ACCROL PAPERS

FINAL RESULTS

YEAR ENDED 30 APRIL 2017

JULY 2017

PRESENTING
TEAM

Peter Cheung
Executive Chairman

Steve Crossley
Chief Executive Officer

James Flude
Chief Financial Officer

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BUSINESS & MARKET OVERVIEW

UK TISSUE MARKET

Discounters and private label continue to take market share

UK tissue market

- The total UK tissue market is worth c. £2.2bn at retail selling price with c. £1.5bn attributable to consumers sales through the Multiples and Discounters
- The consumer sector of the market is dominated by the Multiples with a 72% share by value*
- The Discounters represents 16% of the consumer sector and is the fastest growing sector at over 10% per annum*
- Total market value is in slight decline by 1.5% pa* due to promotional activity and growth from the Discounters with volume of rolls down 1.2%* largely due to migration to bigger rolls
- Brands continue to be eroded with Private label products reaching 47% of the overall market by March 2017*

Competitors

- Accrol is 1 of 5 key suppliers to the market which includes SCA, Kimberly-Clark, Sofidel and Northwood Wepa
- The market below this is very fragmented with the next player at £25m of sales followed by a handful at sub £15m

* Kantar to March 2017

CONVERTING
OUR ADVANTAGE

Our competitive advantage lies in our market positioning, operational process and flexibility

We are a leading independent tissue converter

- We manufacture toilet rolls, kitchen rolls, facial tissues and away from home products (AFH). We supply a range of Discounters, Multiples and Independents as well as a variety of AFH customers throughout the UK

Our sales

- The Discount market represents 16% of the consumer sector market and is the fastest growing sector at over 10% per annum
- Accrol's decision to focus on this sector in 2008, has delivered sales CAGR of 16.5% since 2013
- Accrol is the market leader in the Discount segment with over 50% share by market value

Technology and converting lines

- Accrol has invested c.£18.2m in plant over the last three years with £4.0m committed to a new machine due for delivery into Leyland March 2018
- The Group currently has 17 converting lines in operation which includes 2 recently commissioned lines at our new facility in Leyland, Lancashire
- The Group's operating machinery allows conversion of a wide variety of tissue grades allowing manufacture of a range of product types

CONVERTING
OUR ADVANTAGE

Product range
Accrol is able to manufacture toilet rolls, kitchen rolls, facial tissue and AFH products, providing a ‘one stop shop’ solution for customers

£18.2m
investment over 3 years

540
Number of employees at April 2017

17
converting lines in total

Sales by category

Toilet tissue

£67.5m
+28% YOY

Kitchen towels

£27.3m
+3% YOY

Facial tissue

£12.6m
+17% YOY

Away from home

£23.3m
+1% YOY

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OUR
CUSTOMERS

We have established long term relationships with many leading retailers in a range of market sectors

BOOKER

MORRISONS

b&m

wilkinson

TESCO

home bargains

Poundland

LIDL

ALDI

SUPPLY DYNAMICS

Oversupply of parent reels continues to support our procurement strategy, giving us best technology and pricing

Import

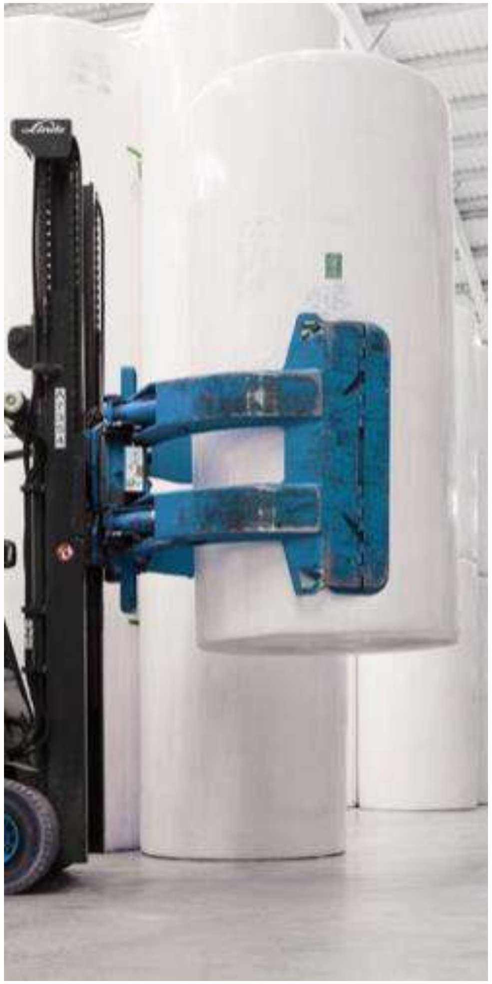
- UK consumption is c. 1.2m tonnes per annum with c. 0.3m tonnes imported
- Accrol consumes c. 32% of all tonnage imported into the UK
- Parent reels are sourced from a portfolio of c. 20 approved mills globally, with c. 6 key suppliers constituting up to 70% of our purchases

