

20 July 2021

## Trading Update

Camellia Plc

Camellia Plc (CAM.L) is today issuing the following update on trading.

### Outlook

The underlying loss before tax<sup>1</sup> for the first half of the year is expected to be approximately 15% lower than that of H1 2020. This reflects improved profits from Agriculture (more details of which are set out below) and the benefit of cost saving measures which unfortunately have been offset in large part by the impact of Covid on the markets served by our Engineering and Food Services businesses and a softening of activity in the oil and gas markets.

Whilst normality is starting to return in the UK, the speed and intensity at which the pandemic has re-emerged in India, Bangladesh and Africa creates uncertainty and demonstrates the need for continued vigilance. We have a very strong financial position and believe that over the long-term, demand for our agricultural produce will continue to rise. As always, our financial results remain largely dependent on Agriculture where the majority of harvesting and sales take place in the second half of the year. It is therefore too early to give a firm indication of the likely results for 2021. However, the factors discussed below, in particular the reduction in the expected avocado crop and the continuing downward pressure on tea prices in Kenya, indicate the potential for substantially lower overall results for the full year than previously expected. Further announcements will be made as appropriate in due course.

### Trading

**Agriculture** We are pleased that, despite the pandemic, all of our agricultural operations continue to operate broadly as normal.

#### *Tea*

In Bangladesh, production in the first half of the year was 25% higher than that of the same period last year and average pricing has been significantly better (up 63%). The government has announced a two week National lockdown although the tea industry and tea auctions have been granted an exemption. We anticipate lower prices in H2 2021 reflecting normal seasonality combined with the possible softening of demand in the market as a result of the National lockdown.

The Covid situation in India remains deeply concerning despite the extensive efforts made to keep all our staff safe, including restricting workforce deployment to 50% in West Bengal. Production in the first half of the year was 16% up on the same period last year. Prices in the Dooars have been strong (up 15%) but prices for Orthodox teas in Assam, which constitute most of our production in that region, are significantly lower than H1 2020. It is still very early in the India tea sales cycle (around 70-75% of sales are made in the second half of the year) which makes predicting prices for the remainder of the year inherently uncertain even without the impact of Covid.

In Kenya, benign weather continues to result in high volumes of tea production nationally, although below the record levels of last year. The market remains under pressure as a result and prices are slightly below those of last year. Our estate production for the first half is 11% below that of the same period of 2020 with average prices down approximately 2%. We continue to see a risk of further downward price pressure for the remainder of the year.

In Malawi, production is approximately 11% higher than the same period last year but sales have been delayed by the uncertainty created by the Malawi Revenue Authority's investigation into the applicability of VAT to certain tea sales as reported in our 2020 annual report. This is expected to be a timing issue as between H1 and H2. Average tea prices are 2% ahead of H1 2020 but following contractual discussions with our buyers and due to oversupply in the Kenyan market, we now expect lower prices in the second half of 2021.

#### *Avocado*

The harvest for our Hass avocado crop is progressing well. However, following a very strong 2020, it is now becoming clear that our volumes will be significantly lower than previously anticipated and we now expect our estate Hass crop to be approximately 30% lower than last year which, all else being equal, will reduce profits for the year by £3 million. European markets are currently well supplied with avocados and while market conditions indicate that our average prices may be marginally higher than those of 2020, it is too soon to predict prices for the remainder of the year with any certainty. It is however unlikely that prices will improve sufficiently to offset the significantly lower yield.

#### *Macadamia*

Our macadamia operations continue to harvest and process their production with volumes expected to be approximately 20% higher than last year despite the pest damage in Malawi that we previously reported. Although the kernel market is active with both demand and prices improving, we expect our average prices to be below those of last year as a result of the impact on quality.

Our remaining agricultural businesses are trading well, with our farming operation in Brazil seeing very high soya yields being sold into a strong market.

#### ***Non-agriculture***

Our non-agriculture businesses in the UK have had a difficult first half with the continuing restrictions hitting retail and food service. However, as expected we have seen that as the restrictions continue to ease, trading in these businesses is slowly improving. The oil and gas services market in Aberdeen has seen some softening of demand for AJT Engineering with a consequent reduction in margins, while the Site Services division, which is focussed on the renewables sector, has seen a significant increase in activity over 2020. Aerospace also remains very quiet and as previously reported, we anticipate no improvement in performance at Abbey Metal Finishing for the remainder of the year.

BF&M recently reported shareholders' net income for the three months ended 31 March 2021 of BD\$6.5 million, a significant improvement on the net loss reported for the comparative three-month period of 2020 of BD\$2.2 million. This reflects an uplift in all lines of business but particularly in gross premiums written in property and casualty in the Cayman Islands and The Bahamas. An increase in interest rates adversely affected the values of fixed-income securities but this was offset by strong equity market performance. Short term claims and adjustments experience increased 42% however this was more than offset by a 71% reduction in Life and Health policy benefits. BF&M's Q2 results are due to be released in late August.

#### **Strategy**

As announced in the AGM statement, the Board of Camellia is undertaking a series of measures aimed at improving share price performance. These measures include reducing our exposure to tea

auction prices, accelerating our agricultural diversification and divesting of certain assets. Additional detail will be issued in due course and as appropriate.

#### **Notes**

1 Underlying loss before tax is the unaudited loss before tax before separately identified items (legal costs and impairments) and excluding the trading profits of Horizon Farms to which was sold the second half of 2020. Horizon Farms trading profit for H1 2020 was £3.6 million

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

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