



Simplify

Strengthen

Grow

Accrol Group Holdings Plc
Results presentation H1 20
January 2020



STRONG REVENUE **GROWTH**
IMPROVING **PROFITABILITY**
INCREASINGLY **CASH** GENERATIVE

+£5.9m

GROSS
PROFIT

+770bp

GROSS
MARGIN

+20%

CONSUMER
REVENUE

+£4.3m

ADJUSTED
EBITDA

-11%

OPERATIONAL
COST

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Financial results

FY20/FY19

| | H1 20 £m | H1 19 £m | Change £m | Change % | FY 19 £m | FY 18 £m |
|------------------------------------|---------------|-------------|--------------|-------------|-------------|-------------|
| Underlying Results | | | | | | |
| Consumer revenue | 64.5 | 53.9 | 10.6 | ↑ 19.7% | 116.7 | 115.3 |
| Adjusted gross profit ¹ | 13.0 | 9.9 | 3.1 | ↑ 31.3% | 21.7 | 24.5 |
| Adjusted gross margin | 20.0% | 17.2% | 280bp | ↑ 16.2% | 18.2% | 17.5% |
| Adjusted EBITDA ² | 3.2 | (1.1) | 4.3 | n/a | 1.0 | (5.8) |
| Reported Results | | | | | | |
| Total revenue | 65.1 | 57.6 | 7.5 | ↑ 13.0% | 119.1 | 139.7 |
| Gross profit | 12.8 | 6.9 | 5.9 | ↑ 85.9% | 17.6 | 24.5 |
| Administration expenses | 9.5 | 10.6 | 1.1 | ↓ 10.8% | 19.2 | 33.2 |
| Distribution expenses | 5.5 | 4.7 | (0.8) | ↑ 16.3% | 11.1 | 14.7 |
| Operating profit | (2.1) | (8.4) | 6.3 | n/a | (12.7) | (23.4) |
| Gross margin | 19.7% | 12.0% | 770bp | ↑ 64.5% | 14.7% | 17.5% |
| Loss before tax | (3.0) | (9.0) | 5.9 | ↑ 66.1% | (14.0) | (24.1) |
| Net debt | (24.8) | (22.6) | (2.2) | ↑ 9.7% | (27.1) | (33.8) |

A good improvement

Across the board improvements:

- Growing consumer revenue (up 19.7%);
- Growing margins (up 770bp); and
- Reducing costs (down 11%)

Distribution costs (adjusted for volume) has seen a small improvement on a like-for-like basis

Average FX rate over the period was \$1.26

¹ Adjusted gross profit excludes turnaround and operational costs reported in cost of sales

² Adjusted EBITDA is defined as profit before finance costs, tax, depreciation, amortisation, exceptional costs, share based payments, IFRS 16 changes (£1.2m) is a non-GAAP metric used by management and is not an IFRS disclosure

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The *turnaround* is complete

| | H1 20 £'000 | H1 19 £'000 | 2019 Total £'000 |
|---|----------------|----------------|------------------------|
| Turnaround costs | | | |
| A – Management reorganisation and restructure | 113 | 301 | 724 |
| B – Skelmersdale exit | 112 | 2,104 | 3,174 |
| C – Operational reorganisation and restructure | - | 417 | 872 |
| D – Raw material and finished goods stock waste | - | 1,431 | 2,308 |
| E – Impairment of property and equipment | - | - | 130 |
| F – Other | 394 | 185 | 698 |
| Total “turnaround costs” | 619 | 4,438 | 7,906 |
| G – Loss on derivative financial instruments | 302 | - | - |

To build a **robust, agile** and **market leading** business capable of delivering **sustainable growth**

