

Accrol Group Holdings Plc

Half Year Results



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HY 22/23 Performance Summary



Substantial growth and a strengthened market position

- Revenue growth of 64% with volumes increasing by 14% YoY
- Continuing market share growth - volume share now 21.5% (from 19.5% FY22)
- Significant cost inflation +£80m fully recovered from a supportive customer base
- Strong performance in Wet wipe sales – sales up from £1.5m (2021) to £6m (2023)
- Investment completed in new capacity and final automation of all sites
- Completion of Strategic review

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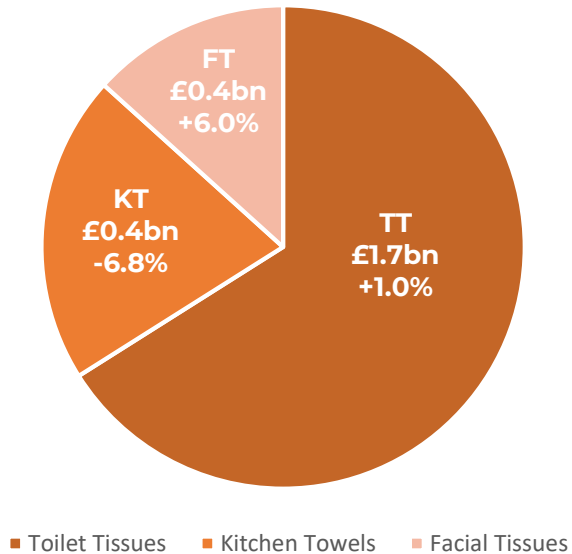


Sainsbury's

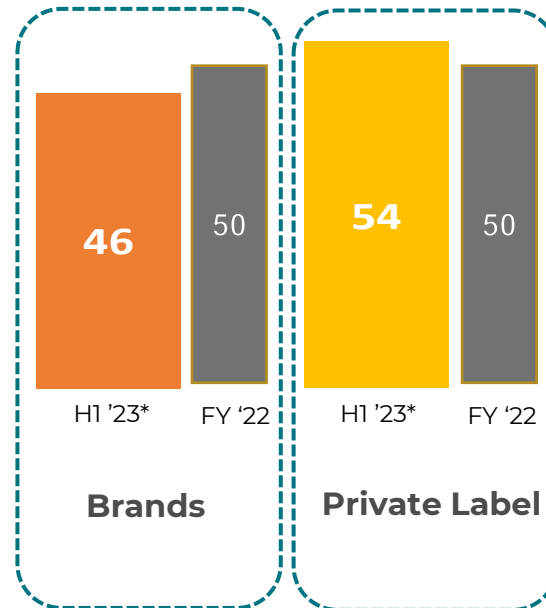


Market and revenue overview

UK Tissue Market £2.5billion
Retail Sales Value (12m to October '22)



UK Tissue Market
Retail Volume H1'23 v FY22



- Overall market grew by 1.0% in the period
- Market share up from 19.5% to 21.5% (volume)
- **FY22 Brands represent 46% of the market; Private label 54% (Oct '22)**
- Private label returning to growth as consumers increasingly seek value (H1 23 +10% growth)
- Wet wipe growth from £1.5m (2021) to £6.0m (2023) – targeted wet wipe market £250m
- Accrol share has grown from 5.6% (2017) to 21.5% (2023)
- Accrol volumes up in all categories at every customer

Financial Summary – Half Year 22/23



	HY22/23	HY21/22	Change	Change %
Revenue (£'m)	£121.1m	£73.7m	+£47.4m	+64%
Gross profit (£m)	£21.7m	£18.2m	+£3.5m	+19%
Gross Margin* ¹	18.0%	24.7%		-6.7%
Adjusted EBITDA ² (£'m)	£7.1m	£5.0m	+£2.1m	+42%
Adjusted PBT ³ (£'m)	£3.2m	£0.5m	+£2.6m	+520%
Net Debt (£'m)	(£30.5m)	(£21.6m)	-£8.9m	-41%