Market

- There is a global over-supply of parent reels with additional capacity forecast to be brought online through to 2019
- Excess global supply gives Accrol a competitive advantage
- Not having a paper machine gives us greater flexibility and allows us to take advantage of new tissue technologies & developments, e.g. NTT

Foreign exchange and hedging

- As the UK is a net importer, fluctuations in global pulp prices and exchange rates impact both paper manufactures and converters
- Purchases are made predominately in US$ and hedges taken up to 6 months in advance



OVERVIEW OF YEAR
ENDED 30 APRIL 2017

OVERVIEW OF YEAR
ENDED 30 APRIL 2017

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14.2%
growth in revenue

50%
share of discount market

27.9%
adjusted gross margin

£16.1m
adjusted EBITDA

£11.0m
adjusted profit after tax

- Trading in line with our expectations despite some challenging macro-economic factors
- Revenues for the year grew 14.2% or £16.8m to £135.1m - continued growth of Private Label into the Discounters

- Our share of the growing discount sector has increased to over 50% from 35% in FY16 through organic growth with existing customers and the previously advised Lidl contract

- Adjusted gross margin 27.9% (FY16: 28.1%) supported by favourable parent reel pricing and significant hedging pre and post EU referendum

- Adjusted EBITDA increased by 6.8% year on year from £15.0m in FY16 to £16.1m in FY17

- Adjusted profit after tax increased 57.3% year on year to £11.0m (FY16: 7.0m)

OVERVIEW OF YEAR
ENDED 30 APRIL 2017

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25k tonnes
Leyland capacity

- Commissioning on first line at Leyland completed April 2017 with the commissioning on the second line completed in June 2017
- When fully operational, this will take our total capacity to 143k tonnes or c. £180m pa

368,000
sq ft finished goods warehouse

- Review of warehousing and logistics resulted in rationalisation of existing warehouses and the addition of a 368,000 sq ft finished goods warehouse which can support sales of c. £200m
- Warehouse management of new facility and associated logistics provided by 3rd party, NFT

£19.0m
net debt

- Net debt since flotation has reduced by £4.1m to £19.0m supported by cash from operations increasing by £2.6m or 23% year on year

7
Senior heads recruited

- Family transition and exit successfully completed by October 2016
- Recruited key roles – Manufacturing, Supply Chain, HR, Procurement and Engineering

4p
final dividend

- Final dividend of 4p per share proposed by the Board
- Interim dividend of 2p per share paid in February 2017

STRATEGY

STRATEGIC OBJECTIVES

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GROW THE TOP LINE

Ambition to achieve £250m+ pa sales through building on our core business with the Discounters, gaining new own-label business with the Multiples and complimentary acquisitions

Objective

- Protect our customer base in the growing Discount Sector
- Drive new sales in the Discount Sector
- Gain new sales in the growing private-label sector of the Multiples
- Explore complimentary acquisitions that drive sales and PBT

Progress to date

- Our share of the discounter sector has grown to over 50% during FY17 following contract gains with Lidl, Booker and Poundstretcher
- Lidl contract started October 2016 with NTT supporting our commercial case
- Branded gains in Major multiples include Morrisons (£ 0.5m) and Tesco (£ 1.5m)
- We believe inflation recovery in the marketplace will accelerate consumers moving to Discount sector. Furthermore, it will increase the amount of business going out to tender across the industry

Key performance indicators

- 14.2% or £16.8 m sales growth year on year (FY16: 17.0% growth)
- 50% share of Discount market (FY16: 35% share)
- 9% share of total the total tissue market (FY16: 7% share)

