

Origin Enterprises plc

Q1 Trading Update

A positive start to the financial year, with growth in underlying Group revenue and sales volumes

23 November 2018

Origin Enterprises plc ('Origin' or 'the Group'), the Agri-Services group, issues the following trading update for the three months to 31 October 2018, in advance of its Annual General Meeting which is being held today at 11.00am (Ireland/UK time) in the Merrion Hotel, Upper Merrion Street, Dublin 2.

Overview

There has been a positive start to trading for the 2019 financial year in the seasonally quiet first quarter.

Demand levels for agronomy services and crop inputs were strong in the period, supported by a combination of early season timing and generally improved sentiment on-farm. The planting profile for autumn and winter cropping is broadly favourable across our markets.

Earnings seasonality

The seasonality of Origin's revenue and earnings profile has historically followed the northern European growing season, resulting in over 95% of earnings being generated in the second half of the Origin financial year. The balance of this seasonality profile is expected to change following the Group's acquisition of the Fortgreen business in Brazil, which completed in August 2018. The Group will now have an exposure to southern hemisphere growing seasons. Over 65% of Fortgreen's earnings typically arise in the first half of the Origin financial year, which will result in additional revenues and higher margin earnings being recognised in the first half.

Group revenue

Group revenue was €430.0 million for the three months compared to €346.7 million in the corresponding period last year, an increase of 24.0%. On an underlying basis at constant currency, revenue increased by €62.4 million (18.0%), reflecting higher seed, crop protection and fertiliser volumes and prices in the period.

Underlying volume growth in agronomy services and crop inputs (excluding crop marketing volumes) was 13.7% in the period.

The components of the total year-on-year increase are as follows:

Group revenue

	Q1 19 €m	Q1 18 €m	Change %	Underlying ¹ %	Constant Currency ² %
Revenue	430.0	346.7	24.0%	18.0%	23.9%

¹ Excluding currency movements and the impact of acquisitions

² Excluding currency movements

Ireland and the United Kingdom

	Q1 19	Q1 18	Change	Underlying¹	Constant
	€m	€m	%	%	Currency²
					%
Revenue	261.5	219.5	19.2%	18.0%	18.0%

¹ Excluding currency movements and the impact of acquisitions
² Excluding currency movements

Ireland and the UK delivered a good performance recording underlying volume growth in agronomy services and crop inputs of 14.4% in the period. In particular, this performance was positively supported by seasonal timing and volume contribution from the Bunn fertiliser business which was acquired in the prior year.

On an underlying basis at constant currency, there was an increase in revenue of 18.0% compared to the corresponding period last year. The impact of currency movements on revenue during the period was an increase of €2.5 million (1.2%).

Integrated Agronomy and On-Farm Services

Integrated Agronomy and On-Farm Services delivered a satisfactory performance in the first quarter.

Autumn and winter crop planting activity is broadly in line with last year, with dry conditions in August and September resulting in a slow start to the season followed by significant catch up activity in October.

Total winter oil seed rape and winter wheat plantings are currently forecast to be in line with last year at approximately 2.4 million hectares. Combined autumn, winter and spring plantings for the 2019 growing season are estimated to be in line with last year at 4.4 million hectares with an increase in autumn and winter cereal plantings expected to offset the reduction in oil seed rape plantings. This provides a solid platform for the main agronomy service and input application season in the second half of the financial year.

Digital Agricultural Services

Digital Agricultural Services has commenced the year with positive momentum following the on-boarding of over 700,000 hectares onto the Group's digital platform, Contour, in 2018. The emphasis for the 2019 financial year remains on product enhancements and the continued roll out of Contour across Origin's core markets.

Business-to-Business Agri-Inputs

Business-to-Business Agri-Inputs has had a strong start to the financial year with performance principally underpinned by higher volumes of both fertiliser and feed ingredients.

Fertiliser

Fertiliser has had a good start to the year, recording higher underlying volumes in the first quarter compared to last year. Volume development was principally supported by greater certainty in raw material price development which is providing confidence to primary producers to secure a portion of their nutrition requirements ahead of the main application period in the second half of the financial year. In addition, volume momentum was supported by the extended season for grassland application which arose due to poor growing conditions earlier in the calendar year.

Amenity

Origin Amenity delivered a satisfactory performance in the period on lower sales volumes due to customers holding high levels of carry over stock following poor weather conditions experienced in 2018. Volumes are expected to return to normal levels in the main spring and summer application period in 2019.

Feed Ingredients

Feed Ingredients achieved a satisfactory performance in the period. Sustained demand underpinned higher volumes in the quarter, principally due to the lack of fodder availability following poor grass growing conditions in 2018.

