



STRONG FINANCIAL PERFORMANCE IN AN HISTORIC YEAR

Results for the 52 weeks ended 30 December 2017

28 February 2018

DISCLAIMER – FORWARD-LOOKING STATEMENTS

This presentation, prepared by Bakkavor Group plc (the “Company”), may contain forward-looking statements about Bakkavor Group plc and its subsidiaries (the “Group”). Forward-looking statements involve uncertainties because they relate to events, and depend on circumstances, that will, or may, occur in the future. If the assumptions on which the Group bases its forward-looking statements change, actual results may differ from those expressed in such statements.

Forward-looking statements speak only as of the date they are made and the Company undertakes no obligation to update these forward-looking statements. Nothing in this statement should be construed as a profit forecast. Some numbers and period on period percentages in this presentation have been rounded or adjusted in order to ensure consistency with the financial information.



BAKKAVOR

**INTRODUCTION
SIMON BURKE, CHAIRMAN**

AGENDA

Introduction – Simon Burke, Chairman

Financial Review – Peter Gates, CFO

Operational Review & Outlook – Agust Gudmundsson, CEO

Q&A



FINANCIAL REVIEW

PETER GATES, CFO

KEY HIGHLIGHTS

Strong
underlying
revenue growth
across the
business

Further
increase in
profitability with
progressive
margins

Strong cash
generation
and further
deleveraging

Significant
capital
investment
programme
continues

Successful
public listing
and full
refinancing

Well placed to deliver ongoing profitable growth

FINANCIAL OVERVIEW

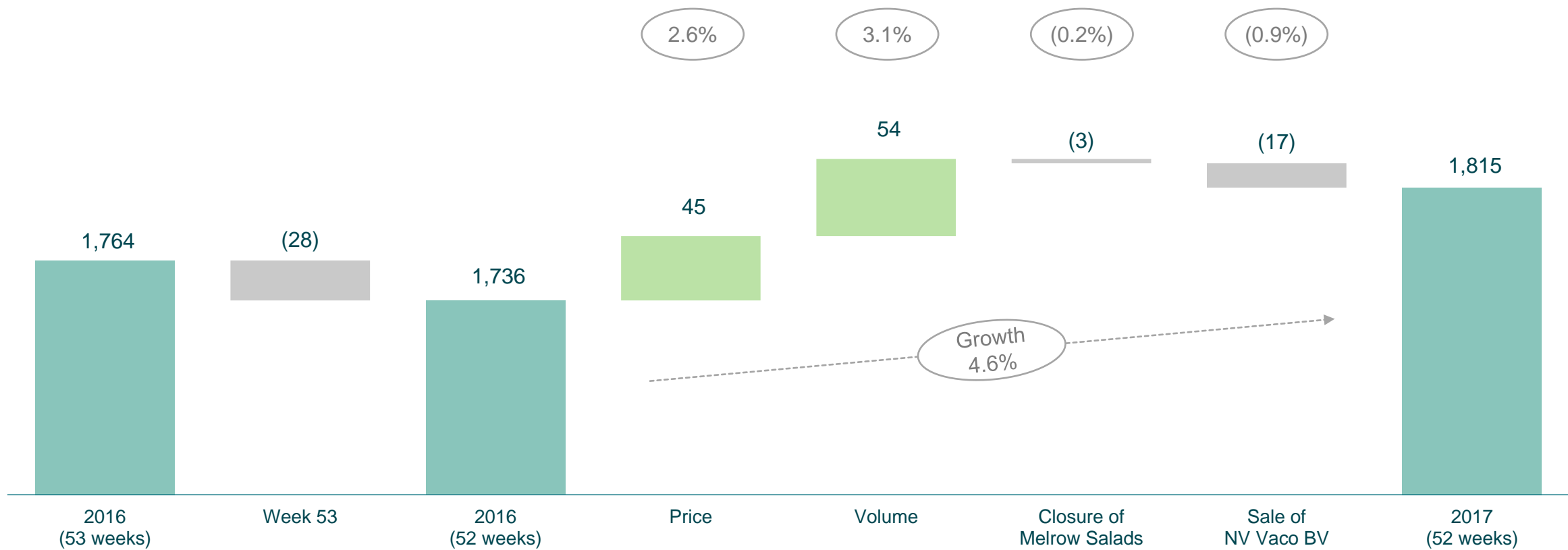
£m	2017	2016 (53 weeks)	
Revenue	1,814.8	1,763.6	4.6%* / 2.9%
Revenue: Like-for-like	1,800.3	1,708.5	5.4%
Adjusted EBITDA	152.6	146.4	4.2%
Adjusted EBITDA margin	8.4%	8.3%	10bps
Cash from operating activities	93.4	112.1	(18.7)
Free cash flow	71.1	58.5	12.6
Adjusted profit before tax	84.8	74.9	13.2%
Adjusted EPS	13.3p	10.6p	2.7p
Leverage (Net debt/Adjusted EBITDA)	1.8x	2.6x	0.8x
Return on Invested Capital (ROIC)	12.2%	11.7%	50bps

