

**Boparan Holdings Limited**

# 2 Sisters Food Group Q4 2018/19 Update

Bondholder Presentation

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# Agenda

- 1 | Executive Summary
- 2 | Q4 Performance
- 3 | Full Year Performance
- 4 | Strategy Update
- 5 | Outlook

## Key Headlines

1

Continued LFL sales growth in all core categories alongside second successive quarter of double digit LFL earnings growth.

2

Strong underlying working capital performance driving a return to operating cash inflow in the quarter.

3

2019 bonds repaid in full: £155m during Q4.



# Q4 Results: Sustained earnings growth; turnaround delivering value

| £m                                        | Q4<br>18/19 | Q4<br>17/18 | YoY<br>Change |
|-------------------------------------------|-------------|-------------|---------------|
| Revenue <sup>1</sup> , £m                 | 650.1       | 803.7       | (19.1)%       |
| EBITDA <sup>1,2</sup> , £m                | 22.8        | 27.6        | (17.4)%       |
| LTM EBITDA <sup>2</sup> , £m              | 89.6        | 118.4       | (24.3)%       |
| Revenue LFL <sup>3</sup> , £m             | 650.0       | 648.8       | +0.2%         |
| EBITDA LFL <sup>2,3</sup> , £m            | 22.9        | 17.9        | +27.9%        |
| EBITDA LFL Margin %                       | 3.5%        | 2.8%        | 70bps         |
| Net debt <sup>4</sup> , £m                | 626.9       | 601.8       | (4.2)%        |
| Adjusted Proforma Leverage <sup>5,6</sup> | 7.7x        | 5.8x        | (1.9)x        |

## Q4 Performance overview

- Revenue declined due to disposals including the removal of Matthew Walker from Restricted Group.
- 0.2% increase in LFL revenue driven by UK Poultry business +1.3%, EUP +3.1%, Meals +6.1% & Fox's +4.3%.
- LFL earnings growth of 27.9% with EBITDA improvements across all segments, predominantly UK Poultry, as turnaround actions begin to take shape.
- £155m repayment of 2019 bonds completed in Q4.

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, Q4 FY18 excludes the results of the disposed Red Meat, Sandwiches, Green Isle Brands and Matthew Walker.
4. Net debt is stated as Statutory Group Net Debt reduced by third party loan in Bakery Foods Ltd (Matthew Walker) for £53m and increased by £49m loan to the Restricted Group from Bakery Foods Ltd.
5. Adjusted proforma leverage is calculated as Restricted Group Net Debt less £49m loan from Bakery Foods Ltd, divided by Restricted Group LFL LTM EBITDA
6. 17/18 Proforma Leverage calculated using reported EBITDA less Goodfellas and Red Meat disposals, as reported in Prior year



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# Protein Q4 2018/19 Results

| £m                            | Q4<br>18/19 | Q4<br>17/18 | YoY<br>Change |
|-------------------------------|-------------|-------------|---------------|
| Revenue LFL <sup>1</sup> , £m | 484.4       | 491.5       | (1.4)%        |
| EBITDA LFL <sup>1</sup> , £m  | 12.7        | 9.1         | +39.6%        |
| EBITDA LFL Margin %           | 2.6%        | 1.9%        | +70bps        |
| Revenue, £m                   | 484.4       | 601.9       | (19.5)%       |
| EBITDA, £m                    | 12.7        | 9.7         | +30.9%        |

## Protein Performance overview

- LFL sales declined by (1.4)%. Underlying LFL, excluding the impact of the closure of Five Star Fish +1.9%.
- European Poultry 3.1% sales growth, EBITDA flat.
- EBITDA improvements driven by UK Poultry via efficiency improvement initiatives and positive customer mix.
- Witham site closed immediately following year end.
- Feed inflation flat YoY in Q4.

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, Q4 FY18 excludes the results of the disposed Red Meat Business

# Chilled Q4 2018/19 Results

| £m                            | Q4<br>18/19 | Q4<br>17/18 | YoY<br>Change |
|-------------------------------|-------------|-------------|---------------|
| Revenue LFL <sup>1</sup> , £m | 106.0       | 99.8        | +6.2%         |
| EBITDA LFL, £m                | 2.1         | 2.3         | (8.7)%        |
| EBITDA LFL Margin %           | 2.0%        | 2.3%        | (30)bps       |
| Revenue <sup>2</sup> , £m     | 106.1       | 137.3       | (22.7)%       |
| EBITDA <sup>2,3</sup> , £m    | 2.0         | 10.7        | (81.3)%       |

## Chilled Performance overview

- Core Meals continued growth with key customer. Pizzas and bakery also in growth.
- Return to sustainable profitability of Gunstones Bakery Business on the back of new customer agreement. Core Meals continue to experience negative product mix linked to changes in promotional strategy during the quarter.
- Commercial initiatives landed in Q4 positively impact EBITDA margin in Q1 19/20 and beyond.

