Investor Roadshow

Management Presentation

September 2023

Today's presenters

Dan Wright

Executive Chairman

- Executive Chairman since 2018
- Founder Partner of one of the leading private equity Northedge Capital, Dan was a Director at Accrol prior to IPO

Gareth Jenkins

Chief Executive Officer

- Joined Accrol in 2017
- 24 years at DS Smith, most recent role was Managing Director of the UK & Ireland packaging division

Chris Welsh

Chief Financial Officer

- Chris joined Accrol in 2022 and became CFO in May 2023
- Prior experience in Ineos & PWC

Source: Company Information

Accrol at a glance

Accrol is the UK's leading independent tissue converter

Business Description

- Accrol is the UK's leading independent tissue converter, producing toilet tissue, kitchen towel, facial tissues, and wet wipes
- Accrol has a third of the market in UK private label and is ideally positioned to take advantage of the consumer shift towards discount retailers and away from traditional branded products
- Fully automated sites which are operational 24/7/365 and track record of integrating complementary businesses (e.g. John Dale and LTC)

Key Facts and Figures[1]

£241.9m 2023A Sales	**450** Employees	**7.7%** Volume growth YoY m2
19.7% 2023A Adj. Gross Margin	**150kt** Tissue Converted Capacity	**22%** 2023E Total Tissue Market Share
£15.6m 2023A Adj. EBITDA	**22** Converting Lines	**c. 20%** Largest Customer as % of Revenue

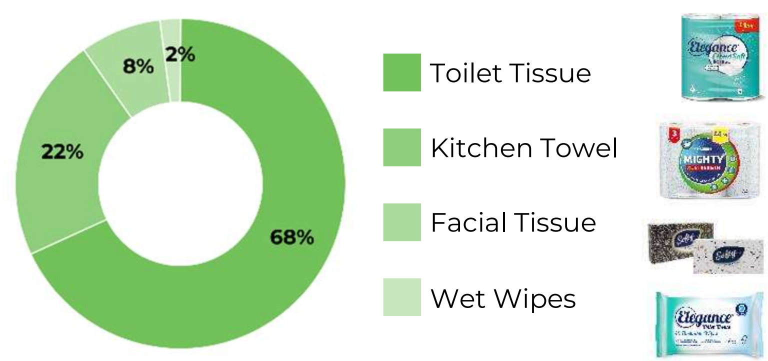
Location

Acquired Site | Core Site

Customer Base (Sample)

ALDI, LIDL, TESCO BOOKER, SPAR, B&M, The Range, Morrisons, DUNNES STORES, ocado, ASDA, amazon, savers, Boots, Musgrave, Poundland, home bargains

Sales by Product (2023A)



Source: Company Information

What do we do?

Accrol enables its customers to deliver outstanding consumer value by driving industry innovation and manufacturing excellence

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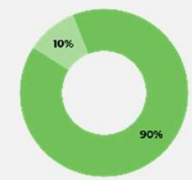
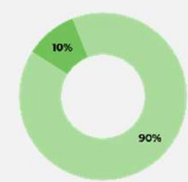
Business unit	Overview	Product examples	Customer overview	FY23E KPIs

Toilet tissue and kitchen towel	• Converter and supplier of private label, tertiary and licensed consumer branded tissue products to major discount and grocery retailers throughout the UK
	• Accrol offers products in the following categories based on softness:
	  • **Luxury (c. 45% of revenue)**
	  • **Premium (c. 35% of revenue)**
	  • **Economy (c. 20% of revenue)**
	• From the start of 2022, Accrol has focussed on developing its tertiary and licenced brands as these typically deliver stronger margins
	• The acquisition of LTC strengthened and diversified the Group's blue chip customer base and yielded c. £3.0m of synergies in FY21
			ALDI, LIDL, DUNNES STORES, TESCO BOOKER, Morrisons, B&M, home bargains, Poundland, SPAR, The Range, savers, Boots	**c. 90% of total revenue**
				

