

*Accrol Group Holdings plc*  
*H1 21 Half Year Results Presentation*  
*January 2021*

## H1 Performance

- All operations operated safely and successfully throughout the pandemic & ongoing
- Significant investment in COVID protection for all
- Continued Margin Improvement
- Strong cash generation with net debt reducing faster than anticipated

## Delivering on our Shareholder Promises

- Intention to restore dividend payments for FY21 – minimum payment 0.5p per share
- Net debt expected to be below market consensus for FY21 and FY22

## Growing Confidence on the Future

- Integration of LTC has begun better than expected
- Margins continuing to strengthen into H2
- Fully on track to deliver FY21 at least in line with market expectations

# Proven Management Team

An experienced team with a track record of delivering industry leading growth and returns



**Dan Wright**

*Executive Chairman*

Date appointed - 4 February 2018

**Key strengths**

- 25 years experience in PE and over 50 transactions, UK wide reputation of delivering exceptional returns
- Dynamic leader bringing great teams together



**Gareth Jenkins**

*Chief Executive Officer*

Date appointed - 11 September 2017

**Key strengths**

- Extensive strategy, commercial, M&A and operational experience, UK and in Europe
- Track record of delivering industry leading returns in manufacturing environments



**Richard Newman**

*Chief Financial Officer*

Date appointed - 1 February 2021

**Key strengths**

- Extensive strategy, commercial, M&A and Senior Financial leadership experience in the UK and mainland Europe
- PWC, Mondelez, Stagecoach & DS Smith senior financial positions



**Euan Hamilton**

*Independent Non Exec Director*

Date appointed - 27 August 2018

**Key strengths**

- Restructuring and business turnarounds
- Leverage finance and private equity
- Investment banking worldwide



**Simon Allport**

*Independent Non Exec Director*

Date appointed - 10 October 2018

**Key strengths**

- Extensive commercial & M&A experience
- Broad strategic experience throughout many industries



**Graham Cox**

*Managing Director Tissue Division*

**Key Strengths**

- 20 years experience at DS Smith, running manufacturing business and delivering exceptional returns
- US operations' MD - 1,200 employees and £450m revenue – significant multisite turnaround



**Mark Dewhurst**

*Chief Operating Officer*

**Key Strengths**

- Extensive Operational experience across sectors and geographies
- Significant experience in M&A and business integration across multiple geographies



**Kathryn Robinson**

*HR Director*

**Key Strengths**

- Significant experience in people restructure programmes across a wide range of manufacturing environments



**Lyndsey Marsh**

*Head of Finance*

**Key Strengths**

- Supports operational leaders and teams to make good commercial decisions

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# Financial Results – H1 2021

	H1 21 £m	H120 £m	H119 £m	Change £m	Change %
<b>Underlying Results</b>					
Core revenue	<b>62.3</b>	64.5	53.9	(2.2)	(3.5%)
Adjusted gross profit <sup>1</sup>	<b>15.4</b>	13.0	9.9	2.4	18.5%
Adjusted gross margin	<b>24.7%</b>	20.0%	17.2%	470bp	23.5%
Adjusted EBITDA <sup>2</sup>	<b>5.4</b>	3.2	(1.1)	2.2	68.8%

## Reported Results

Total revenue	<b>62.3</b>	65.1	57.6	(2.8)	(4.3%)
Gross profit	<b>14.8</b>	12.8	6.9	2.0	15.6%
Administration & Distribution expenses	<b>14.5</b>	15.0	15.3	0.5	(3.3%)
Operating profit	<b>0.3</b>	(2.1)	(8.4)	2.4	
Gross margin	<b>23.8%</b>	19.7%	12.0%	410bp	21%
Loss before tax	<b>0.5</b>	3.0	9.0	2.5	
Net debt (before IFRS 16)	<b>18.1</b>	24.8	22.6	6.7	37%
Net debt (post IFRS 16)	<b>26.8</b>	37.4	n/a	10.6	29%

