



# 2023 FULL YEAR RESULTS

For the 52 weeks ended 30 December 2023

**Execution of plan delivered strong performance & underpins confidence in outlook**

# Disclaimer – Forward-looking statements

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# AGENDA

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## **Welcome**

*Simon*

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## **Today's key messages**

*Mike*

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## **Financial review**

*Ben*

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## **FY23 Performance**

*Mike*

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## **2024 Outlook & Summary**

*Mike*

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## **Q&A**



Anna, Operational Excellence



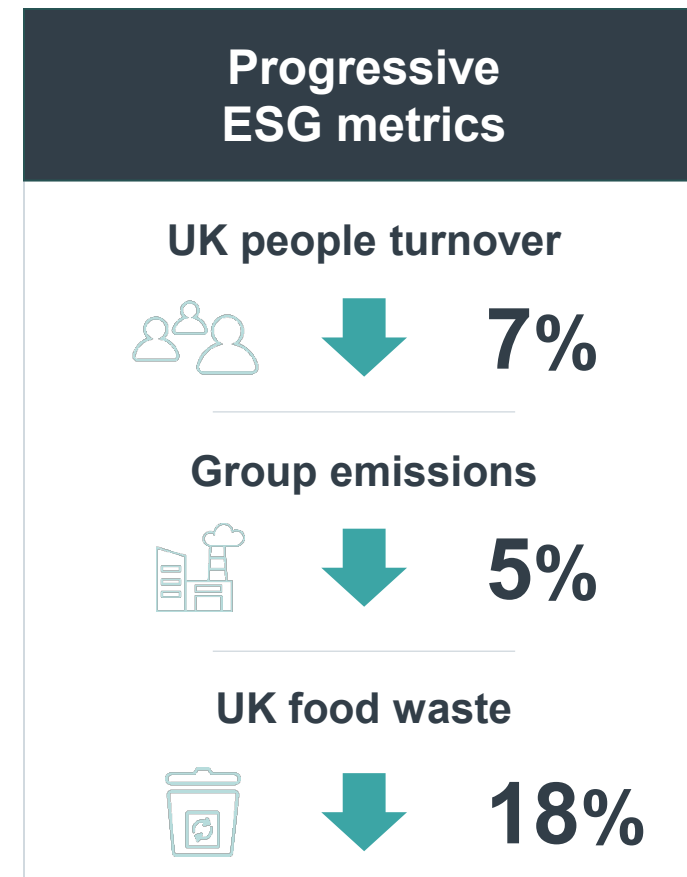
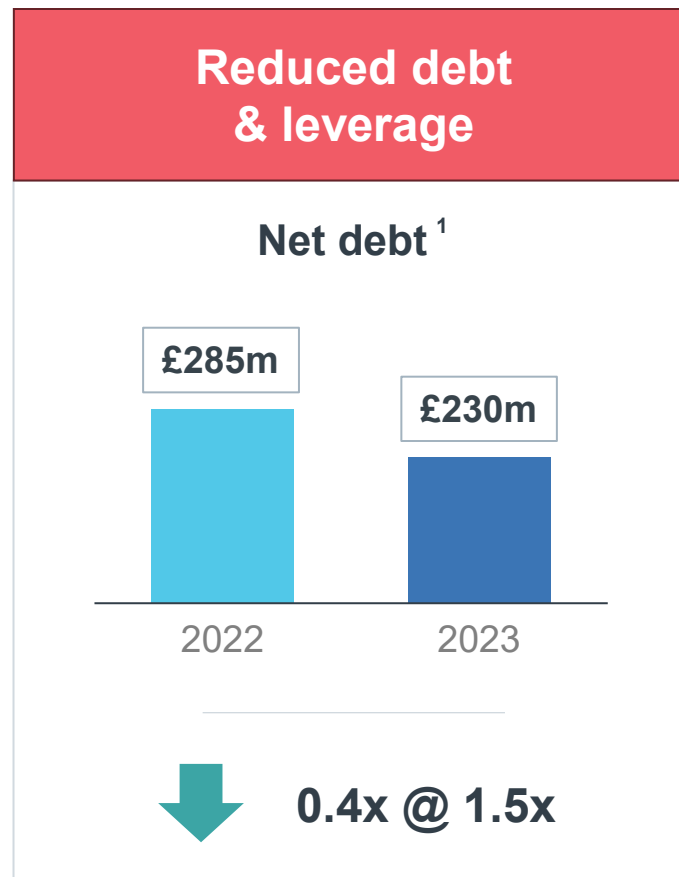
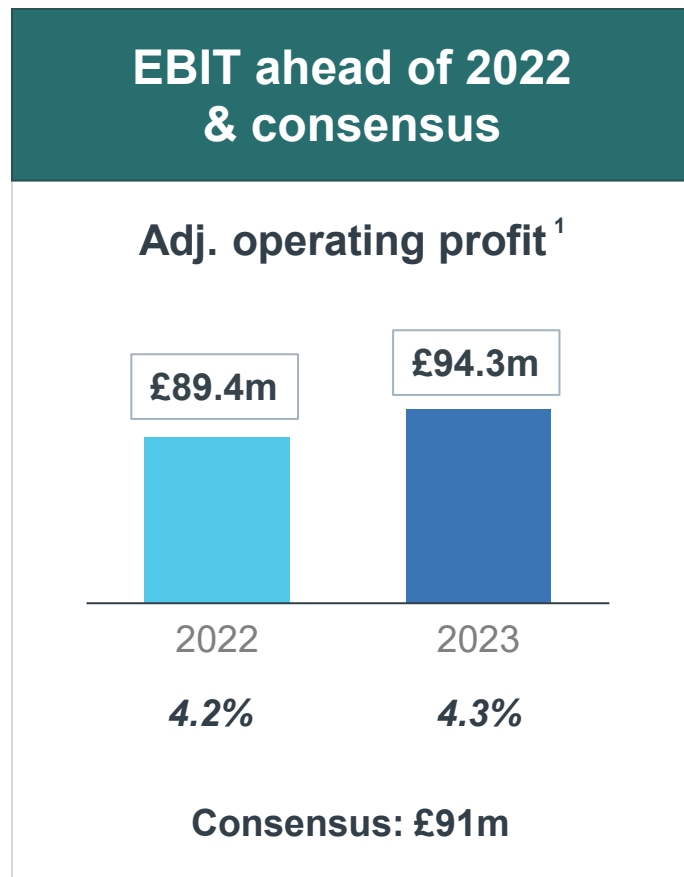
Wandii, Quality