Facial tissue and wet wipes	• Facial tissue products naturally complement Accrol's core product range • The John Dale acquisition in April 2021 delivered a scalable wet wipe business and has widened the product range by adding a number of different wipe products[1] and allowed cross-selling opportunities • John Dale has provided Accrol with a well invested platform and significant operational capacity, capable of delivering c. £12m of revenue (against a current run rate of c. £6m). With the additional capital expenditure planned, there is the opportunity is to scale John Dale into a £30m business		home bargains, savers, B&M, Musgrave, ocado, DUNNES STORES, LIDL, ALDI, Morrisons	**c.10% of total revenue** 
AFH	• Accrol used to be present in the AFH space but decided discontinue this operation in order to focus on household products. The Company has experience in this area and could re-enter with minimal difficulty.			

Source: Company Information
Notes: (1) Flushable and biodegradable toilet wipes, anti-bacterial and anti-viral wipes, facial cleansing wipes, baby and toddler wipes and feminine hygiene products

How do we do it?

A well invested, high quality converting capability overseen by a dynamic and experienced operational team

Operational Summary

c. £260m ***toilet tissue and kitchen towel converting capacity***

c. £25m ***facial tissue converting capacity (£30m post investment arriving FY24)***

c. £12m ***wet wipe converting capacity (£30m post investment arriving H1 FY24)***

150k tonnes ***of tissue converted at full capacity***

13 ***tissue converting lines all with full automation***

4 ***facial converting lines all with full automation***

1 ***pocket pack line (arriving Q1 FY24)***

4 ***wet wipe converting lines (new line arriving April 24)***

- +£20m invested since 2019
- Average machine uptime +85%

Operational Improvement last 12 months FY23

- Toilet & kitchen: Blackburn +25%, Leyland +30% and Leicester +60%
- Facial (Blackburn): +16%
- Wet wipe (Deeside): +270%
- Revenue per head £576k (Essity £252k, Kimberley Clark £362k)[1]

Source: Company Information
Notes: (1) Essity & KC based on global sales / global employees for 2022 vs Accrol 2023 (year ending April)

FY23 performance summary

Improvements across every measure

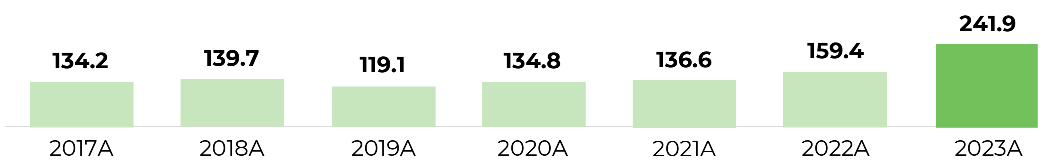
- Revenues up 52% to £241.9m
- Volumes up 7.7% (in a flat market)
- Market share up to 21.5% (19.5% FY22 – 2016 7%)
- EBITDA returns up 71% to £15.6m
- Net debt down to £26.8m or 1.7x (FY22 3.0x)
- Output per head up 6.9%
- All capital investment completed

Source: Company Information

Finance overview

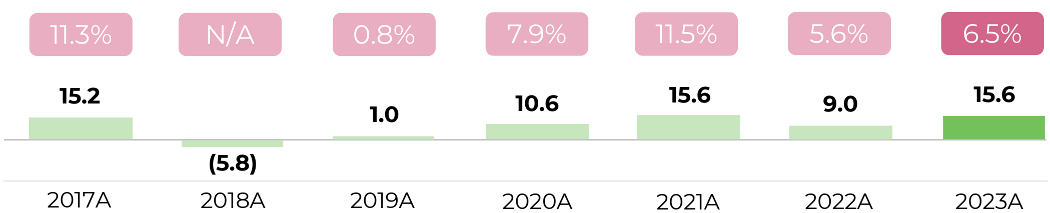
After successfully turning the business around under the leadership of CEO Gareth Jenkins, Accrol is now well positioned to continue gaining market share and further exploit the growth in private label tissue products

Revenue (£m)



