

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

FOURTH QUARTER TRADING UPDATE FOR THE THREE MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

- Turnover for the quarter of £5.719 million (June 2020: £5.346 million), an increase of 7.0%
- Like for like turnover increased by 7.2% to £5.718 million (*)
 - Represents a quarterly LFL revenue record for NMR
- Recovering from the first Covid-19 lockdown, revenues in core milk recording improved by £0.201 million, an increase of 9.4%
- Revenues for testing of Johne's disease increased by £93,000 or 9.0% to £1.129 million
- Revenues for Payment Testing services grew by £75,000 or 7.7% to £1.046 million
- On Farm Software support revenues of £207,000 (June 2020: £192,000), an increase of 7.5%
- Pilot programme continuing for GENOCELLS, and the first invoices for genomic tests from NMR's own laboratory have been issued

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

Andy Warne, Managing Director, commented:

“I am really pleased to be exiting the final quarter of our financial year on this strong footing. It's evident that the dairy sector is an integral part of this country's food chain, and the sector has been extremely resilient, in a year that has presented challenges like no other. This resilience is a testament to the people working in that supply chain, and I want to take this opportunity to commend the staff at NMR and our team of self-employed milk recorders, who have maintained our service levels, and shown the flexibility to support our customers throughout the three lockdowns of the Covid-19 pandemic.

“Along with the rest of our refreshed Executive Leadership Team, my focus is on the delivery of our progressive and significant strategic plan. We believe that we possess the experience and industry knowhow to deliver on this plan. Quarter on quarter comparisons, particularly when the comparative period is during the start of the Covid-19 pandemic, can be difficult to interpret in terms of underlying strategic progress, however, the growth in the core revenue streams of recording, payment testing, Johne's testing and On-Farm Software during the period was very positive and speaks to the strength and importance of our services to the dairy sector and the relevance of our strategic plan. I look forward to updating investors with the complete picture of the full financial year in October, including an update on GENOCELLS, which in our view represents the biggest step forward in the recording sector for 25 years.

“Our experiences and behaviours during the Covid-19 pandemic have provided us all new insights. A key learning for those investing in the dairy sector is the importance of staple foods. Despite the closure of the service sector, sales of dairy products rose by 7%, on average, in the first months of lockdown.

TRADING UPDATE

Turnover for the fourth quarter was £5.719 million, £373,000 higher than the same period last year, an increase of 7.0%. Removing sales of Heat Detection systems, following NMR’s withdrawal in November 2020, increases the comparison to 7.2% on a LFL basis. This illustrates the resilience of NMR’s revenue and indicates that, in a period not significantly affected by Covid-19, revenues have recovered significantly from the downward pressures brought about by the pandemic and the RYUK cyber-attack in September 2019. In fact, this quarter represents the best quarterly revenue performance since the first quarter of the financial year ending June 2019, and the best on record on a LFL basis.

Having been impaired by the first lockdown in Q4 last financial year (and then recovering during the first few months of this year), milk recording revenues are substantially higher than the same period last year, rising by £201,000 or 9.4%. This reflects customers returning to their previous frequency of service or assisted level of service.

Other revenue streams also continue to show growth, including revenues for Johne's testing, Surveillance testing, and On-Farm Software which all showed year on year improvement. Johne's testing in particular continues to perform as one of NMR’s principal revenue streams and now accounts for 19.7% of Group revenues in the quarter, up from 19.2% in Q4 last year.

Income from Payment Testing services has also grown significantly in the quarter, growing by £75,000 or 7.7% when compared to the same period last year. These revenues have been supported by NMR’s focus on Revenue Per User (“RPU”), driving the testing and revenues available for each bulk-milk sample collected and brought to the laboratory, whether that be for additional antibiotics monitoring, or supplemental tests such as milk contaminants, including water.

Below the revenue level, there have been no significant structural, organisational or cash flow changes that would suggest any dilutive effect on this revenue performance against expectations.

KEY PROJECTS

NMR has continued to invest in new laboratory technology in line with its strategic plan. Equipment for the testing of genomic identifiers has now been commissioned in the Four Ashes laboratory. Once supporting laboratory systems and associated integrations are complete, it continues to be anticipated that this service will be commercially available by the end of 2021. NMR is planning the delivery of its genomic testing IT platform as the first piece in the evolution of a new IT architecture. The establishment of this laboratory and associated systems is a key milestone for the development of GENOCELLS technology which in our view is the most significant development in the milk recording sector in 25 years, and field trials of GENOCELLS testing are currently underway in parallel to the IT development. 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.

Implementation of the first phase of Microsoft Dynamics365 is now planned for Autumn 2021. 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. The most complex component of the solution is the implementation of the billing engine which replaces an outdated legacy system. As well as replacing existing systems, the benefits to the business in terms of flexibility, efficiency and analysis are substantial.

OUTLOOK

Despite the best efforts of the British weather, the prevailing conditions for UK dairy farmers are positive. Milk prices are high and, with a good season for home grown forage, milk price to feed price ratios have turned a corner and are strengthening. As expected, there was some restocking of the UK dairy herd from youngstock in the spring of 2021, and with higher milk prices, milk volumes are strongly supporting the demand for dairy from UK consumers. The market price for cows is robust as farmers look for additional stock to take advantage of improving margins; often when cow prices are strong, the number of exits from dairy farming increases, however this isn't happening currently, indicating that there is real confidence in the sector in the UK.

For NMR, the continuing trend for greater provenance, animal health, antibiotic management, and sustainability provides the backdrop for increased testing in the UK dairy industry. Couple this with exclusive access to a new technology and 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

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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