

Better...

progress toward our ambitions



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A resilient performance

£306.3m

Group Revenues
2019: £315.3m

£24.4m

Adjusted EBITDA
(excluding £1.8m uplift from
first time adoption of IFRS 16 leases)



As we reported in our interim results in February, the first half of the financial year was a period of encouraging progress for the Group, with the benefits of our long-term investment programme and operating initiatives coming on stream. Indeed, this continued through until almost the end of our third quarter.

The outbreak of the coronavirus, with the consequential lockdown in March, had a major impact on businesses across the UK and Finsbury was no exception. Food was suddenly consumed almost entirely in the home. The demand profile across our product portfolio underwent rapid change and we had to act decisively and adapt quickly to continue producing food products in a way that kept our colleagues safe, whilst at the same time protecting the long-term sustainability of the business.

There are now encouraging signs that we are moving in the right direction once again, after a challenging few months. However, it is important that the pandemic does not overshadow the significant operational progress the Company has continued to make, which will stand it in good stead to deliver on its longer-term growth ambitions, once more normal trading patterns return.

A Resilient Performance

Considering the extent of the impact of the pandemic from March, the financial performance for the year was a very credible one. Group revenues were £306.3 million (2019: £315.3 million), adjusted EBITDA was £24.4 million (excluding £1.8 million uplift from first time adoption of IFRS 16 leases). We have impaired assets by £8.7 million, considered to be overvalued considering their expected cash generation, delivering a profit before tax of £2.9 million (see Note 10).

From the start of our new financial year, strong sales growth, profit and cash generation were driven by ongoing delivery against our strategy of selling an ever-expanding and diverse range of innovative products through a broad range of channels while seeking opportunities to drive increased productivity and efficiency. This pattern continued until the nationwide lockdown in March.

Since then sales in the largest part of our business, Retail, have remained relatively resilient and have continued to recover month by month since April. Everyday bakery

products such as rolls proved popular but demand for celebration cakes was more subdued as a result of lockdown restricting social gatherings. It is hard to overstate the magnitude of the impact the outbreak of the pandemic had on our foodservice and food-to-go division, which in the prior financial year was 20% of sales turnover. Their end markets suddenly disappeared, almost completely, as restrictions on travel were introduced and consumer behaviour was thrust into uncharted territory. Encouragingly, this improved and sales in foodservice and food to go recovered to around 39% of prior year levels for Q4.

As outlined in our Covid-19 trading updates, management implemented a range of measures to control costs and preserve cash while scaling back production in response to reduced demand. As a result of these actions, we find ourselves in a healthy and secure financial position. The Group has remained cash generative throughout the period, has not needed to make use of any government financial assistance schemes aside from furlough, and has extensive headroom remaining of its £55 million revolving credit facility.

The coronavirus presented our teams with significant operational challenges, the likes of which had not been encountered before, but they met them with enthusiasm and tenacity and I am proud of the way they were able to keep the business running without compromising on the high standards we set for ourselves.

Considerable Strategic Progress Despite the Pandemic

Finsbury Food Group comprises several once independent businesses; a major strategic focus of the past few years has been on introducing initiatives to ensure they operate as one cohesive unit with a greater uniformity of process and procedures, and better communication. Work on that front continued apace during the year, despite the disruption caused by the pandemic.



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Chairman's Statement/*Continued*

With the business on a sound financial footing, in the near-term we will continue to prioritise the health and safety of our colleagues while carefully managing our resources and operations to meet the returning demand in a sustainable way.

The Chief Executive's review outlines in more detail the progress we have made, however, I would like to pick out three examples:

- IT has been a key investment theme in recent periods and is now at a level of maturity where we have standardised management information across the sites and can use it to keep introducing new initiatives to further drive productivity and efficiency gains across the Group;
- More broadly, the Company-wide rollout of professional communications software such as Workplace by Facebook and Microsoft Teams has made collaboration and sharing of information across the Group during the pandemic easier than it was before the lockdown restrictions were introduced; and
- In April we completed the migration of our third-party training academy online. This meant that several projects that otherwise would have had to have been put on hold were able to go ahead.

Delivery Down to the Hard Work and Commitment of our Team

The coronavirus pandemic has tested the mettle of everyone at Finsbury and I would like to take this opportunity to pay tribute to them all for the way they have responded, particularly in adapting to the new ways of working. Their courage, dedication and professionalism in the face of adversity has been first class, from the senior leadership team through to those in our bakeries and countless others whose efforts have meant we could continue to make a contribution to keeping the UK's food shelves stocked.

Dividend

The Board withdrew the interim dividend of 1.23 pence per share on 29 March 2020 and have decided not to propose a final dividend in the context of the continued uncertainty surrounding the pandemic and Brexit. The Board is minded to reinstate a dividend for F21 and will provide an update as these unknowns pass and our outlook is more certain.

Board

The Board composition remains unchanged since last reported and we continue to comply to the QCA Corporate Governance Code. The Board met at sites as usual until March and since then has met using online meeting facilities and will continue to do so until it is felt safe to go back to meeting on sites.

Positioning the Business for Growth

After the initial impact, we are starting to see some positive monthly sales trends that hint at the beginnings of a recovery. Furloughed staff at its peak totalled 534; by 31 August 2020 the number had reduced to 94. The outlook now versus where it was when the pandemic first took hold is much improved, but with market volatility likely to persist, it remains difficult to predict with any accuracy the rate at which the recovery will take place.

With the business on a sound financial footing, in the near term we will continue to prioritise the health and safety of our colleagues while carefully managing our resources and operations to meet the returning demand in a sustainable way.

Longer-term, we remain just as focused on our goal of becoming the leading speciality bakery group as we ever were. Finsbury is a fundamentally strong business engineered to be resilient, and for all the negatives associated with the crisis, there is no doubt it has accelerated a number of positive operational improvements which will benefit the Group for many years to come.

Coronavirus risks and Brexit uncertainty remain, but with the good work we have done before and during the pandemic to improve and refine our working practices, we are confident we will emerge a stronger, more streamlined and efficient organisation.

Peter Baker

Non-Executive Chairman
18 September 2020

