

Accrol Group Holdings PLC



**Building a profitable
business of size and
scale**

Full Year Results 2020/21

14th July 2021

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Our Business

Our vision is to build a diversified business of size and scale

- The market leader in private label (own label) consumer tissue products
- A broad and expanding retail customer base
- A relentless focus on operational efficiency
- Well invested with headroom for growth
- An experienced and invested management team



FY21 Performance Summary

A transformed business focused on our people and our customers

- All sites remained fully operational throughout the pandemic
- Strengthened our market position through two strategic acquisitions
- Grown our market share to 15.9%¹ (FY20 13.1%)
- Increased our gross margins again to 27.7% (FY20 21.9%)
- Continued to invest - fully automating our operations in Blackburn & Leicester
- Improved our profitability by 47% and reduced our net debt

¹ Kantar Retail Sales Market data (May 2020 – April 2021)

Financial Results



Financial Headlines

	FY21	FY20	Change
Revenue (£'m)	136.6	134.8	+1.4%
Gross margin	27.7%	21.9%	+580bps
Adjusted EBITDA ¹ (£'m)	15.6	10.6	+47%
Adjusted PBT ² (£'m)	9.1	4.7	+94%
Net Debt ³ (£'m)	14.6	17.9	£3.3m
Net Debt / Adjusted EBITDA	0.9x	1.7x	0.8x
Adjusted diluted EPS (pence)	2.7p	1.7p	+59%

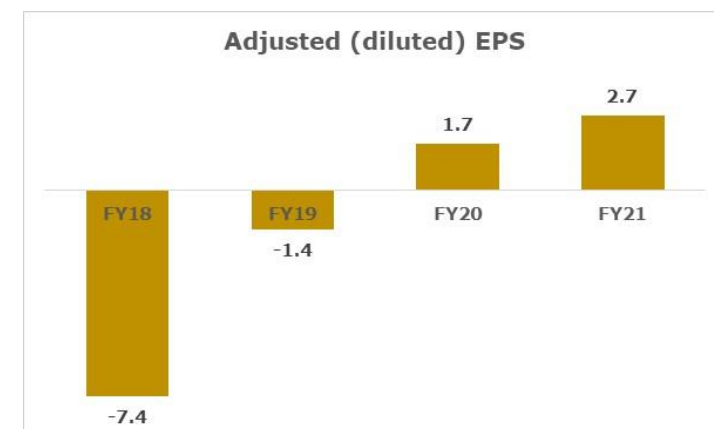
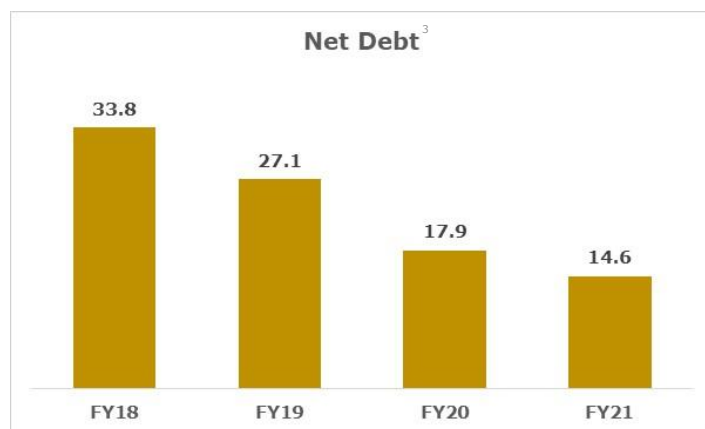
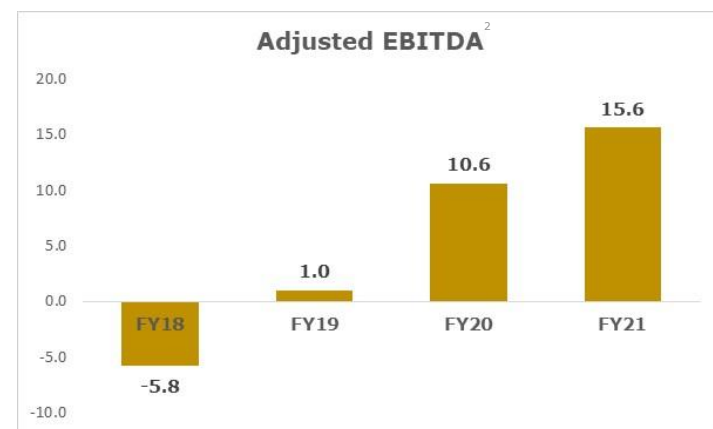
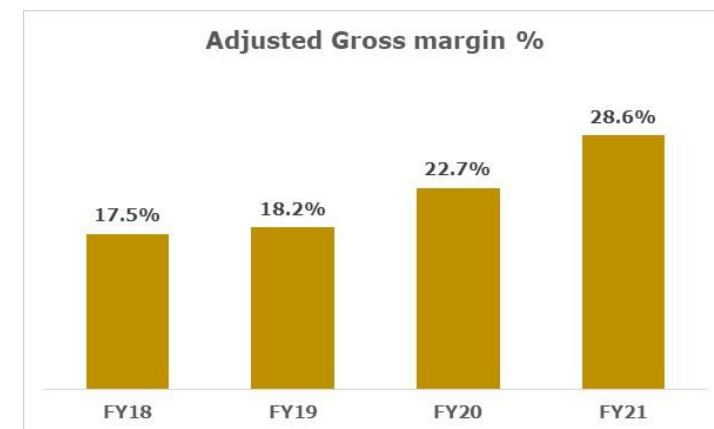
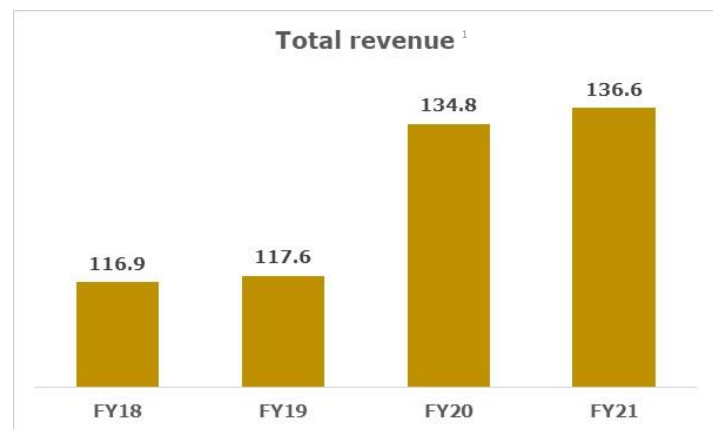
¹ profit before finance costs, tax, depreciation, amortisation, adjusting items, and share based payments