## Continued Improvement in Performance

Gross Margins up 24%

Net debt down 37%

Costs down 3.3%

Gross profit up 18.5%

Revenue down 3.5% but share up 14%

When adjusted for retailer margin improvement

<sup>1</sup> Adjusted gross profit excludes turnaround and operational costs reported in cost of sales

<sup>2</sup> Adjusted EBITDA is defined as profit before finance costs, tax, depreciation, amortisation, exceptional costs, share based payments, & IFRS 16 changes is a non-GAAP metric used by management and is not an IFRS disclosure

# OPERATIONAL *IMPROVEMENT* is relentless

*“Simplification in all we do”*

## THE *RIGHT* PEOPLE

**53%**  
reduction in people

*100% new leadership*  
**Head count from 689 to 325**  
**TARGET <300 (Accrol)**

**77%**  
employee engagement

*76% management support*  
*72% believe in team work culture*

**37%**  
*reduction in accidents*

**26 Accidents H1 21**  
**41 Accidents H1 20**

## STRONG *FOUNDATIONS*

**£0.5m**  
cost base reduction

Administration and  
distribution costs  
**£14.5m H1 21**  
**£15.0m H1 20**

**19%**  
Reduction in distribution  
costs

*6.8% of sales in H1 21*  
*8.4% of sales in H1 20*

**£5.5m**  
*free cash flow improvement*

*16 day improvement in  
creditor days*  
*14 day improvement in debtor  
days*

## GENERATE *SHAREHOLDER* RETURNS

**+470bp**  
*increase in adjusted  
Gross Margin*  
  
*from 20.0% to 24.7%*

**+69%**  
*increase in EBITDA*  
  
*from £3.2m to £5.4m*

**+£6.7m**  
*reduction in Net Debt  
(per IFRS 16)*  
  
*from £24.8m to £18.1m*

*Our **vision** is to deliver the best possible value to the UK consumer on everyday essential tissue products*

Accrol is a leading UK independent tissue converter, producing private label toilet roll, kitchen roll and facial tissue products for many of the UK's major grocery retailers



+ **LTC**



**c.26%** **c.30%**  
Pre acquisition Post acquisition  
**Private Label Market**

**c. £1.7bn**  
 Addressable UK Market

**c.13%** **c.16%**  
Pre acquisition Post acquisition  
**Total Tissue Market**

Accrol delivered 14.5% growth in FY20, compared with 6.9% in the total market – we continue to match capacity to growth

*“We are shaking up traditional brands by delivering the quality the consumer wants for the price they want to pay”*

