

Boparan Holdings Limited

2 Sisters Food Group Q3 2019/20 Update

Bondholder Presentation

18TH JUNE 2020



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Agenda

- 1 | COVID-19 Response
- 2 | Financial Summary
- 3 | Q3 Performance
- 4 | Outlook

Covid response was a real test for our strategic intent....

To be a Trusted and Respected Food Company...



...Famous for its quality products

...Famous for its people strength

4 Pillar response strategy has been effective

BHL COVID-19 Strategic Response Framework

1. Keep People Safe

- Keep people safe and healthy
- Prevent the spread
- Contain
- Manage

2. Feed the Nation

- Handle operational disruption
- Ensure process continuity
- Mitigate procurement disruption

3. Strengthen reputation

- Pro-actively lead the response planning
- Prioritise strategic customers
- Work collaboratively with customers to meet strongly fluctuating demand
- Support critical workers in the NHS, Care and food industry

4. Protect our business

- Protect and increase short term liquidity
- Model potential impact on business EBITDA & Cashflow
- Plan for longer term structural changes

A big THANK YOU to our loyal colleagues who all rose to the challenge...



#FEED
THE
NATION



1. Keeping people safe has been priority #1



2. We play a major role in feeding the nation and have handled disruption well

Coronavirus: 2 Sisters boss makes urgent appeal for staff

By [Henry Sandercock](#) | 30 March 2020



The Grocer

temporary roles were on offer

2 Sisters CEO sends urgent "help us feed the nation" appeal

Posted on Mar 30, 2020



The chief executive of 2 Sisters F

urgent ap



2 Sisters' call for people who've lost jobs to work at food company amid huge demand

Positions are open for those who have lost their jobs in other sectors



By [Jamie Waller](#) Live News Reporter
16:03, 21 APR 2020

just-food

Daily Record

Perthshire poultry plant makes plea for new workers to deal with "unprecedented demand" throughout coronavirus crisis

The 2 Sisters Food Group employs 1050 people at its poultry processing plant in Coupar Angus.



By [Johnathon Menzies](#)

3. We will continue to work hard to strengthen our corporate reputation as a result of our actions and industry leading work



4. Decisive cost reduction actions have largely mitigated negative headwinds from COVID-19

COVID-19 Impact Dynamics

Business	Impact	Effect	Response / Mitigating Actions	Short Term Outlook
UK Poultry	<ul style="list-style-type: none"> Demand shifted to retail channel due to lockdown 	↑	<ul style="list-style-type: none"> We have ramped up investments in additional equipment and short-term personnel We have been very agile in implementing additional cost savings opportunities including: <ul style="list-style-type: none"> Furloughing of staff Cutting expenses Tighter control of labour and material usage Accelerating closure of the Pennine factory 	<p>External / market:</p> <ul style="list-style-type: none"> QSR and OOH slowly opening up again, but likely to remain below pre Covid levels for some time. European pricing pressures expected to ease as the market resets <p>Internal:</p> <ul style="list-style-type: none"> Cost base has been reset Business agile and able to react quickly to changing market conditions Ways of working adapted to drive further efficiencies
EU Poultry	<ul style="list-style-type: none"> EU Poultry more exposed to disruption in QSR and foodservice channels Margin pressure from price declines 	↓		
Core Meals	<ul style="list-style-type: none"> Customer mix impact as consumers return to one big weekly shop Category impact due in part to temporary trend towards cooking in home 	↓		
Bakery	<ul style="list-style-type: none"> Strong Biscuits demand in retail channel Hot Cross sales impacted due to timing of lockdown 	↑		
Pastry	<ul style="list-style-type: none"> Retail sales remained strong Decline in fish & chip shop sales as outlets closed 	↔		

