

# Accrol Group Holdings PLC



**Continued progress  
in a challenging  
environment**

**Half Year Results 2021/22**

18<sup>th</sup> January 2022

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# HY22 Performance Summary

## *Continued progress in a challenging environment*

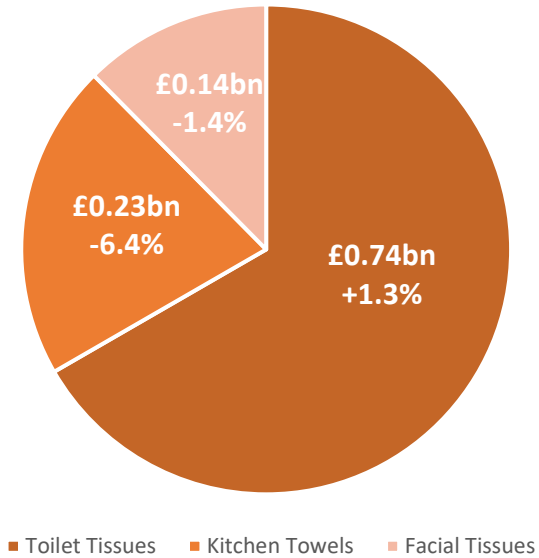
- Improving market conditions with month on month growth throughout H1
- Resilient service to our customers despite significant supply chain challenges
- Unprecedented price increases implemented to mitigate rising material and distribution costs
- Acquisitions of LTC and JD fully integrated
- Positive development of new product categories and sales channels



# Market and Revenue Overview

## UK Tissue Market – Retail Sales Value (6m to October '21)

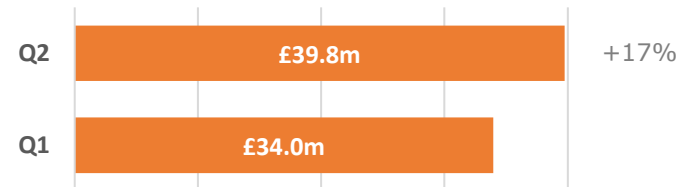
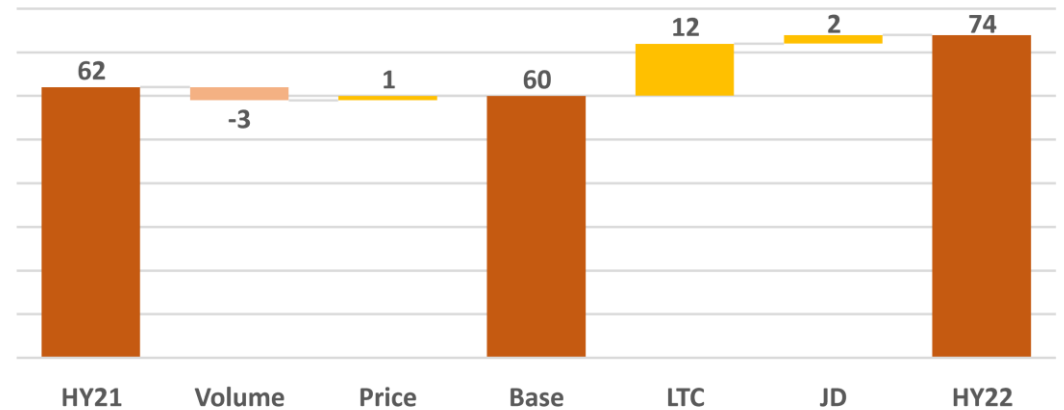
Source: Kantar (May '21 – Oct '21)



- Overall market declined by -0.8% in value versus same 6m period LY
- Brands declined by -1.1%; Private Label declined by -0.5%
- Brands represent 50% of the market; Private label 50%

## Accrol Group – Revenue (£'m)

- Market share of 15.3% (HY21: 12.4%, FY21: 15.9%)
- A weak Q1 reflected ongoing impacts of COVID on discount retailers
- Strong recovery in Q2 (+17%) as normal shopping behaviours returned



