

Chairman's Statement

The Group delivered a record revenue figure for the full year ended 2 July 2022; this was achieved during a period of exceptional macroeconomic turbulence. The financial year was set against a backdrop of further Covid-19 restrictions which helpfully eased as the year progressed. There were, though, increasing and now persistent ongoing pressures from input cost inflation, staff shortages and other supply chain disruptions.

The period under review saw a number of testing obstacles for the wider consumer sector and the manner in which Finsbury successfully navigated these headwinds is testament to the diligence and experience of our management team. Whilst these various pressures are likely to persist in the near future, I am confident that we have the best possible team in place to continue executing on our strategy and to further strengthen our position in the market as our business is aligned with long-term consumer trends.

The challenges have been significant. Our commercial teams have needed to be in constant dialogue with our customers and suppliers to deliver the necessary revised commercial arrangements to address this volatile situation. However, our focus on strategic execution has not wavered and we have continued to make good progress against our objectives, based around our three pillars of Excellence, Growth and Responsibility and underpinned by our Operating Principles.

One such objective has been to bring the Group businesses closer together to operate as a single cohesive unit. This is giving us both uniformity and improved efficiency in our processes, procurement, procedures and communication. In turn, this will make us stronger; creating a platform that will enhance our future performance.

The hard work and dedication of the whole Finsbury team has enabled us to navigate these challenges and changes while still achieving strategic progress and delivering a commercial performance in line with market expectations.

The clarity of our strategy and the resilience of our business model means the Company is well positioned for continued growth.

A Robust Performance

Our agile management of the evolving macroeconomic situation has allowed us to deliver a robust performance for the period with the Group posting record revenue figures, alongside notable operational successes and continued investment. The full year figures do reflect the beneficial impact of the relaxation of Covid-19 restrictions, compared with the previous 12 months trading.

Group revenue increased by 13.9% to £356.8 million, bolstered by a particularly strong second half performance with revenue up 18.7%, against the corresponding period in the prior year. Adjusted EBITDA increased by 6.9% to £28.7 million (2021: £26.9 million), adjusted profit before tax increased by 12.1% to £17.0 million (2021: £15.1 million) and the Group delivered an adjusted diluted EPS of 10.1p. The Group's net bank debt position by year end was £20.6 million (2021: £13.1 million) as the business increased its stake in Lightbody-Stretz Limited, its European distribution subsidiary, from 50% to 85% in February 2022.

It is pleasing and reassuring that the 13.9% increase in Group revenue was driven by 8.7% of volume growth which indicates the quality, relevance and innovation of the Group's products. The Group's sales growth has been achieved through a good performance in the Group's UK bakery, up 12.1%, which includes

a continuation of the recovery in foodservice (up 38.1%). There was also an impressive 26.6% increase in the Group's overseas division. The overseas performance is particularly pleasing and reflects the management team's excellent execution and growth ambitions, along with our continued desire to invest in the European opportunity.

The Group also successfully negotiated a new four plus one year £120 million credit facility (£60 million core plus £60 million accordion) effective as of 27 June 2022. Whilst the current stock market conditions persist and lower ratings of food manufacturers are weighing heavily on share prices, these new credit facilities will provide financial flexibility for the Group to pursue its significant growth ambitions. As communicated in the February 2022 Interim Results announcement, the Board continues to explore opportunities to accelerate the growth of the Group through targeted acquisitions. The continued successful execution of the Group's strategy positions us well to succeed in both the retail grocery and out-of-home channels in the UK and Europe particularly through the development of a strong licensed brand portfolio to complement our core retailer brand relationships.



Dividend

Given the robust performance and sound financial position of the Group, the Board will be recommending a final dividend of 1.67 pence per share at the forthcoming AGM, which will take the total dividend for the year to 2.50 pence per share (2021: 2.40 pence).

Considerable Operational Progress Despite Macroeconomic Headwinds

We have continued to invest and focus on the deployment of our Operating Brilliance Programme (OBP) which, facilitated by a cloud-based, Group-wide IT system, has enabled us to recover this inflation, whether it be through operating efficiency or price increases.

We are progressively delivering a suite of best-in-class business systems and increased efficiencies, to optimise our business operations. This will help protect us in the short-term and be ready for when the market returns to more normal conditions.

There is still a lot of work to be done, however, the progress made this year has been significant. We have continued to strengthen our category-leading new product development (NPD) expertise, and have further implemented best practice through our Process Blueprint, a product design framework delivering quality and efficiency. Steps like these should ultimately help us to create long-term shareholder value, through share price appreciation and attractive dividends.

A Responsible Business

At Finsbury we hold social responsibility at the very core of our ethos and, as we challenge ourselves to be a more conscientious and socially impactful business, accountability around our progress is important.

As part of our ongoing social responsibility programme, we will continue the journey to our target of reducing emissions in line with the Science Based Targets initiative (SBTi) methodology. Alongside this, we will work with our supply and customer partners to source raw materials in a sustainable and ethical way.

Investment and development of people is key to our success, and we are committed to investing in our staff to help attract and retain talent through exploring new recruitment channels, and mechanisms to engage and retain our existing workforce. Alongside this, we have invested in graduate talent, apprenticeships and leadership development for the future, as well as launching our Diversity and Inclusion strategy through a series of policies, campaigns and training programmes to build awareness and understanding.

Our People

Our people are the bedrock of our business and the culture that pervades across Finsbury has helped us to endure difficult conditions with great professionalism and calm. It is their focus which has resulted in our year on year progression in quality performance, with complaint numbers and rates continuing to reduce on a yearly comparative basis.

Our teams have worked extremely hard to create the right working conditions for Finsbury to succeed and, on behalf of the Board, I would like to take this opportunity to thank all members of staff for their dedication and commitment.

I would also like to extend my appreciation to the Board and wider Executive team who have done an excellent job in navigating the Group through what has been an exceptionally challenging period. Through their leadership and expertise, Finsbury has not deviated from its strategic ambitions and the robust set of results reflects their success.

Outlook

The past year has been set against a backdrop of exceptional macroeconomic headwinds. Finsbury has faced unprecedented challenges as a result and, simply taken at face value, the in-line performance does not convey the monumental levels of hard work that took place behind the scenes to deliver it. These results are a great achievement. Management deserves a great deal of credit for its stewardship and I am incredibly grateful to our colleagues who have all played an important role in getting us to this point. FY22 was another year in which the agility and resilience of the Finsbury model was put to the test, and again it was proven to be more than fit for purpose even in the most volatile of trading conditions.

Whilst we recognise that the future is difficult to predict with any certainty as the true impact of the inflationary environment is not yet known, we remain confident in our strategy. The past few years have not been easy, but we continue to stand up well. Across our Group, NPD continues at pace, we have diversification of products, channels and markets which stand us in good stead and, ultimately, we have a strong track record of moving forwards as a business in difficult times. This gives the Board confidence that the Group will continue to make progress and deliver profitable growth.

Peter Baker

Non-Executive Chairman
23 September 2022