2022 FULL YEAR RESULTS

For the 53 weeks ended 31 December 2022

Disclaimer – Forward-looking statements

This presentation, prepared by Bakkavor Group plc (the "Company"), may contain forward-looking statements about Bakkavor Group plc and its subsidiaries (the "Group"). Forward-looking statements involve uncertainties because they relate to events, and depend on circumstances, that will, or may, occur in the future. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements. Forward-looking statements speak only as of the date they are made and the Company undertakes no obligation to update these forward-looking statements. Nothing in this presentation should be construed as a profit forecast. Where relevant, some numbers and period on period percentages have been rounded or adjusted in order to ensure consistency with the financial information for the latest financial reporting year unless otherwise stated.

AGENDA

Welcome	Simon Burke
Strategy update	Mike Edwards
Today’s key messages	Mike Edwards
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2022 performance and 2023 outlook	Mike Edwards
Summary	Mike Edwards
Q&A	

Strategy update

Mike Edwards

BAKKAVOR

Strategy remains unchanged, different tactics to underpin delivery

Our strategy

UK: Drive returns by leveraging #1 position

International: Accelerate profitable growth

Excellence: Deliver performance improvement

Trust: Be a trusted partner for all stakeholders

Clear and simple plan

1. Leaner organisational structure
2. Clear and focused regional priorities
3. Enhanced focus on managing cash

Our clear and simple plan

1 Leaner organisational structure

- New leaner leadership structure
- Operationally align UK business from four to two sectors, Meals and Bakery, to maximise synergy
- Move Finance and HR from regional to functional reporting for a more streamlined and consistent approach

2 Clear and focused regional priorities

3 Enhanced focus on managing cash

Our clear and simple plan

1
Leaner organisational structure

2
Clear and focused regional priorities

3
Enhanced focus on managing cash

UK

Drive an aggressive plan to mitigate the impact of ongoing inflation and volume pressures, including two proposed factory closures

US

Shift from growth to profit; renewed focus on operational performance and cost reduction

China

Post Covid-19 volume rebuild; focus on retail pipeline to further diversify the business

Our clear and simple plan

1

Leaner organisational structure

2

Clear and focused regional priorities

3

Enhanced focus on managing cash

- Review capital plans to reduce spend and target efficiency improvements
- Protect strategic investments to enhance capacity and capability
- Improve working capital, with a focus on stock reduction

Strategy remains unchanged, different tactics to underpin delivery

Our strategy

- **UK:** Drive returns by leveraging #1 position
- **International:** Accelerate profitable growth
- **Excellence:** Deliver performance improvement
- **Trust:** Be a trusted partner for all stakeholders

Clear and simple plan

1. Leaner organisational structure
2. Clear and focused regional priorities
3. Enhanced focus on managing cash

£25m annualised savings, delivering £15m in FY23

All activity either **on track or ahead** of plan

Today’s key messages

Mike Edwards

Today's key messages

Robust 2022 performance in line with market expectations[2]

>£2bn LFL revenue[1]

Up 10.6% led by price

£230m inflation

With adjusted operating profit[1] down only £12.6m

£89.4m adjusted operating profit[1]

In line with market expectations[2]

1.9x leverage[1]

Within target range

Clear and simple plan to protect 2023 profits, on track to deliver savings

Strategy remains unchanged

Different tactics to underpin delivery

Plan well progressed

On track to deliver £25m annualised savings

Encouraging start to 2023

2023 within range of market expectations[2]

1. Alternative Performance Measures are referred to as 'like-for-like', 'adjusted', 'underlying' and are applied consistently throughout this presentation. These are defined in full and reconciled to the reported statutory measures in the 2022 full year results in Note 11. 2. Based on company compiled consensus ("Consensus") which includes all covering analysts; 2022 £88.4m (range £86.7m - £89.1m), 2023 £84.1m (range £80.0m - £89.0m)



