

# FY24 results

for the 52 weeks ended 28  
December 2024



# AGENDA

## Today's key messages

*Mike*

## Financial review

*Lee*

## FY24 strategic update, FY25 outlook & Summary

*Mike*

## Q&A



***Winning through our values***

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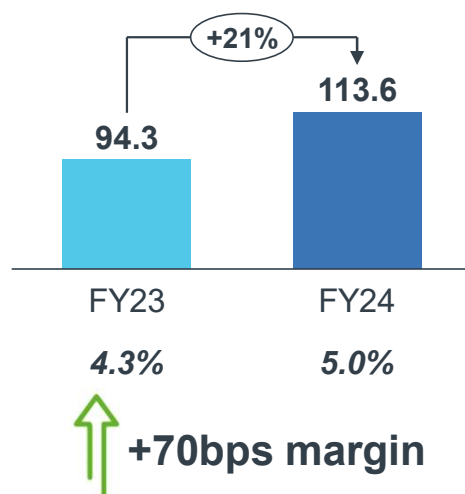
# Today's key messages

*Mike*

# Strong 2024 performance ahead of market expectations

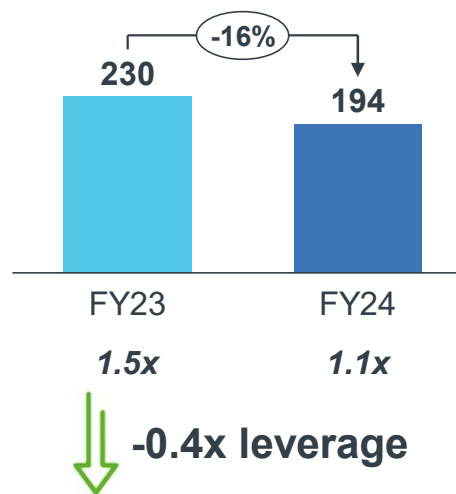
## Improved profit

### Adj. operating profit (£m)



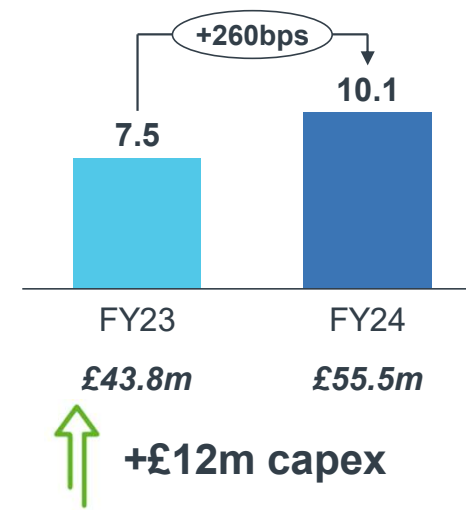
## Strengthened balance sheet

### Net debt (£m)



## Enhanced returns

### ROIC (%)



Our strategy continues to deliver strong performance