Positive Impact
 Negative Impact
 Neutral Impact

.. and medium to long term we are also well positioned to adapt to new trends

<p>Food Consumption is Evolving</p> 	<ul style="list-style-type: none">■ Recessionary pressures from COVID-19 will likely increase focus on products that provide value for money. Both lower price products (private label) and premium indulgent (Fox's biscuits) food expected to benefit■ Consumers will continue to eat more food at home – and this trend is expected to continue (especially as working from home becomes more popular). Food-to-go will likely decline
<p>Channel Shift Towards Grocery</p> 	<ul style="list-style-type: none">■ Grocery sector has (re)won consumer trust. Online and discounters will be long term winners■ Potential decrease in future discretionary spending further driver of food-at-home consumption
<p>Health, Wellness & Wellbeing Will Become Even More Important, at Home and at Work</p> 	<ul style="list-style-type: none">■ Healthy lifestyle a key safeguard against virus. Protein (and poultry in particular) fits in a health-oriented diet■ Consumers increasingly looking for high-quality, healthier ready meals■ The crisis has highlighted importance of company culture and organisation strength. Agility will remain key
<p>Increased Focus on Sustainability</p> 	<ul style="list-style-type: none">■ Importance of food sustainability and animal welfare will continue to quickly accelerate■ British sourcing will become more important for both consumers and customers (further accelerated by Brexit)





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Key Headlines

1

Sustained, strong turnaround momentum maintained through COVID-19 period

2

45.2% LFL EBITDA improvement in Q3 led by turnaround in UK Poultry despite COVID-19 headwinds

3

Proforma adjusted leverage at 3.9x driven by strong EBITDA improvement and free cashflow generation

Sustained, strong turnaround momentum maintained through Covid crisis

£m	Q3 19/20	Q3 18/19	YoY Change
Revenue ¹ , £m	671.8	665.4	+1.0%
EBITDA ^{1,2} , £m	32.1	21.7	+47.9%
LTM EBITDA ² , £m	107.8	94.4	+14.2%
Revenue LFL ³ , £m	671.8	661.0	+1.6%
EBITDA LFL ^{2,3} , £m	32.1	22.1	+45.2%
EBITDA LFL Margin %	4.8%	3.3%	+150 bps
LFL LTM EBITDA ^{2,3} , £m	107.5	70.1	+53.4%
Net debt ⁴ , £m	606.3	624.8	3.0%
Leverage	5.6x	8.0x	2.4x

Q3 Performance overview

- LFL revenue increased 1.6% (3.8% ex COVID-19 impact) after adjusting for the sale of Green Isle Brands and Matthew Walker.
- LFL margin growth of +150bps with strong EBITDA improvements in all segments. European Poultry business adversely impacted by COVID-19.
- Leverage 0.5x improvement quarter on quarter and 2.4x improvement on prior year, with further improvements expected as turnaround actions annualise and new initiatives are executed.

1. Revenue and EBITDA exclude performance of Matthew Walker from May 2019 following derestriction.
2. EBITDA is stated before depreciation, amortisation and pension scheme administration costs.
3. Like for like (LFL) sales and EBITDA are adjusted for the impact of exchange translation and including only those businesses that were owned by the Restricted Group throughout both periods. Therefore, Q3 FY19 excludes the results of the disposed Green Isle Brands and Matthew Walker businesses.
4. 18/19 Leverage calculated using reported EBITDA less Green Isle Brands and Matthew Walker

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Poultry Q3 2019/20 Results

£m	Q3 19/20	Q3 18/19	YoY Change
Revenue LFL ¹ , £m	483.5	469.5	+3.0%
EBITDA LFL ^{1,2} , £m	20.4	12.5	+63.2%
EBITDA LFL Margin %	4.2%	2.7%	+150 bps
Revenue, £m	483.5	471.0	+2.7%
EBITDA ² , £m	20.4	12.6	+61.9%

Poultry Performance overview

- LFL sales increased by +3.0%. COVID-19 impacted sales adversely by (1.2)%.
- Adverse COVID-19 impact in European Poultry compounded by underlying low market prices on breast meat and avian flu impacting exports to China.
- LFL EBITDA growth £7.9m driven by annualisation of improvements made to date in UK Poultry:
 - Commercial Margin improvements
 - Agriculture Efficiencies
 - Fixed Cost Efficiencies
 - Yield Improvements
 - Conversion Cost Efficiencies

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. There were no disposals in the Poultry Segment in FY19 or FY20.
2. EBITDA is stated before depreciation, amortisation and pension scheme administration costs.