Continental Europe¹

	Q1 19	Q1 18	Change	Underlying ²	Constant
	€m	€m	%	%	Currency ³
					%
Revenue	101.8	80.6	26.3	17.6	28.3

¹ Excluding crop marketing

² Excluding currency movements and the impact of acquisitions

³ Excluding currency movements

Continental Europe delivered a satisfactory performance recording underlying volume growth in agronomy services and crop inputs (excluding crop marketing volumes) of 11.9% in the period. Operating conditions continue to be challenging due to poor crop establishment in respect of winter oil seeds resulting in cautious on-farm sentiment.

On a constant currency basis there was an underlying increase in revenue of 17.6% compared to the corresponding period last year.

Belgium

In January 2018, Origin acquired Pillaert-Mekoson ('Pillaert'), a leading provider of standard and prescription fertiliser products headquartered in Ghent, Belgium.

Pillaert performed well in the period, with improved on-farm sentiment supporting good volume momentum.

Poland

Poland performed satisfactorily in the period on reduced agronomy service revenue and crop input volumes. Lower volumes largely reflected the impact of sustained dry conditions throughout the period on harvest yield and early new crop establishment.

Autumn and winter plantings are estimated to be approximately 1.9% higher than the prior year at 4.7 million hectares. There has been a reduction in the planted area of oil seed rape which will be more than offset by an increase in other winter cereals. The total cropping area for the growing year is expected to be broadly equivalent to last year at 8.1 million hectares.

Romania

Romania delivered a satisfactory performance in the period with nutrition continuing to maintain good volume growth.

Establishment of early sown oil seed rape plantings has been impacted by general drought conditions in the period. The total sown area for autumn and winter plantings is forecast to be in line with last year at 3.2 million hectares with any losses in respect of oil seed rape expected to be offset by a higher winter cereals area or higher spring plantings.

Combined winter and spring plantings for the growing season as a whole are currently estimated to be 2.8% ahead of last year at 8.5 million hectares.

Ukraine

Ukraine delivered a satisfactory performance in the period, in challenging trading conditions.

There has been a good harvest outcome to date with generally above average yields and ideal crop drilling conditions have facilitated good progress in respect of winter plantings. Total autumn plantings for cereals and oil seed rape are estimated to be 6.4% ahead of last year at 8.3 million hectares primarily driven by an increase in the area of oil seed rape. Combined autumn and spring plantings are currently forecast to be 1.0% ahead of last year at 23.0 million hectares.

Latin America

	Q1 19 €m	Q1 18 €m	Change %	Underlying ¹ %	Constant Currency ² %
Revenue	11.7	-	100%	-	-

¹ Excluding currency movements and the impact of acquisitions
² Excluding currency movements

Origin entered the Brazilian market on 14 August 2018 through the acquisition of Fortgreen, a business which is focused on the development and marketing of value added crop nutrition and speciality inputs and which is headquartered in Paraná State in southern Brazil.

Fortgreen has delivered a good maiden contribution in the period, with performance in line with pre-acquisition expectations. The main spring planting season is progressing well with robust activity level on farm. Plantings for Brazil's principal crop, Soya, are 78% complete to date, compared to 72% for the prior year.

Brexit

The UK's exit from the European Union continues to be an area of focus. Given Origin's well-diversified businesses in Ireland, the UK, Continental Europe and Latin America, the Group is able to maintain a flexible approach to dealing with the potential challenges that might arise following Brexit.

We believe that we are well prepared for any short-term logistical disruption that may result from a no-deal Brexit, however the Board and senior management will continue to closely monitor Brexit negotiations and adjust the Group's strategic and operational plans as necessary.

Outlook

The performance achieved in the first quarter of the year represents a positive start to the financial year for the Group, supported by steadily improving sentiment on-farm.

The autumn and winter cropping profile in our Ireland/UK and Continental European geographies provides a good foundation for the seasonally more important second half of the year. The Group's newly acquired operations in Latin America will result in additional contribution in the first half of the Origin year, with solid progress on plantings providing an encouraging start to the year.

A further update on cropping status and farming activity ahead of the Group's main trading season in the second half will be provided at the time of the Interim Results announcement in March 2019.

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About Origin Enterprises plc

Origin Enterprises plc is a focused Agri-Services group providing specialist On-Farm Agronomy Services, Digital Agricultural Services and the supply of crop technologies and inputs. The Group has leading market positions in Ireland, the United Kingdom, Belgium, Brazil, Poland, Romania and Ukraine. Origin is listed on the ESM and AIM markets of the Irish and London Stock Exchanges.

ESM ticker symbol: OIZ
AIM ticker symbol: OGN
Website: www.originenterprises.com