

National Milk Recrds - Replacement: Interim Results

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National Milk Records PLC

21 February 2023

The following amendment has been made to the 'INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022' announcement released on 21.02.23 at 7am under RNS No 4916Q.

In the Consolidated Statement of Comprehensive Income table, in the 6 months ended 31-Dec-22 column, the figures for: (i) the Operating Profit and (ii) the sum of the Operating Profit and Share of operating profit in joint ventures have been updated.

All other details remain unchanged.

The full amended text is shown below.



For immediate release

21 February 2023

National Milk Records plc

("NMR", the "Company", or together with its subsidiaries, the "Group")



is pleased to announce its unaudited results for the six months ended 31 December 2022.

Highlights

- Turnover for the period increased by 5.0% to £12.0 million ("m") (2021: £11.4m)
- Like for Like EBITDA^(*) for the period increased by 17.0% to £1.34m (2021: £1.15m)
- Underlying EBITDA^(**) for the period decreased 8.8% to £1.05m (2021: £1.15m)
- 5.3% increase in Profit Before Tax to £0.79m (2021: £0.75m)
- Basic and diluted earnings per share increased 34% to 4.3p (2021: 3.2p)
- Investment in tangible and intangible assets up 83.3% to £1.1m (2021: £0.6m)
- Net Debt down 14.2% to £0.9m (2021: £1.1m)
- Dividend of 2.0 pence ("p") per share paid in November 2022 (2021: 1.5p)
- Net assets increased 30% to £9.3m (2021: £7.2m)

^(*) Like for Like EBITDA excludes the investment in US GenoCells, reorganisation costs for consolidating milk testing, and differing accounting treatment for vehicles not under finance leases

^(**) Underlying EBITDA excludes a charge for share-based payments included in 2022 for the Executive Incentive Plan announced on 29 December 2021. £76,000 was accrued within overheads and is credited to reserves (2021: £187,000).

Mark Frankcom, Finance Director, commented:

"The results for the first half of the financial year show a solid performance year on year, albeit with EBITDA held back by the differing accounting treatment for vehicles not under finance leases, reorganisation costs for consolidating milk testing at our Four Ashes laboratory, and our investment in the opportunity for GenoCells in the US. On a like-for-like basis, EBITDA was approximately £290,000 higher, representing a year on year increase of 17%. At this level of analysis, the figures continue to demonstrate sustainable growth in revenues and earnings, in line with our medium term growth ambitions. In addition, the Group has increased its capital investment, whilst also reducing net debt and paying an increased full year dividend.

"Our revenue growth demonstrates the validity of our strategy to focus on our core services whilst concurrently pursuing opportunities for innovation. It's really pleasing to see continued growth of Johne's disease testing revenues, but also for our oldest revenue categories of milk recording and payment testing. The number of cows on the database has held up well in the first half of the year, and we are determined to grow this Key Performance Indicator.

"Genomics revenues are also worth comment, nearly doubling to £366,000, which provides a strong foundation as we look to launch GenoCells technology in the UK and the US later this year. GenoCells provides farmers with a genomically driven individual animal cell count analysis, based purely on the sample of milk from their bulk tank. This allows them to manage mastitis in the herd, and its associated use of antibiotics, without the need for individual animal sampling.

"The first half of the financial year has seen significant capital investment, putting the Company in a strong position for the second half of the year and beyond, as we continue to pursue our strategic plan. We are installing the IT infrastructure to deliver GenoCells in the UK and US markets, and intangible investment also includes €375,000 for the second half of the licence for GenoCells in the US. Tangible fixed assets includes a substantial investment in our Four Ashes laboratory to support the cost saving initiative to consolidate milk-testing.

"We recognise the talent and commitment of the whole NMR team right across our operations, including our self-employed milk recorders and samplers, working hard to deliver the data and robust insights which support our customers to achieve their business objectives."

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This announcement is available on the NMR website at www.nmr.co.uk

The Directors of the Company are responsible for the contents of this announcement.