Meals Q3 2019/20 Results

£m	Q3 19/20	Q3 18/19	YoY Change
Revenue LFL ¹ , £m	124.8	129.8	(3.8)%
EBITDA LFL ^{1,2} , £m	7.1	5.7	+24.5%
EBITDA LFL Margin %	5.7%	4.4%	+130 bps
Revenue, £m	124.8	132.2	(5.6)%
EBITDA ² , £m	7.1	5.5	+29.1%

Meals Performance overview

- LFL sales declined (3.8)% where COVID-19 impacted sales adversely by (6.6)%.
- LFL EBITDA +24.5% ahead of prior year despite material impact from COVID-19 on Ready Meals business where sales declined due to consumers moving away from premium convenience foods.
- Pizza revenues up +12.7% versus last year driven by strong demand across the category, including through the COVID-19 affected period.
- Pennine closure accelerated to end April.

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, Q3 FY19 excludes the results of the disposed Green Isle Brands business.
2. EBITDA is stated before depreciation, amortisation and pension scheme administration costs.

Bakery Q3 2019/20 Results

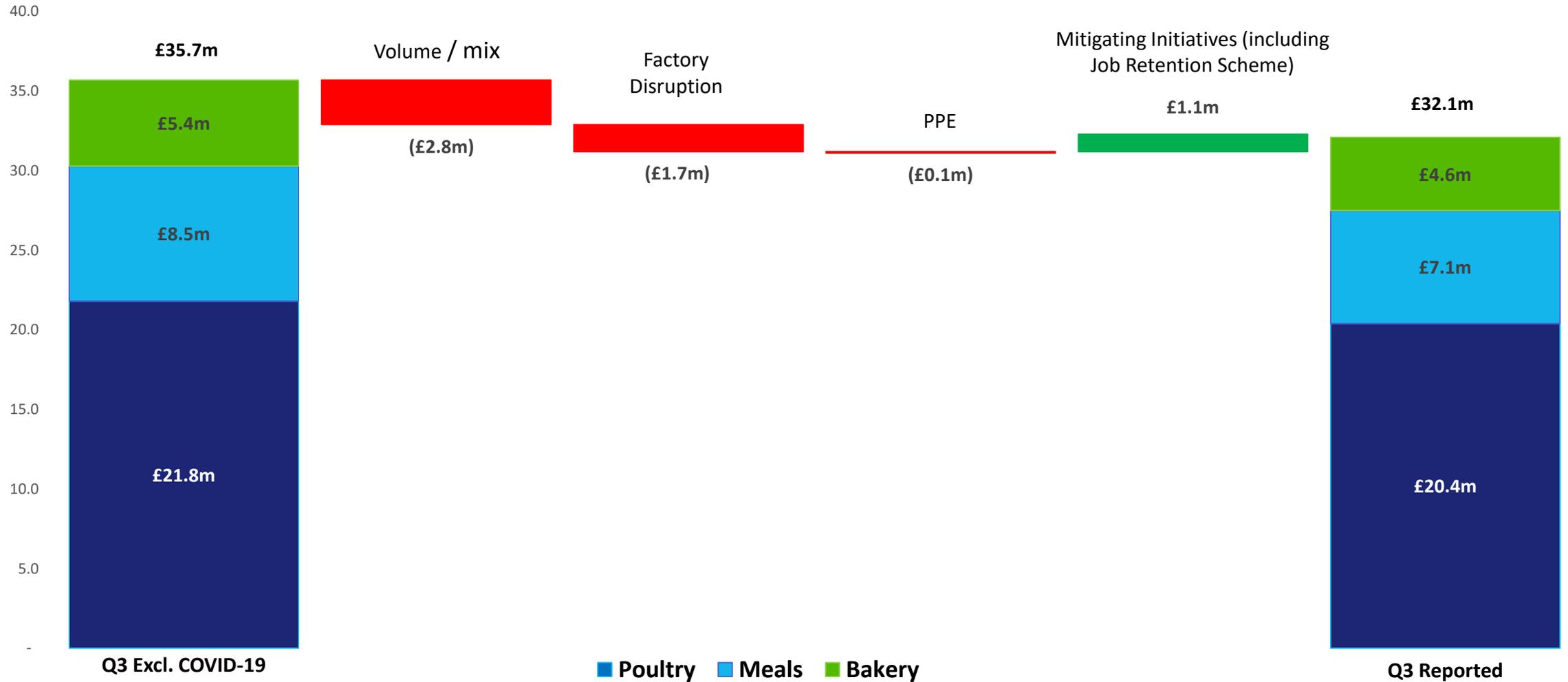
£m	Q3 19/20	Q3 18/19	YoY change
Revenue LFL ¹ , £m	63.5	61.7	+2.9%
EBITDA LFL ^{1,2} , £m	4.6	3.9	+17.9%
EBITDA LFL Margin %	7.2%	6.3%	+90 bps
Revenue, £m	63.5	62.2	+2.1%
EBITDA ² , £m	4.6	3.6	+27.8%