Dannii, Manufacturing

# Today's key messages

# Execution of plan delivered strong performance in 2023



# Confidence in outlook for 2024

## We exited 2023 with momentum



**Progressive EBIT** with encouraging signs of return to volume growth



Business stabilised & **profit rebuilt** in H2



Covid bounce-back with business now **cash generative**

## FY24 EBIT Outlook

***“At least in line with the upper end of market expectations”***

***Current range: £95m to £100m***



Lauren, Procurement



# Financial review

# Strong performance & improved financial strength

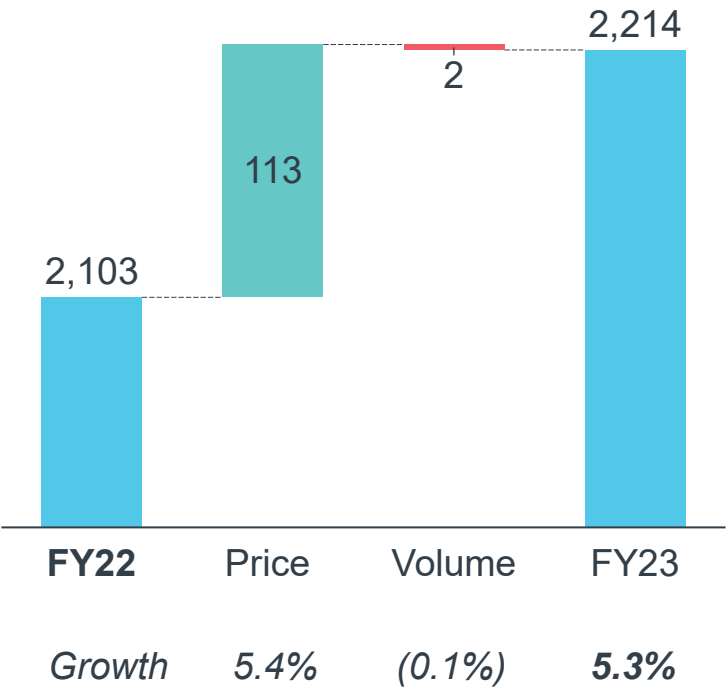
## FY23 financial overview

		FY23	FY22	Change
Revenue	Group revenue	£2,203.8m	£2,139.2m	3.0%
	Like-for-like revenue <sup>1</sup>	£2,214.2m	£2,103.2m	5.3%
Profit	Adjusted operating profit <sup>1</sup>	£94.3m	£89.4m	5.5%
	Adjusted operating profit margin <sup>1</sup>	4.3%	4.2%	10bps
	Operating profit	£97.1m	£37.8m	156.9%
EPS	Adjusted EPS <sup>1</sup>	8.8p	9.5p	(0.7)p
	Basic EPS	9.4p	2.2p	7.2p
Cash/debt	Free cash flow <sup>1</sup>	£103.2m	£53.4m	£49.8m
	Operational net debt <sup>1</sup>	£(229.6)m	£(284.9)m	£55.3m
	Leverage <sup>1</sup>	1.5x	1.9x	(0.4)x
Returns	ROIC <sup>1</sup>	7.5%	7.1%	40bps
	Total dividend per share	7.28p	6.93p	5.0%

# Revenue growth driven by price, as volumes remain subdued

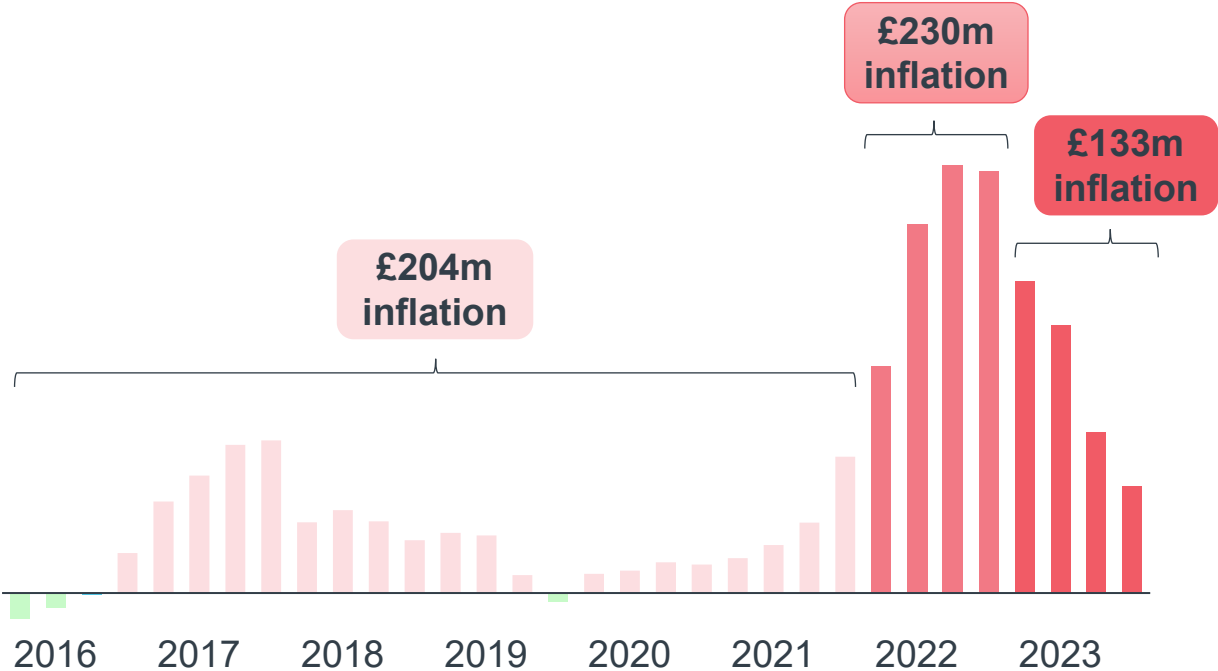
## Price-led growth ...