# Financial Headlines

	HY22	HY21	Change	FY21
Revenue (£'m)	73.7	62.3	+18.3%	136.6
Gross margin	24.7%	23.7%	+100bps	27.7%
Adjusted EBITDA <sup>1</sup> (£'m)	5.0	5.4	-6.7%	15.6
Adjusted PBT <sup>2</sup> (£'m)	0.7	2.6	-73.1%	9.1
Net Debt <sup>3</sup> (£'m)	21.6	18.1	+19.4%	14.6
Adjusted diluted EPS (pence)	0.2	0.9	-0.7	2.7

Simplify

Strengthen

Grow

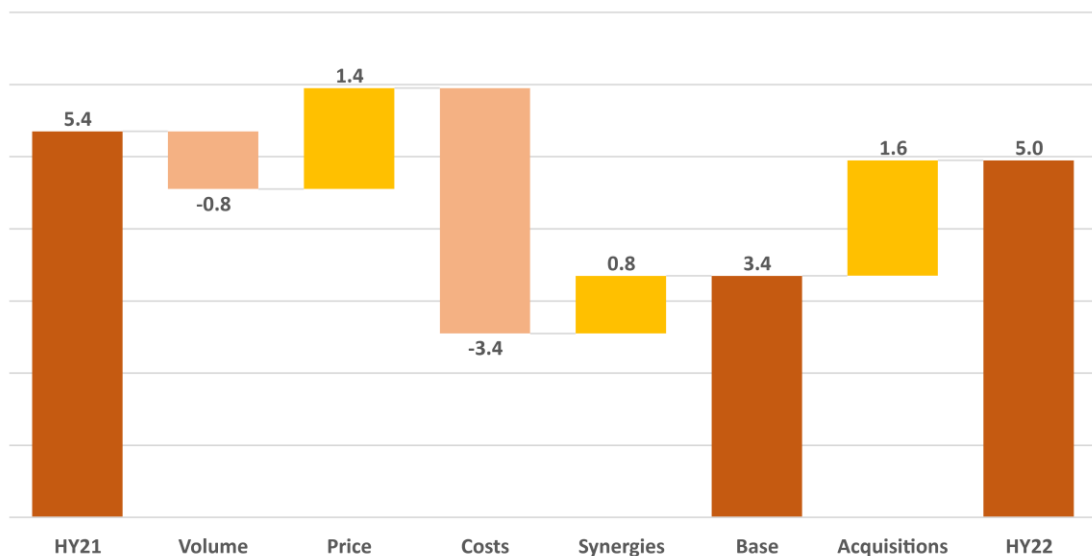
<sup>1</sup> profit before finance costs, tax, depreciation, amortisation, adjusting items, and share based payments

<sup>2</sup> profit before tax, amortisation, adjusting items, and share based payments

<sup>3</sup> excludes operating type leases recognised on the balance sheet in accordance with IFRS16

# Financial Overview

## Accrol – Adjusted EBITDA Bridge (£'m)



- Q1 volume decline, but strong recovery in Q2
- Increased costs linked to raw materials and distribution
- Pricing benefits impact after a lag
- Acquisitions now fully integrated

## Accrol – Cashflow (£'m)

	HY22	HY21	Change
<b>Adjusted EBITDA (£'m)</b>	<b>5.0</b>	<b>5.4</b>	<b>-0.4</b>
Separately disclosed items (£'m)	-0.7	-0.6	-0.1
Working capital movement (£'m)	-3.4	3.9	-7.3
Tax (£'m)	-	-	-
<b>Operating Cashflows (£'m)</b>	<b>0.9</b>	<b>8.7</b>	<b>-7.8</b>

- Working capital expanded in the period as payables unwind
- Increased year end stock to protect supplies now reduced
- Capital Expenditure £3.5m in HY22 (HY21: £6.4m)
- Dividend paid in the period of £1.6m (HY21: nil)
- Net debt slightly increased to £21.6m (HY21: £18.1m)

