



Boparan Holdings Limited

2 Sisters Food Group Q1 2018/19 Update

Bond Holder Presentation

11TH DECEMBER 2018



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Agenda

- 1 | Executive Summary
- 2 | Financial Performance
- 3 | M&A Update
- 4 | Update on Turnaround Programme
- 5 | Outlook

Turnaround plan on track under new management team

Qtr 1 2018/2019 was a challenging period with continued margin pressures and operational challenges but new management team continue to focus on stabilising Core Poultry performance

	£m	Q1 2018/19	Q1 2017/18	YoY Change
Group	Revenue	708.3	849.0	(16.6)%
	EBITDA	24.0	32.9	(27.1)%
Protein	Revenue	470.8	578.8	(18.7)%
	EBITDA	9.7	12.6	(23.0)%
Chilled	Revenue	158.5	151.7	4.5%
	EBITDA	8.7	9.2	(5.4)%
Branded	Revenue	79.0	118.5	(33.3)%
	EBITDA	5.6	11.1	(49.5)%

Highlights of the quarter

- Core Poultry performance stabilising.
- Continued growth in core categories - Ready Meals and Primal Poultry.
- Cambuslang and 5 Star Fish closed shortly following quarter end.
- Challenging conditions in Branded business with weak volumes and squeezed margins.



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Q1 2018/2019 Group Results

£m	Q1 18/19	Q1 17/18	YoY Change
Revenue, £m	708.3	849.0	(16.6)%
EBITDA, £m	24.0	32.9	(27.7)%
LTM EBITDA, £m	109.5	151.3	(27.6)%
Revenue LFL, £m	708.3	706.7	0.2%
EBITDA LFL, £m	24.0	27.8	(13.7)%
EBITDA LFL Margin %	3.4%	3.9%	(50)bps
LFL LTM EBITDA, £m	99.6	125.6	(20.7)%
Net debt, £m	673.1	823.6	(18.3)%
Proforma Leverage	6.76x	5.44x	(1.32)x

Q1 Performance overview

- Underlying LFL sales growth after adjusting for impact of Goodfella's & Red Meat disposals in the prior year.
- Growth in core categories of Ready Meals and Primal Poultry, offset by Fox's volumes and wind down of fish business.
- Profit margins further weakened by performance in the UK poultry business and margin pressures in Biscuits.

1. Like for like (LFL) sales and EBITDA are adjusted for the impact of exchange translation and including only those businesses that were owned throughout both periods. Therefore, Q1 FY18 excludes the results of the disposed businesses Goodfella's pizza and Red Meat.
2. EBITDA is stated before depreciation, amortisation and pension scheme administration costs.

Protein Q1 2018/19 Results



£m	Q1 18/19	Q1 17/18	YoY change
Revenue LFL	470.8	469.0	0.4%
Revenue	470.8	578.8	(18.7)%
EBITDA LFL	9.7	11.0	(11.8)%
EBITDA LFL Margin	2.1%	2.3%	(20)bps
EBITDA	9.7	12.6	(23.0)%

- Feed prices in UK increased by 10.1% year on year and 3.5% versus Quarter 4
- UK Poultry margins stabilising despite substantial inflation.
- Strong sales prices in European business and organic growth in Poland.
- Cambuslang and 5 Star Fish site closures completed just following the end of Q1.

Like for like (LFL) sales and EBITDA are adjusted for the impact of exchange translation and including only those businesses that were owned throughout both periods. Therefore, Q1 FY18 excludes the results of the disposed businesses Goodfella's pizza and Red Meat.



Chilled Q1 2018/19 Results



£m	Q1 18/19	Q1 17/18	YoY Change
Revenue LFL	158.5	151.7	4.5%
Revenue	158.5	151.7	4.5%
EBITDA LFL	8.7	9.2	(5.4)%
EBITDA LFL Margin	5.5%	6.1%	(60)bps
EBITDA	8.7	9.2	(5.4)%

- Sales growth in Core Ready Meals business but at lower margins.
- Sustained LFL sales growth expected as new contract win annualises into performance.
- Capital investment programme on track.

Like for like (LFL) sales and EBITDA are adjusted for the impact of exchange translation and including only those businesses that were owned throughout both periods. Therefore, Q1 FY18 excludes the results of the disposed businesses Goodfella's pizza and Red Meat.



