

Finsbury Food Group plc
Final Results
Year ended 26 June 2021

Better

Together

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 customers across channels

Diversified manufacturing capabilities

Strong and evolving brand portfolio

#1 in a number of niches including Celebration Cakes, Branded Organic Bread & Premium Round Cakes



Growth across all metrics reflects resilience of Group and ability to adapt in an uncertain environment

Extremely positive second half with H2 revenues up 9.1% against the corresponding period in the prior year

Strong progressive improvement year on year with retail up +5.8% and foodservice down 14.9%

- Foodservice continues to improve with 2nd half sales up 4.6% against the comparative period in the prior year

Significant growth in Overseas division up 13.4% against the prior year

Focus on strategic execution has not wavered and have continued to make progress against strategic objectives

Operational initiatives are yielding higher gross margins

Demonstrated strong crisis management skillset to adapt and maintain safe production

Remain focused on our people, customers and cash

Given the robust performance the Board has recommended a full year dividend of 2.4p

Resilient group with a strong balance sheet, positioned for growth



Continued execution and innovation

Strategic highlights

- The Group's operating Brilliance Programme continued to drive improvements in operations with gross margin increasing 1.7% to 32.9%.
 - A new frozen dough ball facility commissioned in Manchester.
 - Further innovation in line with consumer trends with
 - Award-winning Free From and vegan cakes
 - Launch of vegan doughnuts and a range of artisan gluten-free breads
 - Continued double-digit growth in artisan sourdough breads.
- Product excellence illustrated by the winning of several Quality Food and Drink 'Q' Awards.
 - Continued investment in development, engagement and health and well-being of employees.



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Market evolving post COVID-19 & Brexit



COVID-19 & Brexit

Retail continued to perform well both in the UK & particularly Europe

Were able to serve our customers in Europe without disruption despite the challenges faced

Foodservice has continued to recover although slower than expected due to ongoing Covid restrictions

Online has taken a sizeable share of the market that is unlikely to revert in the near future

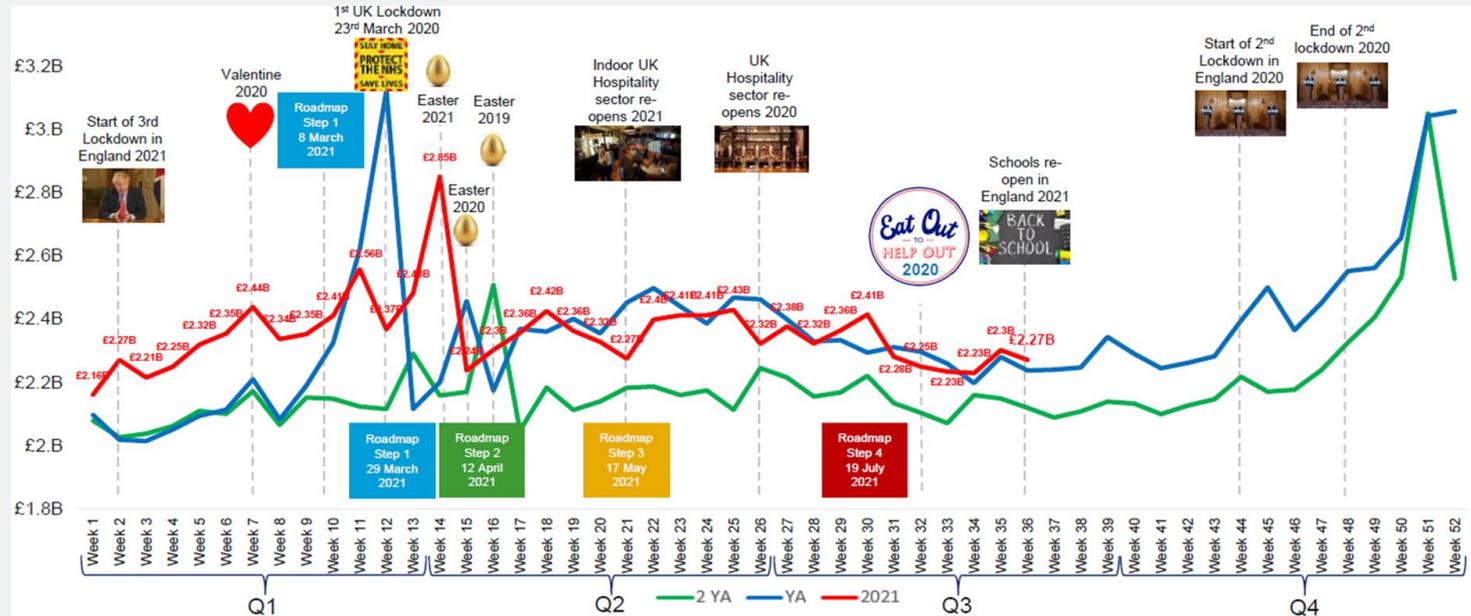
Momentum behind the consumer trends of vegan, artisan and wellness has continued to build

