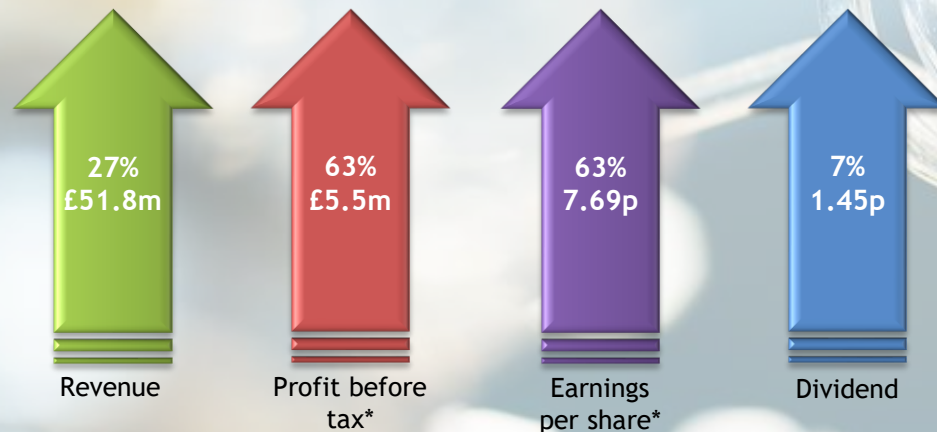
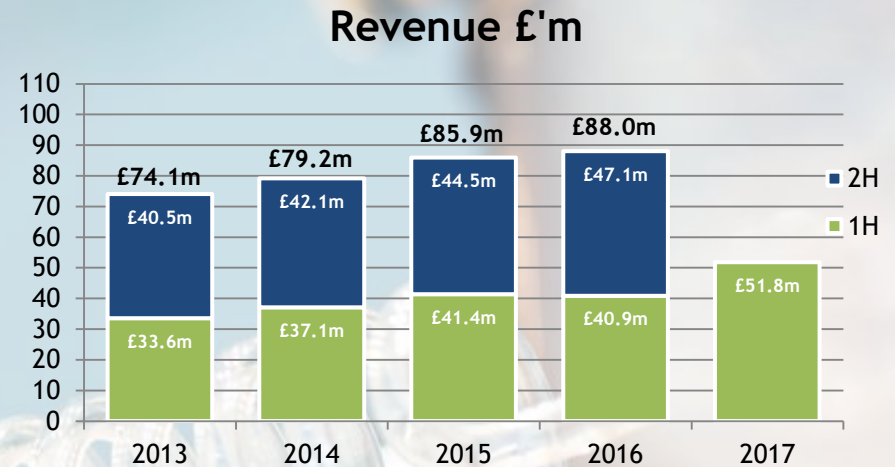


Executive Summary

- **3 years ahead of schedule on 2020 strategic plan financial targets**
- **Key product categories all performing well**
- **Strong Q1**
- **Momentum continued into Q2**
- **Cash outflow due to order book build**

Results at a Glance

6 Months Ended 31 March	2016	2017
Revenue	£40.9m	£51.8m
Operating profit	£3.7m	£5.9m
Profit before tax*	£3.4m	£5.5m
Earnings per share*	4.72p	7.69p
Dividends per share	1.35p	1.45p



* All adjusted measures exclude exceptional items in prior years

2017 Half Year Review

Income Statement

	<u>2016</u> <u>£'000</u>	<u>Change</u> <u>%</u>	<u>2017</u> <u>£'000</u>
Revenue	40,893	+26.6%	51,788 ^① _②
Gross Profit	9,622		12,384
<i>Gross Profit %</i>	23.5%		23.9%
Administrative expenses	(5,905)		(6,471) ^③
Operating Profit	3,717	+59.1%	5,913 ^④
<i>Operating Profit %</i>	9.1%		11.4%
Net Finance costs	(338)		(420) ^⑤
Profit before taxation & exceptionals	3,379	+62.6%	5,493 ^②
Exceptional items	(218)		- ^⑥
Profit before taxation	3,161	+73.8%	5,493
Taxation	(932)		(1,483) ^⑦
Profit for the period	2,229	+79.9%	4,010

