

National Milk Records plc
(“NMR”, the “Company”, or together with its subsidiaries, the “Group”)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2021

National Milk Records plc, the established agri-tech information services provider in UK dairy, listed on the Aquis Stock Exchange (AQSE: NMRP), announces its unaudited results for the six months ended 31 December 2021.

Highlights

- Turnover for the period up 6.1% to £11.4 million (“m”) (2020: £10.8m)
- Adjusted EBITDA^(*) for the period up 19.5% to £1.145m (2020: £1.0m)
- 53% increase in Profit before tax, to £0.75m (2020: £0.50m)
- Investment in tangible and intangible assets sustained at £0.6m (2020: £0.7m)
- Net Debt unchanged at £1.1m (2020: £1.1m)
- Dividend of 1.5 pence per share paid in November 2021 (2020: 1.25 pence)
- Net assets increased to £7.2m (2020: £5.6m)

^(*)Adjusted EBITDA excludes a charge for share-based payments included in 2021 for the Executive Incentive Plan announced to the market on 29 December 2021. £187,000 was accrued within overheads and is credited to reserves. (2020: £130,000)

Andy Warne, Managing Director, commented:

“I’m pleased to present a positive set of results for NMR which begins to demonstrate our emergence from the challenges of the Covid-19 pandemic in good health with higher revenues, higher EBITDA, increased levels of investment, no increase in net debt, and higher returns to shareholders. The increase in EBITDA is particularly encouraging as it includes the early stages of the additional investment we are making in our IT team to improve resilience and speed of delivery.

“In the first half of the year, we continued to invest in line with our strategic plan, focusing on our core services, and pursuing opportunities for step-change. We are enjoying the first revenues from our new genomics facility and are moving closer to the commercial launch of Genocells, a disruptive technology that will enable NMR to target sectors of UK dairy farmers that hadn’t previously adopted NMR’s traditional recording service.

“The backdrop for these results is very complex with unprecedented levels of inflation, high employment, high input costs up and down our supply chain, long lead times and high vacancy rates. We recognise the role of NMR as an essential part of the dairy supply chain in the UK, which has shown remarkable resilience during the last two years of the pandemic; retail availability for dairy products was excellent and the flexibility shown by UK dairy given the volatile nature of the HORECA sector (Hotels, Restaurants and Cafes). In general, the UK dairy market remains strong with supermarket sales overtaking pre-pandemic levels. I am also extremely grateful to the wider NMR team and, in particular,

our front-line staff in the field, our drivers and in our laboratories, who have turned up for work every day, fulfilling our obligations to customers and keeping the supply chain moving.

“I very much look forward to an increasingly positive outlook for the rest of this financial year and generating growth and momentum in our fundamental strategy of investing in our core business, and the delivery of Genocells to the UK market.”

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

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014.

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 network of milk-recorders, it collects and tests milk samples for approximately 50% of the UK's two million cows. In addition, its laboratories provide payment testing and disease testing services for Britain's milk processors. It is currently piloting its revolutionary GENOCELLS technology, a genomic testing service under its brand, GeneEze, which will identify the genetic potential of cattle from a very young age. 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.

Group Results

The interim results demonstrate the continued growth in revenue performance, achieved through the Company's strategy to focus on its core business and its associated adjacent revenue opportunities. The increase in earnings before interest, taxation, depreciation and amortisation of nearly 20% year-on-year ("YoY"), reflects a good performance compared to the same period last year that had been held back slightly as the country emerged from the first Covid-19 lockdown. It also reflects the continued investment made by the Company this year to bolster its IT team to improve service and speed up delivery.

The Core Business segment was the key driver behind revenue growth, with particular note on the revenues from Johne's testing, which grew by 8.5% YoY, having not been adversely affected in the comparative period. Milk recording revenues, which had been affected during the first Covid-19 lockdown, were higher by £159,000, or 3.5%, whilst the Number of Cows on the database fell by 0.8% to 684,477. Revenues from payment testing grew by 1.9% to £1.9m, which benefitted from a focus on increasing the Company's KPI of revenue per user for these services (ARPU), as the total number of dairy farms in the UK remains in modest decline.

