

BAKKAVÖR

Full year results

For the 52 weeks ended
25 December 2021

8 March 2022



Disclaimer – forward-looking statements

This full year results presentation, prepared by Bakkavor Group plc (the "Company"), may contain forward-looking statements about Bakkavor Group plc and its subsidiaries (the "Group"). These represent expectations for the Group's business, and involve known and unknown risks and uncertainties, many of which are beyond the Group's control. The Group has based these forward-looking statements on current expectations and projections about future events. These forward-looking statements may generally, but not always, be identified by the use of words such as 'will', 'aims', 'anticipates', 'continue', 'could', 'should', 'expects', 'is expected to', 'may', 'estimates', 'believes', 'intends', 'projects', 'targets', or the negative thereof, or similar expressions.

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Agenda

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Simon Burke, Chairman

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Agust Gudmundsson, CEO

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Ben Waldron, CFO

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Agust Gudmundsson, CEO

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Executive Summary

Agust Gudmundsson, Chief Executive Officer



Executive summary



Financial outperformance and strengthened balance sheet

- Like-for-like revenue¹ ahead of pre-pandemic levels, up 1.2% on 2019
- Adjusted operating profit¹ of £102.0m, ahead of market expectations² and up 22.0%
- Leverage¹ at 1.9x within medium-term target range
- Total 2021 dividend of 6.60p, up 10% on 2019

Good strategic progress underpins future growth and improving returns

- Scale, experience, category leadership and portfolio breadth underpinned UK progress
- US revenue up 31.8%¹ with recent investments unlocking capacity for growth
- China well-placed to capitalise on future opportunity
- Adjusted operating margin¹ up 70bps despite inflationary headwinds

Remain well-positioned to successfully mitigate inflationary headwinds

- Confident in delivering 2022 in-line with market expectations²
- Committed to mitigating impact of inflation
- Strong financial position supports targeted investments to drive returns

⁵ 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 2021 full year results in Note 13. 2. Company compiled consensus for operating profit in 2021 of £97.4m and in 2022 of £98.1m. This includes the following institutions: Peel Hunt, Citi, Investec, Numis, Goodbody, Berenberg and HSBC. Last updated on 7 March 2022

Financial review

Ben Waldron, Chief Financial Officer



Meaningful progress on all key financial metrics

FY21 financial overview

	FY21	Compared to FY20	Compared to FY19
Like-for-like revenue ¹	£1,885.6m	6.2% growth	1.2% growth
Adjusted operating profit ¹	£102.0m	£18m up	£12m up
Adjusted operating profit margin ¹	5.4%	70bps margin improvement	60bps margin improvement
Adjusted EPS ¹	10.4p	1.7p up	0.1p up
Free cash flow ¹	£91.2m	£51m up	£44m up
Operational net debt ¹	£293.7m	£40m reduction	£61m reduction
Leverage ¹	1.9x	0.4x improvement	0.4x improvement
ROIC ¹	7.2%	60bps up	80bps down
Dividend per share	6.60p	Dividend suspended	0.6p up