Group Results

The Company's strategy continues to focus on its core business and its associated adjacent revenue opportunities which is demonstrated in continued growth in revenues during this period. EBITDA performance compared to the same period last year was held back by costs arising from three factors: vehicle rentals; US GenoCells; and laboratory reorganisation. The widely understood lack of availability of new motor vehicles has led to a higher volume of rentals where an additional £38,000 of costs were borne in overheads (costs for vehicles under finance leases are borne in depreciation and interest, both below EBITDA). Progressing with the development of GenoCells technology in the United States resulted in costs of £162,000 (2021: nil), mainly for field trials and market research. The first half also includes £90,000 one-off costs associated with the restructure of laboratory operations to consolidate the majority of milk testing at the laboratory at Four Ashes.

The Core Business segment was the key driver behind revenue growth, with particular note on the revenues from Johnes testing, which grew by £172,000, an increase of 7.0% compared to the same period last year. Milk recording revenues were also higher by £183,000, up 3.5%. The number of cows on the database were at a similar level to the previous period, totalling 683,357 (2021: 684,477). Revenues from payment testing grew by 5.5% to £2.07m, focusing on the Company's KPI of revenue per unit being increased by greater penetration for these testing services.

Revenue from Genomic testing almost doubled to £337,000 (2021: £173,000) driven primarily by the commercial arrangement with Genus.

NMR's share of Joint Venture profit in Ireland grew by 10% to £308,000 in 2022, supported by continued growth in BVD testing and testing for chlorate contamination in milk products, particularly milk powders.

Dividend

A final dividend of 2.0 pence per share for the financial year ended 30 June 2022 was paid on 18 November 2022 (2021: 1.5 pence), having been approved at the Company's Annual General Meeting. NMR recommended the increase in dividend to reflect both the improved financial performance in the year as well as the Board's confidence for the business going forwards, balanced with the need to support its investment programme in line with the strategic plan of the Company. Consistent with prior interim periods, the Directors propose no interim dividend (2021: nil).

Investment

The Company's investment in fixed assets continues with £1.92m recorded in the year ended 30 June 2022, and a further £1.067m in the first half of the new financial year. Key investments in tangible assets totalling £0.44m in the first half of the year included a new Bactoscan machine for milk testing and an additional liquid handling platform.

Investment in intangible assets of £631,000 is primarily associated with the development of the platform to support genomics testing and GenoCells licence for NMR's plans to launch GenoCells in the US market.

Cash flow and Debt

Overall net debt has decreased to £0.9m (2021: £1.1m), after an increased dividend payment to shareholders totalling £0.42m (2021: £0.31m).



Key Personnel

NMR's managing director, Andy Warne, is currently undergoing a period of cancer treatment. Finance Director Mark Frankcom has assumed operational control of NMR on an interim basis with the full support of the rest of the Board and Executive Leadership Team.

Outlook

Trading for the first half the financial year has been positive with many sectors of the business continuing to perform well. Significant input inflation has affected costs and NMR has increased prices for its services, across the board, to maintain margins. The employment market is also creating pressure on wages and NMR remains determined to secure the talent it requires in a competitive market. Cash generation remains strong and the Company will continue to invest in its key strategic priorities alongside revenue investments such as marketing campaigns for GenoCells.

Across the UK dairy industry, milk prices have declined from their peak, although remain c.50% above the average over recent years, with many reductions already announced for deliveries in the first quarter of 2023. Inflation has led to a scenario where marginal decision making for farmers carries more risk: higher costs for investment and higher input costs are making the need for robust data insights becoming ever more important. Furthermore, maximising the efficiency of a herd is the single most direct route for the dairy industry supply chain to achieve its sustainability objectives.

About NMR

NMR is the leading agri-tech supplier of management information to the UK dairy supply chain. Through a team of self-employed milk-recorders, it collects and tests milk samples for approximately 50% of the UK's 1.8 million cows. In addition, its laboratories provide payment testing and disease testing services for Britain's milk processors. NMR has a joint-venture laboratory in the Republic of Ireland providing similar services to farmers and processors across the whole of Ireland. Another division of the Group is a livestock traceability business, Nordic Star, which services the UK dairy and beef sectors.