Financial review
Ben Waldron

Robust performance and in a position of financial strength

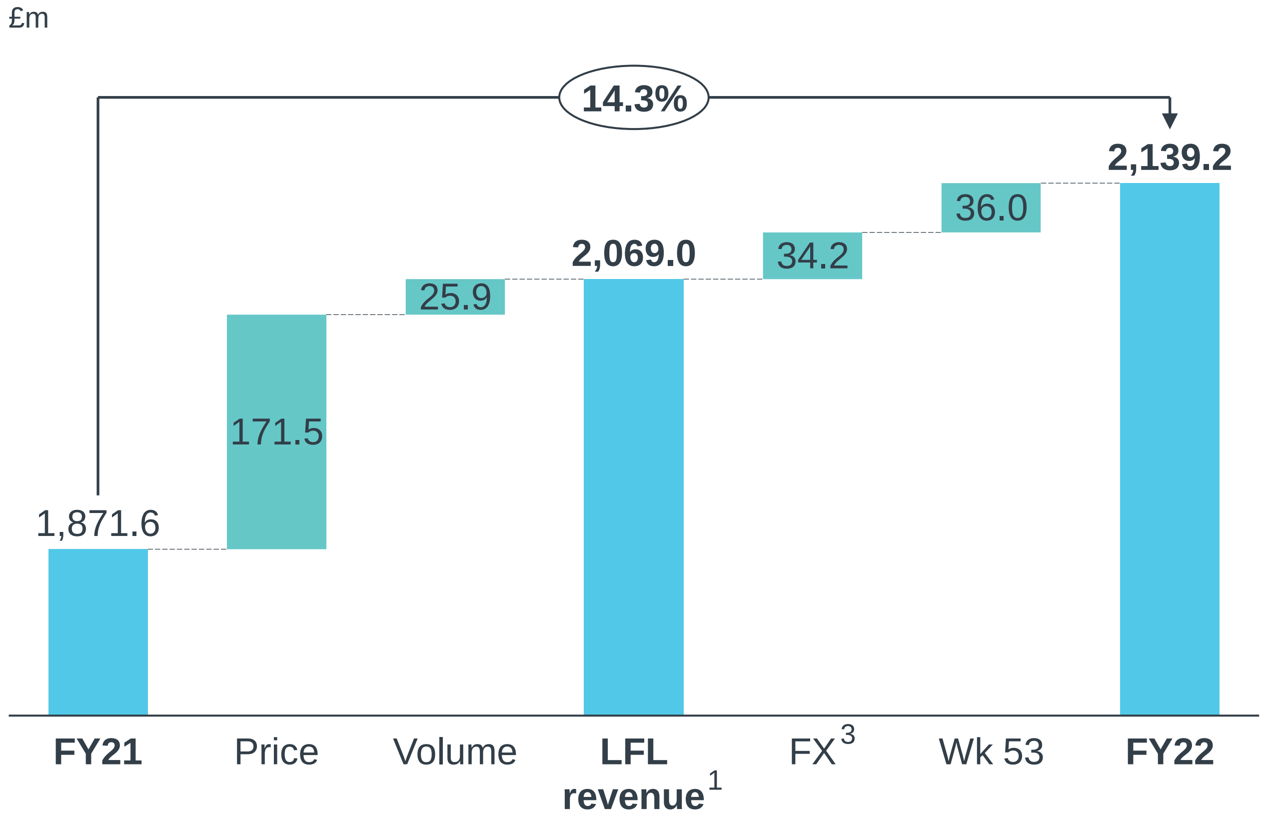
FY22 financial overview

	FY22	FY21	*Change*
Group revenue	£2,139.2m	£1,871.6m	*14.3%*
Like-for-like revenue[1]	£2,069.0m	£1,871.6m	*10.6%*
Adjusted operating profit[1]	£89.4m	£102.0m	*£(12.6)m*
Adjusted operating profit margin[1]	4.2%	5.4%	*(120)bps*
Exceptional items	£(50.1)m	-	
Adjusted EPS[1]	9.5p	10.4p	*(0.9)p*
Basic EPS	2.2p	9.8p	*(7.6)p*
Free cash flow[1]	£66.8m	£91.2m	*£(24.4)m*
Operational net debt[1]	£(284.9)m	£(293.7)m	*£8.8m*
Leverage[1]	1.9x	1.9x	-
ROIC[1]	7.1%	7.2%	*(10)bps*
Total dividend per share	6.93p	6.60p	*5.0%*

1. Alternative Performance Measures are referred to as 'like-for-like', 'adjusted', 'underlying' and are applied consistently throughout this presentation. These are defined in full and reconciled to the reported statutory measures in the 2022 full year results in Note 11

Strong revenue growth largely reflects price

Group statutory revenue bridge



LFL revenue[1] growth	*9.2%*	*1.4%*	***10.6%***	

Like-for-like revenue[1] by region

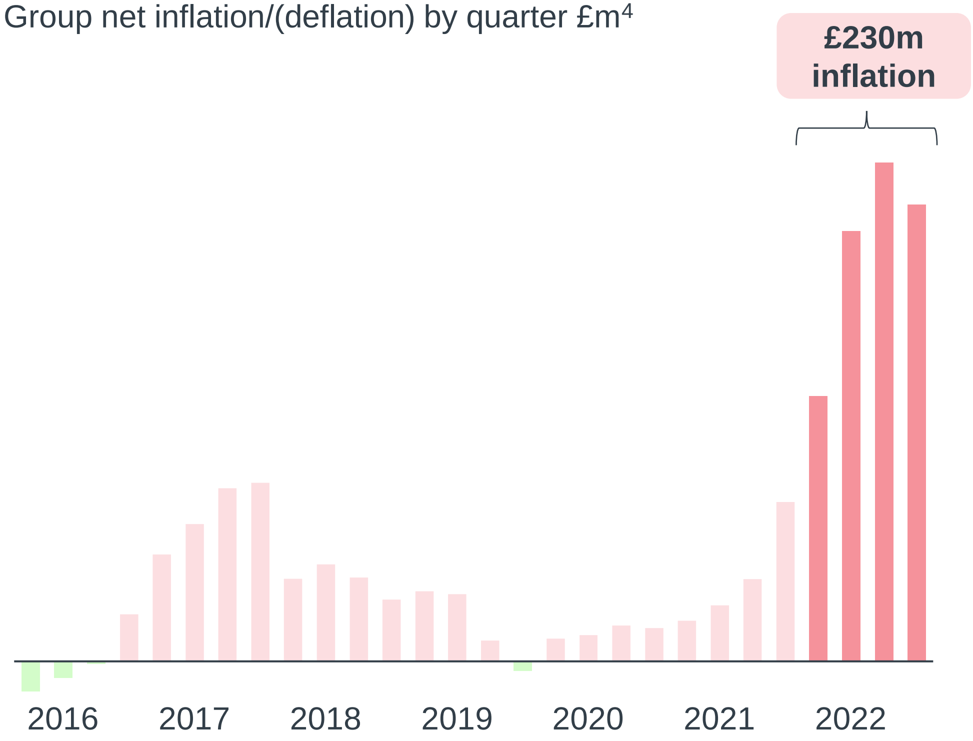
£m	FY22	Compared to FY21
UK	1,752.3	10.0%
US	226.2	25.6%
China	90.5	(8.6%)
Group	**2,069.0**	**10.6%**

