

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

NMR, the leading UK supplier of dairy and livestock services, announces its unaudited results for the six months ended 31 December 2020.

Highlights

- Turnover for the period held steady at £10.8 million (“m”) despite Covid-related interruptions (2019: £10.7m)
 - On track for revenue recovery post first Covid-19 lockdown
- 25% increase in Profit before tax, to £0.5m (2019: £0.4m)
- Adjusted EBITDA^(*) for the period of £1.0m (2019: £0.6m)
- Reduction in Net Debt to £1.1m (2019: £2.4m)
- Investment in tangible and intangible assets sustained at £0.7m (2019: £0.7m)
- Dividend of 1.25 pence per share paid in November 2020 (2019: 1.25 pence)
- Net assets increased to £5.4m (2019: £4.0m)

^(*)Adjusted EBITDA excludes a charge for share based payments included in 2020 for the Executive Bonus Plan announced to the market on 10 December 2020. £130,000 was accrued within overheads and is credited to reserves.

Andy Warne, Managing Director, commented:

“NMR has had a positive first half of the financial year, with profit and turnover in line with management expectations. Additionally, capital investment has been maintained and net debt has decreased, putting the Company in a strong position as we move into the second half of the year and beyond.

“At a macro level, the period from July to December 2020 was characterised by the second wave of the global Covid-19 pandemic and the end of the Brexit transition period, two unprecedented shocks generating many headlines. However, despite these macro-economic challenges during the period, NMR has remained focused on its continued recovery, investing in the business, and demonstrating cash generation. Additionally, NMR has maintained its service levels, with laboratories and field operations operating in a Covid-19 secure manner. I would like to express my thanks for the efforts every member of NMR staff has made to allow us to continue to maintain our essential services and provide value to our customers.

“During 2020, NMR has maintained good progress in terms of investment and development in genomics, which will provide us with the opportunity to grow our customer base and service offering in a way that conventional milk recording does not. Additionally, we have continued to invest in upgrading our back office infrastructure to allow for future growth.

“The third Covid-19 lockdown in the UK has had a limited effect on revenues in January 2021, and 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.”

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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.

Group Results

The interim results illustrate the on-target recovery from the impacts of the September 2019 cyber-attack and the restrictions on revenue experienced during the first Covid-19 lockdown of March-May 2020. Adjusted EBITDA of £1.0m is well ahead of 2019, however, not yet back to the 2018 level of nearly £1.4m in the half year, but the Company remains on track.

Although year-on-year (“YoY”) revenue comparisons are difficult due to the Covid-19 impact in the 2020 figures, and financial impacts relating to the cyber-attack in the 2019 figures, overall revenues increased by £120,000 (1.1%) compared with 2019. This rises to 2.8% when heat detection sales are excluded, following NMR’s strategic withdrawal from the sector in April 2020.

Other revenue streams of note include a 3.2% increase in Johne’s disease testing, which was not significantly adversely affected by the cyber-attack during the period, as well as genomics testing, which increased by 19% from a low base, and surveillance adjacencies which increased by £70,000 (45%), again from a low base. Surveillance adjacencies include Fusion, a bespoke milk-tanker volume reconciliation service, and FarmAssist, NMR’s surveillance tool for Anti-Microbial Resistance monitoring.

With regard to payment testing, revenues increased by 4.2%, however, it is important to note that the comparative revenues were impacted by the cyber-attack in 2019. Milk recording revenues, which suffered during both the cyber-attack in the comparator period and the first Covid-19 lockdown, were almost flat YoY, down by just 0.2%.

Finally, NMR's strategy to support 'On Farm Software' to stimulate the exchange of data up and down the supply chain is paying dividends with revenue growth of 5.4%.

Cost of sales marginally reduced during the period due to additional testing in 2019 to support John's testing revenues, and salary and wage inflation was largely offset by lower activity costs during Covid-19 restrictions, for example there were no agricultural shows for the Company to attend and, as the suite of laboratory analysers is being upgraded, there were reduced costs for repairs and maintenance.