Simplify

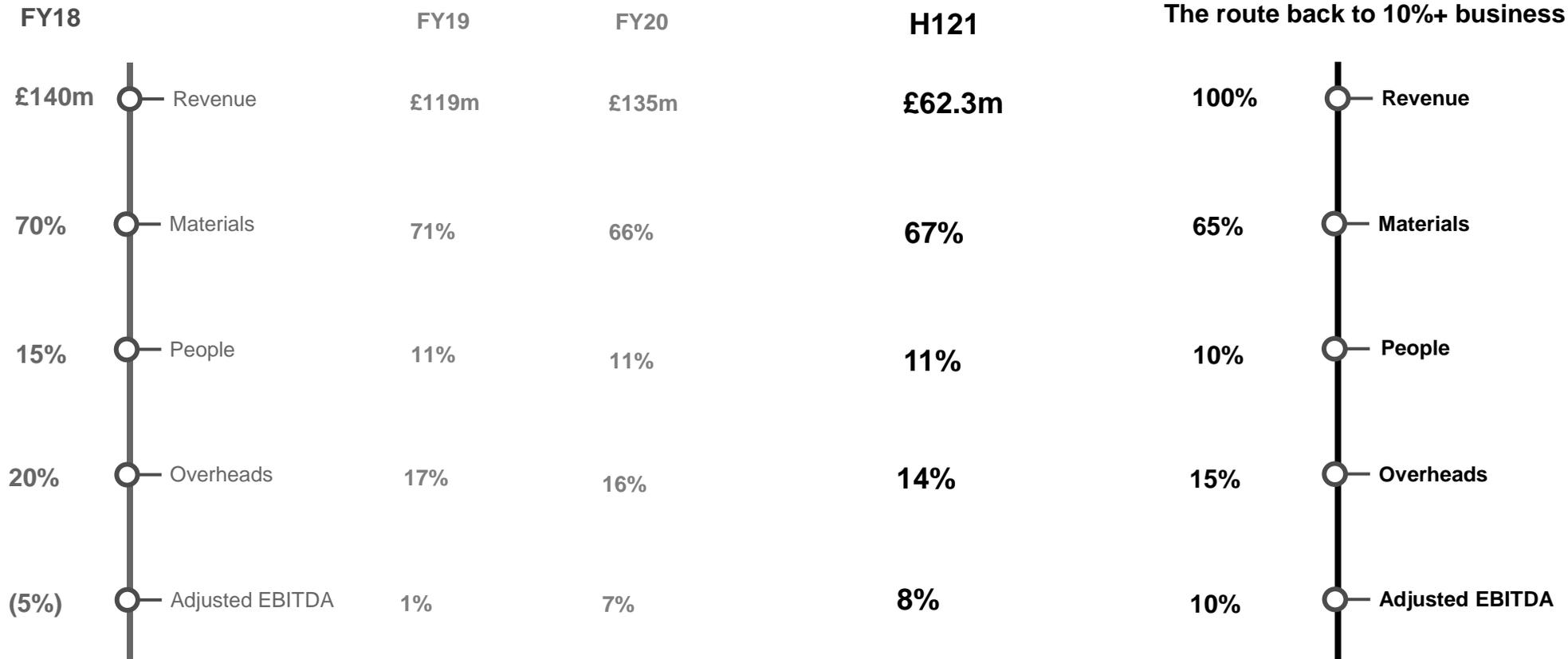
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# A **SIMPLE** BUSINESS

Building back the gross margin

*“Three key areas of focus drive our gross margin: materials, people and overhead cost”*



\*Like for like comparison post IFRS impact

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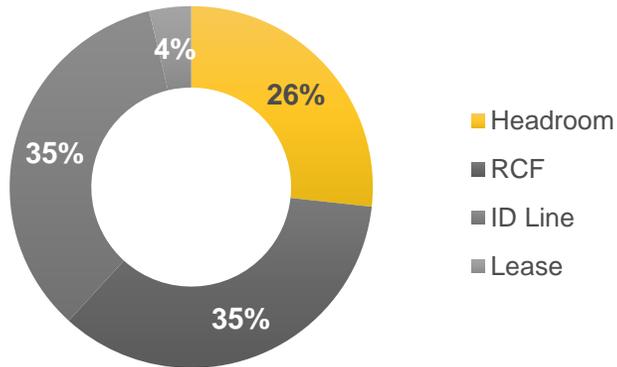
# CASH & DEBT

“the Board’s is now recommending a return to the dividend list for FY21”

## Financial results

	H121	H120	FY20	FY 19	FY 18	Target
Revenue	£62.3m	£65.1m	£134.8m	£119.1m	£139.7m	Grow ahead of the market
Core revenue	£62.3m	£64.5m	£133.6m	£116.3m	£115.2m	
Adjusted EBITDA (*before IFRS positive impact)	£5.4m	£3.2m	*£8.3m	*£1.0m	*(£5.8m)	
Net debt	£18.1m	£24.8m	£17.9m	£27.1m	£33.8m	
EBITDA % Sales	8.7%	4.9%	6.2%	0.9%	-4.2%	>10%
Net debt/adjusted EBITDA			2.2x	27.1x	-5.8x	<2x

