Norish plc

Interim results 2020

Results

Norish plc (AIM: NSH), is pleased to announce its interim results for the six months ended 30 June 2020.

Financial Highlights

• During the period the Group’s balance sheet continued to strengthen

• Sales fell 9% from £17.5m to £15.9m

• Fully diluted adjusted EPS fell by 34%, year on year, from 3.1p to 2.06p

• Pre-IFRS 16 net debt reduced by £2m from £4.7m to £2.7m. Net debt after IFRS 16 adjustments reduced from Stg £9.7m at Dec-19 to Stg £7.7m at Jun-20. Cash availability amounts to £3m at June 2020.

• Interest cover pre IFRS 16 was 14.9 times.

Divisional Highlights

£’m

Cold Store

Sourcing

Dairy

Jun-20

Jun-19

% Growth

Jun-20

Jun-19

% Growth

Jun-20

Jun-19

% Growth

Revenue

7.1

7.3

(2.7%)

8.4

9.8

(14.3%)

0.4

0.4

Nil

Operating Profit

1.3

1.6

(19%)

0.1

0.2

(50%)

(0.1)

(0.1)

Nil

Operating Margin

18.3%

21.9%

1.2%

2.0%

(25%)

(25%)

Cold Stores

Sales in the temperature-controlled division declined 2.7%, a creditable performance given the considerable disruption to trade in both our cold store divisions, arising as a result of the Covid 19 pandemic. Overall profits declined by 19% reflecting the high fixed cost nature of the business.

Pallets in to our coldstores, the life blood of our business, were particularly impacted as our end user market (China and foodservice) was neutered by covid 19, down 24%, year on year, in the period. Blast freezing volumes saw a reduction in activity from 65,220 pallets blast frozen to 59,351 pallets blast frozen. A second key metric, that of stock turn, again reflected the state of flux in the market, with average stock holding moving out from 6.6 weeks to 8.2 weeks. Pricing action, offset these headwinds in significant part.

Like for like operational costs were cut to reflect lower activity levels but some new additional costs were incurred to minimise the risk of an outbreak of Covid 19 at our sites. Cold store profits declined by 6.4% in the South East, in the period under review, while profits declined by 22% in the North West.

Sourcing Division

Sales at our sourcing division declined by 14% in the first half of 2020, compared with the same period in 2019, from £9.8m to £8.4m. Operating profit declined by a corresponding 50%, year on year, from £0.2m to £0.1m, reflecting the impact of Covid 19 and tighter margins.

Dairy Division

Our investment in dairy is moving from the development to commercial phase.

Our subsidiary, Grass to Milk Company, continues to execute to plan with its first A2 protein based product in the final stages of development and an expected launch of this product, in high value export markets by the year end. The business has built considerable technical and commercial expertise to support a successful product launch, and is engaging with a strong in-market commercial partner. We believe the business is well placed to add value to our unique grass-fed A2-protein milk supply.

Cantwell's Court Farm's operating performance in the first half of 2020 was consistent with our expectations. Milk revenue was 3% ahead year on year, reflecting a 6% increase in volume driven by better production per cow and a 3% decline in pricing. Operating costs were ahead year-on-year reflecting lower than average pasture growth in the first half, initially due to a wet Spring followed by drought conditions in May and June. Our farming enterprise continues to improve incrementally across key operating KPIs and our herd is now fully converted to A2 which will form the basis for our future A2-protein milk supply.

The dairy divisions performance was impacted by incurring £0.1m in converting to an A2 herd.

Outlook

Our cold store business customer base substantially covers the UK Food Service and Chinese pork markets. Both of these markets were severely disrupted by Covid 19, resulting in customers converting stock to cash, in the first instance, in order to generate liquidity. This dynamic resulted in greater outflows of product, something we believe is necessarily transitory in nature.

Pricing in the Chinese pork market has recovered to a level which should sustain a strong export trade over the balance of the year, which will be positive for our North West division. In the South East, management have adapted our offering to reflect the current state of the British Food Service market, which is recovering in any event. We expect the profitability of our South Eastern division to be ahead of last year.

We are happy with the significant progress made with the development of our A2 protein milk supply via Cantwell’s Court Farm. Grass to Milk Company remains on track to launch its first A2 protein based product before year end, using our unique milk source.

The fallout in the UK Food Service market has afforded Town View Foods, our protein trading subsidiary, the opportunity to increase our trading network and rebuild our business. With an eye to opportunities post Brexit, we are now extending our footprint to South America on a minimal cost basis.

We our believe our balance sheet strength affords us opportunity in the current environment, vis a vis many of our competitors in the sector.

Dividend

• The board does not recommend the payment of an interim dividend, unchanged from last year.

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Norish plc

Consolidated income statement

For the six months ended 30 June 2020

Six months

Six months

Year

ended

ended

ended

30 June

30 June

31 December

2020

2019

2019

(Unaudited)

(Unaudited)

(Audited

£’000

£’000

£’000

Continuing operations

Revenue

15,895

17,512

36,500

Cost of sales

(14,659)

(15,775)

(33,060)

Gross profit

1,236

1,737

3,440

Other income

88

70

107

Administrative expenses

(388)

(381)

(811)

Operating profit from continuing operations

936

1,426

2,736

Finance income - interest receivable

-

-

1

Finance expenses – interest on bank loans

(63)

(79)

(120)

Finance expenses - interest

(94)

(88)

(228)

Profit on continuing activities before taxation

779

1,259

2,388

Income taxes – Corporation tax

(160)

(311)

(247)

Income taxes – Deferred tax

-

-

(165)

Profit for the period attributable to owners of the parent from continuing operations

619

948

1,976

Loss from discontinued activities

-

(16)

(135)