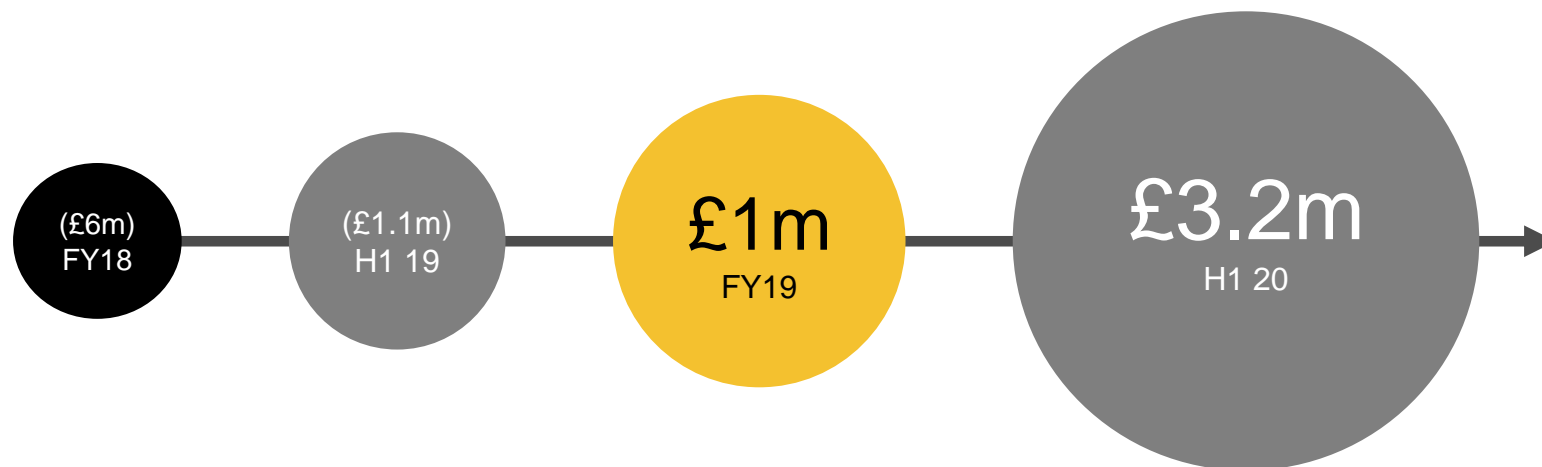
“The future for the business is promising. With an ambitious leadership team in place, experienced in running much larger organisations, we are focusing on the medium to long term prospects for the Group and strategic opportunities that exist to diversify and scale up the business.”

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Continued *relentless* improvement



Steady Adjusted EBITDA **improvement** over the last two years with **margins strengthening further** post period end, as new agreements came into effect towards the end of H2

Our business

-(£1.1m) ↓ 11%

Costs

Continued costs reductions across the business with further automation planned

+£10.6m ↑ 20%

Core customers

Consumer revenue grew 20% against a market growing at 8% (source: Kantar)

+770bp ↑ 86%

Gross margins

A constant process of improvement delivered by great products and better Service delivery

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Cash and debt

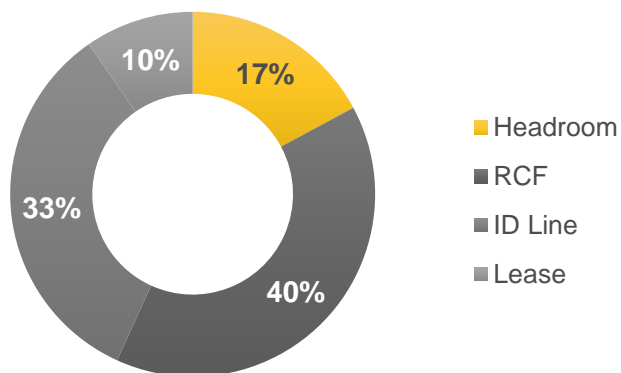
H1 20/H1 19

“Our goal in the mid-term is to return the business to satisfactory profitability levels and normalised debt. It remains the Board’s intention to return to the dividend list at the earliest appropriate opportunity”

