

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

QUARTER 3 TRADING UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2021

HIGHLIGHTS

- Turnover for the quarter of £5.422 million (March 2020: £5.612 million)
- Like for like turnover increased by 1.2% to £5.420 million (*)
- Revenues for testing of Johne's disease increased by £67,000 or 7.0% to £1.065 million
- Revenues for surveillance testing agencies grew by £44,000 or 58.2% to £118,000
- On Farm Software support revenues of £199,000 (March 2020: £185,000), an increase of 7.6%
- Revenues in core milk recording declined by 5.5%, constrained by the impact of Covid-19 lockdowns and the restriction on the movement of people
- Equipment for the testing of genomic identifiers is now installed and going through pilot testing. This is a key milestone for the development of GENECELLS technology and it is anticipated that this service will be commercially available by the end of 2021

(*) Like for like turnover excludes the Heat Detection sector which was exited in November 2020.

Andy Warne, Managing Director, commented:

“It is pleasing to see that the hard work of our staff to maintain our essential services during the third Covid-19 lockdown has been rewarded with near normal levels of milk recording revenues. The fact that revenues for milk recording are only 5.5% lower than the corresponding, pre-Covid, period last year is a reflection of the essential nature of the service to a modern dairy farm. Additionally, revenues for our growth projects, including Johnes testing, have increased year on year, putting us in a good position for the rest of the calendar year.

“The UK dairy sector overall has demonstrated great resilience during the Covid-19 pandemic and the end of the Brexit transition period. Domestic consumption of dairy products has increased and more than compensated for the temporary loss of the services sector. Uncertainty caused by the early stages of the Covid-19 pandemic, and higher than normal beef prices, did lead to some culling of older dairy cows, but restocking is expected during the spring of 2021 and our market expectations are still positive.

“During the quarter we have continued our plans for growth and have commissioned our genotyping laboratory at our Four Ashes facility. This laboratory will enable the delivery our new GENECELLS service towards the end of this year but, in the meantime, it will provide commercial genotyping called GeneEZE. Growth in adjacent services such as Johnes’s testing, Surveillance testing and On Farm Software have also continued to perform well during the period.

“I would like to thank our staff and our dedicated self-employed recorders who have continued to turn-out and deliver our essential services during the pandemic. Dairy is a staple in the UK shopping basket, and I am proud of the role NMR has played to ensure supplies have been stable and of good quality.”

TRADING UPDATE

Turnover for the third quarter was £5.422 million, £190,000 below the same period last year. Removing sales of Heat Detection systems, following NMR’s withdrawal in November 2020, shows a modest like-for-like increase of £65,000, or 1.2%. This illustrates the resilience of NMR’s revenue in a difficult trading period, caused not by demand for services, but by the operational constraints of delivering them.

Additionally, it is reassuring to see that growth projects such as Johne’s testing, Surveillance testing, and On Farm Software continued to show year on year improvement.

With regards to milk recording, NMR saw a decline in revenues during the first lockdown period in Spring 2020, followed by a strong recovery. These revenues were constrained again in the third lockdown towards the end of 2020 and during the first calendar quarter of 2021. Although not as significant a fall as in the first lockdown, this has depressed the year-on-year comparisons for the third-quarter. Whilst remaining cognisant of government restrictions and guidance, NMR is confident of delivering the same recovery as last time and returning core recording revenues to a position of growth later in 2021.

KEY PROJECTS

Implementation of the first phase of Microsoft Dynamics365 is now planned for Summer 2021. The project has been delayed by the continuing impacts on the business of Covid-19 as well as changes in IT senior management. The scope of the project covers systems for finance and customer engagement, including corresponding control and reporting against the customer prospects pipeline and financial analysis across customer and product / service groupings. As well as replacing existing outdated systems, the benefits to the business in terms of flexibility, efficiency and analysis are substantial.

Alongside systems development, NMR has continued to invest in new technology in its laboratories. Equipment for the testing of genomic identifiers was delivered to the Four Ashes laboratory in December and is now installed and going through pilot testing. This is a key milestone for the development of GENECELLS technology which is the most significant development in the milk recording sector in 25 years. Once supporting laboratory systems and associated integrations are complete, it is anticipated this service will be commercially available by the end of 2021. GeneEZE is the Company’s brand in the genomics sector and reflects the simplicity and efficiency of the NMR genomics services on offer to producers.

OUTLOOK

With a low prevalence of Covid-19 in the UK, resilient dairy markets and a strong milk price, there is high confidence that milk recording revenues will recover quickly as the lockdown restrictions and guidance eases. In the medium-term, increasing consumer pressure for animal health and a sustainable supply chain continue to provide NMR with the backdrop for increased testing in the UK dairy industry. Couple this with exclusive access to a new technology, enabling genomic recording services in new sectors, NMR is well placed to deliver growth in conventional and adjacent sectors of the 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 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.

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