



HALF YEAR RESULTS

For the 26 weeks ended 25 June 2022
7 September 2022

Proud to be BAKKAVOR



Disclaimer – forward-looking statements

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Agenda

Welcome

Simon Burke, Chairman

Executive Summary

Agust Gudmundsson, CEO

Financial Review

Ben Waldron, CFO

Strategic & Operational Update

Agust Gudmundsson, CEO

Outlook

Q&A

BAKKAVÖR

EXECUTIVE SUMMARY

Agust Gudmundsson,
Chief Executive Officer

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Executive summary



Robust trading performance and in position of financial strength

- Like-for-like revenue¹ up 9.2% on H1 2021
- Adjusted operating profit¹ of £42.5m (H1 2021: £47.0m)
- Leverage¹ maintained at 1.9x, within medium-term target range (1.5-2.0x)
- Basic EPS up 4.8%; Interim dividend up 5%

Continuing progress focused on successfully navigating macro headwinds

- Profitability protected in the UK through pricing and cost actions
- Strong momentum continues in the US, but margin held back by headwinds
- China performance impacted by COVID-19 restrictions
- Meaningful progress within our Trusted Partner ESG strategy

Full year outlook in line with market expectations²

- Revenue momentum continued in July/August; full year revenue expected at upper end of market expectations
- Continued focus on cost control, price recovery and driving performance
- Confident in delivering within range of market expectations for 2022

¹. Alternative Performance Measures are referred to as 'like-for-like', 'adjusted', 'underlying' and are applied consistently throughout this presentation. These are defined in full and reconciled to the reported statutory

⁵ measures in the 2022 half year results in Note 21. ². Based on company compiled consensus ("Consensus") which includes the following institutions; Berenberg, Citi, Goodbody, HSBC, Investec, Kepler, Numis and Peel Hunt. Revenue consensus range of £1,991m to £2,089m, with consensus at £2,034m. Operating profit consensus range for 2022 of £89.9m to £95.0m, with consensus at £92.0m. Last updated on 6 September 2022

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FINANCIAL REVIEW

Ben Waldron,
Chief Financial Officer

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Robust trading performance and financial position

H1 2022 financial overview

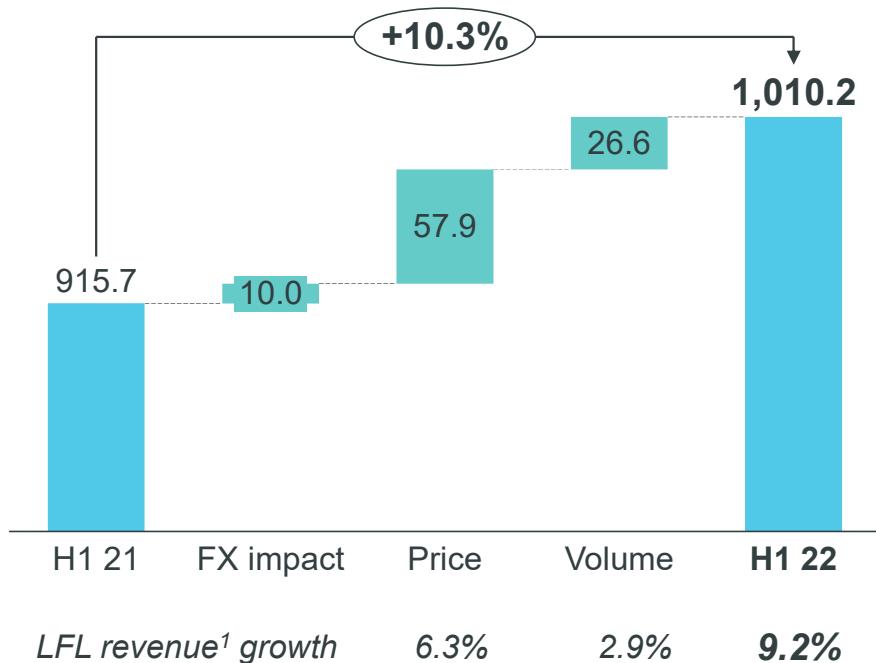
	H1 22	H1 21	Change
Group revenue	£1,010.2m	£915.7m	10.3%
Like-for-like revenue ¹	£1,000.2m	£915.7m	9.2%
Adjusted operating profit ¹	£42.5m	£47.0m	£(4.5)m
Adjusted operating profit margin ¹	4.2%	5.1%	(90)bps
Adjusted EPS ¹	4.6p	4.8p	(0.2)p
Basic EPS	4.4p	4.2p	0.2p
Free cash flow ¹	£36.6m	£39.7m	£(3.1)m
Operational net debt ¹	£(290.1)m	£(324.5)m	£34.4m
Leverage ¹	1.9x	2.1x	0.2x
ROIC ¹	7.2%	7.6%	(40)bps
Interim dividend per share	2.77p	2.64p	5.0%