Branded Q1 2018/19 Results



£m	Q1 18/19	Q1 17/18	YoY change
Revenue LFL	79.0	86.0	(8.1)%
Revenue	79.0	118.5	(33.3)%
EBITDA LFL	5.6	7.6	(26.3)%
EBITDA LFL Margin	7.1%	8.8%	(170)bps
EBITDA	5.6	11.1	(49.5)%

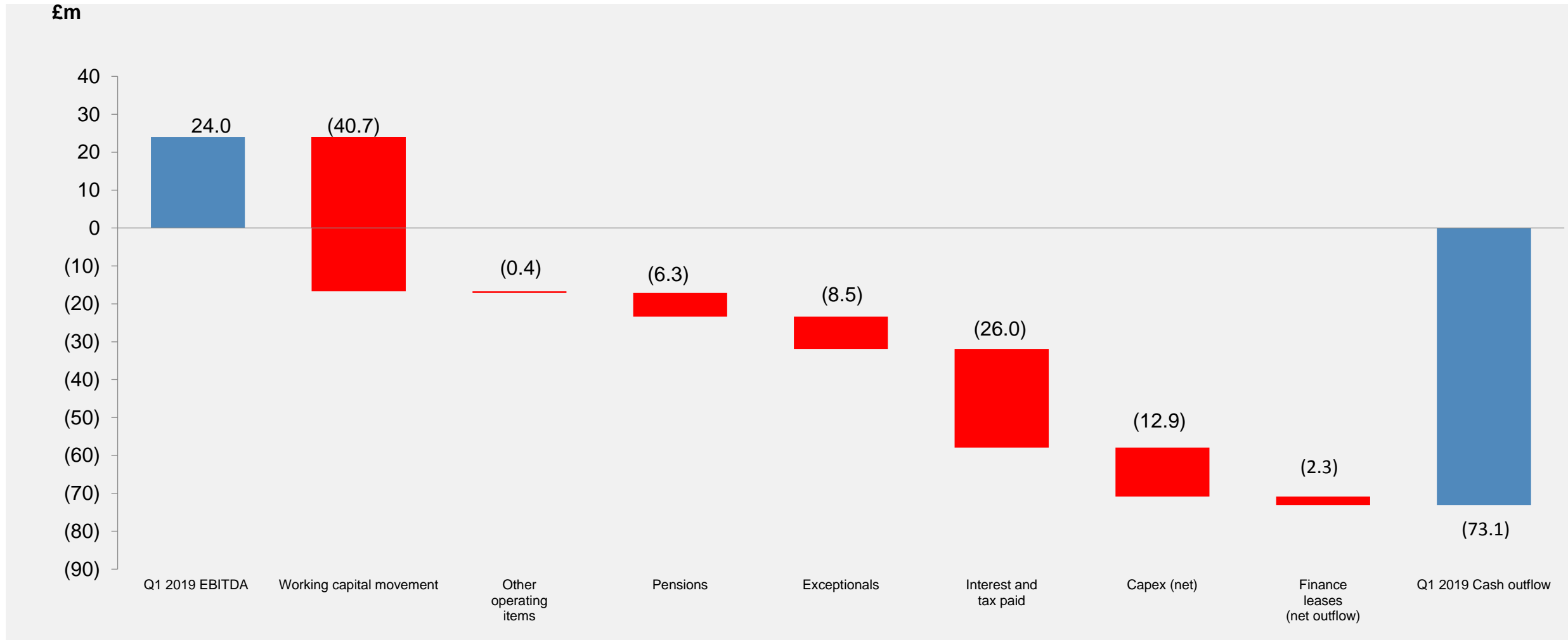
- Weak biscuit sales driven by branded volumes and phasing on seasonal lines.
- Lower Fox's Branded sales diluted gross margin mix.

Like for like (LFL) sales and EBITDA are adjusted for the impact of exchange translation and including only those businesses that were owned throughout both periods. Therefore, Q1 FY18 excludes the results of the disposed businesses Goodfella's pizza and Red Meat.