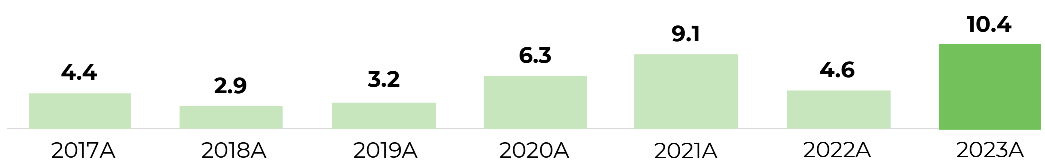
- Revenues grew by 52%
- Significant sales price increases implemented with all customers across FY23
- Volume growth of 7.7% in FY23.
- Accrol Market share up to 21.5% in from 19.5% in FY22 (6% in 2017)

Adj. EBITDA (£m/%)



- Strong EBITDA growth of 71%
- Time lag created with inflationary pressures on input cost and price increases implemented means EBITDA margin still to fully recover, with further benefit coming through in FY24
- Margins continuing to improve by increased volumes in higher value products

Capex (£m)



- Significant CAPEX programmes now fully delivered
- Full automation complete across all sites in FY23 to conclude £20m+ CAPEX programme
- Fully integrated WMS launched in FY23

Source: Company Information, does not include paper mill investment

Financial information

The Group has performed strongly in a challenging year, gaining further market share

	FY23	FY22	Change
Revenue (£'m)	241.9	159.4	+52%
Gross margin[1]	19.7%	23.3%	-3.6%
Adjusted EBITDA (£'m)	15.6	9.0	+71%
EBITDA Margin	6.4%	5.7%	
Adjusted PBT[2] (£'m)	6.5	1.1	5.4
Net Debt[3] (£'m)	26.8	27.5	0.7
Adjusted diluted EPS (pence)	1.8 p	0.3p	+1.5p

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

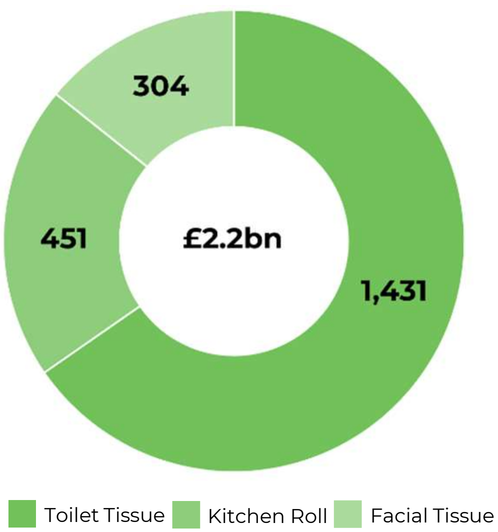
[2] *profit before tax, amortisation, adjusting items, and share based payments*

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

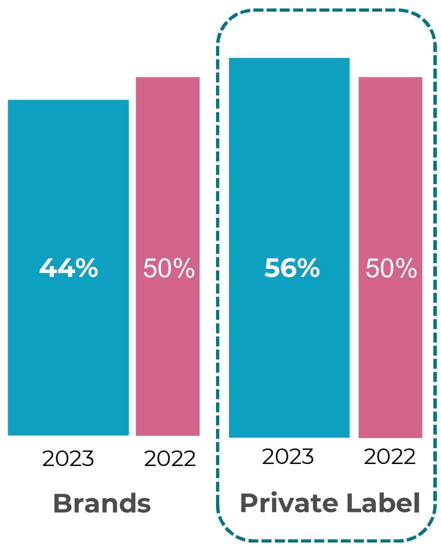
Market & revenue overview (ongoing growth)

Private label now represents over 50% of the UK's Tissue Market, this position has shifted since COVID and Accrol has enjoyed volume growth off the back of this shift

UK Tissue Market £2.2bn Retail Sales Value (May 2023)