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7 statutory measures in the 2022 half year results in Note 21

Strong revenue momentum led by price and US volume

Group statutory revenue bridge

£m



Like-for-like revenue¹ by region

£m

	H1 22	Compared to H1 21
UK	849.5	7.9%
US	109.3	34.6%
China	41.4	(12.0%)
Group	1,000.2	9.2%

Robust performance despite headwinds

Adjusted operating profit ¹			Adjusted operating profit margin ¹		
	H1 22 £m	H1 21 £m	Compared to H1 21 £m	H1 22 %	H1 21 %
UK	43.7	44.0	(0.3)	5.1%	5.6%
US	3.1	4.5	(1.4)	2.6%	5.5%
China	(4.3)	(1.5)	(2.8)	(9.7%)	(3.2%)
Group	42.5	47.0	(4.5)	4.2%	5.1%

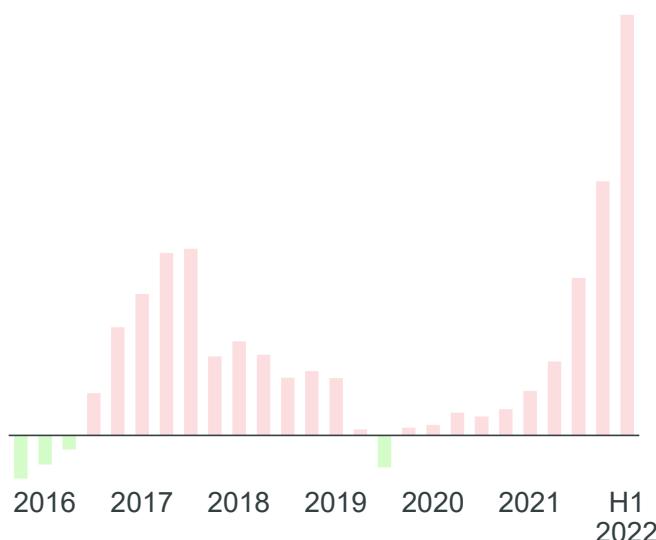
- Pricing, strict cost control and productivity improvements protected profitability in the UK
- Input inflation has, however, had a dilutionary impact on margin
- US performance held back by lag in inflation recovery and disruption from onboarding new volumes
- China performance heavily impacted by strict regional lockdowns
- £1.4m excluded from adjusted operating profit due to a change in accounting policy, treated as an adjusting item³

9 3. Due to a change in accounting policy, £1.4m of costs for Software as a Service ('SaaS') projects previously capitalised were expensed in the period and have been excluded from Adjusted operating profit

Our actions have helped protect profitability

Unprecedented levels of inflation

Group net inflation/(deflation) by quarter £m⁴



We have used multiple levers to minimise the impact



PRICE INCREASES

- Pass-through mechanisms working effectively
- Price increases secured for out of mechanism costs



OPERATIONAL EFFICIENCY

- 'Smart' manufacturing system delivering ahead of target
- Targeted investment to drive productivity



SUPPLY CHAIN EXCELLENCE

- Effective forward-planning; certain commodity prices locked in
- Minimised supply chain disruption



COST CONTROL

- Disciplined approach to costs
- Reduced discretionary spend

10 4. Net inflation includes raw materials, packaging, distribution and direct labour

