

Origin Enterprises plc

Q3 Trading Update

*Highly challenging operating conditions reduce in-year demand for agronomy services and crop inputs
Full year guidance in adjusted fully diluted earnings per share of between 23 and 26 cent*

Dublin, London, 17 June 2020. Origin Enterprises plc ('Origin' or 'the Group'), the international Agri-Services group, providing specialist agronomy advice, crop inputs and digital agricultural solutions to farmers, growers and amenity professionals, today issues its FY20 Trading Update for the three and nine months ended 30 April 2020.

Overview

Group revenues, for the nine-months ended 30 April 2020, decreased by 6.7% to €1,209.7 million (7.7% on an underlying basis). Revenue development in the period reflects the in-year impact of reduced market demand for agronomy services and crop inputs, principally in Ireland and the UK, due to a lower level of intensive autumn and winter crop plantings as a consequence of the wettest autumn winter planting season in 30 years. Our markets experienced extremely dry conditions in the third quarter which persisted into June, leading to significant soil moisture deficits which negatively impacted overall crop potential for farmers and growers, thereby resulting in a lower intensity of crop input investment spend.

During the quarter COVID-19 was declared a global pandemic, with operating restrictions implemented across all our operating geographies. In line with government and health authority guidelines, the Group has implemented a range of extensive measures to ensure continuity of service to the agricultural community. Revenues for the third quarter ('Q3') were 1.6% higher at €604.8 million, with an underlying increase of 1.5% demonstrating the operational robustness of the Group's operations.

Group revenue for the third quarter and year-to-date, compared to the prior period is as follows:

Group Revenue – Q3

	Q3 FY20 €'m	Q3 FY19 €'m	Variance %	Underlying ¹ %	Constant Currency ² %
Ireland / UK	372.1	405.5	(8.2%)	(8.3%)	(8.2%)
Continental Europe	196.9	157.9	24.7%	22.8%	22.8%
Latin America	1.6	3.8	(57.8%)	(17.3%)	(17.3%)
Total Agronomy and Inputs	570.6	567.2	0.6%	0.3%	0.3%
Crop Marketing	34.2	28.2	21.3%	25.3%	25.3%
Total Group	604.8	595.4	1.6%	1.5%	1.5%

¹ Excluding currency movements and the contribution of acquisitions

² Excluding currency movements

Group Revenue – YTD

	YTD FY20 €'m	YTD FY19 €'m	Variance %	Underlying ¹ %	Constant Currency ² %
Ireland / UK	709.5	839.4	(15.5%)	(16.4%)	(16.2%)
Continental Europe	338.9	305.8	10.8%	8.7%	8.7%
Latin America	23.5	25.2	(6.7%)	0.2%	1.7%
Total Agronomy and Inputs	1,071.9	1,170.4	(8.4%)	(9.5%)	(9.3%)
Crop Marketing	137.8	126.6	8.8%	9.3%	9.3%
Total Group	1,209.7	1,297.0	(6.7%)	(7.7%)	(7.5%)

¹ Excluding currency movements and the contribution of acquisitions

² Excluding currency movements

Ireland and the UK recorded a reduction in underlying agronomy services and crop input volumes of 1.5% and 13.9% in the third quarter and year-to-date respectively. Volume performance in the quarter was robust, with the business delivering a strong operating performance, with consideration for the challenges resulting from COVID-19. Total autumn and winter plantings for the principal crops were 40.4%, or 1.1 million hectares, behind last year at 1.7 million hectares. Approximately 55% of the 1.1 million autumn and winter cropping shortfall has transferred to spring planting, with the balance remaining as fallow or unplanted hectares.

Total autumn, winter and spring plantings for the 2020 growing season are expected to be 10.7% behind last year, at 4.0 million hectares. Despite spring planting progressing as expected, a prolonged dry period from March to early June has resulted in reduced crop yield expectations, in addition to limited pest and disease pressure, contributing to an expected 25% reduction in crop protection volumes.

Despite a solid operating performance in the quarter, Business-to-Business Agri-Inputs has had a challenging financial year-to-date, with the prolonged unseasonal weather conditions resulting in lower volumes and margins for fertiliser and animal feed ingredients, set against a strong comparative period last year.

The Group's Amenity business recorded lower volumes and revenues in the quarter. Demand was significantly curtailed during the seasonally significant third quarter due to COVID-19 restrictions, which led to the closure of all sporting venues along with significantly reduced activity levels across landscaping and local authority customer channels.

The Group's Digital offering has continued to add increased functionality to farmers with over 1.3 million active hectares under the platform, including significant growth in our Continental European markets.

Continental Europe recorded an underlying volume increase in agronomy services and crop inputs (excluding crop marketing volumes) of 33.1% and 15.4% in the quarter and year-to-date respectively. The favourable volume performance is supported by a positive planting profile across our CE markets. Persistent dry conditions for much of April and May reduced yield potential and resulting farm spend. The Group's Belgian fertiliser business performed in line with expectations.