Bakery Performance overview

- LFL sales growth of +2.9%. COVID-19 impacted sales adversely by (1.1)%.
- Fox's sales positively impacted by COVID-19 driven by shift towards in-home indulgence.
- Gunstones sales and EBITDA negatively impacted by COVID-19 where timing of lockdown coincided with planned Easter Hot Cross peak volumes.
- LFL EBITDA growth +17.9% driven by Fox's performance, despite negative impact from COVID-19 on the cost base.

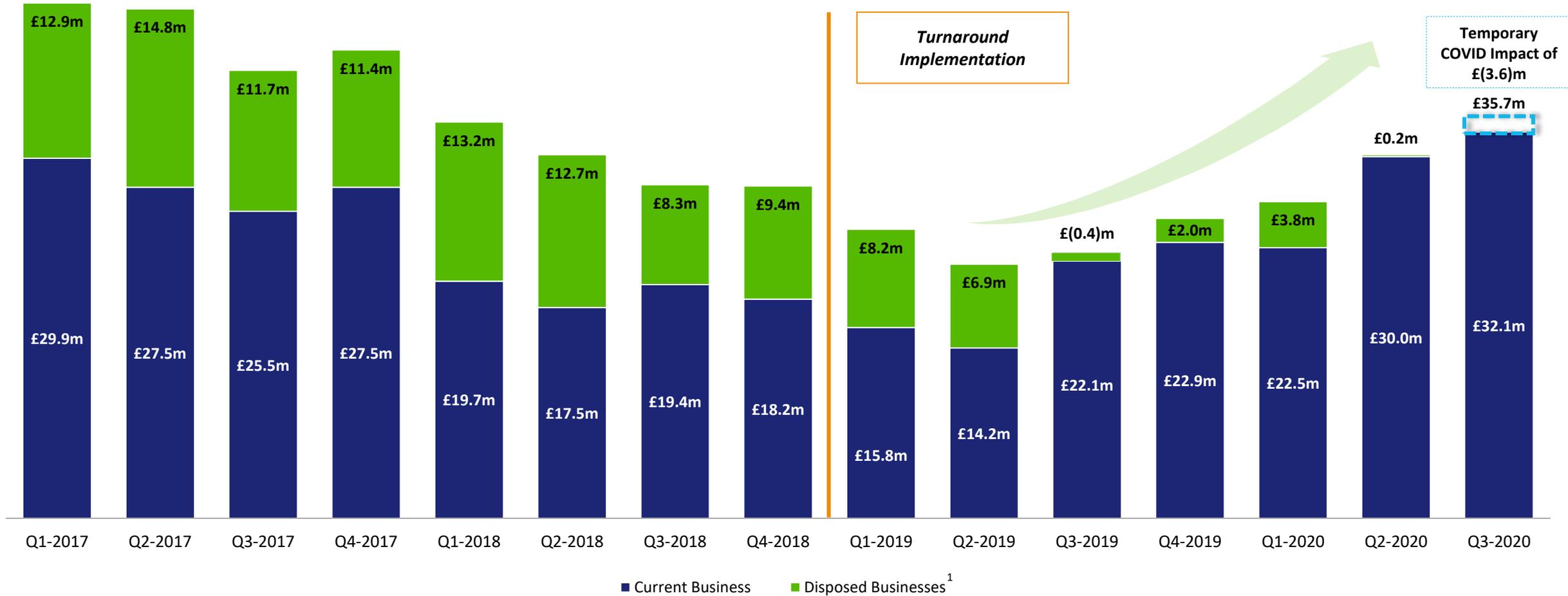
1. Like for like (LFL) sales and EBITDA are adjusted for the impact of exchange translation and including only those businesses that were owned throughout both periods. Therefore, Q3 FY19 excludes the results of the disposed Matthew Walker business.
2. EBITDA is stated before depreciation, amortisation and pension scheme administration costs.

