

Accrol Group Holdings PLC

**Continued progress in a
challenging environment**

Full year results 2021/22

6th September 2022



WE CHALLENGE



WE DELIVER



WE ARE HONEST



WE ADD VALUE



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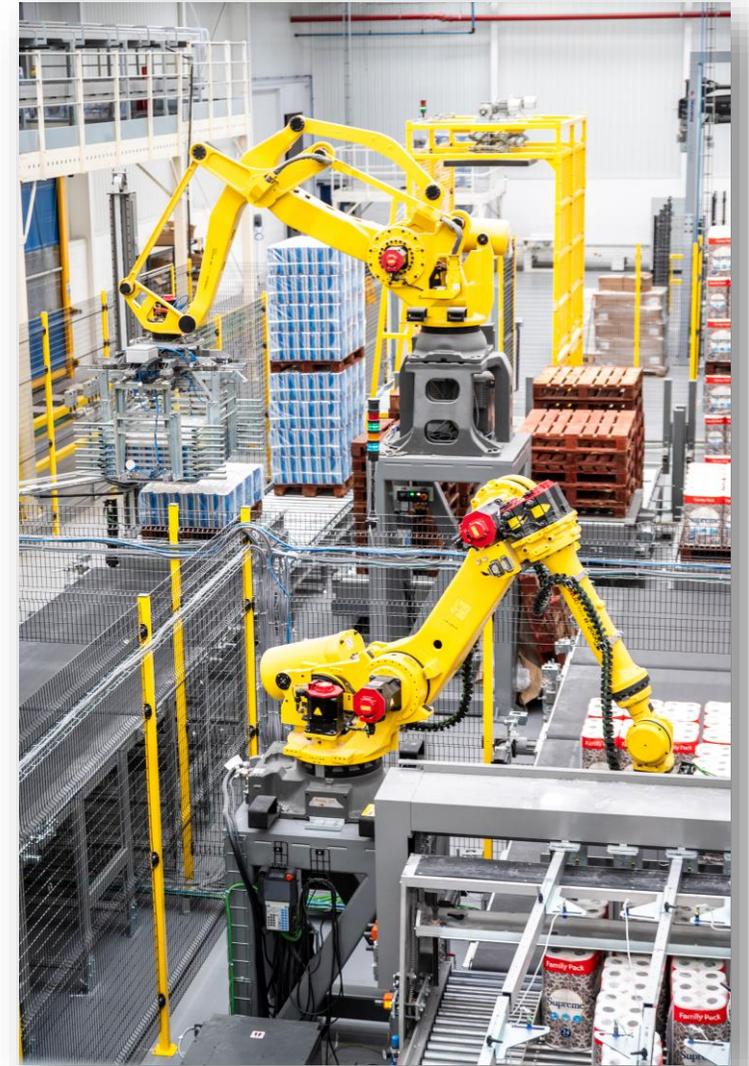


Our business



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

- Market Opportunity: the addressable market has grown significantly in the last 18 months and now totals £3bn – **33% share private label market**
- Size & Scale: The Accrol manufacturing platform is well invested with capacity to +£300m revenue across multiple categories (at current pricing) – **19% share total market (up from 7% 2016)**
- Diversification – Growing new customers, expanding product range, adding new categories and additional routes to market – **in growth across all products**
- De-risking – strength and breadth of customer partnerships, increasing internal efficiencies through fully automated manufacturing process, flexible and disciplined capital allocation – **no one customer bigger than 20%**



FY22 performance summary



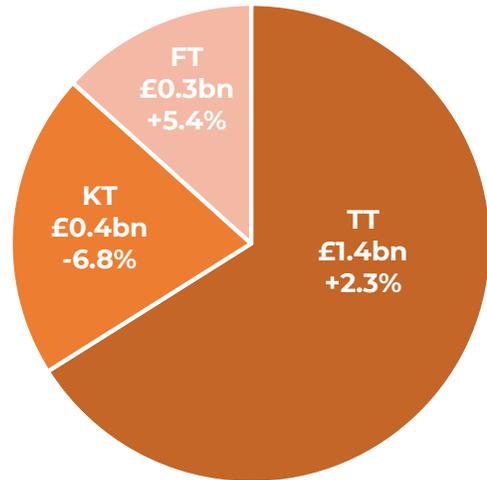
Accelerating growth in private label and tertiary brand

- Revenue growth of 17% - Volume up 7.5%
- Fully automated sites throughout +20% growth headroom from a fully invested platform
- Annualised £70m+ of cost increases recovered by Q4
- Continuing market share growth - up to 19.5% (from 7% 2016)
- Resilient service to our customers despite significant supply chain challenges
- Accrol “branded product” sales run rate of 17.8% of total revenue from 9.7% in FY20



