

Tea brews healthy returns for Treatt plc

Shaping the future of healthier tea, coffee and other drink products is proving lucrative for East Anglia business Treatt plc.

Easing into its new HQ in Bury St Edmunds, Treatt is taking sugar and toxins out of next generation beverages.

Some shareholders took a sip of profits and others a slug of fresh stock as the UK share price rose significantly on the results for the year to September 30. Treatt added 25p to its opening share price today.

Revenue for the year was up 64 per cent across healthier living categories, with tea – naturally caffeine and tannin-free – a stand-out performer.

Revenue for the year is anticipated to be c.£124 million, an increase of around 14 per cent compared to the prior year. Revenue growth was driven by categories focused on healthier living; tea, health & wellness (including sugar reduction) and fruit & vegetables categories grew by a combined 64 per cent in FY21.

FY21 profit before tax and exceptional items is expected to be in line with previously upgraded board expectations.

Within its healthier living categories, tea performed exceptionally well, growing by 113 per cent to represent 11 per cent of group revenue. This growth was driven by the return of on-trade in many parts of the world, together with material new product launches by customers which had been delayed due to the pandemic. Health & wellness (including sugar reduction) had another strong year, growing by 29 per cent as the drive to reduce the calorific content in beverages

shows no sign of abating and represented eight per cent of group revenue (FY20: 7 per cent).

Passion fruit, watermelon, cucumber and mango natural extracts led the way in the fruit & vegetables category which has been growing consistently for many years, with strong growth in FY21 of 60 per cent, and represented 10 per cent of group revenue (FY20: 7 per cent).

Reported revenue from Treatt's citrus category, which contributed 44 per cent of group revenue (FY20: 50 per cent), remained broadly similar to the prior year with Treatt's traditional range of herbs, spices & florals, representing nine per cent of group revenue (FY20: 11 per cent).

Treatt says 'natural' now represents approximately 80 per cent of the portfolio; returns from sustainable synthetic aroma products into the flavour and fragrance market grew nine per cent.

The group ended the year with net debt of around £6m despite capital investment of £9.5m in the new UK HQ, whilst retaining total bank facilities of £26m.

Treatt has progressed transitioning to its new £41m facility in Bury St Edmunds. Many staff are already based at the site and Treatt is in the process of installing and commissioning plant and machinery which will transform its manufacturing capabilities to an advanced digital system.

The company expects its technical and most of its manufacturing capabilities to be fully up and running at the new facility by mid-2022, with the final transfer and upgrade of the most complex manufacturing equipment due to be completed by mid-2023.

The company has exchanged contracts on the disposal of its old site for an aggregate consideration net of costs of c.£5.5m, with completions due in 2022 and a leaseback on one of the

units until 2023.

Once fully up and running, subject to product mix, the new facility will be capable of delivering up to three times the output of the former site.

Geographically Treatt is excited about the growth opportunities on which its China business is working while the US is set to continue as the company's largest market.

CEO Daemmon Reeve, said: "It has been a great year for Treatt with some fantastic achievements across the group despite the backdrop of Covid-19.

"In an evolving consumer market we continue to make great strides in products that facilitate healthier living and we have increasingly strong capabilities allowing us to innovate and partner more closely with our customers.

"We have much to look forward to as a group and continue to invest in our people and infrastructure to ensure we sharpen our focus on value-add solutions for our customers and can take advantage of the multiple opportunities we see for further success in the future."