Revenue improvement driven by volume growth

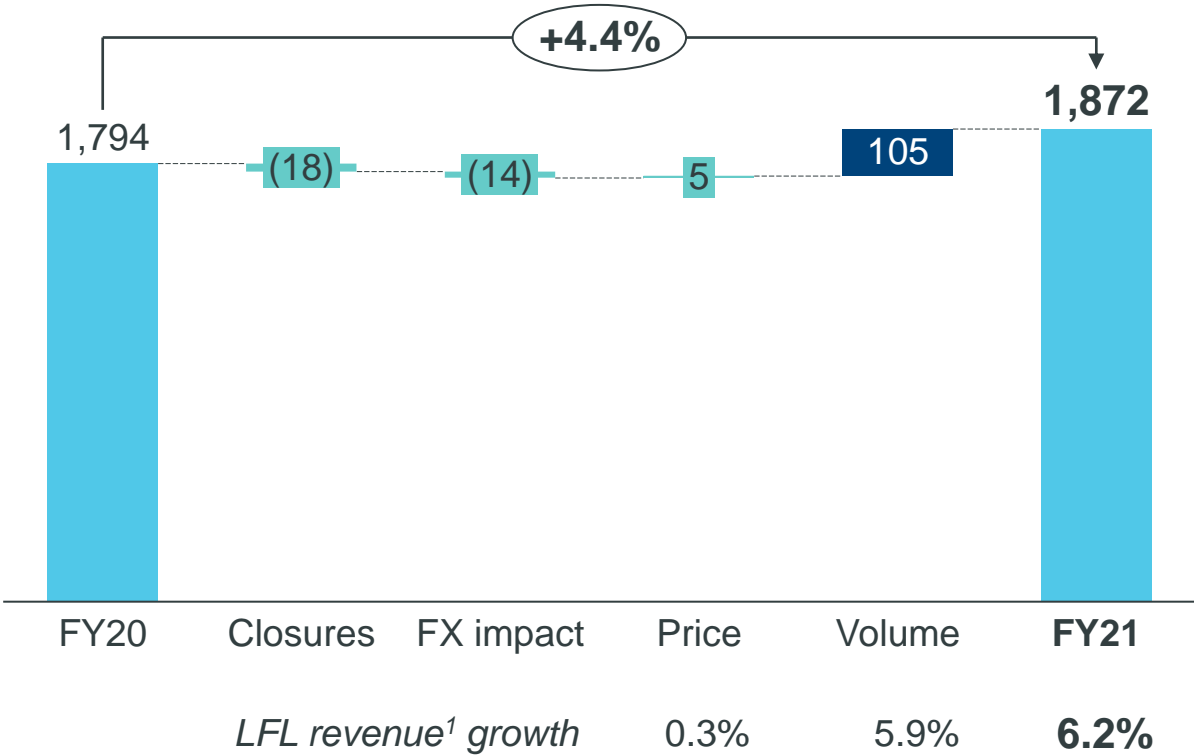
Like-for-like revenue¹ by region

£m

	FY21	Compared to	
		FY20	FY19
UK	1,592.4	2.9%	(2.3%)
US	193.0	31.8%	48.4%
China	100.2	24.6%	(2.4%)
Group	1,885.6	6.2%	1.2%

Group statutory revenue bridge

£m



Profitability has stepped on in all of our regions

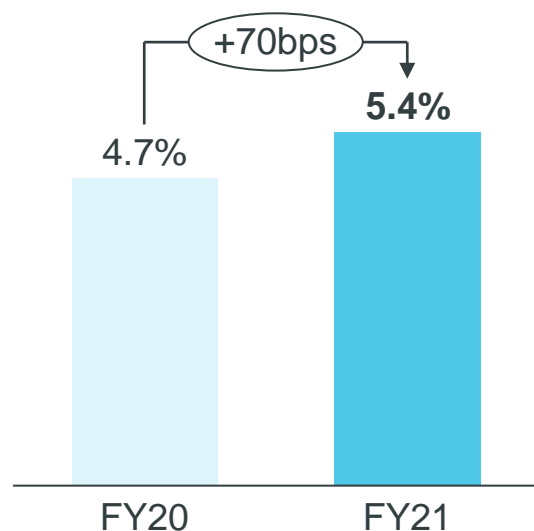
Adjusted operating profit ¹					Adjusted operating profit margin ¹	
	FY21 £m	FY20 £m	Compared to FY20 £m	Compared to FY20 %	FY21 %	Compared to FY20
UK	97.8	90.7	7.1	7.8%	6.1%	+30bps
US	8.9	0.6	8.3	1,383.3%	4.9%	+450bps
China	(4.7)	(7.7)	3.0	39.0%	(4.7%)	+490bps
Group	102.0	83.6	18.4	22.0%	5.4%	+70bps

- Positive recovery in the UK while navigating industry challenges
- US delivered a significant step up in profitability, with benefit of the commercial and operational reset being realised
- China position has improved, but regional lockdowns have impacted performance
- Group adjusted operating profit margin up 70 basis points, driven by operational efficiencies and strict focus on cost control

Remain confident in mitigating inflation in 2022

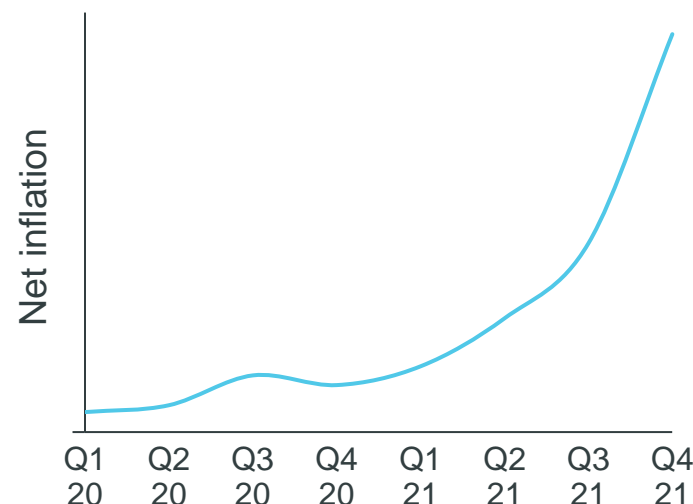
Delivered margin improvement ...

