

# H1 2024 results

For the 26 weeks ended 29 June 2024

A strong first half performance driving upgraded 2024 outlook

# AGENDA

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## Today's key messages

*Mike Edwards*

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## Financial review

*Ben Waldron*

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## H1 2024 strategic update & FY24 outlook

*Mike Edwards*

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## CFO update

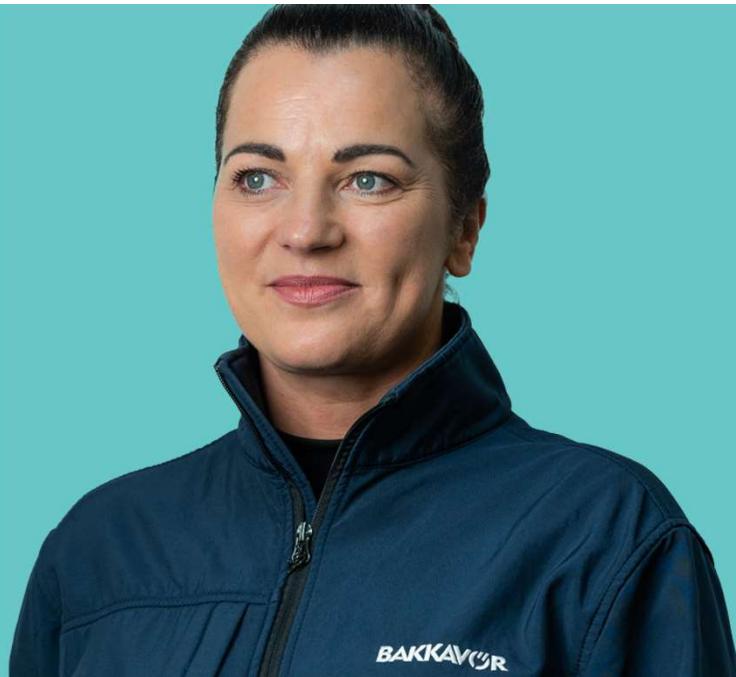
*Simon Burke*

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## Q&A

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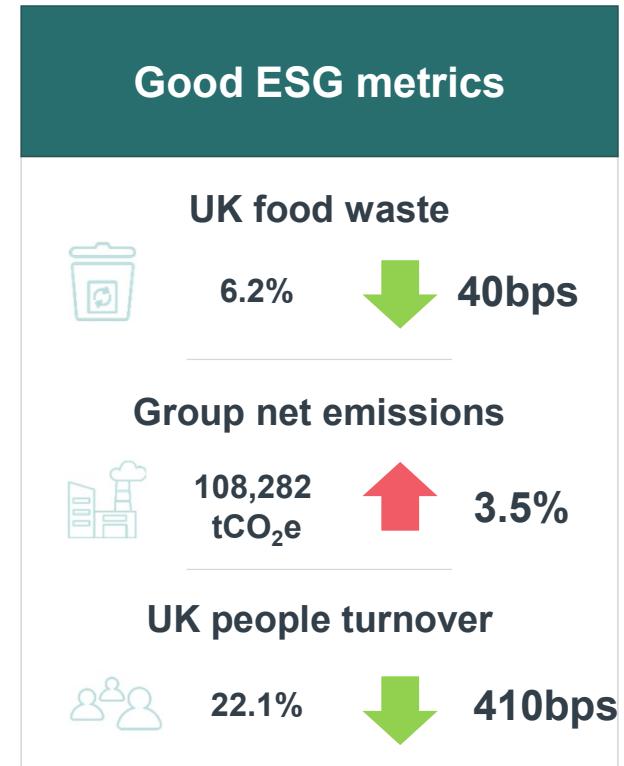
