

Chief Executive's Report

The period under review was a year in which Finsbury had to navigate significant post-pandemic challenges impacting the availability and cost of all inputs whether it be materials, utilities, labour and, indeed, overheads in general. The impact and scale of these additional inflationary pressures throughout the year exceeded £27 million and the level of response required across the business to address them and go on to deliver a record sales performance cannot be overstated. For many years we have been investing to reinforce and optimise the Group, making it as nimble, adaptable and able to withstand adversity, as possible. FY22 was a real test of how far we have come, and I am proud of how we performed.



Our retail business performed well, we continued to see a bounce back in foodservice, and our overseas division continued to see strong growth.



Within our markets, overall demand for food and drink has remained resilient. Our retail business performed well, we continued to see a bounce back in foodservice, and our overseas division continued to see strong growth.

Record Revenue Performance Despite Challenging Environments

The Group delivered a very strong full year performance, particularly given the environment in which we were operating in. Total sales of £356.8 million represent a 13.9% increase of which volume is 8.7% versus the corresponding period in the prior year. The Group delivered a strong second half performance, with H2 revenues up 18.7% (of which volume is 10%) against the corresponding period in the prior year.

13.9%

Total sales of £356.8 million represent a 13.9% increase.

This growth in sales has been driven by a stable performance in the Group's core division, UK bakery, up 12.1%, which includes a continuation of the robust recovery in foodservice, up 38.1%, and a 26.6% increase in the Group's overseas division.

Unprecedented pressure from input cost inflation, staff shortages and other supply chain disruptions persisted throughout the period. Pleasingly, the Group was able to mitigate much of the impact through revised pricing and commercial arrangements, operational improvements and supply chain initiatives. It will continue in the same vein as further inflationary cost pressures are expected in the new financial year.



The Group achieved a record sales performance while demonstrating strong resilience. We were able to mitigate inflationary pressure on costs through revised pricing and commercial arrangements, operational improvements and supply-chain initiatives.

Our strategy is central to the ongoing success of our business and is spread over three key pillars:

Excellence

We invest in our people and our operating sites to form a strong foundation to underpin our strategy. We create innovative high-quality bakery products that anticipate key market trends and ensure that customer and consumer needs are at the heart of our decision making.

Growth

Our Group seeks to drive growth both organically and through acquisition, targeting both the retail grocery and out-of-home channels in the UK and Europe. We have developed a strong licensed brand portfolio to complement our core retailer brand relationships.

Responsibility

Our commitment to building a sustainable operating model is built on a holistic framework that puts our people's development, engagement and health and wellbeing at the heart of our business. We strive to continually reduce our impact on the planet by investing in technology, expertise and driving shared ownership across our growth partners.

Chief Executive's Report/Continued

1. Excellence

The implementation of our Operating Brilliance Programme (OBP), centred around building people and process capability, continues to deliver meaningful benefits to performance.

In light of the challenging landscape we have been operating in for several years, we have focused on building resilience across the Group and creating a platform for continually improving performance. In FY22, our initiatives were responsible for a combined £4.5 million of gross annual savings, and we expect these benefits to continue.

A major focus in FY22 has been the development of a suite of best-in-class systems, all linked to our business intelligence software, with a view to delivering Group-wide, high-quality data which we can use to make more effective decisions.

FY22 systems investment included:

- An integrated Group Supply Chain Planning System, which will enable us to move to an integrated business planning model;
- A Product Lifecycle Management System, which will transform our development process, ensuring we have an effective product design framework to deliver profitable growth; and
- A Group-wide Computerised Maintenance Management System (CMMS) roll out has commenced in all bakeries.

The final piece in the best-in-class systems jigsaw is a new HR system, which will be implemented in FY23. Once in place, this system will materially reduce administration workload and improve areas like skills training and development effectiveness within the business.

Moving forwards, we remain focused on extending, embedding and sustaining our Operational Brilliance Programme at an increasingly Group-wide level, including at interfaces with key customers and suppliers to promote best practice both internally and externally.



2. Growth

The Board is committed to driving growth through a combination of organic growth and targeted acquisitions.

We are delighted to report continued growth across our portfolio in the UK and Europe as we continue to work collaboratively with our partners to drive growth in our key markets. We are particularly focused on capitalising on the continued rapid growth within our Lightbody Europe subsidiary aligned to our celebration, small cake and Free From category strategies, accelerating progress through our licensed brand portfolio and a strong innovation pipeline.

As sales patterns have become more normalised throughout the period following the impact of lockdowns, we have continued to succeed in both the retail grocery and out-of-home channels in the UK and Europe, working closely with our foodservice partners to enable a strong recovery. We continued to embed our whole cake strategy and accelerate our small cake performance, led by food to go with our indulgent and plant based snacking offer outperforming the market across both the grocery and convenience channels.

From a brand portfolio perspective, we continued to go from strength to strength. We have invested in our gluten-free business in the UK and Poland, expanding capacity and capability and driving double-digit growth. In Europe, we have extended our Free From Wiso brand, which we will look to drive further scale in FY23, leveraging our Lightbody Europe business model to deliver this. Three of the top five celebration cake lines in the UK are Finsbury's and our Xbox product is the fastest growing cake in the market. We continue to hold the broadest license portfolio, which we continually evolve to ensure that we are catering to the diverse range of consumer needs.