NMR's share of Joint Venture profit increased to £105,000 in 2020 driven by continued growth in BVD testing and increased higher-value payment testing revenues.

Dividend

A final dividend of 1.25 pence per share for the financial year ended 30 June 2020 was paid on 20 November 2020 (2019: 1.25 pence). NMR recommended holding the dividend at 2019 levels to support continued progress with its investment programme and to acknowledge continued shareholder support during the year. Consistent with all prior interim periods, the Directors propose no interim dividend (2019: nil).

Investment

NMR increased its capital investment in the first half of the financial year to £711,000. This comprises investment in laboratories, including a final payment for a replacement laboratory analyser and the deposit on another, new, analyser and an automated process for DNA extraction to support Genomics and PCR testing. Additionally, the Company invested £90,000 in new vehicles.

Investment in intangible assets of £271,000 is primarily associated with the development of the Finance and CRM systems in Microsoft Dynamics 365, and improvements to laboratory IT platforms. NMR continues to press ahead with investment in growth, efficiency and resilience projects. The second half of the year is likely to see higher capital expenditure again, with further investment in IT, the next cycle of laboratory analyser replacement, and notably the development of a new laboratory facility for genomics testing.

Cash flow and Debt

Following the reduced EBITDA in the 12 months ended June 2020, NMR has secured two new finance lines to support its investment programme. £750,000 of Coronavirus Business Interruption Loans (CBILs) were taken out in October, and £500,000 of asset finance has been agreed to help finance the investment ambition in the second half of the year. Net Debt at 31 December 2020 stood at £1.1m, just 0.6 times EBITDA for the preceding 12 months, however, this does benefit from the VAT holiday in June 2020 and would otherwise have been £1.8m and 1.0 times EBITDA. Following the increased provision for doubtful debts at year-end, NMR has been focused on the ageing debtor balance arising on the back of the cyber-attack and Covid-19 service changes. Trade receivables have reduced by £0.4m in the period. No change has yet been made to the provision.

The Own Shares provision in capital and reserves relates to share options under the 2017 Share Option plan which have now vested unconditionally, the balance transferred to a debtor for Vested Options Exercise Price receivable, with commensurate improvement to Shareholders' Funds and Net Assets.

Outlook

Following a strong Christmas trading period, the prospects for UK Dairy look positive: Milk production is reported as being tight in various parts of the world and forecasts are that UK milk prices will remain high, giving confidence to NMR's customers up and down the supply chain.

NMR has managed the operational restrictions it faced in relation to Covid-19 and the 2019 cyber-attack and is now well placed to continue its strategy of focusing on core revenue streams and their adjacent opportunities. The development of a genomics laboratory in the second half of the year, together with migration to a Dynamics 365 finance platform, mark noteworthy development milestones and signal significant revenue opportunities, together with greater financial analysis and control in the future.

Suitable financial resources are in place to support continued significant investment, including investment in working capital as subscription invoicing shifts to an in-arrears basis. Emerging from any minor impacts of the third lockdown, NMR is well positioned to get on the front-foot to pursue its strategic agenda and continue to drive earnings.

About NMR

NMR is the leading 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 two 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 is at the forefront of introducing Genomics technology for testing females in the UK dairy herd.