STRATEGIC OBJECTIVES

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PROTECT THE MARGIN

Protecting our margin whilst delivering a quality product is key to retaining our customers, building our sales and ultimately creating shareholder value

Objective

- Continue to source quality parent reels at the best value from our unique worldwide sourcing model
- Continue to protect where possible our raw material purchasing through hedging currency movements
- Work with our customers to recover inflationary costs whilst protecting sales value and volume

Progress to date

- We hedged significantly pre & post EU referendum and this coupled with lower paper pricing YOY has underpinned the financial performance for FY17
- Tissue sourcing is under constant review to optimise pricing and quality
- Inflation recovery discussions started with our customers in December 2016 and have continued through FY17. Whilst we have had some success and there are positive signs of some retailers increasing consumer price points, further recovery of adverse exchange rate movements will be a significant element of achieving FY18

Key performance indicators

- Adjusted gross profit increased £4.5m or 13.4% to £37.7m (FY16: £33.2m)
- Adjusted gross margin 27.9% (FY16: 28.1%)
- Adjusted EBITDA increased £1.1m or 6.8% to £16.1m (FY16: £15.0m)
- Adjusted profit before tax increased £4.8m or 57.5% to £13.0m (FY16: 8.3m)

STRATEGIC OBJECTIVES

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BEST IN CLASS SUPPLY CHAIN AND CUSTOMER SERVICE

Deliver market leading service levels through an optimised Supply Chain that is more efficient and provides capacity for future growth

Objective

- Supply Chain Optimisation Review to ensure the solution takes into consideration future sales growth and exit existing leasehold warehouses where appropriate
- Improve the link between sales and manufacturing to optimise warehousing and manufacturing
- Improve our customer experience through better information and systems

Progress to date

- 'Single Big Shed' solution recommended. A suitable 368,000 sq ft facility was identified at Skelmersdale, Lancashire
- Outsourcing of the warehouse management to a third party and to provide an integrated, optimised logistics solution. NFT identified as the most suitable partner and they were appointed in April 2017
- Full transition to Skelmersdale expected to be completed in August 2017
- NFT have put in a world class warehouse and logistics systems which will allow us to improve customer experience and save cost
- Sales and Operations Planning resource introduced to improve the link between sales and manufacturing

Key performance indicators

- Service level on volume fill improved from 90.0% to 99.6 % at year end after a challenging 6 months of growth
- On Time in Full, OTIF, will be introduced from August 2017

STRATEGIC OBJECTIVES

BUILD A PLATFORM FOR GROWTH

We are investing in infrastructure for growth as inflation drives shoppers towards good value products through Discounters and retail own label

Objective

- Increase capacity at Blackburn through efficiency improvements
- Create a new facility at Leyland that can facilitate significant growth which will include investment in new machinery

Progress to date

- Blackburn Manufacturing Optimisation Plan includes spend on machine enhancements, staff training and the introduction of a new rotating shift pattern from May 2017 onwards. Leyland commissioned line 1 by April 2017 and line 2 by June 2017. Leyland has space for a further 4 lines giving 6 in total. One more new line ordered in May 2017 for Leyland which will add 15,000 tonnes pa
- In both sites we have hired first class management with relevant industry experience. We have also engaged support services in Engineering, HR, Procurement, and Planning

Key performance indicators

- FY17 increase total capacity to 143,000 tonnes pa (FY16: 118,000 tonnes)
- Further increase total capacity to 170,000 tonnes being 143,000 base above plus 15,000 new Leyland line plus 12,000 tonnes efficiency improvement at Blackburn

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FINANCIALS

INCOME STATEMENT

	2017 £m	2016 £m	VAR £m	VAR %
Revenue	135.1	118.2	16.9	14.2
Adjusted Gross profit(1)	37.7	33.2	4.5	13.4
Adjusted Gross Margin(1)	*27.9%*	*28.1%*		
Adjusted overheads(2)	25.6	22.1	3.5	15.8
Adjusted EBITDA(3)	16.1	15.0	1.1	6.8
Operating profit	10.5	11.9	(1.4)	(11.7)
Finance costs	1.1	4.9	3.8	(77.2)
Adjusted profit before tax(4)	13.0	8.3	4.8	57.5
Adjusted profit after tax(4)	11.0	7.0	4.0	57.3
Earning per share	£0.09	£576.26		

