

**13/01/2022**

**Post-close FY21 trading update**

**Growth and strategic progress despite industry-wide challenges**

Bakkavor Group plc and its subsidiaries ("Bakkavor" or "the Group"), the leading international provider of fresh prepared food, today issues an update on its trading performance for the 52 weeks to 25 December 2021, in advance of its full year results to be announced on 8 March 2022.

**FY21 financial performance<sup>1,2</sup>**

**Robust revenue growth, with margins ahead of expectations despite persisting industry challenges**

We have delivered a robust financial performance across all our regions during 2021, despite unprecedented challenges in the form of supply chain constraints, labour shortages and cost inflation.

Reported revenue for the year is up 4.4% compared to 2020. On a like for like basis, revenue increased by 6.2% compared to 2020 and by 1.2% compared to 2019. Operating margin is expected to be ahead of previous guidance and at the top end of the range of current market expectations of 5.0% – 5.2%<sup>3</sup>. This reflects the Group's scale and category leadership, strong relationships and strict focus on cost control, all of which helped to mitigate cost inflation and labour shortages, as well as drive year-on-year efficiency improvements. Whilst the industry-wide challenges intensified in the last quarter of 2021 and are remaining into 2022, we continue to work closely with customers and suppliers to mitigate the ongoing impact.

**Positive recovery in UK driven by strong demand**

We have seen strong sales momentum in the UK as lockdown restrictions eased and frequency of shopping visits returned. We have delivered an exciting range of innovative new products for our customers to support the reinvigoration of our categories and this will continue to drive growth. All categories, except for salads, were in growth compared to 2019, driven by strong underlying performance, new product launches and seasonal events. Whilst salads volumes were more severely impacted by lockdown restrictions and subsequently constrained by labour availability through the summer peak, we have seen the category recovery improve through the year. Overall the UK saw like-for-like sales increase by 2.9% compared to 2020 and was down only 2.3% compared to 2019.

Operationally, our key focus is on managing the ongoing industry-wide challenges, and mitigating the consequential inflationary headwinds, which intensified in the fourth quarter of 2021. Existing raw material pass-through mechanisms are working effectively, and we have received support from our customers in dealing with inflationary pressures outside of these models. This, combined with our relentless focus on efficiency improvement and cost control, means we have largely mitigated the impact of inflation in 2021.

**US continues to enhance strategic partnerships and deliver strong growth**

In the US, we have continued to see positive momentum through the period, supported by growth with our strategic grocery retail and online customers. Revenue increased 31.8% on a

like-for-like basis compared to 2020 and 48.4% compared to 2019. We have invested in increased capacity across our existing footprint to accommodate new business and we remain focused on maximising operational leverage as volumes increase. However, inflationary pressures, first felt acutely in the second quarter of the year, have persisted, and while we have been successful in securing price increases across our customers latterly to help mitigate the impact, margins have been held back. We expect operating margin to be broadly in line with the Group in 2021. Consumer demand for fresh, convenient meals and fresh prepared food continues to accelerate; as a leading supplier we are continuing to drive growth in this market and are well placed to further benefit from these trends.

### **Steady recovery in China with strategic investments largely complete**

Our China business continues to deliver steady progress despite ongoing regional restrictions impacting volumes, particularly in the second half. Like-for-like revenue increased 24.6% compared to 2020 and was down only 2.4% compared to 2019, an improved trend compared to the first half of the year. We have continued to support our strategic foodservice customers through this challenging period and have made good progress in developing our presence in new channels, including retail and office catering. With the strategic investment across our China footprint largely complete, we have significant headroom for growth.

### **Further reduction in net debt brings leverage within target range**

Our improved trading performance has supported a reduction in net debt and brought leverage within our medium-term target range at 1.9 times. The Group's liquidity position remains strong, with significant headroom of over £190m against our debt facilities of £489m, of which the majority mature in 2025.

AGUST GUDMUNDSSON, CEO, COMMENTED:

*"We are pleased to see continued growth and strategic progress across the Group, despite unprecedented industry-wide challenges. The Group's strong performance and ongoing commitment to delivering for our customers is testament to the resilience of our business model and the dedication of our colleagues. We have continued to leverage our scale, category leadership and expertise – together with our strengthened financial position – enabling us to successfully navigate these challenges and emerge in a position of strength.*

*"We have confidence in our ability to continue to build on the positive revenue momentum through 2022 as demand for our fresh, convenient, and innovative products remains strong. The significant challenges facing our industry are, however, persisting; we remain focused on mitigating the impact, as well as managing the current heightened uncertainty associated with the Omicron COVID-19 variant. Looking forward, we remain positive about the medium-term growth opportunity and believe the Group is well placed to deliver enhanced returns for shareholders."*

1. Unaudited
2. Like-for-like and adjusted references throughout this Trading Update refer to non-IFRS measures or Alternative Performance Measures. Reported revenue is the IFRS measure of revenue generated during the period. Like-for-like revenue is revenue from continuing operations adjusted for the revenue generated from businesses closed or sold or acquired in the current and prior year and the effect of foreign currency movements.

3. Bloomberg consensus for FY21 operating profit margin of 5.1%, with a range of 5.0% to 5.2%. Last updated on 6 January 2022.

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## **ABOUT BAKKAVOR**

Bakkavor is the leading provider of fresh prepared food ("FPF") in the UK, with a growing international presence in the US and China. The Group is the number one by market share in the UK in the four FPF product categories of meals, salads, desserts and pizza & bread, providing high-quality, fresh, healthy and convenient food. Its customers include some of the UK's leading grocery retailers, including Tesco, Marks & Spencer, Sainsbury's and Waitrose. The Group's International segment operates in the US and China. Bakkavor was founded in 1986 and has its headquarters in London. The Group has over 19,000 employees and operates 23 factories in the UK, 5 in the US and 9 in China. For more information go to: [www.bakkavor.com](http://www.bakkavor.com)

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### **Disclaimer – forward-looking statements**

This trading update statement, prepared by Bakkavor, may contain forward-looking statements about Bakkavor. These represent expectations for the Group's business, and involve known and unknown risks and uncertainties, many of which are beyond the Group's control. The Group has based these forward-looking statements on current expectations and projections about future events. These forward-looking statements may generally, but not always, be identified by the use of words such as 'will', 'aims', 'anticipates', 'continue', 'could', 'develop', 'should', 'expects', 'is expected to', 'may', 'maintain', 'grow', 'estimates', 'believes', 'intends', 'projects', 'sustain', 'targets', or the negative thereof, or similar expressions.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future and reflect the Group's current expectations and assumptions as to such future events and circumstances that may not prove accurate. A number of material factors could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements. There may be risks and uncertainties that the Group is unable to predict at this time or that the Group currently does not expect to have a material adverse effect on its business. You should not place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this announcement. The Group expressly disclaims any obligation to publicly update or review these forward-looking statements other than as required

by law. Some numbers and period on period percentages in this statement have been rounded or adjusted in order to ensure consistency with the financial information.