COVID-19 Q3 impact



Substantial improvements in core business demonstrates strong traction in executing our strategic plan

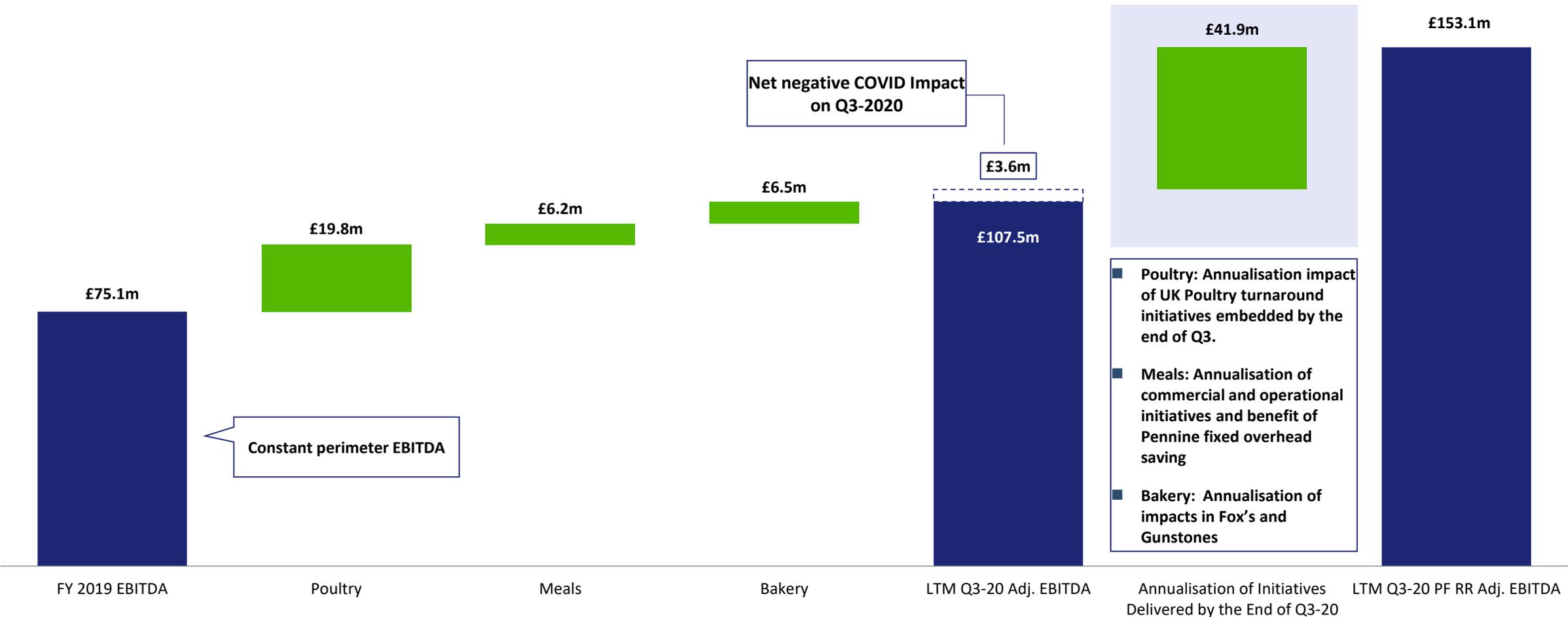
Quarterly Reported EBITDA



¹ Disposed Businesses include Manton Wood, Matthew Walker, Green Isle Brands, Goodfella's, and 2SRM.