3. FX impact of £34.2m split £25.5m US and £8.7m China

Significant inflationary headwinds through 2022

Inflation escalated in 2022

Group net inflation/(deflation) by quarter £m[4]



Key drivers

Raw materials: *Supply chain cost increases, commodity inflation e.g. dairy, new wave of inflation due to Ukraine Russia conflict.*

Packaging: *Elevated prices of recycled plastics and cardboard.*

Distribution: *Fuel and driver costs.*

People: *Out of cycle pay increase in Dec-21, National Living Wage up 6.6% from Apr-22, National Insurance up 1.25% (until Nov-22).*

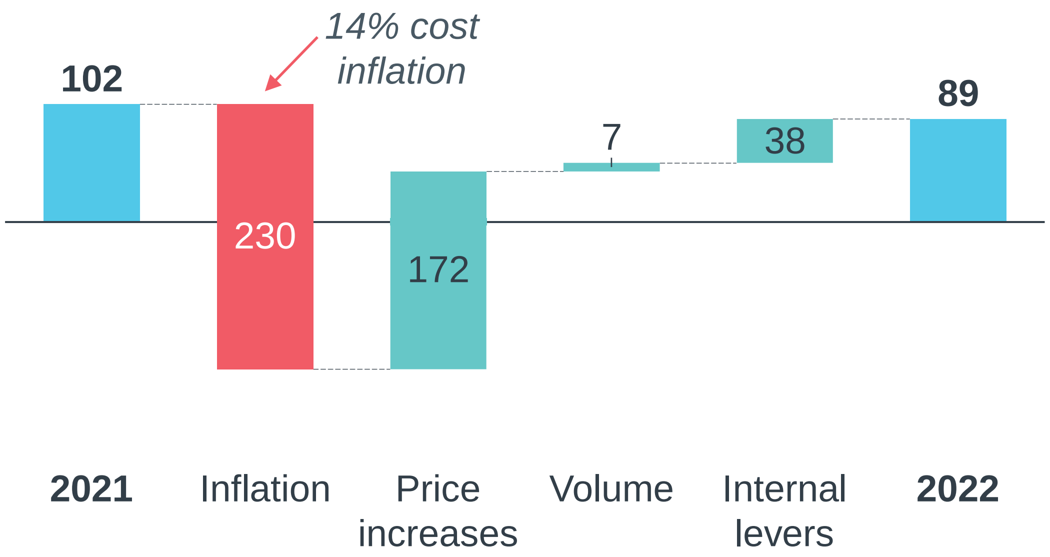
Other costs: *Increased factory costs, energy & utilities, insurance, IT.*

4. Net inflation includes raw materials, packaging, distribution and direct labour .

Largely mitigated impact of 2022 inflation; good visibility for 2023

Dealing with inflation

Adjusted operating profit[1] bridge, £m



Inflation expected to remain high, but good visibility of costs

6-8%
Expected 2023 cost inflation

>90% energy cover

>75% H1 raw material & packaging cover

£15m savings from plan

We will continue to utilise multiple levers to mitigate the impact of inflation

- Price increases
- Value optimisation
- Operational efficiency
- Tight cost control

Robust adjusted operating profit performance

£m	Adjusted operating profit[1] FY22	FY21	Compared to FY21	Adjusted operating profit margin[1] FY22 %	FY21 %
UK	92.7	97.8	(5.1)	5.2%	6.1%
US	3.3	8.9	(5.6)	1.3%	4.9%
China	(6.6)	(4.7)	(1.9)	(6.5%)	(4.7%)
Group	**89.4**	**102.0**	**(12.6)**	**4.2%**	**5.4%**

FY22 market expectations[2]