Group adjusted operating profit margin¹



... despite intensifying inflationary headwinds

Group net inflation by quarter £m²



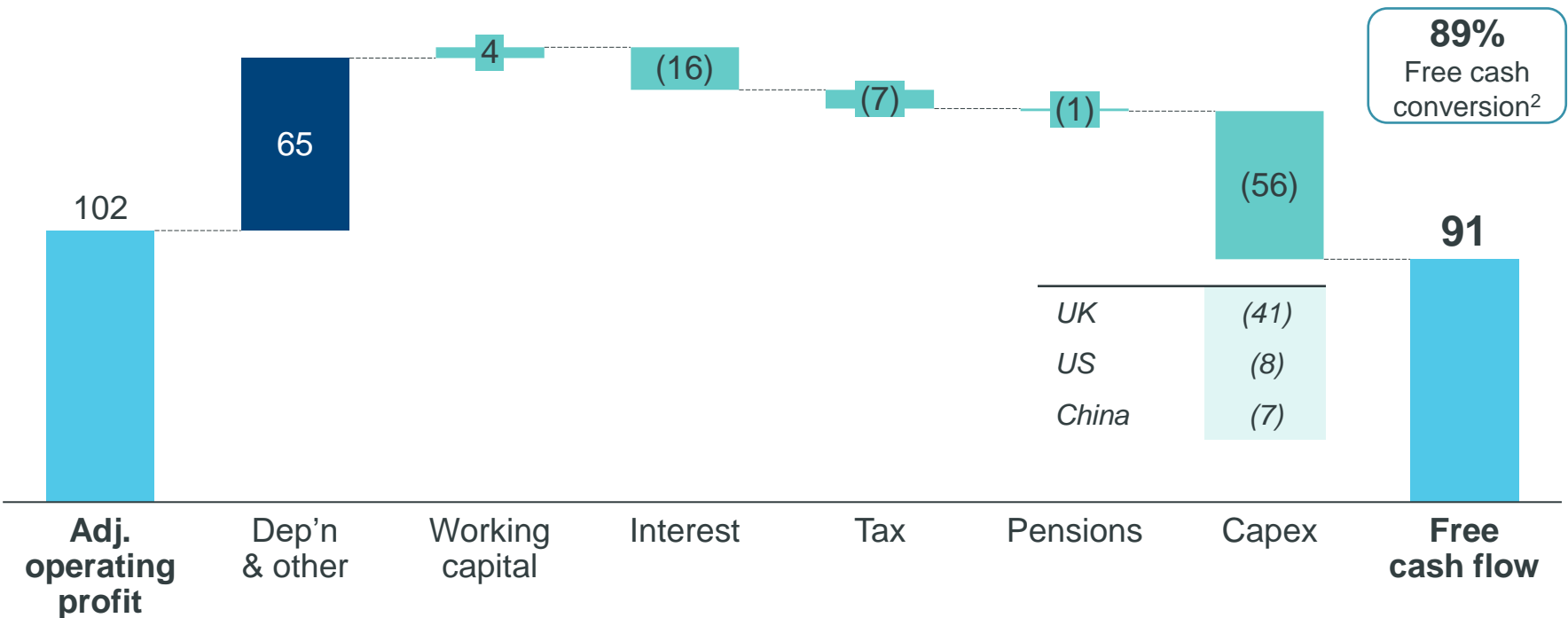
... through multiple mitigating actions

- Raw material pass-through mechanisms working well
- Secured price increases across customers
- Depth of strategic partnerships support collaboration through industry challenges
- Strict cost control and productivity improvements
- Leveraging scale and well-established supply chain