Key Points

1. Strong revenue driven by citrus, tea, sugar reduction
2. FX: +£3m to revenue and +£0.8m to PBT in constant currency
3. Admin expenses up 9.6% largely due to FX retranslation (4.4% in constant currency)
4. Margin improvement trend continuing as we move up the value chain
5. Increase in average debt due to higher working capital
6. No exceptional items in H1 FY17
7. Effective tax rate of 27% v 27.7% due to relatively higher UK profits

2017 Half Year Review

Cash Flow

	<u>2016</u> <u>£'000</u>	<u>2017</u> <u>£'000</u>
Net cash from operating activities	(839)	(1,574)
<i>Cash flow from investing activities</i>		
Investments in subsidiaries	-	(900)
Purchase of property, plant and equipment	(322)	(571)
Purchase of intangible assets	(26)	(36)
Purchase of redeemable loan notes	-	(675)
Other	6	1
	(342)	(2,181)
Free cash flow	1,181	(3,755)
<i>Cash flow from financing activities</i>		
Interest payable	(344)	(421)
Dividends paid	(662)	(2,267)
Net sales of own shares by Share Trust	97	100
	(909)	(2,588)
Net decrease / (increase) in net debt	(2,090)	(6,343)
Effect of foreign exchange rates	(183)	4
Movement in net debt	(2,273)	(6,339)

Key Points

1. Cash outflow normal in H1
2. £7.2m increase in working capital
3. Relatively low cap ex due to UK site relocation
4. £3.2m of 'one offs' due to Earthoil and dividend timings

2017 Half Year Review

Balance Sheet

<u>As at 31 March</u>	<u>2016</u>	<u>2017</u>	
Goodwill	£1.1m	£2.7m	❶
Fixed Assets	£11.6m	£12.0m	
Inventories	£30.2m	£40.4m	❷
Debtors	£19.0m	£21.0m	
Creditors	(£12.9m)	(£18.9m)	
Working Capital	£36.3m	£42.5m	
Taxation	(£1.5m)	(£0.9m)	
Net Debt	(£8.4m)	(£8.0m)	
Pension deficit	(£3.4m)	(£6.3m)	❸
Other net liabilities	(£1.6m)	(£0.7m)	
Shareholders' Funds	£34.1m	£41.3m	

- Multi bank facilities totalling £24.4m
- Group headroom of £16.4m (Mar 2016: £12.3m)

