

National Milk Recrds - Third Quarter Trading Update

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National Milk Records PLC

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National Milk Records plc

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

THIRD QUARTER TRADING UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2023

National Milk Records plc, the established agri-tech information services provider in UK dairy traded on the Aquis Stock Exchange (AQSE: NMRP), is pleased to announce its unaudited trading update for the three months ended 31 March 2023 (the "quarter").

HIGHLIGHTS

- Turnover for the quarter of £6.482 million (March 2022: £5.630 million), an increase of 15.1%
- Revenues from core revenue streams increased by more than £650,000, an increase of 14.3%



price changes implemented across NMR services in January 2023

- Sales of Genomics testing more than doubled, up £129,000 to £250,000, an increase of 106%
- Planning is progressing well for the launch of the GenoCells services in the UK and the United States later this calendar year

Mark Frankcom, Finance Director, commented:

"I am pleased to report a marked uplift in revenue growth for the quarter. The value of NMR's services up and down the supply chain is well understood by our customers, and we have been able to secure higher prices for our services on the back of higher inflation and an underlying increase in the value of milk.

"In line with our strategic priorities, we have seen revenue growth in our core services, notably core milk recording and testing for Johne's disease, up approximately 15% and 21% respectively, and we have also seen increases in revenues from bulk tank samples testing for processors and farmers alike. The combination of individual animal testing and whole-herd analysis is a particular selling point for NMR as we collect whole herd samples for every dairy herd in Britain every day, which enables surveillance and management of animal health, production, and sustainability. A healthy cow is an efficient, sustainable producer of dairy protein.

"It's also good to see another quarter of significant growth in genomics testing. We are convinced that the benefits of genomics testing, particularly when coupled with our exclusive GenoCells service, will see a rapid penetration of the UK market. 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.

"We are pleased with the progress of our launch planning for GenoCells and are looking forward to its official launch in the autumn, initially in our core domestic market and soon after in the United States.

"I would like to thank all of the NMR staff and our hard-working self-employed milk recorders and samplers, many of whom are working night-shifts, dawn and dusk, serving our customers and who continue to demonstrate that NMR services decode milk data and build robust insights."

TRADING UPDATE

Turnover for the third quarter of the financial year was £6.482 million, £852,000 above the same period last year, a growth year-on-year ("YOY") of 15.1%.

Consistent with trading so far this year, the three largest contributors to the YOY growth in the third quarter were in milk recording, testing for Johne's disease and genomics testing. This reflects NMR's strategic focus of growing the core business whilst pursuing new innovative technologies such as genomics and GenoCells. Testing of Johne's disease continues to be a key driver of growth, up by £248,000, a rise of 21.2%, and milk recording revenues grew by 15.4% YOY.



Revenue from Genomics testing grew by 106% YOY, driven by the incremental business from the new contract with Genus plc for its bovine female genomic testing requirements in the UK market. Having started in March 2022, the Genus contract will have boosted YOY comparisons of genomics trading until its anniversary, with strong growth anticipated in the current financial year. YOY growth was also supported by NMR's distribution of the Clarifide™ genomic test in the UK, for the US leading genomics tester, Zoetis Inc. which also delivered 34% of the volume in the quarter, up by 15% YOY.

In other areas, revenue from support for On-Farm Software grew by 15.1% in the quarter to £247,000 and is considered a key strategic enabler as NMR looks to integrate the flow of data up and down the supply chain, controlled by suitable permissions. After a slow first quarter, sales of testing and tags under the Nordic brand had a stronger third quarter, and is recovering as anticipated with tag sales up 27% YOY and Tag and Test sales up 17%.

KEY PROJECTS

Preparations for the launch of GenoCells in the UK have stepped-up in the quarter. Having gained a clear line of sight for IT developments governed by NMR's Future State Architecture, the commercial team has started deploying its 180 day launch plan. This looks to all of the critical success factors required for launch including pricing, marketing, training, customer on-boarding, and data-flows. The launch plan is on track and the Company expects a launch of the service in September this year.

In parallel, work continues to secure sales channels for launch of the service in the United States. Field trials are also taking place in the United States for both large-scale commercial herd operations and the highly rated dairy herd of the University of Wisconsin. The United States services are also expected to launch later in 2023.

Finally, having prioritised workstreams within the project to develop new Finance, Billing and Customer Relationship Management ("CRM") systems using Microsoft Dynamics 365, NMR is now in the final phases for preparation of the launch of the new finance system using the Business Central application of Dynamics 365. This will launch in summer this year and deliver significant benefits including digitalisation of customer-facing sales documentation including invoices, credit notes and statements. This will enable a quicker, clearer and more accessible view of customer accounts to the mutual benefit of NMR and its customers. Subsequent phases for Billing and CRM will be prioritised after the launch of this initial phase.

OUTLOOK

There is often a lag in UK dairy between milk prices or, more appropriately, milk prices less total costs of production, and production volumes: High prices stimulating over-production, closely followed by lower prices and volume shortages. The last three quarters of 2022 were characterised by high production costs, rapidly increasing milk prices, and fears of volume shortages. Going into the spring flush of 2023, NMR has not yet seen the glut of milk some were forecasting, and whilst milk prices have come off recent highs, it may be that production trajectories are closer to the levels at which prices are more stable, albeit elevated and perhaps structurally so.



the efficiency of a herd is the single most direct route for the supply chain to achieve its sustainability objectives. With increasing focus on food and energy security, alongside sustainability, efficient herds and milk recording remain essential tools for managing and optimising dairy production, and NMR is well placed to deliver growth in conventional and adjacent sectors of the market.

For further information please contact:

NMR plc

Mark Frankcom, Finance Director

markfr@nmp.com

Canaccord Genuity Limited

Adam James

+44-20-7523 8000

Harry Rees

BlytheRay (Financial PR)

Megan Ray

Rachael Brooks

+44-20-7138-3204

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.

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.

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