Strong conversion of profits to cash

Free cash flow² bridge

£m

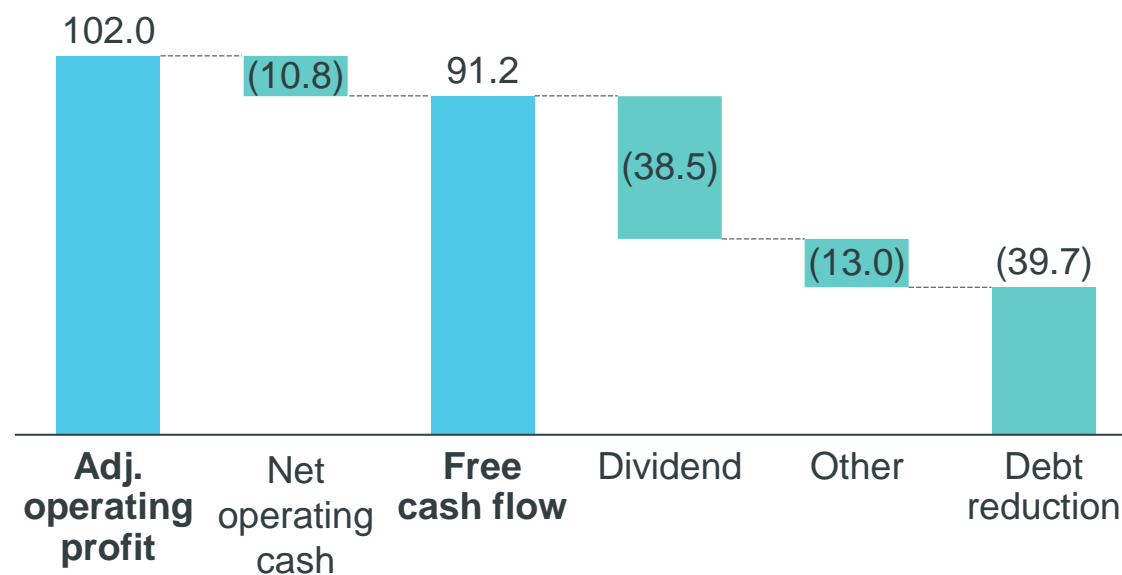


11 2. Free cash conversion calculated as free cash flow divided by adjusted operating profit

Reduced debt and delivered returns to shareholders

Free cash flow¹ utilisation

£m



Dividend

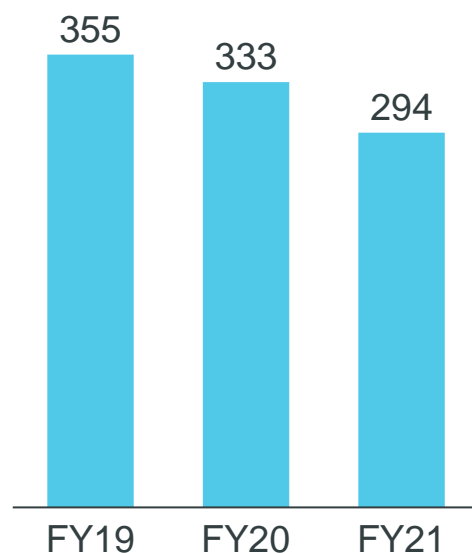
	Per share	FY21 cash
2019 final	4.00p	£23.2m
2021 interim	2.64p	£15.3m
2021 final ²	3.96p	-

- Reduction in debt facilities, and includes voluntary repayment of £37.5m of the Group's most expensive debt