Covid-19 has merged with post-Brexit challenges and we are not immune to nationwide issues of HGV driver shortages and supply chain disruptions



Where is the market now?

UK Grocery market continues to perform robustly with total sales consistently ahead of 2019 pre-pandemic levels



Source: IRI Retailer Advantage | Total Market | All Products | Latest Week (w/e 28/08/2021) | Value

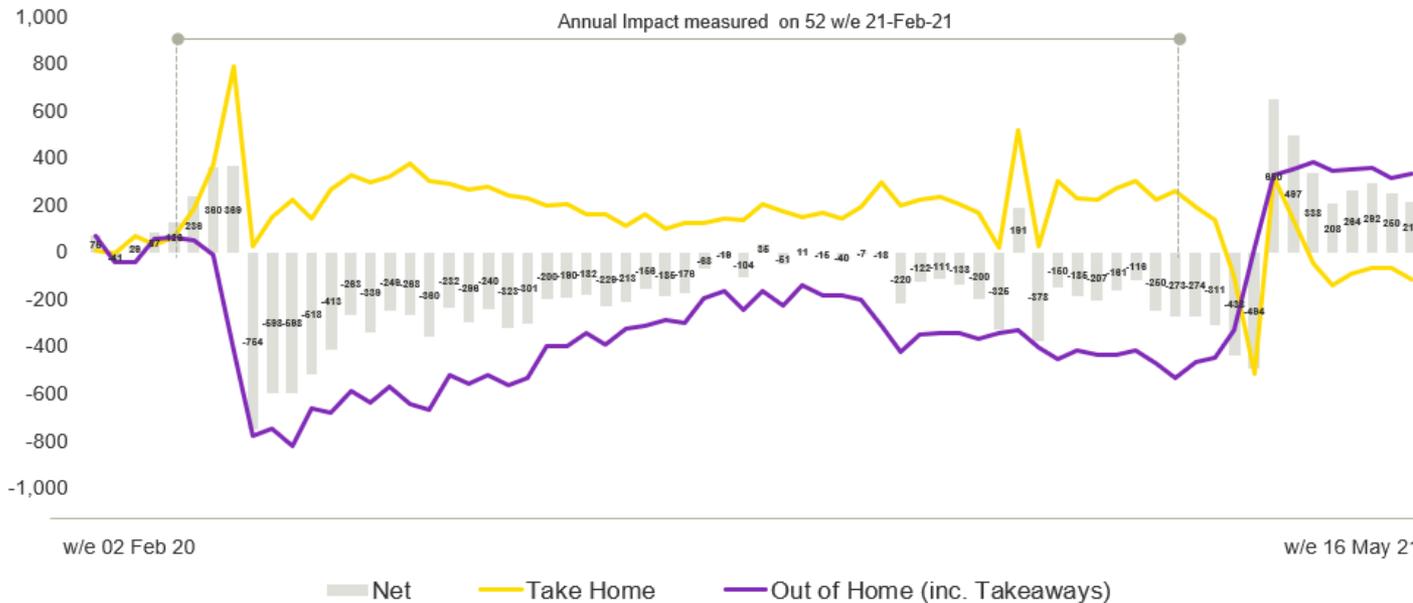
Note: retailers included –Tesco, ASDA, Sainsbury’s, Morrisons, Co-op, Waitrose, Iceland, Ocado, M&S



The transition of food & drink spending from out of home to at home is now being partially reversed. However, there remains a stark contrast in fortunes between the take home and out of home sectors.

Total Food & Drink (exc. Alcohol) – Change in spend (£M) by channel vs. the same week a year ago

net annual change



+£12bn

-£21bn

Source: Kantar FMCG and Out of Home panels



Which consumption trends will stick?



