
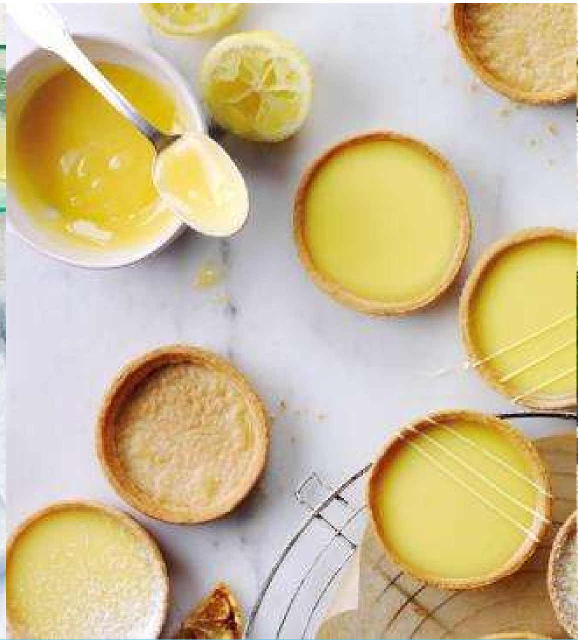

H1 2023 RESULTS

For the 26 weeks ending 1 July 2023

BAKKAVÖR

AGENDA

Highlights: H1 23 & 2023 outlook

Mike Edwards

Financial review

Ben Waldron

H1 2023 performance & 2023 outlook

Mike Edwards

Q&A

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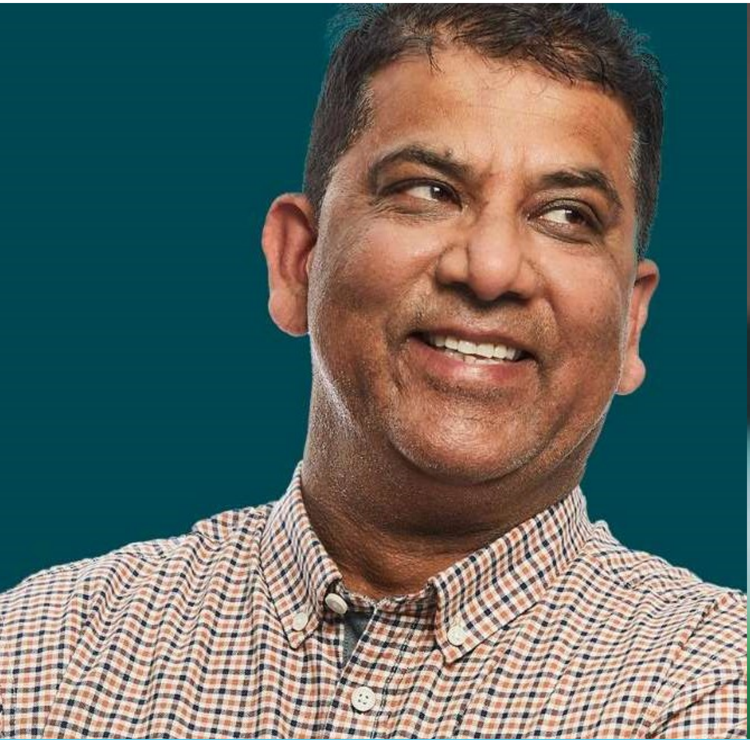


