

H1 2024 results

For the 26 weeks ended 29 June 2024

A strong first half performance driving upgraded 2024 outlook

AGENDA

Today's key messages

Mike Edwards

Financial review

Ben Waldron

H1 2024 strategic update & FY24 outlook

Mike Edwards

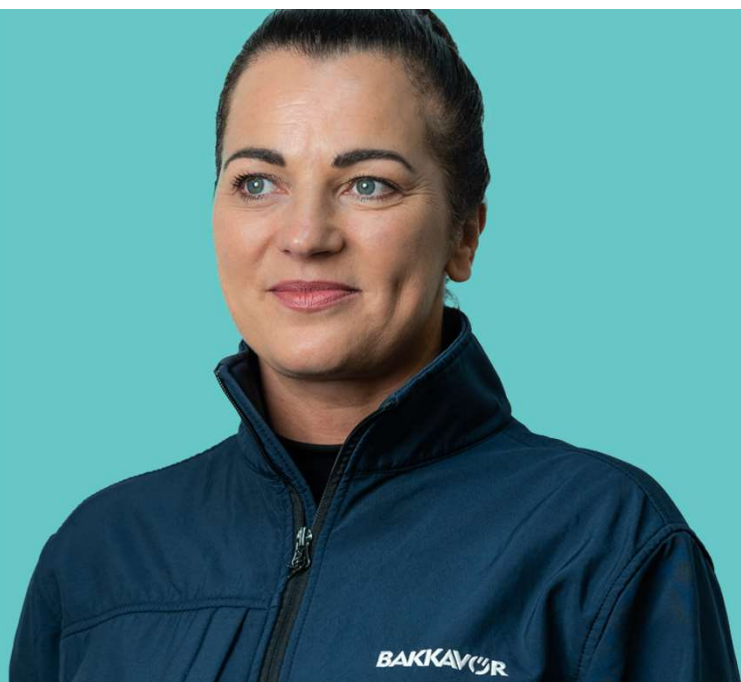
CFO update

Simon Burke

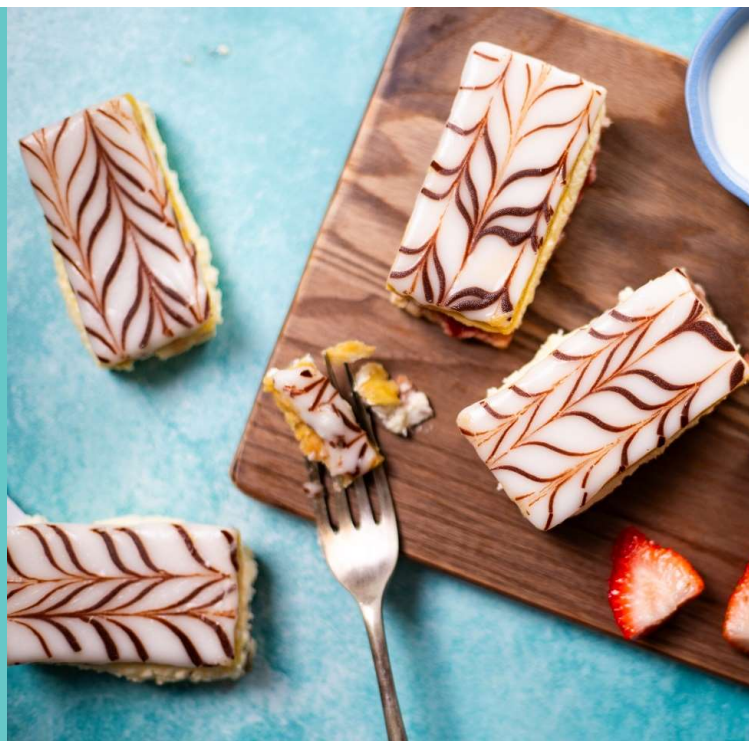
Q&A

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Anna, Operational Excellence



