BAKKAVÖR

Half Year Results 2015

For the 26 weeks
ended 27 June 2015

13 August 2015


Business
Highlights
Agust Gudmundsson

Headlines

Encouraging revenue growth in International operations as UK trading environment remains challenging

Further improvement in Adjusted EBITDA margin driven by productivity investments

Deleveraging continues, underpinned by strong cash generation

Trading environment

Ongoing challenges in UK grocery sector, with price deflation offsetting limited volume growth

Retail environment remains highly competitive and price focused

Ongoing wage inflation with further pressure expected next year

International operations

Good revenue growth in US reflecting increased appetite for short-shelf life products

Recent acquisition in North Carolina continues to perform strongly and provides growth opportunities

Investment in Asia leads to increased volumes and further margin improvement

Strategic developments

Sale of Italian pizza business allows focus on core international growth markets of US and Asia

Closure of UK fresh prepared fruit operation as margin remains priority

Completion of refinancing secures future cash interest savings

Financial Review

Peter Gates

Financial overview

£m	Q2 2015	Q2 2014		H1 2015	H1 2014	
Revenue	440.9	434.2	2%	866.4	842.1	3%
Revenue: Like-for-like	*441.5*	*439.5*	-	*867.4*	*851.8*	*2%*
Adjusted EBITDA	38.1	33.5	14%	65.4	57.2	14%
Adjusted EBITDA margin	8.6%	7.7%	90bps	7.5%	6.8%	70bps
Free cash flow	36.0	23.0	13.0	30.5	8.7	21.8

Like-for-like revenues flat in the quarter with strong International performance

EBITDA margin up 90 bps due to strict cost control and further efficiency benefits

Strong free cash generation from improved trading and tight working capital management

UK performance

£m	Q2 2015	Q2 2014		H1 2015	H1 2014	
Revenue	387.8	394.2	(2%)	760.0	758.3	-
Revenue: Like-for-like	*392.0*	*398.2*	*(2%)*	*767.6*	*766.3*	*-*
Adjusted EBITDA	34.3	32.3	6%	58.2	54.5	7%
Adjusted EBITDA margin	8.8%	8.2%	60bps	7.7%	7.2%	50bps

Revenue growth impacted by challenging market conditions and deflationary environment