## Credit facility



18% improvement in headroom

### What they were

- Debtors – 53 days
- Creditors – 46 days
- Improve supplier terms
- Exert cost pressure on suppliers

### What they are

- H121 – 32 days
- H121 – 68 days
- Long term agreement and more suppliers
- Supplier partnerships

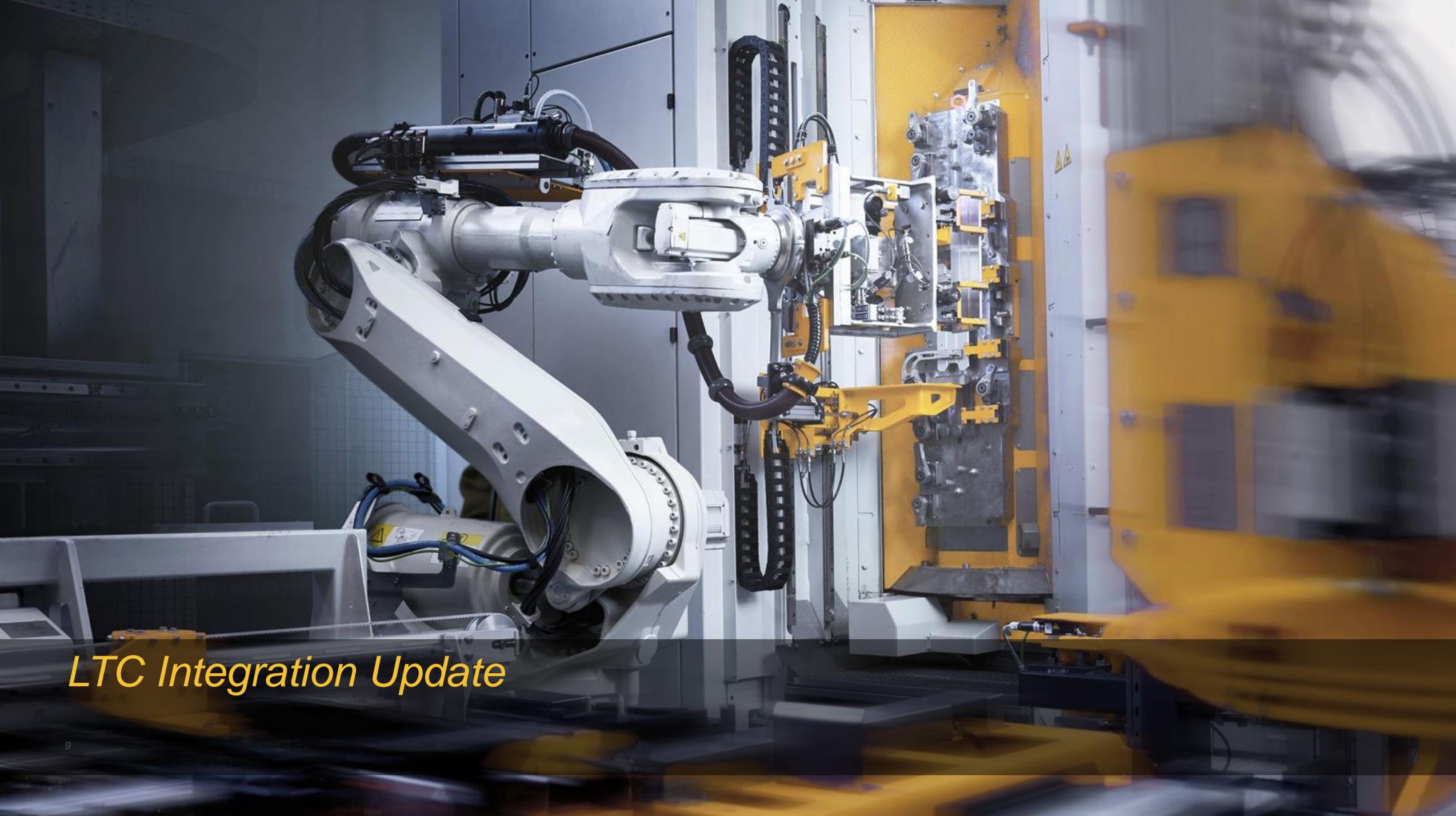
### What next

- Credit insurance returning
- Continued improvement
- 90 day terms for all
- Buy or make review

