



BAKKAVÖR

Annual Results 2014

For 52 weeks ended 27 December 2014



Business Highlights

Agust Gudmundsson

Headlines



Continued to outperform the UK fresh prepared food market with 4% LFL growth

Adjusted EBITDA margin improves 50 bps through productivity, cost control and International progress

Strong cash conversion, increase in capital investment and further deleveraging

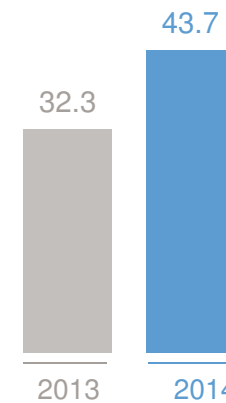
LIKE-FOR-LIKE SALES £m



ADJUSTED EBITDA £m



FREE CASH FLOW £m



Trading environment

Tough trading environment with flat volume growth in overall grocery market

Shopper habits changing with increased sales through discounters, online and convenience channels

Food price deflation reported; however significant inflation for some key ingredients, as well as rising labour costs



OUR STRATEGY

TARGETING
GROWTH
OPPORTUNITIES

STRENGTHENING
OUR CUSTOMER
RELATIONSHIPS

DEVELOPING OUR
PEOPLE TO DRIVE
INDUSTRY-LEADING
STANDARDS

INVESTING AND
WORKING
EFFICIENTLY



Building on our leading positions

Strengthening our core UK business through investment delivers growth

Commenced supply to McDonald's in China

Tripling capacity at Bakkavor Jessup, Pennsylvania

LIKE-FOR-LIKE SALES £m



+4.4%





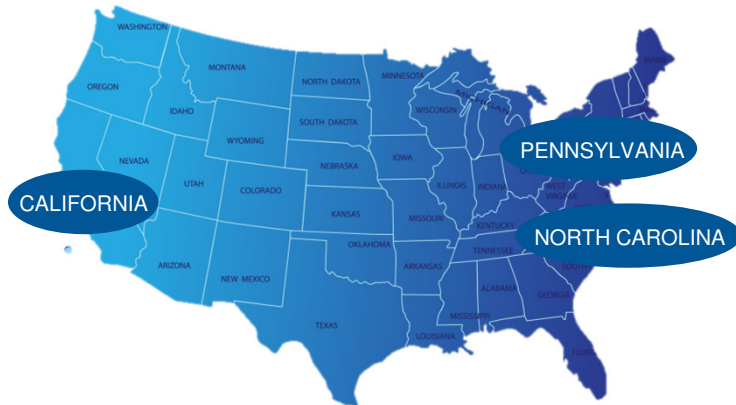
Building on our leading positions: B. Robert's Foods

Acquired B. Robert's Foods on 12 January 2015, our first acquisition in seven years

Private label fresh prepared foods manufacturer based in North Carolina with revenues of \$30m

Complements our existing operations in California and Pennsylvania

Products include ready to cook meals, side dishes and soups





Aligning our goals with those of our customers

Growth with all major customers in UK

Collaborative approach on category and new product development

3 major awards from key customers and winner of Food Manufacturer of the Year (FMT Jan 2015)

TESCO

M&S

Sainsbury's

Waitrose

ASDA

The **co-operative**

M
MORRISONS



Setting the industry benchmark through creating the right culture

Annual Group Innovation Awards to recognise and celebrate success

'Recipes for Success' management development programme

17 industry awards for product innovation and quality





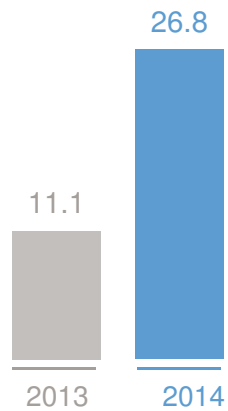
Growth through capital investment and focus on efficiency

UK reorganisation reduced complexity and cost

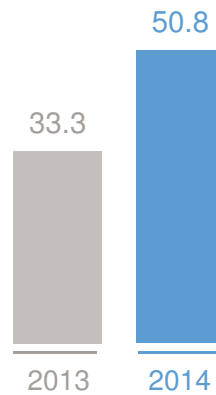
Effective working capital management delivered £27 million cash inflow

£51 million capital expenditure on capacity, process improvement and technology

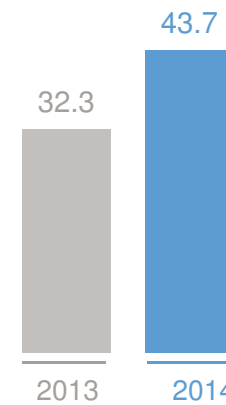
WORKING CAPITAL £m



CAPITAL EXPENDITURE £m



FREE CASH FLOW £m





Case study: Bread investment

to increase capacity in response to growing customer demand, deliver efficiency and improve consistency in product quality