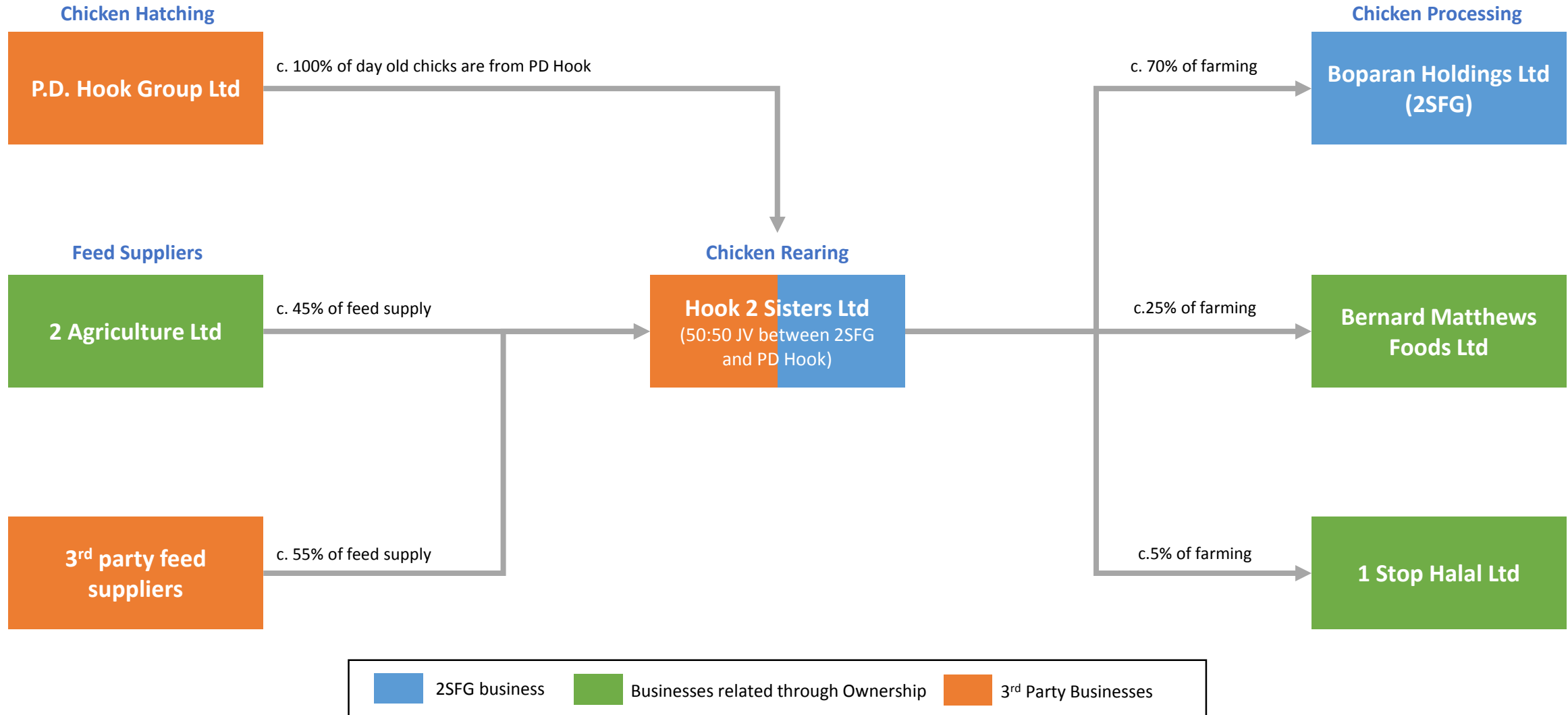


Q1 2018/19 Cashflow

Cashflow



Supply Chain Structure





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Update on M&A

- £370m EV value
- Over 9x multiple



Red Meat



Sandwiches






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Our *Poultry Plus* turnaround strategy

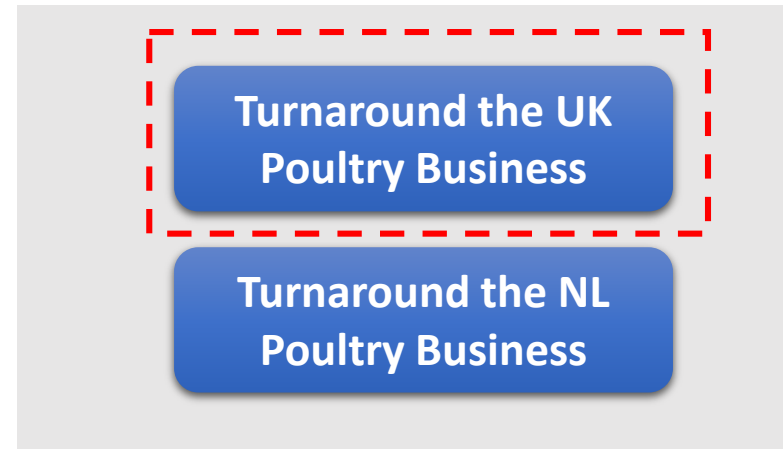
2SFG has redefined strategy clearly especially in where to play and how to play

 Focus of next slide

Focus on Poultry (UK + EU) and Ready Meals (UK)

