

A close-up, side-profile photograph of a young woman with dark curly hair and glasses, wearing a yellow sweater. She is smiling and eating a sandwich. The background is blurred, showing what appears to be a cafe or office setting with other people and lights.

Finsbury Food Group plc
Full Year Results
Year ended 1 July 2023

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 speciality categories
including Celebration Cakes, Artisan Bread & Premium
Round Cakes

Successful navigation of sector headwinds has enabled a robust performance for the year

Group revenue up 16.0% to £413.7m, driven by price and volume with:

- A robust performance in UK retail, up 11.8%
- Ongoing recovery in foodservice, up 25.1%
- Continued growth in Overseas division, up 25.0%

Lees acquisition earnings enhancing and performing in line with expectations

Acquisition is in line with carefully calibrated M&A strategy to diversify product capability into areas with high growth potential

Continued focus on and delivery of Operating Brilliance Program

Group EBITDA up 8.8% to £31.3m

Profit before tax up 4.2% to £17.7m

Diluted adjusted EPS 10.1p

Proposed final dividend of 1.73 pence per share, which will take total dividend for the year to 2.60 pence per share

Now a stronger Group able to leverage scale, diversified product range and channels

Recommended cash offer by Frisbee Bidco Limited of 110 pence in cash per Scheme Share

Market Overview



Current macro-economic challenges

A lot of the challenges from last year persist, or have evolved into new challenges

Complex & Inter-connected issues

- Macro-economic environment remains volatile with challenges creating:
 - Headwinds and uncertainty
 - Complexity and higher costs

High Interest rates

- UK interest rates are at the highest level since 2008 resulting in:
 - Increased strain on UK households
 - Borrowing and debt now more expensive

Food Inflation & Standard of Living stagnation

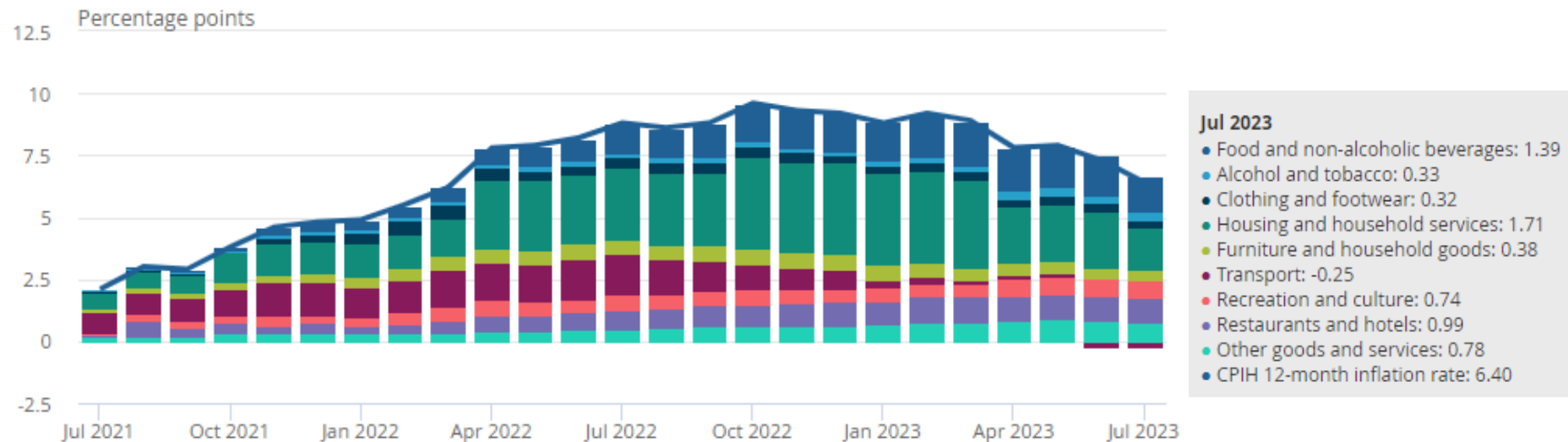
- Food inflation continues to be a large contributor to overall cost of living increases
- Concern over food inflation now matching that of future energy price rises

Labour Market

- Recruitment and retention remains a challenge
 - UK unemployment remains low
 - High level of vacancies
 - High wage inflation