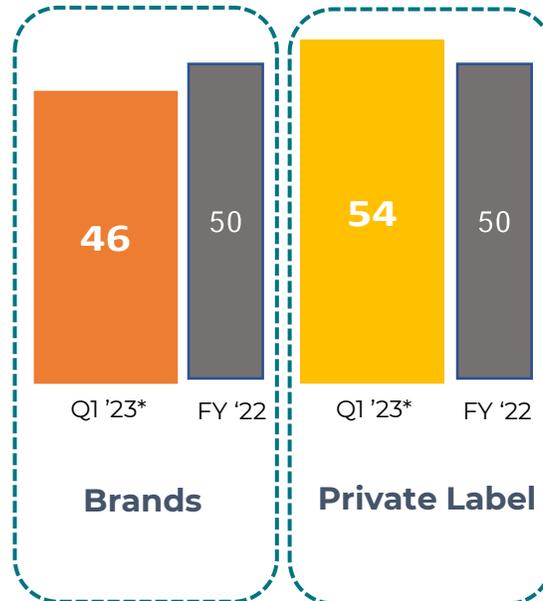
Market and revenue overview

UK Tissue Market
Retail Sales Value (12m to April '22)



■ Toilet Tissues ■ Kitchen Towels ■ Facial Tissues

UK Tissue Market
Retail Volume Q1'23 v FY22



- Overall market grew by 0.7% in value versus same 12m period LY
- Market share of 16.0% value (HY22: 15.3%, FY21: 15.9%), 19.5% volume share
- Toilet tissue market grew by +2.3%, kitchen towel declined (post pandemic)
- **FY22 Brands represent 50% of the market; Private label 50%** (April '22)
(Share now 54% private label 46% brands)
- Private label returning to growth as consumers increasingly seek value (Q1 23 – +10% growth)

Financial headlines

	FY22	FY21	Change	FY20
Revenue (£'m)	159.5	136.6	+17%	134.8
Gross margin	22.7%	27.7%	-5%	21.9%
Adjusted EBITDA (£'m) ¹	9.1	15.6	-42%	10.6
Adjusted PBT (£'m) ²	1.1	9.1	-88%	4.7
Net Debt (£'m) ³	27.5	14.6	-88%	17.9
Adjusted diluted EPS (pence)	0.3 p	2.7p	-2.4p	1.7p

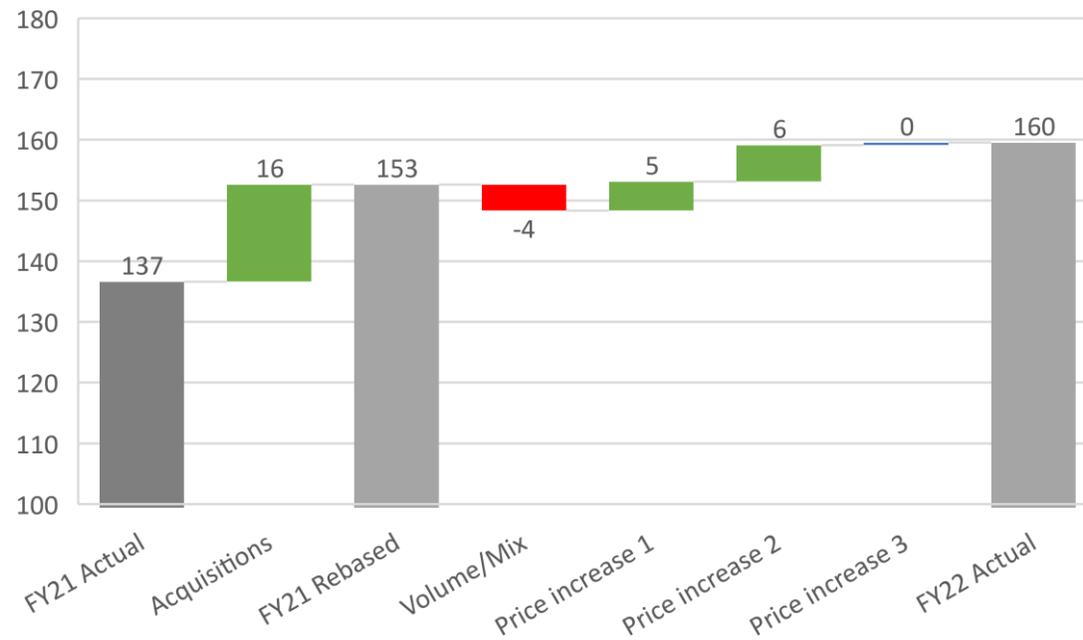
¹ profit before finance costs, tax, depreciation, amortisation, adjusting items, and share based payments