Retail UK Tissue Market (%) Volume May 2023 v April 2022



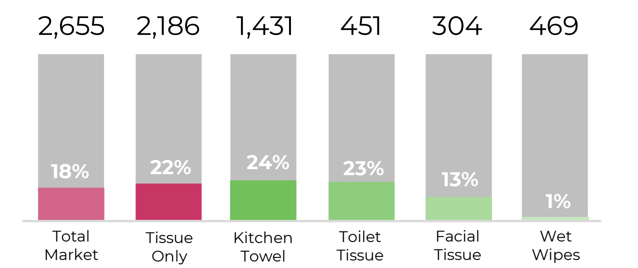
- The overall market grows c. 1.0% per year (population growth 0.4% per year)
- Accrol has grown c. 8% per year since 2017
- Accrol Market share up to 21.7% in May 2023 from 6% (2017)
- **FY23 Private Label now represent 56% of the market; Brands 44%**
- UK Tissue market is +97% virgin pulp market with some recycled and bamboo materials sold but in very small quantities
- Accrol expects to grow ahead of the private label market of 6% over the next 3 years
- Accrol 22% - KC 18% - Essity 16% - Sofidel 20% - Wepa 15% (90% held by 5 Organisations) – UK Consumer Market Only

Source: Company Information
Notes: (1) Nielsen report May 2023

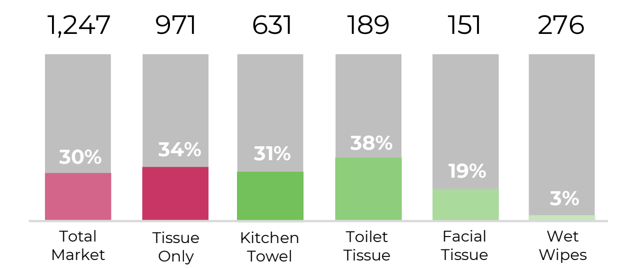
Market share overview

Strong market share across tissue products, particularly in the private label space, with room to expand in the facial tissue and wet wipes market

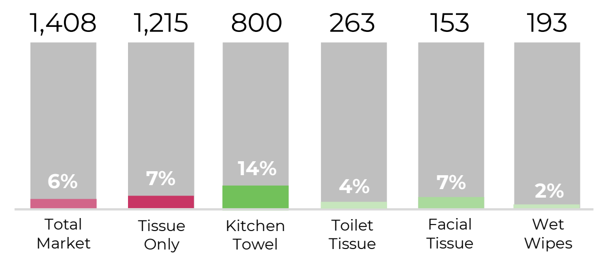
Total Market Share (£m)[1]



Private Label Business Market Share (£m)[1]



Brand Business Market Share (£m)[1]



- Whilst Accrol's market share of the UK tissue market is c. 22%, this is split into a healthy 34% in private label and 7% for branded products
- The overall market growth for tissue tends to be steady and so Accrol's main volume driver comes from both:
  a) Increasing share of the private label market vs the branded market
  b) Increasing its market share within private label and trying to build a presence within the branded segment
- Facial tissue and wet wipes present growth opportunities for Accrol

Product Examples

Source: Company information, Nielsen report May 2023
Notes: (1) As of May 2023, retail value. Market shares are calculated using B2B estimates

Commercial highlights

Customer service has been consistently high with 93% on time deliveries

Headlines…

- Growth across every core tissue product range:

Toilet Tissue
+2%

Kitchen Towel
+20%

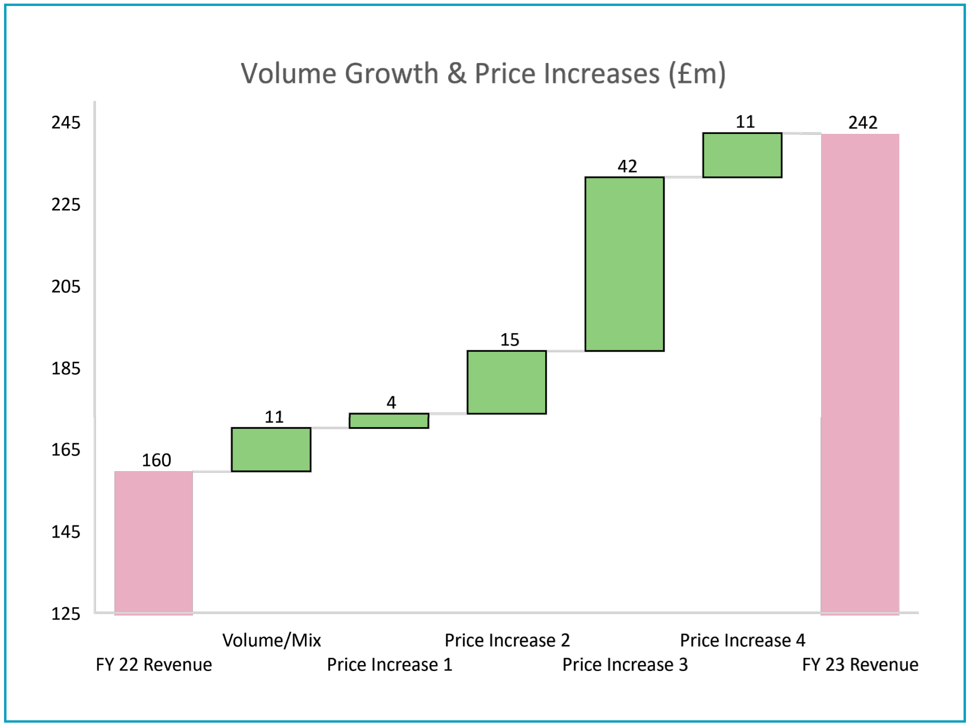
Facial Tissue
+53%

- The Group's facial tissue brand, Softy now UK's 2nd most popular brand
- The Groups subscription model, plastic free Oceans brand continues to grow strongly with revenue up 45% year on year
- Water industry approved flushable wet wipe sales have grown by 169% since our acquisition of the wet wipes business in 2021
- The business entered an agreement with one of the world's largest consumer goods companies, produce and sell a kitchen towel product under a major brand
- The Groups reputation amongst the customer base continue to improved, achieving a customer rating of +8

Source: Company Information

Successful track record of price increases passed through to customers

Late FY21 through FY23 brought significant inflationary pressure on paper raw materials and other key inputs, the Group successfully implemented four separate price increases to fully pass through to customers



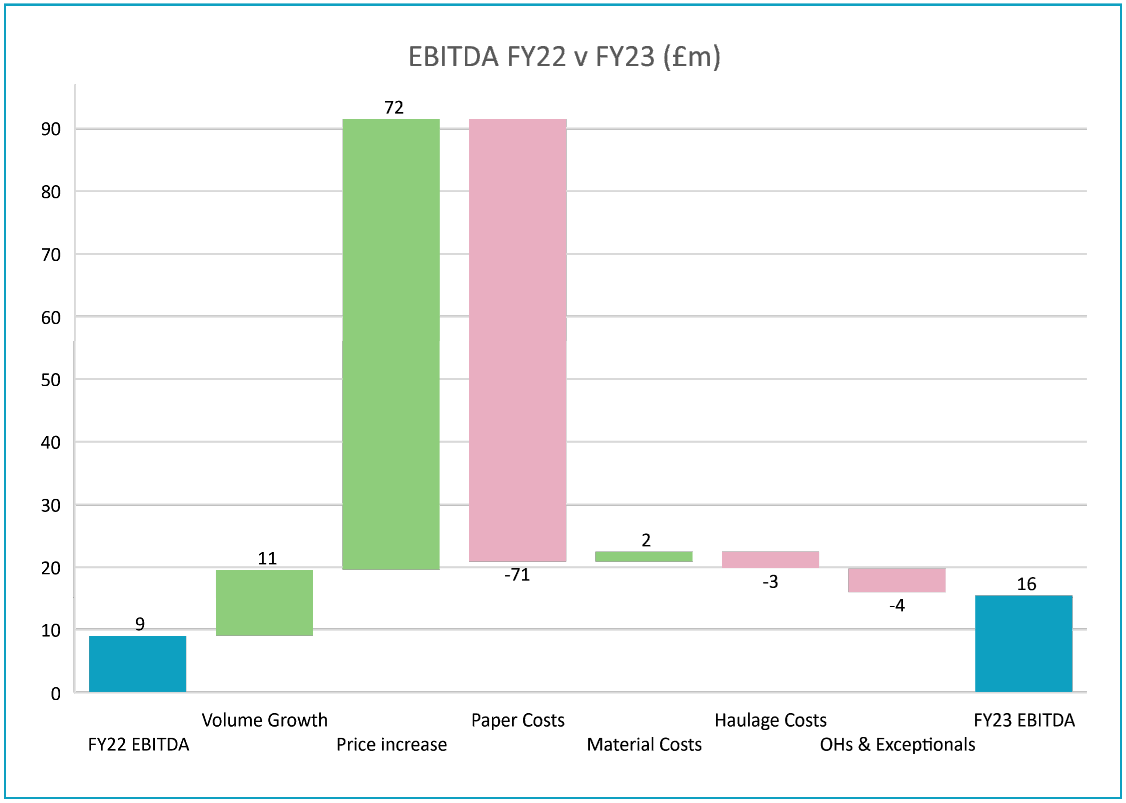
Headlines...