# FY25 expected to deliver further margin improvement







# Financial review

Lee

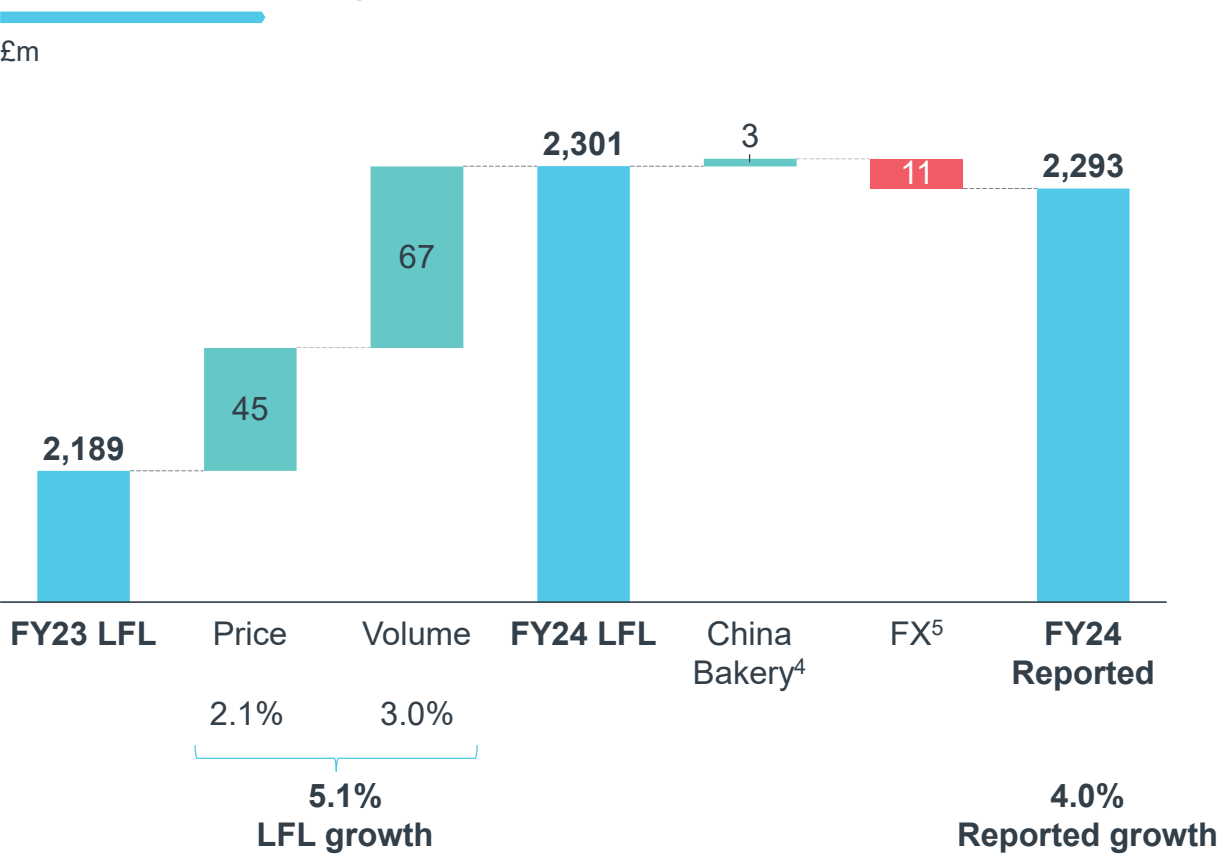
# Strong 2024 financial performance

£ million (unless otherwise stated)

		FY24	FY23	Change
Continued growth & improved profit	Reported revenue	2,292.7	2,203.8	4.0%
	Like-for-like revenue ("LFL")	2,300.9	2,188.5	5.1%
	Adjusted operating profit	113.6	94.3	20.5%
	Adjusted operating profit margin	5.0%	4.3%	70bps
	Operating profit	93.4	97.1	(3.7)
Significantly stronger balance sheet	Free cash flow	88.7	103.2	(14.5)
	Operational net debt	(193.8)	(229.6)	35.8
	Leverage	1.1x	1.5x	(0.4)x
Enhanced shareholder returns	Adjusted EPS	12.3p	8.8p	39.8%
	Basic EPS	9.6p	9.4p	2.1%
	ROIC	10.1%	7.5%	260bps
	Total dividend per share	8.00p	7.28p	10.0%