Group LFL revenue<sup>1,2</sup> bridge, £m



## ... driven by ongoing inflation

Group net inflation/(deflation)<sup>3</sup>, £m

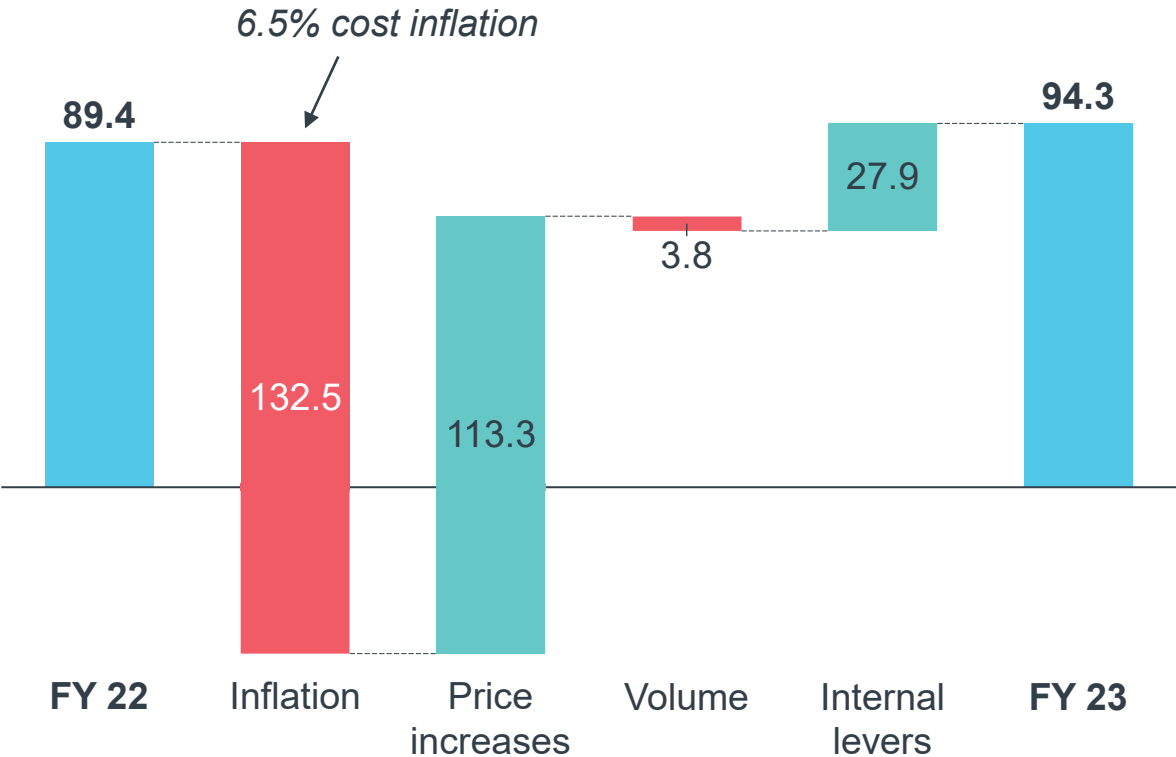


2. Group reported revenue for FY23 totalled £2,203.8m and includes FX impact of £10.4m compared to LFL revenue. Group reported revenue for FY22 totalled £2,139.2m and includes £36.0m of sales relating to week 53.  
3. Net inflation includes raw materials, packaging, distribution, direct labour, energy & overheads.

# Price & internal levers protected profits

## Internal levers critical given unrecovered inflation

Group adjusted operating profit<sup>1</sup> bridge, £m



## Momentum building through the year

Group adjusted operating profit<sup>1</sup>, £m

£m	2023	YoY
H1	43.4	+0.9
H2	50.9	+4.0
FY	94.3	+4.9

# Strong performance & ahead of expectations

## Adjusted operating profit<sup>1</sup>

£m	FY23	FY22	YoY
UK	93.9	92.7	1.2
US	3.4	3.3	0.1
China	(3.0)	(6.6)	3.6
<b>Group</b>	<b>94.3</b>	<b>89.4</b>	<b>4.9</b>
Adjustments <sup>4</sup>	2.8	(51.6)	54.4
<b>Operating Profit</b>	<b>97.1</b>	<b>37.8</b>	<b>59.3</b>

FY23 Margin	FY22 Margin
5.1%	5.2%
1.5%	1.3%
(2.5%)	(6.5%)
<b>4.3%</b>	<b>4.2%</b>
<b>4.4%</b>	<b>1.8%</b>

## Performance by region

- **UK:** Internal levers & price recovery protected profits from continued significant inflation
- **US:** Business stabilised and delivered profitable H2 with momentum into FY24
- **China:** Post-Covid volumes onboarded efficiently which delivered profitability improvement