Highlights: H1 23 & 2023 outlook
Mike Edwards

BAKKAVOR

Highlights: H1 2023 & FY23 outlook

Strong first half performance

Revenue +7.9% ⬆ Profit +£0.9m ⬆ Net debt -£21.4m ⬇

Strategy remains unchanged

Leveraging #1 position in UK & delivering profitable international growth

New tactics fuelling performance & delivering ahead of plan

Leaner structure, refreshed regional priorities & enhanced focus on cash

Momentum in all three regions

Despite ongoing inflation & volume headwinds in the UK

Now expecting improved FY23 adjusted operating profit

To be at least in line with last year, £89.4m



Financial review
Ben Waldron

Strong financial performance & balance sheet strengthened

H1 2023 financial overview

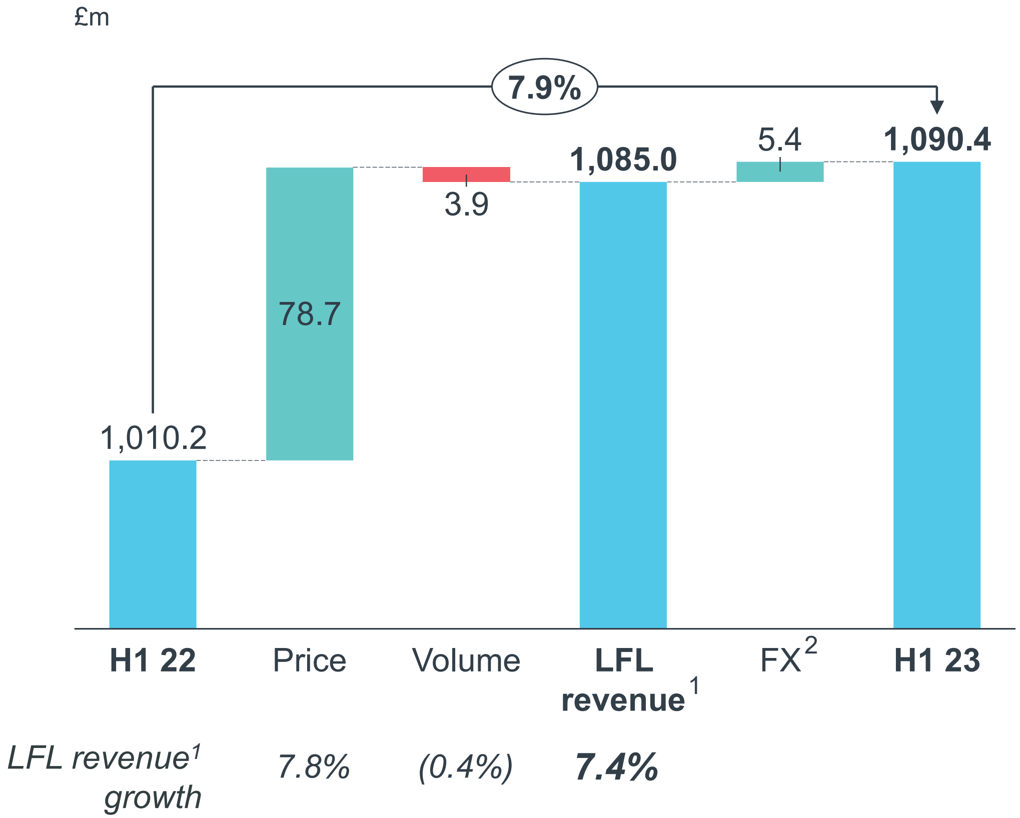
		H1 23	H1 22	*Change*
Revenue	Group revenue	£1,090.4m	£1,010.2m	*7.9%*
	Like-for-like revenue[1]	£1,085.0m	£1,010.2m	*7.4%*
Profit	Adjusted operating profit[1]	£43.4m	£42.5m	*£0.9m*
	Adjusted operating profit margin[1]	4.0%	4.2%	*(20)bps*
	Exceptional items	£2.9m	-	*£2.9m*
EPS	Adjusted EPS[1]	3.9p	4.6p	*(0.7)p*
	Basic EPS	4.4p	4.4p	-
Cash/debt	Free cash flow[1]	£51.6m	£36.6m	*£15.0m*
	Operational net debt[1]	£268.7m	£290.1m	*£(21.4)m*
	Leverage[1]	1.8x	1.9x	*(0.1)x*
Returns	ROIC[1]	7.1%	7.2%	*(10)bps*
	Interim dividend per share	2.91p	2.77p	*5.0%*

BAKKAVOR

1. Alternative Performance Measures are referred to as 'like-for-like', 'adjusted', 'underlying' & are applied consistently throughout this presentation. These are defined in full & reconciled to the reported statutory measures in H1 2023 results Note 21

Revenue growth driven by price, as well as volume recovery in China

Group statutory revenue bridge



Like-for-like revenue[1] by region

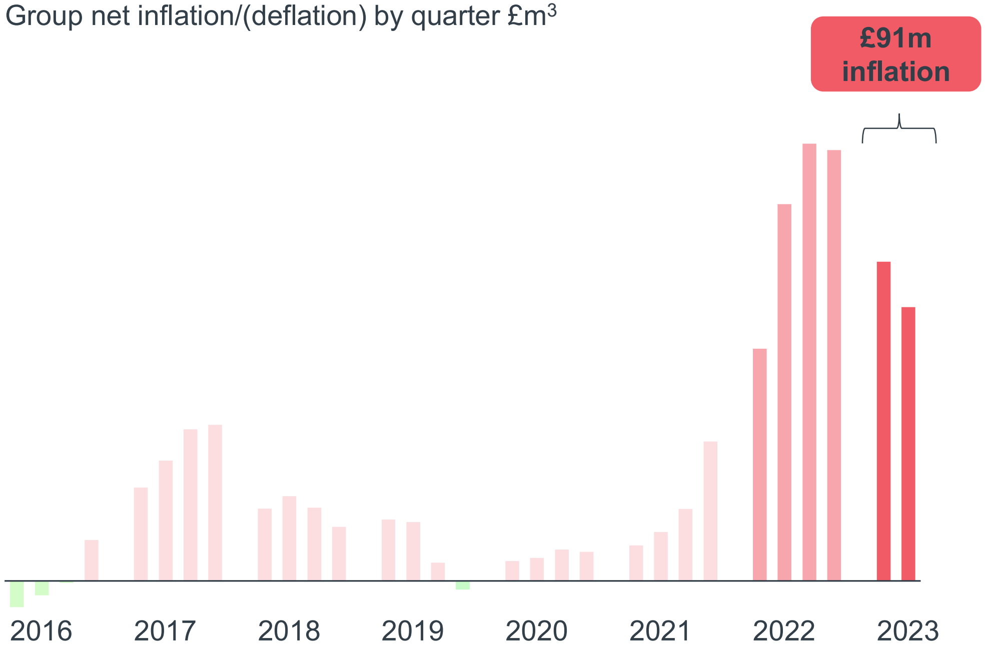
£m	H1 23	Compared to H1 22
UK	913.7	*7.6%*
US	111.6	*(4.2%)*
China	59.7	*35.1%*
Group	**1,085.0**	***7.4%***