* Growth as compared to FY 2016 on a 52 week basis

Note: Alternative performance measures are used as a guide to underlying performance throughout this presentation, with definitions and calculations set out in Note 16 to the Company's Preliminary Announcement of 28 February 2018

REVENUE BRIDGE

£m



UK PERFORMANCE

£m	2017	2016 (53 weeks)	
Revenue	1,636.3	1,589.9	4.6%*/2.9%
Revenue: Like-for-like	1,621.3	1,545.8	4.9%
Adjusted EBITDA	145.2	137.7	5.4%
Adjusted EBITDA margin	8.9%	8.7%	20bps

* Growth vs. FY 2016 on a 52 week basis



- Strong volumes in H1, but H2 impacted by price increases of 2.9% for the year
- Unprecedented raw material inflation but impact limited following early agreement on price recovery
- Further increase in labour costs offset by efficiency benefits
- Margin up 20bps as volume benefits outweigh cost pressures

INTERNATIONAL PERFORMANCE

£m	2017	2016 (53 weeks)	
Revenue	178.5	173.7	4.0%*/2.8%
Revenue: Like-for-like	179.0	162.7	10.0%
Adjusted EBITDA	7.4	8.7	(14.9%)
Adjusted EBITDA margin	4.1%	5.0%	(90bps)

* Growth vs. FY 2016 on a 52 week basis



- Further like-for-like volume growth in both countries
- Reported revenue impacted by sale of NV Vaco BV in August 2016
- Strong volume benefits in China more than offset inflationary pressures
- Investment in US infrastructure to develop capabilities impacts margins

FREE CASH FLOW

£m	2017	2016
Adjusted EBITDA	152.6	146.4
Working capital	8.6	27.3
Interest paid	(21.8)	(37.3)
Tax	(11.9)	(9.2)
Pensions	(2.9)	(1.5)
Core capex (net) before development projects	(53.5)	(67.2)
Free cash flow	71.1	58.5

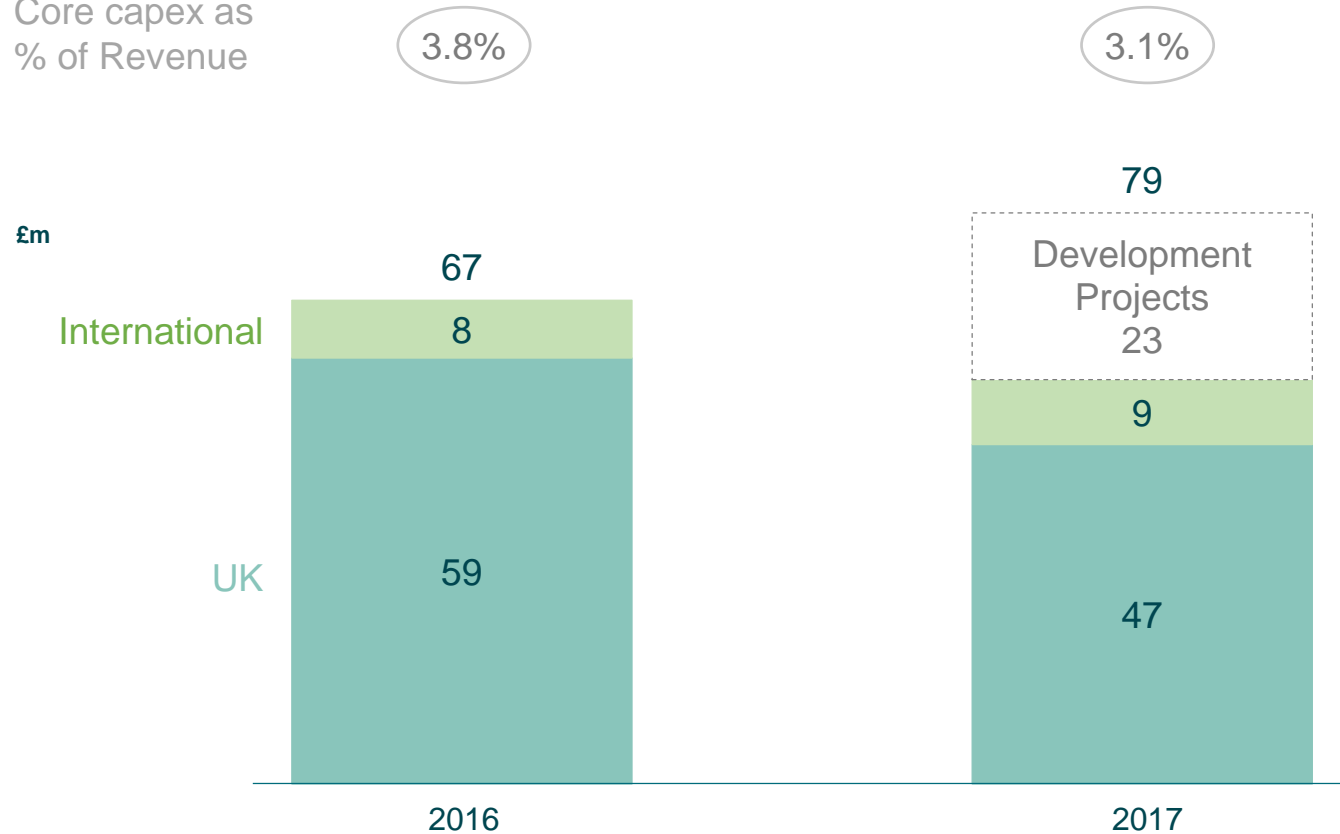
Note Development projects total £23.1m in FY 2017



