23 November 2022

Bakkavor Group plc

Q3 2022 trading update

Robust Q3 performance; full year within expectations

Bakkavor Group plc (the "Company") and its subsidiaries ("Bakkavor" or "the Group"), the leading international provider of fresh prepared food ("FPF"), today updates on trading for the 13 weeks to 25 September 2022 ("Q3 2022") and guidance for the full year.

	Q3 2022				**9 months 2022**			
£ million	**Reported revenue**	***Growth***	**Like-for-like[1] ('LFL') revenue**	***LFL growth***	**Reported revenue**	***Growth***	**LFL revenue**	***LFL growth***
Group	542.5	*15.3%*	530.5	*12.7%*	1,552.7	*12.0%*	1,530.7	*10.4%*
UK	445.3	*11.9%*	445.3	*11.9%*	1,294.8	*9.2%*	1,294.8	*9.2%*
US	67.5	*46.3%*	58.3	*26.3%*	184.1	*44.5%*	167.6	*31.6%*
China	29.7	*12.9%*	26.9	*1.5%*	73.8	*0.7%*	68.3	*(7.1%)*

Robust Q3 revenue growth in line with expectations; continue to navigate a challenging trading environment

- Robust growth in reported revenue, up 15.3% to £542.5m, with LFL revenue up 12.7%.
- UK LFL revenue growth largely driven by price. Volumes held up through the Summer and, although pressure on household budgets impacted volumes in September, we outperformed the FPF market and gained market share.
- Strong US revenue momentum reflects sustained demand and price increases also taking effect. Operational performance has, however, remained challenging due to disruption as significant volumes were onboarded.
- Volumes in China have continued to recover, with LFL revenue ahead of FY21, and this has supported some margin improvement.
- Ongoing Group-wide mitigation of inflationary headwinds through price recovery, productivity improvements and tight cost control.
- Retained significant liquidity headroom against core debt facilities. Interest rate swaps provide a good level of protection against rate increases through to March 2024.

FY22 outlook within the range of market expectations[2]

- The Group has continued to trade in line with market expectations, and preparations for the Christmas period are progressing in line with our plan.
- There has been a recent threat of industrial action at one of our UK sites, and we have now reached an agreement with the offer being recommended by the union to the workforce.
- In the US, a reduction in volume due to a contractual dispute with a customer is expected to impact profits in the remaining weeks of the year.
- As a result, we expect Group adjusted operating profit for FY22 to remain within, but at the lower end of the range of market expectations[2].

Clear plans in place to protect profits against sustained headwinds into 2023

- Macro-headwinds will persist through 2023, we are therefore taking decisive action to protect future profits. Our plan is focused on three areas:
    1. Leaner organisation structure: new Management Board and leadership structure with renewed focus and purpose; operationally align UK business to two sectors driving further synergies.
    2. Clear and focused regional priorities:
       UK - leveraging operational scale through footprint rationalisation, with two proposed site closures; collaborating with customers on inflation recovery and value optimisation.
       US - a renewed focus on operational performance to support margin improvement.
       China - rebuilding volume to leverage our well invested platform for growth.
    3. Enhanced focus on managing cash: Reviewing capital plans to target efficiency improvements; remain committed to strategic investments; driving working capital benefits.
- Our plan to protect future profits is expected to deliver savings of £15m in FY23, and £25m on an annualised basis[3]. Cash costs of implementation are estimated at £20m. These costs, together with asset impairment charges, will be recognised as exceptional costs in FY22, whilst most of the cash outflow will be in FY23.

Mike Edwards, CEO, commented:

"We continue to operate in an incredibly challenging environment. Bakkavor has proven itself to be a resilient business effectively navigating the turbulence of recent years. We are now taking further decisive action to ensure we deal with the ongoing headwinds and protect future profits.

"These actions, combined with our strong balance sheet, breadth of capability and products, customer relationships and growing market share, means we are well-placed to deal with the short-term challenges, and deliver our longer-term ambitions for colleagues and stakeholders."

1. The Group defines 'like-for-like revenue' as revenue from continuing operations adjusted for the revenue generated from businesses closed or sold in the current and prior year, revenue generated from businesses acquired in the current and prior period, and the effect of foreign currency movements.
2. Based on company compiled consensus ("Consensus") which includes the following institutions; Berenberg, Citi, Goodbody, HSBC, Investec, Kepler, Numis and Peel Hunt. Group adjusted operating profit consensus range for 2022 of £88.6m to £91.7m, with consensus at £90.3m. Last updated on 22 November 2022.
3. Our plan includes the proposal to close two sites, as previously reported on our website on 9 November 2022. Consultations at both sites are underway and therefore no final decisions have been made.

ENQUIRIES

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About Bakkavor

We are the leading provider of fresh prepared food (“FPF”) in the UK, and our presence in the US and China positions the Group well in these, high-growth markets. We leverage our consumer insight and scale to provide innovative food that offers quality, choice, convenience, and freshness. Over 19,000 colleagues operate from 46 sites across our three markets supplying a portfolio of over 3,200 products across meals, pizza & bread, salads and desserts to leading grocery retailers in the UK and US, and international food brands in China.

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