# LFL revenue up 5.1%, with all regions in volume growth

## Group revenue bridge



## LFL revenue growth by region

YoY growth %, LFL revenue £m

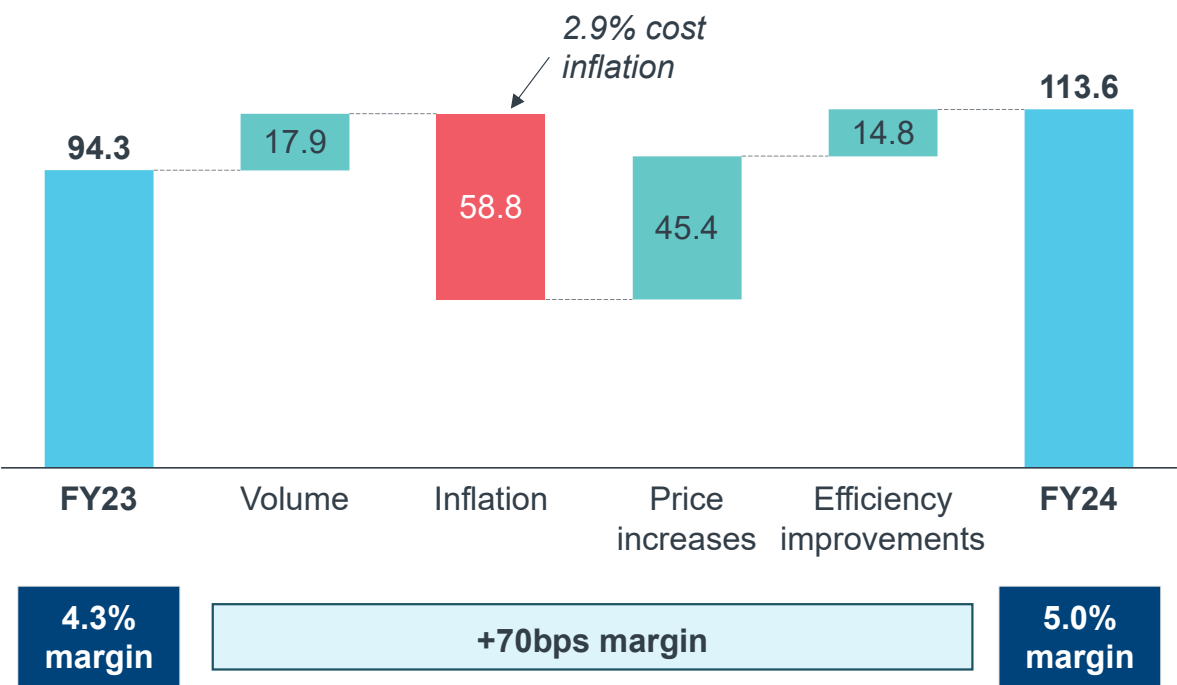
UK	5.2% 1,948.5	Vol.	2.8%
		Price	2.4%
US	2.0% 234.0	Vol.	2.0%
		Price	0.0%
China	11.3% 118.4	Vol.	11.2%
		Price	0.1%



# Margin improved, driven by volume growth and efficiencies

## Adjusted operating margin up 70bps

Group adjusted operating profit bridge, £m



## Driven by volume growth and efficiencies



**Volume growth** in all regions



**Inflation moderated** but remains substantial, primarily related to UK labour. Expect FY25 inflation of c.£50m



**Price recovery** secured with good support from customers



**Strong factory performance** partially offset by overhead investment to support growth

# Margin progression in all three regions

## Adjusted operating profit & margin

£m				Margin		
	FY24	FY23	Change	FY24	FY23	Change
UK	105.2	93.9	11.3	5.4%	5.1%	30bps
US	9.9	3.4	6.5	4.3%	1.5%	280bps
China	(1.5)	(3.0)	1.5	(1.3%)	(2.5%)	120bps
<b>Group</b>	<b>113.6</b>	94.3	19.3	<b>5.0%</b>	4.3%	70bps
Exceptionals	(20.2)	2.8	(23.0)			
<b>Operating profit</b>	<b>93.4</b>	97.1	(3.7)	<b>4.1%</b>	4.4%	(30)bps

## Performance by region

**UK:** Margin progression driven by volume growth and efficiency focus

**US:** Recovery complete, now focussed on leveraging stability to optimise performance

**China:** Losses reduced as simplification and lean initiatives deliver

## Exceptionals

FY24 primarily relates to the **closure of Wigan** (£21.4m) & **impairment of Hong Kong** business held for sale (£3.2m), partially offset by profit on **sale of China Bakery** (£4.0m). FY23 primarily relates to the sale of a Hong Kong associate