Financial Review

Peter Gates

Financial Overview

£m	FY 2014	FY 2013	
Revenue	1,692.6	1,649.8	3%
<i>Revenue: Like-for-like</i>	<i>1,722.7</i>	<i>1,650.7</i>	<i>4%</i>
Adjusted EBITDA	119.9	109.7	9%
Adjusted EBITDA margin	7.1%	6.6%	50bps
Free cash flow	43.7	32.3	11.4



Continued revenue growth despite weak underlying market and reduced promotional activity

EBITDA margin up 50 bps due to strict cost control and progress from our International businesses

Strong cash conversion supports investment for further growth

UK performance

£m	FY 2014	FY 2013	
Revenue	1,520.1	1,463.6	4%
<i>Revenue: Like-for-like</i>	<i>1,536.1</i>	<i>1,480.3</i>	<i>4%</i>
Adjusted EBITDA	112.9	104.1	8%
Adjusted EBITDA margin	7.4%	7.1%	30bps



3rd consecutive year of market share gains

UK restructuring reduces cost and complexity allowing for EBITDA margin growth

Increased capital investment supports further margin improvement

International performance

£m	FY 2014	FY 2013	
Revenue	172.5	186.2	(7%)
<i>Revenue: Like-for-like</i>	<i>186.6</i>	<i>170.4</i>	<i>10%</i>
Adjusted EBITDA	7.0	5.6	25%
Adjusted EBITDA margin	4.1%	3.0%	110bps

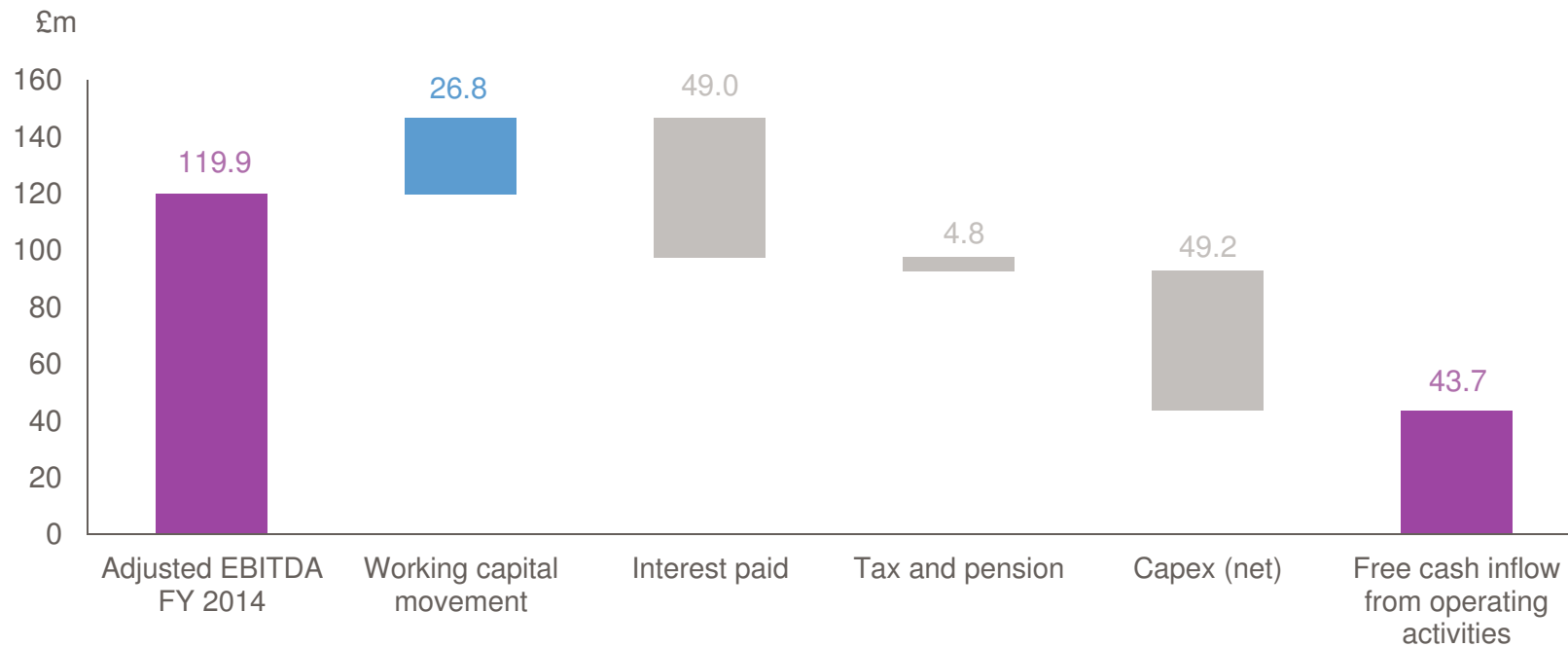


Statutory sales decline due to impact of sold businesses

EBITDA margin up 110 bps due to increased sales and recovery in our European businesses

US performance particularly strong supporting acquisition and increased capacity investment