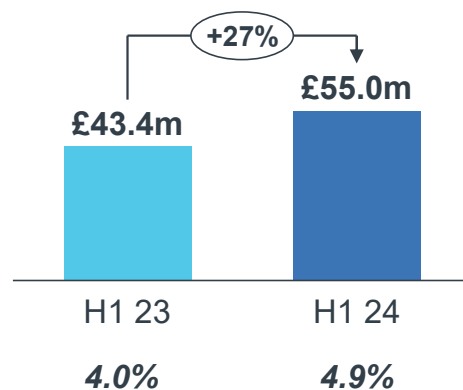
Today's key messages

Mike Edwards, CEO

Strong performance across the board

Progressive EBIT margin

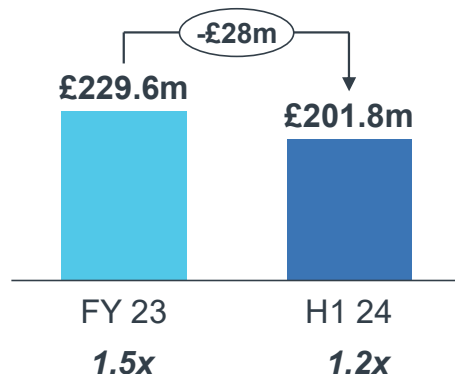
Adj. operating profit¹



+90bps margin

Continued debt reduction

Net debt¹



-0.3x leverage

Good ESG metrics

UK food waste



6.2% 40bps

Group net emissions



108,282 tCO₂e 3.5%

UK people turnover



22.1% 410bps

Environment improving after two incredibly tough years

Inflation remains
but easing



Pricing discussions
concluded

Interest rates have
peaked



Further reduced
debt & successfully
refinanced

UK volume growth
returning



Outperforming the
FPF market

Supply chain
remains fragile



Mitigating risk &
disruption now the
norm

Labour market
normalising



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-£112m², ahead of market expectations”

***Analyst consensus³: £106.2m
Previous guidance: £103m-108m***



Katarzyna, Manufacturing






Financial review

Ben Waldron, CFO

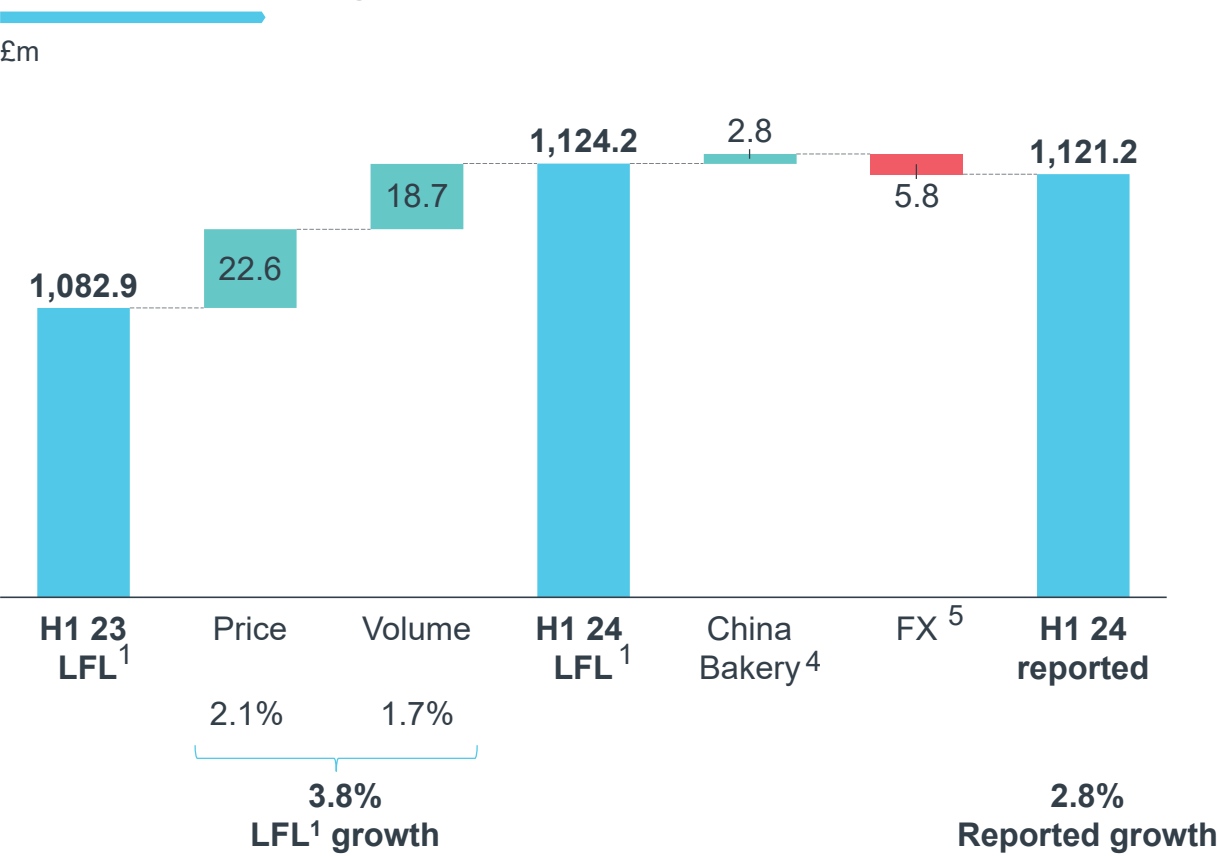
H1 performance further strengthens our financial position