Good visibility of 2022 costs

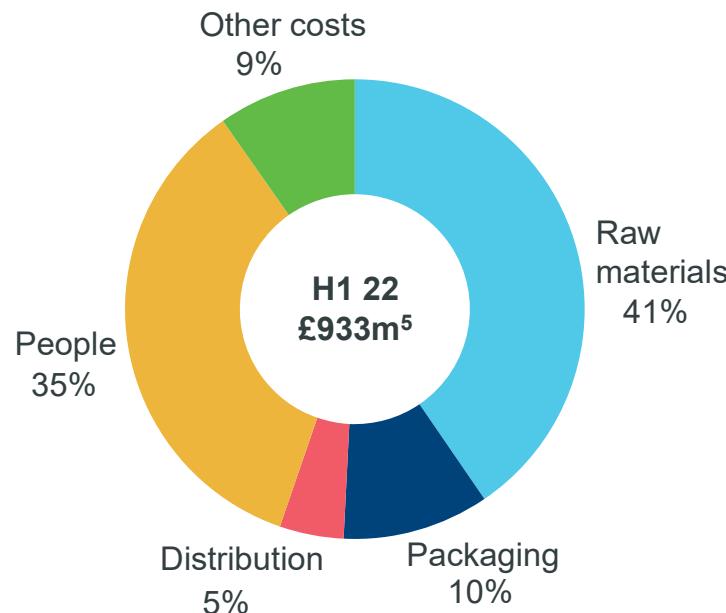
● Raw materials

- Inflation accelerated through H1 2022, exacerbated by Ukraine / Russia conflict
- Recent weather impacting produce
- c.80% of UK H2 spend has price agreed or in pass-through mechanisms

● Packaging

- Prices of recycled plastics and cardboard remain elevated
- >80% of UK H2 spend under pricing agreements

H1 2022 cost base by type



● Distribution

- 14% increase in costs in H1 22

● People

- Out of cycle pay increase in Dec-21
- National Living Wage up 6.6% in Apr-22
- Additional 1.25% National Insurance from Apr-22

● Other costs

- Includes other factory costs, energy & utilities, insurance, IT
- Energy contracted to end of Mar-23
- Actively monitoring the forward market

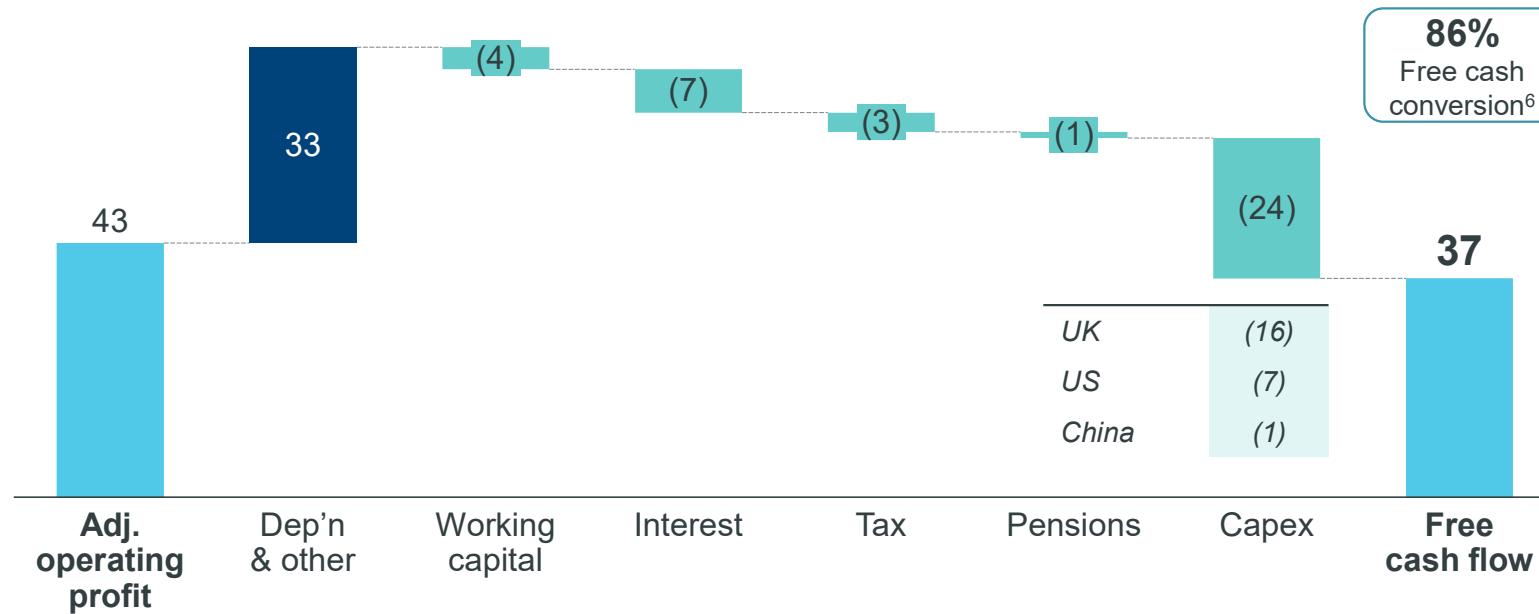
Expect cost inflation of 12-14% in FY22, and significant levels of inflation are expected to persist through FY23