Elsewhere, revenues from genomics testing increased by 17% and look set to continue to grow in the second half of the financial year. Surveillance adjacencies increased by £51,000 (23%), albeit from a low base; these include Fusion, a bespoke milk-tanker volume reconciliation service, and FarmAssist, NMR's surveillance tool for Anti-Microbial Resistance monitoring.

Finally, NMR's strategy to support 'On-Farm Software' to stimulate the exchange of data up and down the supply chain is showing reward with revenue growth of 12.5%, now totalling £428,000 for the first six months of the year.

Administration expenses include non-cash charge share-based payments of £187,000 for the Executive Incentive Plan announced to the market on 29 December 2021. The prior year included £130,000 with both charges credited to reserves.

NMR's share of Joint Venture profit in Ireland grew significantly to £280,000 in 2021 driven by continued growth in BVD testing and a new revenue stream testing for chlorate contamination in milk products, particularly milk powders.

Dividend

A final dividend of 1.50 pence per share for the financial year ended 30 June 2021 was paid on 19 November 2021 (2020: 1.25 pence), having been approved at the annual general meeting. NMR recommended the increase in dividend to reward shareholders for the improved financial performance in the year, balanced with the need to support its investment programme in line with the strategic plan of the Company. Consistent with all prior interim periods, the Directors propose no interim dividend (2020: nil).

Investment

Having invested a record £1.626m in fixed asset additions in the year ended 30 June 2021, the Company continued to invest £0.643m in the first half of the new financial year. Key investments in tangible assets in the first half of the year included upgrades to the milk testing equipment in the laboratory and replacement computer equipment, both of which are expected to continue into the second half of the

year. This investment level is slightly lower than the same period last year due to a fall in motor vehicle expenditure owing to a slower turnaround of Company vehicles experienced during the pandemic.

Investment in intangible assets of £396,000 is primarily associated with the development of the Finance and CRM systems in Microsoft Dynamics 365, developments to laboratory IT platforms and early-stage development of the platform to support genomics testing and Genocells. NMR continues to press ahead with investment in growth, efficiency, and resilience projects.

Cash flow and Debt

Overall Net Debt remains unchanged at £1.1m, however this includes the repayment of the VAT holiday taken in June 2020 and repaid in March 2021. This also explains the movement in short term creditors YoY. The £0.75m loan taken under the Coronavirus Business Interruption Loan Scheme passed its first anniversary and repayments and interest started to be paid in November 2021. Capital loan and lease repayments in the period totalled £0.4m, approximately £65,000 higher than last year. Dividends paid to shareholders increased by £50,000 to £0.314m (2020: £0.262m).

Outlook

The first half of the financial year has been a strong period, with an increase in performance across the business. Additionally, the UK dairy market has surpassed pre-pandemic levels as AHDB reports supermarket volume sales of dairy products, including liquid milk, cheese and butter, notably higher in 2021 compared to pre-pandemic levels in 2019. Looking to the rest of the year, there are a number of elements to consider when forecasting the economic context for the Company; increase in inflation which is expected to hit a 30-year high, high levels of employment, significant wage inflation and interest rates rising, and even as the economy returns to pre-pandemic levels of GDP it's clear that a number of changes remain.

In UK dairy, the long-term trend for improving milk yields fell back in the second half of 2021 with higher input costs and labour shortages both playing their part. With demand for dairy, and retail demand in particular, still strong, farm gate milk prices are firm but with high input costs. Farmers will need good management of inputs and yields to maximise profits, which is where milk recording data will become increasingly important.