² profit before tax, amortisation, adjusting items, and share based payments

³ excludes operating type leases recognised on the balance sheet in accordance with IFRS16

Performance Summary

A transformed business with strong foundations for growth



¹ comprises revenue from toilet tissue, kitchen towel, facial tissue and wet wipes (excludes discontinued 'away from home' revenue)

² profit before finance costs, tax, depreciation, amortisation, adjusting items, and share based payments - FY18 and FY19 are pre IFRS16

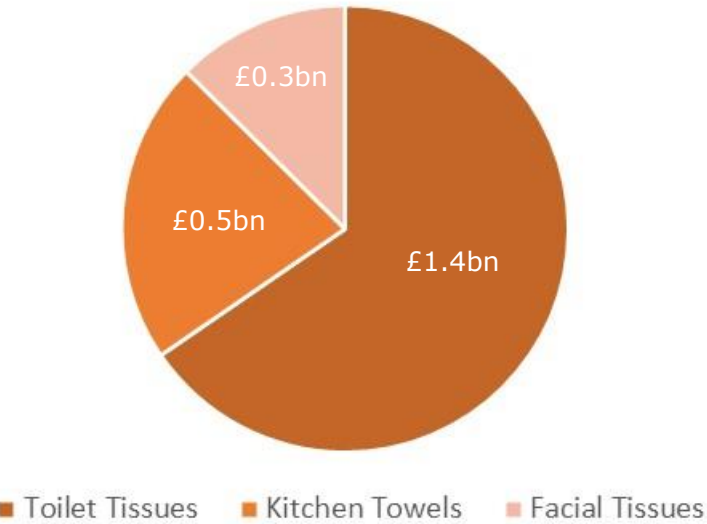
³ excludes operating type leases recognised on the balance sheet in accordance with IFRS16

⁴ gross margin before adjusting items

Market and Revenue Overview

UK Tissue Market – Retail Sales Value

Source: Kantar (May '20 – Apr '21)