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

Revenue overview

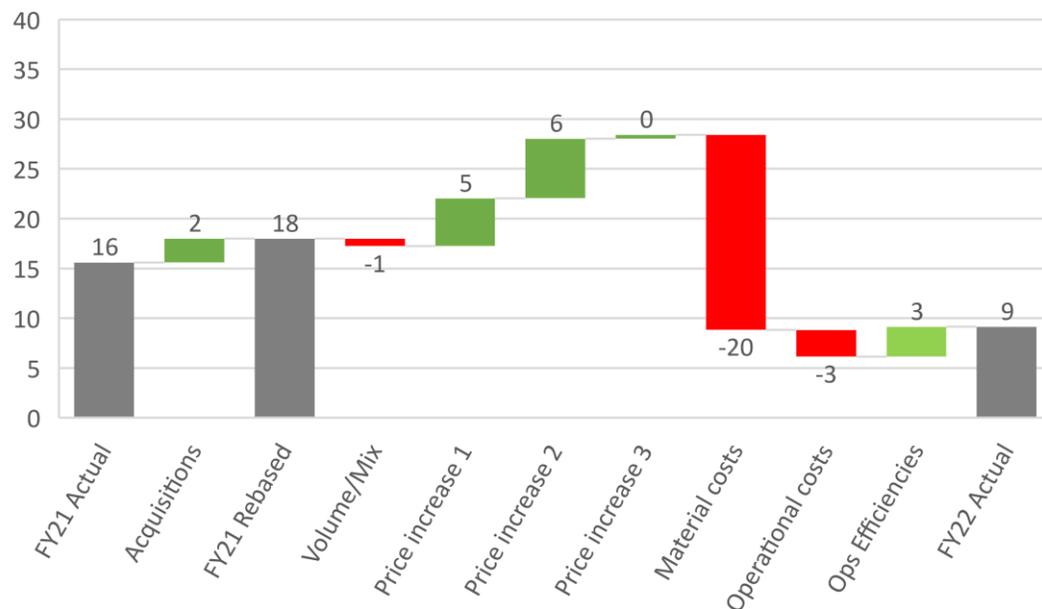
Accrol Group – Revenue (£'m)



- A weak Q1 reflected ongoing impacts of COVID on discount retailers
- Strong recovery in H2 (+16%) as normal shopping behaviours returned (H1 Revenue £74m; H2 £86m)
- Price increases implemented in August '21, January '22 and May '22
- No customer losses and volumes strengthening in Q1 '23
- H1 Revenue £74m; H2 £86m +16% YoY
- Accrol: Tissue + 21% (market +2.3%); Kitchen Towel +16% (market -6.8%)

Cost and price increase

Accrol – Adjusted EBITDA Bridge (£'m)



- Q1 volume decline, but strong recovery in H2
- Significantly increased costs linked to pulp, energy, freight and distribution
- Pricing benefits impact after a lag – price increase III impacting FY23
- Acquisitions now fully integrated

Input costs

- Pulp and paper prices climbed to record highs throughout the year
- Other materials (film and core board) increased significantly
- Global shipping issues could take another 6-12 months to resolve
- Haulage availability improved post H1 but fuel costs remain high

Price recovery

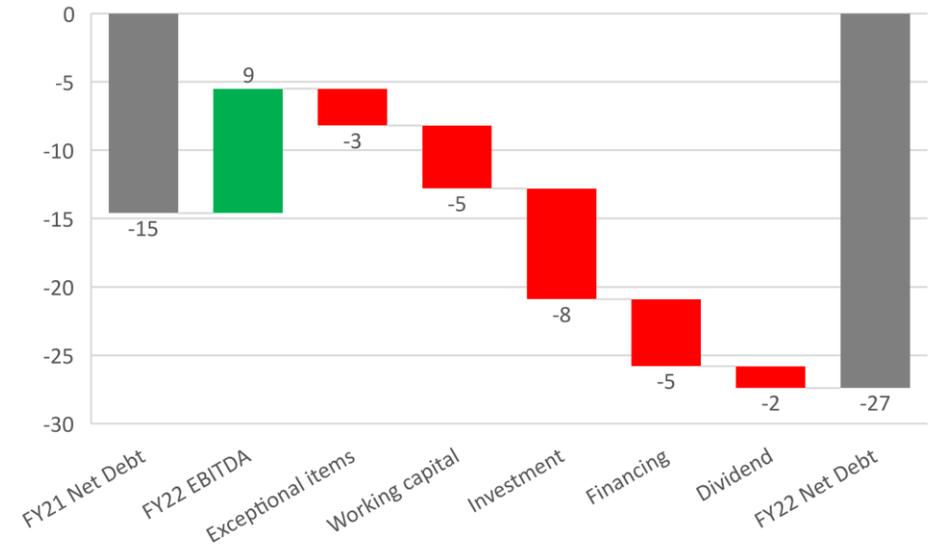
- Implemented price increases will add more than £70m to revenue post year end (£11m in FY22)
 - ✓ First price increase secured towards end of H1 **£8m**
 - ✓ Second price increase implemented in January '22 **£20m**
 - ✓ Third price increase implemented in May '22 **£45m**
 - ✓ Fourth price increase planned from September 22