More at home occasions



Different experience depending on the household



Rise (& relative fall) of scratch cooking



Replacing OOH at home



Rise of treaty behaviours



A bumpy ride for health



Plant based still on the up



A robust performance

Retail Bread and Morning Goods



Finsbury

+5.1%

VS

Market

+5.8%^

- Resilient everyday performance
- Strong innovation including expanded vegan and gluten free ranges

Retail Cake



Finsbury

+4.3%

VS

Market

+1.0%~

- Celebration and Food to Go impacted by COVID
- Nut free licensed celebration cakes launched
- Expanded vegan and gluten free cake ranges

Foodservice Bread and Morning Goods



Finsbury

-13.6%

VS

Market

N/A

- Slower than anticipated recovery due to restrictions
- Finsbury benefits from significant exposure to education, public sector & home delivery

^Kantar Worldpanel 52 we July 2021

~IRI 52 we July 2021



Continued innovation in line with customer trends



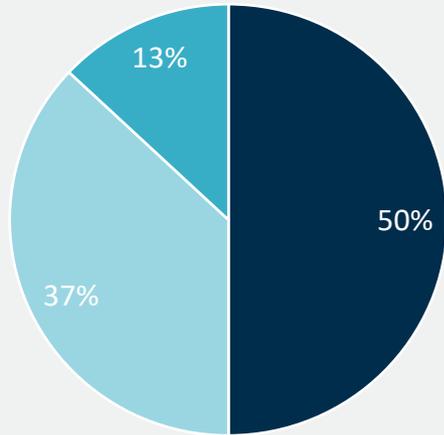
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A diversified, well
invested and innovative
Bakery Group



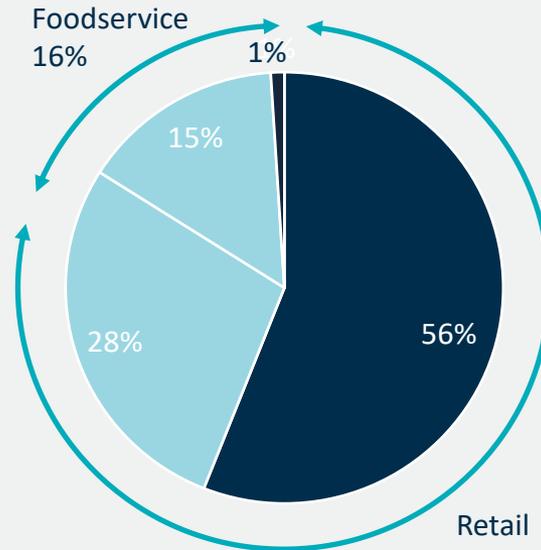
Well diversified across category, channel and customers

By Business



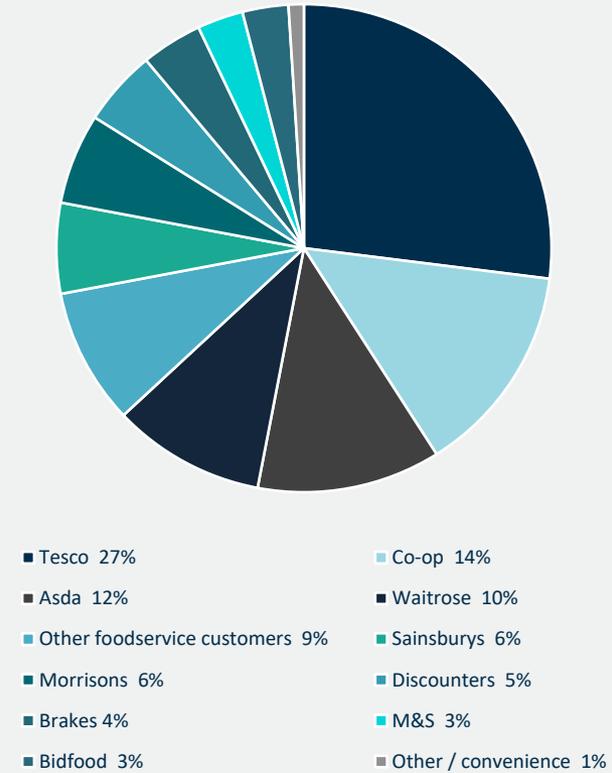
■ Cake ■ Bread ■ Overseas

By Channel (UK Bakery)



■ Cake ■ Bread

By Customers (UK Bakery)