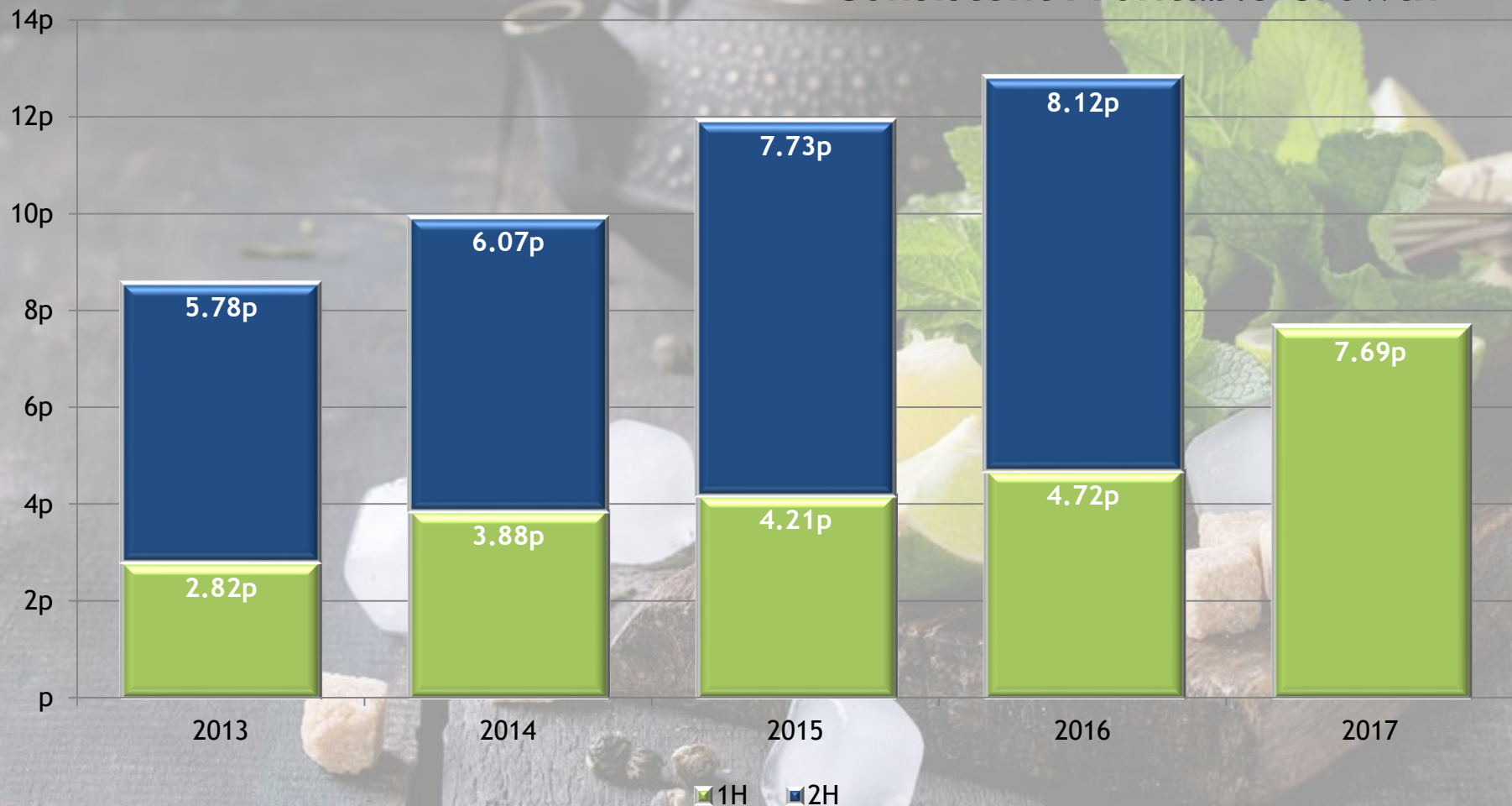
Key Points

1. Increase in Goodwill following Earthoil settlement
2. Inventory levels higher due to strong order books
3. Pension accounting deficit of £6.3m v actuarial deficit of £1.7m

Interim/Final Earnings per Share*

2013-2017

“Consistent Profitable Growth”

