



For immediate release

10 May 2022

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

THIRD QUARTER TRADING UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2022

National Milk Records plc, the established agri-tech information services provider in UK dairy listed on Aquis Stock Exchange (AQSE: NMRP), is pleased to announce its unaudited trading update for the three months ended 31 March 2022.

HIGHLIGHTS

- Turnover for the quarter of £5.630 million (March 2021: £5.422 million), an increase of 3.8%
- Revenues for testing of Johne's disease increased by £103,000 or 9.6% to £1.168 million (March 2021: £1.065 million)
- Revenues for milk recording services up 3.8% to £2.287 million (March 2021: £2.204 million)
- On-Farm Software support revenues of £214,000 (March 2021: £199,000), an increase of 7.7%
- Sales of Genomics testing up £77,000 to £122,000, a rise of 174%
- Planning progressing of launch GenoCells services in the UK and United States
- Acceleration of project to deliver Customer Relationship Management functionality

Andy Warne, Managing Director, commented:

"I am pleased to report continued and sustained growth in revenues in our third quarter trading for the Group.

"Health testing, and in particular Johne's disease testing, continues to be a principal driver for revenue growth for NMR, growing by almost 10% compared to a year earlier.

"I am also pleased to see the beginnings of significant growth in genomics testing, buoyed by our recent agreement with Genus. We are convinced that the benefits of genomics testing, particularly when coupled with our exclusive GenoCells service, will see a rapid penetration of the UK market. GenoCells provides farmers with a genomically driven individual animal cell count analysis, based purely on the sample of milk from their bulk tank. This allows them to manage mastitis in the herd, and its associated use of antibiotics, without the need for individual animal sampling.

"We are already running pilot testing for GenoCells in the UK and have extended our exclusive GenoCells licence to cover the United States, where we are planning to conduct a similar study. Both territories will begin to see revenues develop from GenoCells when we have delivered a scalable IT solution later this year.

“Growth in these innovative and exciting categories does not distract us from our core market of milk testing in the UK. Growing the number of cows on our database remains the central pillar of our strategic plan, and we have refocused our Dynamics365 project to bring forward customer management functionality to support these objectives.

“We have also rebranded NMR during this quarter to modernise our positioning and reflect the increasing relevance of genomics in NMR’s proposition. You will gradually see the expansion of this branding as we communicate with our markets and customers during the summer, not least with a new website that is set to launch before the end of the financial year.

“We are placed to meet market expectations going into the final quarter of the year, setting us up for what will be an exciting financial year ending June 2023.

“I would like to thank all of our NMR staff and our dedicated self-employed recorders who have continued to deliver our essential services during the pandemic, which has proved that NMR services decode milk data and build robust insights.”

TRADING UPDATE

Turnover for the third quarter of the financial year was £5.630 million, £208,000 above the same period last year, a growth year-on-year (“YOY”) of 3.8%.

Testing of Johne’s disease continues to be a key driver of growth, up by £103,000, a rise of almost 10%, and despite a modest 1.0% fall in the number of cows on the database, milk recording revenues grew by 3.8% YOY. The growth in Genomics testing was also significant in the period, growing by £77,000 albeit from a low base. The genomics volumes were supported by the recent announcement that Genus plc (“Genus”) (LSE: GNS) will partner with NMR for its bovine female genomic testing requirements in the UK market. This agreement began to affect NMR test volumes at the end of March 2022. Sales of support for On-Farm Software grew by 7.7% in the quarter and is considered a key strategic enabler as NMR looks to integrate the flow of data up and down the supply chain, controlled by suitable permissions.

In other areas, sales of Nordic ear tags have declined YOY in the quarter as promotional activity has been shifted from the third to fourth quarter this year, and revenue from the FarmAssist surveillance service also suffered a decline YOY but had enjoyed a particularly strong quarter in the comparison period.

KEY PROJECTS

Work continues on two priority projects for the business: laying down the IT infrastructure for Genomics testing, and the implementation of Microsoft Dynamics365 for Finance and Customer Relationship Management (“CRM”) systems. The Genomics system will be the first development using a new blueprint for the future state architecture for NMR. This will manifest in stages as the Company builds its commercial footprint in genomics testing, firstly with Genus, and later in preparation for the full commercial launch of GenoCells in the UK.

The project to implement Microsoft Dynamics365 has recognised the strategic priority to grow the KPI for cows on the database, and the corresponding benefits of CRM functionality. As such, this functionality has been accelerated within the project plan, and new resources recruited to drive this requirement. It is now anticipated that both CRM and Finance systems will have their first implementation later in 2022.

Lastly, following the announcement of the extension of the exclusive licence for GenoCells technology to include the United States, the Company is in talks over a pilot study to mirror the approach in the UK, as well as conducting more detailed research and an examination of sales channels.

OUTLOOK

Recent days have seen a significant response from UK milk buyers to the rapid and substantial inflation in the key farm inputs of feed, fertiliser, and fuel. Major buyers, including Arla, Saputo and Freshways have announced increases of 3.6 pence, 5.0 pence, and 4.0 pence per litre respectively. This will provide some confidence to the sector in terms of margin protection and security of supply. Muller has announced further plans to bolster UK production and manufacturing capacity to displace imports and export British Dairy products to the EU and beyond.

Whilst absolute margins are protected by these recent milk price increases, significant inflation of input costs serves to underline the benefit of milk recording to manage performance and optimise output via animal health and breeding management. Furthermore, maximising the efficiency of a herd is the single most direct route for the supply chain to achieve its sustainability objectives.

Increasing consumer pressure for animal health, antibiotics management, and a sustainable supply chain continues to increase demand for testing in the UK dairy industry, a positive backdrop for NMR. Coupled 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

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 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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