To remain a leader in our key channels, we will implement consumer-led growth strategies across cake product categories and focus on targeted bread consumer-led growth in both retail and out-of-home markets. Product development is also a key future focus as we increase capacity and capability in two strategically important category areas of buns and rolls and celebration cake. Further development and implementation of our Group Free From strategy will continue as we seek to drive further growth within this sector by extending our reach wider into speciality bread, morning goods, sweet treat and cake categories.

The Board continues to explore opportunities to accelerate the growth of the Group through targeted acquisitions and strategic investments. In February 2022 we acquired a further 35% shareholding in Lightbody-Stretz Limited, taking our ownership from 50% to 85%, reflecting our continued belief in the opportunity in Europe.

The Group's new credit facility provides financial flexibility for the Group to pursue its significant growth ambitions, as and when appropriate, potentially through further M&A.

3. Responsibility

Finsbury has always prided itself on being a responsible business that acts with integrity and care, both for our people and towards the planet.

A primary focus has been to further develop key skills, subject matter expertise and capability, in addition to investing in graduate talent, apprenticeships and leadership development for the future.

This year saw the launch of our Diversity and Inclusion strategy through a series of policies, campaigns and training programmes to develop awareness and understanding. We also progressed our Health and Wellbeing and Community Engagement programmes, including further developing our partnerships with UK charities GroceryAid and FareShare at a Group level, whilst continuing to support team member nominated charities at a local level. We will soon be redeploying our Employee Engagement survey to assess the impact of our Employee Engagement programme with a view to driving continued improvement in our workplace culture.

Sustainability is in our DNA, with metrics and goals embedded within all our business strategies. As a result of our focus on driving recycling rates, 85% of our waste is now recycled (up from 80% last year) with the balance being used to generate power. We remain a certified zero landfill business and as part of our commitment to the WRAP objectives on plastic usage, 91% of our packaging is now recyclable. We will continue to increase the recycling rate through the training and the application of technology.

"Scope 1 and 2" emissions have been reduced by 20% against our 2016 base line, and we are creating a Supplier Partner Sustainability Forum to work collaboratively on reducing the Group's environmental impact. This will include the measurement of our "Scope 3" emissions with our key suppliers.

We now have live data monitoring systems for electricity use for all our key assets, helping teams to calculate the impact of action in real-time and saving up to 10% of energy usage. The implementation of these systems has allowed us to convert 90% of our lighting to LED and we will achieve the complete 100% transition later in the calendar year 2022, saving over 260 tonnes of CO₂ per annum. Automated live usage monitoring will be extended to gas and water to help teams to identify reduction opportunities.

Raw materials continue to be sourced in line with a variety of sustainable and ethical standards, including Fair Trade and the Rainforest Alliance. Our palm oil adheres to

the RSPO segregated sustainability standard. Moving forward, we will persist in working with our supply and customer partners to source raw materials in a sustainable and ethical way.

I would like to take this opportunity to personally thank our teams across the Group for their continued hard work, determination and commitment. Without their efforts we would not have been able to navigate the challenges we have faced and, in turn, deliver a record performance.

Outlook

Finsbury has faced unprecedented challenges in recent years, first triggered by the Covid-19 crisis and now by arguably the most challenging input cost inflation in decades and falling consumer confidence. Despite these, the resilience and swift response across our business enabled us to deliver a record revenue performance in the period under review.

Looking ahead, macroeconomic and inflationary headwinds are set to persist at levels in excess of that experienced in FY22. However, Finsbury is no stranger to responding to difficult trading conditions and uncertainty. Since long before the onset of Covid-19, we have been focused on diversifying products, channels and markets; unifying our businesses; identifying efficiencies; and making the Group more resilient and able to respond quickly and effectively to changing dynamics. The work our teams have put in over the past several years continues to leave us in a strong position relative to many.

The continuation of our Operating Brilliance Programme has resulted in significant progress to date and there is encouraging momentum as we move through the new financial year. FY22 saw further expansion of our international footprint, continued reinforcement of our best-in-class systems, and further advances in refining and strengthening our product range, such as in gluten-free. In FY23, we aim to continue in a similar vein, making incremental improvements to our operations, such as through the launch of a new Group-wide HR system, that will stand us in good stead as we navigate the challenges ahead.

While we now have two months of trading under our belt in the new financial year, the complexity of the pressures we are facing and the uncertain outlook around the phasing and extent of the impact of rising inflation and energy prices on consumer demand means it is difficult to predict how the rest of the year will unfold. The effectiveness of government policy

to tackle the cost of living crisis, with energy price inflation sitting at the centre and affecting both consumers and companies, is another important variable that muddies the picture. However, we are experienced in dealing with adversity; our business is aligned with long-term consumer trends; we have a proven, agile model; and we continue to execute a strategy that we believe will continue to improve the business irrespective of external turbulence.

These factors combined give us confidence that, whilst we can't control the headwinds we are facing, we will be well positioned once the macroeconomic situation stabilises.



John Duffy
Chief Executive Officer
23 September 2022



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