- Strong free cash generation maintained
- Working capital focus delivered further benefit
- Refinancing and lower debt levels have significantly reduced interest
- Net core capex spend £13.7m lower due to timing of project spend

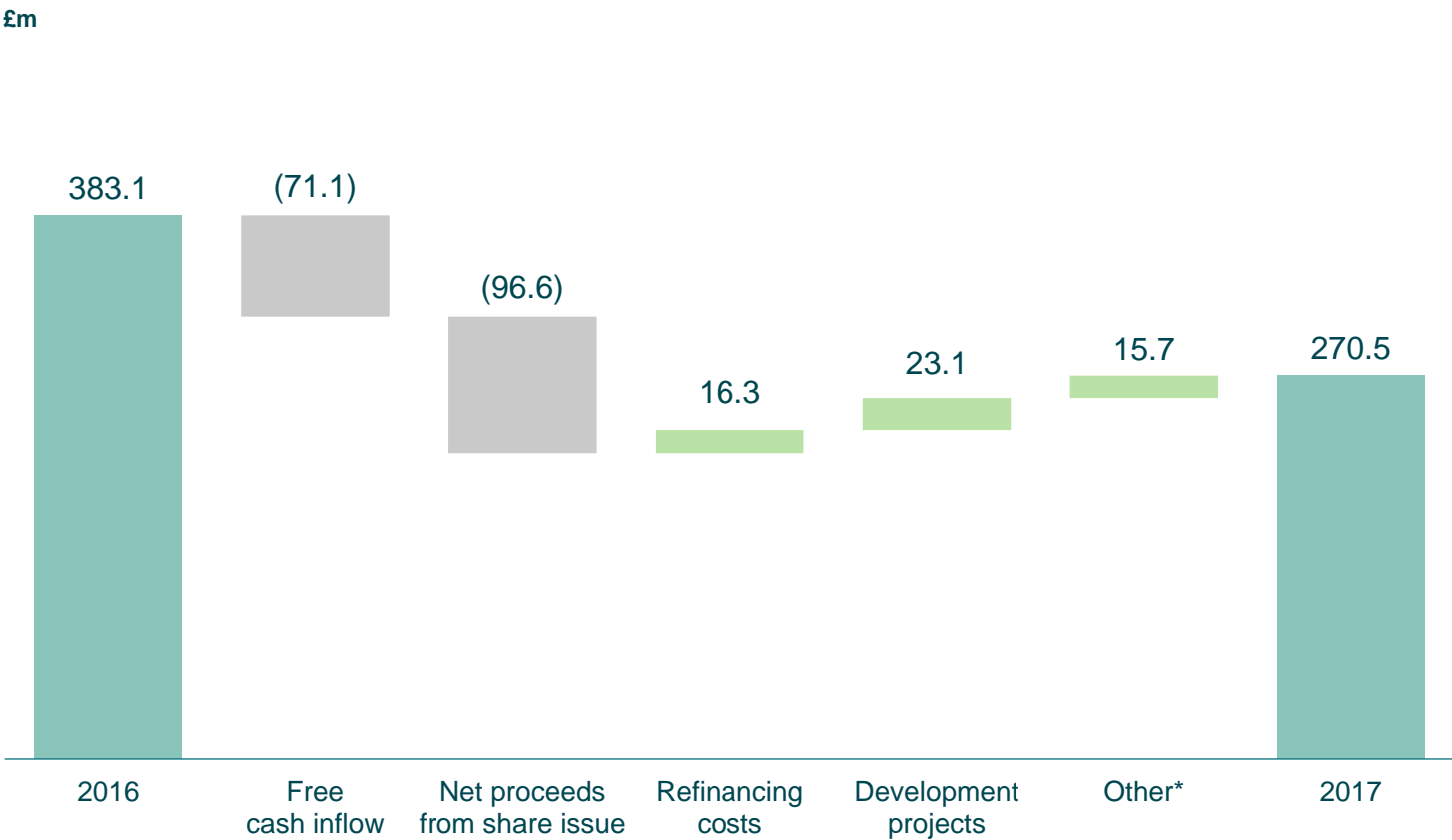
CAPITAL INVESTMENT

Core capex as
% of Revenue



- Maintenance rises to c.1.5% of revenue
- Net core capex spend £13.7m lower due to timing of project spend
- Started construction on four key development projects:
 - Desserts expansion – Newark, UK
 - Meals facility – San Antonio, TX
 - Bread facility – Charlotte, NC
 - New multi category facility – Haimen

NET DEBT



£m	2017
Cash and cash equivalents	(20.9)
Term loan A	210.0
Term loan B	37.5
Revolving credit facility	40.0
Finance leases	3.9
Operational net debt	270.5

* Includes £10.0m of IPO costs in addition to the £3.4m directly offset against the £100m primary proceeds received

BALANCE SHEET AND RATIOS

£m	2017	2016
Goodwill and intangibles	650	655
Fixed assets	358	320
Current assets	204	253
Operational net debt	(271)	(383)
Other liabilities	(431)	(466)
Net assets	510	379
Leverage ratio	1.8x	2.6x
Interest cover	7.5x	4.1x
ROIC	12.2%	11.7%



OTHER FINANCIAL INFORMATION

Tax				
£m	Profit before tax	Tax charge	Profit after tax	Effective tax rate
Statutory profit	39.0	(8.0)	31.0	20.5%
Exceptional costs	15.4	(0.4)	15.0	
Statutory profit before exceptional costs	54.4	(8.4)	46.0	15.4%

	2017	2016
Current tax	(11.9)	(9.2)
Historic UK tax	-	(4.1)
Total tax paid	(11.9)	(13.3)
<i>Effective tax rate</i>	<i>20.5%</i>	<i>19.5%</i>



Pensions

- UK DB scheme closed to future accrual in March 2011
- Surplus of £5.2m on IAS 19 basis (2016: Deficit £10.0m)
- Actuarial valuation at March 2016 completed
- Cash contributions of £22.5m over 8 years



OPERATIONAL REVIEW & OUTLOOK

AGUST GUDMUNDSSON, CEO

OUR STRATEGY



Leveraging number one position in the UK

- Strengthening partnerships with key customers
- Exploiting insight, innovation and breadth of capabilities
- Ongoing capital investment programme



