

Finsbury Food Group plc
Interim Results
6 months ended 28 December 2019

Baking brilliance makes every day special

John Duffy Chief Executive Officer
Steve Boyd Finance Director



One of the largest speciality bakery groups in the UK

Diversified by
category,
channel
and geography

Operating in
large markets

Broad range of
channels and
blue chip
customers

Diversified
manufacturing
capabilities

A strong and
evolving
branded
portfolio



Growth in sales driven by UK Bakery's organic growth, new business wins and full half year of acquired business

Continued focus on free cashflow, Capex reduced to normalised levels of £6.5m pa, reduction in debt in first half of £3m

Dividend increase of 6%, with a dividend yield of circa 3.7%**

Ongoing benefit of diversification by category, channel and geography, alongside leveraging the benefits of prior year capital investment

Unlocking scale benefits alongside ongoing focus on efficiency, innovation and operational excellence using Group Operating Principles



**Like for like revenue is the revenue from operations excluding the revenue from the closed bakeries and acquired businesses*

*** based on share price of 101p per share*



Strategic highlights

- Continued focus on driving productivity and efficiency
 - Integrated IT system embedded in all manufacturing sites, excluding Ultrapharm
 - Implementation of Group-wide review and standardisation of bakery processes leading to improved quality and reduction of waste
- Expanding capacity
 - Opening of new gluten free bakery in Poland to expand capacity for the continental market
- Further innovation in line with consumer trends with launch of:
 - New line of Harry Potter licensed cakes
 - Gluten free cake
 - Artisan sourdough breads
- Operational excellence illustrated by the winning of several Quality Food and Drink 'Q' Awards



Our markets





Retail Cake
£973m



Foodservice Cake & Sweet
Morning Goods £744m



Retail Bread & Morning Goods
£4.6bn



Foodservice Bread & Savoury
Morning Goods £575m



New Foodservice market source of data now utilised

Source: Retail Cake - IRI 52 we January 2020

Retail Bread & MG – Kantar Worldpanel 52 we December 2019

Foodservice – Derived from MCA 52 we September 2019



Retail Bread and Morning Goods

Finsbury 13.4%*

Vs

Market +4.4%^

Strong buns and rolls performance and innovation driving growth in artisan bread

^Kantar Worldpanel 52 we December 2019

Retail Cake

Finsbury 3.5%*

Vs

Market +0.8%~

Strong Seasonal growth and Small Cake and Celebration Cake gains with existing customers

Phasing on promotional strategy

~IRI 52 we January 2020

Foodservice Bread and Morning Goods

Finsbury 4.2%*

Vs

Market N/A

Growth with current bread and morning goods Foodservice customers

*Like-for-like is from continuing operations excluding revenue from the closed and acquired businesses

