

Strategic Report Highlights

Resilient Group Revenue

Summary

Resilient Group revenue of £306.3 million.

Adjusted*¹ EBITDA down 4.4% to £24.4 million (up 2.8% to £26.2 million including impact of first-time adoption of IFRS16 of £1.8 million).

Adjusted*¹ profit before tax is £13.9 million which is before significant and non-recurring items of £10.3 million.

Adjusted Basic EPS*² 7.9p.

Net bank debt of £26.5 million, decreased by £9.1 million (2019: £35.6 million) at 1.1 times annualised EBITDA of the Group (2019: 1.4 times).

The impact of the first-time adoption of IFRS 16 will be to increase operating profit by £0.1 million, interest costs by £0.2 million, EBITDA by £1.8 million, debt of £11.8 million (previously operating leases under IAS 17) and assets of £9.4 million.

Strategic Highlights

The business has proven to be resilient, responding quickly to Covid-19 to deliver a robust trading performance.

Covid-19 and resultant lockdown had an immediate and adverse impact on Group revenue and profit.

- Foodservice business adversely impacted;
- Retail business had winners and losers depending on subsector; and
- Polish business struggled with fall in demand and logistics barriers.

Responded rapidly to create a safe working environment for our employees.

Continued focus on driving productivity and efficiency.

- Integrated IT system embedded in all manufacturing sites (excluding Ultrapharm);
- Implementation of Group-wide review and standardisation of bakery processes leading to improved quality and reduction of waste; and
- Systematic focus on quality with a 10% reduction in complaints year on year.

Opening of new gluten free bakery in Poland to expand capacity for the continental market.

Further innovation in line with consumer trends with the launch of:

- BOSH! branded plant based, vegan friendly whole cakes and celebration cakes;
- Celebration Cake factory now nut free with re-engineered character licensed celebration cakes;
- New Line of Harry Potter licensed cakes;
- Growing gluten free cake range rolled out across new retail customers; and
- Artisan sourdough bread range expanded into new retail customers.

Continued development of HomeSafe programme with 15% decrease in number of accidents during the year.

Implementation of Group-wide environmental framework in line with ISO14001.

Product excellence illustrated by the winning of several Quality Food and Drink 'Q' Awards.

In order to understand the business performance, adjusted measures for the Group are presented, which exclude the impact of significant non-recurring items and new accounting standards to present adjusted EBITDA, operating profit and profit before tax. The analyses below show the movement from Adjusted to Statutory measures, the figures are for the 52 weeks ended 27 June 2020 and 52 weeks ended 29 June 2019:

Adjusted EBITDA	2020 £000	2019 £000
Adjusted EBITDA excluding IFRS 16 impact	24,408	25,527
IFRS 16 lease costs	1,840	-
Adjusted EBITDA including IFRS 16 impact	26,248	25,527
Significant non-recurring items		
– Reorganisation (Note 4)	(1,594)	(1,200)
Significant non-recurring items – Impairment of goodwill and non-current assets (Note 4)	(8,737)	-
Difference between defined benefit pension scheme charges and cash cost	200	(162)
Movement in the fair value of foreign exchange contracts	(73)	(178)
Adjustments, significant non-recurring and other items	(10,204)	(1,540)
EBITDA	16,044	23,987

Adjusted Operating Profit	2020 £000	2019 £000
Adjusted operating profit excluding IFRS 16 impact	14,833	16,833
IFRS 16 impact on operating profit	106	-
Adjusted operating profit including IFRS 16 impact	14,939	16,833
Significant non-recurring items – reorganisation (Note 4)	(1,594)	(1,200)
Significant non-recurring items – impairment of goodwill and non-current assets (Note 4)	(8,737)	-
Difference between defined benefit pension scheme charges and cash cost	200	(162)
Movement in the fair value of foreign exchange contracts	(73)	(178)
Adjustments, significant non-recurring and other items	(10,204)	(1,540)
Operating profit	4,735	15,293

Adjusted Profit Before Tax	2020 £000	2019 £000
Adjusted Profit before tax excluding IFRS 16 impact	13,869	15,919
IFRS 16 impact on profit before tax	(141)	-
Adjusted profit before tax including IFRS 16 impact	13,728	15,919
Significant non-recurring items – (Note 4)	(1,594)	(1,200)
Significant non-recurring items – impairment of goodwill and non-current assets (Note 4)	(8,737)	-
Difference between defined benefit pension scheme charges and cash cost	(56)	(444)
Movement in the fair value of foreign exchange contracts	(73)	(178)
Discounting of deferred consideration	(14)	(139)
Movement in the fair value of interest rate swaps	(386)	(382)
Adjustments, significant non-recurring and other items	(10,860)	(2,343)
Profit before tax	2,868	13,576

Adjusted EBITDA, operating profit and profit before tax exclude significant and non-recurring and other items as shown in the tables above. The adjusted operating profit has been given as, in the opinion of the Board, this will allow shareholders to gain a clearer understanding of the trading performance of the Group.

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

*2 Adjusted EPS has been calculated using earnings excluding the impact of amortisation of intangibles and significant non-recurring and other items as shown on the face of the Statement of Comprehensive Income.

Group Performance Measures

(excluding IFRS 16)

Group Revenue£306.3m 

down 2.8%

Adjusted EBITDA^{*1}£24.4m 

down 4.4%

Adjusted Operating Profit^{*1}£14.8m 

down 11.9%

Adjusted Operating Profit^{*1} Before Tax£13.9m 

down 12.9%

Adjusted EPS7.9p 

down 15.1%

Capital Investment£4.7m 

down 57.3%

Net Bank Debt£26.5m 

down 25.6%

Group Performance Measures

(including IFRS 16)

*2

Adjusted EBITDA^{*1}£26.2m 

up 2.8%

Adjusted Operating Profit^{*1}£14.9m 

down 11.3%

Adjusted Operating Profit^{*1} Before tax£13.7m 

down 13.8%

Adjusted EPS8.0p 

down 14.0%

*2

Net Debt (incl. leases)£38.3m 

up 7.6%

Statutory Measures

*2

EBITDA£16.0m **Operating Profit**£4.7m **Profit Before Tax**£2.9m **Basic EPS**(0.6)p 

*2

Net Debt (incl. leases)£38.3m 

Group performance measures have been calculated including and excluding the impact of the first time adoption impact of IFRS 16. This is to allow year-on-year comparability of the key performance measures. Statutory measures include first time adoption impact of IFRS 16.

The impact of first time adoption of IFRS 16 is as follows:

	27 June 2020 £000
Net increase in operating profit	106
Increase in interest costs	(247)
Net increase in PBT	(141)
Net increase in EBITDA	1,840
Increase in debt	(11,823)
Increase in assets	9,434

*1 The Group uses Alternative Performance Measures (APMs) which are non-IFRS measures to monitor performance of its operations and of the Group as a whole. These APMs along with their definitions and reconciliations to IFRS measures are provided in the Adjusted EBITDA, operating profit and profit before tax tables on the previous page and the tables in the Financial Review Section. APMs are disclosed as, in the opinion of the Board, this will allow shareholders to gain a clearer understanding of the trading performance of the Group.

Adjusted EPS has been calculated using profit, excluding amortisation of intangibles, significant non-recurring and other items as shown in the tables above net of associated taxation. In the opinion of the Board, the adjustments made will allow shareholders to gain a clearer understanding of the trading performance of the Group.

*2 Measures that do not vary are shown in the first column only.