

# Boparan Holdings

**Q2 Results for  
the 13 weeks ended  
28<sup>th</sup> January 2017**

23<sup>rd</sup> March 2017

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# Headlines

Anticipated headwinds affect profit performance



Margins reduced against tough backdrop

Underlying positive sales performance continues;  
Chilled division operating profit gains

LFL sales up 2.6% to £812.8m;  
Overall sales up 5.2% to £833.0m;  
LFL Operating profit for the quarter £18.0m

Strategic programme to drive efficiencies and  
organic growth

# Better Before Bigger

Building a better, stronger business; taking action now to mitigate headwinds

## 2017 CHALLENGES

- 'Perfect storm' of challenges for industry
- Inflation, exchange and Brexit uncertainty
- Good progress made to counter tough environment
- Minimal UK impact of Avian Influenza outbreaks

## STRATEGIC PRIORITIES

- Better Before Bigger strategy continues
- Strategic investments supplemented by efficiency improvements

## CUSTOMER FOCUS

- Deliver 'gold' standard on quality, service and price
- Taking time to understand customer requirements



# Better Before Bigger

Building a better, stronger business; taking action now to mitigate headwinds

## EFFICIENCY

- Focussed 'cost out' culture across the business to protect margins
- Protein consolidation plans will bring major cost benefits
- Lean manufacturing techniques and merged support function in Chilled
- Extensive drive to mitigate ingredient inflation in Brands
- Decentralising structures

## INNOVATION

- Continuous pipeline of new product activity
- Major product launch activity in Chilled; strong Christmas performance
- Two awards in the quarter for Frozen and Red Meat teams

## INVESTMENT

- Targeted investments running in parallel with efficiency programmes
- Poultry investments now fully operational; new senior team members in place
- Investment will be underpinned by cost reduction culture



# Financial overview

	Q2 2016-17	Q2 2015-16	Y-o-Y Variance
<b>Revenue: Like-for-like (£m)<sup>1</sup></b>	<b>812.8</b>	<b>792.0</b>	<b>2.6%</b>
Revenue (£m)	833.0	792.0	5.2%
<b>EBITDA: Like-for-like (£m)<sup>1,2</sup></b>	<b>40.4</b>	<b>44.5</b>	<b>(9.2)%</b>
<b>EBITDA margin: Like-for-like (%)<sup>2</sup></b>	<b>5.0%</b>	<b>5.6%</b>	<b>(60)bps</b>
EBITDA (£m) <sup>2</sup>	42.3	44.5	(4.9)%
<b>Cash flow from operations (£m)</b>	<b>44.1</b>	<b>65.9</b>	<b>(21.8)</b>
Net Debt (£m)	763.2	687.4	75.8
LTM Adjusted EBITDA (£m) <sup>2</sup>	175.6	169.6	6.0
<b>Net debt to Adj. EBITDA ratio<sup>2</sup></b>	<b>4.35 x</b>	<b>4.05 x</b>	<b>(0.3) x</b>

## Q2 results:

- Like-for-like sales growth of 2.6% (headline growth of 5.2%)
- Like for Like EBITDA of £40.4m down 9.2% year on year reflecting the inflationary headwinds
- Strong cash flow from operations supporting ongoing Capital programme
- Net debt up year on year due to Capital investment programme but an improvement on Q1 (£777.6m)
- Net Debt ratio at 4.35x broadly in line with Q1 (4.31x)