£ million (unless otherwise stated)

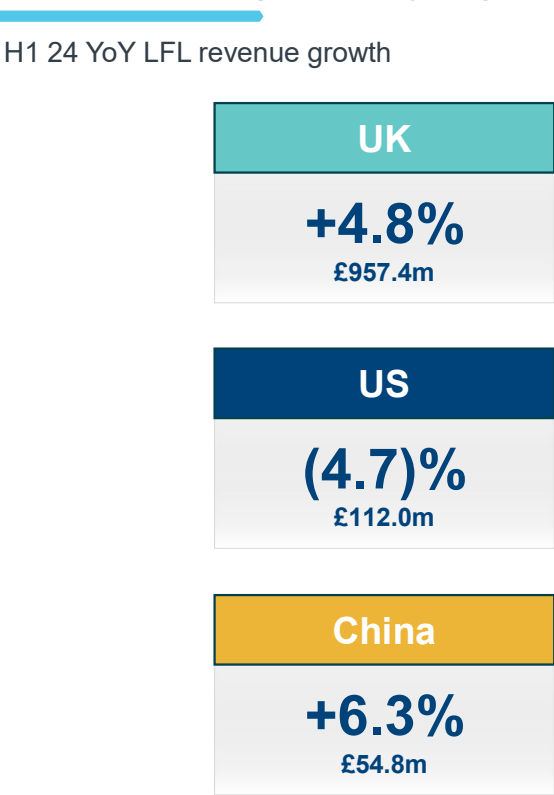
		H1 24	H1 23	Change	
Continued growth & improved margin	Reported revenue	1,121.2	1,090.4	2.8%	
	Like-for-like revenue ("LFL") ¹	1,124.2	1,082.9	3.8%	
	Adjusted operating profit ¹	55.0	43.4	26.7%	
	Adjusted operating profit margin ¹	4.9%	4.0%	90bps	
	Operating profit	58.8	46.3	27.0%	
Significantly stronger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

Good revenue growth with volume improving

Group revenue bridge



LFL revenue¹ growth by region



Strong profit and margin improvement

Margin rebuild underway ...