11 5. Total costs calculated as Group revenue less adjusted EBITDA

Good level of cash generation

Free cash flow¹ bridge

£m

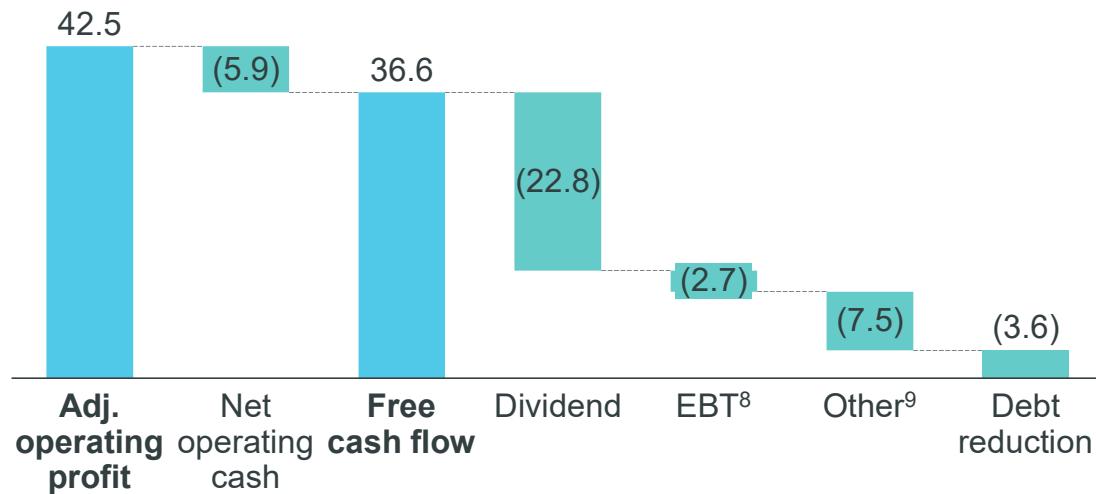


12 6. Free cash conversion calculated as free cash flow divided by adjusted operating profit

Delivered progressive returns to shareholders

Free cash flow¹ utilisation

£m



Dividend

	Per share	Cash	Period paid
2019 final	4.00p	£23.2m	FY21
2021 interim	2.64p	£15.3m	FY21
2021 final	3.96p	£22.8m	FY22
2022 interim⁷	2.77p	£16.0m	FY22

13 7. 2022 interim dividend proposed. If approved by shareholders, the interim dividend will be paid on 26 October 2022
refinancing fees, foreign exchange and IFRS16 lease payments