Core categories continue to benefit from investments and recent restructuring

Ongoing pressure on labour costs partly offsets productivity improvements

International performance

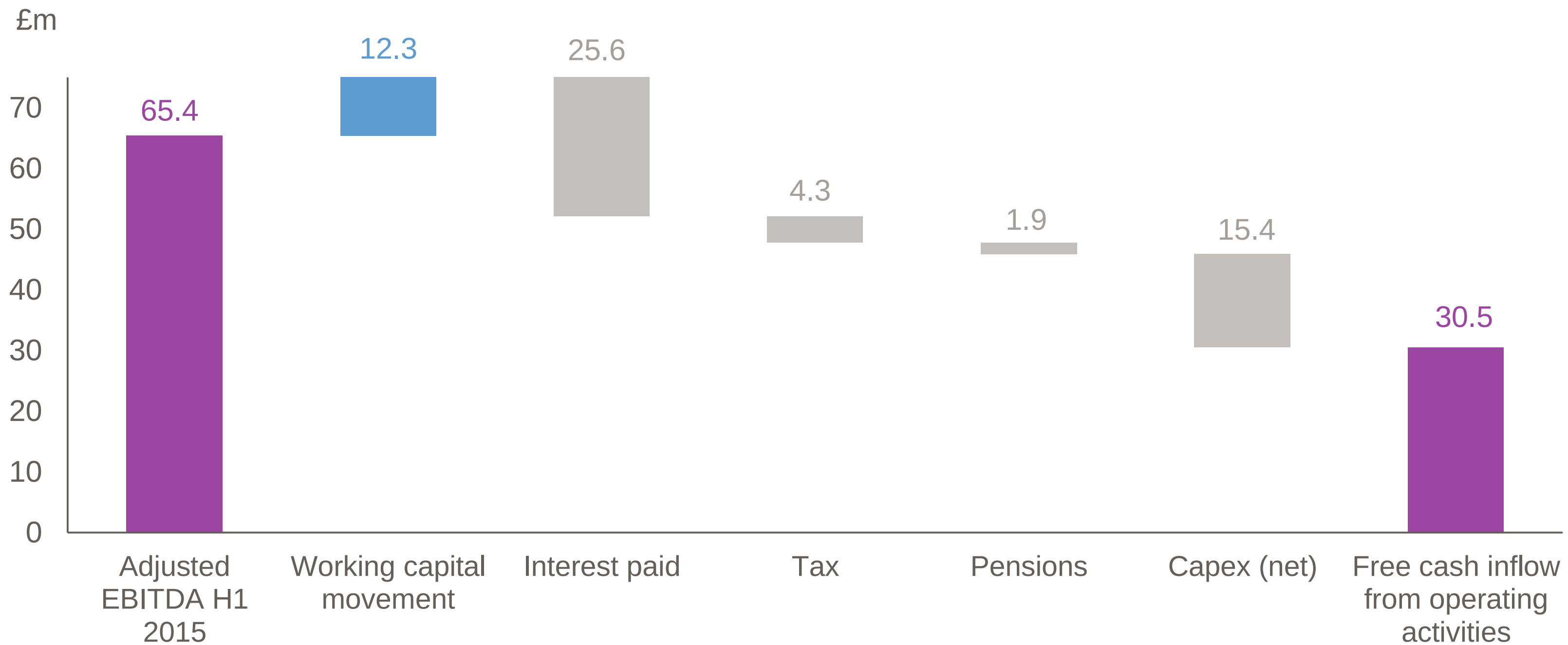
£m	Q2 2015	Q2 2014		H1 2015	H1 2014	
Revenue	53.1	40.0	33%	106.4	83.8	27%
Revenue: Like-for-like	*49.5*	*41.3*	*20%*	*99.8*	*85.5*	*17%*
Adjusted EBITDA	3.8	1.2	217%	7.2	2.7	167%
Adjusted EBITDA margin	7.2%	3.0%	420bps	6.8%	3.2%	360bps

Strong like-for-like revenue growth, particularly in US and Asia, with statutory revenue boosted by US acquisition

EBITDA margin improvement principally driven by Italian pizza business, benefiting from volume gains and deflation