- Volume/Mix – Volume growth:
  - Volume growth of 7.7% underpinned by gain in market share from competitors via:
    - Great value product range targeted at displacing brands
    - Establishing new routes to market from a broad product range including wet wipes, facial tissue & licenced partnerships
    - Well positioned to take advantage of changing market dynamics with customer spends through our low-cost base
- Price increases – 4 increases successfully implemented:
  - Input costs increased by circa £70m annually due to inflationary pressures throughout late FY21 to end of FY23
  - Business successfully implemented 4 separate price increases to pass on 100% of increased costs to customers
  - Each price increase implemented in a progressively shorter time frame as relationships and negotiations managed with greater efficiency
  - A partial time lag was noted in time taken to pass through to customers but significant improvements in agility and communications noted across the various implementations
  - Business well placed to react to price input movement throughout FY24 with input cost easing anticipated

Source: Company Information

EBITDA growth FY23

EBITDA delivered exceeded expectations at £15.6m, an increase of 71% year on year.



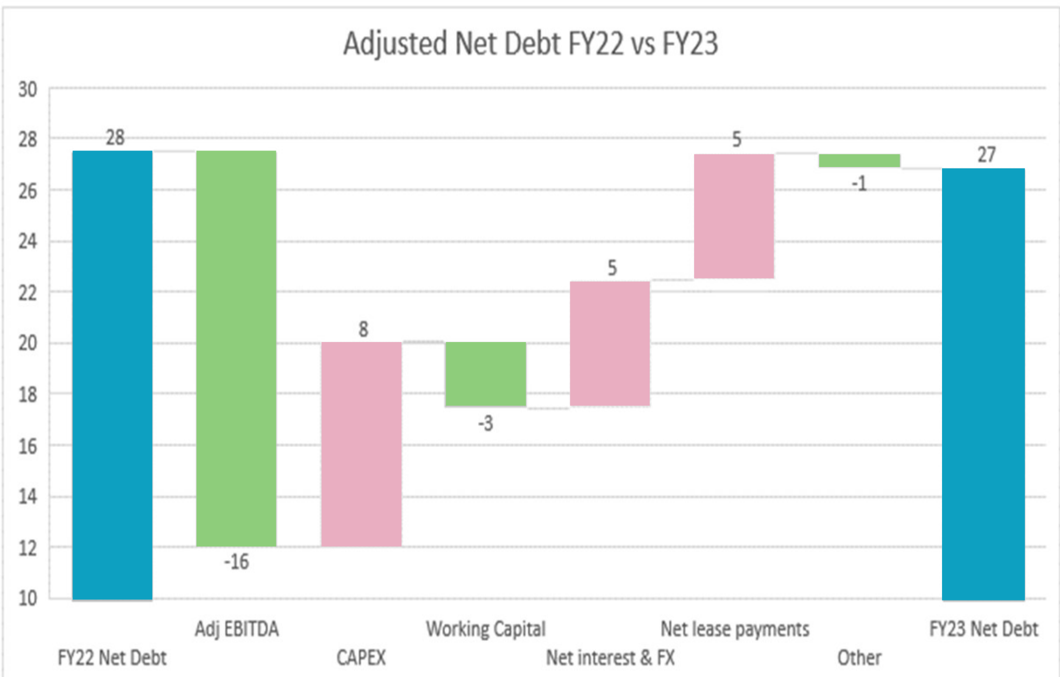
Headlines...