2. FX impact of £5.4m split £6.0m US & £(0.6)m China

Inflationary headwinds remain significant

Inflation remained significant in H1 2023, but has started to ease

Group net inflation/(deflation) by quarter £m[3]



Key drivers

- Impacted by material inflation as we exited favourable contracts e.g. energy & grocery items such as tomatoes, oils
- Significant inflation continues in labour, driven by increase in National Living Wage
- Pockets of deflation in certain areas, e.g. dairy, but prices generally remain elevated

Good visibility of costs for remainder of year

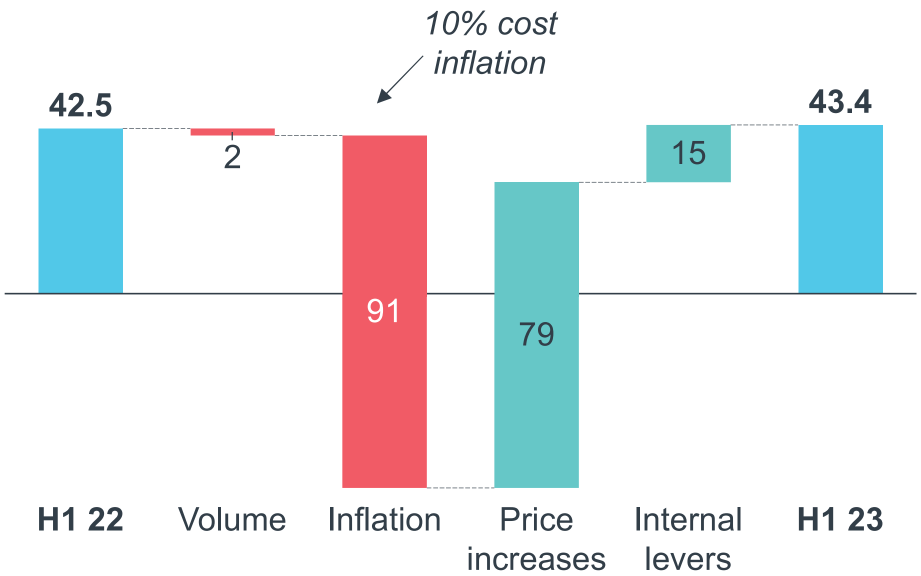
- c.80% raw materials & packaging covered for H2 2023
- 100% cover on energy for 2023
- Previously guided to 6-8% 2023 inflation; now expect at lower end of range

3 Net inflation includes raw materials, packaging, distribution, direct labour, energy & overheads

Internal levers underpin P&L delivery

Profit up despite significant inflation

Adjusted operating profit[1] bridge, £m



Multiple levers used to mitigate the impact

Good level of price recovery; worked closely & collaboratively with customers, supported by value optimisation activity

Restructuring actions delivering ahead of plan;
- Synergies from aligning UK operations to Meals & Bakery
- Two factory closures completed ahead of schedule
- **FY23 savings ahead of plan at £17m, £25m annualised**

Strong operational performance; new operating system at all UK factories, capital investment targeted at productivity initiatives

Tight cost control; controlled recruitment of non-production colleagues, discretionary spend well managed

Strong adjusted operating profit performance

Adjusted operating profit[1]

£m	H1 23	H1 22	Compared to H1 22	H1 23 Margin %	H1 22 Margin %
UK	44.8	43.7	1.1	4.9%	5.1%
US	0.1	3.1	(3.0)	0.1%	2.6%
China	(1.5)	(4.3)	2.8	(2.5%)	(9.7%)
Group	**43.4**	**42.5**	**0.9**	**4.0%**	**4.2%**
Adjustments[4]	2.9	(1.4)	4.3		
Operating Profit	**46.3**	**41.1**	**5.2**	**4.2%**	**4.1%**

Performance by region

- **UK:** Significant inflation mitigated by price recovery & internal levers, including restructuring
- **US:** Customer loss impacted profit, but in line with expectation. Operational improvement plans starting to deliver
- **China:** Post-Covid volume recovery & retail expansion supported improved operational performance & significantly reduced losses