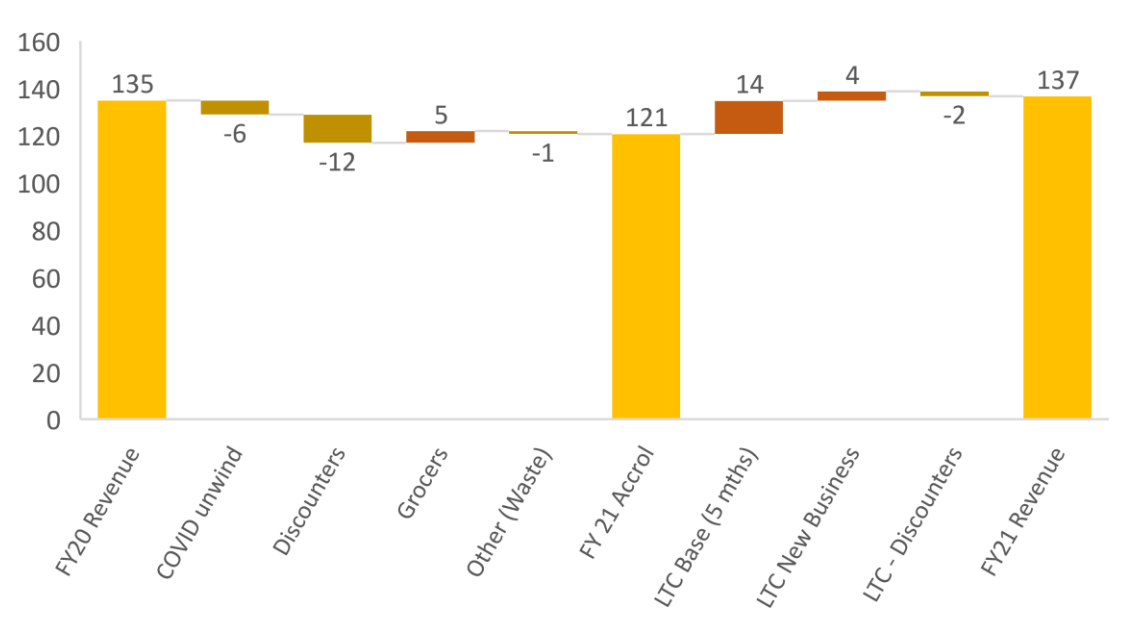


- Overall market declined by -1.2% in value (-1.3% volume) £2.3bn down to £2.2bn
- Brands declined by -0.7%; Private Label declined by -1.8%
- Brands represent 51% of the market; Private label 49%
- Discounters tissue sales declined by -5%; Grocers grew by 2%

¹ discounters defined as Aldi, Lidl, Home Bargains, Poundland, Wilko

² grocers defined as Tesco, Sainsbury, Asda, Morrisons, Waitrose, Ocado

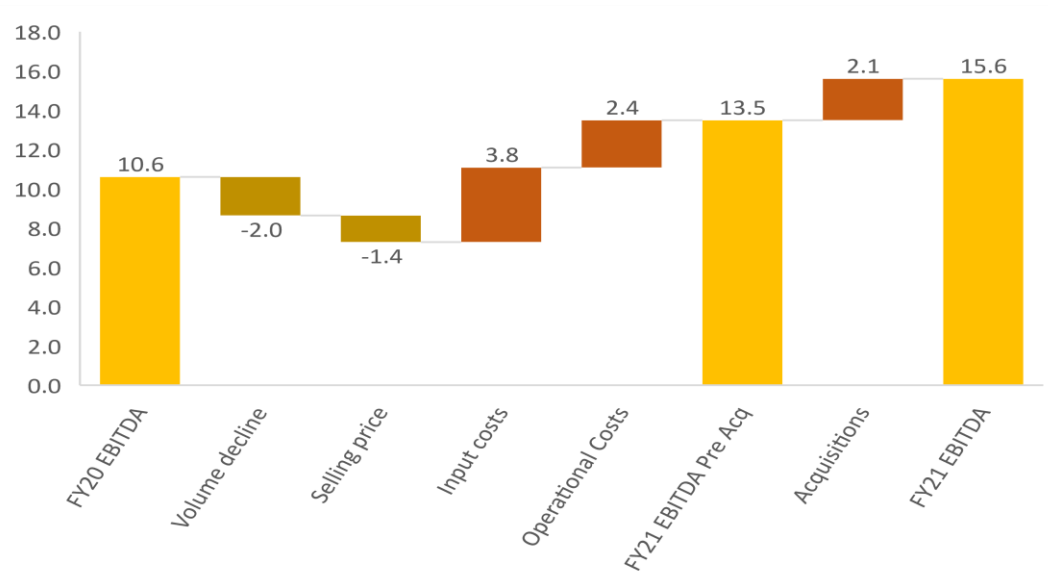
Accrol Group – Revenue Bridge (£'m)



- The unwinding of 'panic buying' impacted YoY sales
- Accrol customer mix within the overall market was unfavourable
- LTC acquisition reflects 5 months trading

Financial Overview

Accrol – Adjusted EBITDA Bridge (£'m)



- Volume decline (COVID and discounter decline) impacted margins
- Tissue costs declined through FY21 and GBP/USD was favourable
- Operational cost base reduced as a result of transformation activities
- LTC acquisition reflects 5 months trading (and JD 1 month)

Accrol – Cashflow (£'m)

	FY21	FY20	Change
Adjusted EBITDA (£'m)	15.6	10.6	5.0
Acquisition related costs (£'m)	-2.9	-	-2.9
Separately disclosed items (£'m)	-1.8	-2.2	0.4
Other items	-	-1.2	1.2
Working capital (£'m)	6.6	12.0	-5.4
Tax (£'m)	0.1	0.2	-0.1
Operating Cashflows (£'m)	17.6	19.4	-1.8