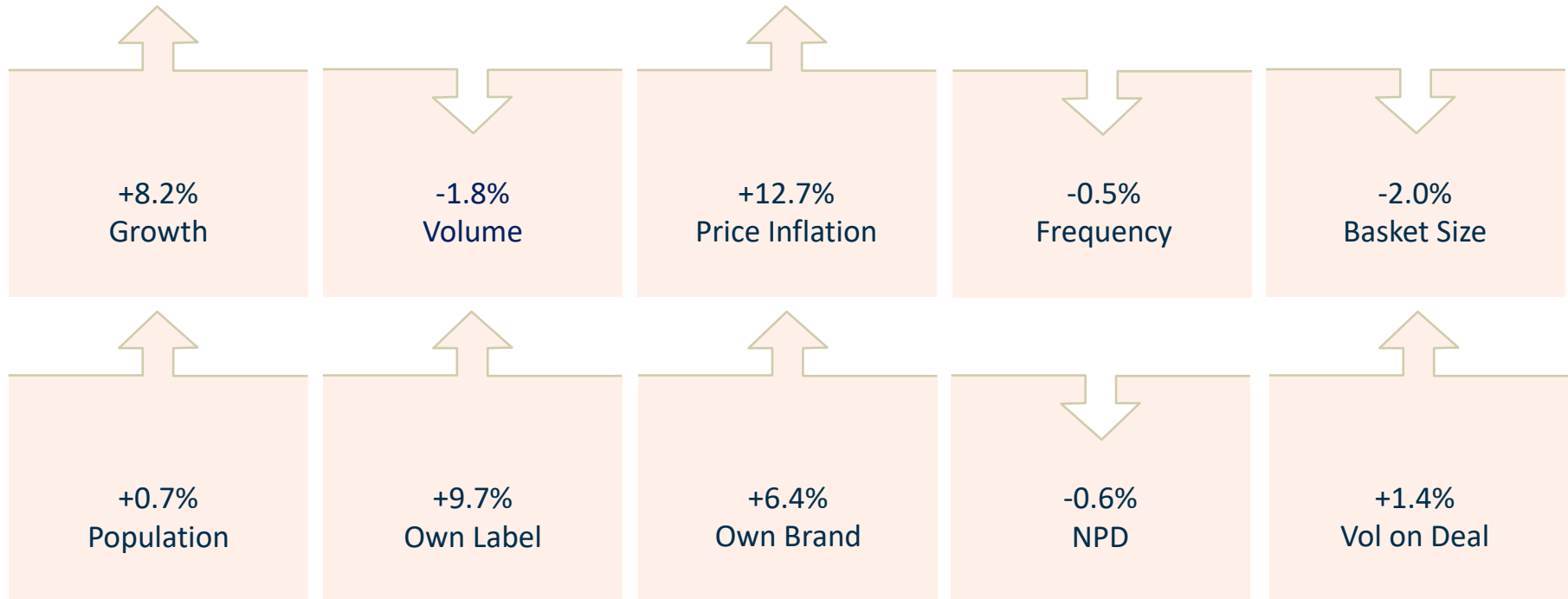
Inflation indicators

- CPIX (Consumer Prices Index including owner occupiers' housing costs) is at 6.4%, vs. the October 2022 peak of 9.6%
- Other than transport there is no deflation, only reduced inflation
- Food and non-alcoholic beverage is the second largest contributor to overall CPIX



Grocery Inflation indicators

Volume remains a challenge in the face of high price inflation. Shoppers buying smaller baskets, and less often to manage their spending



A robust performance

Retail Bread and Morning Goods	Retail Cake	Foodservice Bread & Morning Goods	Foodservice Cake	Overseas
Finsbury	Finsbury	Finsbury	Finsbury	Finsbury
+6.4%^	+10.4%^	+27.1%^	+19.7%^	+25.2%^
VS	VS	VS	VS	VS
Market	Market	Market	Market	Market
+18.1%* ^	+8.8%* ^	N/A	N/A	N/A