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, Q4 FY18 excludes the results of the disposed Sandwiches and Matthew Walker.
2. Revenue and EBITDA exclude performance of Matthew Walker from May 2019 following derestriction.
3. EBITDA is stated before depreciation, amortisation and pension scheme administration costs.



# Branded Q4 2018/19 Results

| £m                            | Q4<br>18/19 | Q4<br>17/18 | YoY<br>change |
|-------------------------------|-------------|-------------|---------------|
| Revenue LFL <sup>1</sup> , £m | 59.6        | 57.5        | +3.7%         |
| EBITDA LFL <sup>1</sup> , £m  | 8.1         | 6.5         | 24.6%         |
| EBITDA LFL Margin %           | 13.6%       | 11.3%       | +230bps       |
| Revenue, £m                   | 59.6        | 64.5        | (7.6)%        |
| EBITDA, £m                    | 8.1         | 7.2         | +12.5%        |

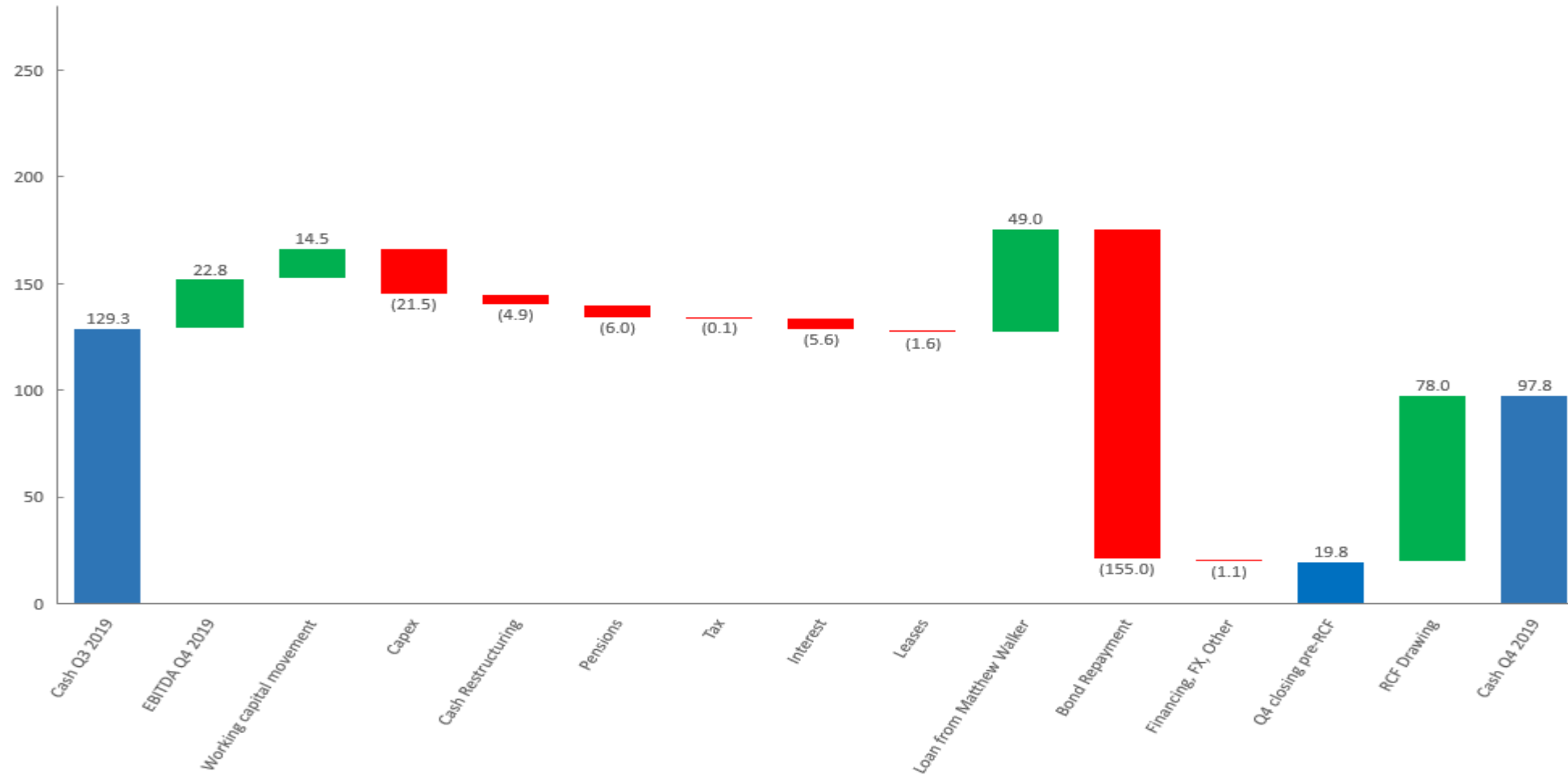
## Branded Performance overview

- Brands revenue growth driven by volume in Fox's Biscuits branded sales.
- Brands segment stabilises as Fox's brand performance improves and efficiency improvement initiatives kick in.
- Hollands Pies business earnings growth driven by cost reduction.

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, Q4 FY18 excludes the results of the disposed Green Isle Brands businesses.

# Q4 2018/19 Cashflow

## Cashflow, £m



Quarter 4 cash flow movements for the Restricted Group, which exclude Matthew Walker trading



# Agenda

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# Full Year Results: Turnaround driving second half LFL earnings growth to bring full year in line with previous year

| £m                                        | FY<br>18/19 | FY<br>17/18 | YoY<br>Change |
|-------------------------------------------|-------------|-------------|---------------|
| Revenue <sup>1</sup> , £m                 | 2,735.3     | 3,339.1     | (18.1)%       |
| EBITDA <sup>1,2</sup> , £m                | 89.6        | 118.4       | (24.3)%       |
| EBITDA Margin %                           | 3.3%        | 3.5%        | (20)bps       |
| Revenue LFL <sup>3</sup> , £m             | 2,628.4     | 2,613.8     | 0.6%          |
| EBITDA LFL <sup>2,3</sup> , £m            | 75.2        | 74.0        | 1.6%          |