Consensus £88.4m, range £86.7m to £89.1m

- Price recovery, operational efficiency and tight cost control helped mitigate the impact of inflation on UK profits
- However, dilutionary impact of passing through cost increases, combined with an element of unrecovered inflation impacted margins
- US profits impacted by operational disruption from volume growth, lag in inflation recovery and withdrawal of volume due to a contractual dispute
- China's performance heavily impacted by regional lockdowns and disruption from Covid policy unwind in December 2022

2. Based on company compiled consensus ("Consensus") which includes all covering analysts

Exceptional items mainly relate to restructuring

£m	FY22	FY21
Corporate restructuring	5.3	-
UK site closures:		
• Closure costs	11.8	-
• Impairment charge	19.5	-
Investment in associate impairment	9.7	-
US customer contractual dispute impairment	3.8	-
Total exceptional items	**50.1**	**-**

- Corporate restructuring costs include redundancy payments
- Two UK sites to close by Q1 23, includes costs of closure and impairment of fixed assets
- £25m annualised savings from plan, with £15m in FY23
- Hong Kong investment in associate impaired due to impact of Covid and reduced tourism on trading
- Ongoing US customer contractual dispute resulted in a £3.8m impairment of inventory and receivables related to this customer
- £19.3m cash cost of exceptionals; £2.5m incurred in FY22 and balance will be in FY23