* Note: Margin impacted by lag on price increases

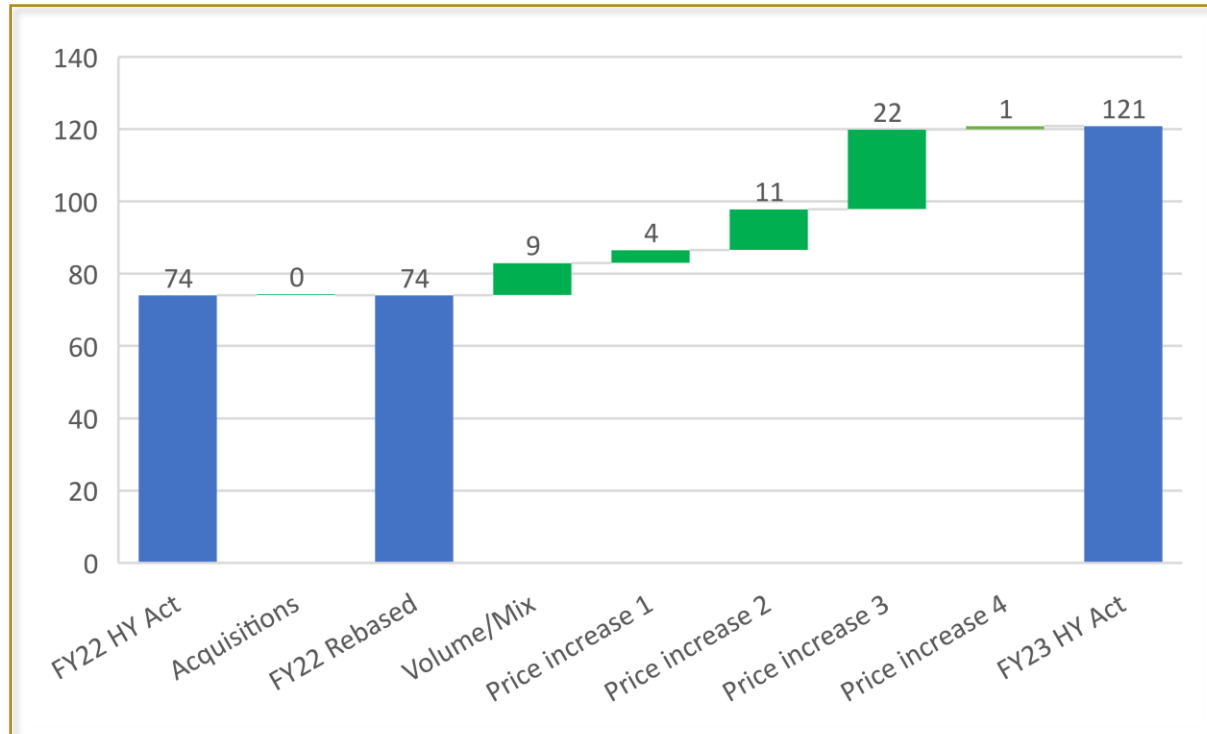
¹ profit before finance costs, tax, depreciation, amortisation, adjusting items, and share based payments

² profit before tax, amortisation, adjusting items, and share based payments

³ excludes operating type leases recognised on the balance sheet in accordance with IFRS16

Half Year 22/23 Revenue Overview

Accrol Group – HY Revenue (£'m)