Accelerating growth in international markets

- Established in both regions for more than 10 years
- Developing our customer partnership model
- Investing to capitalise on high growth markets



Improving operational efficiency

- Productivity investments across the Group
- Focused on driving efficiencies
- A culture of continuous improvement

UK OPERATIONAL REVIEW

Successful inflation recovery through close customer partnerships

Consumer demand slowed following higher retail pricing

Experienced in-house procurement team secures value and availability

Recent productivity investments delivered efficiency benefits



UK OPERATIONAL FOCUS

Changing market dynamics and retail environment

Continue to invest appropriately in scalable capacity

Focus on innovation to capitalise on latest trends

Ongoing employee engagement, development and recruitment



INTERNATIONAL OPERATIONAL REVIEW

Strong performance in China benefitting from aggressive customer expansion

Extended product range leveraging UK expertise

US consumers continue to shift from frozen to chilled food

Investment in US to strengthen commercial and technical infrastructure



INTERNATIONAL OPERATIONAL FOCUS

Increasing our footprint in both geographies

New state-of-the-art factory brings latest technology to China

New dedicated meals factory in Texas to support new key customer

Ongoing transfer of UK expertise to both regions extends capabilities



SUMMARY AND OUTLOOK

Strong
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Further
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Strong cash
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Significant
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Successful
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Well placed to deliver ongoing profitable growth

A photograph of a pepperoni pizza on a wooden board, with a bowl of arugula and a small bowl of sauce in the background. The pizza is topped with melted cheese and pepperoni slices. The background is a dark, textured surface.