Operating profit

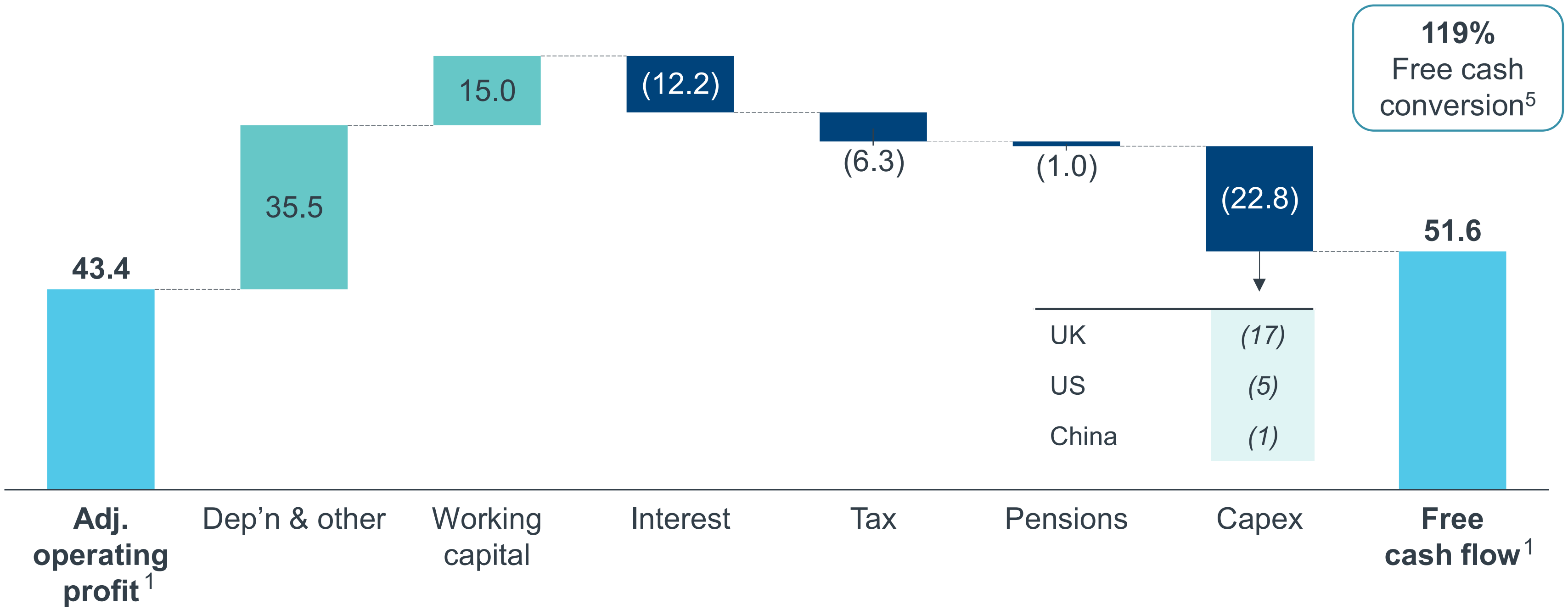
Excluded from adjusted operating profit:

- H1 23 exceptional income in China; £1.5m sale of associates, £1.4m sale & leaseback proceeds
- H1 22 adjusting item for costs of software-as-a-service ('SaaS') projects