# Strong cash generation & leverage at lower end of range

## Improved profitability drives cash generation

	FY24	FY23
<b>Adjusted operating profit</b>	<b>113.6</b>	<b>94.3</b>
Depreciation, amortisation & other <sup>6</sup>	71.2	73.8
Working capital	9.3	28.4
Capex	(55.5)	(43.8)
Interest, tax & pensions	(37.9)	(37.5)
IFRS 16 lease payments	(12.0)	(12.0)
<b>Free cash flow</b>	<b>88.7</b>	<b>103.2</b>
Dividends paid	(43.8)	(40.8)
Other movements <sup>7</sup>	(9.1)	(7.1)
<b>Debt reduction</b>	<b>35.8</b>	<b>55.3</b>
<b>Net debt</b>	<b>193.8</b>	<b>229.6</b>
<b>Leverage</b>	<b>1.1x</b>	<b>1.5x</b>

## Continued debt reduction & successful refinancing

### Operational net debt

**£194m**

£(36)m vs Dec-23

### Leverage

**1.1x**

(0.4)x vs Dec-23





### Refinancing

**£350m**





Debt facilities, Jul-28 maturity  
25bps margin improvement



# FY25 guidance

Reported revenue growth	Adjusted EBIT	Net interest cost	Effective tax rate
 <p><b>Broadly in line with FY24</b></p>	 <p><b>£114-123m</b></p>	 <p><b>c.£24m</b></p>	 <p><b>c.26%</b></p>
<p>Wigan exit (c.£80m) largely offset by underlying UK growth &amp; expected price recovery</p> <p>US &amp; China mid-single digit growth</p>	<p>FY25 in-line with market expectations<sup>3</sup> &amp; will deliver margin improvement</p> <p>Confident in 6% FY27 target</p>	<p>Refinancing secured 25bps margin improvement</p> <p>Cash cost broadly in line with P&amp;L charge</p>	<p>Slightly above UK corporation tax rate</p> <p>Cash tax lower than P&amp;L due to the benefit of UK capital allowances</p>

# Capital allocation to enhance future returns

Capital investment	Strategic growth	Debt reduction	Dividends
 <b>c.£70m</b> <i>FY25 capital spend</i>	 <b>Enhancing</b> <i>ROIC</i>	 <b>1.0x – 2.0x</b> <i>Leverage target range</i>	 <b>Progressive</b> <i>policy</i>
Return to more normal spend levels Includes c.£7m on UK ERP transformation	Further ROIC improvement expected in medium-term Well-positioned to explore M&A	Ongoing net working capital improvements Further debt reduction	Continued strong cash generation Maintain progressive policy, c.5% p.a.



# FY24 strategic update

*Mike*



# Clear strategy will deliver our margin improvement target



# FPF market back in volume growth

## Consumer behaviour normalising



**Convenience:** Looking for easy meal solutions as time pressured



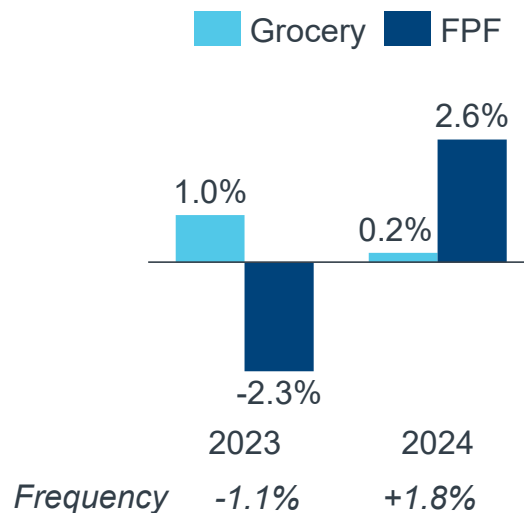
**Quality:** Seeking quality meals at home, instead of eating out