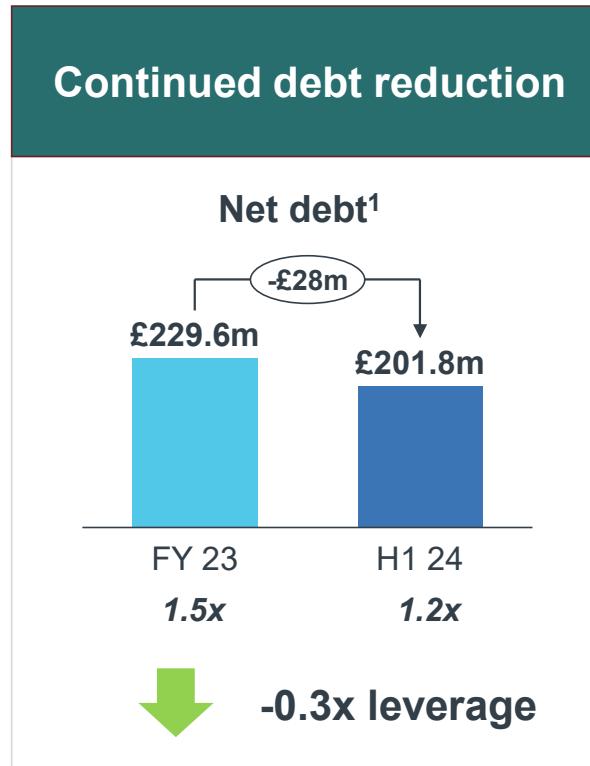
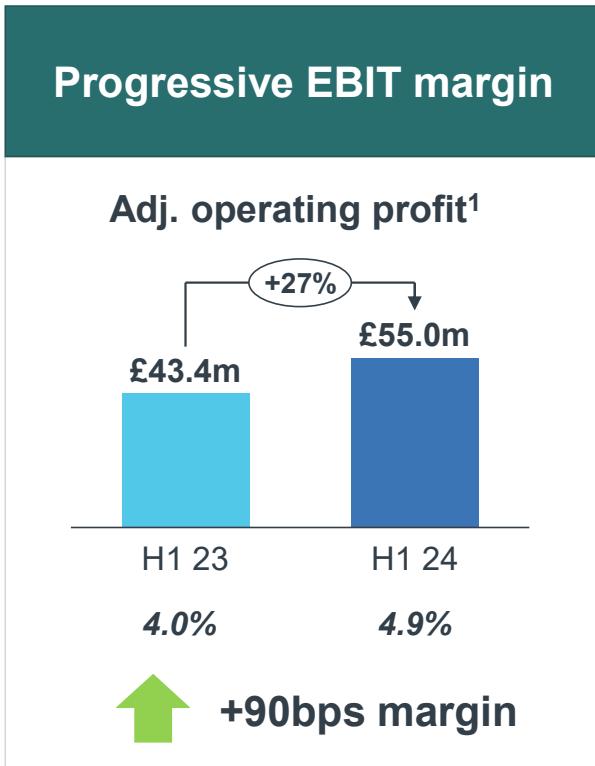
Anna, Operational Excellence



# Today's key messages

*Mike Edwards, CEO*

# Strong performance across the board



# Environment improving after two incredibly tough years

Inflation remains but easing



Interest rates have peaked



UK volume growth returning



Supply chain remains fragile



Labour market normalising



Pricing discussions concluded

Further reduced debt & successfully refinanced

Outperforming the FPF market

Mitigating risk & disruption now the norm

Investing in engagement, benefits & pay

Our efficiency improvements are now helping rebuild margin, as opposed to offsetting external pressures