4. Adjustments relate to exceptional & adjusting items

Strong free cash generation, supported by working capital improvement

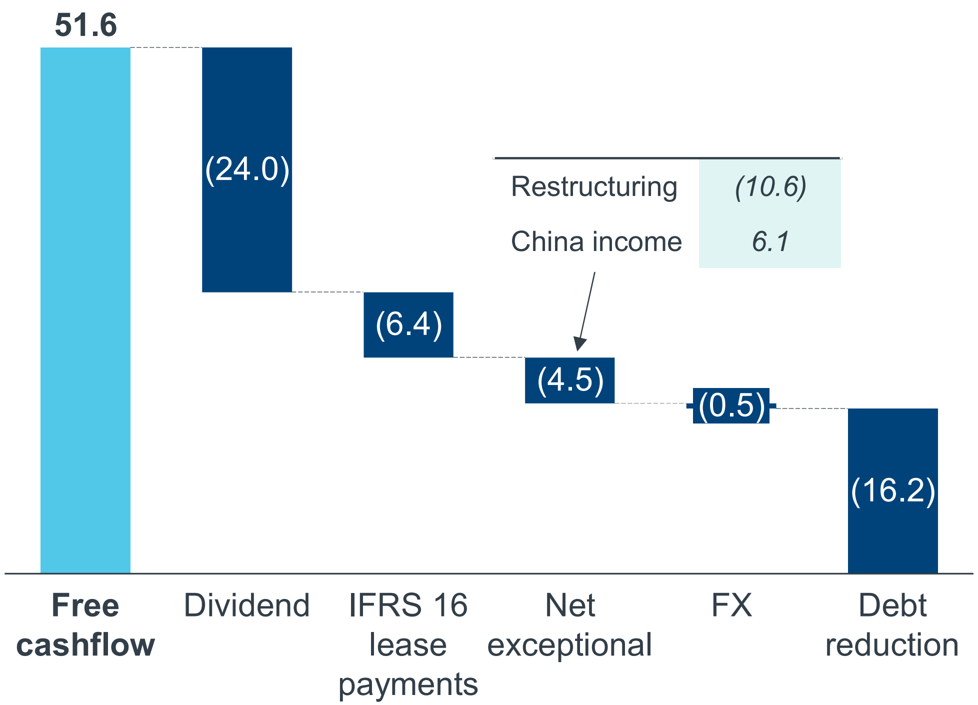
Free cash flow[1] bridge, £m



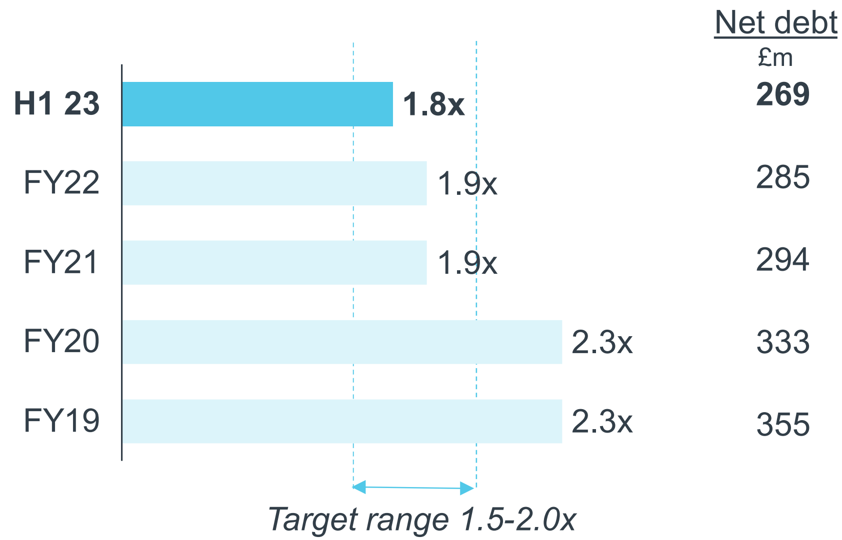
5. Free cash conversion calculated as free cash flow divided by adjusted operating profit

Disciplined capital allocation; debt reduced & dividend progressive

Free cash flow[1] utilisation



Leverage[1] improved, within target range



Progressive dividend

2.91p	+5.0%
Interim 2023 dividend	up on H1 2022

Confident in a strong full year performance, ahead of expectations

Guidance for 2023

Revenue	Modest	Low single digit revenue growth in H2 as price increases annualise & volumes remain under pressure
Adjusted operating profit	>/= £89.4m	At least in line with the prior year, £89.4m, c.£4m ahead of market expectations[6]
Capital expenditure	c.£50m	Maintain disciplined approach, targeting productivity investments
Working capital	c.£20m	Enhanced focus on working capital to deliver modest inflow in H2, with full year inflow c.£20m
Leverage	1.5x - 2.0x	Maintain in line with H1 2023
Interest cost – P&L	c.£28m[7]	Assumes UK base rate to reach 6% by year end
Tax - ETR	c.25%	Underlying effective tax rate broadly in line with enacted UK corporation tax rate of 25%

6. Based on company compiled consensus ("Consensus") which includes all covering analysts. Adjusted operating profit consensus for FY23 at £84.7m with a range of £82.0m to £86.3m. Last updated on 4 September 2023. Note, FY22 adjusted operating profit was £89.4m. 7. All interest costs, including finance costs for leases

H1 performance & FY23 outlook

Mike Edwards

UK: Cost-of-living crisis continues to disrupt behaviours & volume

Consumers have:

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

Retailers have:

- Increased prices
- Reduced promotions
- Reviewed propositions

FPF market category dynamics

(FPF market volume -3.3%[8])

MEALS resilient performance beating the market: More in-home consumption & provide great value for money

PIZZA & BREAD in volume growth: Affordable & filling, strong growth in value ranges, alternative to takeaway/eating out

DESSERTS most impacted, behind the market: Discretionary, impacted more by inflation & reduced promotions