## Operating profit

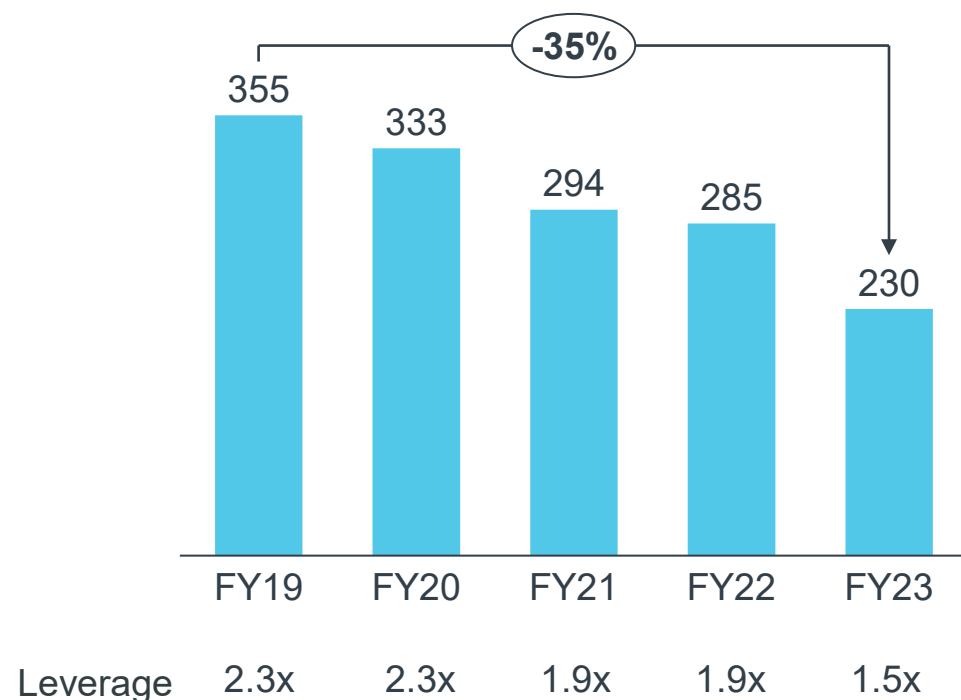
Excluded from adjusted operating profit:

- FY23 exceptional net income of £2.8m
- FY22 exceptional costs of £50.1m predominantly relate to restructuring activity as part of plan to protect profits

# Significant debt reduction & leverage improvement

## £55m debt reduction in 2023

Operational net debt<sup>1</sup>, £m







## Disciplined working capital & capex spend

Group Free Cash Flow<sup>1</sup> and utilisation, £m

	FY23	FY22
Adj. operating profit	94	89
Depreciation & other	74	69
Capital expenditure	(44)	(64)
Working capital	28	(2)
Interest	(24)	(19)
Tax	(11)	(5)
Pensions	(2)	(2)
IFRS 16 lease payments	(12)	(13)
<b>Free Cash Flow</b>	<b>103</b>	<b>53</b>
Dividend	(41)	(39)
Other <sup>5</sup>	(7)	(5)
<b>Debt Reduction</b>	<b>(55)</b>	<b>(9)</b>

# 2024 P&L guidance

Revenue	Adj. Operating Profit <sup>1</sup>	Interest costs	Effective tax rate
 <b>c.1-2%</b> <p>Planning for subdued volumes, although seeing encouraging signs in the market</p>	 <b>≥ £100m</b> <p>At least in line with the upper end of market expectations<sup>6</sup></p>	 <b>c. £26m</b> <p>In line with 2023, expiry of attractive swaps in early 2024 offset by debt reduction</p>	 <b>c. 26%</b> <p>Slightly above UK corporation tax, although cash tax lower due to UK capital allowances</p>

6. Based on company compiled consensus ("Consensus") which includes all covering analysts. Adjusted operating profit Consensus for FY24 at £97.1m with a range of £95.0m to £99.9m

# Capital allocation

## Capital



### c. £70m

FY24 Capital spend

Return to more normalised levels of capital spend

Includes £10m relating to phase 1 of UK ERP replacement project

Total UK ERP project cost c. £35m - £40m over the next 3 to 4 years

## Leverage



### 1.0 to 2.0x

Revised target range

Leverage of 1.5x, now sits at bottom end of our target range

Broader range provides flexibility if strategic opportunities arise

## Dividend



### Progressive

FY23 Dividend increase – 5%

Attractive dividend payout with increased affordability

Confident outlook supports progressive dividend

## Strategic Growth



### Enhancing

FY23 ROIC<sup>1</sup> – 7.5%

Focus on UK opportunities given limited acquisition targets in US

Medium term US factory footprint expansion



Rosie, Manufacturing



# FY23 Performance

# We expected a tough 2023

Further inflation



Following record levels in 2022

High interest rates



Fifteen-year highs in the UK & US

Volume pressure in the UK



Cost-of-living crisis affecting confidence

Fragile supply chain



Extreme weather & geopolitical issues

Labour availability



Improved but skills a concern

# We entered the year with a plan & executed it decisively

## Our clear & simple plan

1

Create a leaner senior organisational structure

2

Establish clear & focused regional priorities

3

Enhance focus on preserving cash & reducing debt

New structure fuelled synergies & efficiencies ahead of our expectations, contributing to **self-help measures of £28m**