# Upgraded FY24 guidance with strong delivery in all regions



**Volume growth** and efficiency will support profit improvement



Further margin progression expected, with **sales growth to return** in H2



Remains cash generative with **lean initiative** further reducing losses



## FY24 EBIT Outlook

***“Upgrading guidance to £108m-£112m<sup>2</sup>, ahead of market expectations”***

*Analyst consensus<sup>3</sup>: £106.2m  
Previous guidance: £103m-108m*



Katarzyna, Manufacturing



# Financial review

*Ben Waldron, CFO*

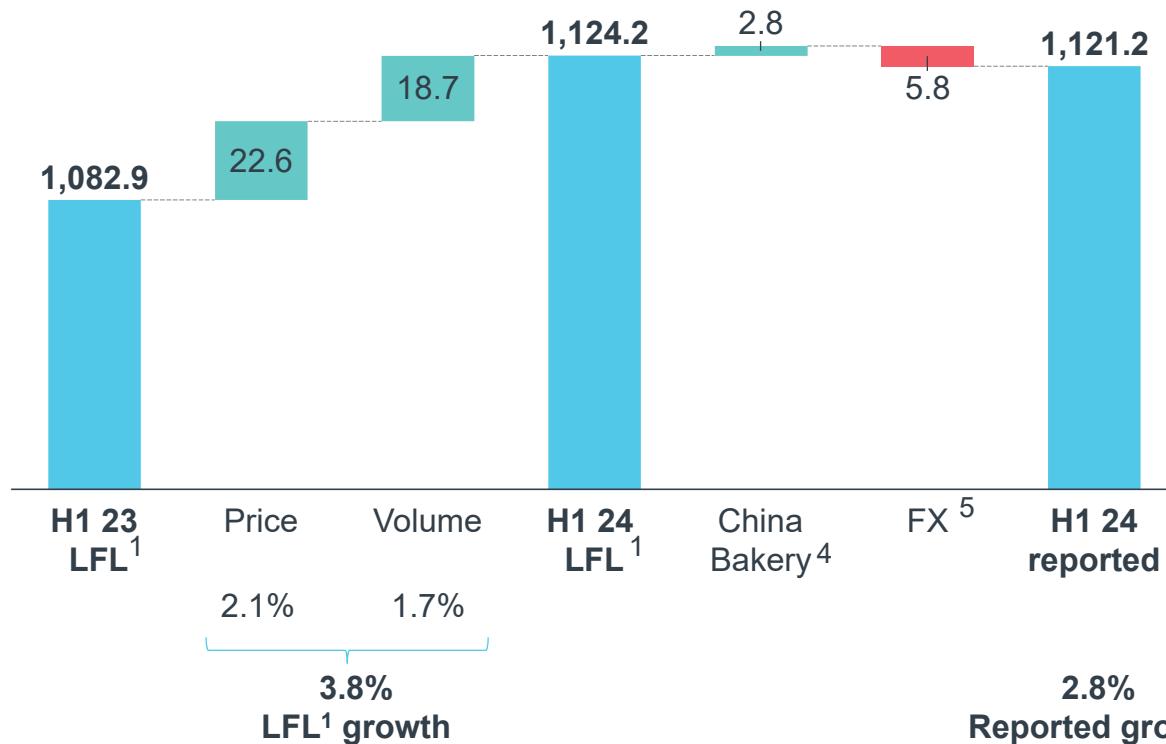
# H1 performance further strengthens our financial position

£ million (unless otherwise stated)		H1 24	H1 23	Change
<b>Continued growth &amp; improved margin</b>	Reported revenue	1,121.2	1,090.4	2.8%
	Like-for-like revenue ("LFL") <sup>1</sup>	1,124.2	1,082.9	3.8%
	Adjusted operating profit <sup>1</sup>	55.0	43.4	26.7%
	Adjusted operating profit margin <sup>1</sup>	4.9%	4.0%	90bps
	Operating profit	58.8	46.3	27.0%
<b>Significantly stronger balance sheet</b>	Free cash flow <sup>1</sup>	53.2	45.2	8.0
	Operational net debt <sup>1</sup>	(201.8)	(268.7)	66.9
	Leverage <sup>1</sup>	1.2x	1.8x	(0.6)x
<b>Enhanced shareholder returns</b>	Adjusted EPS <sup>1</sup>	5.5p	3.9p	41.0%
	Basic EPS	6.1p	4.4p	38.6%
	ROIC <sup>1</sup>	8.7%	7.1%	160bps
	Interim dividend per share	3.20p	2.91p	10.0%