- Revenues increased 14.2% - organic growth from discounters and new contracts with Lidl, Booker and Poundstretcher
- Adjusted gross margin was 27.9% supported by favourable parent reel pricing and significant hedging pre and post EU referendum
- Adjusted overheads increased by £3.5m mainly due to £2.0m re distribution costs (higher sales & destination mix change) and £1.5m re admin costs (mainly £0.6m due to strengthening management team, £0.3m plc costs & £0.6m due to utilities, insurance & depreciation)
- Adjusted EBITDA increased by £1.1m or 6.8% from £15.0m to £16.1m
- Finance costs decreased significantly following the restructuring of the debt at IPO - £0.5m of the FY17 £1.1m charge relates to the pre-IPO debt
- Adjusted profit before tax increased 57.5% or £4.8m with adjusted profit after tax increasing by 57.3% or £4.0m
- Earnings per share at £0.09 for FY17

Note 1 – excludes gain / (loss) on derivative financial instruments
Note 2 – excludes exceptional items
Note 3 – Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation, gain / (loss) on derivative financial instruments and exceptional items
Note 4 – excludes amortisation, gain / (loss) on derivative financial instruments and exceptional items

CASH FLOW AND NET DEBT

Cashflow extract	2017 £m	2016 £m	VAR £m
Operating profit	**10.5**	**11.9**	**(1.4)**
Depreciation & amortisation	3.9	3.9	-
Exceptional items	1.0	-	1.0
Loss/(gain) on derivative financial instruments	-	(1.3)	1.3
Other	0.1	-	0.1
Adjusted operating profit	**15.5**	**14.5**	**1.0**
Movement in working capital	(1.8)	(3.4)	1.6
Cash generated from operations	**13.7**	**11.1**	**2.6**
Tax paid	(2.1)	(1.5)	(0.6)
Interest paid	(4.2)	(4.9)	0.7
Net cash flows from operating activities	**7.4**	**4.7**	**2.7**
Purchase of property, plant and equipment	(4.4)	(0.6)	(3.8)
Net cash flow from operating activities less capex	**3.0**	**4.1**	**(1.1)**
Cash generated from operations / adjusted operating profit	*88%*	*77%*	

- Operating cash to adjusted operating profit at 88% is 11% higher YOY
- Investment into working capital has increased with £5.0m invested into stock and £3.3m into debtors, both largely due to sales growth, mainly offset by increase in creditors
- Tax paid in the period has increased as the historical profits have increased year on year
- Interest paid in the current year and the prior includes loan note interest (FY17 was £3.6m with FY16 at £4.1m)
- Capital expenditure includes start up costs of £3.4m in relation to Leyland

Net debt	2017 £m	2016 £m	VAR £m
Revolving credit facility	12.8	-	(12.8)
Bank loan facility	-	3.7	3.7
Factoring facility	9.5	7.5	(2.0)
Shareholder loan notes	-	41.1	41.1
Finance leases	0.5	10.9	10.4
Borrowings	**22.8**	**63.2**	**40.4**
Cash and cash equivalents	(3.8)	(2.5)	1.3
Net debt	**19.0**	**60.7**	**41.7**

- Bank loan facility, shareholder loan notes and majority of finance leases repaid at IPO
- Net debt at April 2017 was £19.0m which is £4.1m lower than the £23.1m on flotation

BALANCE SHEET

	2017 £m	2016 £m
Non-current assets	**56.7**	**56.2**
Inventories	14.4	9.4
Trade and other receivables	24.7	21.3
Trade and other payables	(18.8)	(15.5)
Working Capital	**20.3**	**15.2**
Cash and cash equivalents	3.8	2.5
Borrowings	(22.8)	(63.2)
Net Debt	**(19.0)**	**(60.7)**
Other assets / (liabilities)		
Derivative financial instruments	(2.9)	-
Income taxes payable	(0.9)	(0.9)
Deferred tax liabilities	(3.9)	(4.7)
Net Assets	**50.3**	**5.1**
Share capital	**0.1**	**-**
Share premium	**41.6**	**0.1**
Hedging reserve	**(2.3)**	
Retained earnings	**10.9**	**5.0**
Total equity shareholders funds	**50.3**	**5.1**