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Q&A

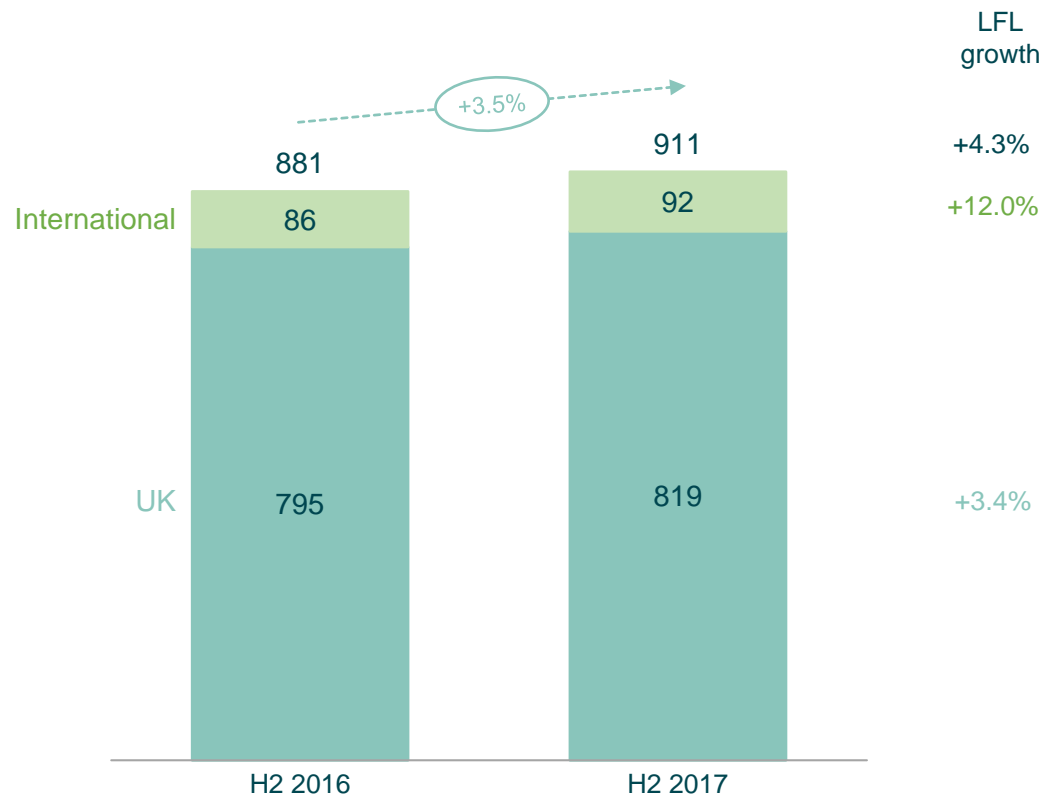
A photograph of a pepperoni pizza on a wooden board, with a small bowl of white sauce and a bowl of arugula. The pizza is topped with melted cheese and pepperoni slices. The background is a dark, textured surface.