# Good revenue growth with volume improving

## Group revenue bridge

£m



## LFL revenue<sup>1</sup> growth by region

H1 24 YoY LFL revenue growth



# Strong profit and margin improvement

## Margin rebuild underway ...

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



## ... driven by efficiency improvements



**Volume growth**, primarily in the UK, building steadily as **consumer confidence improves** & now contributing to profit



**Inflationary pressures easing** but remain significant. Expect **FY24 inflation of c.£50m**



**Price recovery** through continued customer support, with phasing of **FY23 recovery flattening YoY position**



**Efficiency improvements**, including cost savings & operational efficiencies, now **helping to rebuild margin**

# All regions deliver margin progression

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

£m				Margin		
	H1 24	H1 23	Change	H1 24	H1 23	Change
UK	52.4	44.8	7.6	5.5%	4.9%	60bps
US	3.6	0.1	3.5	3.3%	0.1%	320bps
China	(1.0)	(1.5)	0.5	(1.8%)	(2.5%)	70bps
<b>Group</b>	<b>55.0</b>	43.4	11.6	<b>4.9%</b>	4.0%	90bps
Exceptionals	3.8	2.9	0.9			
<b>Operating profit</b>	<b>58.8</b>	46.3	12.5	<b>5.2%</b>	4.2%	100bps

## Performance by region

**UK:** Volume growth & price recovery offset impact of inflation, with efficiency improvements driving profit up

**US:** Strong operational performance and tight control of overheads support profit improvement

**China:** Good volume growth and efficiency improvements reduce losses

## Exceptionals

H1 24 primarily relates to profit on **sale of China Bakery**. H1 23 primarily relates to the sale of Hong Kong assets

# Strong cash generation supports further leverage reduction

## Improved profitability drives strong cash generation

Group free cash flow<sup>1</sup> and utilisation, £m

	H1 24	H1 23
<b>Adjusted operating profit<sup>1</sup></b>	55.0	43.4
Depreciation, amortisation & other <sup>6</sup>	35.1	35.5
Net working capital	3.5	15.0
Capital expenditure	(14.6)	(22.8)
Interest, tax & pensions	(20.2)	(19.5)
IFRS 16 lease payments	(5.6)	(6.4)
<b>Free cash flow<sup>1</sup></b>	<b>53.2</b>	<b>45.2</b>
<i>Free cash flow conversion<sup>7</sup></i>	97%	104%
Dividends paid	(25.3)	(24.0)
Acquisitions & disposals	4.8	6.1
Other <sup>8</sup>	(4.9)	(11.1)
<b>Debt reduction</b>	<b>(27.8)</b>	<b>(16.2)</b>

## Continued debt reduction and successful refinancing

### Operational net debt

**£201.8m**

£(27.8)m vs Dec-23

### Leverage

**1.2x**

(0.3)x vs Dec-23

### Refinancing

**£350m**

Improved terms, maturity Jul-28

# Upgraded 2024 P&L guidance

Reported revenue	Adj. Operating Profit <sup>1</sup>	Net interest cost	Effective tax rate
			
<b>c.2-3%</b> <i>Previously c.1-2%</i>	<b>£108m-£112m</b> <i>Previously £103m-£108m</i>	<b>c.£26m</b> <i>Unchanged</i>	<b>c.24%</b> <i>Previously c.26%</i>
Upgraded outlook driven by UK as volumes recover US & China in line with expectations	Restructuring savings ahead of plan, c.£30m annualised Strong operational performance led by UK	Refinancing secured 25bps margin improvement Cash cost broadly in line with P&L charge	Slightly below UK corporation tax rate, with benefit of Group relief Cash tax lower than P&L due to benefit of UK capital allowances