Create the
Spike

Turnaround
the core



For Future Growth:
Consolidate European
Poultry market

Deliver Growth
in Ready Meals

Drive Growth
in Poland

Build the
Enablers

Fix the basics

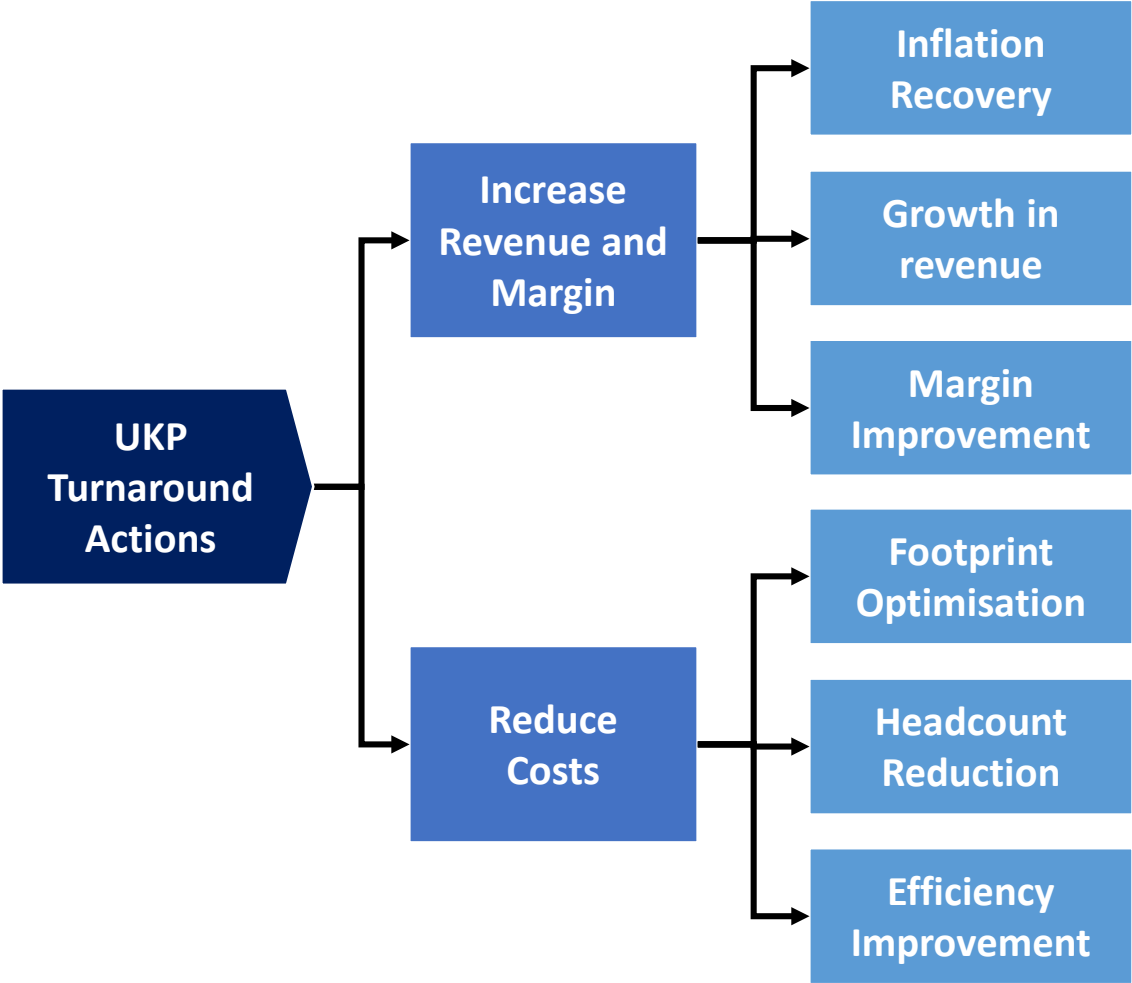
Excellence in
Execution

Realise Value
from Non-Core

High Performance Team
and Organisation

Actions are being taken to turn around UK Poultry

Actions being taken



Progress Update

Status

Some success in base margin reset and inflation recovery. Further opportunities are being pursued.



Sales were up by +1.8% in Q1. We continue to drive value through value added business and strategic customer focus.



Starting to improve yields, reduce give away, improve quality of birds in, and review our feed procurement strategy.



Cambuslang and Five Star Fish closures completed shortly after Q1.



Headcount reduction programme in progress.



Material progress in labour efficiency with better throughputs within the Added Value businesses.



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Priorities

1

Our turnaround plan is on track and starting to deliver

2

**Stabilisation phase: Poultry; Core category growth;
Targeted Investment**

3

**We continue to simplify business and focus on
core strengths**

Boparan Holdings Limited

Thank you!

Two Sisters Food Group