New priorities created focus & clarity for our leadership teams delivering a **£5m (+10 bps) YoY increase in profitability**

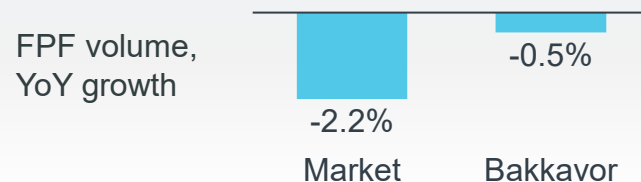
Disciplined capital allocation & working capital improvements supported **£55m debt reduction and leverage of 1.5x**

# Progress & momentum in all three regions



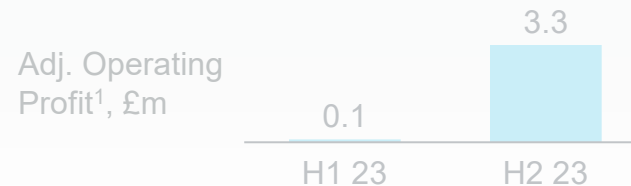
## Progressive EBIT despite inflation & volume pressure

- Dealt with £129m of inflation through price & cost reduction
- Leaner organisational structure & rationalised footprint
- Market outperformance (business gains, innovation & availability)



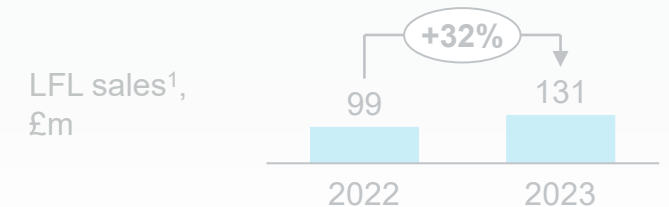
## Business stabilised with EBIT momentum in H2

- Improved technical standards & customer engagement
- New leadership team embedded & focused on rebuilding profit
- Factory performance & reduced overheads underpinned recovery



## Business now cash generative & self-funding

- Disposed of La Rose Noire to reduce complexity
- EBITDA positive with capacity in place & investment complete
- Post Covid volume unwind seamlessly onboarded

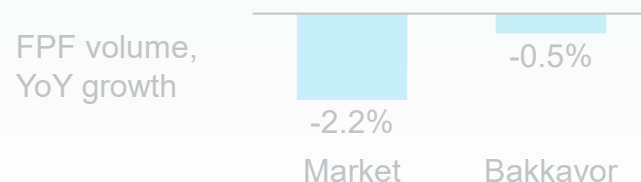


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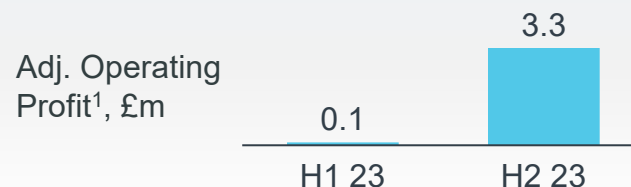
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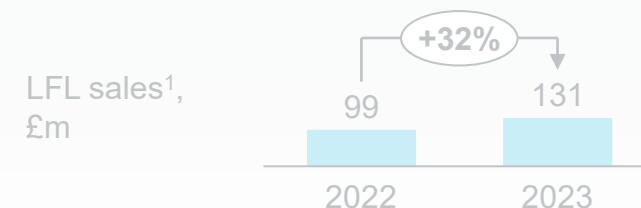
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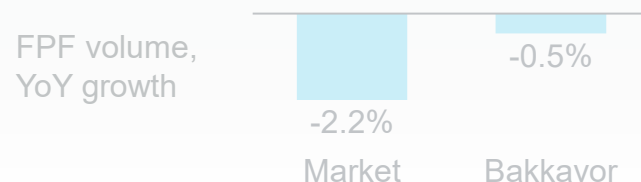