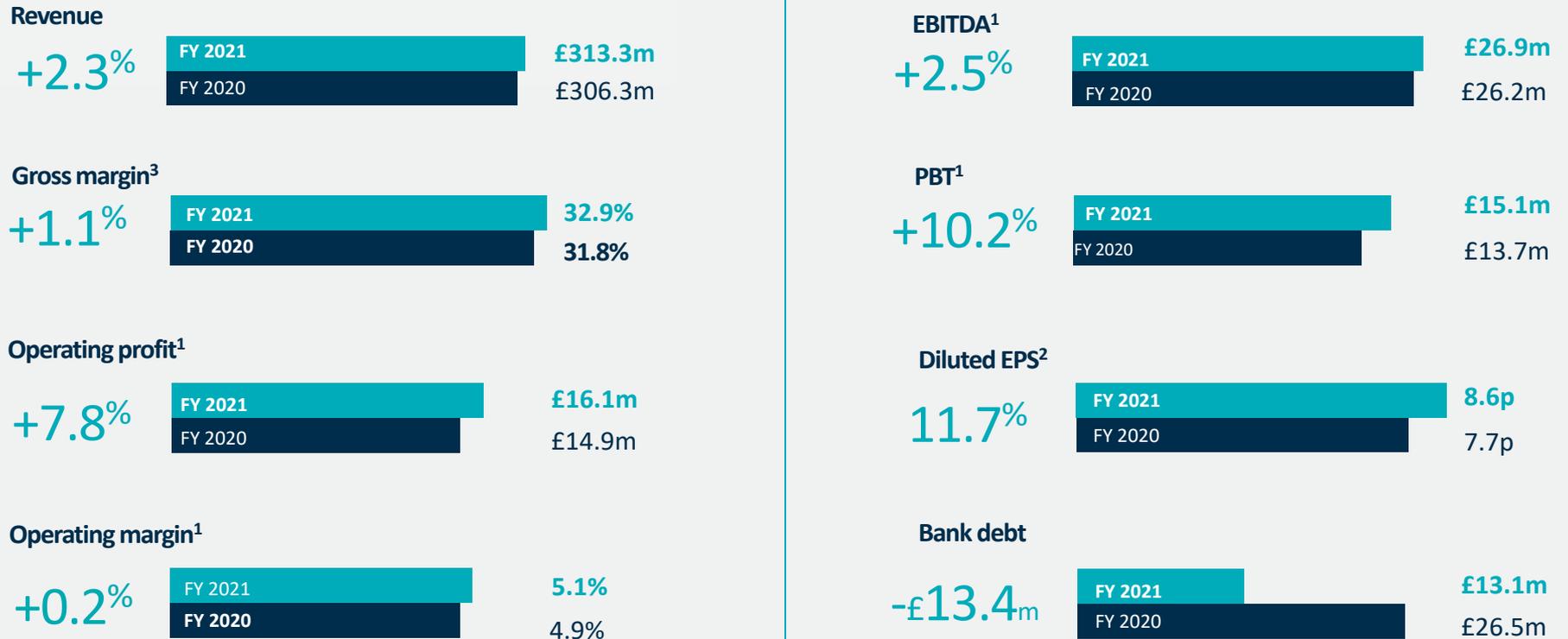
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Financial Review



Financial summary

The full year figures represent 12 months trading in the pandemic environment compared to 3 months in the previous year. It also embraces 6 months trading post Brexit.



¹ Profit is before significant non-recurring and other items.

² Profit before significant non-recurring and other items and amortisation of intangibles.

³ Comparative gross margin % increased by 0.6% to 31.8% due to the reclassification of indirect labour costs into overheads.



Sector revenue and operating profit

	UK Bakery			Overseas		
	FY 2020	FY 2021	Change	FY 2020	FY 2021	Change
Revenue (£'000)	271.4	273.7	0.8%	34.9	39.6	13.4%
Gross margin (% of NSV)*	33.0%	34.5%	1.5%	22.0%	21.6%	-0.4%
Operating profit (£'000)	13.1	13.6	3.4%	1.8	2.5	40.2%
Operating margin	4.8%	5.0%	+20bps	5.1%	6.3%	120bps

*Comparative gross margin % increased by 0.7% to 33.0% due to a reclassification of indirect labour costs into overheads.



