

Full year 2022 trading update

Solid performance in line with expectations, executing our clear plan to protect future profits

Bakkavor Group plc (the “Company”) and its subsidiaries (“Bakkavor” or “the Group”), the leading international provider of fresh prepared food (“FPF”), today updates on trading for the 53 weeks to 31 December 2022 (“FY22”), ahead of the publication of its full year results on 8 March 2023.

£ million	Reported revenue 53 weeks	Growth	Like-for-like ¹ ('LFL') revenue 52 weeks	LFL growth
Group	2,139.2	14.3%	2,069.0	10.6%
UK	1,783.1	12.0%	1,752.3	10.0%
US	255.3	41.8%	226.2	25.6%
China	100.8	1.7%	90.5	(8.6)%

Robust growth, performance in line with market expectations and strong balance sheet

- Group reported revenue exceeded £2bn for the first time, up 14.3% on the prior year and LFL revenue up 10.6%. Driven primarily by price in the UK, along with strong volume growth in the US, while Covid impacted volumes in China.
- FY22 Group adjusted operating profit remains in line with market expectations². Whilst we have been successful in largely mitigating inflation through pricing and internal levers, there has been some impact on profits, which are down year-on-year.
- This reflects a solid performance in the UK; market share gains underpinned by high service levels and breadth of product portfolio, and Christmas trading in line with expectations and well-executed operationally.
- In the US, performance was impacted by disruption from taking on board volume growth and, as reported in our Q3 2022 trading update, a contractual dispute with a customer at one site since November. In China, profitability continued to be impacted by Covid.
- Investment in our people, through pay increases and engagement activities, has had a positive impact, and wider labour market pressures eased through the year.
- We delivered progress against sustainability commitments including through refrigeration upgrades and energy initiatives, along with targeted action on food waste.
- Strong balance sheet maintained; leverage within target range, significant liquidity headroom, and good level of protection against interest rate rises.

A clear plan to protect profits in 2023, with actions underway

- As significant headwinds will persist in our markets through 2023, we have implemented a Group-wide plan to protect profits, as previously announced.
- Our plan, which includes a leaner organisation structure, refreshed clear and focused regional priorities, and enhanced emphasis on managing cash, will deliver savings of £15m in FY23, and £25m on an annualised basis.
- Actions are well progressed with the new Management Board and leadership structure established, the UK business operationally consolidated from four to two sectors, Meals and Bakery, and the consultation at two UK sites concluded, on track to close and transfer volume in H1 2023.
- In the US, we have a renewed focus on operational performance to improve margin sustainably and whilst near-term challenges remain in China, we are well-positioned to capitalise on the future growth opportunity when conditions normalise.
- The cash costs of implementing the plan are expected to be c.£20m, with most of the cash outflow in FY23. These costs, together with c.£35m of non-cash impairment charges³, will be recognised as exceptional items in FY22.
- This decisive action, combined with our scale and breadth, customer relationships and balance sheet strength provide us with a stronger platform to move forward with purpose and confidence.

Mike Edwards, CEO, commented:

“Despite 2022 being another challenging year, Bakkavor delivered a robust performance and once again demonstrated the strength of our customer relationships and the resilient foundations of our business. The relentless commitment and agility that our people have shown set us apart through this difficult period, and I would like to thank everyone for their hard work.

“Whilst market challenges will persist in 2023, the actions we are taking to protect profits, our clear strategy and our balance sheet strength, allow us to move forward with purpose and confidence, enabling us to deliver on our medium- to long-term ambitions.”

1. LFL revenue is revenue from continuing operations adjusted for the revenue generated from businesses closed or sold in the current and prior year, revenue generated from businesses acquired in the current and prior period, and the effect of foreign currency movements. FY22 included 53 weeks of trading, compared to 52 weeks in FY21. LFL revenue excludes the 53rd week in FY22. All other FY22 measures include the 53rd week.
2. Based on company compiled consensus (“Consensus”) which includes; Berenberg, Citi, Goodbody, HSBC, Investec, Kepler, Numis and Peel Hunt. Adjusted operating profit Consensus for 2022 of £88.6m, with a range of £86.7m to £90.3m.
3. Non-cash impairment charges of c.£35m include c.£21m from the closure of two UK sites, a c.£10m impairment of our investment in associate in Hong Kong due to the ongoing impact of Covid on trading performance, and the balance relates to an impairment of inventory and receivables associated with the contractual dispute with a US customer.

ENQUIRIES

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About Bakkavor

We are the leading provider of fresh prepared food (“FPF”) in the UK, and our presence in the US and China positions the Group well in these, high-growth markets. We leverage our consumer insight and scale to provide innovative food that offers quality, choice, convenience, and freshness. Over 19,000 colleagues operate from 46 sites across our three markets supplying a portfolio of over 3,200 products across meals, pizza & bread, salads and desserts to leading grocery retailers in the UK and US, and international food brands in China.

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