Group adjusted operating profit¹ 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** flattering **YoY position**



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

All regions deliver margin progression

Adjusted operating profit & margin¹

£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
Group	55.0	43.4	11.6	4.9%	4.0%	90bps
Exceptionals	3.8	2.9	0.9			
Operating profit	58.8	46.3	12.5	5.2%	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 flow¹ and utilisation, £m

	H1 24	H1 23
Adjusted operating profit¹	55.0	43.4
Depreciation, amortisation & other ⁶	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)
Free cash flow¹	53.2	45.2
<i>Free cash flow conversion⁷</i>	<i>97%</i>	<i>104%</i>
Dividends paid	(25.3)	(24.0)
Acquisitions & disposals	4.8	6.1
Other ⁸	(4.9)	(11.1)
Debt reduction	(27.8)	(16.2)

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

Delivering against our capital allocation targets

	Capital Spend	Leverage	Dividend	Strategic Growth
	 £50m-£60m FY24 capital spend	 1.0x to 2.0x target range	 Progressive dividend policy	 Enhancing ROIC
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



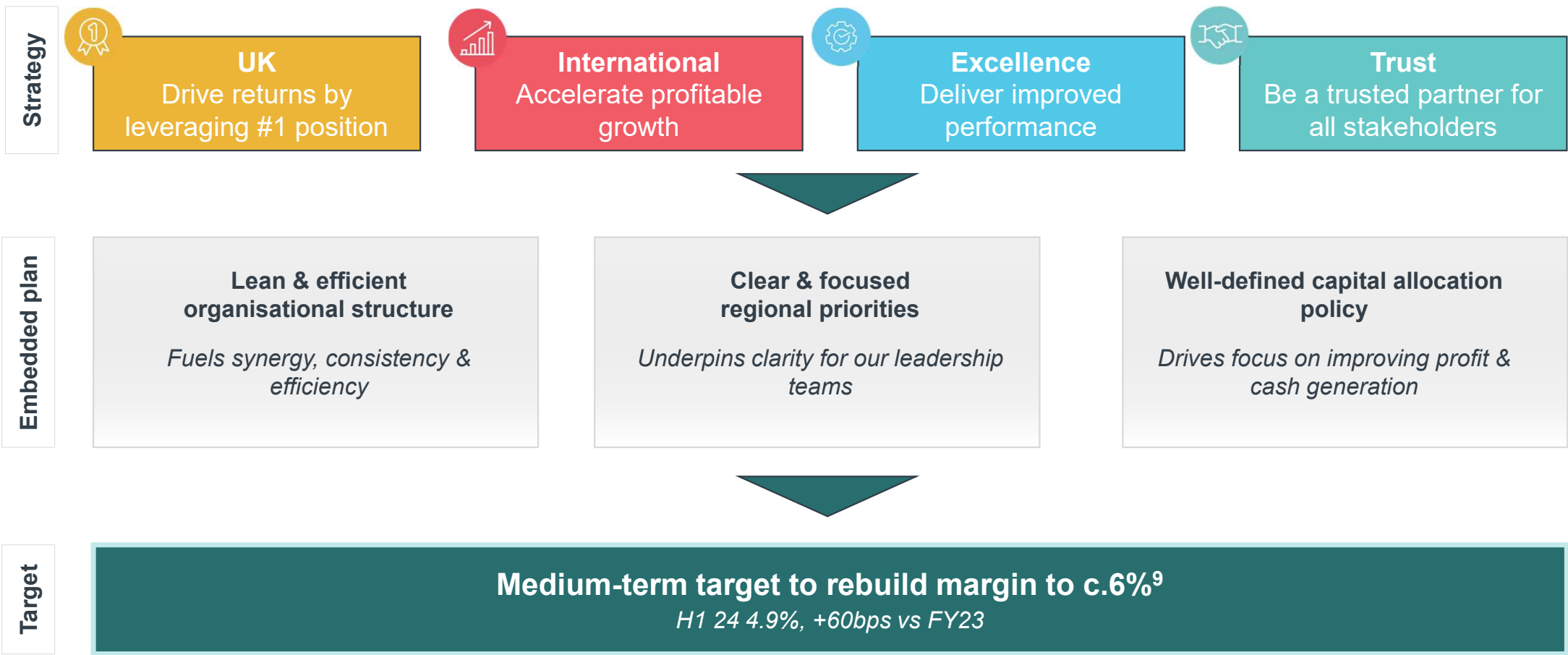
Joshua, Engineering



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, FPF¹⁰ & 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 profit¹, £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 disposals¹¹, FY23 & H1 24

