BAKKAVOR

FULL YEAR RESULTS

For the 52 weeks ended 29 December 2018

28 February 2019

DISCLAIMER – FORWARD-LOOKING STATEMENTS

This full year results 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 statement have been rounded or adjusted in order to ensure consistency with the financial information.

AGENDA

Highlights – Agust Gudmundsson, CEO

Financial Review – Peter Gates, CFO

Conclusion & Q&A – Agust Gudmundsson, CEO

HIGHLIGHTS

Underlying revenue growth in all regions	UK margin maintained despite inflation	Continued strong cash generation	Further investment to deliver growth	Strengthened customer relationships

Business well positioned to deliver long-term strategic growth objectives

FINANCIAL REVIEW

PETER GATES, CFO

FINANCIAL OVERVIEW

£m	FY 2018	FY 2017	
Revenue	1,855.2	1,814.8	*2.2%*
Revenue: Like-for-like	1,842.0	1,784.6	*3.2%*
Adjusted EBITDA	153.5	152.6	*0.6%*
Adjusted EBITDA margin	8.3%	8.4%	*(10bps)*
Basic EPS	11.6p	5.8p	*5.8p*
Adjusted EPS	14.7p	13.3p	*1.4p*
Dividend per share – paid and proposed	6.0p	-	*6.0p*
Free cash flow	55.1	71.1	*(16.0)*
Leverage	2.0x	1.8x	*0.2x*

Note: Alternative performance measures are used as a guide to underlying performance throughout this presentation, with definitions and calculations set out in Note 19 to the Company's Announcement of 28 February 2019

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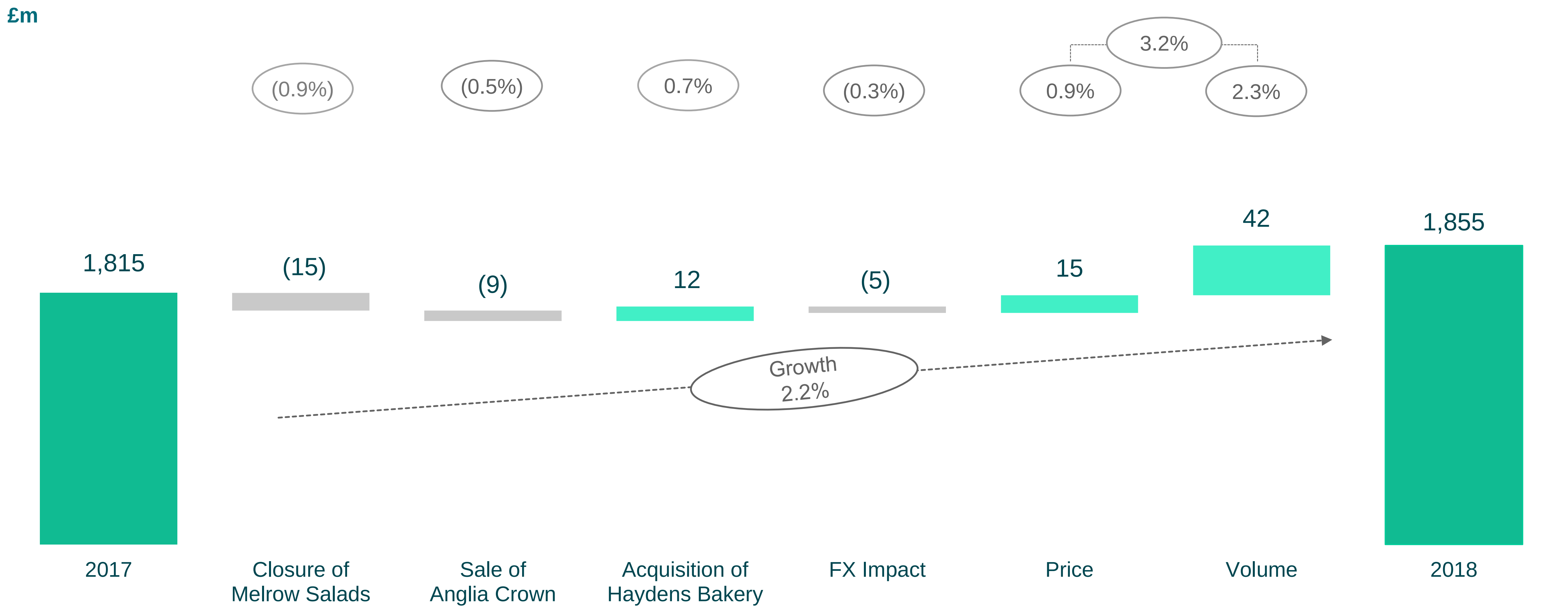
REVENUE BRIDGE