Financial results

| | H1 20 | H1 19 | FY 19 | FY 18 | Target |
|--------------------------|--------|---------|---------|---------|--------------------------|
| Revenue | £65.1m | £57.6m | £119.1m | £139.7m | Grow ahead of the market |
| Consumer revenue | £64.5m | £53.9m | £116.7m | £115.3m | |
| Adjusted EBITDA | £3.2m | (£1.1m) | £1.0m | (£5.8m) | |
| Net debt | £24.8m | £22.6m | £27.1m | £33.8m | |
| Adjusted EBITDA % sales | 4.9% | -(1.9%) | 0.8% | -(4.2%) | >10% |
| Net debt/Adjusted EBITDA | 3.9x | n/a | 27.1x | n/a | <2x |

Credit facilities



We said

Creditor days 30

Debtor days 60

Improve supplier terms

Exert cost pressure on suppliers

We did

Improved terms with a number of suppliers

All accounts at 60 days or better

Introduced five new suppliers

Achieved further cost reductions from suppliers

What next

Credit insurance returning H2 20

All at 30 days

Agree long term Agreements

Create supplier partnerships to reduce costs further

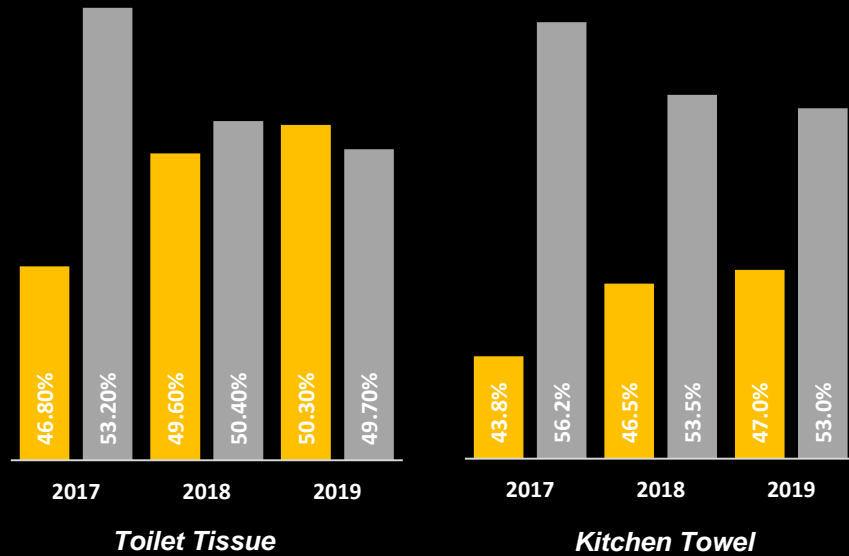
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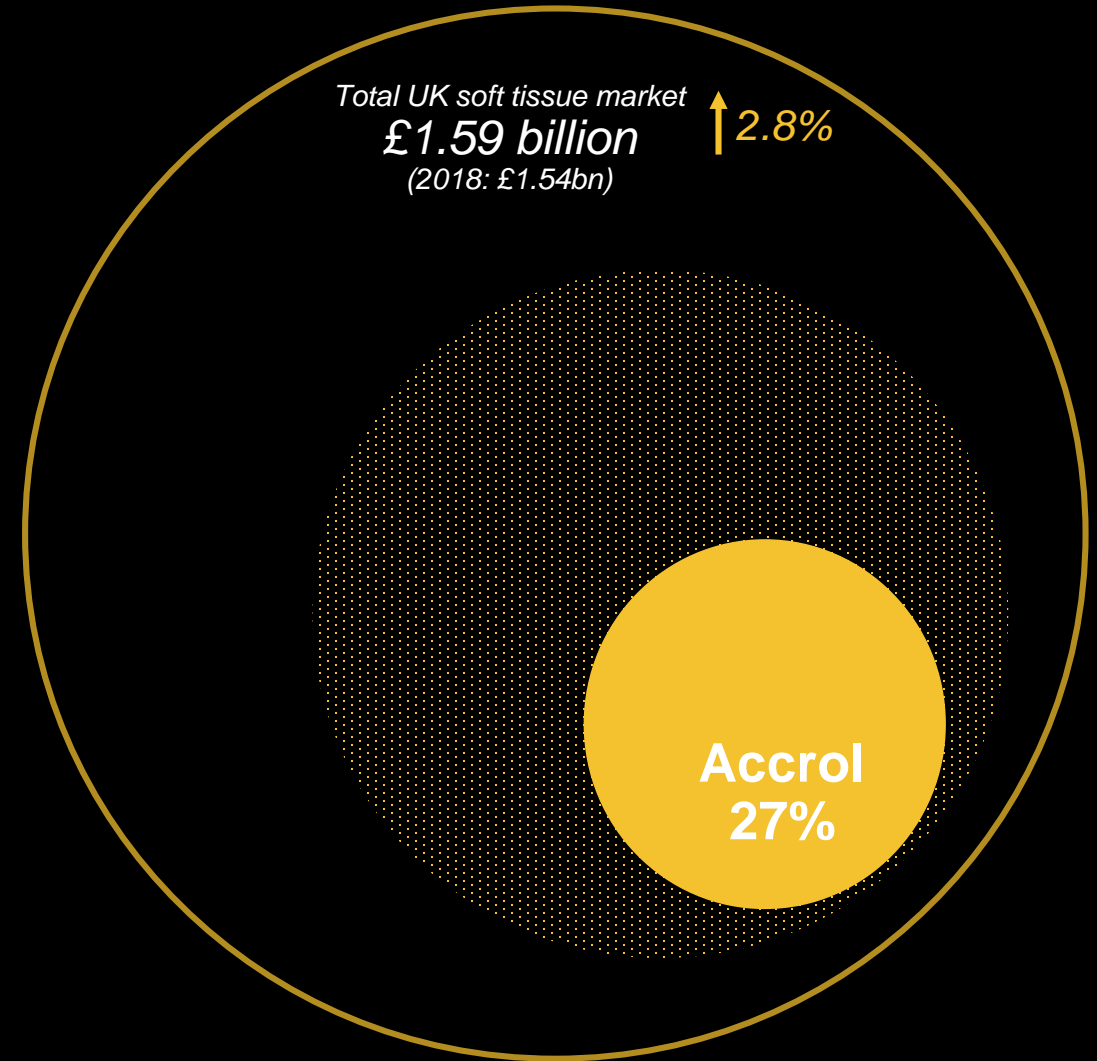
Strong potential with a confident market share