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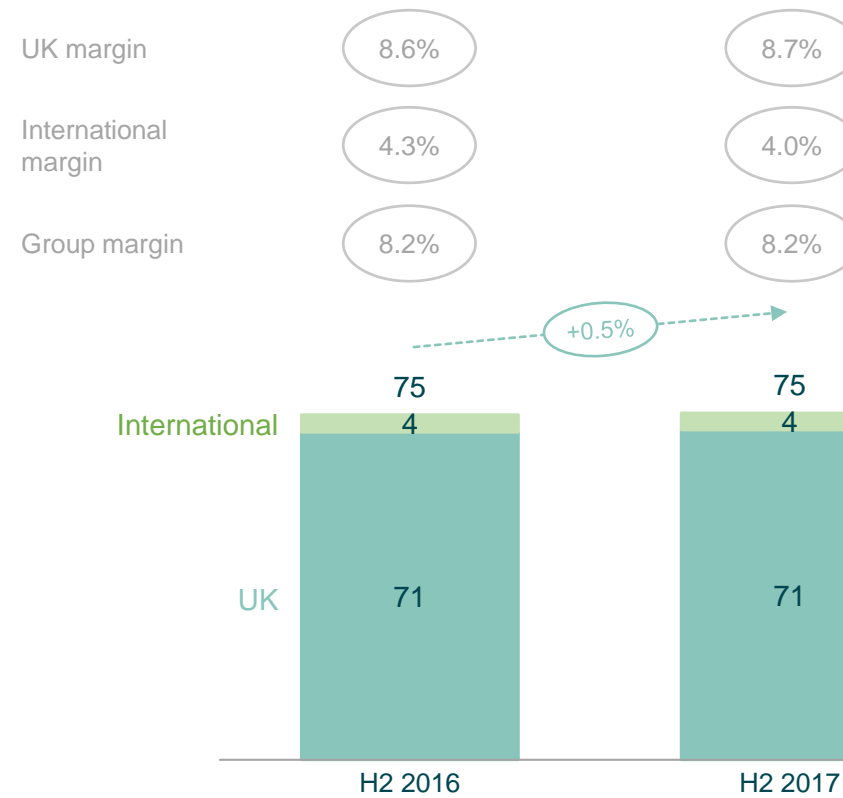
APPENDIX

H2 2017

Revenue (£m)



Adjusted EBITDA (£m)



Note Revenue for H2 2016 is for 26 weeks

TAX RECONCILIATION

£m	2017 £m	2017 %	2016 £m	2016 %
Profit before tax	39.0	100.0	63.1	100.0
Tax charge at the UK corporation tax rate of 19.25% (2016: 20%)	7.5	19.3	12.6	20.0
Non-deductible expenses	1.8	4.6	2.0	3.1
Change in US tax rate	0.7	1.8	-	-
Adjustment in respect of prior periods	(0.4)	(1.0)	0.3	0.5
Tax effect of losses carried forward not recognised	0.4	1.0	0.7	1.1
Unprovided deferred tax assets now recognised	(1.6)	(4.1)	(2.8)	(4.4)
Overseas taxes at different rates	(0.1)	(0.3)	0.3	0.5
Deferred tax change in rate	(0.3)	(0.8)	(0.8)	(1.3)
Tax charge and effective tax rate for the period	8.0	20.5	12.3	19.5

EARNINGS PER SHARE

£m	2017	2016
Profit attributable to equity shareholders of the Company	31.0	51.3
Adjustments to exclude profit for the period from discontinued operations	-	(0.5)
Basic earnings	31.0	50.8
Exceptional items	15.4	8.0
Impairment of assets	-	8.2
Profit on disposal of subsidiary	-	(0.1)
Finance costs	13.2	2.2
Change in fair value of call option	17.2	(6.5)
Tax on the above items	(6.3)	(1.4)
Adjusted earnings	70.5	61.2
Weighted average number of Ordinary shares	530,738	578,645
Effect of dilutive Ordinary shares	857	-
Weighted average number of Ordinary shares for diluted earnings per share	531,595	578,645
Adjusted basic and diluted earnings per share	13.3p	10.6p

ROIC

Operating Profit

£m	2017	2016
Operating profit	96.2	91.5
Exceptional items	15.4	8.0
Impairment of assets	-	8.2
Profit on disposal of subsidiary	-	(0.1)
Adjusted operating profit	111.6	107.6
Taxation at the underlying effective rate	(18.9)	(19.7)
Adjusted operating profit after tax	92.7	87.9

Invested capital

£m	2017	2016
Total assets	1,233.1	1,250.1
Total liabilities	(723.0)	(871.3)
Net debt at period end	266.6	366.9
Derivatives not designated as hedges	(0.9)	(3.0)
Retirement benefit scheme (surplus)/deficit	(5.2)	10.0
Deferred tax liability/(asset) on retirement benefit scheme	0.9	(1.7)
Invested capital	771.5	751.0
Average invested capital for ROIC calculation	761.2	749.2
ROIC (%)	12.2%	11.7%

OPERATIONAL NET DEBT RECONCILIATION

£m	2017	2016
Net debt b/f	383.1	398.6
Free cash inflow	(71.1)	(58.5)
Net proceeds from share issue	(96.6)	-
Share buyback	-	33.8
Refinancing costs	16.3	1.5
Development projects	23.1	-
Exceptional tax paid	-	4.1
Disposal of subsidiaries	-	(2.4)
Other	15.7	6.0
Net debt c/f	270.5	383.1