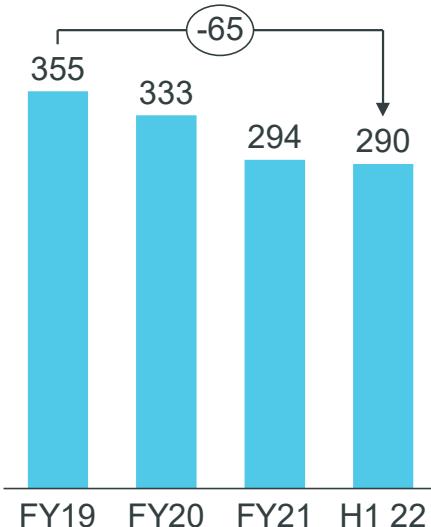
8. Cost of purchase of own shares through Employment Benefit Trust

9. Other includes

Strong financial position

Continued debt reduction

Operational net debt¹
£m



Leverage¹ maintained in target range



Balance sheet strength

>£195m

Liquidity headroom against debt facilities of £486m

Mar-26

Maturity of majority core debt facilities

£150m

Interest rate swaps in place to Mar-24¹⁰

c.3.5%

Cost of debt

£37.4m

UK DB scheme surplus on IAS19 basis

14 10. In addition £31m of asset financing at fixed interest rates.

Outlook in line with market expectations

Guidance for 2022

Revenue	Revenue growth at upper end of market expectations ²
Adjusted operating profit	Within range of market expectations ²
Adjusting items	c.£2m SaaS project costs expected for FY22
Capital expenditure	c.4% of revenue
Working capital	Expect neutral working capital
Leverage ¹	Continue to stay within medium-term target of 1.5x – 2.0x
Interest	Cost of debt c.3.5%
Tax	Effective tax rate of 20% – 22%
Dividend	Progressive dividend policy; interim dividend c.40% of total dividend
Financial reporting	FY22 is a 53 week year, ending 31 December 2022

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STRATEGIC AND OPERATIONAL REVIEW

Agust Gudmundsson,
Chief Executive Officer

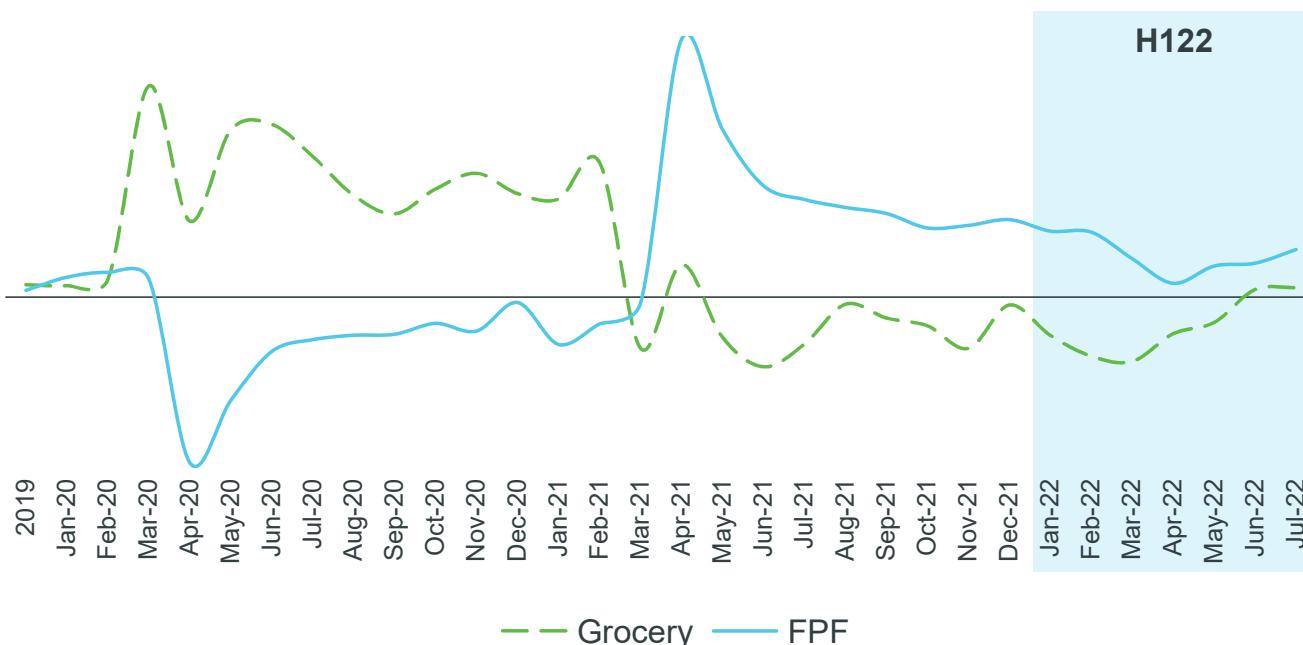
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UK: FPF market continues to adapt to changes in consumer behaviour