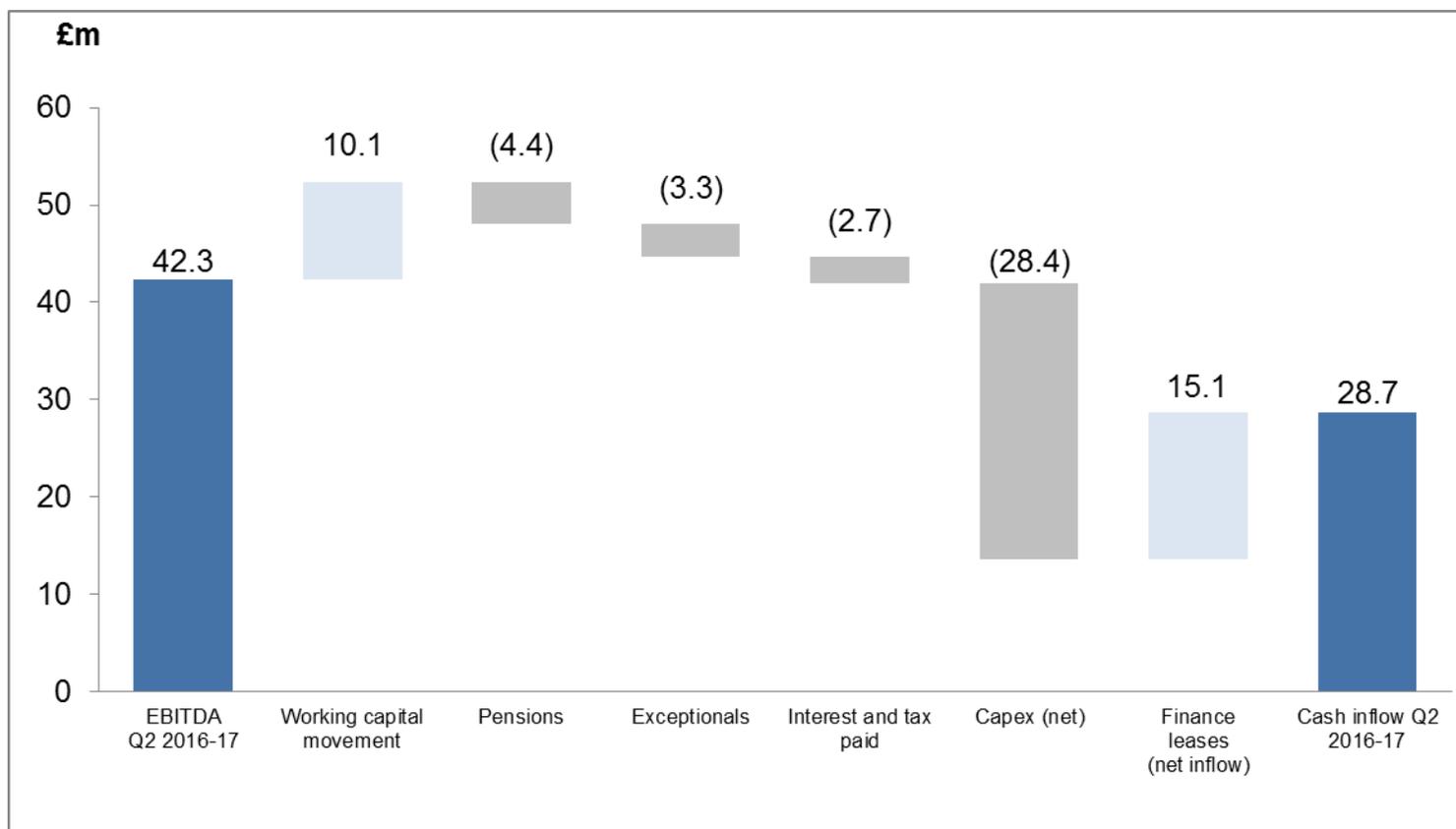


1. LFL CY Revenue & EBITDA adjusted for the impact of exchange rate movements year on year.

2. EBITDA excludes pension scheme admin expenses of £0.6m (Q2 2015-16: £1.0m).

# Cashflow

## Q2 2016/17 Cashflow

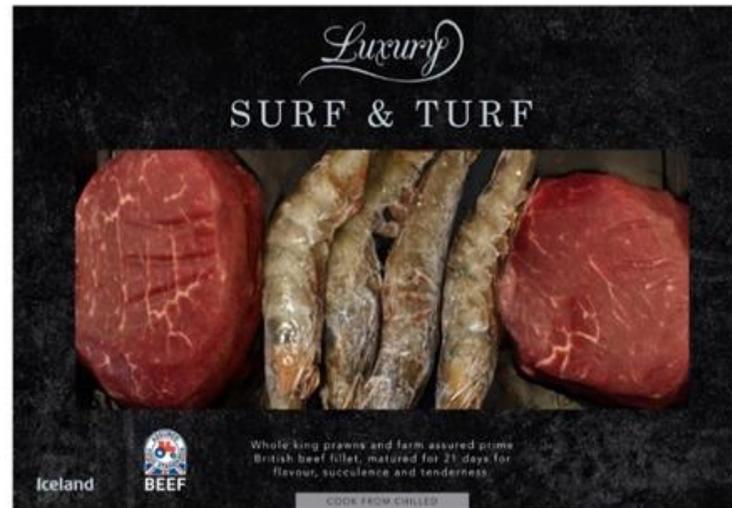


- Good working capital management
- Normal quarterly pension contribution
- Exceptionals relating to ongoing change programme
- Capex mainly relating to the UK Poultry investment
- Inflow from finance leases

# Protein performance

## Protein – UK and European Poultry & Red Meat

Year on year	Q2 2016-17	Q2 2015-16	Y-o-Y Variance
<b>Revenue: Like-for-like (£m)<sup>1</sup></b>	<b>531.0</b>	<b>523.6</b>	<b>1.4%</b>
Revenue (£m)	548.6	523.6	4.8%
<b>EBITDA: Like-for-like (£m)<sup>1</sup></b>	<b>13.9</b>	<b>16.5</b>	<b>(15.8)%</b>
<b>EBITDA margin: Like-for-like (%)<sup>1</sup></b>	<b>2.6%</b>	<b>3.2%</b>	<b>(60)bps</b>
EBITDA (£m)	14.8	16.5	(10.3)%



- Like-for-like sales growth of 1.4% (headline growth of 4.8%)
- EBITDA – Our European business was impacted by the effects of Avian Influenza and the sale of by-products
- Our major facility at Scunthorpe implemented a significant capital programme in the period resulting in a full two week closure
- Significant cost release programme undertaken in Red Meat division

