

10 October 2024

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

Trading update for the year ended 30 September 2024

Strong H2 momentum with full year sales and profits in line with expectations

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 2024 ("FY24").

HIGHLIGHTS:

- H2 revenue growth of 16%, reflecting organic growth from new business wins and a normalisation in industry demand
- Full year revenue growth of 5% (7% in constant currency) to c.£155.2m (FY23: £147.4m)
- Adjusted EBITDA growth of 7% to c.£24.7m (FY23: £23.0m)
- Profit before tax and exceptional items (PBTE) growth of 9% to c.£18.8m (FY23: £17.3m), in line with Board expectations. This builds on the PBTE growth of 14% between FY22 and FY23, with PBTE having grown by 23% from FY22 to FY24
- China continues growth momentum - new Shanghai innovation facility approved to accelerate locally customised innovation and customer collaboration
- Strong cost disciplines and other self-help measures embedded
- Year end net debt significantly reduced to £0.7m (FY23: £10.4m), ahead of Board expectations, reflecting the robust cash generation and discipline of the business

FY24 Performance

Revenue for the year is anticipated to be £155.2m (FY23: £147.4m), up 5% (7% at constant currency). We are particularly pleased with the H2 sales momentum, with 16% sales growth led by improved Heritage and strong China regional growth.

Revenue in our Heritage segment, which includes Citrus, Synthetic Aromas and Herb Spices & Florals has grown by 10% and is expected to be £105.7m. Citrus, which continues to be a core focus for Treatt, grew by 30% in the second half, driven by increased volumes in strategic accounts and cost price increases. Synthetic Aroma grew by 34% in H2 as flavour house demand normalised.

Revenue in our Premium segment, which includes Tea, Health & Wellness, Fruit & Vegetables, is expected to be in line with the prior year at £34.8m, as strong growth in Tea underpinned by multiple wins in the North America market, was offset with slower consumer demand in other premium beverage categories in the second half. Innovation, including co-collaboration with our customers, remains a key focus to convert our healthy pipeline of opportunities in this segment

Revenue in our New Market segment, which includes Coffee, China and Treatt's citrus, declined as expected by 9% to £14.7m. This decline was primarily due to the performance of Coffee, as previously communicated at the half year. China revenues grew 27% in the year, with multiple H2 wins with local beverage brands. The Board has approved an investment in a new Shanghai Commercial and Innovation Centre, to accelerate in-country innovation and customer co-collaboration.

In line with the Board's expectations, the Company expects to report profit before tax and exceptional items for FY24 of c.£18.8m which is c.9% ahead of last year (FY23: £17.3m).

Balance sheet

We are pleased to report a significant reduction in Group leverage, reflecting the strong cash generation of the business, as we ended the year with net debt better than expectations at £0.7m (FY23: £10.4m). Capital expenditure has returned to normalised levels as expected, and this will continue as the Group maintains the focus on fast returning capital projects to improve sales growth.

Operational developments

During the year we have invested for revenue growth, including expanding our commercial teams, with experienced industry experts based closer to our customers. Overall headcount, however, has remained broadly consistent with prior year. Foreign exchange impacts were minimal in the year. Following the implementation of self-help measures, the cost base is expected to be in line with expectations.

David Shannon, CEO of Treatt, commented:

"I am pleased that we will report good growth in both sales and profit for the year, reflecting the determined conversion of our order book and strong cost discipline. Revenue growth in the second half of the year in particular was strong, with sales pipeline conversion and demand normalising following industry destocking.

With our value-add products, and available manufacturing capacity following the investments in recent years we will start to target greater customer reach in adjacent markets and new territories. We are confident in Treatt's long-term prospects.

Since joining Treatt in June, I have immersed myself in the business, spending time with our brilliant teams and customers. This process has reinforced my reasons for joining; this is a strong business full of talented people, with clear opportunities ahead."

Notice of Results

Treatt's results for the year ended 30 September 2024 are expected to be announced on 4 December 2024.

Enquiries:

Joint Brokers

Investec Bank Plc +44 (0) 20 7597 5970

Patrick Robb
David Anderson

Peel Hunt LLP +44 (0) 20 7418 8900

George Sellar

Financial PR MHP +44 (0) 7710 117 517

Tim Rowntree treatt@mhpgroup.com
Eleni Menikou
Veronica Farah

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.

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