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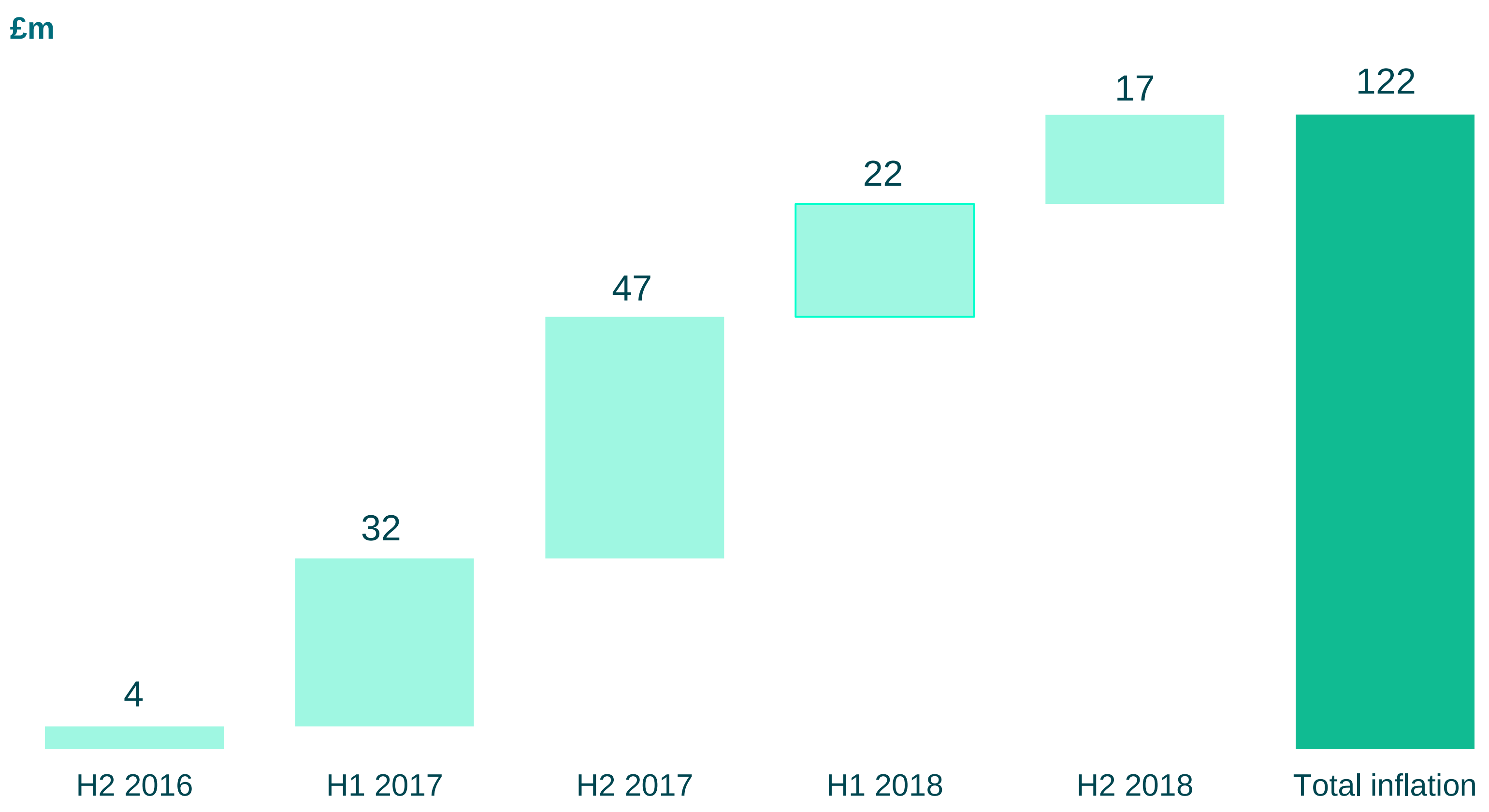
UK PERFORMANCE