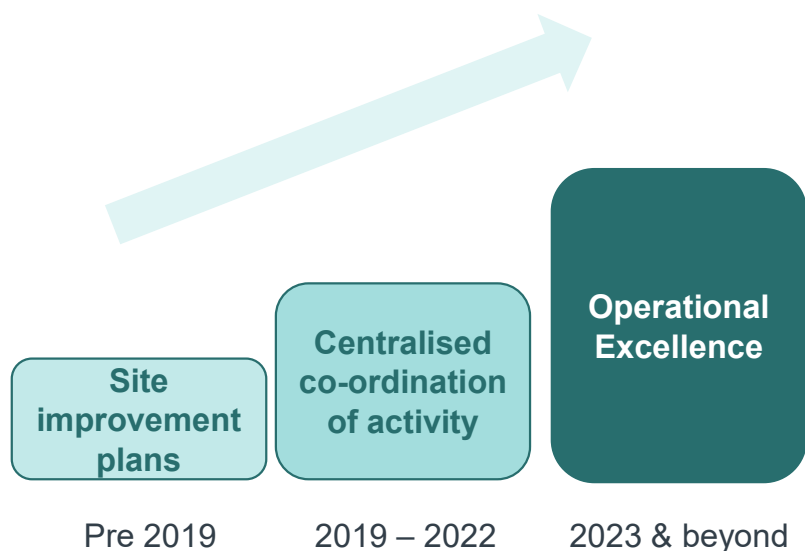
Cash proceeds
£13m

- 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

UK food waste



6.2%



40bps

Group net emissions

108,282
tCO₂e

3.5%

UK people turnover



22.1%



410bps

- 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

BAKKAVOR

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

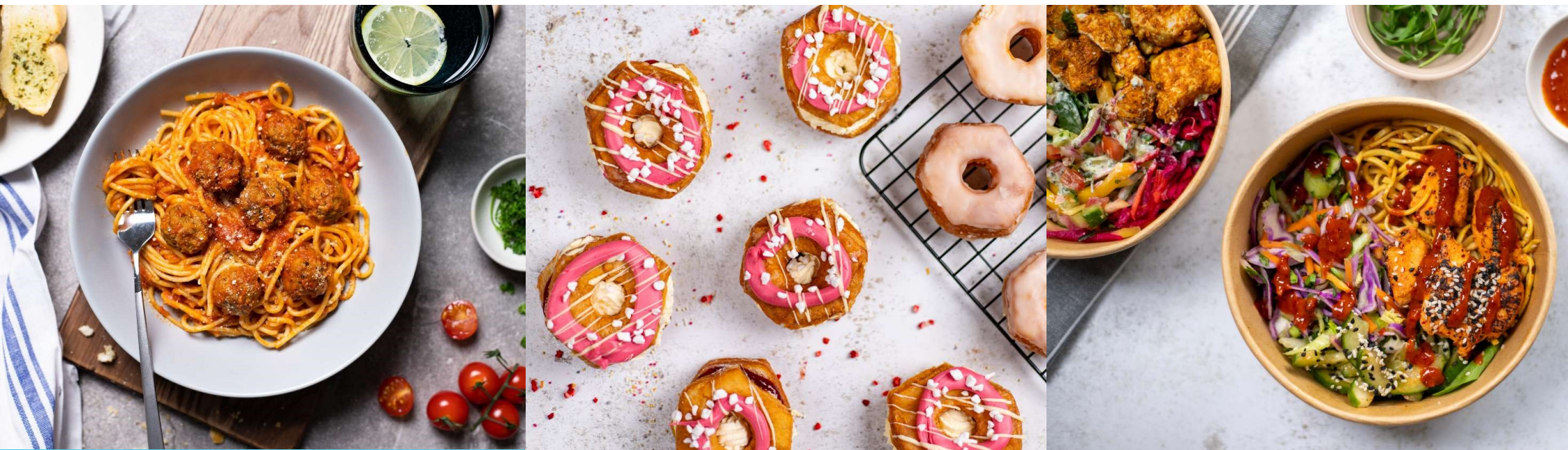
“Upgrading guidance to £108m-112m², ahead of market expectations”