*Cricana 52 w/e 15 July 2023 ^52 week data

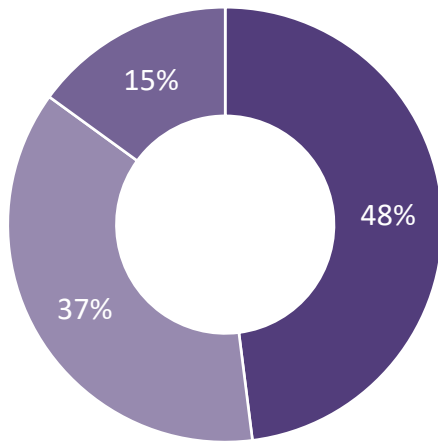
Figures exclude Lees

A diversified,
well invested
and innovative
Bakery Group



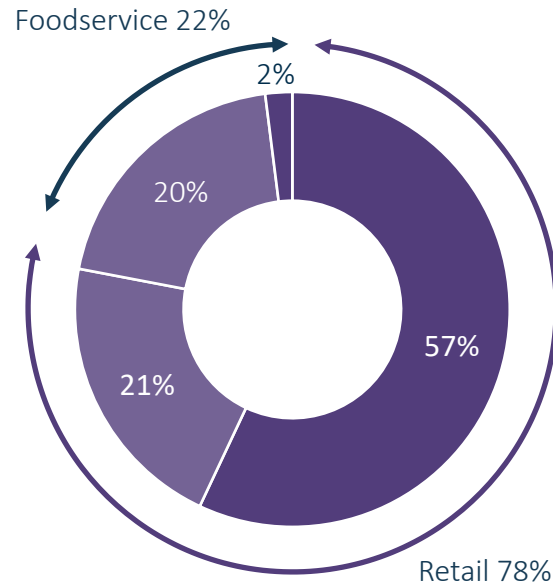
Well diversified across category, channel and customers

By Business



■ Cake ■ Bread ■ Overseas

By Channel (UK Bakery)



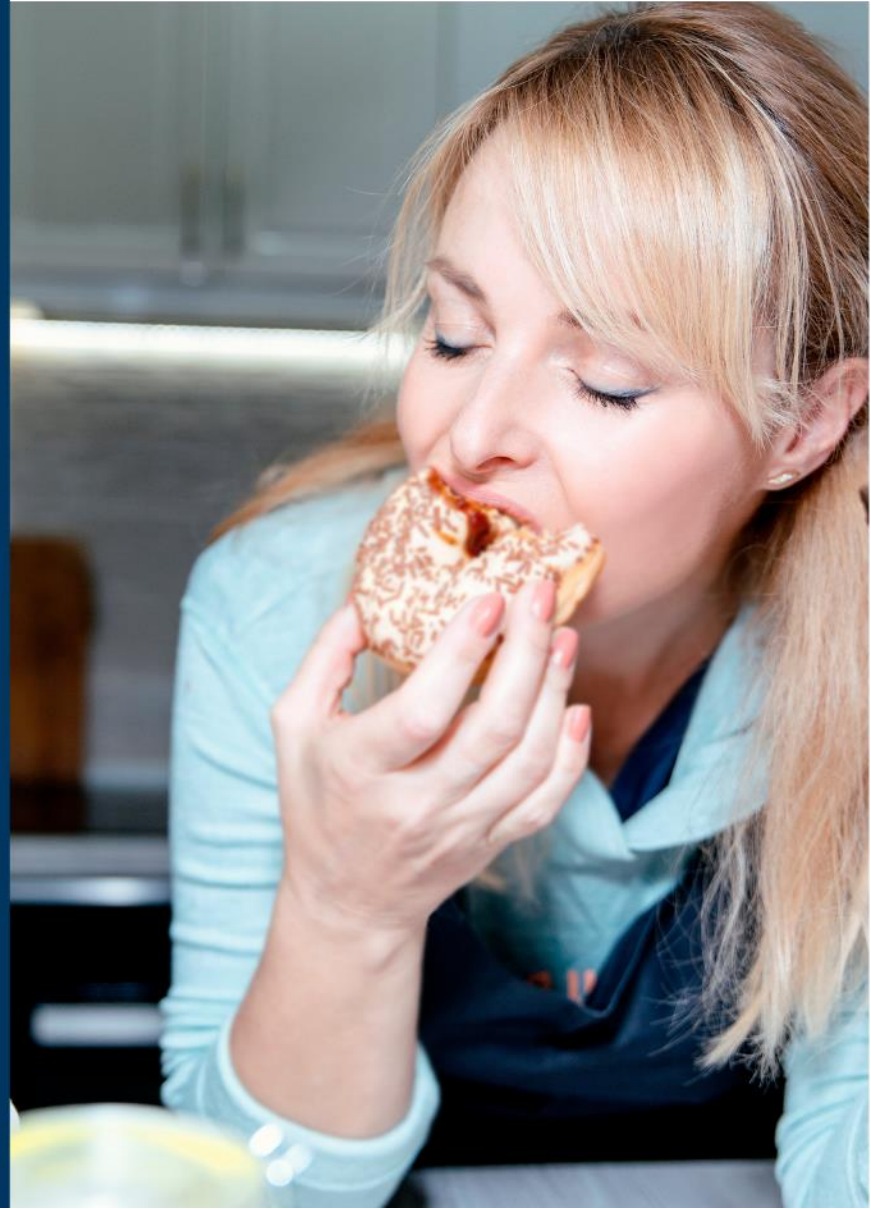
■ Cake ■ Bread

By Customers (UK Bakery)