£m	FY 2018	FY 2017	
Revenue	1,653.6	1,636.3	*1.1%*
Revenue: Like-for-like	1,635.0	1,606.1	*1.8%*
Adjusted EBITDA	147.7	145.2	*1.7%*
Adjusted EBITDA margin	8.9%	8.9%	-

- Underlying volume growth subdued since late summer
- Price recovery of 0.9% partly offsets continued raw material inflation
- As expected labour costs continue to rise
- Margins maintained despite inflation and broader economic climate

UK INFLATION CONTINUES



- Significant raw material and labour cost increases since H2'16
- Raw material cost increases mitigated through
  - Early price recovery discussions
  - Price recovery mechanisms for key ingredients
  - Product re-engineering
  - Resignation from low-margin business
- Labour inflation from National Living Wage, Apprenticeship Levy and pension Auto-Enrolment partly offset by productivity improvements and efficiency benefits

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INTERNATIONAL PERFORMANCE

£m	FY 2018	FY 2017	
Revenue	201.6	178.5	*12.9%*
Revenue: Like-for-like	207.0	178.5	*16.0%*
Adjusted EBITDA	5.8	7.4	*(21.6)%*
Adjusted EBITDA margin	2.9%	4.1%	*(120bps)*

- Strong underlying volume growth with key customers in both markets
- Reported revenue impacted by strength of sterling relative to 2017
- Volume benefits partly offset by cost inflation and overhead investments
- Short term margin impact in US during year of transition

OTHER ITEMS

£m	FY 2018	FY 2017
Public listing costs	-	10.4
Restructuring costs	-	3.1
Legal cases	-	0.6
New site costs	12.4	1.3
Disruption costs	2.6	-
Onerous lease provision	1.7	-
GMP equalisation	2.6	-
Impairment of tangible assets	3.5	-
Gain on bargain purchase	(1.3)	-
	21.5	15.4

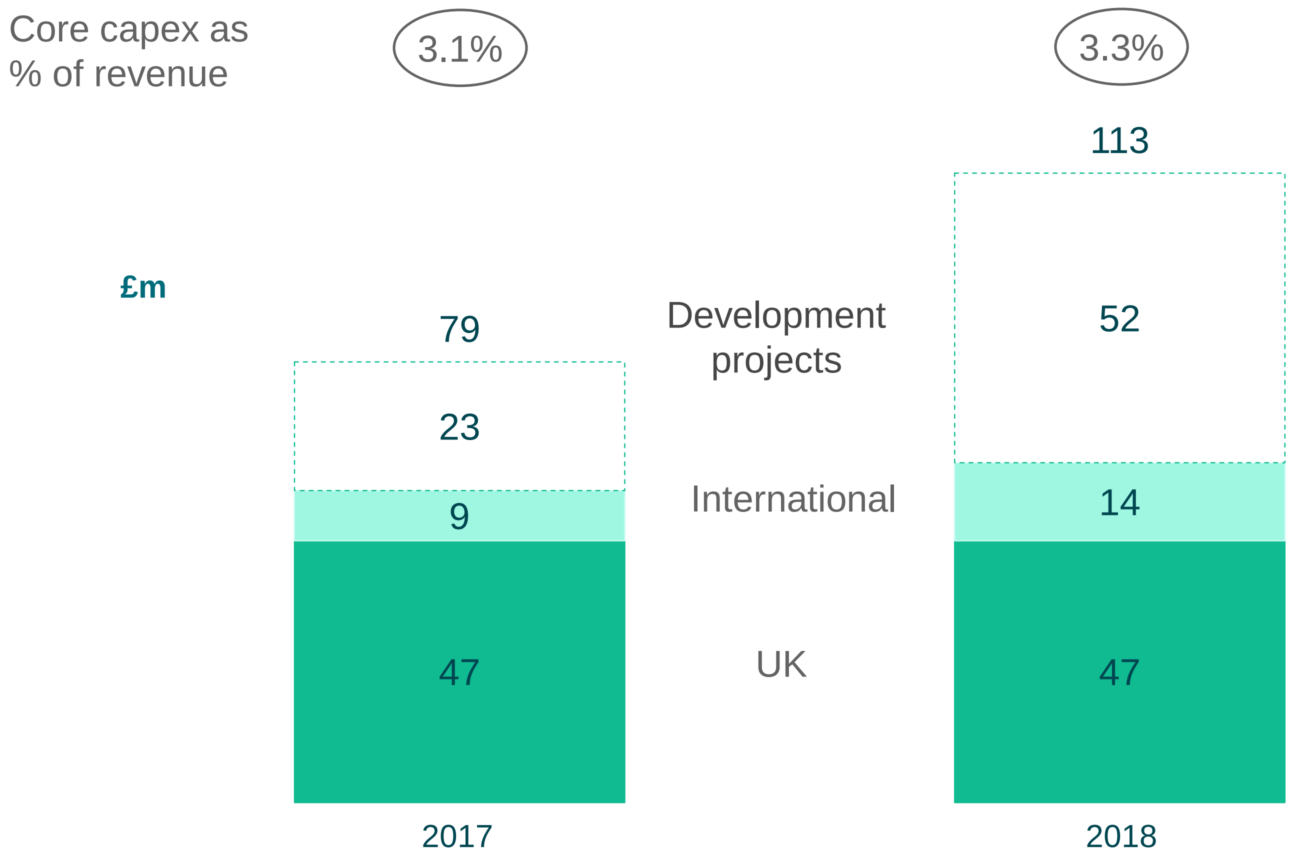
- New site costs relate to start-up and pre-commissioning of US and China factories.
- Costs incurred at US site to enable ready meals production
- Cost to comply with new Guaranteed Minimum Pension (GMP) equalisation requirements for DB pension scheme
- Onerous lease and impairment charges for various non-core and redundant UK assets