| EBITDA LFL Margin %                       | 2.9%        | 2.8%        | +10bps        |
| Net debt <sup>4</sup> , £m                | 626.9       | 601.8       | (4.2)%        |
| Adjusted Proforma Leverage <sup>5,6</sup> | 7.7x        | 5.8x        | (1.9)x        |

## Full Year Performance overview

- Revenue declined due to disposal of Red Meat, Sandwiches, GI Brands Business and Matthew Walker moving outside of Restricted Group.
- 0.6% increase in LFL sales, or 2.5% after adjusting for the Five Star Fish closure. Chilled + 7.2% offset by Brands (2.3)%, Protein (0.7)%.
- LFL earnings growth of 1.6% with EBITDA improvements in Protein segment offset by decline in Brands and Chilled. Turnaround plan driving improvements in second half of the year, offsetting previous decline.
- £250m repayment of 2019 bonds completed in 2018/19.

- Revenue and EBITDA exclude performance of Matthew Walker in May 2019 following derestriction.
- EBITDA is stated before depreciation, amortisation and pension scheme admin costs.
- 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, Q4 FY18 excludes the results of the disposed Red Meat, Sandwiches, Green Isle Brands and Matthew Walker.
- Net debt is stated as Statutory Group Net Debt reduced by third party loan in Bakery Foods Ltd (Matthew Walker) for £53m and increased by £49m loan to the Restricted Group from Bakery Foods Ltd.
- Adjusted proforma leverage is calculated as Restricted Group Net Debt less £49m loan from Bakery Foods Ltd, divided by Restricted Group LFL LTM EBITDA
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# Proforma P&L Analysis

| £m                 |                     | Q1    | Q2    | Q3    | Q4    | LTM     |
|--------------------|---------------------|-------|-------|-------|-------|---------|
| Last 12 months     | LFL Revenue, £m     | 657.9 | 658.0 | 662.5 | 650.0 | 2,628.4 |
|                    | LFL EBITDA, £m      | 15.9  | 14.2  | 22.2  | 22.9  | 75.2    |
|                    | LFL EBITDA Margin % | 2.4%  | 2.2%  | 3.4%  | 3.5%  | 2.9%    |
| Previous 12 months | LFL Revenue, £m     | 658.3 | 652.1 | 652.1 | 648.8 | 2,613.8 |
|                    | LFL EBITDA, £m      | 19.4  | 17.5  | 19.2  | 17.9  | 74.0    |
|                    | LFL EBITDA Margin % | 2.9%  | 2.7%  | 2.9%  | 2.8%  | 2.8%    |