- Strong & resilient financial performance in a challenging environment to deliver an EBITDA of £15.6m, up 71% year on year
- Volume growth delivered on 7.7% to gain further market share growth
- Robust approach to pricing in a time of significant inflationary pressures to pass on 100% of input price rises to customers across four different price increases
- Proactive approach to managing increased costs noted across key raw material inputs in paper parent reels etc. as well as on other key inputs of logistics and fuel surcharges
- Margins expected to continue to improve in to FY24 as raw material prices ease and product mix moves towards higher value products

Source: Company Information

Net debt improvements across FY23

Despite inflationary challenges the Group still made significant progress with regards to Adjusted Net Debt, reducing net levels to £26.8m at 1.7x levered



Headlines...

- Net debt reduced across the year to 1.7x levered
- Cash outflows on CAPEX represent significant investment in completing the full automation of all core tissue production facilities as well as commissioning a new production line in Leyland
- Management expect leverage to continue to ease on a like for like basis to around 1.0x due to:
  - Improved margins leading to greater cash earnings
  - Significant CAPEX programme on automation of all sites is now delivered with annual CAPEX now expected to return to 'sustaining' levels of £3m-£4m per annum
  - Working capital levels being managed down to release cash flows from increased inventory levels throughout FY23 due to various supply chain disruptions

Source: Company Information

Operational highlights

Operational efficiency continues to improve with +6.9% increase in output per head

Headlines…

- The Group finalised the installation of a new tissue converting line in Leyland and increased output by 17%. Record ever year – first time ever produced over 1 billion rolls
- Operationally another major step forward, with the final automation being completed in the year at our Leyland site
- Successfully developed and launched a new WMS Oracle based system which combined with further stock simplification initiatives enabled the group to exit a 3rd party warehouse reducing is annual rental costs by a further £700k which will positively impact FY24
- Successfully transitioned all customers to 38mm cores reducing packaging materials delivering a 15% increase in pallets per lorry & a 5.5% reduction in vehicle movements
- Inbound logistics review with increased reels decanted directly to generate annualised savings of circa £1m pa
- The online training hub initiated in FY22 has now delivered over 4500 hours of training. Our employee engagement scores remain high with an overall score of 83%

Source: Company Information

ESG highlights

World class operations

Headlines...

- First UK Tissue business who is an accredited of the Living Wage Member
- Output per head up 6.9%
- 15% reduction in plastic used
- 15% reduction in total waste produced
- 100% of waste is recycled
- 26% of leadership roles held by women
- Annual Free Health care check for all
- Total accidents down 10% in the year
- Accident frequency rate lowest ever level – 3.4 per 100,000 hours worked
- Absence 1.7% - world class standard

Source: Company Information

Strategic review

The Strategic Review process, which was conducted during 2022 with outcomes announced in January 2023, focused on how best to maximise both value for our stakeholders and the potential of the business

What has been done?

- Full automation of all manufacturing facilities via an overhaul CAPEX programme of +£20m
- Revenue per head increased from £150k in 2018 to £530k in 2023
- Overall headcount reduced from 695 to 450 people despite significant growth and acquisitions
- Volumes per head increased by over 150% since 2017
- Major improvements on safety standards and behaviours with employee accidents down 60% since 2018
- Significant simplification of the business processes through reductions in SKU's and tissue types
- First ever UK tissue manufacturer to be fully Real Living Wage Accredited

What will be delivered next?