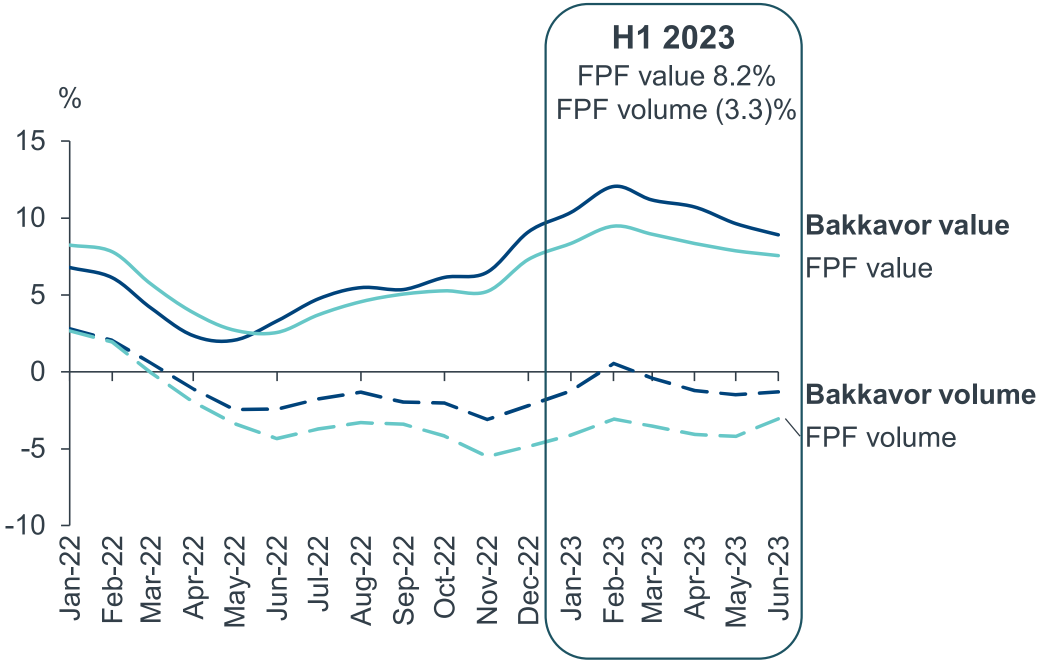
SALADS underperforming the market: Poor raw material availability & consumers switching to wholehead options

8. Bakkavor marketing database. FPF market volume performance H1 23 v H1 22

UK: Volumes under pressure, but Bakkavor outperforming the market

Consistent share gains; strong pipeline ahead

YoY rolling 13 week growth, FPF market & Bakkavor[8]



Share gains in 3 out of 4 categories

Performance underpinned by:

- **Best-in-class service levels**; scale & agility
- **Targeted innovation**; meeting changing consumer needs
- **Net business gains**; stable & reliable

UK: Restructuring plan delivering & inflation mitigated

Macro-backdrop “improving”

- General supply chain disruption improving, with weather being key disruptor in H1 23
- Rate of inflation slowing in raw materials & packaging, but no sign of overall deflation
- Labour availability continues to improve

Executing a clear plan

£25m
Annualised restructuring savings; £17m in FY23

- Leaner structure & alignment to two sectors (Meals & Bakery) delivering savings & synergies
- Factory footprint reduction completed ahead of time; two sites closed & volume successfully transferred
- New manufacturing system, now ‘live’ in all UK sites, driving performance

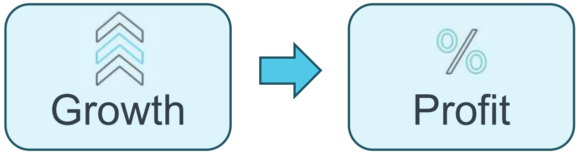
Strong delivery despite headwinds

£m	H1 23	*YoY*
LFL revenue[1]	913.7	*7.6%*
Adj. operating profit[1]	44.8	*1.1*
Margin	*4.9%*	*(20)bps*

- Strong growth underpinned by price given soft underlying volume & need to recover inflation
- Despite customer support, c.£90m inflation not fully recovered with gap closed through ‘self help’
- Margin erosion due to dilutive nature of price recovery as we only recover cost

US: Business stabilised & operational improvement plan starting to deliver

Shift in focus complete



- Approach to growth more measured as we re-shape the business
- New leadership in place, led by COO, supported by new US & UK talent
- Business stabilised with changes embraced, embedded & delivering

Improving business basics

SQF audit scores by site, 2023

- Strong SQF[9] external audit scores with all sites 'excellent'
- Much improved customer service e.g. Q3 22 95.7% to Q2 23 98.9%, +320bps[10]
- Customer engagement building positively, with settlement terms agreed on previously reported dispute

Recovery underway

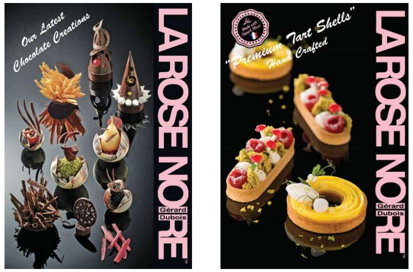
£m	Q1 23	Q2 23	H1 23
LFL revenue[1]	55.4	56.2	111.6
YoY growth	*0.4%*	*(8.4%)*	*(4.2%)*
Adj. operating profit[1]	(0.7)	0.8	0.1
Margin	*(1.2%)*	*1.5%*	*0.1%*

- Momentum built through H1 23, with profit improvement not volume driven
- Strong consumer demand continues; 11% underlying growth
- Cost & efficiency plans embedded & starting to deliver