# Protecting our Margins

## *A proactive approach to margin management ... but timing impacting CY*

### Input Costs

- Pulp and paper prices have continued to climb most recently driven by energy costs and surcharges
- Global shipping issues will take at least 12 months to resolve
- Core board prices continue to increase significantly with a shortage of recycled materials
- Haulage availability improving but costs remain high

### Pricing Actions

- Initial price increase secured towards end of H1
- Second price increase being implemented currently
- As further cost increases may come through the group has a robust model of price recovery

### Other Actions

- Continued investment in automation (Blackburn and Leyland)
- Commercial margin / mix management
- Ongoing operational efficiency programmes

**c£45m - £50m**  
**Annualised costs**



**c£40m - £45m**  
**Annualised pricing**



**£3m - £5m**  
**Annualised efficiencies**



# Commercial Development

## *We continue to develop our product range and new sales channels*

- Aldi growth & category lead on special buys through 2022.
- Secured longer term paper category sole supply agreement with Morrisons
  - Includes a significant increased own brand activity – Magnum & Oceans
- Sainsbury's – Secured own brand Softy Facial product from Feb 22.
- Spar business secured and supply commenced Nov 21.
- Transitioning customers from 50mm to 38mm core.
- Branded product development
  - Secured Accrol branded range into Unitas (represent 33,000 independent retailers).
  - Magnum brand annual RSV circa £20m and growing – Morrisons, Poundland, Wilko, Iceland, Independents.
  - All branded products now available on Amazon.
- Oceans – 143% growth vs prior 6 months, launching retail pack and on Amazon platform.



Simplify

Strengthen

Grow





# Commercial Development

## *We continue to develop our product range and new sales channels*

- Significant strengthen of customer facing resources
- Fine to Flush accreditation achieved.
- BRCGS - AA accreditation achieved in Nov to facilitate account growth.
- Ocado wipes business secured – all biodegradable products
- Cross selling wipes into existing retailers & selling “one stop shop” for paper
- John Dale product range re-branded



# Operational Highlights

## *Customer service maintained and further operational improvements*

- Step change improvement in Safety with all sites > 1 year LTA free
- “One Accrol” philosophy accelerating best practice improvements
  - 38mm core, product quality, waste excellence.
- Continued optimisation of operation
  - 2-shift warehousing structures
  - Right product right location
  - Inbound material management
- Automation of Blackburn facility fully embedded and over delivering against productivity expectations.
- Leyland Automation designed and orders placed – installation March 2022
- State of the art “swing line” ordered for Leyland facility – installation June 2022

ACCROL GROUP	Beta	Gamma	Ley	Leic	Flint
Number of days since last LTA	495	383	424	702	452
Highest number of days achieved	495	383	424	702	452

Last updated - 04/01/22

# ESG

## Launch of our first Environmental, Social and Governance (ESG) Report

Clear direction of travel and measurable aspirations for each element with significant progress so far:

- Company wide energy teams in place
- Energy reduction investment programme underway – LED's, compressors, motor controls
- Logistics footprint reduced via 38mm core introduction –reducing Co2 and vehicle usage by at least 15%
- Fine to Flush wet wipe range, reducing environmental impact
- Zero LTA's across all sites
- Gender diversity in leadership roles has improved to 18% of all positions (from 16% FY21)
- Personal Development Reviews launched FY22 with 50%+ completed
- 2000+ people supported via local community initiatives

- **FULL UPDATE DUE FY22**



BLACKBURN  
**YOUTHZONE**  
**KICKSTART**  
SCHEME



the trussell trust  
Ship UK Partner

Blackburn  
foodbank



# FY22 Outlook

## *Trading Update - 12<sup>th</sup> January*

- Market conditions returning to normal with private label back in growth
- Substantial cost increases in Q4, particularly paper costs driven by energy
- Large price increases implemented with all customers, but with usual time lag
- Further price increases planned as necessary to offset any additional cost inflation
- Underlying fundamentals remain positive

**Thank You**