**Value:** Focusing more on value than price

## FPF outperforming grocery

Year-on-year volume growth<sup>8</sup>



Frequency has helped return the market to growth<sup>9</sup>

## Category dynamics evolving

Volume growth vs FPF market



Meals



Grew steadily, premium ranges performed well



Salads



Demand returned as cost-of-living pressures eased



Desserts



Strong Christmas sees volume growth return in Q4



Pizza & bread



Normalised following strong demand in 2023

UK

# Leveraging our scale to outperform

## Outperforming the market

Year-on-year volume growth

	FPF <sup>8</sup>	Bakkavor
2024	2.6%	2.8%

## Bakkavor category performance



Meals



Salads



Desserts



Pizza &  
bread

Vs FPF  
volume  
growth

In-line

Lower

Higher

Higher

## Why are we winning?



### Strong customer service

>99% service level through 2024



### Leading innovation

>700 new products



### Net business gains

Significant desserts win

## Market leadership in action

### Winning in Desserts



- >190 new SKUs onboarded, including major customer win
- Exceptional Christmas delivery; service, quality & innovation
- New desserts innovation centre of excellence





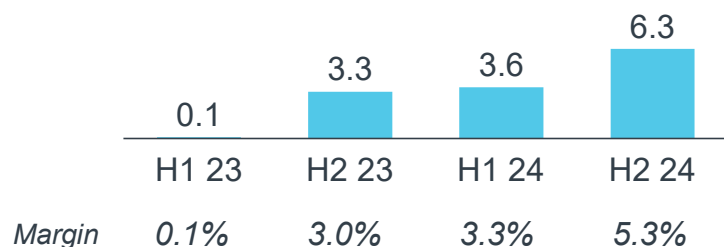
## INTERNATIONAL

# Strong progress internationally



### Strong profit improvement

US adjusted operating profit, £m

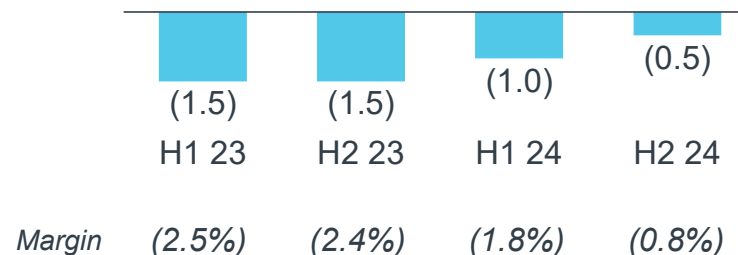


- **Growth returned** in H2 as expected
- **Bakkavor Operating System basics in place** & driving efficiencies
- Efficiencies also **underpin future capacity**



### Losses halved

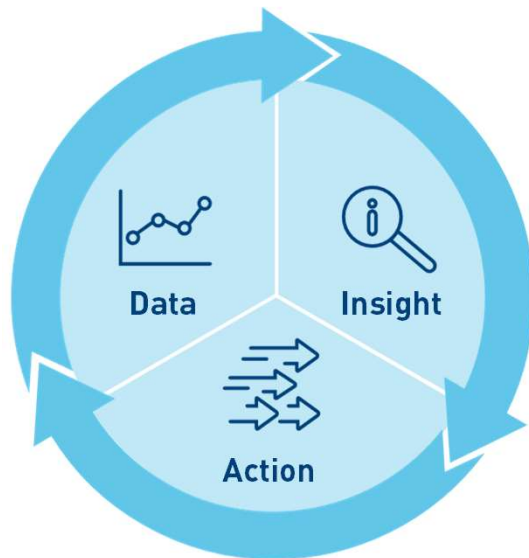
China adjusted operating loss, £m



- **Mainland China key driver** of improvement
- Sale of underperforming **Hong Kong** business due to complete in April 2025
- Focus now solely on well-invested mainland China business, with **strategic review ongoing**

# Bakkavor Operating System fuelling efficiencies

## BOS model



## Key principles

### STANDARDISATION

Consistent tools & ways of working for efficiency

### PEOPLE

Centralised team of experts & upskilled operational teams

### OPTIMISATION

Winning the day & fuelling future activity pipeline

## Excellence in action



- Automated hoomous filling process reduced labour & packaging
- Sponge automation driving waste reduction in Desserts
- RedZone rollout in US will underpin BOS



## TRUST

# On-track to deliver on medium-term ESG targets

### UK net food waste

**6.0%**

(FY23: 6.6%)



-320bps vs 2017

Focusing on reducing waste through standard KPIs

Strengthening redistribution partnerships

### Group net carbon emissions

**+2.9%**

(FY23: -5.3%)