9. Safe Quality Food Program external audits
10. For our largest US customer at our largest US site

China: Post-Covid volume recovery driving reduced losses

Simplified business



- Business returned to ‘normal’ state post-Covid
- Sold associate investment in Hong Kong generating exceptional gain
- Capacity investment completed, reducing onward capital & disruption

Market remains attractive

- Post-Covid recovery expected to continue
- Foodservice customers resumed aggressive store roll-out plans
- Growing presence in retail to diversify our business; H1 23 sales +50%

Strong post-Covid recovery

£m	H1 23	*YoY*
LFL revenue[1]	59.7	*35.1%*
Adj. operating loss[1]	(1.5)	*2.8*
Margin	*(2.5%)*	*720bps*

- Rebound in consumer spending supported volume recovery
- Volume recovery & lower disruption reduced losses
- Business now cash positive, with EBITDA > capital investment

FY23 outlook by region

Expecting to largely mitigate impact of inflation & volume headwinds by delivering further benefit from restructuring & continuing to win share

After breakeven first half, embedded changes & actions will bring FY23 profit in line with last year with a strong run rate into 2024, despite minimal growth as we continue to re-shape the business

Post-Covid volume recovery expected to continue, with H2 loss to be broadly in line with H1 2023 despite ongoing margin pressure. Positively our business is now cash positive for the first time

FY23 profit now expected to be at least in line with last year, £89.4m

Targeted approach to ESG delivering good progress

✓	-8.2%	**Group net carbon emissions** down driven by continued investment in refrigeration upgrades & initiatives to reduce gas usage
✗	-165bps	**UK food waste** reduced to 6.8%, underpinned by enhanced & more integrated operational focus
✗	+10bps	**UK employee turnover** up marginally at 28.2%, albeit availability of labour much improved
✓	-5.6%	**UK accidents**[11] down & we continue to outperform industry benchmark

Note: Movement in non-financial KPIs is H1 2023 versus H1 2022, with the exception of UK employee turnover, which is reported on a 12 month rolling basis
11. UK accidents is accidents resulting in lost time >7 days (per 100k employees)

Continuing to invest in our people

- Invested c.£50m over the last 2 years in our overall factory rates of pay to support colleagues through the cost-of-living crisis
- Enhanced staff shop offer with Bakkavor products
- Better Behaviour, Better Bakkavor workshops launched
- Wellbeing Champions at all sites
- Developing our future talent through front-line leader training & early careers programme

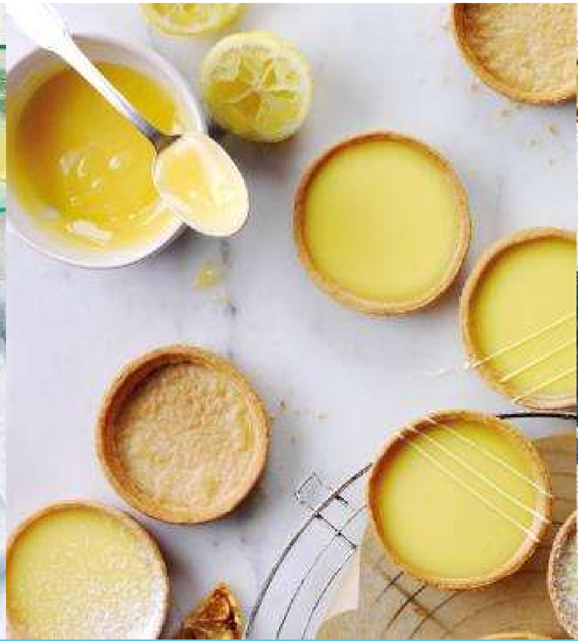
  

Summary
Mike Edwards

BAKKAVOR

A strong first half with an improving outlook

- **Strong H1 2023 performance**
- **Good momentum building in all three regions**
- **Financial & non-financial delivery underpinned by our great people**
- **Confident in delivering upgraded full year adjusted operating profit**

Questions?