# Delivering against our capital allocation targets

	Capital Spend	Leverage	Dividend	Strategic Growth
Progress	Revised guidance down Investment lead times extended	1.2x at lower end of range Debt down £28m	Interim DPS +10% Strong trading & financial position	ROIC +120bps to 8.7% M&A: Moorish, China bakery
Outlook	Strong pipeline of opportunities Latest ERP FY24 capital spend c.£5m	Ongoing NWC improvements Further debt reduction by Dec-24	Continued strong cash generation Maintain progressive policy	Refinancing secures growth platform Further ROIC progression by Dec-24



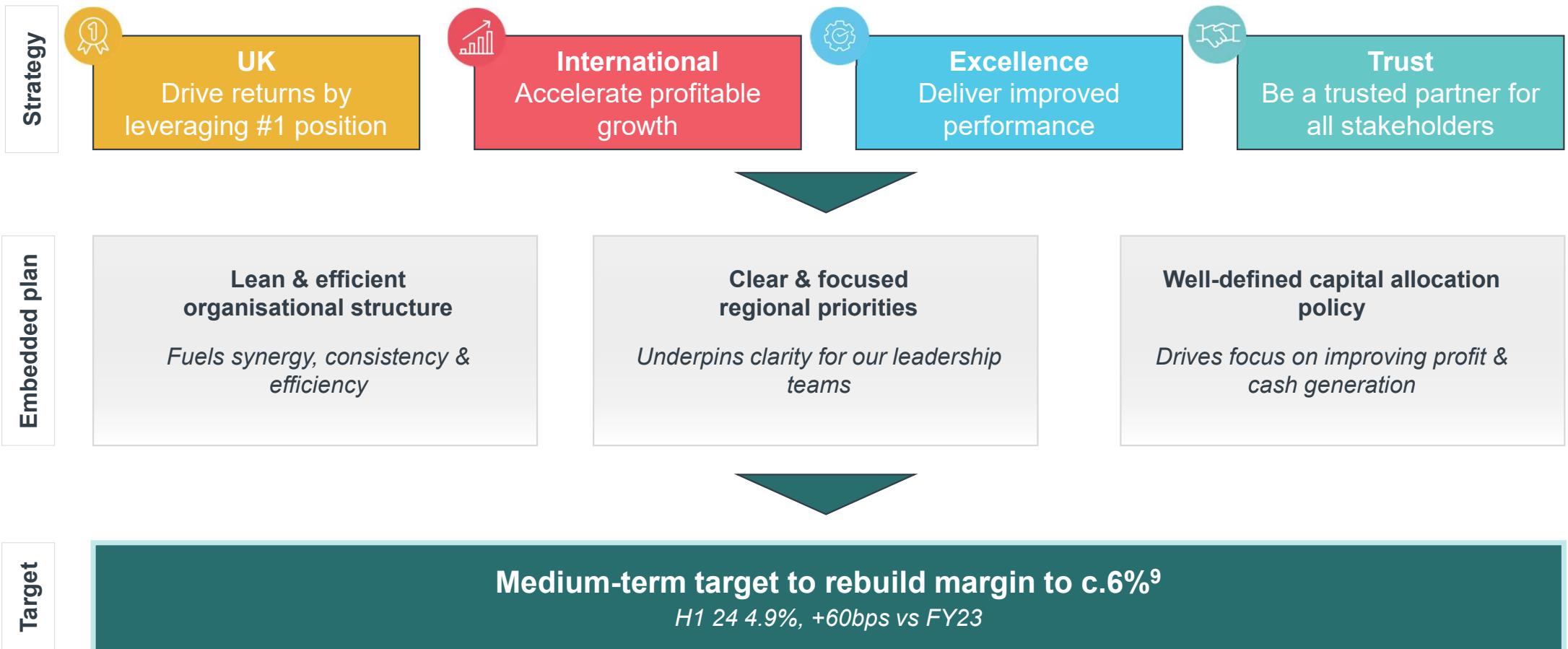
**Joshua, Engineering**



# H1 24 strategic update

*Mike Edwards, CEO*

# Clear strategy & embedded plan supports our ambition to rebuild margin





UK

# FPF market has returned to volume growth

## Demand for FPF building

 Improving consumer confidence

 Convenience, quality & value becoming more important for consumers

 Frequency returning to growth

## Market returns to volume growth

YoY volume growth, FPF<sup>10</sup> & Bakkavor UK