-20.9% vs 2021

UK stable, but US up due to refrigeration leak

c.£30m spend on refrigeration & energy efficiency in last 5 years

### ESG in action



- Automated craft bread line reduced energy costs, as well as labour
- Emissions targets validated by Science Based Target initiative
- FareShare partnership to deliver 500,000 meals to tackle food insecurity



## TRUST

# Investment in our people delivering

### Invested in pay



Above inflation UK weekly colleague pay increases

**21.0%**

CPI growth over three years

**22.6%**

Hourly rate increase over three years

### Employee turnover down



**18.9%**

Down 730bps



**27.6%**

Down 2,630bps



### Engagement improved



**75.1%**

Up 330bps

### Enhanced benefits



**£7m investment in facilities**

**1m Staff Shop meals for our UK colleagues<sup>10</sup>**





# FY25 outlook & summary

*Mike*

# FY25 expected to deliver further margin improvement



# Summary

- 2024 was a strong year step changing our financial delivery
- 2025 started well & we are confident of delivering in line with expectations
- Our strategy & plan are clear and support performance
- Confident of delivering our 6% margin target in FY27
- Balance sheet strength underpins our ability to further enhance returns



***Winning through our values***



Q&A

BAKKAVÖR





# Appendix

# Alternative Performance Measures

- Alternative Performance Measures are referred to as 'like-for-like', 'adjusted' and 'underlying', and are applied consistently throughout this presentation.
- Refer to Note 12 in the Bakkavor Group plc full year results 2024 for a reconciliation
- The following APMs have been included within this presentation:
  - Like-for-like revenue
  - Adjusted EBITDA
  - Adjusted operating profit / loss
  - Adjusted operating margin
  - Free cash flow
  - Net debt (operational)
  - Leverage
  - Adjusted earnings
  - Adjusted EPS – Adjusted basic Earnings Per Share
  - ROIC – Return On Invested Capital

# Returns

## Earnings per share

£m	2024	2023
<b>Basic earnings</b>	<b>55.7</b>	<b>53.9</b>
Exceptional items	20.8	(2.8)
Tax on the above items	(5.4)	-
<b>Adjusted earnings</b>	<b>71.1</b>	<b>51.1</b>
Weighted average number of Ordinary shares (000's)	578,881	576,129
<b>Basic earnings per share</b>	<b>9.6p</b>	<b>9.4p</b>
<b>Adjusted basic earnings per share</b>	<b>12.3p</b>	<b>8.8p</b>

## ROIC

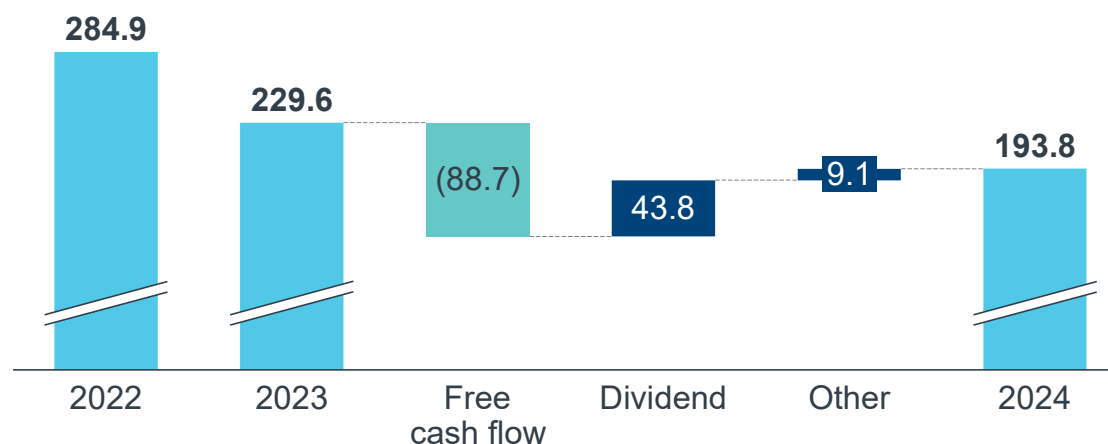
£m	2024	2023
Adjusted operating profit	113.6	94.3
Tax at the underlying effective rate	(23.3)	(23.0)
<i>Effective tax rate</i>	<i>20.5%</i>	<i>24.4%</i>
Adjusted operating profit after tax	90.3	71.3
Average invested capital	898.3	952.7
<b>ROIC</b>	<b>10.1%</b>	<b>7.5%</b>