CASH FLOW AND DEBT

£m	FY 2018	FY 2017
Adjusted EBITDA	153.5	152.6
Working capital	(7.8)	8.6
Interest	(12.4)	(21.8)
Tax	(14.7)	(11.9)
Pensions	(2.9)	(2.9)
Core capex	(60.6)	(53.5)
Free cash flow	55.1	71.1
Development capex	(52.1)	(23.1)
Exceptionals	(15.9)	(14.2)
Refinancing costs	-	(16.3)
Corporate transactions	(11.7)	-
Dividends	(11.6)	-
Net cash flow	(36.2)	17.5
Operational net debt	309.3	270.5

- Working capital outflow largely due to inventory build for new sites
- Interest lower due to full year benefits from refinancing in 2017
- Net core capex 3.3% of revenue
- Strong free cash generation maintained
- Development projects largely complete
- Corporate transactions includes acquisition of Haydens for £8.5m

CAPITAL INVESTMENT



- Continued capital investment programme in our high quality portfolio
- Completed construction of three key development projects in Q4 2018:
  - Meals facility – San Antonio, TX
  - Bread facility – Charlotte, NC
  - New multi category facility – Shanghai
- Final phase of development project at Newark expected to complete in Q3 2019

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BALANCE SHEET AND RATIOS

£m	FY 2018	FY 2017
Goodwill and intangibles	653	650
Non-current assets	460	358
Current assets	207	204
Operational net debt	(309)	(271)
Other liabilities	(442)	(431)
Net assets	569	510
Leverage ratio	2.0x	1.8x
ROIC	11.6%	12.2%
Underlying effective tax rate	14.9%	16.9%

- Increase in non-current assets mainly due to capital investments and recognition of deferred tax asset
- Leverage remains within target range
- ROIC lower as expected due to capital investment
- IFRS 16 expected to increase assets and liabilities by c.£80m with small impact on leverage ratio and earnings (see Appendix for further details)

GUIDANCE FOR 2019

Revenue	UK - low to mid single digit growth International - mid-teens growth
EBITDA	Broadly in line with 2018
Capex	4.0% of revenue Additional c.£15m on development projects
Tax	15% - 16%
Leverage	Expect to be marginally above medium term target range

Note: Pre IFRS 16, see appendix

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OPERATIONAL REVIEW

AGUST GUDMUNDSSON, CEO

MARKET CONTEXT

Retailers

Consumer landscape

Raw material inflation

Labour costs and availability

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GROUP STRATEGY

Leveraging #1 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 US and China 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