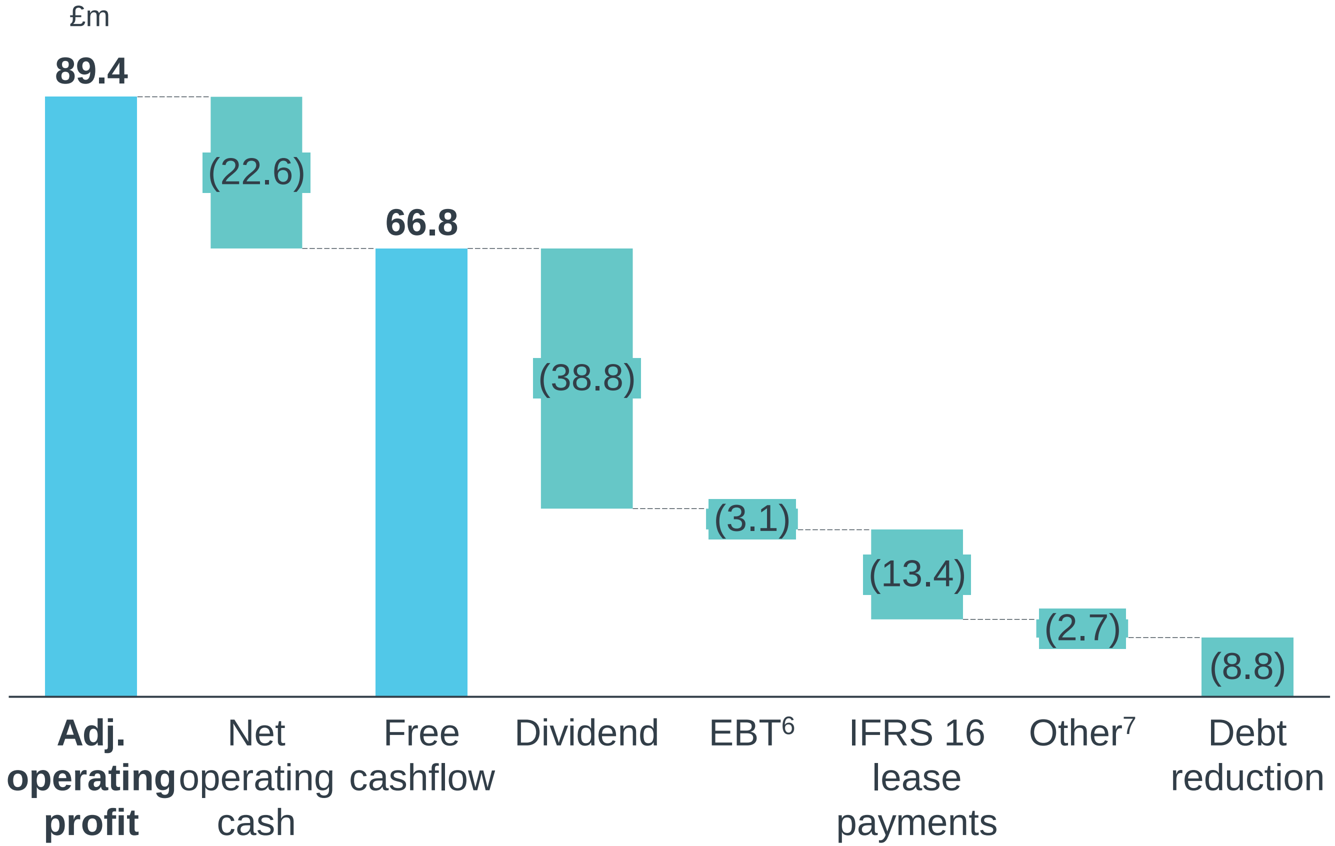
Good level of cash generation

Free cash flow[1] bridge, £m

5. Free cash conversion calculated as free cash flow divided by adjusted operating profit

Disciplined approach to capital allocation; debt reduced, dividend up

Free cash flow[1] utilisation



Final 2022 dividend proposed

6.93p total 2022 dividend

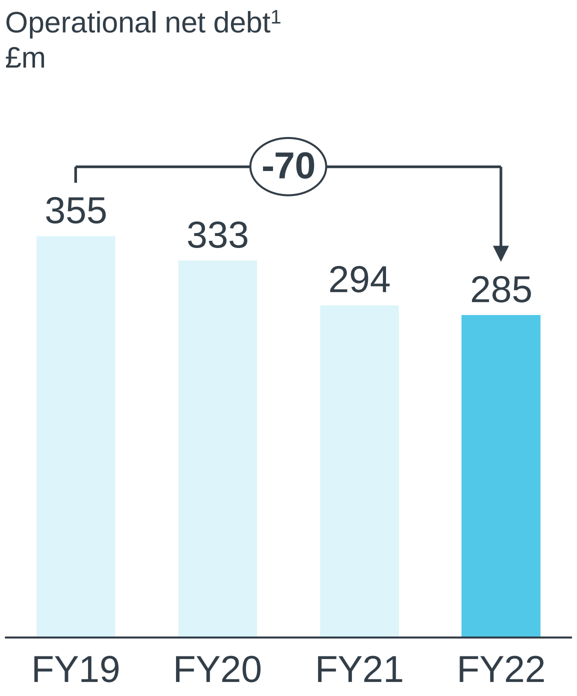
+5.0% up on 2021

	Per share	Cash	Period paid
2021 interim	2.64p	£15.3m	FY21[8]
2021 final	3.96p	£22.8m	FY22
2022 interim	2.77p	£16.0m	FY22
2022 final[9]	**4.16p**	**£24.0m**	**FY23**

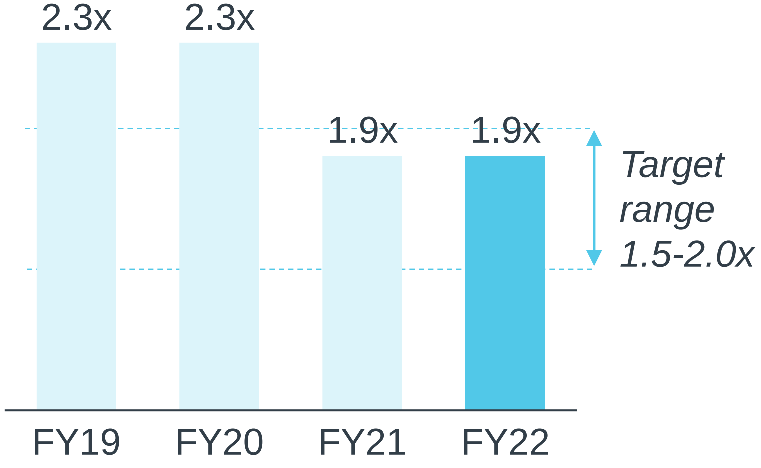
6. Cost of purchase of own shares through Employment Benefit Trust 7. Other includes exceptional items, refinancing fees and foreign exchange
8. Note FY21 also included £23.2m paid in relation to the FY19 suspended final dividend, with total FY21 cash flow of £38.5m 9. 2022 final dividend proposed - if approved by shareholders, will be paid on 5 June 2023

Maintained strong financial position

Debt reduced further



Leverage[1] maintained in target range



Balance sheet strength

>£200m

Liquidity headroom against debt facilities of £486m

Mar-26

Maturity of 95% of core debt facilities

£150m

Interest rate swaps in place to Mar-24

c.3.9%

Cost of debt in FY22

£12.8m

UK DB scheme surplus on IAS19 basis

Outlook in line with market expectations

Guidance for 2023

Revenue	Early trading encouraging; UK volumes in line with expectations and gradual recovery in China volumes Confident in continued market share gains in the UK, while more measured approach to US growth
Adjusted operating profit	Within range of market expectations[2]
Capital expenditure	c.£50m
Working capital	Expect neutral working capital
Leverage	Continue to stay within target range of 1.5x – 2.0x
Interest	Cost of debt c.5%
Tax	Effective tax rate slightly above enacted UK corporation tax rate of 25%

2. Based on company compiled consensus ("Consensus") which includes all covering analysts. Adjusted operating profit consensus range for 2023 of £80.0m to £89.0m, with consensus at £84.1m. Last updated on 7 March 2023