# Group net debt

## Group net debt reconciliation

£m	2024
Cash and cash equivalents	(29.9)
Term loans	150.0
Revolving credit facility	45.0
Asset financing, finance leases & overdrafts	28.7
<b>Operational net debt</b>	<b>193.8</b>
IFRS 16 leases	84.2
Other adjustments	(1.3)
<b>Statutory net debt</b>	<b>276.7</b>

## Group operational net debt movement



## Refinancing of core debt facilities

- On 25 July 2024 the Group completed a refinancing of its core debt facilities
- Aggregate loan amount of £350m; £150m term loan and £200m revolving credit facility
- This replaces the £225m term loan and £230 RCF that were due to mature in March 2026
- Four year tenure, with maturity in Jul-28 with the option of two one-year extensions
- Margin of 1.85%, a 25 basis point improvement versus the previous facilities
- Liquidity headroom of c.£185m



# Other Balance Sheet metrics

## Tax reconciliation

£m	2024		2023	
<b>Profit before tax</b>	<b>68.6</b>		<b>70.3</b>	
Tax charge at the UK corporation tax rate of 25% (2023: 23.5%)	17.2	25.0%	16.5	23.5%
Non-deductible items	(2.1)	(3.0%)	(1.5)	(2.1%)
Prior period adjustments	(2.3)	(3.3%)	1.0	1.4%
Tax effect of losses carried forward not recognised	0.1	0.1%	1.0	1.4%
Unprovided deferred tax assets now recognised	-	-	(0.4)	(0.5%)
Overseas taxes at different rates	0.2	0.3%	0.3	0.4%
Deferred tax rate differential	-	-	0.2	0.3%
Exceptional non-taxable income/expense	(0.2)	(0.3%)	(0.7)	(1.0%)
<b>Tax charge for the period and effective tax rate</b>	<b>12.9</b>	<b>18.8%</b>	<b>16.4</b>	<b>23.4%</b>
Tax on exceptional items	5.4		-	
<b>Underlying tax charge and effective tax rate</b>	<b>18.3</b>	<b>20.5%</b>	<b>16.4</b>	<b>24.4%</b>

## Pension

£m	FY24	FY23
<b>IAS 19 pension surplus</b>	<b>18.8</b>	<b>12.0</b>

- £18.8m UK DB scheme surplus on IAS19 basis
- UK DB scheme closed to future accrual in March 2011
- Pension Fair value of Scheme assets of £176m (2023 £190m)
- Cash contributions of £2.5m p.a. to 31 March 2025

# Other financial information

## Adjusted operating profit

£m	2024	2023
<b>Operating profit</b>	<b>93.4</b>	<b>97.1</b>
Exceptional (income) / costs	20.2	(2.8)
- UK	21.5	(2.8)
- US	0.6	2.9
- China	(1.9)	(2.9)
<b>Adjusted operating profit</b>	<b>113.6</b>	<b>94.3</b>

## China – Bakery

£m	FY24	H1 23	FY23
<b>Reported revenue</b>	<b>2.8</b>	<b>7.5</b>	<b>15.2</b>

- On 28 March 2024 the Group completed the disposal of its 100% owned subsidiary Bakkavor (Taicang) Baking Company Limited

## IFRS 16 earnings impact

£m	2024	2023
Operating lease charge	14.6	14.0
Depreciation	(11.6)	(12.1)
<b>Operating profit</b>	<b>3.0</b>	<b>1.9</b>
Finance costs	(2.7)	(3.0)
<b>Loss before tax</b>	<b>0.3</b>	<b>(1.1)</b>
Tax	(0.1)	0.3
<b>Loss after tax</b>	<b>0.2</b>	<b>(0.8)</b>