Leveraging #1 position in the UK

STRENGTHENING KEY CUSTOMER PARTNERSHIPS

Expanding our market leading position and breadth of capability

Investing to support customers' growth plans

Mechanisms in place around pricing recovery

Joint business plans agreed

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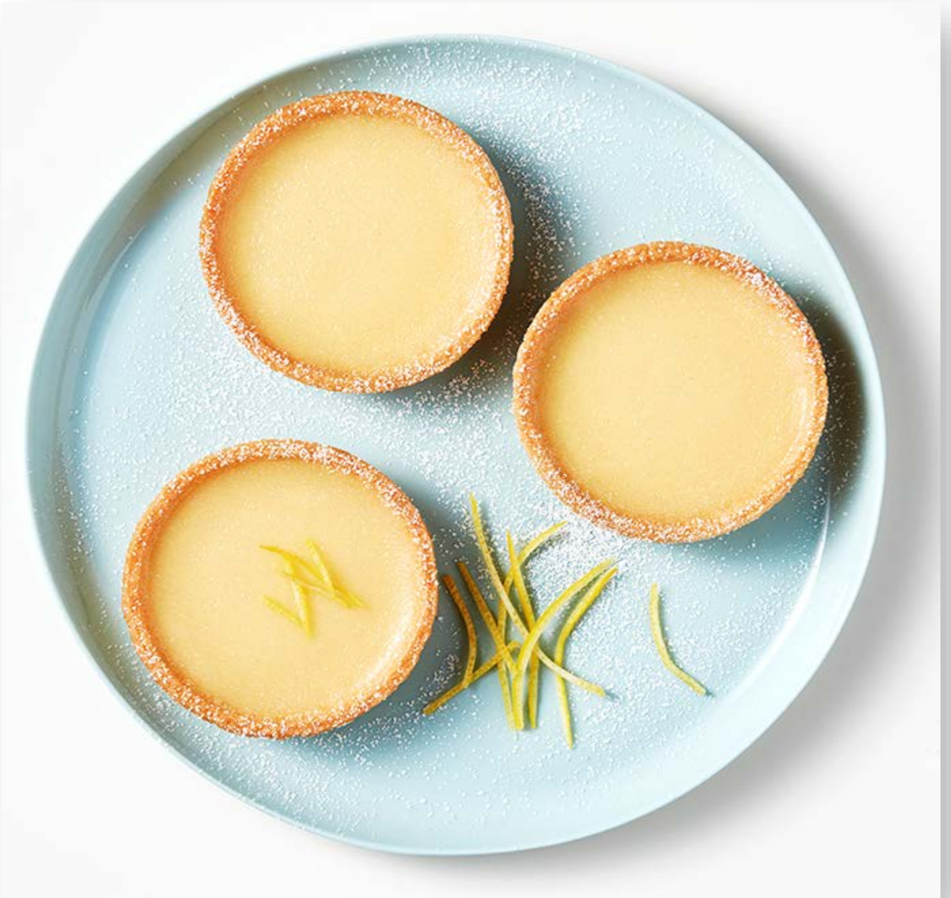
EXPLOITING INSIGHT, INNOVATION AND CAPABILITY

Breadth of offer across range of meal occasions

Dedicated insight and innovation teams

New product development opportunities and launches

Haydens ‘centre of excellence’ opportunities



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ONGOING CAPITAL INVESTMENT PROGRAMME

- Investing to support customers’ growth plans
- Newark desserts facility investment
- Automation - efficiency and quality, while reducing labour requirements

Accelerating growth in international markets

ACCELERATING INTERNATIONAL GROWTH

Continued strong market dynamics and sales growth

Capital investment to enhance capacity and capability

Developing presence in existing and emerging FPF categories

China upstream and infrastructure investment

Improving operational efficiency

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IMPROVING OPERATIONAL EFFICIENCY