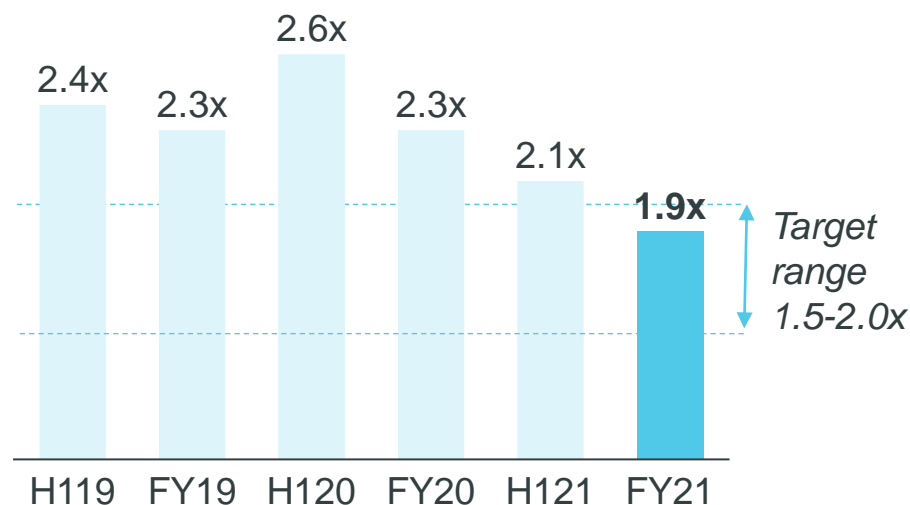
Strengthened financial position

Continued debt reduction

Operational net debt¹
£m



Leverage¹ in target range



Balance sheet strengthened

>£190m

Liquidity headroom against debt facilities of £489m

Mar-26

Maturity of majority core debt facilities

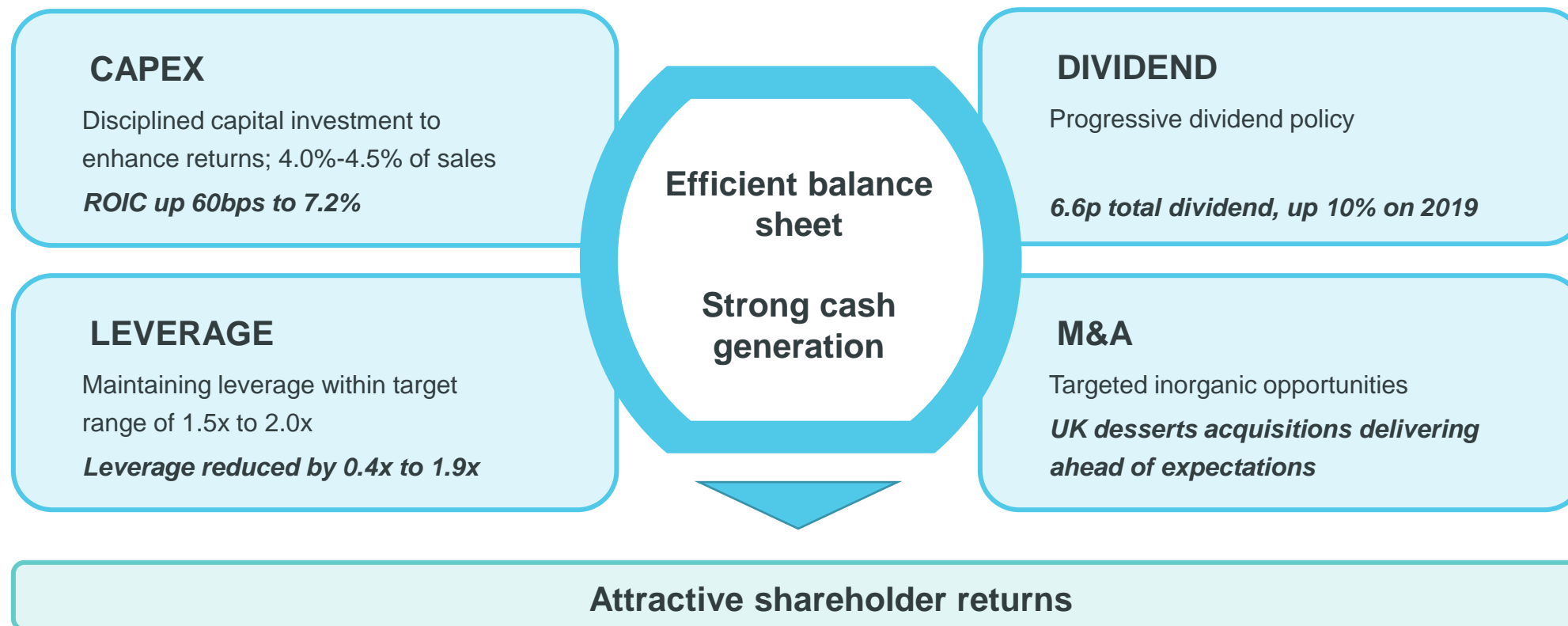
c.3%

Cost of bank debt, lower than previously reported

£37.2m

UK DB scheme surplus on IAS19 basis (2020 £11.2m)

Our approach to effective capital allocation



Outlook in line with market expectations

Guidance for 2022

Revenue	Sales volumes in early FY22 encouraging, with continued strong growth in US
Operating profit	In line with market expectations ²
Capital expenditure	c.4.5% of revenue
Working capital	Expect neutral working capital
Leverage ¹	Continue to stay within medium-term target of 1.5x – 2.0x
Interest	Cost of bank debt c.3%
Tax	Effective tax rate of 20% – 22%
Dividend	Progressive dividend policy; interim dividend c.40% of total dividend