Private Label vs Brands



- Largest independent supplier growing at 20% (Toilet Tissue)
- Largest range of customers (27 core customers)
- Market grows at 8% per year
- Market insight
- Suppling higher added value products and sector growth in H1

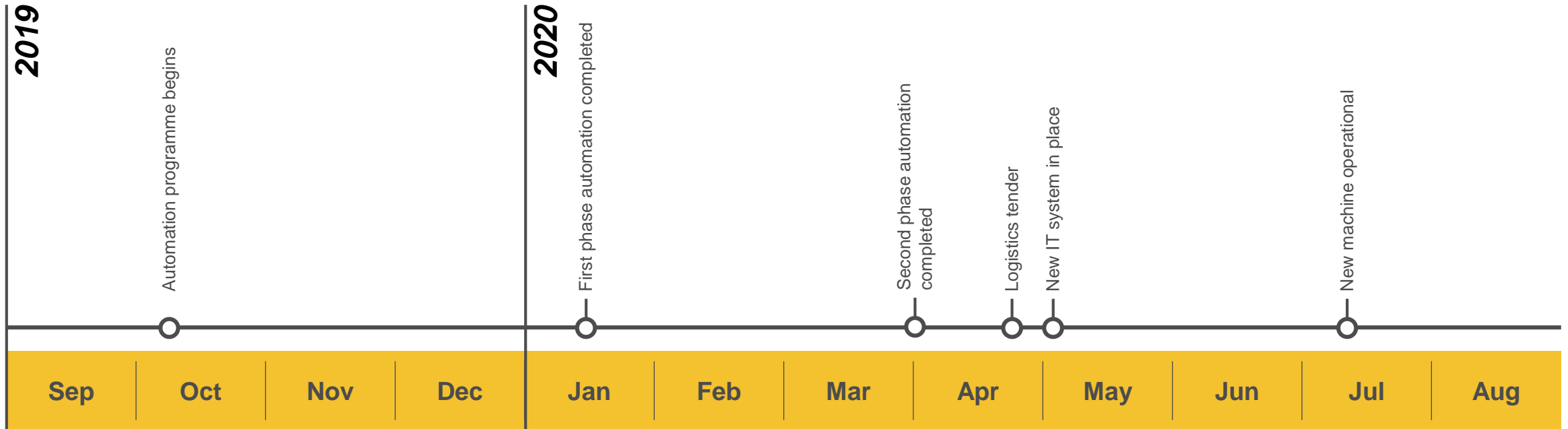
Source: Kantar



Accrol market share
 Private Label penetration
 Total UK market

Our progress

“The turnaround is complete”



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1

Right people
Right roles

Grow our people

2

Quality, service, innovation
Delight our customers

Grow our customers

3

Relentless on costs
Consistent returns

Grow our returns

Vision

“The future for the business is promising. With an outstanding team in place to diversify into new markets and grow its operations substantially”

“Our vision is to build a diversified Group of size and scale, which is less exposed to input cost fluctuations and is focused on the broader private label personal hygiene market.”

“Focus on further automation of the Group’s operations and on the strategic opportunities to diversify, scale and grow the business.”

Delivering through:

- Right people, right roles
- Great products and service
- Operational excellence
- Commercial ruthlessness
- Shareholder support

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Outlook

2020 and beyond

“The new leadership team has transformed the group and has the experience in running much larger organisations”

- Margins have continued to strengthen post period end
- Further production efficiencies coming through
- Another 11% reduced from the cost base
- Exceptionals expected to be c£1m compared to £7.9m in FY19
- Net debt continues to reduce
- Remain on track to meet management’s expectations for FY20

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Appendix



People make the *difference*

“Industry leading team now in place”



“I help Accrol turn our vision into reality in terms of our people, our equipment and our product offering.”

Mark Dewhurst
Chief Operating Officer

Previous Experience

Ten years at DS Smith as UK & Northern Europe Operations Director. Ten years with Crown Packaging in senior Operational & Commercial roles. Extensive operational leadership driving manufacturing excellence across multiple businesses. An inspirational leader of people and businesses, who understand the complexity of driving strategy throughout organisations at every level. A hands on leader who has delivered significant EBITDA improvements over the last six years.



“I am passionate about maximising the potential of our people to deliver profitable growth through setting aspiration targets in both operational and commercial”

Graham Cox
Commercial Director

Previous Experience

24 years at DS Smith PLC covering sales, commercial and operations. Last two years as Managing Director, North America Packaging Division. Previous three years as Sector Director UK Packaging. Extensive experience in delivering industry leading levels of return, personally leading commercial improvement programmes delivering significant margin improvements. Delivered industry leading EBITDA improvements over the last six years.



“Engagement across the workforce has significantly improved following the completion of the turnaround – and the teams throughout our organisation remain key”

Kathryn Robinson
HR Director

Previous Experience

11 years spent in private label manufacturing supplying the UK Grocery Sector. 9 years BBF Ltd (previously McCambridge Group) 4 & 2 years at Sodexo Healthcare and Alfred McAlpine respectively. A dynamic individual with a clear understanding of how people at all levels with in an organisation make a difference to the success of the wider business.



“With the tough job of turnaround behind us, I look forward to championing the continuous improvement culture throughout the organisation”

John Pilkington
Finance Director

Previous Experience

ACA, trained at KPMG. 14 years at technology company Promethean leading teams through complex and challenging reporting environments giving clarity to the key drivers of a manufacturing business. Supports operational leaders and teams to make good commercial decisions as transformational change happens at a rapid pace. An excellent understanding of the business and great fit with the team.

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