Cashflow

	FY 2020 £m	FY 2021 £m
EBITDA	26.2	26.9
Net working capital movement	1.0	2.9
Capex	(4.7)	(6.2)
Lease payments*	(3.0)	(2.6)
Interest	(1.1)	(0.7)
Tax	(1.8)	(3.9)
Free Cashflow	16.6	16.4
Dividend paid	(3.0)	-
Shares (purchased for employee benefit trust/share options exercised)	(1.0)	(2.0)
Payment to non-controlling interest, FX and other items	(0.6)	(0.2)
Decrease in Debt before closure and acquisition costs	12.0	14.2
Acquisition	(1.0)	(0.5)
Closure and commissioning costs	(1.9)	(0.3)
Decrease / (increase) in debt	9.1	13.4

* Lease payments exclude asset finance lease payments classed as bank debt repayment.



Significant debt reduction and strong long term banking relationships

Debt

- Net debt as at 26 June 2021 is £13.1m
- Debt:EBITDA at 0.5x (pre-IFRS measure in line with banking covenants)
- £55m revolving credit facility
- Further £35m accordion
- Five year facility to Feb 2023

Pensions

- IAS19 Deficit - £14.5m
- New recovery plan agreed with pension trustees – annual contribution to deficit of £500k
- Next actuarial valuation date of 31 December 2021



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Strategy and Outlook



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

Purpose: Baking brilliance making everyday special

Strategy:



Strategy into Action Examples:

Continued to strengthen and integrate Group IT and BI system in areas such as supply chain optimisation, product lifecycle management and sales and operations planning

Operating Brilliance Programme (OBP) delivering +GM% growth through improved efficiency and waste reduction (55 trained leaders and practitioners)

First graduates from university recognised training courses in OBP

50% increase in new Artisan sourdough capacity commissioned and filled

New frozen foodservice doughball line installed and commissioned

100% zero waste to landfill certified

Nut free licensed celebration cakes launched. Expanded vegan and gluten cake ranges

Group Supply Chain function implemented



Opportunity for significant sales growth

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 robust, well invested Group, positioned to benefit from recovery

Outlook:

- Demonstrated strength, resilience and ability to manage crises in the period
- Environment in which we operate continues to face headwinds in relation to raw material prices, inflation, and skilled labour and driver shortages
- Focussed on delivering organic growth, capitalising on the momentum behind the consumer trends we have seen develop in recent years such as vegan, artisan and wellness
- Continue to explore ways to address some of the emerging opportunities presented by the changing consumer landscape such as more at home lunchtime eating occasions
- Will focus investment programme in specific areas of capacity and product capability, as well as further productivity enhancing automation, in the new financial year
- Well positioned to capitalise on growth opportunities

“Whilst we are likely to face persistent challenges around inflation and skilled labour and driver shortages, our long-term growth ambitions remain unchanged. We are committed to making Finsbury an even more efficient and joined-up business, focused on driving synergies and scale benefits across the Group.”



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Q&A



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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



Significant shareholders at 27 August 2021

	Amount	% Holding
Ruffer Investment Mgt	25,607,500	19.64%
Fidelity Worldwide Investment	13,119,780	10.06%
Investec Wealth & Investment	11,745,855	9.01%
Premier Miton Group	8,489,675	6.51%
Canaccord Genuity Group Inc	8,349,345	6.40%
Finsbury Food Group Employee Benefit Trust	6,194,155	4.75%
London Finance & Investment Group P.L.C	6,000,000	4.60%
Hargreaves Lansdown PLC	4,513,933	3.46%
Interactive Investor Trading	4,069,120	3.12%



Delivery in line with a consistent strategy

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



A Group of scale – our operating principles

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



Acting as a responsible business is at the core of the Group's strategy. Finsbury aims to always operate in an ethical and sustainable way and to help our people play a positive role in the communities where we operate.



Environmental (Planet)

- Since May 2021 all electricity from renewable energy generation
- Group drive to reduce plastic usage, currently >90% of plastic used is recyclable in the UK
- Zero landfill business with >80% being recycled
- Implementation of a group-wide environmental system in line with ISO14001 and ISO50001 to provide consistent approach & framework for sustainability metrics



Social (Community & People)

- Further roll out of Facebook Workplace to ensure the Group remains connected
- Leadership programmes have been strengthened, graduate recruitment programme continues to be successful, and apprenticeship programme is growing in popularity
- Launched our Health & Wellbeing Strategy including 50 new mental health first aiders
- Strong community engagement and partnerships with national charities Grocery Aid & FareShare



Governance

- Governance framework and reporting in compliance with QCA Corporate Governance Code
- Appointment of Group Health, Safety, Environment and Risk Director who is a member of the Group Executive Committee
- Group Operations Forum & Group Risk Steering Committee govern and audit against both regulatory requirements as well as what we should do