## Commentary

- Table shows LFL revenue and EBITDA restated after stripping out Matthew Walker, as well as all other disposals.
- LFL revenue growth +0.5% driven by Core Meals.
- LFL EBITDA margins up 10bps year-on-year, with Q4 18/19 exit rate up at 3.5%.
- LFL EBITDA of £75.2m is +£1.2m higher than prior year driven by Protein.

# Agenda

- 
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# Our Poultry Plus Strategy is on track





# Strategic Pillar #2: We continue to realise value from non-core e.g. Matthew Walker completed during Q1 FY19/20

## Previous Disposals:



Red Meat



Sandwiches



- Enterprise value £67m.
- Multiple of 8 times Proforma EBITDA
- Completed at end of Quarter 1 FY19/20



THE ORIGINAL  
**MATTHEW  
WALKER**  
- EST. 1899 -



# Strategic Pillar #1-5: Performance improvement initiatives are being delivered...

## Completed in 2018/19

### UK Poultry

- ✓ Stop the margin decline by focusing on value over volume
- ✓ Rationalise footprint

### EU Poultry

- ✓ Accelerate growth
- ✓ Increase efficiency
- ✓ Invest in Value Added capability in Poland

### Meals

- ✓ Finalise agreement with key customer
- ✓ Embed gained business

### Group

- ✓ Strengthen organisation
- ✓ Focus Technical, Transformation, Divisions

### Gunstones

- ✓ Successful turnaround
- ✓ Sustainable platform for growth

### Fox's

- ✓ Focus back on brand
- ✓ Restructuring of Uttoxeter factory and Logistics set up

### Cash

- ✓ Embedded cash focus throughout group
- ✓ Flattened working capital profile

### Culture

- ✓ New performance management process
- ✓ Launched values

# ...with plenty more to come

## Priorities for H1 2019/20

### UK Poultry

- Close Witham, Site A and C
- Deliver operational improvements
- Continue value over volume

### EU Poultry

- Complete VA investment in Poland
- Continue profitable growth

### Meals

- Invest ahead of proposed Pennine closure
- Deliver sales growth in core customer

### Group

- Full business alignment around OGSMA
- Embed new monthly drumbeat/governance
- Brexit preparation

### Gunstones

- Deliver sales growth in core business
- Align with Foxes business into 'Bakery'

### Fox's

- Launch cost out programme
- Invest in Capacity expansion
- Prepare branded relaunch

### Cash

- Manage smoother working capital profile
- Embed cash performance management into businesses

### Cost

- Launch Cash Action Group
- Overhead reduction program



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# Outlook

1

Continuation of EBITDA growth rate expected in Q1 19/20.

2

Continued focus on sustainable cash generation.

3

Completion of Matthew Walker in Quarter 1 further strengthens the balance sheet.



# Boparan Holdings Limited

## Appendix

Two Sisters Food Group



# Reconciliation of Restricted Group to Statutory Reported Group

| £m                             | Restricted Group | Bakery Foods Ltd | BHL Statutory Group |
|--------------------------------|------------------|------------------|---------------------|
| Q4 Revenue, £m                 | 650.1            | 5.3              | 655.4               |
| Q4 EBITDA <sup>1</sup> , £m    | 22.8             | 2.1              | 24.9                |
| 18/19 Revenue, £m              | 2,735.3          | 5.3              | 2,740.6             |
| 18/19 EBITDA <sup>1</sup> , £m | 89.6             | 2.1              | 91.7                |

- Matthew Walker business moved outside of Restricted Group after period 10.
- Difference between Reported Group and Restricted Group is therefore final two months of Matthew Walker trading results.
- Restricted Group LFL excludes full year trading performance of Matthew Walker.
- Restricted Group LTM EBITDA £89.6m versus £75m covenant.

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1. EBITDA is stated before depreciation, amortisation and pension scheme administration costs.