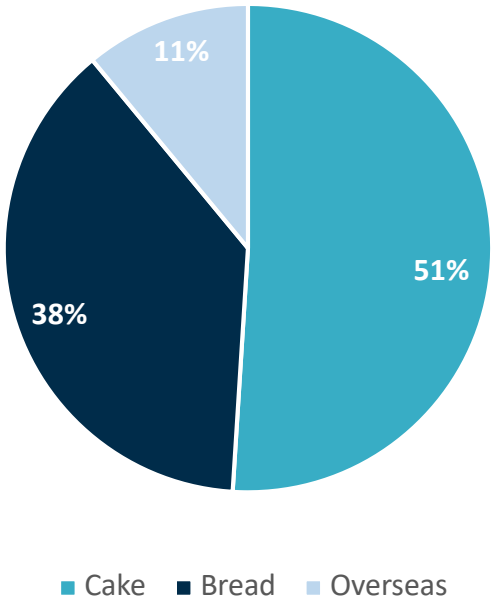




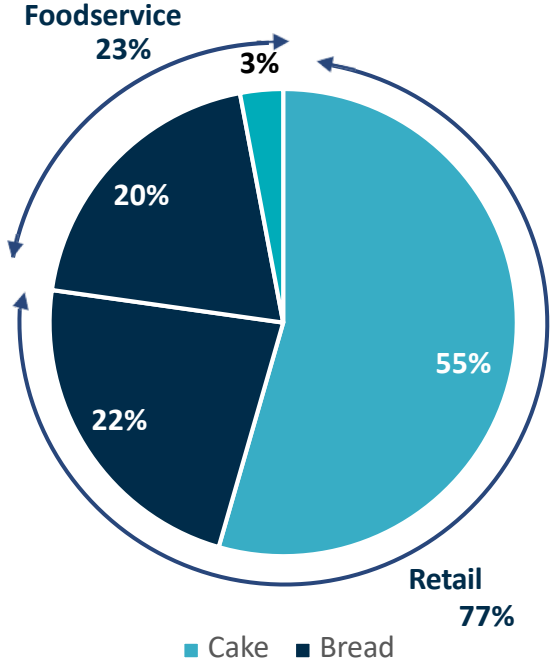
A diversified, well Invested and innovative Bakery group



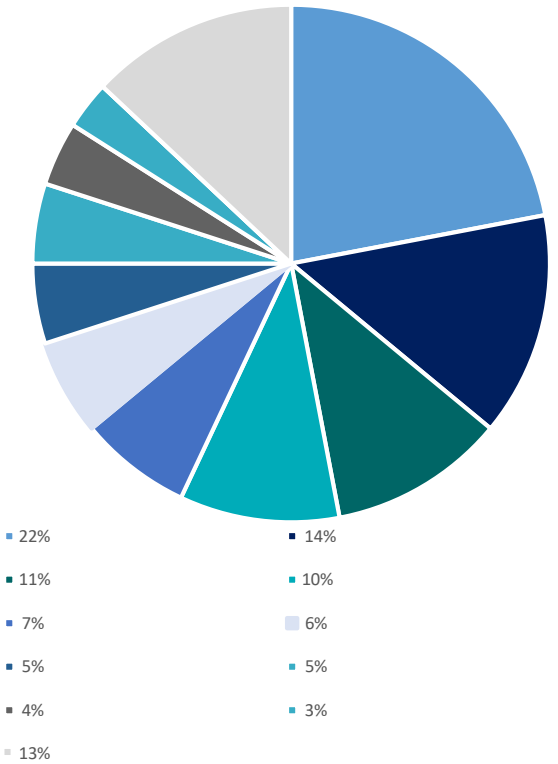
By Business



By Channel (UK Bakery)



By Customers (UK Bakery)



Financial Review



Revenue

+4.7%

H1 2020

H1 2019

£159.4m (*no impact)

£152.3m

PBT

+18%

H1 2020

H1 2019

£8.8m (*no impact)

£7.5m

Operating profit¹

+2.5%

(*+0.8%)

H1 2020

H1 2019

£8.9m (*£8.7m)

£8.7m

Diluted EPS²

-2.0%

H1 2020

H1 2019

4.8p (*no impact)

4.9p

Operating margin¹

-10bs

(* -20bs)

H1 2020

H1 2019

5.6% (*5.5%)

5.7%

Interim Dividend per Share

+6.0%

H1 2020

H1 2019

1.23p (*no impact)

1.16p

EBITDA¹

+16.9%

(*+4.1%)

H1 2020

H1 2019

£15.1m (*£13.5m)

£12.9m

Bank debt

-£3.0m

H1 2020

YE 2019

£32.6m (*no impact)

£35.6m



¹Profit is before significant non-recurring and other item and includes first time recognition of IFRS 16 leases which increases operating profit by £0.2m and EBITDA by £1.7m. The impact of IFRS 16 is explained on the next slide.

²Adjusted diluted EPS has been calculated using earnings excluding the impact of amortisation of intangibles, significant non-recurring and other items as shown on the face of the Statement of Comprehensive Income.