UK FPF market performing ahead of Grocery

YoY monthly growth¹⁰



Meals: Demand for meals remains robust, benefiting as consumers trade down from eating out



Pizza & bread: Reduced promotions has impacted volumes, but entry-level products and takeaway equivalents perform well as consumers seek value and reduce OOH occasions



Desserts: A pullback in promotional activity and pressure on household budgets have impacted this treat-led category



Salads: Continued to recover strongly, with food-to-go volumes ahead of pre-pandemic levels

UK: Well-placed to cater to consumers evolving needs

Retailers are responding to macro-pressures

 Price increases

 Pullback in promotions

 Range reviews

Consumer behaviours are changing



Spending less, making cutbacks



Trading down from OOH



Seeking out good value

Bakkavor is well-placed to succeed



Breadth of price points



Range evolution through innovation



Good value restaurant/takeaway alternatives



Products to make home celebrations special



Cost effective without compromising quality

We increased our market share, which is 4x that of the second largest player

UK: Robust trading performance

UK – H1 2022 overview

	H1 2022	Compared to H1 2021
LFL revenue ¹	£849.5m	+7.9%
Adjusted operating profit ¹	£43.7m	£(0.3)m
Adjusted operating profit margin ¹	5.1%	(50bps)

- Strong revenue growth driven by pricing, and volume growth outperformed the market
- Launched >200 new products including new business wins and *The Delicious Dessert Company* range extension
- Profitability stable; proactive management and recovery of cost inflation, efficiency gains and tight cost control
- Confident of ongoing gains in market share, with a continued focus on managing costs and driving performance



UK: Continued to navigate external headwinds

Along with price increases, our internal levers have helped to minimise the impact of external headwinds, which are expected to persist through 2023

Strong operational delivery



High customer service levels; good performance across food safety and health & safety

Resilient supply chain

SUPPLY CHAIN EXCELLENCE



Temporary supply disruption and increased costs, but well-established supplier relationships and scale helped minimise impact

Driving operational excellence



Excellence programme well underway; smart manufacturing system roll-out delivering ahead of target

Leveraging scale and capability



Dynamic in our ways of working; production transfers, investment in capacity and efficiency

People investment delivering returns



Improvement in availability; absence and vacancy levels down

US: Strong demand driving revenue momentum

US – H1 2022 overview

	H1 2022	Compared to H1 2021
LFL revenue ¹	£109.3m	+34.6%
Operating profit	£3.1m	£(1.4)m
Operating profit margin	2.6%	(290)bps

- Sustained strong demand for fresh meals driven by significant volume growth
- Profitability impacted by lag in inflation recovery and operational disruption from onboarding higher volumes
- Price increases secured and operational action plans in place to support improvement in H2 2022
- Further investment to increase existing site capacity underway; expected to deliver \$500m in revenue