	FPF	Bakkavor
FY23	(2.2)%	(0.5)%
H1 24	2.2%	2.3%

## Consolidating share gains

 Customer service >99%

 Strong focus on delivering innovation and creating new propositions

 Net business gains

Positive UK outlook with market growth set to continue and a strong pipeline that will deliver underlying Bakkavor outperformance

# Strengthening international performance



## Profitability restored in line with plan

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

H1 23	H1 24
£0.1m	£3.6m

- Efficiency driving enhanced profitability
- Leading technical KPIs & service levels
- Expected 5% sales decline in H1, with growth to return in H2



## Self-sustaining simplified business

Proceeds from disposals<sup>11</sup>, FY23 & H1 24

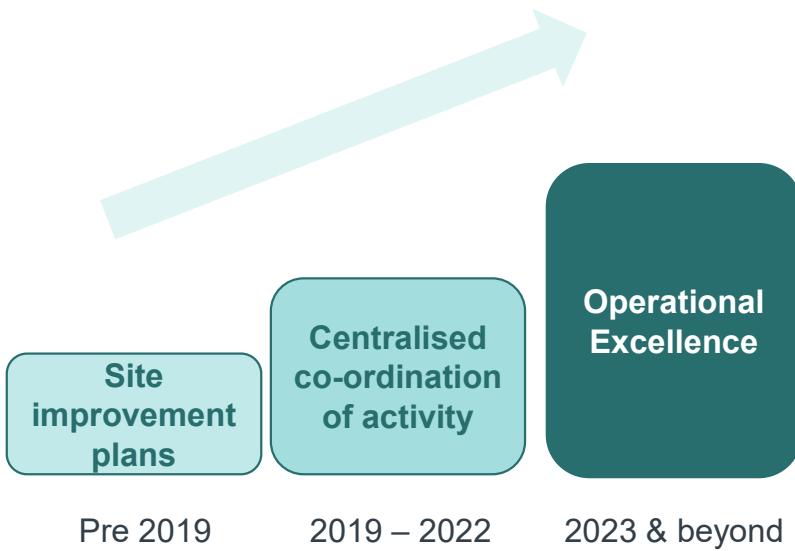
Cash proceeds
£13m

- Exited China Bakery & La Rose Noire
- Remaining business focused on fresh food
- Losses reduced by 33%, with target to reach breakeven EBIT run rate in H2

We remain excited about the US opportunity and continue to review our strategic options in China