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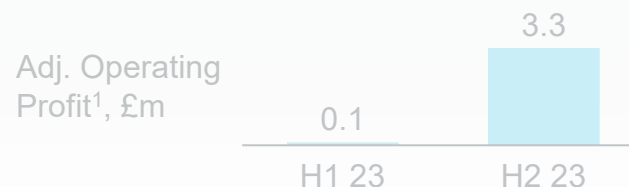
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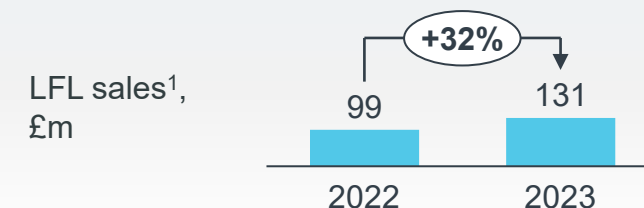
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# The foundations are in place for a strong 2024

- **Renewed** purpose through our structure
- **Refreshed** regional priorities
- **Enhanced** focus on capital & debt





Alister, Engineering



# 2024 Outlook

# What does success look like in 2024



A cash-generative business delivering **improved margin** through conversion of modest volume growth & ongoing efficiency improvements



A robust business **delivering consistently**, showing **progressive margin** & returning to volume growth by year end



A **self-funding** business driving performance improvement to underpin competitiveness & therefore volume growth



FY24 EBIT Outlook

***“At least in line with the upper end of market expectations”***

# Focus to underpin delivery in 2024 & beyond

## Deliver the basics



- Minimise 'noise'
- Engage our People
- Deliver our KPIs

## Execute clear plans



- Customer business plans
- Operational excellence
- Improved financial return

## Underpin the future



- Ongoing footprint review
- Return-enhancing investments
- International priorities



Madison, Finance



# Summary

# Summary

- 2023 was a good year given the headwinds we were facing into
- The business has momentum & we are confident of delivering a strong 2024
- We are in good shape & ready to capitalise on future opportunities





Joshua, Engineering



# Questions?



Iman, Engineering



Mantas, Logistics



Monika, Manufacturing

# Appendix

# Returns

## Earnings per share

£m	FY23	FY22
<b>Basic earnings</b>	<b>53.9</b>	<b>12.5</b>
Exceptional items	(2.8)	50.1
Configuration and customisation costs for SaaS projects	-	1.5
Change in fair value of derivative financial instruments	-	0.1
Tax on the above items	-	(9.4)
<b>Adjusted earnings<sup>1</sup></b>	<b>51.1</b>	<b>54.8</b>
Weighted average number of Ordinary shares (000's)	576,129	577,576
<b>Basic earnings per share</b>	<b>9.4p</b>	<b>2.2p</b>
<b>Adjusted basic earnings per share<sup>1</sup></b>	<b>8.8p</b>	<b>9.5p</b>

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

## ROIC<sup>1</sup>

£m	FY 23	FY 22
Underlying effective tax rate	24.4%	21.5%
Average invested capital	952.7	987.7
<b>ROIC<sup>1</sup></b>	<b>7.5%</b>	<b>7.1%</b>