NMR plc - Consolidated Statement of Comprehensive Income

	6 months ended 31-Dec-22	6 months ended 31-Dec-21	12 months ended 30-Jun-22
	£'000	£'000	£'000
Turnover			
Core Services	9,785	9,324	18,819
Testing adjacencies	905	916	1,883
Surveillance adjacencies	292	277	503
Other adjacencies	696	749	1,465
Genomics	336	173	488
Total Revenue	12,014	11,438	23,158
Costs of sales	(6,878)	(6,505)	(13,241)
Administrative expenses	(4,608)	(4,424)	(8,312)
Other Operating Income	-	7	7
Operating Profit	528	516	1,612
Share of operating profit in joint ventures	308	280	701
	836	796	2,313



Tax on ordinary activities	130	(61)	222
Profit on Ordinary Activities After Tax	915	689	2,443
Earnings Per Share			
Basic EPS (pence)	4.3	3.2	11.5
Diluted EPS (pence)	4.3	3.2	11.5
Other Comprehensive Income			
Exchange Rate difference	-	-	14
Total comprehensive income for the year	915	689	2,457

NMR plc - Consolidated Balance Sheet

	as at 31-Dec-22 £'000	as at 31-Dec-21 £'000	as at 30-Jun-22 £'000
Fixed Assets			
Intangible fixed assets	3,206	2,057	2,690
Tangible fixed assets	3,554	3,404	3,445
Investments	2,189	1,583	1,881
Other Investments	-	-	-
	<u>8,949</u>	<u>7,043</u>	<u>8,016</u>
Current Assets			
Stock	456	602	432
Debtors	3,210	3,738	3,264
Debtors > 1 year	788	-	788
Cash at bank and in hand	1,396	1,725	2,075
	<u>5,850</u>	<u>6,065</u>	<u>6,559</u>
Creditors: less than one year	(4,143)	(3,881)	(3,889)
Net current assets	<u>1,707</u>	<u>2,184</u>	<u>2,670</u>
Total assets less current liabilities	<u>10,656</u>	<u>9,227</u>	<u>10,686</u>
Creditors: more than one year	(1,311)	(2,032)	(1,840)
Provision for liabilities	(21)	(27)	(21)
Net assets	9,324	7,168	8,825

Shareholders' funds

	2022	2021	2020
	9,324	7,168	8,825

NMR plc - Group Statement of Cash Flows

	6 months ended 31-Dec-22 £'000	6 months ended 31-Dec-21 £'000	12 months ended 30-Jun-22 £'000
Cash flows from operating activities			
Profit for the financial year	915	689	2,443
Amortisation of intangible assets	115	127	265
Amortisation of loan expenses	6	6	12
Depreciation of tangible assets	327	320	641
(Profit)/Loss on disposal of tangible assets	-	-	(20)
Share of operating profit in joint venture	(308)	(280)	(701)
Dividend income from fixed asset investment	-	(6)	(6)
Net interest payable	37	41	91
Taxation credit	(130)	61	(222)
Share based payment charges	76	187	152
Decrease/(Increase) in trade and other debtors	185	196	(134)
(Increase)/Decrease in stocks	(24)	(96)	74
(Decrease)/Increase in creditors	(150)	(239)	(132)
	134	317	20
Income taxes refunded	-	-	278
Cash from operations	1,049	1,006	2,741
Cash flows from investing activities			
Dividend received from Joint Venture	-	-	136
Dividends received	-	6	6
Purchase of tangible fixed assets	(134)	(247)	(457)
Purchase of intangible fixed assets	(631)	(396)	(1,167)
Proceeds from sale of tangible assets & investments	-	3	20
	(765)	(634)	(1,462)
Cash flows from financing activities			
Dividends paid	(417)	(314)	(314)



cash proceeds from loans			
Purchase of shares for share option plans	(15)	-	(60)
	(963)	(753)	(1,309)
Net increase in cash and cash equivalents	(679)	(380)	(30)
Cash and cash equivalents at beginning of period	2,075	2,105	2,105
Cash and cash equivalents at end of period	1,396	1,725	2,075

ENDS

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System status normal