# Chilled performance

## Chilled – Food To Go & Bakery; Meal Solutions

Year on year	Q2 2016-17	Q2 2015-16	Y-o-Y Variance
<b>Revenue: Like-for-like (£m)<sup>1</sup></b>	<b>175.5</b>	<b>165.7</b>	<b>5.9%</b>
Revenue (£m)	175.7	165.7	6.0%
<b>EBITDA: Like-for-like (£m)<sup>1,2</sup></b>	<b>12.6</b>	<b>11.3</b>	<b>11.5%</b>
<b>EBITDA margin: Like-for-like (%)<sup>1,2</sup></b>	<b>7.2%</b>	<b>6.8%</b>	<b>40bps</b>
EBITDA (£m) <sup>2</sup>	12.6	11.3	11.5%

- Strong LFL revenue growth of 5.9%
- Continued EBITDA growth up 11.5% to £12.6m
- Margins up 40bp to 7.2%



1 CY At constant currency

2 EBITDA excludes pension scheme admin expenses of £0.2m (Q2 2015-16: £0.4m)

# Branded performance

## Branded – Frozen & Biscuits

Year on year	Q2 2016-17	Q2 2015-16	Y-o-Y Variance
<b>Revenue: Like-for-like (£m)<sup>1</sup></b>	<b>106.3</b>	<b>102.7</b>	<b>3.5%</b>
Revenue (£m)	108.7	102.7	5.8%
<b>EBITDA: Like-for-like (£m)<sup>1,2</sup></b>	<b>13.9</b>	<b>16.7</b>	<b>(16.8)%</b>
<b>EBITDA margin: Like-for-like (%)<sup>1,2</sup></b>	<b>13.1%</b>	<b>16.3%</b>	<b>(320)bps</b>
EBITDA (£m) <sup>2</sup>	14.9	16.7	(10.8)%

- Continued growth in static markets
- Like-for-like sales growth of 3.5%
- EBITDA down 16.8% due to inflationary headwinds
- Margin still strong at 13.1%



1. CY at constant currency

2. EBITDA excludes pension scheme admin expenses of £0.4m (Q2 2015-16: £0.6m)

# Summary

Strong headwinds affected the business

Strategic intent combined with 'quick wins' will help mitigate margin challenges

Efficiency and innovation is underpinned by investment programme

EU exit uncertainty, cost pressures and tough markets likely to remain

Putting customers at the heart of what we do; well-placed for future growth



# Appendix I - FRS102 Impact Summary - Income Statement

## Q2 15-16 Quarterly Group Restatement of Financial Performance

	Q2 15-16 UK GAAP £m	DB pension scheme £m	Financial instruments £m	Depreciation on deemed cost £m	Tax effect £m	Q2 15-16 FRS102 £m
<b>EBITDA</b>	<b>44.5</b>					<b>44.5</b>
Exceptional items	(1.8)					(1.8)
Share of operating profit from JV	0.4					0.4
Depreciation	(14.9)			0.8		(14.1)
Amortisation of intangible assets	(7.5)					(7.5)
Pension scheme admin costs		(1.0)				(1.0)
<b>Operating profit</b>	<b>20.7</b>	<b>(1.0)</b>	<b>-</b>	<b>0.8</b>	<b>-</b>	<b>20.5</b>
Share of operating profit from JV	(0.4)					(0.4)
Net financing costs	(14.7)	(2.5)	0.8			(16.4)
<b>Profit before tax</b>	<b>5.6</b>	<b>(3.5)</b>	<b>0.8</b>	<b>0.8</b>	<b>-</b>	<b>3.7</b>
Taxation	(2.5)				0.5	(2.0)
<b>Profit after tax</b>	<b>3.1</b>	<b>(3.5)</b>	<b>0.8</b>	<b>0.8</b>	<b>0.5</b>	<b>1.7</b>

# Appendix I - FRS102 Impact Summary - Income Statement

## H1 15-16 Quarterly Group Restatement of Financial Performance

	H1 15-16 UK GAAP £m	DB pension scheme £m	Financial instruments £m	Depreciation on deemed cost £m	Tax effect £m	H1 15-16 FRS102 £m
<b>EBITDA</b>	<b>84.9</b>					<b>84.9</b>
Exceptional items	(1.9)					(1.9)
Share of operating profit from JV	0.2					0.2
Depreciation	(29.7)			1.4		(28.3)
Amortisation of intangible assets	(15.0)					(15.0)
Pension scheme admin costs		(2.0)				(2.0)
<b>Operating profit</b>	<b>38.5</b>	<b>(2.0)</b>	-	<b>1.4</b>	-	<b>37.9</b>
Share of operating profit from JV	(0.2)					(0.2)
Net financing costs	(28.5)	(5.0)	1.8			(31.7)
<b>Profit before tax</b>	<b>9.8</b>	<b>(7.0)</b>	<b>1.8</b>	<b>1.4</b>	-	<b>6.0</b>
Taxation	(4.9)				1.0	(3.9)
<b>Profit after tax</b>	<b>4.9</b>	<b>(7.0)</b>	<b>1.8</b>	<b>1.4</b>	<b>1.0</b>	<b>2.1</b>