China: COVID-19 driven headwinds

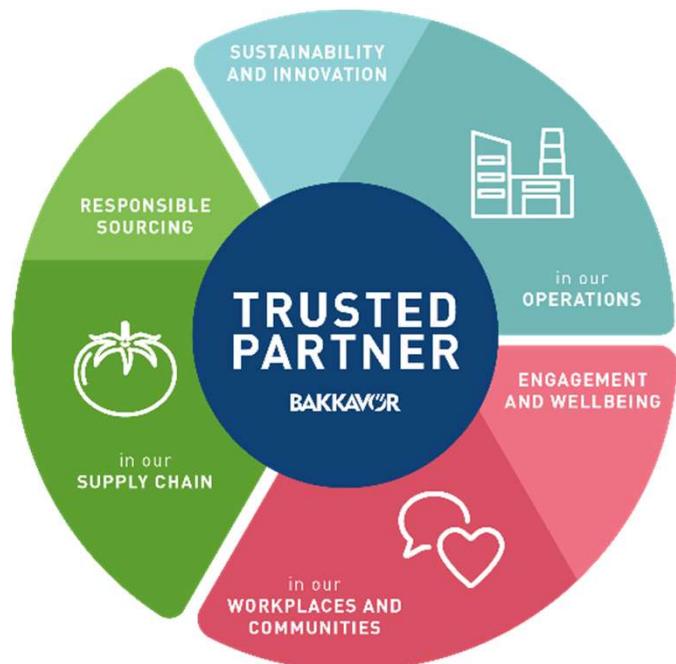
China – H1 2022 overview

	H1 2022	Compared to H1 2021
LFL revenue ¹	£41.4m	(12.0)%
Operating loss	£(4.3)m	£(2.8)m
Operating loss margin	(9.7%)	(650)bps

- Performance impacted by severe COVID-19 restrictions in Eastern China from March 2022
- Focused on supporting customers and our people, along with tight cost control to protect the business
- Construction of Xi'an site complete, with production to transfer by the end of 2022
- Whilst the environment remains uncertain, encouraged by signs of recovery since June 2022



Meaningful progress within Trusted Partner strategy



Our progress in H1 2022

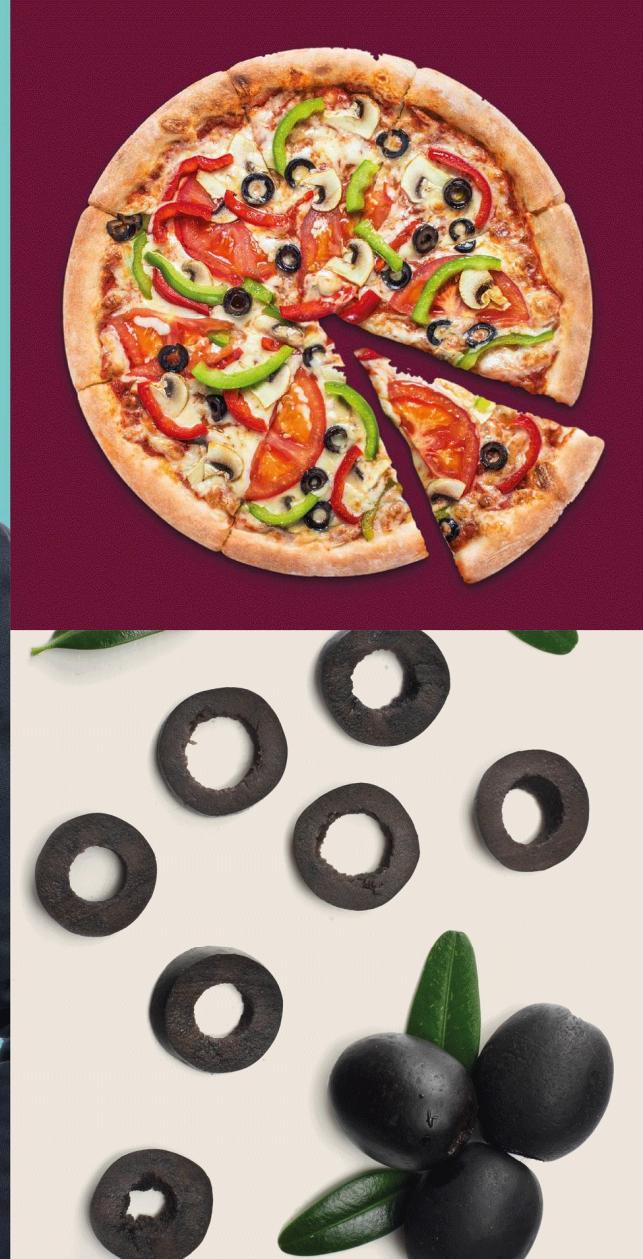
- Separate **ESG Committee** formed; reports to Group Board
- Developing **roadmap to achieve Net Zero by 2040** commitment
- Continued **improvement in food waste**
- **148 tonnes of plastic removed** with a single customer through packaging changes
- **94 apprenticeship places** on our industry leading programme
- **Female mentoring programme** launched