IFRS 16 IMPACT at 28 December 2019	Pre-IFRS 16 £m	Lease costs added back £m	Depreciation on leased assets £m	Interest charge on lease liability £m	Post-IFRS 16 £m	Impact of IFRS £m	
EBITDA	13.5	1.7	0.0	0.0	15.1	1.7	Increase in EBITDA
Depreciation	(4.4)		(1.5)		(5.9)	(1.5)	Increase in depreciation costs
Amortisation	(0.4)				(0.4)	0.0	
Operating profit	8.7	1.7	(1.5)		8.9	0.2	Increase in operating profit
Interest	(0.5)			(0.2)	(0.7)	(0.2)	Increase in interest costs
PBT	8.2	1.7	(1.5)	(0.2)	8.2	0.0	Net decrease in PBT
Balance sheet impact:							
Asset increase						12.0	
Lease/debt liability increase						(12.0)	

Numbers appear not to cast due to roundings.



Sector revenue and operating profit (excluding impact of IFRS 16)

UK Bakery				Overseas			
	H1 2019	H1 2020	Change		H1 2019	H1 2020	Change
Revenue (£'000)	133.5	141.2	+5.8%	Revenue (£'000)	18.9	18.2	(3.5)%
Operating profit (£'000)	7.4	7.5	+2.2%	Operating profit (£'000)	1.3	1.2	(6.7)%
Operating margin	5.5%	5.3%	(20)bps	Operating margin	6.9%	6.6%	(30)bps



	HY 2019	HY 2020
EBITDA (Pre IFRS 16)	12.9	13.5
Net working capital movement	(5.2)	(1.1)
Capex	(5.2)	(2.0)
Interest	(0.3)	(0.5)
Tax	(0.5)	(0.5)
Free Cashflow	1.7	9.4
Dividend paid	(2.8)	(3.0)
Decrease / (increase) in Debt before closure and acquisition costs	(1.1)	6.4
Acquisition	(16.9)	(1.0)
Closure costs	(2.4)	(2.4)
Decrease / (increase) in debt	(20.4)	3.0



- Net debt as at 28 December 2019 is £32.6m, 1.3x EBITDA
- £55m revolving credit facility
- Further £35m accordion
- Five year facility to Feb 2023

Pensions

- IAS19 Deficit - £11.3m
- Actuarial valuation ongoing based on valuation date of 31 December 2018
- Currently agreeing recovery plan with pension trustees



Strategy & Outlook



Building the leading speciality bakery group in line with a consistent strategy and operating principles

Purpose: Baking brilliance makes every day special.

Strategy:



- People Strategy – Development, engagement, attraction and retention
- Home Safe Strategy and new audit standard

- Leverage long fermentation and artisan skills on bread
- Drive 'Plant – Based', protein trends
- Step-change in Free From quality and health proposition Vs market
- Spread best practice to reduce complaints and non-conformance

- Capacity utilisation – leverage investment
- Profitable growth on Free From
- Driving brands (Licences, Kara)
- Out of Home growth – End user / independents focus
- Growth in convenience & discount channels
- Artisan breads

- Process Blueprint
- Operational Supply Chain and Engineering forums to establish best practice
- Capex Management
- Business Intelligence

- Operating Brilliance Programme
 - Bakery Efficiency, especially waste reduction
 - Distribution cost reduction
- Margin Recovery
 - Price, customer and product mix and value optimisation
- Overhead constraint

- Establishing FFG standards
- Leverage group experience on energy reduction
- Plans on areas such as plastic and sustainable sourcing

Organic growth through:

- Gaining market share in existing areas, such as Free From, licenced celebration cakes (UK and overseas) and artisan bread
- Further diversifying existing product capability into new channels and customers such as foodservice, food-to-go and discounters
- Improving competitiveness and ability to fulfil customers and consumer needs

Targeted acquisitions with a clear strategic fit:

- Accelerate market consolidation in our core product areas
- Further diversify the business through new product, category, customer, channels by geography

Future acquisition timing dependent on meeting our valuation criteria

Banking facilities support acquisition strategy



A well invested Group, positioned for growth

- Continued uncertainty in wider macroeconomic environment and cost inflation, however:
 - Predominantly UK manufacture for UK sale
 - Diversified by product, channel and customer
 - Positioned to continue to drive organic growth
 - Proven ability to mitigate input price pressure over time
- Continue to unlock both the benefits of the prior years' investment cycle, whilst optimising across the Group to drive further productivity and efficiency
- Driving growth in consumer niches such as cupcakes, Free From and artisan
- Focus on cash flow and reduction in debt
- Continued disciplined strategic approach to M&A alongside driving organic growth
- Dedicated to delivering value for employees, customers and shareholders

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There is positive sales momentum in the business and a growing number of exciting opportunities that gives us confidence in Finsbury's prospects for the full year.