In Poland, combined autumn, winter and spring plantings for the 2020 growing season are estimated to be in line with last year at 8.1 million hectares. There was a marginal reduction in spring plantings, primarily driven by an increase in the area of winter cereals sown. Dry conditions have persisted for much of the year-to-date which threatens the yield potential of cereals and oilseed rape, however improved growing conditions have been experienced following rainfall in late May.

In Romania, the total sown area for autumn, winter and spring plantings is estimated to be in line with the prior year at 8.3 million hectares, with an increase of 3.6% in winter plantings offset by a reduction in spring cropping. Romania has also encountered periods of sustained dry weather, which has impacted crop establishment and yield potential for the season.

In Ukraine, total autumn, winter and spring plantings are anticipated to be 3.6% ahead of last year at 23.3 million hectares, primarily due to a 6.1% increase in spring cropping. In common with our other CE markets, dry weather conditions have impacted crop development and yield potential, however in Ukraine this is confined to the south and east of the country.

Latin America recorded a reduction in underlying business volumes in the quarter of 10.2%, albeit in the seasonally quieter second half. Year-to-date underlying business volumes are in line with the prior year after recovering from a delayed start to in-field operations for Brazil's principal crop, soya. Plantings of Brazil's secondary crop, maize, is complete despite delays and the area dedicated to cropping has increased in the current year by 2.3% to 13.2 million hectares. The weakening of the Brazilian Real in recent months will have a consequent impact on reported earnings from our LATAM segment.

COVID-19

Since the announcement of our Interim Results on 5 March 2020, the rapid outbreak of COVID-19 has required prompt planning, communication and implementation of safety protocols across the Group's operations to drive the actions necessary to mitigate the risk of the virus spreading and to ensure that we continued to serve our customers. Agriculture has been identified as a key sector and the services we provide are deemed essential to the maintenance and continuity of the food supply chain.

Our number one priority is the health of our people, trading partners, customers and the communities where we operate. The Group continuously monitors the advice and guidance of governments and health authorities across our markets, with ongoing audits at all our operating facilities to ensure we adhere to safe social distancing and all other health and safety guidance.

Thanks to the professionalism and dedication of our team, key logistics and warehousing activities have been maintained and agronomy advice delivered, despite farm visits being limited in accordance with social distancing protocols. All employees in a position to work from home have been supported to do so. We are grateful to all our colleagues for their efforts in maintaining our operational capability which is enabling us to deliver continuity of service to the agricultural community during this crisis.

While our agricultural supply chain businesses are essential to food production, our amenity business faced the challenge of a large proportion of its customer base having to temporarily close. Consequently, our amenity businesses furloughed members of the team, on a rotating basis, from late March onwards. Availing of that support and acknowledging the impact of COVID-19 on our stakeholders, the Board and Executive Directors considered it appropriate to take a voluntary 20% reduction in respective fees and base salaries, for the period 1 April to 31 July 2020.

The Group continues to monitor developments closely across our locations and is taking appropriate actions to ensure we provide the safest environment we can for our stakeholders, while continuing to responsibly serve the needs of the agricultural community.

The Group continues to be in a solid financial position, with net debt broadly in line with last year's levels. We continue to operate within our banking covenants, with in excess of €125m in undrawn lines of credit available. Interest costs are expected to be in line with that previously guided for the full year, as falling interest rates offset the cost of additional facilities drawn down by the Group as a precautionary measure from mid-March onwards.

Dividend

In light of market conditions and uncertainty relating to COVID-19, the Board has determined that it is prudent to suspend the final dividend for FY20. Acknowledging the decision to suspend the final dividend, the Executive Directors have voluntarily waived their entitlement to any unvested share options.

Management Changes

On 11 June 2020 the Group announced the retirement of Tom O'Mahony after 35 years of service, including 13 years as CEO. He will be succeeded by Sean Coyle and a search for Sean's successor as CFO has commenced.

Full Year Outlook for FY20

With persistent and prolonged dry conditions across our Ireland & UK and Continental European markets through spring, expected yields are lower and, in turn, there is reduced intensity of crop input investment spend. We expect demand will be lower than had been expected at the time of our half year trading update in early March. In what has been a challenging year due to extreme weather conditions and the operational challenges presented by COVID-19, the Group expects to deliver a resilient financial performance for FY20, with full year adjusted fully diluted earnings per share of between 23 to 26 cent.

This statement contains inside information.

ENDS

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About Origin Enterprises plc

Origin Enterprises plc is an international Agri-Services group, providing specialist agronomy advice, crop inputs and digital agricultural solutions to farmers, growers and amenity professionals. The Group has leading market positions in Ireland, the United Kingdom, Belgium, Brazil, Poland, Romania and Ukraine. Origin is listed on the Euronext Growth (Dublin) and AIM markets of the Irish and London Stock Exchanges.

Euronext Growth (Dublin) ticker symbol:	OIZ
AIM ticker symbol	OGN
Website:	www.originenterprises.com