- Strong focus on cashflow maintained
- Working capital reduced again despite expansion of raw material stock
- Net capex of £7.4m in FY21 (FY20: £3.7m)
- Net debt reduced to £14.6m (FY20: £17.9m)

Building scale and diversity



Building Scale and Diversity

Leicester Tissue Company ("LTC")

- LTC has added **scale** to the Group
- Overall toilet tissue capacity is now >£210m revenue
- Identified synergies of £3m – three times greater than initial expectations
- Logistics network strengthened by central UK location
- Well invested asset base with 4 modern converting lines
- Integration completed ahead of schedule



Building Scale and Diversity

John Dale ("JD")

- JD has added **product diversity** to the Group
- A highly scalable, flushable and biodegradable wet wipes business
- Entry point into an attractive segment of the UK tissue market valued at £0.5 billion
- Incremental facial tissue volume will leverage the existing Blackburn asset base
- Integration largely completed



Our markets



Toilet Tissue - £1.4bn market (RSV)

Quality and simplification

- Accrol toilet tissue market share c18%
- +16% volume growth in premium category driven by “super soft” development FY20
- Developed a simplified new Branded range ‘Elegance’ – launches July 21
- SKU reduction from 43 to 9 (-79%) in FY21



Kitchen Towel - £0.5bn market (RSV)

Growth category, new product and brand

- Accrol kitchen towel market share c16%
- Category growing at 7.8%
- Developed PL product to match the leading brand "Plenty"
- Market launch of first 4-ply product 'Magnum'
- New "own brand" development launches July 21 to cover all tiers
- SKU reduction from 32 to 9 (-72%) in FY21



Facial Tissue - £0.3bn market (RSV)

Brand refresh ready for rebound in demand

- Accrol facial tissue share is c7%
- Market declined through pandemic due to reduced cold and flu
- Compact man-size to target the brand leader – only alternative supplier in UK
- Modern & refreshed brand ready for August launch pre cold and flu season



Flushable wet wipes - £0.5bn (RSV)

Wet Wipes – growth market in flushable

- Flushable wet wipes market forecast to grow
- Platform to grow a £40m business of scale
- Modest investment (c£3m) to deliver growth
- “Fine to Flush” Accreditation will be product USP
- Brand extension of Elegance & Quantum (Poundland) to match brand leader



eCommerce

Rapidly expanding route to market

- Launched sustainable, plastic free brand “Oceans”
- Subscription model growing at 30% per month
- Now expanding range to Kitchen Towel and Facial products
- Amazon – paper category worth £80m, introducing our Elegance, Magnum & Softy brands



Investing for future growth



Investing for growth

Automation in Blackburn & Leicester

- £5m investment in automation to drive down operational costs (<2 year payback)
- Manufacturing process now completely automated 'zero touch'
- Output capacity, packing efficiency and product quality all improved
- Plastic wrapping significantly reduced
- Paper Wrap available now with no additional cost to manufacture



Investing for growth

Paper Mill

- The business currently procures around 140kt of tissue
- Tissue reels currently sourced from the EU, Turkey, Egypt and Asia
- Plans advancing to build a paper mill to ensure future supply security (machine and building specification and costs agreed)
- When completed the mill will produce 70kt of tissue
- Strong focus to ensure energy and water efficiency utilising latest technologies



Foundations for growth



FY22 Outlook

Outlook remains positive despite the uncertain environment

- Strong progress being made on the recovery of higher input costs, driven by rising global pulp prices, through prompt pricing actions post-year end
- Tissue market showing strong but steady signs of recovery as panic buying unwinds, with increased sales month on month and improvement in year on year sales
- Automation of tissue business to complete in FY22 with the installation of a new machine at Leyland, providing three fully invested, state-of-the-art operations in geographically pertinent locations
- Tissue operation capacity rising to £210m, following final element of automation at Leyland
- Investment in wet wipes planned for FY22 with material growth expected from FY23
- Longer term growth supported by major discounters' acceleration of planned new store openings
- The Group expect to see FY22 exit run rates to be significantly improved with the major discounters expecting uplift in tissue volumes and Accrol's recently secured additional new business and has increased confidence for FY23 revenues and returns
- Trading in line with forecasts in FY22 and the Board remains confident in the long-term prospects for Accrol
- Significant advancement made on UK paper mill

Conclusion

Operational foundations are now in place to deliver our growth ambitions

- The business now comprises 4 low cost, well invested, 'greenfield' operations
- We have built the capacity for growth
- The opportunity to increase share in our core markets remains
- We will exploit new opportunities in adjacent markets and new channels
- We will continue to invest in our people and our assets
- **Focus remains on being the lowest cost producer of great value products**

Thank You