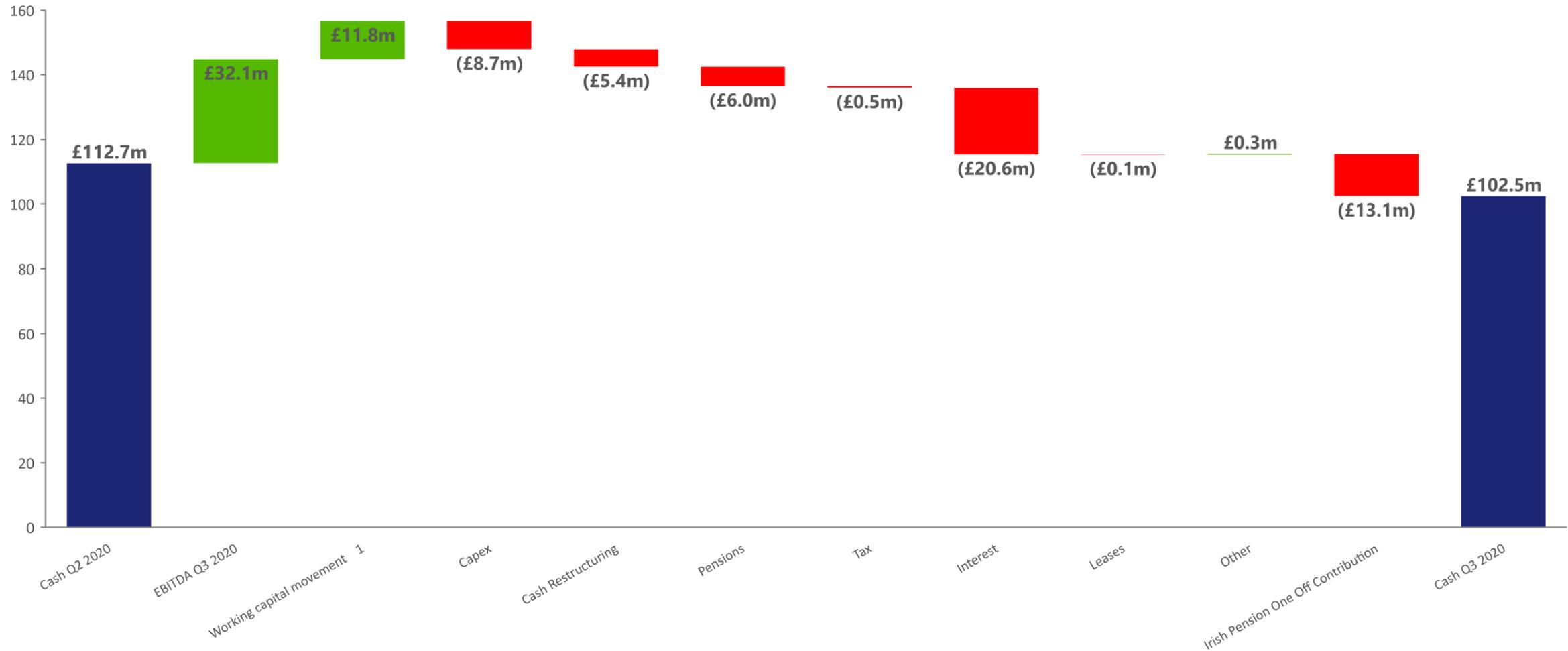
Realised turnaround initiatives provide further annualisation benefits