Strategic and operational review

Agust Gudmundsson, Chief Executive Officer



We have evolved our Group strategy

We are guided by the passion and pride for the fresh, convenient and great-tasting food we create every day



Leading the way in growing the fresh prepared food market



FRESH & NATURAL



PART OF MORE MEALS



RELEVANT ALL DAY



PARTICIPATORY



EXPERIENTIAL



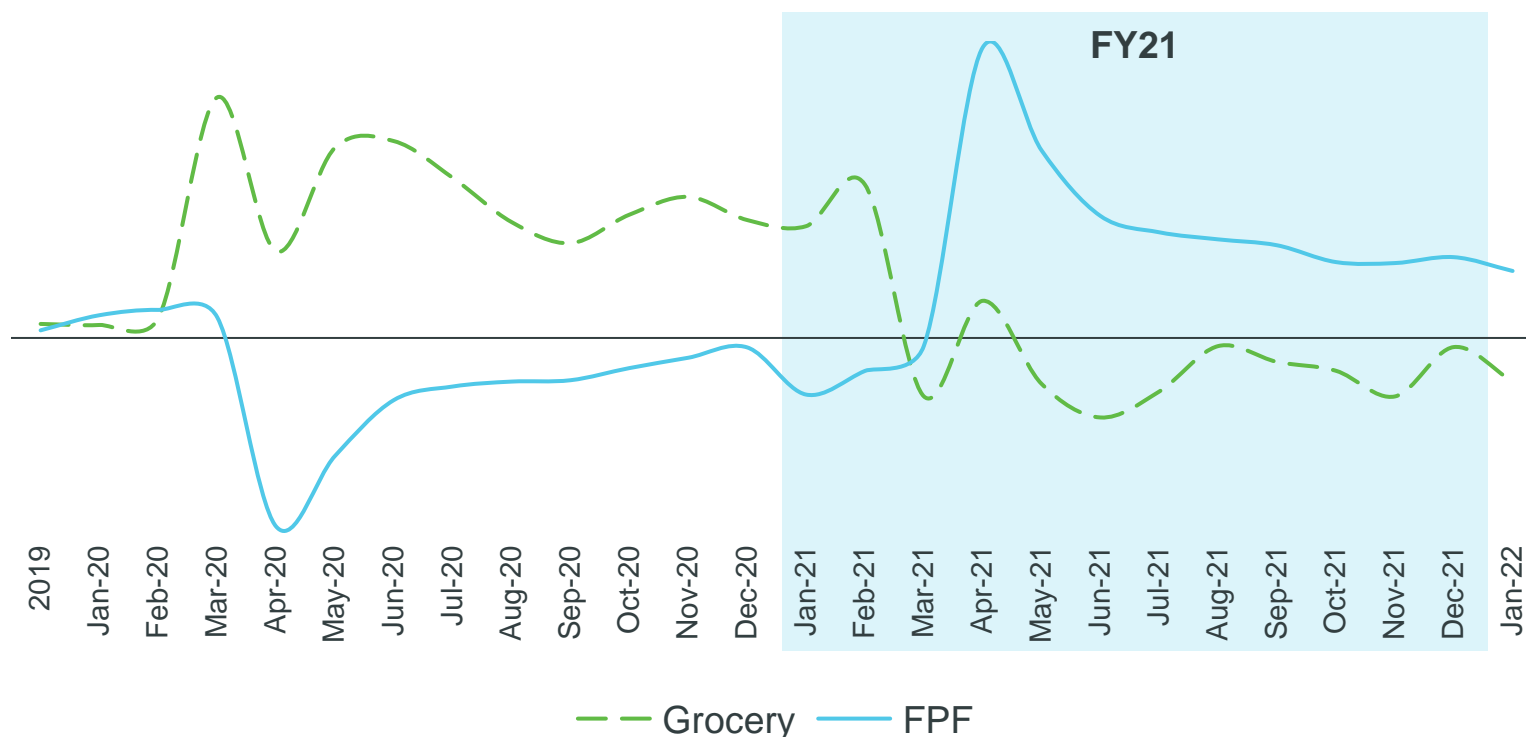
SUSTAINABLE



The UK FPF market remains ahead of pre-pandemic levels

UK FPF market recovered quickly and delivering good growth

YoY monthly growth²



Meals: First quarter impacted by lockdown restrictions, but revenue has since recovered well driven by ready meals