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*LTC Integration Update*

# 1. Integration Process

Structured methodology with formal governance and project management tools

## HIGH LEVEL APPROACH



- Complete M&A
- Set up team, governance and reporting
- Define integration strategy and approach
- Prepare Day 1 communications
- Prepare Day 1 functional requirements
- Prepare Functional Integration Plan
- Prepare value creation approach & plan

Deal Completion – Day 1

### Execute Functional Integration

- Deliver through Functional work streams (HSE, HR, Finance, IT etc)
- 2-4 week discovery phase to confirm integration approach and plan
- 4-8 week implementation phase for critical integration steps (some may be longer eg IT)
- Weekly implementation progress status reporting and formal closure of each work stream

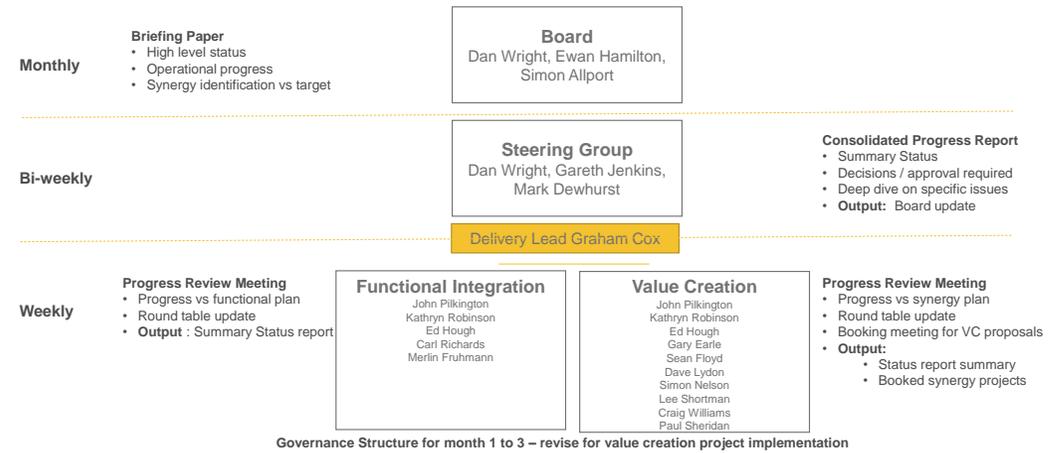
### Execute Value Creation assessment and delivery

- Deliver through operational work streams (eg Op effectiveness, supply chain, commercials etc)
- 4 week discovery phase to identify and value synergy opportunities
- 4-8 week implementation planning phase with formal management sign off of business plan
- Projects executed through operational processes with formal synergy

Announcement

Approach driven from standard playbooks for functional integration and value creation

## GOVERNANCE



## PROJECT MANAGEMENT TOOLS



- Including
- Project definition and work stream charters
  - Detailed plans actively monitored
  - Risks, issues, action tracking
  - Progress and status reports

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# 2. Value Creation Process

Functional Teams working on identified opportunities to define and deliver value creation projects