Ongoing review of fixed cost base

Productivity investments in automation

Investing in in-house capability and supply chain opportunities

Upstream investment benefits i.e. hydroponics

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CONCLUSION / Q&A

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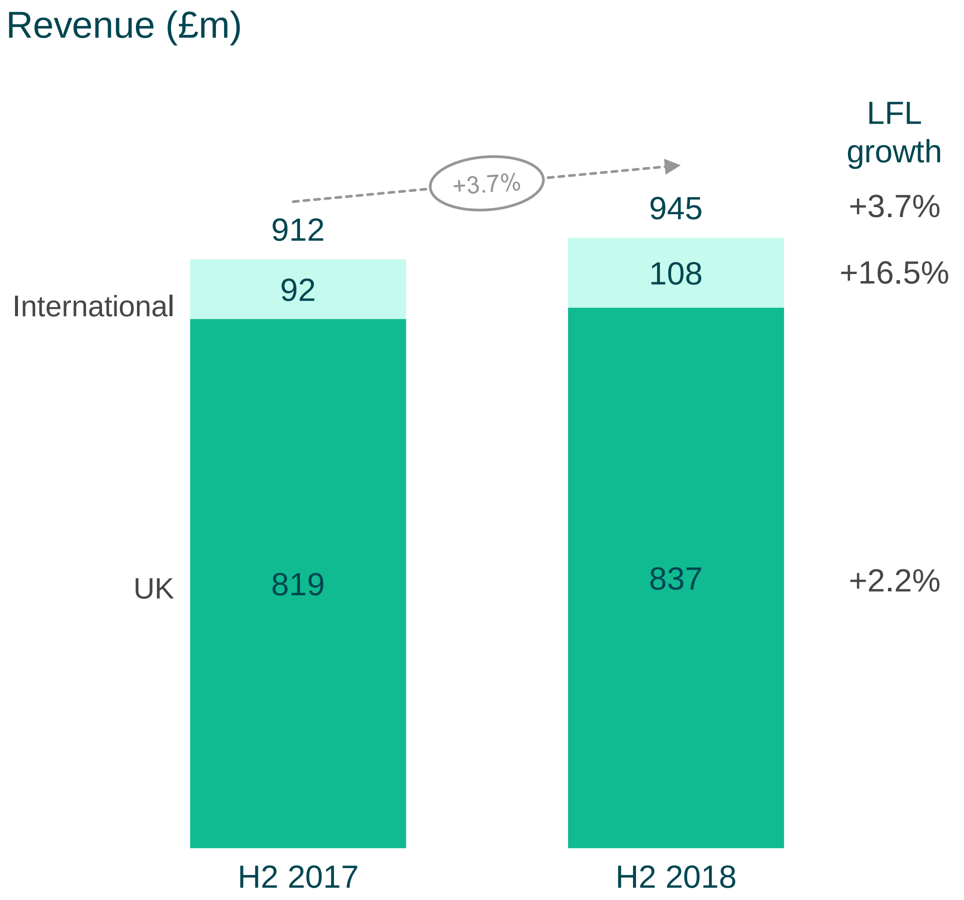
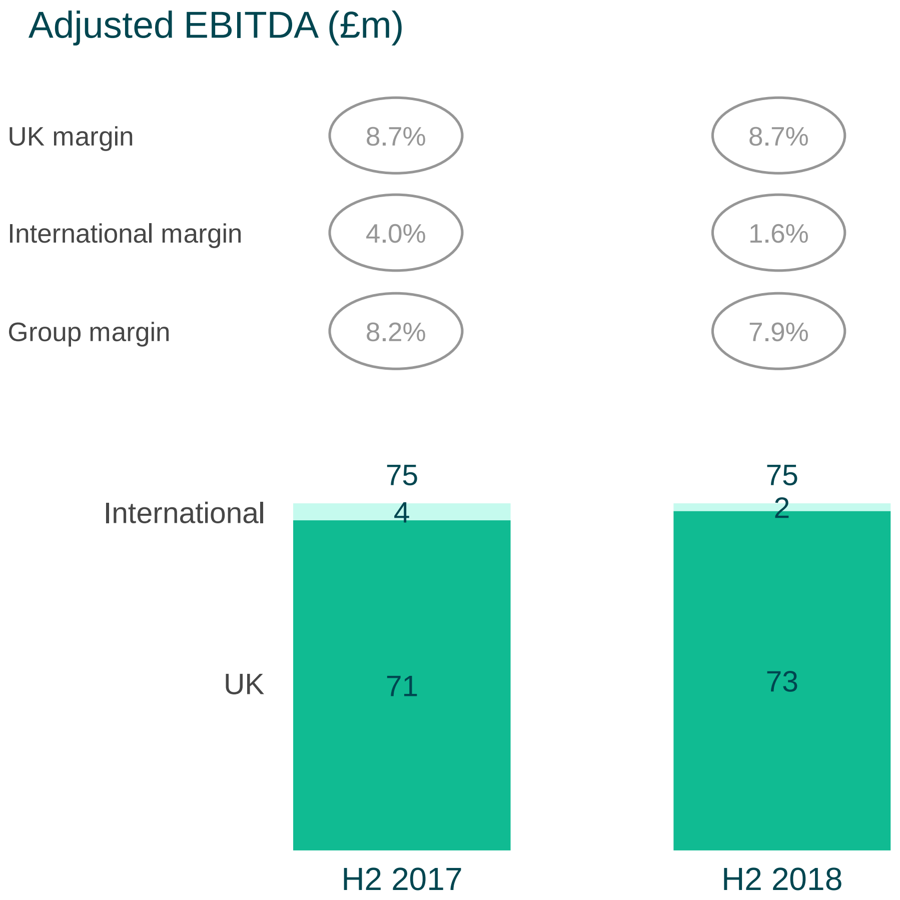
APPENDIX