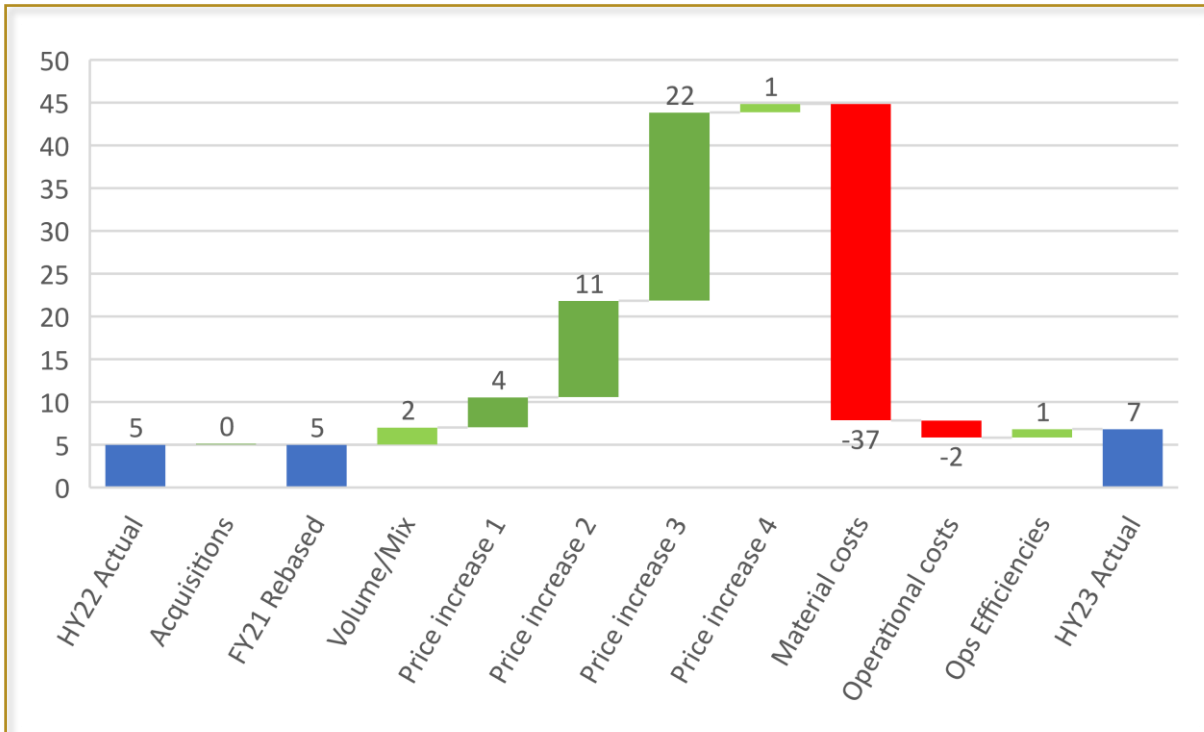


Comment

- Revenue increased by 64% to £121.1m (H1 FY22: £73.7m)
- Volume growth of 14% (TT +15%, KT +9%, FT+20%)
- Cumulative impact of price increases in the Period of £38m
- No customer losses and volumes remaining strong into H2

Half Year 22/23 EBITDA Overview

Accrol Group – HY Adjusted EBITDA (£'m)