2022 performance and 2023 outlook

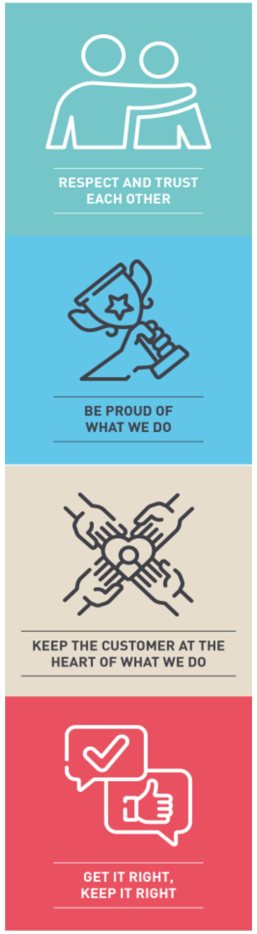
Mike Edwards

BAKKAVOR

Strong Bakkavor model underpins robust financial performance

ESG progress underpinned by more streamlined approach

✓	**ESG**	Established standalone ESG Board Committee to drive focus
✗	**+30bps**	Increase in UK employee turnover to 28.1%, albeit tracked down in H2 2022, and vacancies also reduced in the second half
✓	**-18.9%**	Reduction in Group net carbon emissions; driven by investment in refrigeration upgrades and energy initiatives
✓	**-110bps**	Reduction in UK food waste to 8%, with enhanced operational understanding and focus



We've done a good job in UK and China, but US performance disappointing

Winning market share and mitigating inflation

Operational challenges impacted profitability

More Group focus & input

- New leadership structure
- Shift in focus from growth to profit
- Granular operational improvement & cost reduction plans

Teams' resilience delivered through Covid

UK: Changes in behaviours have impacted categories differently

CONSUMERS HAVE:

- Cut back their spend
- Shopped less, planned more
- Eaten out less

RETAILERS HAVE:

- Increased prices
- Reduced promotions
- Reviewed propositions

Category dynamics

Benefited as consumers chose to eat out less. Meals seen as **good value for money** and **meal deals** helped support core ranges

Held up well; seen as **affordable family meals**, strong performance in value ranges and Q4 2022 boosted by **World Cup**

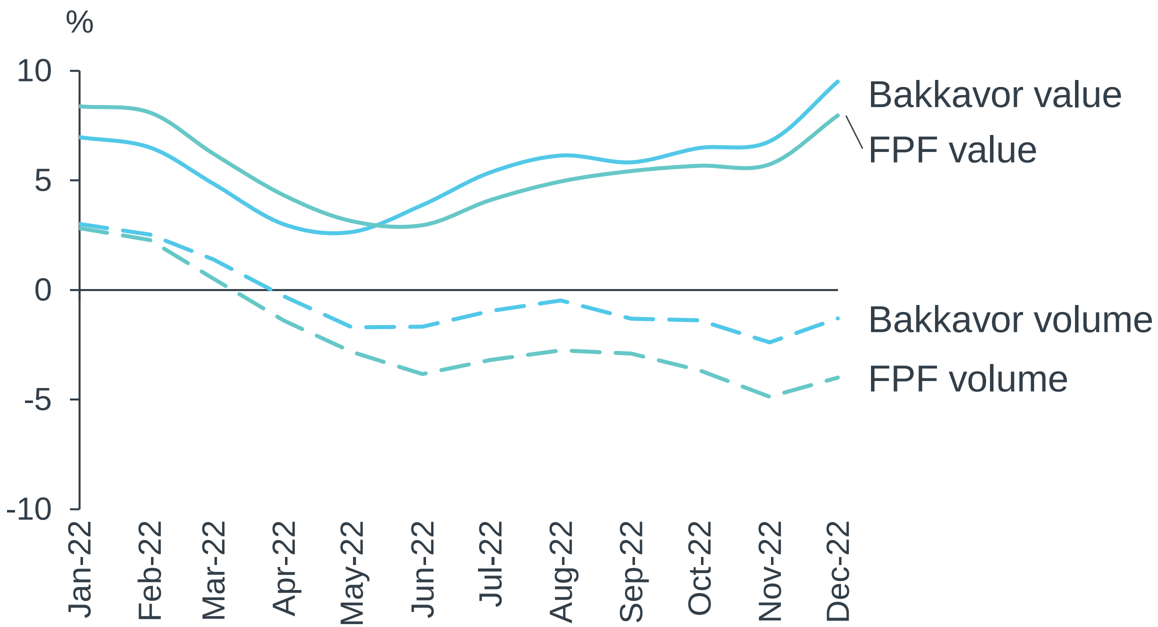
Volumes impacted as most **discretionary category** and retail pricing disproportionately impacted by **inflation**

Continued **food-to-go recovery**, but basic (fresh cut) salad products impacted as consumers **switched to wholehead** equivalents

UK: Volumes under pressure, but Bakkavor outperformed the market

Consistent share gains; strong pipeline ahead

YoY rolling 13 week growth, FPF market and Bakkavor[10]



Share gains in 3 out of 4 categories

Performance underpinned by:

- **Leading customer service**; scale and agility
- **Breadth of range**; categories and tiering
- **Targeted innovation**; meeting changing consumer needs
- **Net business gains**; stable and reliable

UK: Our engine room continues to perform strongly despite headwinds, with momentum into 2023