NMR plc - Consolidated Statement of Comprehensive Income

	6 months ended 31-Dec-21 £'000	6 months ended 31-Dec-20 £'000	12 months ended 30-Jun-21 £'000
Turnover			
Core Services	9,324	8,953	18,005
Testing adjacencies	916	780	1,794
Surveillance adjacencies	277	226	455
Other adjacencies	749	670	1,371
Genomics	173	148	292
Total Revenue	11,438	10,777	21,917
Costs of sales	(6,505)	(6,320)	(12,731)
Administrative expenses	(4,424)	(4,040)	(7,882)
Other Operating Income	7	-	36
Operating Profit	516	417	1,340
Share of operating profit in joint ventures	280	105	413
	796	522	1,753
Other gains and losses	6	8	8
Net finance cost	(52)	(39)	(112)
Profit on Ordinary Activities Before Tax	750	491	1,649
Tax on ordinary activities	(61)	(124)	391
Profit on Ordinary Activities After Tax	689	367	2,040
Earnings Per Share			
Basic EPS (pence)	3.2	1.7	9.6
Diluted EPS (pence)	3.2	1.7	9.6
Other Comprehensive Income			
Exchange Rate difference	-	-	(75)
Total comprehensive income for the year	689	367	1,965

NMR plc – Consolidated Balance Sheet

	as at 31-Dec-21 £'000	as at 31-Dec-20 £'000	as at 30-Jun-21 £'000
Fixed Assets			
Intangible fixed assets	2,057	1,588	1,788
Tangible fixed assets	3,404	3,205	3,479
Investments	1,583	1,288	1,302
Other Investments	-	-	-
	<u>7,043</u>	<u>6,081</u>	<u>6,569</u>
Current Assets			
Stock	602	527	506
Debtors	2,831	2,860	3,027
Debtors > 1 year	907	766	907
Cash at bank and in hand	1,725	1,982	2,105
	<u>6,065</u>	<u>6,135</u>	<u>6,545</u>
Creditors: less than one year	(3,881)	(4,412)	(3,729)
	<u>2,184</u>	<u>1,723</u>	<u>2,816</u>
Net current assets			
	<u>9,227</u>	<u>7,804</u>	<u>9,385</u>
Total assets less current liabilities			
Creditors: more than one year	(2,032)	(2,407)	(2,318)
Provision for liabilities	(27)	(47)	(47)
	<u>7,168</u>	<u>5,350</u>	<u>7,020</u>
Net assets			
	<u>7,168</u>	<u>5,350</u>	<u>7,020</u>
Capital and Reserves			
Called-up Share capital	53	53	53
Own Shares reserve	(33)	-	(33)
Profit and loss account	7,148	5,297	7,000
	<u>7,168</u>	<u>5,350</u>	<u>7,020</u>
Shareholders' funds			
	<u>7,168</u>	<u>5,350</u>	<u>7,020</u>

NMR plc - Group Statement of Cash Flows

	6 months ended 31-Dec-21 £'000	6 months ended 31-Dec-20 £'000	12 months ended 30-Jun-21 £'000
Cash flows from operating activities			
Profit for the financial year	689	367	2,040
Amortisation of intangible assets	127	101	229
Amortisation of loan expenses	6	6	12
Depreciation of tangible assets	320	310	609
(Profit)/Loss on disposal of tangible assets	-	4	(1)
Share of operating profit in joint venture	(280)	(105)	(413)
Dividend income from fixed asset investment	(6)	(8)	(8)
Net interest payable	41	49	95
Taxation credit	61	124	(391)
Share based payment charges	187	130	238
Decrease/(Increase) in trade and other debtors	196	500	312
(Increase)/Decrease in stocks	(96)	(130)	(109)
(Decrease)/Increase in creditors	(239)	4	(777)
	317	985	(204)
Income taxes refunded	-	-	263
Cash from operations	1,006	1,352	2,099
Cash flows from investing activities			
Dividend received from Joint Venture	-	-	218
Dividends received	6	8	8
Purchase of tangible fixed assets	(247)	(361)	(487)
Purchase of intangible fixed assets	(396)	(271)	(599)
Proceeds from sale of tangible assets & investments	3	-	9
	(634)	(624)	(851)
Cash flows from financing activities			
Dividends paid	(314)	(262)	(262)
Capital element of lease repaid	(135)	(74)	(192)
Interest paid	(41)	(49)	(95)
Loan repayments	(262)	(257)	(490)
Cash proceeds from loans	-	750	750
Proceeds on exercise of share options	-	-	-
	(753)	108	(289)
Net increase in cash and cash equivalents	(380)	836	959
Cash and cash equivalents at beginning of period	2,105	1,146	1,146
Cash and cash equivalents at end of period	1,725	1,982	2,105

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