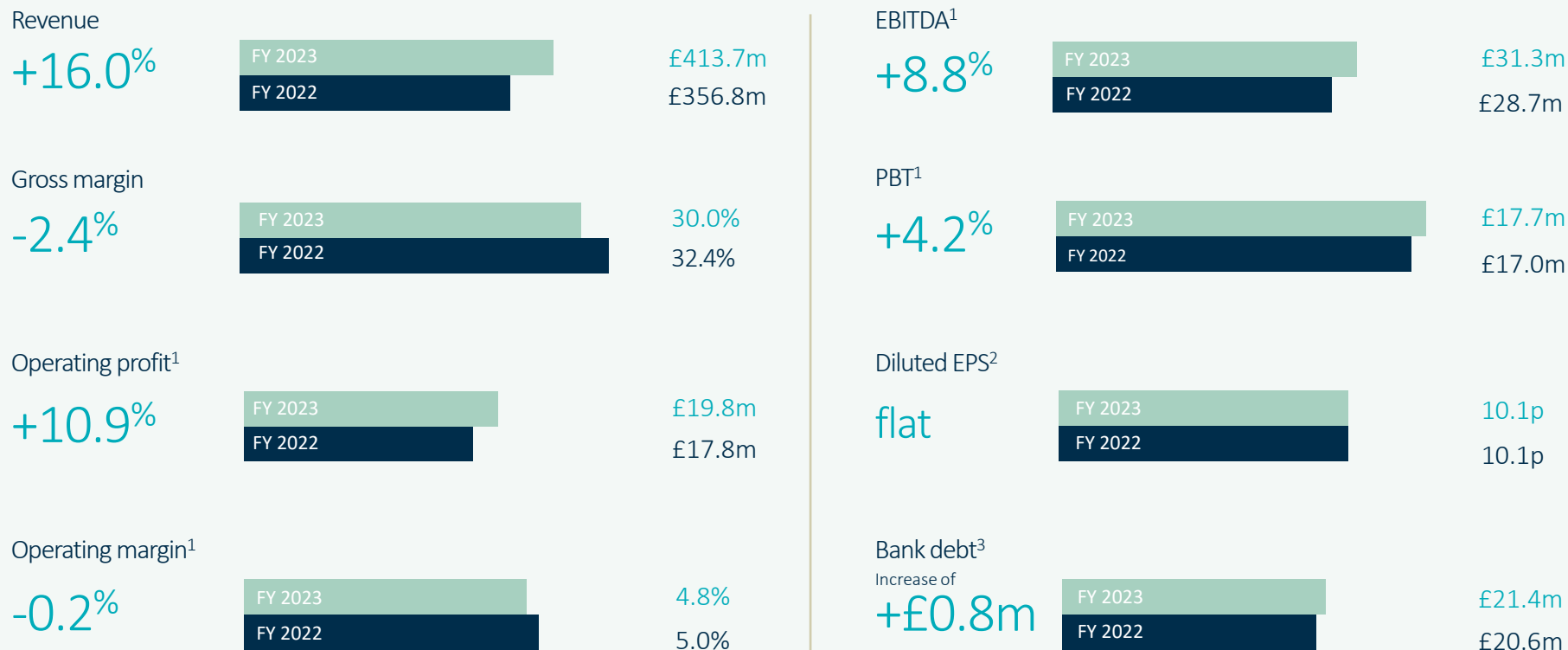
■ Tesco 27% ■ Co-op 12%
■ Other foodservice customers 12% ■ Asda 11%
■ Waitrose 8% ■ Morrisons 6%
■ Brakes 6% ■ Sainsburys 6%
■ Discounters 4% ■ Bidfood 4%
■ M&S 4%

Financial Review



Financial summary

The resilient full year figures reflect another period of persistent significant cost inflation and macroeconomic uncertainty. A strong performance was delivered with growth driven primarily by price, the incremental volume from Lees and overseas.



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

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

³ Bank debt excludes £4.9m selective receivables financing

Sector revenue and operating profit

	UK Bakery			Overseas		
	FY 2022	FY 2023	Change	FY 2022	FY 2023	Change
Revenue (£'000)	306.7	351.1	14.5%	50.1	62.7	25.0%
Gross margin (% of NSV)	34.5%	32.0%	-2.5%	19.0%	19.4%	0.4%
Operating profit (£'000)	14.9	15.4	3.7%	2.9	4.3	48.0%
Operating margin	4.9%	4.4%	-0.5%	5.8%	6.9%	1.1%