Profit for the period

619

932

1,841

Other comprehensive income

-

-

-

Total comprehensive income for the year

619

932

1,841

Earnings per share expressed in pence per share:

From continuing operations

- basic

2.06p

3.1p

6.57p

- diluted

2.06p

3.1p

6.57p

From discontinued operations

- basic

0p

0p

(0.45)p

- diluted

0p

0p

(0.45)p

Norish plc

Interim balance sheet

As at 30 June 2020

As at

As at

As at

30 June

30 June

31 December

2020

2019

2019

(Unaudited)

(Restated)

(Audited)

£’000

£’000

£’000

ASSETS

Non-current assets

Goodwill

2,338

2,338

2,338

Intangible assets

807

332

564

Biological assets

700

674

824

Property, plant and equipment

22,592

22,436

22,777

26,437

25,780

26,503

Current assets

Trade and other receivables

4,838

6,230

6,857

Inventories

1,025

993

1,105

Cash and cash equivalents

1,501

973

1,054

Assets of disposal group classified as held for sale

277

284

277

7,641

8,480

9,293

TOTAL ASSETS

34,078

34,260

35,796

Equity attributable to equity holders of the parent

And non-controlling interest

Share capital

5,640

5,640

5,640

Share premium account

7,321

7,321

7,321

Other reserves

(21)

103

(21)

Treasury shares

-

(563)

-

Retained earnings

4,932

4,417

4,313

TOTAL EQUITY

17,872

16,918

17,253

Non-current liabilities

Borrowings

5,757

6,359

6,100

Deferred tax

1,002

816

1,002

6,759

7,175

7,102

Current liabilities

Trade and other payables

5,526

4,993

6,564

Current tax liabilities

442

747

231

Borrowings

3,479

4,427

4,646

9,447

10,167

11,441

TOTAL EQUITY AND LIABILITIES

34,078

34,260

35,796

Norish plc

Consolidated statement of changes in equity

For the six months ended 30 June 2020

Share

Share

Other

Treasury

Retained

capital

premium

Reserves

shares

earnings

Total

£'000

£'000

£'000

£’000

£'000

£'000

At 1 January 2019

5,640

7,321

103

(563)

3,485

15,986

Net profit for the financial period

-

-

-

932

932

Total comprehensive income for the period

-

-

-

-

932

932

Issue of share capital

-

-

-

-

-

-

Equity dividends paid (recognised directly in equity)

-

-

-

-

-

-

Treasury shares acquired

-

-

-

-

-

-

Transactions with owners

-

-

-

-

932

932

At 30 June 2019

5,640

7,321

103

(563)

4,417

16,918

Net profit/(loss) for the financial period

-

-

-

909

909

Total comprehensive income for the period

-

-

-

909

909

Issue of share capital

-

-

-

563

(563)

-

Equity dividends paid (recognised directly in equity)

-

-

-

(450)

(450)

Foreign Exchange gain

-

-

(124)

-

-

(124)

Transactions with owners

-

-

(124)

563

(104)

(335)

At 31 December 2019

5,640

7,321

(21)

-

4,313

17,253

Net profit for the financial period

-

-

-

-

619

619

Total comprehensive income for the period

-

-

-

-

619

619

Issue of share capital

-

-

-

-

-

-

Equity dividends paid (recognised directly in equity)

-

-

-

-

-

-

Foreign Exchange gain

-

-

-

-

-

-

Transactions with owners

-

-

-

-

619

619

At 30 June 2020

5,640

7,321

(21)

-

4,932

17,872

Norish plc

Consolidated cash flow statement

For the six months ended 30 June 2020

Six months

Six months

Year

Ended

ended

Ended

30 June

30 June

31 December

2020

2019

2019

(Unaudited)

(Restated)

(Restated)

£’000

£’000

£’000

Profit on continuing activities before taxation

779

1,259

2,388

Gain on biological assets

(88)

(70)

(107)

Foreign exchange gain/(loss)

(51)

-

97

Loss on discontinued activities

-

(16)

(135)

Finance expenses

157

167

349

Finance income

-

-

(1)

Depreciation – property, plant and equipment

887

826

1,649

1,684

2,166

4,240

Changes in working capital:

Decrease /(increase) in inventories

80

(369)

(481)

Decrease/(increase) in trade and other receivables

2,019

20

(607)

Increase/(decrease) in trade and other receivables for disposal

-

40

47

Increase/(decrease) in current liabilities held for sale

-

(15)

(15)

(Decrease)/increase in payables

(1,038)

(453)

1,118

Cash generated from operations

2,745

1,389

4,302

Interest paid

(157)

(167)

(349)

Interest received

-

-

1

Taxation refund/(paid)

51

46

(406)

Net cash from operating activities

2,639

1,268

3,548

Investing activities

Investment in intangible assets

(243)

(166)

(419)

Purchase of biological assets

(5)

(4)

(1,734)

Sale of biological assets

268

39

209

Purchase of property, plant and equipment

(634)

(599)

(324)

Net cash used in investing activities

(614)

(730)

(2,268)

Financing activities

Dividends paid to shareholders

-

-

(449)

Invoice finance (payments)/receipts

(1,225)

(799)

(502)

Finance lease capital repayments

(405)

(514)

(979)

Finance lease advance

215

51

271

Term loan advance

-

314

300

Term loan repayments

(163)

(160)

(410)

Net cash used in financing activities

(1,578)

(1,108)

(1,769)

Net increase /(decrease) in cash and cash equivalents

447

(570)

(489)

Cash and cash equivalents, at beginning of period

1,054

1,543

1,543

Cash and cash equivalents end of period

1,501

973

1,054

Note: The accounting policies applied throughout the period are consistent with those applied for the year ended 31 December 2019, as set out in the 2019 Annual Report.

Enquiries:

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