## Value Opportunities

Date: 08-Jan-21

Strategy & Blue print	<ul style="list-style-type: none"> <li>Brand &amp; Customer strategy / market opportunity for enlarged Group</li> <li>Product Portfolio / Innovation / Simplification</li> <li>Production strategy, location and organisational blue print</li> <li>Organisational and asset structure, crewing &amp; shift patterns</li> <li>Automation &amp; investment 3 year plan</li> <li>Machine capability vs market opportunity</li> </ul>
Organisation / OH	<ul style="list-style-type: none"> <li>Organisation structure, costs</li> <li>Engineering structure</li> <li>Alignment, cost comparisons, simplification</li> <li>Payroll / Time and Attendance simplification</li> <li>Compensation &amp; Benefits comparisons, costs, alignment</li> </ul>
Sales	<ul style="list-style-type: none"> <li>Capacity utilisation</li> <li>Volume shifting</li> <li>Channel Strategy / Innovation</li> <li>Facial Tissue cross selling</li> <li>Margin management</li> </ul>
Fibre optimisation	<ul style="list-style-type: none"> <li>Paper grades/specifications alignment / optimisation</li> <li>Quality Management system alignment</li> <li>Evaluation of all other raw materials and sources</li> </ul>
Supply Chain	<ul style="list-style-type: none"> <li>IT</li> <li>Mix</li> <li>FG Warehousing</li> <li>Paper Management</li> <li>Stock Accuracy</li> <li>Aligned KPI's &amp; Standardised Reporting</li> </ul>

Operations	<ul style="list-style-type: none"> <li>Shift Pattern / Operational capacity</li> <li>Waste Reduction</li> <li>OEE</li> <li>Consumables</li> </ul>
Working capital	<ul style="list-style-type: none"> <li>Customer payment terms harmonisation</li> <li>Supplier payment terms harmonisation/improvement</li> <li>Deferred VAT</li> <li>Reduction in raw materials</li> <li>Consignment stock</li> </ul>
Procurement	<ul style="list-style-type: none"> <li>Supplier Analysis</li> <li>Price / Cost comparisons</li> <li>Volume, Leverage, Spec Rat, Paper</li> <li>Volume Leverage, Spec Rat, Packaging</li> </ul>
IT	<ul style="list-style-type: none"> <li>Sales</li> <li>Supply Chain</li> <li>Operations</li> <li>OEE KPIs</li> <li>Procurement &amp; Fibre optimisation</li> </ul>
Costs	<ul style="list-style-type: none"> <li>Waste sales/waste costs</li> <li>Insurance</li> <li>Legal, consultancy</li> <li>Financing charges</li> <li>Auditing/tax prep</li> </ul>

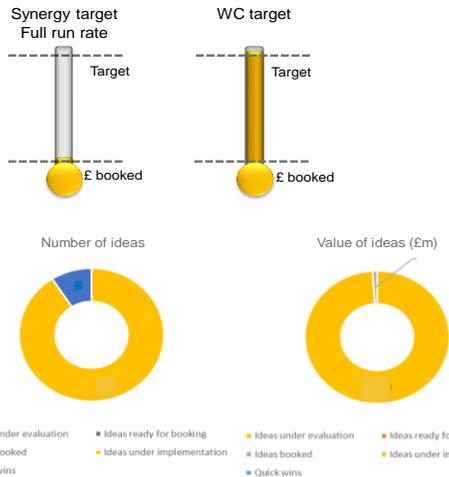
## Value creation timeline

Date: 08-Jan-21



## High-level status – week ending 18<sup>th</sup> of December

Date: 08-Jan-21



Status	Number of ideas	Synergy value £ million	WC value £ million
Ideas generated	55		
Ideas under evaluation	50		
Ideas ready for booking	-		
Ideas booked	-		
Ideas under implementation	5		
Quick wins	-		
<b>Total</b>	<b>55</b>		

## Synergy booking status

Date: 08-Jan-21

Workstream	Full run rate			2020/21			2021/22			2022/23			Comments
	Booked £m	Anticipated £m	Target £m	Booked £m	Anticipated £m	Target £m	Booked £m	Anticipated £m	Target £m	Booked £m	Anticipated £m	Target £m	
1. Strategy													
2. Organisation													
3. Sales													
4. Fibre optimisation													
5. Supply Chain													
6. Operations													
7. Working capital													
8. Procurement													
9. IT													
10. Costs													
11. Reverse synergies													
<b>Total</b>													