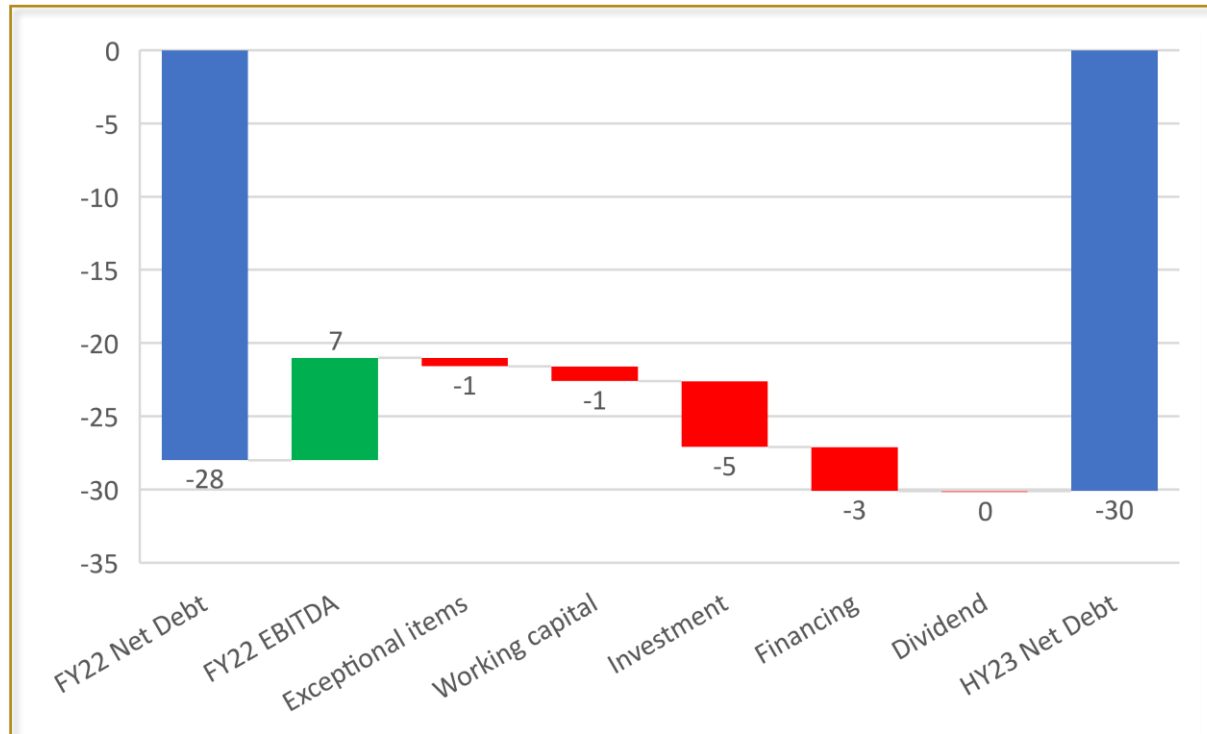
Comment

- Adjusted EBITDA increased by 42% to £7.1m (H1 FY22: £5.0m)
- Incremental margin delivered through volume growth
- Paper prices climbed to record highs during the Period driven by rising pulp and energy costs
- Implemented price increases ensured full recovery of all cost increases in the period

Half Year 22/23 Cash and Net Debt Overview



Accrol Group – HY Adjusted Net Debt (£'m)



Comment

- Net debt at the end of October was £30.5m which compares with £27.5m at end of FY22
- Expansion of stock (to manage port disruption) has been largely mitigated by an expansion of payables at the HY
- Final significant capital investments have been made in additional capacity and automation (Leyland)
- Ongoing Capital c£3.0m per year
- Net debt over the cycle 1.5x

Half Year Commercial Highlights

Accelerating growth across all our channels, all products and every customer

- Volumes up 14% - market share up to 21.5%
- Accrol “branded product” sales run rate of 17.8% of total revenue from 9.7% in FY20
- Every retailer in growth
- Toilet +7.3%, Kitchen + 29.8%, Facial +50.2%, Wipes +120%
- Oceans growing +4.5% per month
- **£3.15 vs £2.55 – Andrex offer vs Private Label**
- £80m of cost passed through
- Strongest & Widest Customer Base in the UK



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Half Year Operational Highlights



Customer service has been consistently high, and operational efficiency continues to improve

- Customer service maintained at more than 97% over the Period driven by enhanced planning
- Manufacturing output at record levels driven by ongoing investments to improve productivity – Revenue per head £575k today compared to £150k (2017)
- Final significant capital investments completed in Leyland – total “spare” capacity c20%
- **Ongoing Capital £3m per year**



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Environmental, Social and Governance Summary 2022

Our vision for ESG is to be a carbon neutral business that improves the lives of its people and communities, while working in partnership with our suppliers to deliver sustainable products to customers and consumers and consistent results to our investors.



Supplier code of conduct launched

Compliant



QCA code compliant



All sites A or AA BRCGS accredited

Founding patron of



89% of colleagues proud to work at Accrol



51,000 products donated



Living Wage accredited employer



Zero LTA's



22% of females in leadership roles (+6% vs 2020)



15% reduction in tissue waste



15% more rolls per journey



Zero-waste to landfill



Powered by 100% renewable energy



7% less plastic packaging



3% energy reduction



100% FSC sourced paper



8% reduction in carbon emissions AND growing business



launched to ALL colleagues

FY23 Outlook



The growth opportunities for the Group remain very strong

- Full recovery of significant rises in input costs has been achieved
- Inflationary pressures starting to ease, and supply chains normalising
- Tissue market fully recovered with growing share of private label versus brands – 54% vs 46%
- Discount retailers are continuing to grow strongly as consumers seek value and quality
- Strong start to H2 with company trading marginally ahead of expectations

Accrol Group Holdings Plc

Strategic Review



Strategic Review

Simplify - What we've achieved



Improvements in every area

- Market share 21.5% from 5.6% (in 2017)
- Fully Automated Best Invested UK Supplier with c£20m invested – ongoing Capital £3m per year
- Tissue market fully recovered with growing share of private label versus brands – 54% vs 46%
- Lowest cost producer LFL head count down from 695 to 275
- Output per head up from £150k to £575k
- Strong Leadership Teams across all areas with experience across multi site and multi regions

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How do we do it...?