NMR plc - Consolidated Statement of Comprehensive Income

	6 months ended 31-Dec-20 £'000	6 months ended 31-Dec-19 £'000	12 months ended 30-Jun-20 £'000
Turnover			
Core Services	8,953	8,803	17,549
Testing adjacencies	780	781	1,629
Surveillance adjacencies	226	156	400
Other adjacencies	670	793	1,720
Genomics	148	124	292
	10,777	10,657	21,590
Costs of sales	(6,320)	(6,407)	(12,751)
Administrative expenses	(4,040)	(3,904)	(8,064)
	417	347	775
Share of operating profit in joint ventures	105	75	258
Operating Profit	522	422	1,033
Other gains and losses	8	-	10
Net finance cost	(39)	(47)	(114)
Profit on Ordinary Activities Before Tax	491	375	929
Tax on ordinary activities	(124)	(72)	77
Profit on Ordinary Activities After Tax	367	303	1,006
Earnings Per Share			
weighted average no shares	21,239,702	21,239,702	21,239,702
Basic EPS (pence)	1.7	1.4	4.8
share options	300,000	300,000	300,000
Diluted EPS (pence)	1.7	1.4	4.7
Other Comprehensive Income			
Exchange Rate difference	-	-	4
Total comprehensive income for the year	367	303	1,010

NMR plc – Consolidated Balance Sheet

	as at 31-Dec-20 £'000	as at 31-Dec-19 £'000	as at 30-Jun-20 £'000
Fixed Assets			
Intangible fixed assets	1,588	929	1,418
Tangible fixed assets	3,205	3,075	3,067
Investments	1,288	1,156	1,183
Other Investments	-	-	-
	<u>6,081</u>	<u>5,160</u>	<u>5,668</u>
Current Assets			
Stock	527	512	397
Debtors	2,860	3,172	3,171
Debtors > 1 year	766	1,316	766
Cash at bank and in hand	1,982	308	1,146
	<u>6,135</u>	<u>5,308</u>	<u>5,480</u>
Creditors: less than one year	<u>(4,412)</u>	<u>(4,046)</u>	<u>(4,259)</u>
Net current assets	<u>1,723</u>	<u>1,262</u>	<u>1,221</u>
Total assets less current liabilities	<u>7,804</u>	<u>6,422</u>	<u>6,889</u>
Creditors: more than one year	(2,407)	(2,079)	(1,925)
Provision for liabilities	(47)	(269)	(47)
Net assets	<u>5,350</u>	<u>4,075</u>	<u>4,917</u>
Capital and Reserves			
Called-up Share capital	53	53	53
Own Shares reserve	-	(195)	(195)
Profit and loss account	5,297	4,217	5,059
Shareholders' funds	<u>5,350</u>	<u>4,075</u>	<u>4,917</u>

NMR plc - Group Statement of Cash Flows

	6 months ended 31-Dec-20 £'000	6 months ended 31-Dec-19 £'000	12 months ended 30-Jun-20 £'000
Cash flows from operating activities			
Operating Profit (before share of JV operations)	417	347	775
add back Depreciation and Amortisation	411	298	674
Share based payments expense	130	-	-
(Profits)/Loss on disposal of tangible assets	4	-	1
(Increase)/decrease in trade and other debtors	506	(294)	(43)
(Increase)/decrease in stocks	(130)	(95)	20
Increase/(Decrease) in creditors	3	(207)	407
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	924	(298)	1,059
Income taxes refunded	-	144	144
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Cash from operations	1,341	193	1,978
Cash flows from investing activities			
Dividends received	-	-	178
Investment Income	8	-	10
Purchase of tangible fixed assets	(448)	(497)	(870)
Purchase of intangible fixed assets	(271)	(154)	(654)
Proceeds from sale of tangible assets & investments	-	-	28
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	(711)	(651)	(1,308)
Cash flows from financing activities			
Dividends paid	(262)	(262)	(262)
New loans raised	750	-	-
Repayments of borrowings	(251)	(249)	(530)
Increase/(Repayments) of obligations under finance leases	9	(88)	(148)
Proceeds on exercise of share options	-	-	118
Interest paid	(39)	(47)	(114)
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	206	(646)	(936)
Net increase in cash and cash equivalents	836	(1,104)	(266)
Cash and cash equivalents at beginning of period	1,146	1,412	1,412
Cash and cash equivalents at end of period	1,982	308	1,146

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