Cashflow

	FY 2022 £m	FY 2023 £m
EBITDA	28.7	31.3
Net working capital movement	(2.5)	(3.3)
Lease payments*	(2.2)	(2.1)
Capex	(12.5)	(8.8)
Interest	(0.7)	(2.1)
Tax	(2.0)	(3.9)
Free Cashflow	8.8	11.1
Minority interest dividend (FY22 £2.5m, FY23 £0.4m) and FX	(2.5)	(0.9)
Free Cashflow after MI dividend	6.3	10.2
Dividend paid (FY22 1.67p final, FY23 0.87p interim)	(4.0)	(3.2)
Shares (purchased for employee benefit trust)	(0.5)	(0.5)
Decrease in Debt before closure and acquisition costs	1.8	6.5
Acquisition consideration	(7.1)	(5.7)
SNR items	(2.3)	(1.6)
Decrease / (increase) in debt	(7.5)	(0.8)

Strong balance sheet supporting investments and growth

Debt

- Acquired 100% share capital of Lees for £6.2m (incl £0.5m costs)
- Capex of £8.8m
- Net bank debt is up £0.8m to £21.4m
- Debt: EBITDA is 0.7x (pre-IFRS measure in line with banking covenants)

Facilities

- A four year £120m credit facility (£60m core + £60m accordion) from June 2022
- Credit facilities provide financial flexibility for the Group to pursue its significant growth ambitions

Pensions

- IAS19 Deficit - £6.5m (FY21 - £6.6m)
- Actuarial valuation as at 31 December 2021 complete with deficit of £13.6m
- Annual contribution to deficit of £763k.

SNR items

- £3.1m in the year relating to litigation, acquisition costs and restructuring.

Strategic Update



Overview of three strategic pillars

Excellence

Invest in our people and our operating sites to form a strong foundation to underpin our strategy.

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

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

Growth

Drive growth through a combination of organic growth and targeted acquisitions.

Aim to succeed in both the retail grocery and out-of-home channels in the UK and Europe.

Develop 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.



Progress on three strategic pillars

Excellence

- Implementation and full commissioning of a new Buns and Rolls line.
- Continuation of our Systems Excellence strategy and the commencement of our People system implementation.
- Commencement of our five-year automation capex strategy across multiple locations.

Growth

- Growth and new business wins driven by category expertise, longstanding customer relationships and market insight.
- Lees acquisition performing in line with expectations.
- Created refined Group commercial structure to improve focus.

Responsibility

- Continued to invest in developing key skills and capability.
- Employee Engagement survey demonstrated increased engagement.
- Reduced “Scope 1 and 2” emissions against our 2016 base line by 43%.
- Further developed D&I strategy as well as Health and Wellbeing and Community Engagement programmes.

Outlook



Opportunity for significant sales growth

Organic growth through:

- Gaining market share in existing areas, such as licenced celebration cakes (UK and overseas), artisan bread and free from
- 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
- Recent successful track record of bolt on acquisitions in Lees and Lightbody Europe

Future acquisition
timing dependent
on meeting our
returns criteria

Current market
rating makes
transformational
acquisitions difficult

A resilient & agile business despite persistent challenges

Outlook:

- Macro-economic and inflationary headwinds set to persist
- Focus remains on managing these challenges through operational improvements, capital investment and product re-engineering
- Steady ongoing demand for our product range whilst we will continue to make progress in line with the Group's three strategic pillars
- Proven model and strong track record of dealing with adversity and emerging a stronger business
- Remain aligned with the consumer trends within the sector and to ensure that our proposition is as competitive as possible

“Over the past six years our Group has faced a series of unprecedented challenges. Notwithstanding the scale of these challenges, we have been able to deliver strong growth and continued financial progress. This is possible due to the resilience and agility achieved on the back of consistent investment strategies over many years”

Q&A



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 £6.3bn
- 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, Switzerland and Scandinavia

Diversified manufacturing capabilities in cake, bread and morning goods*

- Cake, bread and morning goods
Celebration, sharing and snacking cakes, retailer own label, artisan loaves, buns
Range of Free from products in bread and cake

Foodservice

- Sweet and savoury baked goods
Floured baps, brioche buns, bite style cakes

*Increasingly products available in free from and vegan offerings

A strong and evolving branded portfolio

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

Significant shareholders at 1 September 2023

	Amount	% Holding
DBAY Advisors	17,714,799	13.59%
Ruffer	15,982,000	12.26%
Fidelity Worldwide Investment	13,038,336	10.00%
Investec Wealth & Investment	12,683,798	9.73%
Finsbury Food Group Employee Benefit Trust	6,308,728	4.84%
Janus Henderson Investors	5,600,000	4.30%
Otus Capital Management	4,562,633	3.50%
Close Asset Management	4,435,485	3.40%