A well invested, high quality converting capability overseen by a dynamic and experienced operational team

Operational summary

c.£260m toilet tissue and kitchen towel converting capacity

c.£25m facial tissue converting capacity (£30m post investment)

c.£12m wet wipe converting capacity (£40m post investment)

150k tonnes of tissue converted at full capacity

13 tissue converting lines with full automation at every site

4 facial converting lines with full automation

3 wet wipe converting lines

- Accrol operates from five sites:
 - A manufacturing, storage and distribution facility in Blackburn;
 - A facial tissue plant also in Blackburn;
 - A manufacturing, storage and distribution facility in Leyland;
 - A manufacturing, storage and distribution facility in Leicester; and
 - A wet wipes tissue plant in Deeside.
- All tissue converting facilities run on 12 hour shifts (operational 24 hours a day, 7 days a week, 365 days a year).
- To drive efficiency and performance, Accrol operates a multiskilled cell structure within its converting facilities. This breaks the organisation down into smaller, manageable units consisting of similar equipment enabling staff members to operate comparable roles in multiple cells.
- All tissue machines have TMC bagging lines attached providing full automation from input to storage.
- The acquisition of LTC yielded £3.0m of synergies in FY21. Given c.48% of Accrol sales are delivered south of Leicester, a significant proportion of these have been realised from reorganising Accrol's logistics network.



Factory	Product	Supplier	Installed
Leyland	TT	Perini/Gambini	2016
Leyland	KT	Gambini	2017
Leyland	TT	Gambini	2018
Leyland	TT/KT	PCMC	2022
Blackburn	TT	PCMC	2011
Blackburn	KT	PCMC	2011
Blackburn	TT	PCMC	2014
Blackburn	TT	PCMC	2015
Blackburn	TT/KT	PCMC	2015
Blackburn	Facial	MTC	2013
Blackburn	Facial	MTC	2013
Blackburn	Facial	Oceans	Acquired ¹
Blackburn	Facial	Compact	2021
Leicester	TT/KT	PCMC	2014
Leicester	TT/KT	PCMC	2015
Leicester	TT/KT	PCMC	2020
Leicester	TT/KT	PCMC	2020
Deeside	Wet wipe	PCMC Clipper	Acquired ¹
Deeside	Wet wipe	Paramount	Acquired ¹
Deeside	Wet wipe	Paramount	Acquired ¹

Notes:

(1) Acquired as part of the John Dale acquisition. The facial tissue machine has since been moved to the Blackburn site and fully integrated.

Source: Company information

Strategic Review

Strengthen – Who we are today



- The market leader in private label (own label) consumer tissue products
- A broad and expanding retail customer base – with strong supply positions across all UK
 - Discounters, Supermarkets, On-line
- A relentless focus on operational efficiency
 - revenue per head increased from c.£150k to £575k, volume per head efficiency increase c.150%
- Well invested with headroom for growth
 - £20m invested in state-of-the-art tissue conversion machinery and automation, 20% spare capacity
- An experienced and invested management team

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Strategic Review

Continuing to building a Group of scale



- Continued Focus on our Core Toilet and Kitchen Towel Business – target £250m
 - Grow to £250m (£200m today)
- Grow our Facial and Wet Wipe business
 - Grow to £30m (£20m) & £40m (£6m) respectively
- Develop a licensed business model and grow direct to consumer Oceans Brand
 - 20% core volume to higher margin licensed brands (£10m today)
 - Grow direct to Consumer business of scale around our Oceans Brand
- Build a sustainable paper mill
- Acquire selectively to strengthen and extend our product offering
- Maximise medium term tangible shareholder returns through a combination of dividends and potentially share buybacks

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Strategic Review

Grow - Build a mill



- Aiming to reduce volatility and improve security and visibility of tissue supply and cost
- Optimal Location selected
- Sustainable Low-Cost Energy and Labour Solution
 - 30% of mill's energy cost to be delivered through PV solar
- Targeting operational mid 2025
- Total Cash Cost to the Group £10m (including working capital)
- Fully profitable and substantially accretive to Accrol Earnings within its first year

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Strategic Review

Capital allocation policy



- Ongoing Capital for Core Business £3m per year
 - Wet wipe investment to deliver growth £3m (over 3 years)
 - Develop a licensed business model and grow direct to consumer Oceans Brand c£1m (over 3 years)
- Dividend
 - Resume progressive dividends as soon as prudent, sustainable cover of 2.5 – 3.5x
- Share buybacks
 - Standard daily purchase and or tender offer route
- Acquisitions
 - Selective bolt-on acquisitions to existing core UK tissue conversion business
- Net debt over the cycle – no more than 1.5x ND / EBITDA

Summary

- Significant Growth in all Markets
- Investments are completed with ongoing Capital c£3m per year
- Lowest cost producer in the UK
- Full team in place to deliver next medium-term plan
- Mill Investment well advanced with long-term low-cost energy solution
- Supportive shareholders and bank

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Thank You