Cash flow and net debt

Accrol – Cashflow (£'m)

	FY22	FY21	Change
Adjusted EBITDA (£'m)	9.1	15.6	-6.5
Acquisition related items (£'m)	-0.8	-2.9	2.1
Separately disclosed items (£'m)	-2.0	-2.3	0.3
Working capital movement (£'m)	-4.6	6.6	-11.2
Other items	-0.3	-	-0.3
Operating Cashflows (£'m)	1.4	17.0	-15.6

Accrol – Adjusted Net Debt Bridge (£'m)



- Working capital expanded to manage supply constraints and rising costs
- Continued investment in manufacturing assets and product development with limited requirements going forward in the core business
- Net debt expanded to £27.5m (FY21:£14.6m)
- New Banking Facility increased headroom by a further 25%

Product development

We continue to develop our propriety branded product range

- Consolidated and re-designed our entire branded product offering
- Improved design, quality, and differentiation
- Clear focus on value and quality, offering at every tissue category
- Accrol branded sales up from 9.7% to 17.8% over the last 2 years and growing
- Have agreed and will launch a major global brand supply position in H1 FY23



4th Largest &
fastest growing “brand”



Fastest growing ‘brand’
in cash and carry



2nd biggest ‘brand’
in boxed facial

Channel development

We continue to develop new sales channels

- Secured additional regions with major discounter and sole supply of private label with a leading grocer
- New customer wins include Spar and Sainsbury's with facial tissue
- New growth opportunities in sales channels such as cash & carry
- Independent channel specialist recruited and growing sales with wins at Unitas and Dhamecha
- Growing sales B2C and on Amazon
- Ocean brand run rate approaching £1m per annum and growing strongly



Our markets

Outperforming the markets

Toilet Tissue £1.4bn*
Total market +2.3%



Accrol Elegance +14%

Kitchen Towel £0.5bn*
Total market -6.8%



Accrol Magnum +19%

Facial Tissue £0.4bn*
Total market +5.4%



Accrol Softy +70%

Wet wipes £0.6bn**



Accrol wet wipes +24%

Direct to consumer £0.5bn**



Accrol Oceans +840%

* Source: Kantar **Source: Management estimate

Operational highlights



Customer service improved and further operational efficiencies

- All sites have improved on output (pallets per week) over the last 12 months Blackburn +27%, Leyland +32%, Leicester +59%
- Following full automation across Blackburn, Leyland and Leicester resulted in a headcount reduction from 425 to 275 (Blackburn and Leyland L4L)
- Final stage of machine investment in Leyland (complete in H1 FY23)
- No lost time accidents at any site – 33% reduction in all other minor accidents (e.g. cut finger)
- LTC and John Dale acquisitions fully integrated on time and on budget
- LTC capacity now fully utilised
 - ✓ John Dale revenue run rate increased from £2m to £6m (wet wipes only)



Sustainability highlights



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

- Launch of the Group's first Environmental, Social and Governance Report in Sept '21
- Living Wage Accredited Member – May 22
- Waste reduction program has delivered a further 0.5% reduction
- 10% reduction in logistics movements following move to 38mm paper cores
- Business continued to operate safely throughout the year with zero lost time accidents
- Absence levels 1.7% (UK average 2.2% - ONS data FY21)
- Improvements in our ESG metrics are directly correlated to improvements in our core business metrics



Strategic review



- Strategic review, focused on how best to deliver value to all stakeholders, ongoing
- Considerable value within the Group, following the actions implemented over last 4 years
- Market opportunity substantial and growing – Accrol well-invested/positioned relative to competition
- Mill plans fully developed and ready to be actioned when conditions permit
- Significant M&A opportunities – when market support in place
- Long and mature partnerships in place in production and distribution
- Short term priority, however, on continued effective management of macro inflationary pressures and supply chain challenges
- Full update to be provided in early 2023



FY23 outlook



The growth opportunities for the Group remain very strong

- Full recovery of higher input costs, through prompt pricing actions pre-year end
- Tissue market fully recovered with growing share of private label versus brands – Q1 54% vs 46%
- Q1 FY23 private label growth 10% - Accrol growth 28%
- Accrol now accounts for over 30% of the growing private label market – with this comes significant commercial strength
- On the supply side the business model allows for flexible purchasing by geography
- Discount retailers are growing strongly as consumers seek value and quality
- Strong start to the year & trading in line with forecasts in FY23 to date



Thank You