# Bakkavor Operating System (BOS) now fully developed

## Our ways of working have evolved

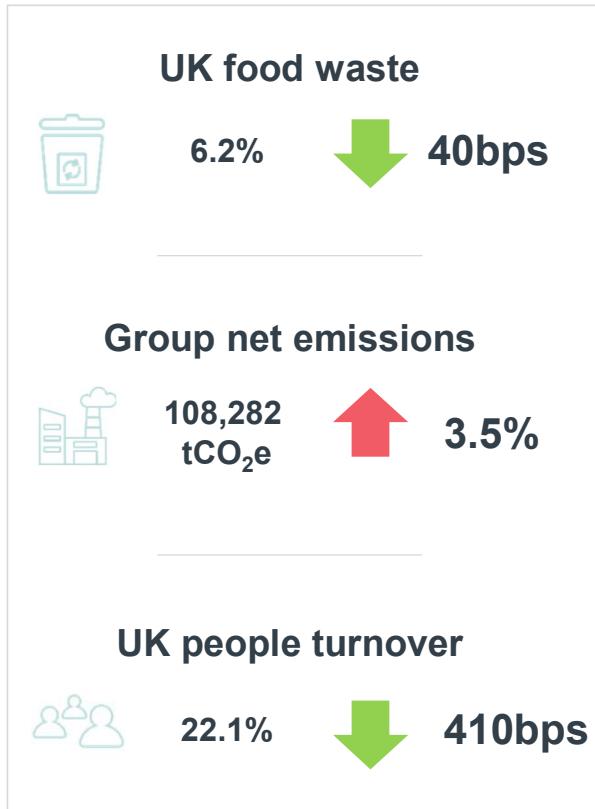


## BOS powering performance & efficiency

-  **Standardised way of working**, led by centralised Operational Excellence team
-  **Smart manufacturing system** provides live data
-  **Targeted return-enhancing activity** including automation and sustainability linked projects
-  **Leverage expertise internationally**, US smart system roll-out & China lean initiative

Efficiencies will be fundamental in supporting our ambition to improve margin

# Clear ESG plan embedded into the business



- Standardised approach to waste management across all UK sites
- Increased redistribution with FareShare, supporting the Coronation Food Project

- UK improvements were offset by a refrigeration leak in the US
- Net Zero targets for all scopes validated by the SBTi

- Continued investment in our people drives improvement in retention
- Labour markets normalising with improved availability in UK & US

# Continued to invest in our people

- **Increased rates of pay:** up 21% over last three years
- **Improved benefits:** e.g. increased life assurance & paternity pay, & upgraded healthcare
- **Significant investment in facilities:** focused on amenities & staff shop transformation
- **Award-winning early career programs:** >100 colleagues recruited this year
- **Investment in training:** >1,000 colleagues enrolled on development programs





Wandi, Quality



# Summary

*Mike Edwards, CEO*

# Upgraded FY24 guidance with strong delivery in all regions



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## FY24 EBIT Outlook

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# A strong first half with an improving outlook



- Strong H1 24 performance across the board
- H2 has started well and we are confident in delivering upgraded full year profit
- Enhanced shareholder returns with progressive dividend
- Committed to a medium-term target of rebuilding margin to 6%<sup>9</sup>



# CFO update

*Simon Burke, Chairman*



# Questions?



Madison, Finance



# Thank you



Iman, Engineering



Mantas, Logistics



Monika, Manufacturing

# Appendix

# Returns

## Earnings per share

£m	H1 24	H1 23
<b>Basic earnings</b>	<b>35.2</b>	<b>25.1</b>
Exceptional items	(3.2)	(2.9)
<b>Adjusted earnings<sup>1</sup></b>	<b>32.0</b>	<b>22.2</b>
Weighted average number of Ordinary shares (000's)	577,790	576,501
<b>Basic earnings per share</b>	<b>6.1p</b>	<b>4.4p</b>
<b>Adjusted basic earnings per share<sup>1</sup></b>	<b>5.5p</b>	<b>3.9p</b>

## ROIC<sup>1</sup>

£m	H1 24	FY23
Adjusted operating profit	105.9	94.3
Tax at the underlying effective rate	(25.2)	(23.0)
<i>Effective tax rate</i>	<i>23.8%</i>	<i>24.4%</i>
Adjusted operating profit after tax	80.7	71.3
Average invested capital	925.5	952.7
<b>ROIC<sup>1</sup></b>	<b>8.7%</b>	<b>7.5%</b>