# Our Strategy

*Adding value to consumers  
well being everyday*

*“Ruthless approach to non-core and its divestment – good products grow in good markets”*

# Our Ambition - Accrol Group 2020 & Beyond

## Accrol Tissue Division

↑  
**Accrol**  
16% YoY



M&A

**Accrol Papers Division**  
Make or Buy

## Accrol Expansion

*Growth through Acquisition and or Investment/Build*

- **PRODUCTS**
- *Feminine Hygiene B to C*
- *Adult Incontinent B to C*
- *Medical Wet Wipes B to B*
- *Environmental Wet Wipes B to B*

### SECTORS

- *Household Products*
- *Sub Medical Sector*
- *Hygiene & Personal well being*

### ROUTES TO CONSUMER

- *eCommerce B2C*
- *B2B*

We add:  
Operational expertise  
Simplification  
World class team

We want:  
Complexity  
Private label  
Stagnation  
Investor/customer case

# TRANSFORMATIONAL DELIVERY ....WORLD CLASS TEAM .... WHAT NEXT.....

**Market growth** *as PL displaces Brands driven by product development and positioning outstrip the market*

**Operational Transformation** *a proven track record to execute across multiple sites and geographies*

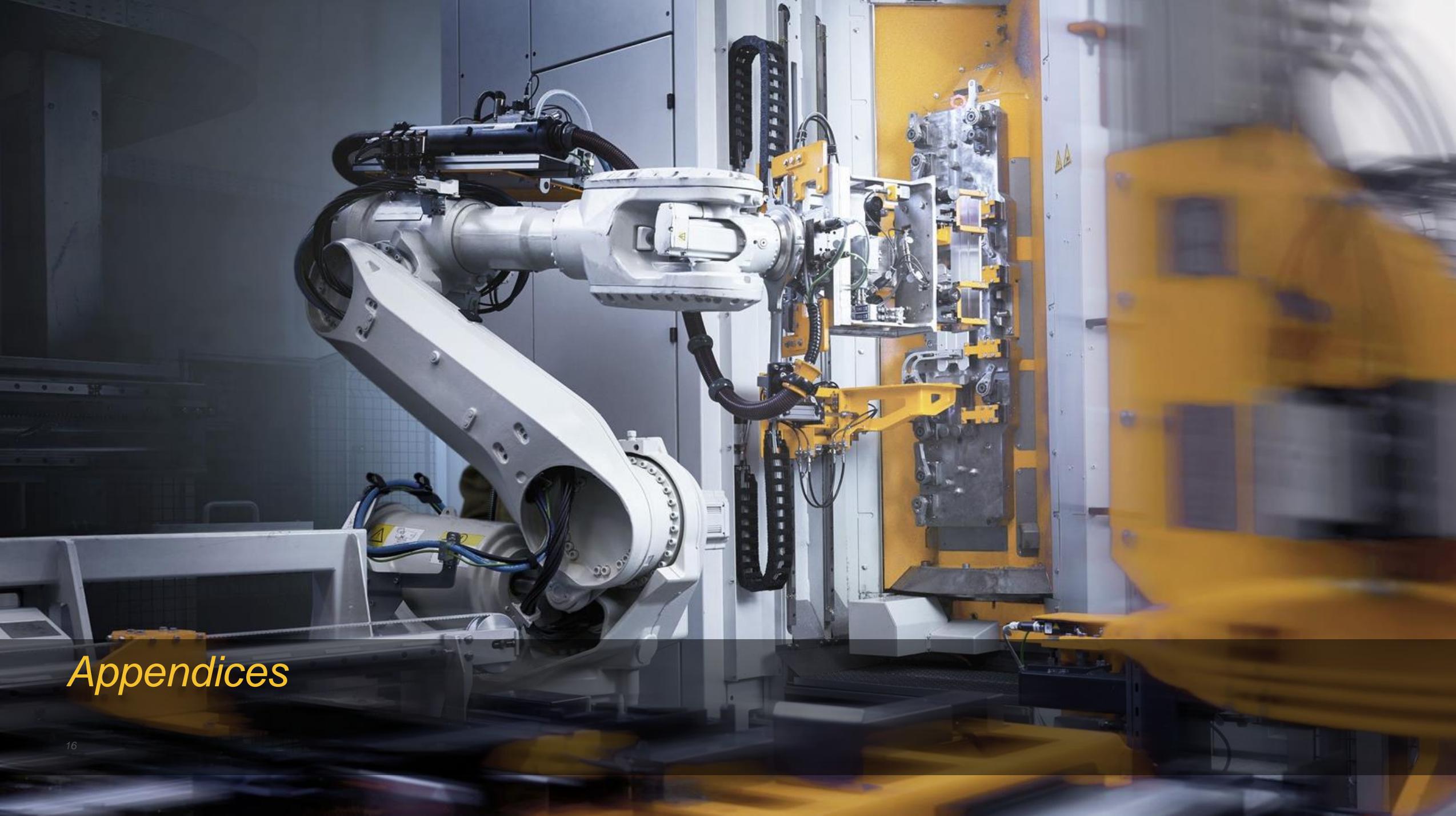
**Capital discipline** *controlling leverage whilst growing sales and investing in efficiencies*