Pizza & bread: Demand remains robust, with growth compared to 2019 and 2020, despite lapping strong comparatives



Desserts: Good growth on 2019 and 2020, underpinned by consumers trading up and branded growth



Salads: Strong recovery driven by the return in frequency of shopping visits and mobility, but remains behind 2019 levels

UK: Improved margin despite industry challenges

UK – FY 2021 overview

	FY21	Compared to FY 2020
LFL revenue	£1,592.4m	2.9% growth
Adjusted operating profit ¹	£97.8m	7.8% up
Adjusted operating profit margin ¹	6.1%	30bps up

- Positive revenue recovery, albeit volumes held back by industry challenges
- All categories in growth on 2019 apart from salads
- Launched >340 new products, including The Delicious Dessert Company
- Margin 30bps up; efficiency gains, effective supply chain management and tight cost control
- Secured price increases with customers to recover inflation

Scale

4x

UK FPF market share
4x that of the second
largest player

Category leadership

#1

Market leader in all
four categories

Portfolio breadth



In a strong position to continue to succeed

US: Strong growth and margin expansion

US – FY 2021 overview

	FY21	Compared to FY 2020
LFL revenue ¹	£193.0m	31.8% growth
Operating profit ¹	£8.9m	1383.3% up
Operating profit margin ¹	4.9%	450bps up

Strong performance

48%

increase in US ready meals sales in 2021

Nationwide supply

53%

of 2021 sales relates to nationwide supply

Capacity for growth

\$500m

sales capacity of our existing footprint

Well-placed to capitalise on significant growth potential in the US

- Significant revenue growth with strategic grocery retail and online customers
- Profit stepped on; benefit of commercial and operational reset being realised
- Secured price increases with customers, but lag in recovery held back margin
- Capacity investment in Charlotte and Carson to accommodate ready meals win complete
- Assessing strategic options to underpin future investment in existing sites

China: Steady recovery and strategic progress in new channels

China – FY 2021 overview

	FY21	Compared to FY 2020
LFL revenue ¹	£100.2m	24.6% growth
Operating loss ¹	(£4.7m)	39.0% lower
Operating loss margin ¹	(4.7%)	490bps up

- Steady top-line recovery in foodservice moderated by regional lockdowns
- Strong growth driven by new channels, Bakery, and Hong Kong
- Delivered positive EBITDA as volumes recovered steadily
- Margin held back by persisting inflationary headwinds and adverse summer weather

Growth in new channels

65%

Increase in retail and office catering 2021 sales

Brand opportunities



Building our online offering

Strategic investment completing



Wuhan opened Apr-21, Xi'an Q2 22

Strong platform for growth established, even though COVID-19 impact persists

Prioritising our colleagues and investing behind productivity

Proud to be Bakkavor

Our refreshed values



Investing in our colleagues

650

Factory-based colleagues on our new Front-Line Leaders Development Programme



Out-of-cycle pay increases, additional benefits and upgraded site facilities

#1

Ranked apprenticeship programme²

Driving operational excellence

New automated manufacturing system



£12m investment



16 sites live, 7 to complete in 2022

Continued progress on Trusted Partner

Our progress in 2021

Our 2022 priorities

Sustainability & Innovation



4.1%

Reduction in Group net carbon emissions

9.15%

Food waste, up 67 bps

- Further develop Net Zero by 2040 roadmap
- Implement operational programmes to drive food waste reduction

Responsible Sourcing



500

Supplier Code of Conduct launched with over 500 of our UK direct suppliers

- Expand responsible sourcing tools to US and China

Engagement & Wellbeing



Appointed workforce engagement Non-executive Director ('NED') and designated NED on ESG matters

- Continued focus on inclusion and diversity; female talent development and campaigns

Our outlook

Agust Gudmundsson, Chief Executive Officer



2022 outlook in line with market expectations



Remain well-positioned to successfully mitigate inflationary headwinds

- Sales volumes in early 2022 encouraging
- Continued price recovery, strict cost control and productivity improvements to mitigate impact of inflation
- Confident in delivering 2022 in line with market expectations
- Strong cash generation and balance sheet supports medium-term growth opportunities