- Develop a paper mill with an initial revenue capacity of c.£80m and rapid payback, selling primarily into the Accrol tissue conversion business with attractive margins
- A core toilet and kitchen towel business capable of delivering £250m plus revenue, including higher margin third party licensed brands
- A facial tissue business that is expected to grow three-fold from current levels
- A wet wipe business that is expected to grow five-fold from current levels
- A direct to consumer business of scale, based around the Oceans brand, supplying a range of plastic-free household product
- Maximise cash returns to shareholders, through a combination of dividends and, potentially, share buybacks

Source: Company Information

Paper mill investment

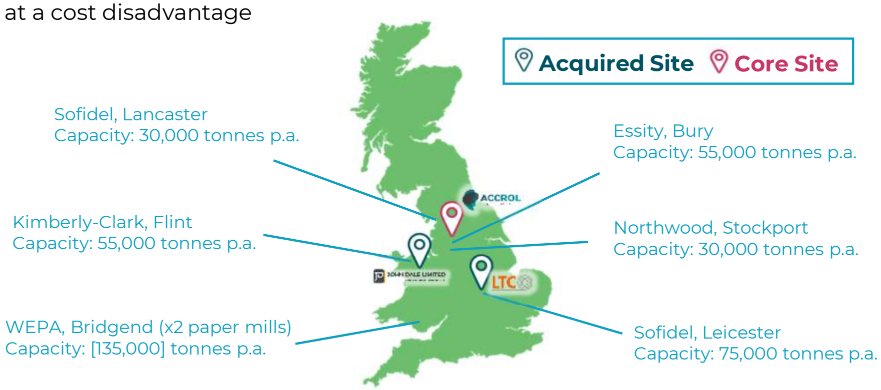
The opportunity to build a paper mill would provide Accrol with greater control over its paper supply whilst delivering significant financial upside and further growth potential

ACCROL GROUP

Why a paper mill?	• A paper mill will deliver significant financial upside on the basis that c. 40% of Accrol's current requirement could be produced by the mill. The mill improves the Groups EBITDA performance to high teens. • Strategically, given the total paper volume requirements of the business, the paper mill will provide Accrol with greater control over its paper supply and in turn its largest input cost. Operating the mill to Accrol specifications including running a single grade of paper aligned to the majority of Accrol's SKUs will further maximise the margin opportunity • The Group now plans to build a mill outside of the UK

Paper mill acquisition & Build in the UK

- The Group has reviewed a number of mill options in the UK to acquire but all have significant operational disadvantages and required considerable investments in addition to any purchase price
- When the group consider a build alternative in the UK – total investment costs for land, building & machinery total c. £100m+. In addition, the long-term energy costs and lease costs of the building made the investment increasingly at a cost disadvantage



Build a paper mill

- Accrol has developed plans to build a paper mill outside of the UK
- Total investment costs including land, building and machinery are expected to be less than £50m with the business owning the land and building.
- The long-term energy costs are expected to be c. 6p per KW/h – approximately 75% lower than any UK solution. 25% from solar from day 1
- Total cash consideration £10m – including working capital

Today → T+6 months: **Project sign off** → Estimated 15 month build phase → Mid 2025: **Site fully operational**

Source: Company Information

FY24 outlook

Group perfectly positioned to continue to target growth – strong cash generation – limited capital required

Headlines...

- The Group is well positioned for FY24 with volumes expected, once again, to grow ahead of the overall private label sector
- The investment in a mill continues to progress to plan to be operational by mid-2025

- Prices are expected to soften in the year ahead as prices on shelf reduce as expected, but the Group's margins are now improving faster than previously reported
- EBITDA margins are growing faster than expected, returning back to pre-pandemic levels that will now deliver improvements ahead FY24 board expectations
- Strong cash generation – acquisition, share buy backs, dividend payments, accelerate lower debt or capital investment

Source: Company Information

Thank you