Pro Forma EBITDA: Building Blocks to PF RR EBITDA

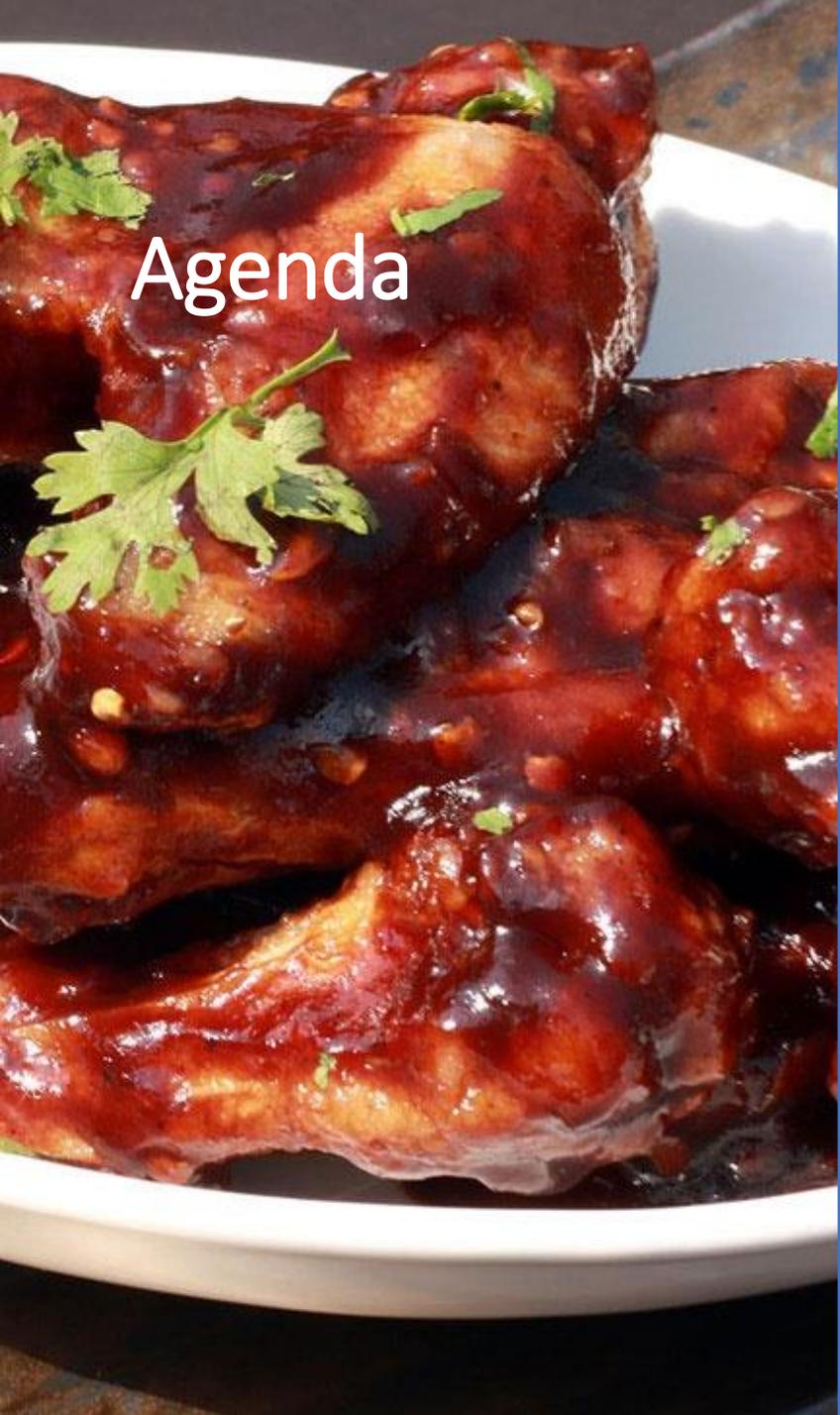


Note: LTM Q3-20 PF RR Adj. EBITDA does not include any COVID impact.

Q3 2019/20 Cashflow



¹ Working capital movement excludes movement on provisions



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Poultry Plus strategy is delivering and is on track

1

Focus on our core poultry businesses

2

Add value to and realise value from our non-poultry businesses

3

Increase operational effectiveness and efficiency

4

Build a high performance organisation and culture

5

Improve cash generation and margin

Outlook

1

Key priority remains COVID-19 strategic response

2

Q4 EBITDA outlook in line with Q3, despite COVID-19

3

Refinancing expected to complete in 2020