Q&A



Appendix



Balance sheet and other metrics

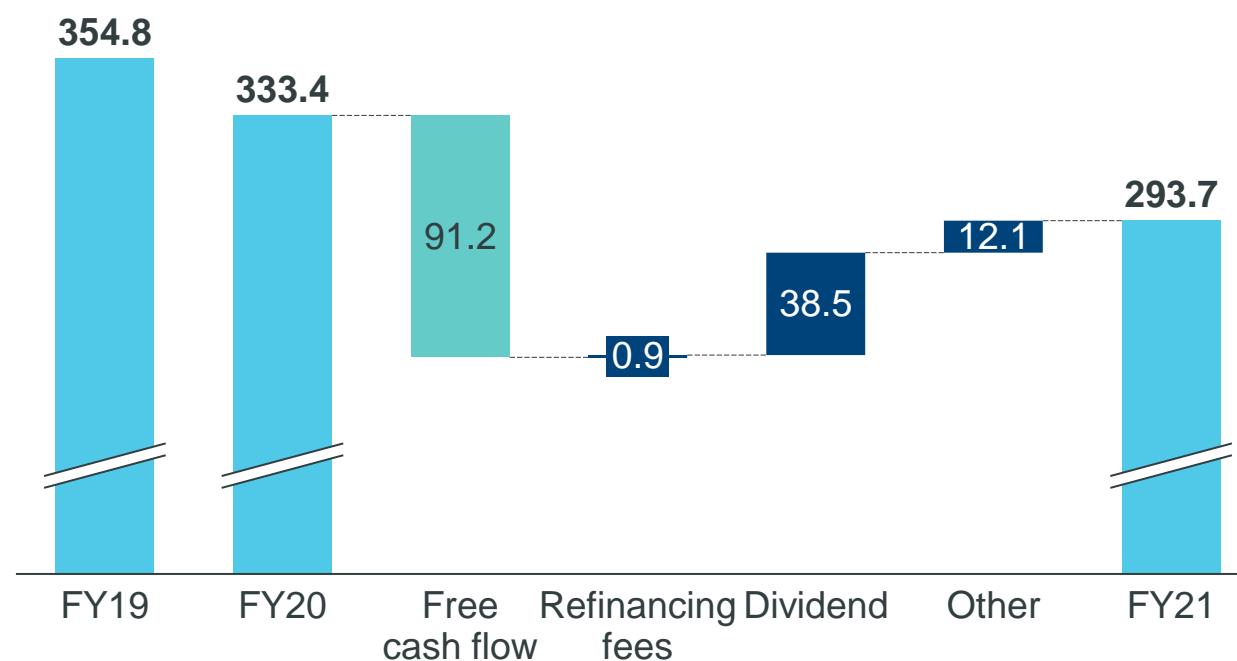
£m	FY 2021	FY 2020
Underlying effective tax rate	29.7%	21.7%
Average invested capital	994.4	997.3
ROIC	7.2%	6.6%

£m	FY 2021	FY 2020
IAS 19 pension surplus	37.2	11.2

Tax rate reconciliation	£ million	
Profit before tax	81.4	
Expected charge at UK rate	15.5	19.0%
Impact on UK deferred tax from 2023 rate change	7.9	
Other	1.2	
Total charge and tax rate	24.6	30.2%
Impact of change in fair value of derivatives	0.8	
Underlying effective tax rate	25.4	29.7%

Group net debt

£m	FY 2021
Cash and cash equivalents	(31.1)
Term loans	225.0
Revolving credit facility	65.0
Asset financing and finance leases	34.8
Operational net debt	293.7
IFRS 16 leases	83.6
Other adjustments	(3.2)
Statutory net debt	374.1



Earnings per share

£m	FY 2021	FY 2020
Basic earnings	56.8	34.1
Exceptional items	-	21.6
Accelerated finance costs	-	1.7
Change in fair value of derivatives	4.0	(3.4)
Tax on the above items	(0.8)	(3.8)
Adjusted earnings	60.0	50.2
Weighted average number of Ordinary shares 000's	579,426	579,426
Basic earnings per share	9.8p	5.9p
Adjusted basic earnings per share	10.4p	8.7p

Other financial information

IFRS 16 earnings impact

£m	FY 2021	FY 2020
Operating lease charge	12.6	13.0
Depreciation	(11.4)	(11.4)
Operating profit	1.2	1.6
Finance costs	(2.6)	(2.6)
Loss before tax	(1.4)	(1.0)
Tax	0.3	0.2
Loss after tax	(1.1)	(0.8)

Pensions

- UK DB scheme closed to future accrual in March 2011
- Investment assets of £314m
- Surplus of £37.2m on IAS 19 basis (Dec 2020: surplus £11.2m)
- Cash contributions of £2.5m pa to 31 March 2024