Appendix

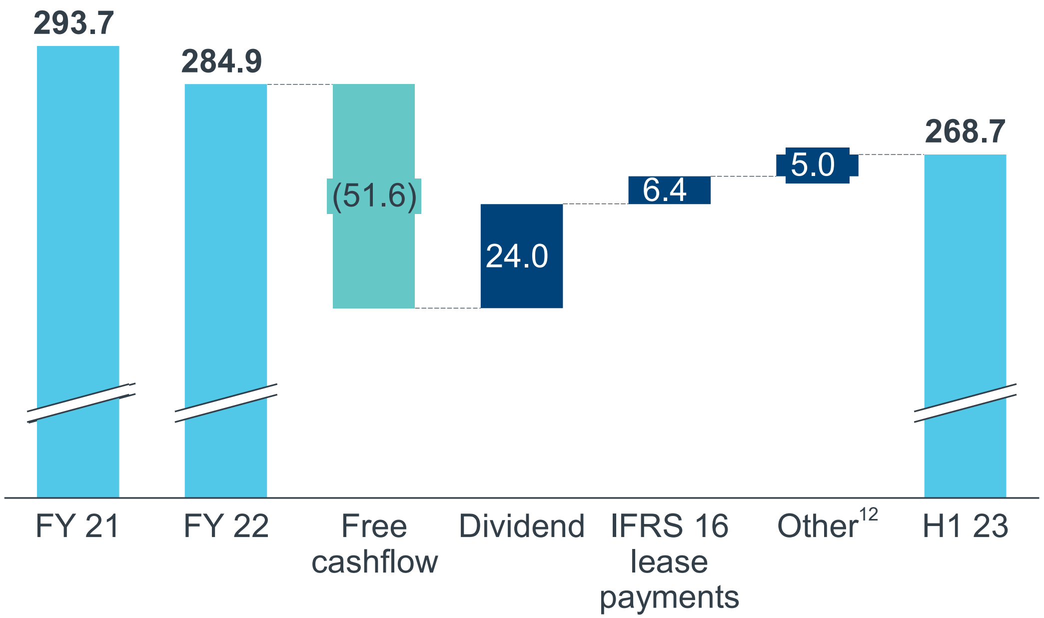
Earnings per share

£m	H1 23	H1 22
Basic earnings	**25.1**	**25.5**
Exceptional items	(2.9)	-
Configuration & customisation costs for SaaS projects	-	1.4
Change in fair value of derivative financial instruments	-	0.1
Tax on the above items	-	(0.2)
Adjusted earnings	**22.2**	**26.8**
Weighted average number of Ordinary shares 000's	576,501	578,426
Basic earnings per share	**4.4p**	**4.4p**
Adjusted basic earnings per share	**3.9p**	**4.6p**

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

Group net debt

£m	H1 23
Cash & cash equivalents	(24.7)
Term loans	225.0
Revolving credit facility	30.0
Asset financing, finance leases & overdrafts	38.4
Operational net debt	268.7
IFRS 16 leases	97.6
Other adjustments	(1.4)
Statutory net debt	364.9



Balance sheet & other metrics

Tax reconciliation

£m	H1 23		H1 22	
Profit before tax	**32.6**		**32.5**	
Expected charge at UK rate	7.7	23.5%	6.2	19.0%
Non-deductible items	(0.1)	(0.2%)	0.5	1.5%
Overseas losses not recognised	0.4	1.2%	-	0.0%
Non-taxable income	(0.7)	(2.1%)	-	0.0%
UK rate change	0.2	0.6%	0.8	2.4%
Overseas tax rates	-	0.0%	0.1	0.4%
Prior year adjustments	-	0.0%	(0.6)	(1.8%)
Total charge & tax rate	**7.5**	**23.0%**	**7.0**	**21.5%**
Tax credit on exceptional items	-		-	
Tax credit on adjusting items	-		0.2	
Underlying tax charge & effective tax rate	**7.5**	**25.1%**	**7.2**	**21.2%**

ROIC

£m	53 w/e 1-Jul-23	53 w/e 31-Dec-22	52 w/e 25-Jun-22
Underlying effective tax rate	25.1%	21.5%	21.2%
Average invested capital	982.3	987.7	999.7
ROIC	**7.1%**	**7.1%**	**7.2%**

Pension

£m	1-Jul-23	31-Dec-22	25-Jun-22
IAS 19 pension surplus	**18.4**	**12.8**	**37.4**

Pensions

- UK DB scheme closed to future accrual in March 2011
- Pension fair value of Scheme assets of £185.2m
- Cash contributions of £2.5m p.a. to 31 March 2025, with an extension through to 31 August 2025 if the scheme is in deficit at the end of December 2024 and the end of January 2025

Other financial information

Adjusted operating profit

£m	H1 23	H1 22
Operating profit	**46.3**	**41.1**
SaaS project costs	-	1.4
Exceptional items	(2.9)	-
- *UK*	-	-
- *US*	-	-
- *Hong Kong*	*(2.9)*	-
Adjusted operating profit	**43.4**	**42.5**

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

IFRS 16 earnings impact

£m	H1 23	H1 22
Operating lease charge	6.9	6.4
Depreciation	(6.0)	(5.7)
Adjusted operating profit	**0.9**	**0.7**
Exceptional items	(0.1)	-
Operating profit	**0.8**	**0.7**
Finance costs	(1.5)	(1.5)
Loss before tax	**(0.7)**	**(0.8)**
Tax	0.1	0.1
Loss after tax	**(0.6)**	**(0.7)**

Dividends

	Per share	Cash	Period paid
2021 interim	2.64p	£15.3m	FY21
2021 final	3.96p	£22.8m	FY22
2022 interim	2.77p	£16.0m	FY22
2022 final	4.16p	£24.0m	FY23
2023 interim[13]	**2.91p**	**£16.8m**	**FY23**

13. The interim dividend will be paid on 13 October 2023 to shareholders registered on the record date at 15 September 2023