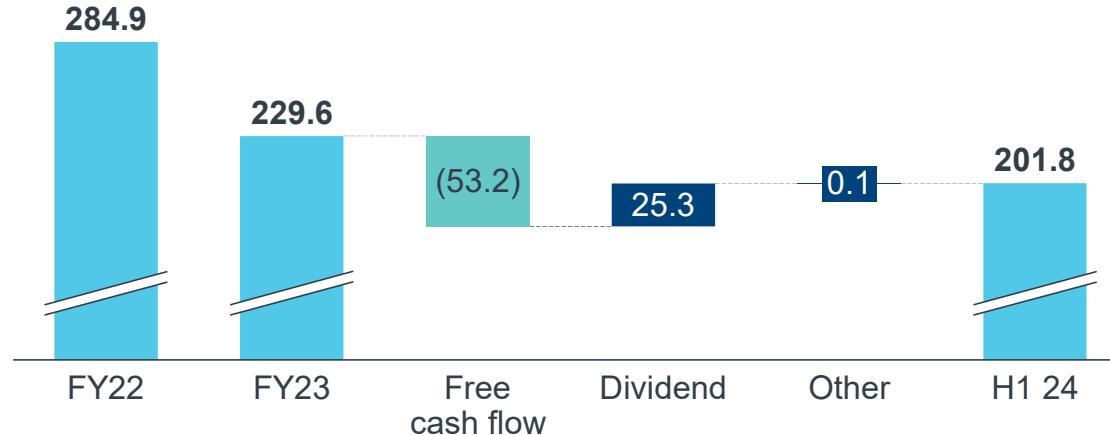
- H1 24 Effective tax rate calculated as H1 2024 tax rate of 24.0% and H2 2023 tax rate of 23.5%

# Group net debt

## Group net debt reconciliation

	£m	H1 24
Cash and cash equivalents		(45.5)
Term loans		212.6
Revolving credit facility		-
Asset financing, finance leases & overdrafts		34.7
<b>Operational net debt<sup>1</sup></b>		<b>201.8</b>
IFRS 16 leases		86.3
Other adjustments		0.3
<b>Statutory net debt</b>		<b>288.4</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 £250m; £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.£180m

# Other Balance Sheet metrics

## Tax reconciliation

Profit before tax	45.2	32.6		
Tax charge at the UK corporation tax rate of 25% (2023: 23.5%)	11.3	25.0%	7.7	23.5%
Non-deductible items	-	-	(0.1)	(0.2%)
Prior period adjustments	(0.8)	(2.0%)	-	-
Overseas losses not recognised	0.3	1.0%	0.4	1.2%
UK rate change	-	-	0.2	0.6%
Non-taxable income	(0.8)	(2.0%)	(0.7)	(2.1%)
<b>Tax charge for the period and effective tax rate</b>	<b>10.0</b>	<b>22.0%</b>	<b>7.5</b>	<b>23.0%</b>
Tax on exceptional items	-	-	-	-
<b>Underlying tax charge and effective tax rate</b>	<b>10.0</b>	<b>24.0%</b>	<b>7.5</b>	<b>25.1%</b>

## Pension

£m	H1 24	H1 23
<b>IAS 19 pension surplus</b>	<b>18.7</b>	<b>18.4</b>

- £18.7m UK DB scheme surplus on IAS19 basis
- UK DB scheme closed to future accrual in March 2011
- Pension Fair value of Scheme assets of £185m
- Cash contributions of £2.5m p.a. to 31 March 2024, which may extend to 31 August 2025

# Other financial information

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

£m	H1 24	H1 23
<b>Operating profit</b>	<b>58.8</b>	<b>46.3</b>
Exceptional (income) / costs	(3.8)	(2.9)
- UK	-	-
- US	0.6	-
- China	(4.4)	(2.9)
<b>Adjusted operating profit<sup>1</sup></b>	<b>55.0</b>	<b>43.4</b>

## China – Bakery

£m	H1 24	H1 23	FY23
Reported revenue	2.8	7.5	15.2

## IFRS 16 earnings impact

£m	H1 24	H1 23
Operating lease charge	7.1	6.9
Depreciation	(6.0)	(6.0)
<b>Adjusted operating profit<sup>1</sup></b>	<b>1.1</b>	<b>0.9</b>
Exceptional items	-	(0.1)
Operating profit	1.1	0.8
Finance costs	(1.5)	(1.5)
Loss before tax	(0.4)	(0.7)
Tax	0.1	0.1
<b>Loss after tax</b>	<b>(0.3)</b>	<b>(0.6)</b>