H2 2018

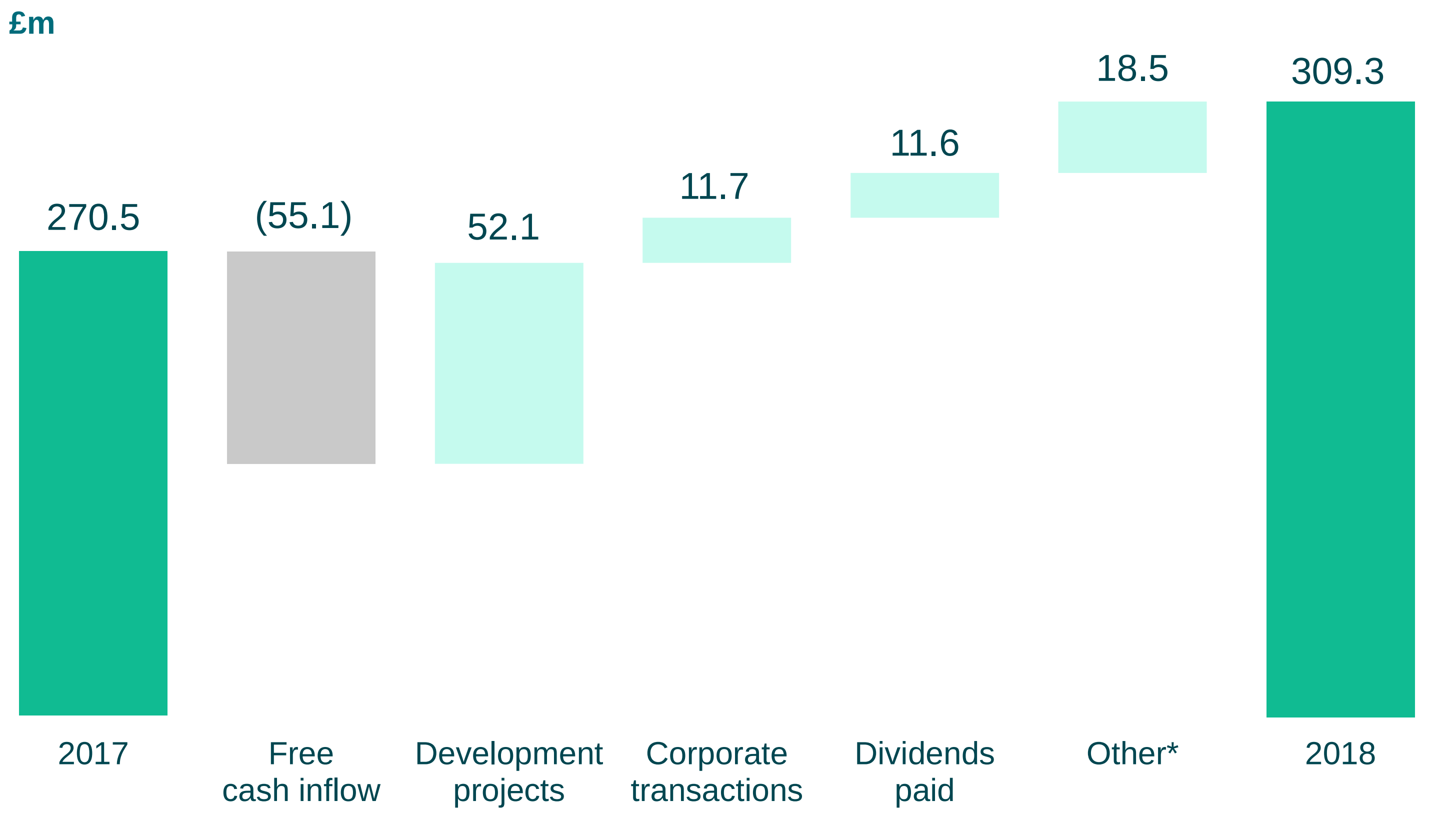


Revenue (£m)
LFL growth
+3.7%
912
945
+3.7%
International
92
108
+16.5%
UK
819
837
+2.2%
H2 2017
H2 2018