**World class team** *that delivered again and again*

**Strong Financial Outcomes** *revenue per head, added value per £ total labour, EBITDA, PBT all transformed*

**Shareholder Returns** *the primary focus*





*Appendices*

# Shareholder Information (3%+ holders)



Shareholder	Number of shares held	% of issued share capital
Schroder Investment Mgt	36,031,533	11.57
NorthEdge Capital	27,487,377	8.83
Premier Miton Investors	27,268,076	8.76
Canaccord Genuity Wealth Mgt	18,150,646	5.83
Ruffer	15,889,603	5.10
Tellworth Investments	14,275,334	4.58
Killik Asset Mgt	12,490,545	4.01
BlackRock Investment Mgt	12,479,550	4.01
Jupiter Asset Mgt	11,901,382	3.82
Lombard Odier Asset Mgt	10,260,076	3.30
AXA Investment Mgrs	10,079,693	3.24
Daniel Wright	9,972,726	3.20
<b>Total issued share capital (Ordinary shares of £0.001 each)</b>	<b>311,354,632</b>	

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As of 18 December 2020 Accrol Group Holdings plc had been made aware of the above shareholdings in the ordinary share capital of Accrol Group Holdings plc

# Acquisition Highlights – announced at the time of the deal

*Building on our success in the UK*



## Acquisition of LTC for £35.0 million + up to £6.8 million of deferred consideration

- Well invested, family-owned tissue converter supplying private label & branded toilet roll and kitchen towel to UK retailers
- Four high quality, modern tissue conversion lines, under 6 years old, and strong day-to-day operational leadership team

## Highly compelling strategic and financial returns

### Commercial opportunity

- Exceptional scale opportunities, enhancing Accrol's customer offer in the toilet roll and kitchen towel sector
- New and complementary customers with limited overlap of Accrol's existing customer base
- Adds significant capacity to existing business, which is already growing faster than the market

### Costs

- Clear opportunity to optimise LTC's high quality tissue assets and postpone £5.0m of planned capex for Accrol in FY21
- Logistics efficiencies - 48% of Accrol's current volumes delivered south of Leicester
- Minimum of £1.0m costs synergies identified for delivery in first full year of ownership to April 2022

### Strategy

- Minimum of 10% EPS accretion expected in the first full year of ownership to April 2022
- Execution of Accrol's "Brand Killers" strategy and demonstration of Group's ambition

## Acquisition financing

- c.£38.5m Placing and c.£4.0m Open Offer to cover initial consideration, transaction fees and strengthen the balance sheet

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