Key financials

£1,752.3m	10.0%	£92.7m	(£5.1m)
Like-for-like revenue[1]	Like-for-like revenue growth[1]	Adjusted operating profit[1]	Change in adjusted operating profit[1]

- **Strong revenue growth** led by price, with volume broadly flat as share gains offset soft underlying demand
- **Multiple levers largely mitigated impact of inflation;** pricing, value optimisation, operational efficiency, cost reduction and leveraging Bakkavor scale
- **Leading operational delivery**; safety and quality KPIs remained strong, with supply chain strength and agility ensuring disruption minimised to protect service levels
- **Delivering against our clear and simple plan**; streamlined leadership structure, operationally aligned from four to two sectors, and footprint review resulting in two site closures in Q1 2023
- **Outlook:** Confidence for 2023 given track record of largely mitigating inflation, strong pipeline of share gain opportunities and an encouraging start to the year, despite fresh produce challenges

US: Strong growth led to operational challenges; 2023 focus shifted from growth to profit

Key financials

£226.2m	25.6%	£3.3m	(£5.6m)
Like-for-like revenue[1]	Like-for-like revenue growth[1]	Adjusted operating profit[1]	Change in adjusted operating profit[1]

- **Strong revenue growth**, underpinned by fresh meals volume growth, now over 50% of revenue
- **Profitability impacted** by a lag on inflation recovery, disruption from onboarding growth and Q4 volume impact from a customer dispute put pressure on profits
- **More Group focus and input**; near-term focus shifted from growth to profit, new leadership structure in place from Apr-23, embedding operational improvement and cost reduction plans
- **Capacity investment paused**, to recommence once sustainable margin improvement delivered. Maintenance and efficiency investments continue
- **Outlook:** Making progress to reach resolution on customer dispute, expect to close by end of Q2. Expect margin improvement in H2 2023 as plans start to deliver. Strong consumer demand for fresh meals continues to fuel our excitement for the US business.

China: Teams' resilience reduced the impact of Covid, and recent policy change welcome

Key financials

£90.5m	(8.6%)	(£6.6m)	(£1.9m)
Like-for-like revenue[1]	Like-for-like revenue growth[1]	Adjusted operating loss[1]	Change in adjusted operating loss[1]

- **Covid disruption** with lockdown restrictions through the year and high case numbers post unwind in December, impacted consumer demand particularly in foodservice
- **Teams' resilience through Covid** minimised financial impact of volume decline and volatility through tight cost control
- **Good progress on channel diversification**; retail business almost 20% of revenue and up 60% year-on-year
- **Strategic investment complete with significant capacity headroom**; limited ongoing capital to support maintenance and efficiency
- **Outlook**: Early 2023 volumes have shown a gradual recovery, Covid policy change welcome and we remain confident in long-term prospects given headroom for growth

Summary
Mike Edwards

BAKKAVÖR

Confident in delivering 2023 within range of market expectations

- Exit 2022 with clarity, purpose and momentum
- Clear strategy and new tactics to underpin delivery, plans on track
- Strong Bakkavor model and balance sheet strength leave us well placed to move forward positively in a difficult environment
- Encouraging start to 2023; continued share gain in UK, actions underway to fix US and volumes starting to recover in China
- Confident in delivering 2023 within the range of market expectations[2]

2. Based on company compiled consensus ("Consensus") which includes all covering analysts. Adjusted operating profit consensus range for 2023 of £80.0m to £89.0m, with consensus at £84.1m. Last updated on 7 March 2023



Questions?