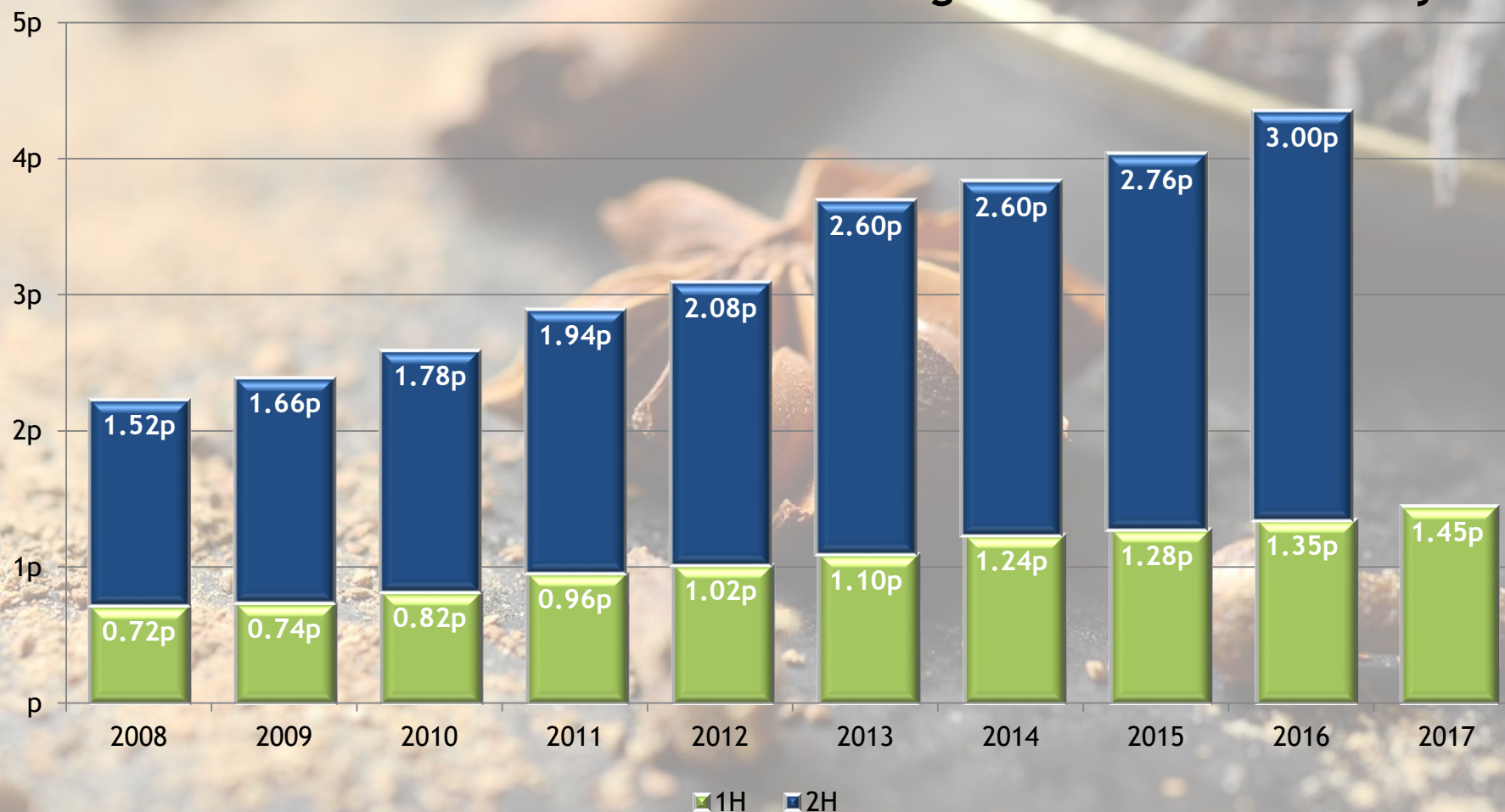


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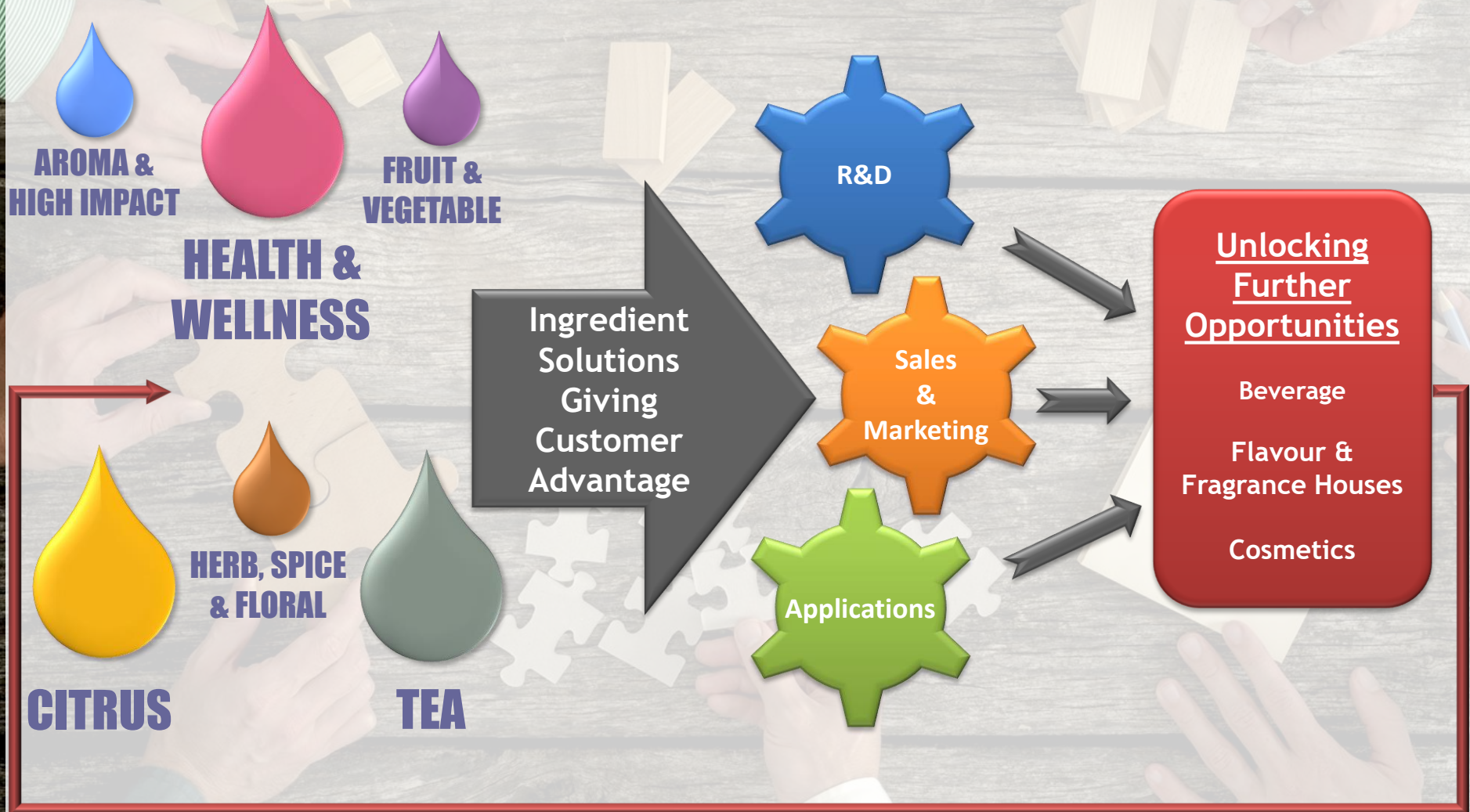
Interim / Final Dividends

2008-2017

“Progressive Dividend Policy”



Key Strategic Focus



2020 Strategic Plan

“To deliver sustainable growth in profits in the flavour, fragrance and consumer product markets”