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Appendices



One of the largest speciality bakery groups in the UK

Diversified by category, channel and geography

- UK and Europe
- Cake, bread and morning goods
- Retail and Foodservice

Operating in large markets

- UK bread and cake retail market of over £5.4bn
- UK Foodservice channel serving a UK market of over £1.6bn

Broad range of channels and blue chip customers

- UK retail
 - Supermarkets, discounters, convenience
- UK foodservice
 - Hotels, pubs, restaurants, high-street chains, fast food outlets, contract caterers
- International markets
 - France, Belgium, Netherlands, Ireland and some Eastern European and Scandinavia markets

Diversified manufacturing capabilities in cake and bread and morning goods*

- Bread, morning goods and cakes
 - Artisan loaves, buns and rolls, celebration, sharing and snacking cakes, retailer own label
 - Range of Free from products in bread and cake
- Foodservice
 - Sweet and savoury baked goods
 - floured baps, brioche buns, traybakes

*Increasingly products available in free from and vegan offerings

A strong and evolving branded portfolio

- Longstanding relationships with many license brands
 - Thorntons, Mary Berry, Disney, Baileys, Vogel's, Cranks, Mars
- Brand portfolio including Kara foodservice and Wiso Free From



	Amount	% Holding
Ruffer Investment Mgt	24,925,894	19.12%
Investec Wealth & Investment	11,387,263	8.73%
FIL Investment International	11,277,792	8.65%
Canaccord Genuity Wealth Management	10,194,522	7.82%
Miton Premier Investors	7,522,108	5.77%
Gresham House	6,033,462	4.63%
London Finance & Investment Group P.L.C	6,000,000	4.60%



Invest

Invest in our people and our manufacturing sites to form a strong foundation for our strategy.

Innovate

Create innovative high-quality bakery products that anticipate key market trends.

Customer Focus

Ensure customer and consumer needs are at the heart of our decision making.

Balanced Portfolio

Develop a strong licensed brand portfolio to complement our core retailer brand relationships.

Multi Channel

Succeed in both the retail grocery and out-of-home channels.

Drive Growth

Grow through a combination of organic growth and targeted acquisitions.

Vision: To build the leading speciality bakery group



Operating Principles



Operating excellence

We continually invest in our bakeries to improve our efficiency and customer satisfaction.

Sustainable approach

We optimise our use of resources and focus on reducing waste throughout our supply chain and in our bakeries.

Quality and innovations

Our innovative, high-quality bakery products reflect changing customer need and anticipate key market trends.

Cost effectiveness

We maintain strict cost controls without compromising quality, streamlining our processes from sourcing to delivery.

Growth with our partners

Through long-term relationships with our customers, and an understanding of their needs, we can all enjoy profitable growth.

People who care

We invest in our people, who take personal pride in their contribution to our success, and are strong advocates of our business and products.



FY19 capital investment at £11.0 million (2018: £12.6 million)

2015 – 2016

Investment in capability and efficiency

- Stone based artisan bread line
- Upgraded muffins and doughnuts lines
- Hot cross bun capacity

2017 – 2018

Streamlining operations

- Closure of two bakeries – Grain D'Or and Campbell's
- Successful go-live in first three sites with new IT platform

2016 – 2017

Driving efficiency

- New Group IT system
- New whole cake line
- New cupcake line; new celebration capability

2018 – 2019

Unlocking opportunity

- Completed roll out of IT System
- Invested in Free From capacity in UK and Europe
- Unlocked capacity on doughnuts and buns and rolls

Leading to improved productivity and competitiveness

Over last four years capex of £48.3m, which is £19.2m more than depreciation
Transitioning from capital investment phase to a normal level of capital investment