Free Cash

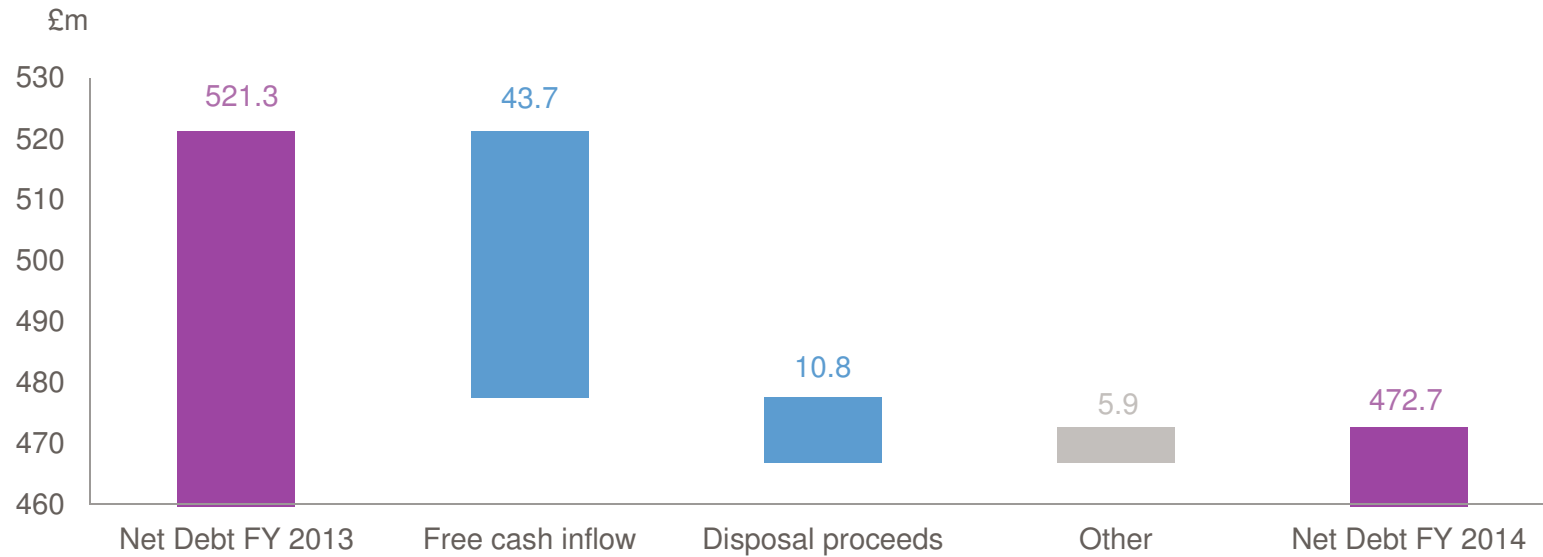


Focused management of working capital delivers good returns

Reduced interest payments reflect lower average net debt

Significant increase in capital investment delivers efficiency savings and supports further growth

Net Debt



Reduction to net debt driven by strong cash conversion despite increase in capital spend

Strong liquidity leads to £44.2m prepayment of term facility

RCF and receivables facility undrawn at year-end

Key ratios

£m	Q4 2014
Interest cover covenant	>2.10 x
Actual	2.5 x
Headroom	14%
Leverage covenant	<5.15 x
Actual	3.9 x
Headroom	23%



Comfortable headroom on financial covenants

Leverage down from 4.7x to 3.9x in past 12 months

Term facility margin reduces as leverage falls



Outlook and Q&A

Agust Gudmundsson

Outlook

Group has made good progress increasing revenues, market share, margins and cash generation

Expect challenging trading conditions to persist against the backdrop of evolving UK grocery market

Our strategic priorities have proved successful and will remain our focus going forward





Q&A

Agust Gudmundsson

A top-down view of a white ceramic bowl filled with a vibrant quinoa salad. The salad consists of cooked quinoa, bright orange segments of citrus fruit, small green herbs, and pine nuts. A silver fork is partially submerged in the salad on the left side. The bowl is set against a dark blue, textured background. The word "Appendix" is overlaid in white text in the center, with a purple arrow pointing to the right.

Appendix

Appendix: Q4 Financial Overview

£m	Q4 2014	Q4 2013	
Revenue	428.4	416.3	3%
<i>Revenue: Like-for-like</i>	<i>435.5</i>	<i>417.3</i>	<i>4%</i>
Adjusted EBITDA	30.5	26.7	14%
Adjusted EBITDA margin	7.1%	6.4%	70bps
Free cash flow	12.7	25.3	(12.6)

Appendix: Composition of net debt

£m	December 2014
Cash and cash equivalents	(24.6)
Fixed rate bond 8.25% 2018	331.9
Fixed rate bond 8.75% 2020	148.5
Term loan	10.0
Receivables securitisation	-
Other loans and overdrafts	4.8
Finance leases	2.1
Operational net debt	472.7

Appendix: Balance sheet

£m	December 2014	December 2013
Goodwill	642	644
Intangible assets	9	18
Other non-current assets	296	278
Current assets	266	255
Net debt	(472)	(520)
Other liabilities	(418)	(374)
Net assets	323	301