- Working capital:
  - Stocks c. £5.0m higher YOY with raw materials £2.1m higher and finished goods £2.9m higher supporting higher sales
  - Debtors have increased £3.4m in line with sales offset by an increase in trade payables due to taking favourable credit terms on paper
- Hedge accounting applied since 1 May 2016 with any movements on the revaluation of outstanding currency contracts taken to the hedging reserve rather than income statement

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OUTLOOK

OUTLOOK

Investing for growth with focus on price inflation recovery

Continue to build platform for growth

- Increase capacity at Leyland – optimising line 1 & 2 and €4.5m investment in new line to be delivered in March 2018
- Efficiency improvements in Blackburn - target 10% or c. 12,000 tonnes / c. £17m sales
- Transition warehousing and logistics to Skelmersdale, Lancashire

Price inflation recovery

- Pulp prices have increased by c. 30% from Q2 FY18 but are expected to decrease towards the end of the year
- Price inflation recovery slower than expected with Multiples slow to increase retail price points
- All tissue suppliers face into the same challenge
- Inflation driving an increase in contracts out to tender
- We believe price inflation will drive consumers into Discounters and Own-Label at an accelerated rate – Accrol well placed to take advantage

DIVIDEND

- Final dividend of 4p per ordinary share proposed giving a total of 6p per ordinary share for the full year

APPENDIX

BOARD OF DIRECTORS

Peter Cheung
Executive Chairman

Chairman since November 2014.

+30 years of operational and financial experience in blue chip manufacturing, FMCG and retail.

Extensive experience in the soft tissue industry.

+20 years as a main board director.

Peter has worked alongside private equity firms since 1997 and served on the board of AM Paper (SCA Soft Tissue) as Corporate Development Director, TMD Friction as Chief Financial Officer, Jemella Group (ghd) as Chief Operating Officer and Chairman of the Operating Board. He is a qualified CIMA accountant.

Appointed Non Executive Chairman of Clearly Drinks, a private equity backed soft drinks business, in April 2017.

Steve Crossley
Chief Executive Officer

Board member since June 2016.

+38 years of experience in UK food manufacturing and distribution, 30 years at board level.

Steve spent 27 years at Unigate plc and Northern Foods plc latterly as an Operating Board Director and Divisional Managing Director of Chilled Foods.

Most recently, as Chief Executive Officer at Bright Blue Foods, he helped restructure, transition and re-finance the Company with a new investor. Steve has also had roles as Group Executive Board Director of Samworth Brothers (November 2010 to August 2014) and Managing Director of Grampian Country Pork (September 2006 to September 2008).

Steve has experience working with venture capitalists and banks to raise capital for investment.

James Flude
Chief Financial Officer

Board member since January 2015.

Extensive experience in managing finance functions and financial reporting.

James has 13 years of industry experience in finance roles gained in blue chip and private equity backed businesses.

He held various financial reporting and internal audit roles at Northern Foods plc.

James spent six years at ghd where he was key in delivering the first private equity buyout with Lloyds Development Capital in July 2006 and the second buyout with Montagu Private Equity in July 2007.

James qualified as a Chartered Accountant with Arthur Andersen and holds a BSc Hons in Pure Mathematics from Birmingham University and a PhD in Mathematical Physics from the University of Nottingham.

BOARD OF DIRECTORS

Joanne Lake
Independent Non-Executive Director

Board member since June 2016.

Extensive Board experience gained in a plc environment and also with AIM companies.

Joanne has over 30 years' experience in accountancy and investment banking primarily with Panmure Gordon, Evolution Securities, Williams de Broë and Price Waterhouse.

Deputy Chairman of AIM quoted Mattioli Woods plc and main market listed Henry Boot PLC and is also a Non-Executive Director of AIM quoted Gateley (Holdings) Plc and Morses Club PLC.

Steve Hammett
Independent Non-Executive Director

Board member since June 2016.

Range of retail experience.

Steve has held a number of CEO roles with Tesco in Turkey, Thailand, Czech Republic and Slovakia.

He was President of Al Futtaim Private and responsible for the growth of its retail brands, through c.400 stores in nine Middle East and North Africa markets.

Interim Customer Director and a member of the Food Board of the Co-operative Group. Responsible for c.3,000 stores.

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