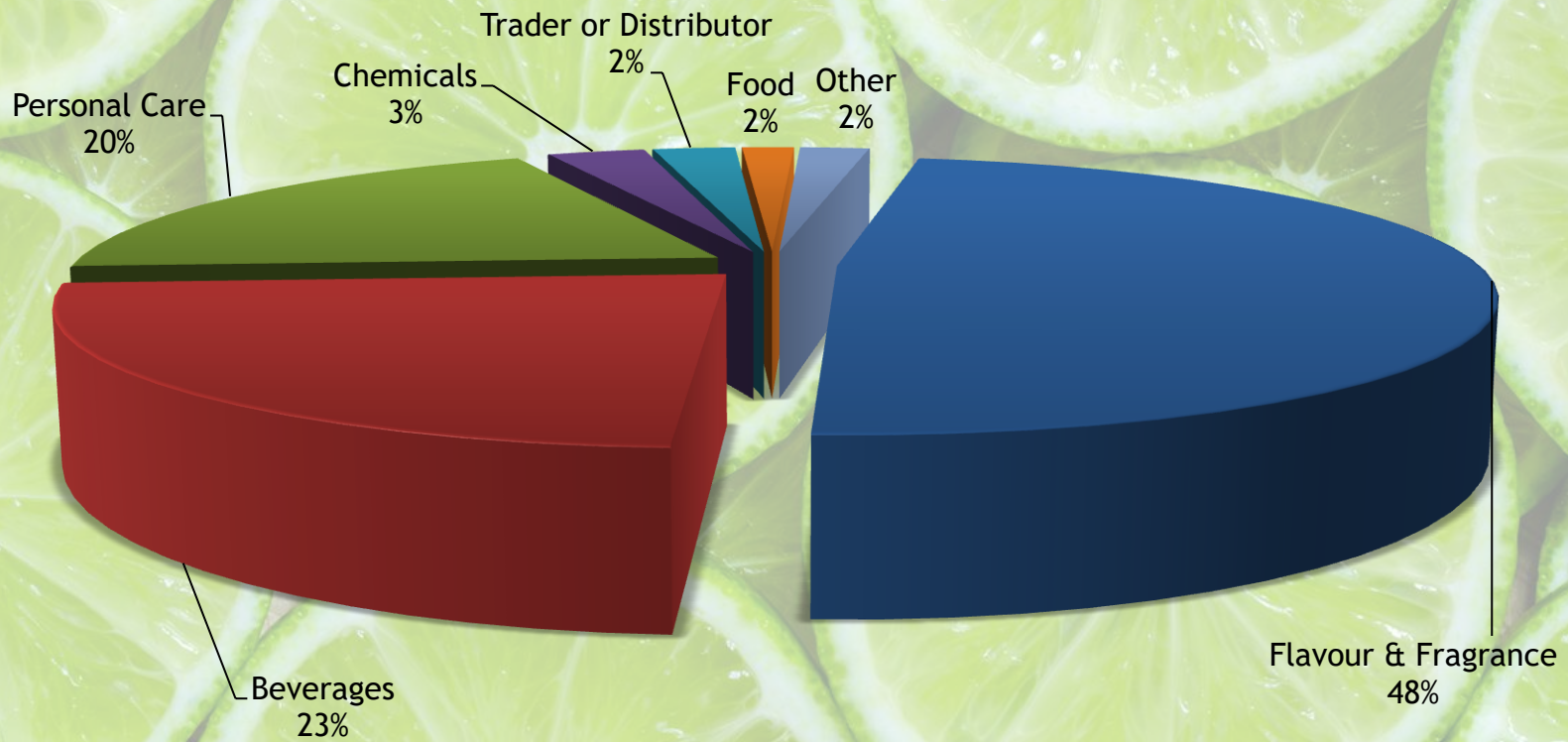
Commercial Review

- **Emphasis on people, staff engagement and culture - key drivers of business success**
- **Significant new business wins delivering growth**
- **First re-brand in searchable history of Treatt**
- **China expansion continues**
- **Earthoil performing well**
- **Margin gain due to favourable product mix transition**

Customer Industry Sectors

Sales

Sales



Future Developments



- **Business driven capacity investment at Treatt USA**
- **Excellent growth in sugar reduction and tea**
- **UK relocation and expansion**

UK Relocation & Expansion

From this:



Land, buildings, and move costs	£20m - £26m
Capital projects held back over the last three years	£3m - £5m
Upgraded plant and machinery and new technologies	£3m - £5m
Less: Disposal of current site	(£5m)
Total estimated cash outflow over 2-3 years:	£21m -£31m

To this (architect's impression):



- Planning and regulatory consent expected to take 6-9 months
- Up and running late 2019
- To drive future growth
- To reflect new Treatt

Current Trading & Outlook

- Q3 started strongly and momentum continuing
- Positive top line growth driven by higher order books
- Strong cash inflow expected in H2
- Promising opportunity pipeline over 18 months - 2 years
- Earthoil momentum continues
- Favourable product mix, margin improvements to continue in line with strategy
- New customer opportunities being realised
- Board confident in meeting its revised expectations for FY17



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www.treatt.com