***Analyst consensus³: £106.2m
Previous guidance: £103m-108m***

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%⁹



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
Basic earnings	35.2	25.1
Exceptional items	(3.2)	(2.9)
Adjusted earnings¹	32.0	22.2
Weighted average number of Ordinary shares (000's)	577,790	576,501
Basic earnings per share	6.1p	4.4p
Adjusted basic earnings per share¹	5.5p	3.9p

ROIC¹

£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
ROIC¹	8.7%	7.5%

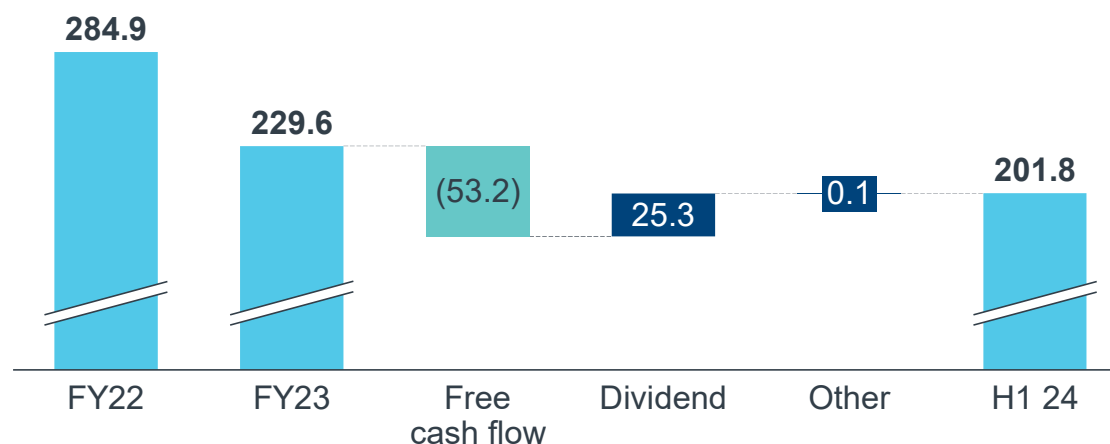
- H1 24 Effective tax rate calculated as H1 2024 tax rate of 24.0% and H2 2023 tax rate of 23.5%

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
Operational net debt¹	201.8
IFRS 16 leases	86.3
Other adjustments	0.3
Statutory net debt	288.4

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%)
Tax charge for the period and effective tax rate	10.0	22.0%	7.5	23.0%
Tax on exceptional items	-		-	
Underlying tax charge and effective tax rate	10.0	24.0%	7.5	25.1%

Pension

£m	H1 24	H1 23
IAS 19 pension surplus	18.7	18.4

- £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 profit¹

£m	H1 24	H1 23
Operating profit	58.8	46.3
Exceptional (income) / costs	(3.8)	(2.9)
- UK	-	-
- US	0.6	-
- China	(4.4)	(2.9)
Adjusted operating profit¹	55.0	43.4

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)
Adjusted operating profit¹	1.1	0.9
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
Loss after tax	(0.3)	(0.6)