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OUR OUTLOOK

Agust Gudmundsson,
Chief Executive Officer

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2022 outlook in line with market expectations

Remain well-placed to navigate ongoing headwinds

- Revenue momentum continued in July and August
- Continued focus on managing costs, price recovery and driving performance to mitigate impact of inflation
- Confident in delivering 2022 within the range of market expectations²
- Significant levels of inflation and consumer spending headwinds persisting through 2023
- Financial strength to enable targeted strategic investment to support growth, drive efficiency and deliver returns to shareholders



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Q&A



Well-placed to capitalise on attractive, medium to long-term opportunity



Strengthening our UK leading position in fresh prepared food



Strategically positioned to capitalise on significant growth potential in the US and China



Focusing on building a more sustainable business



Strong financial position driving long-term value creation

APPENDIX



Disciplined capital allocation

CAPEX

Disciplined capital investment to enhance returns; 4.0%-4.5% of sales

ROIC maintained at 7.2%

LEVERAGE

Maintaining leverage within target range of 1.5x to 2.0x

Leverage in range at 1.9x

Efficient balance sheet

Strong cash generation

DIVIDEND

Progressive dividend policy

2.77p interim dividend, up 5% on 2021

M&A

Targeted inorganic opportunities

Continue to explore value-enhancing opportunities

Attractive shareholder returns

Balance sheet and other metrics

£m	12m Jun 2022	FY 2021
Underlying effective tax rate	26.0%	29.7%
Average invested capital	1,000.7	994.4
ROIC	7.2%	7.2%

£m	H1 2022	FY 2021
IAS 19 pension surplus	37.4	37.2

Tax rate reconciliation	£ million	
Profit before tax	32.5	
Expected charge at UK rate	6.2	19.0%
Impact of:		
Non-deductible items	0.5	1.5%
UK rate change	0.8	2.4%
Overseas tax rates	0.1	0.4%
Prior year adjustments	(0.6)	(1.8%)
Total charge and tax rate	7.0	21.5%

Group net debt

	£m	H1 2022
Cash and cash equivalents		(46.3)
Term loans		225.0
Revolving credit facility		75.0
Asset financing, finance leases & overdrafts		36.4
Operational net debt		290.1
IFRS 16 leases		88.7
Other adjustments		(2.7)
Statutory net debt		376.1



31 1. Other includes IFRS 16 lease payments, exceptional cash costs and foreign exchange

Earnings per share

£m	H1 2022	H1 2021
Basic earnings	25.5	24.6
Configuration and customisation costs for SaaS projects	1.4	-
Change in fair value of derivatives	0.1	3.6
Tax on the above items	(0.2)	(0.6)
Adjusted earnings	26.8	27.6
Weighted average number of Ordinary shares 000's	578,426	579,426
Basic earnings per share	4.4p	4.2p
Adjusted basic earnings per share	4.6p	4.8p

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

Other financial information

IFRS 16 earnings impact

£m	H1 2022	H1 2021
Operating lease charge	6.4	6.2
Depreciation	(5.7)	(5.5)
Operating profit	0.7	0.7
Finance costs	(1.5)	(1.2)
Loss before tax	(0.8)	(0.5)
Tax	0.1	0.1
Loss after tax	(0.7)	(0.4)

Adjusted operating profit

£m	H1 2022	H1 2021
Operating profit	41.1	47.0
SaaS project costs	1.4	-
Exceptional items	-	-
Adjusted operating profit	42.5	47.0

Pensions

- UK DB scheme closed to future accrual in March 2011
- Investment assets of £227m
- Surplus of £37.4m on IAS 19 basis (December 2021: surplus of £37.2m)
- Cash contributions of £2.5m p.a. to 31 March 2024

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 £1.4m of costs, that would previously have been capitalised, being expensed to administration costs in H1 2022