Belgian operations restructured to drive future margin improvements

Free cash

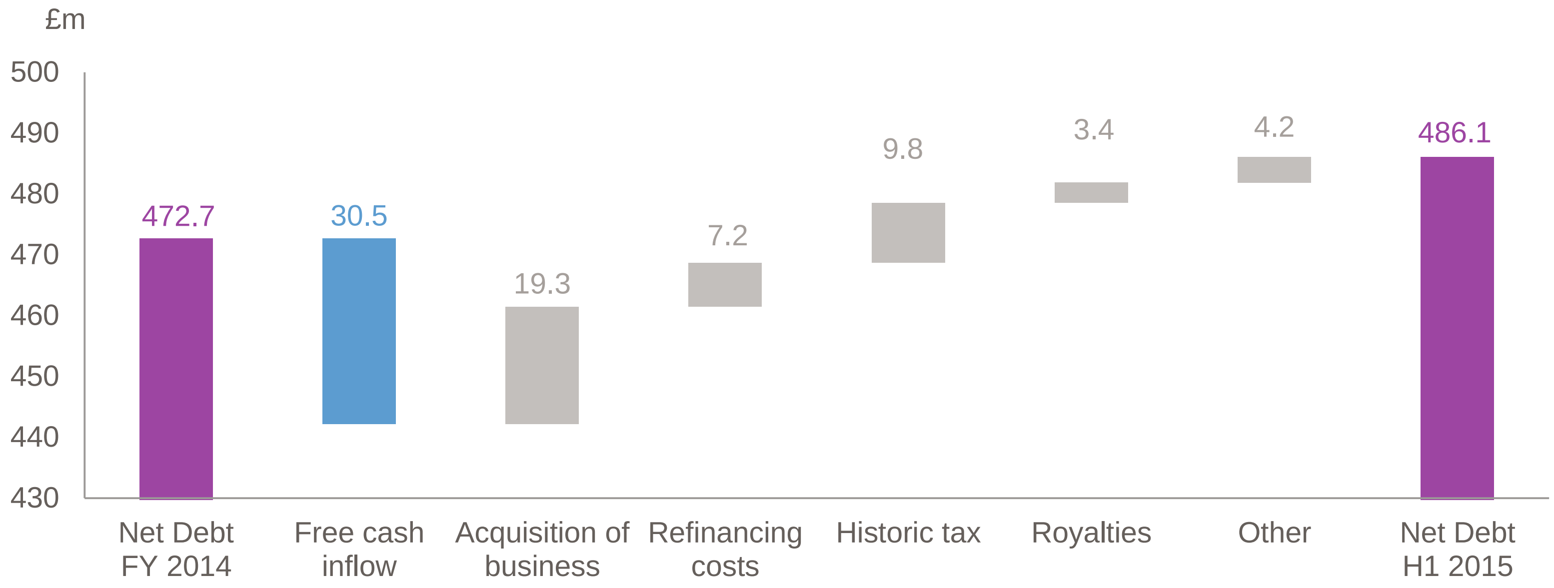


Focused working capital management delivers further improvement of £12.3m

Higher tax payments due to improved profitability in the UK and Italy

Benefit in period from rephasing of capital projects

Net debt



US acquisition financed out of strong free cash flows

Refinancing costs include £5.8m for call premium on part redemption of 2018 bonds

Payment of £9.8m in respect of historic UK tax liabilities

Key ratios

£m	H1 2015
Interest cover covenant	>2.20 x
Actual	2.8 x
Headroom	20%
Leverage covenant	<5.00 x
Actual	3.7 x
Headroom	25%

Covenant headroom increased to over 20%

Leverage reduced to 3.7x from 4.4x in Q2 2014

Headroom on interest cover will increase following refinancing

Outlook

Strong first half performance delivering further margin growth and strong cash generation

Expect UK grocery market to remain challenging with price deflation and competitive grocery market

Focus remains on partnering closely with key customers and investing to drive growth, technical excellence and product innovation

Appendix

Composition of net debt

£m	June 2015
Cash and cash equivalents	(19.6)
Fixed rate bond 8.25% 2018	191.9
Fixed rate bond 8.75% 2020	148.6
Term loan	150.0
Receivables securitisation	5.0
Other loans and overdrafts	8.3
Finance leases	1.9
Operational net debt	**486.1**

Debt structure post refinancing

	Facility (£m)	Interest	Maturity	Repayment
Bonds 2018	192	8.25% fixed	Feb 2018	Bullet
Bonds 2020	150	8.75% fixed	Jun 2020	Bullet
Term loan	150	3.25% + L	Feb 2018	Amortising
RCF	70	3.25% + L	Feb 2018	Revolving
Receivables facility	65	2.85% + L	Feb 2018	Revolving
Total Facilities	**627**			

£140m of 2018 Bonds repaid from new term loan

Interest margin reduction of 450 bps on bonds repaid with c.£6m annual cash saving

Strong liquidity position with headroom of over £100m

Statutory balance sheet

£m	June 2015	December 2014
Goodwill	658	642
Intangible assets	6	9
Other non-current assets	285	296
Current assets	260	266
Net debt	(486)	(472)
Other liabilities	(408)	(418)
Net assets	**315**	**323**