Appendix

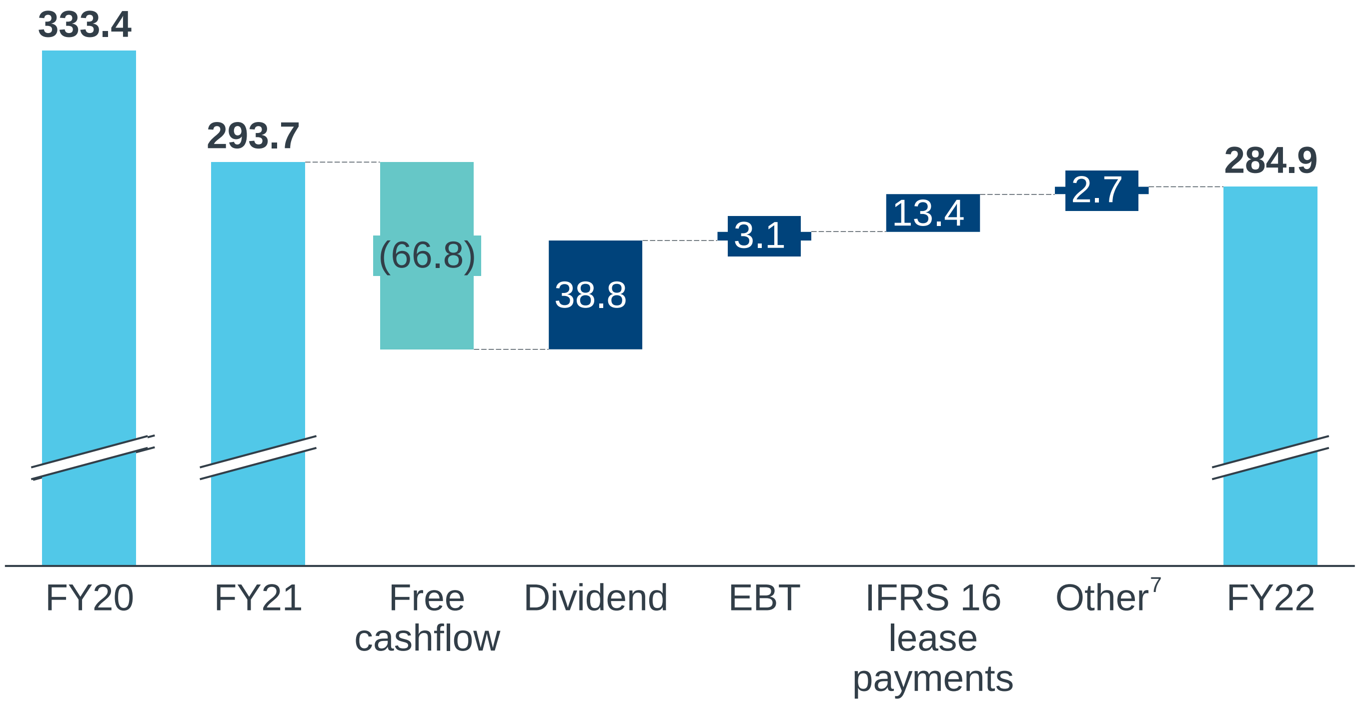
Earnings per share

£m	FY22	FY21
Basic earnings	**12.5**	**56.8**
Exceptional items	50.1	-
Configuration and customisation costs for SaaS projects	1.5	-
Change in fair value of derivative financial instruments	0.1	4.0
Tax on the above items	(9.4)	(0.8)
Adjusted earnings	**54.8**	**60.0**
Weighted average number of Ordinary shares 000's	577,576	579,426
Basic earnings per share	**2.2p**	**9.8p**
Adjusted basic earnings per share	**9.5p**	**10.4p**

- Decrease in weighted average number of Ordinary shares due to purchase of own shares through Employee Benefit Trust

Group net debt

£m	FY22
Cash and cash equivalents	(40.2)
Term loans	225
Revolving credit facility	60
Asset financing, finance leases & overdrafts	40.1
Operational net debt	284.9
IFRS 16 leases	96.6
Other adjustments	(2.2)
Statutory net debt	379.3



7. Other includes exceptional items, refinancing fees and foreign exchange

Balance sheet and other metrics

Tax reconciliation

£m	FY 22		FY 21	
Profit before tax	**18.1**		**81.4**	
Tax charge at the UK corporation tax rate of 19%	3.4	19.0%	15.5	19.0%
Net non-deductible expenses/(non-taxable income)	(1.2)	(6.9%)	(1.8)	(2.0%)
Non-deductible impairment of investment	1.8	10.2%	-	
Adjustment in respect of prior periods	(0.3)	(1.7%)	1.5	1.7%
Other reconciling items[11]	1.9	10.3%	9.4	11.5%
Tax charge for the period and effective tax rate	**5.6**	**30.9%**	**24.6**	**30.2%**
Tax credit on exceptional items	9.1		-	
Tax credit on adjusting items	0.3		0.8	
Underlying tax charge and effective tax rate	**15.0**	**21.5%**	**25.4**	**29.7%**

ROIC

£m	FY 22	FY 21
Underlying effective tax rate	21.5%	29.7%
Average invested capital	987.7	994.4
ROIC	**7.1%**	**7.2%**

Pension

£m	FY 22	FY 21
IAS 19 pension surplus	**12.8**	**37.2**

Pensions

- UK DB scheme closed to future accrual in March 2011
- Pension Fair value of Scheme assets of £186m
- Cash contributions of £2.5m p.a. to 31 March 2024

11. Other reconciling items – see full year results in Note 5 for further details

Other financial information

Adjusted operating profit

£m	FY 22	FY 21
Operating profit	**37.8**	**102.0**
SaaS project costs	1.5	-
Exceptional items	50.1	-
- *UK*	*36.6*	-
- *US*	*3.8*	-
- *Hong Kong*	*9.7*	-
Adjusted operating profit	**89.4**	**102.0**

IFRS 16 earnings impact

£m	FY 22	FY 21
Operating lease charge	13.8	12.6
Depreciation	(12.1)	(11.4)
Operating profit	1.7	1.2
Finance costs	(3.1)	(2.6)
Loss before tax	(1.4)	(1.4)
Tax	0.4	0.3
Loss after tax	(1.0)	(1.1)

Software as a service (‘SaaS’) project costs

- In response to IFRIC agenda decision, the Group revised its accounting policy in relation to upfront costs incurred to configure or customise SaaS arrangements
- This revision has resulted in £1.5m of costs, that would previously have been capitalised, being expensed to administration costs in FY22