# Group net debt

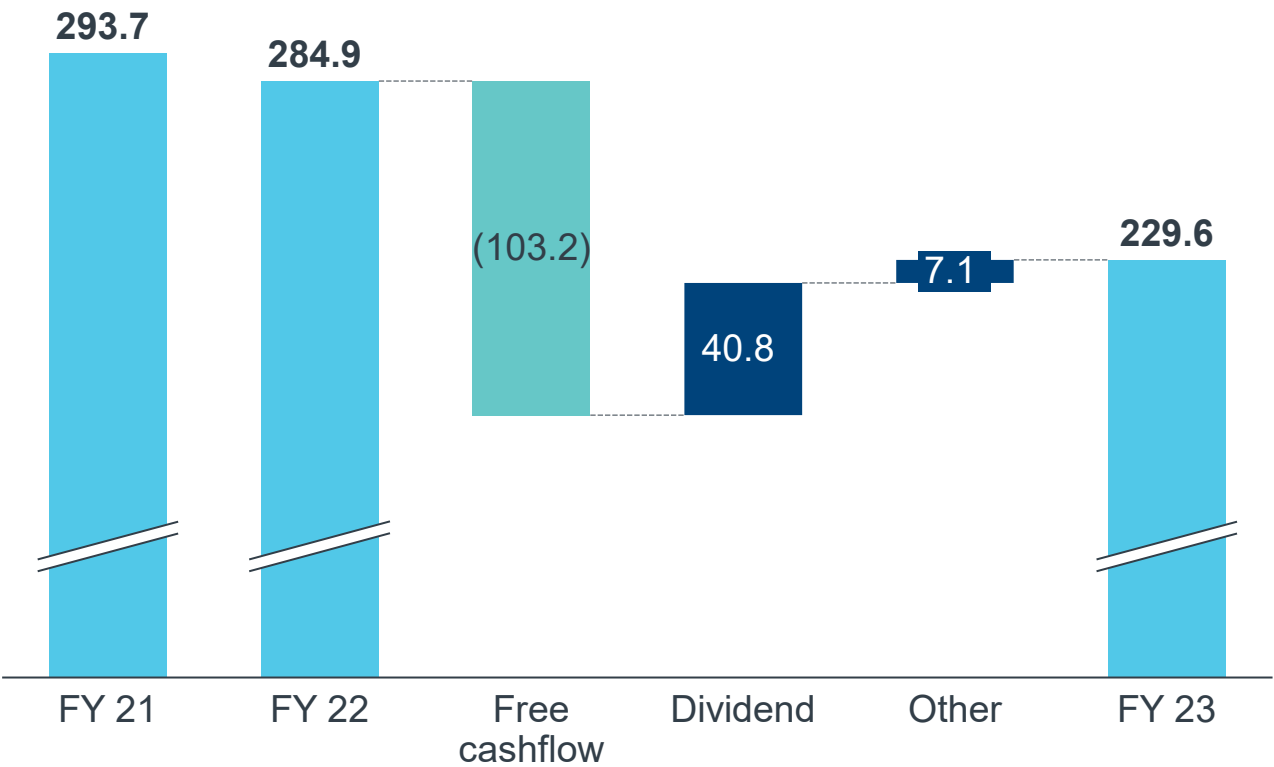
## Group net debt reconciliation

£m	FY23
Cash and cash equivalents	(36.6)
Term loans	225.0
Revolving credit facility	-
Asset financing, finance leases & overdrafts	41.2
Operational net debt¹	229.6
IFRS 16 leases	90.3
Other adjustments	(0.6)
Statutory net debt	319.3

### Debt highlights:

- >£260m of liquidity headroom against debt facilities of £493m
- Maturity of 95% of core debt facilities in Mar-26
- £130m of interest rate swaps in place to Mar-26

## Group net debt movement



# Other Balance Sheet metrics

## Tax reconciliation

£m	FY 23		FY 22	
<b>Profit before tax</b>	<b>70.3</b>		<b>18.1</b>	
Tax charge at the UK corporation tax rate of 23.5% (2022: 19%)	16.5	23.5%	3.4	19.0%
Net non-deductible expenses/(non-taxable income)	(1.5)	(2.1%)	(1.2)	(6.9%)
Non-deductible impairment of investment	-	-	1.8	10.2%
Adjustment in respect of prior periods	1.0	1.4%	(0.3)	(1.7%)
Other reconciling items <sup>7</sup>	0.4	0.6%	1.9	10.3%
<b>Tax charge for the period and effective tax rate</b>	<b>16.4</b>	<b>23.4%</b>	<b>5.6</b>	<b>30.9%</b>
Tax credit on exceptional items	-		9.1	
Tax credit on adjusting items	-		0.3	
<b>Underlying tax charge and effective tax rate</b>	<b>16.4</b>	<b>24.4%</b>	<b>15.0</b>	<b>21.5%</b>

## Pension

£m	FY 23	FY 22
<b>IAS 19 pension surplus</b>	<b>12.0</b>	<b>12.8</b>

### Pension information:

- £12.0m UK DB scheme surplus on IAS19 basis
- UK DB scheme closed to future accrual in March 2011
- Pension Fair value of Scheme assets of £190m
- Cash contributions of £2.5m p.a. to 31 March 2024, which may extend to 31 August 2025

# Other financial information

## Adjusted operating profit

£m	FY 23	FY 22
Operating profit	97.1	37.8
SaaS project costs	-	1.5
Exceptional (income) / costs	(2.8)	50.1
- UK	(2.8)	36.6
- US	2.9	3.8
- China	(2.9)	9.7
<b>Adjusted operating profit<sup>1</sup></b>	<b>94.3</b>	<b>89.4</b>

## IFRS 16 earnings impact

£m	FY 23	FY 22
Operating lease charge	14.0	13.8
Depreciation	(12.1)	(12.1)
Operating profit	1.9	1.7
Finance costs	(3.0)	(3.1)
Loss before tax	(1.1)	(1.4)
Tax	0.3	0.4
Loss after tax	(0.8)	(1.0)

## 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. No such costs were incurred in FY23