Adjusted EBITDA (£m)
UK margin
8.7%
8.7%
International margin
4.0%
1.6%
Group margin
8.2%
7.9%
75
75
International
4
2
UK
71
73
H2 2017
H2 2018

NET DEBT



£m	2018
Cash and cash equivalents	(12.4)
Term loan A	210.0
Term loan B	37.5
Revolving credit facility	68.7
Finance leases	5.5
Operational net debt	309.3

*Other includes exceptional cash costs of £15.9m, £2.7m of new and acquired finance leases and £0.1m of foreign exchange gains

EARNINGS PER SHARE

£m	FY 2018	FY 2017
Basic earnings	67.2	31.0
Other items	21.5	15.4
Finance costs	-	13.2
Loss on disposal of subsidiary	4.6	-
Release of other payable	(4.2)	-
Change in fair value of call option	-	17.2
Tax on the above items	(4.2)	(6.3)
Adjusted earnings	84.9	70.5
Weighted average number of Ordinary shares 000's	579,426	530,738
Basic earnings per share	11.6p	5.8p
Adjusted basic earnings per share	14.7p	13.3p

OTHER FINANCIAL INFORMATION

Tax

£m	Profit before tax	Tax charge	Profit after tax	Effective tax rate
Statutory profit	77.9	(10.7)	67.2	13.7%
Other items	21.9	(4.2)	17.7	
Statutory profit before Other items	99.8	(14.9)	84.9	14.9%

Pensions

UK DB scheme closed to future accrual in March 2011

Investment assets of c.£240m

Deficit of £0.5m on IAS 19 basis (Dec 2017: surplus £5.2m)

GMP changes has resulted in a £2.6m additional cost – c.1.1% of liabilities

Cash contributions of £22.5m over 8 years to 31 March 2024

Next valuation 31 March 2019

IFRS 16 - INTRODUCTION

- IFRS 16 Leases is the new accounting standard for lease contracts, replacing IAS 17 Leases
- Operating leases are being brought on to the Statement of Financial Position
  - Right of Use asset and Lease liability recognised
    - Right of Use asset equals the Lease liability adjusted for previous IAS 17 adjustments
    - Lease liability is the discounted minimum lease payments at the transition date
- The Group will be adopting the standard early with transition date of 30 December 2018
- The first published results including IFRS 16 will be the 2019 interim accounts

IFRS 16 – IMPLEMENTATION

- The Group will be using the modified retrospective, asset equals liability transition approach
  - No impact to previously reported equity
  - No restatement of the previous reported period
  - Transition impact confined to 2019
- There are 140 operating lease contracts which have been individually reviewed
- The future minimum lease payments for operating leases as at the end of 2018 were £96.5m, £90.8m relating to leases of land and buildings
- On transition the discount rate applied is the Group cost of debt adjusted for the geographic location of the lease
- Discount rates used for future operating leases will be determined on commencement of the relevant lease

IFRS 16 – IMPACT ON 2019 FINANCIAL STATEMENTS

£m	Range low to high	
Depreciation increase	(11)	(13)
Operating lease costs decrease	12	13
Operating profit increase	1	-
Finance costs increase	(2)	(3)
Profit before tax decrease	(1)	(3)
Tax	-	-
Profit after tax decrease	(1)	(3)
Basic earnings per share decrease (pence)	(0.2)	(0.3)
Total assets increase at transition date	75	83
Total liabilities increase at transition date	(75)	(83)

- Operating profit increases due to reallocation of interest element of operating lease charge to Finance Costs
- Profit before tax decreases
    - Due to holding a relatively new lease portfolio - finance costs are therefore higher in the early years of the lease
- Impact on tax charge minimal
- Leverage ratio increase of 0.2x to 0.3x following implementation