Investor Roadshow

Management Presentation

January 2024

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 Finance Officer

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

Source: Company Information

Key Business Update

- Competitors from +10 to 4 (Wepa, Sofidel, KC & Essity)
- Revenue per head £192k to £622k (Essity £420k, Wepa £520k, KC £362k)*
- Added Value per £Total Labour £0.86 to +£3.00
- Waste down from +10% to 6%
- Head Count from 698 to 291 (like for like) – employee engagement 83%
- Tissue types 75 to 6, families of products from 40 to 10
- Customer Terms 60 days to 29 (over due's less than £100k)
- Complaints per million rolls = less than 0.05%
- Volume/Tonnes per head +300% - all sites fully automated
- Absence down from +10% to 1.3%
- Net debt to around 1x FY24
- Ongoing capital £3m to £4m – 20% “spare” capacity today

*Denotes fully integrated

H1 24 performance summary

Margins and returns delivering consistent performance

- Private label market share up to 55% (54% H1 23)
- Strong EBITDA performance to £10.2m up 44% (£7.1m H1 23)
- Revenues down 17% to £100.3m (pro-active price reduction)
- PBT improvement of £1.3m to £0.4m first time since 2016
- Growth in branded volumes doubled in the period to 20% of revenue
- Net debt down to £25.5m (H123 £30.5m)
- Biodegradable wet wipes sales up 33%
- Pocket pack line installed into facial tissue facility

Source: Company Information

Finance Summary H1 FY24

Continued Improvement

	HY24	HY23	Change
Revenue (£'m)	100.3	121.1	-17.2%
Gross margin	27.3%	18.0%	+930bps
Adjusted EBITDA (£'m)	10.2	7.1	+43.7%
EBITDA Margin[1]	10.2%	5.9%	
Adjusted PBT (£'m)[2]	5.0	3.2	+1.9m
Net Debt (£'m)[3]	25.5	30.5	5.0
Adjusted diluted EPS (pence)	1.2p	0.7p	+0.5p

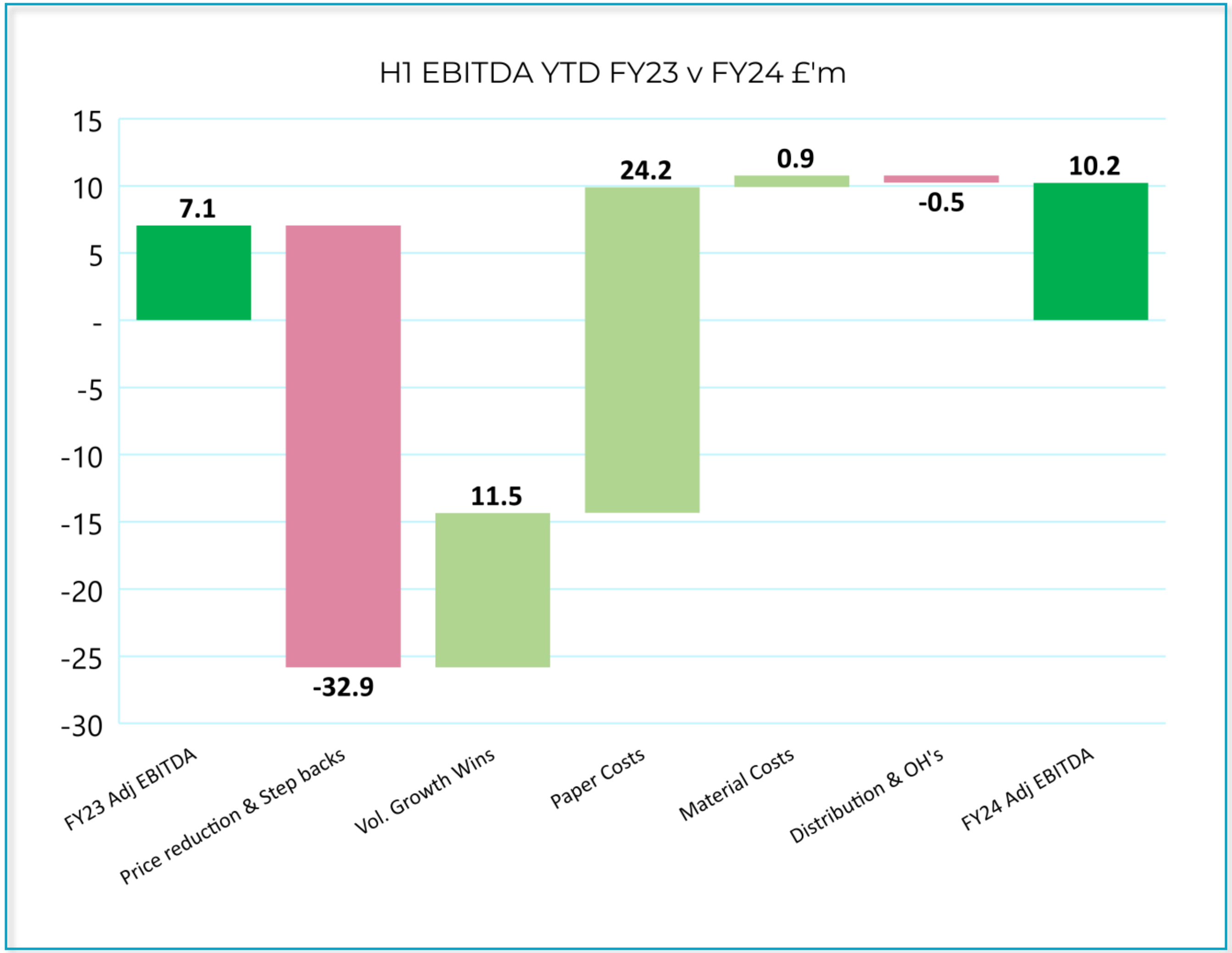
[1] *profit before finance costs, tax, depreciation, amortisation, adjusting items, and share based payments*

[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*

EBITDA growth FY24 (H1 23 vs H1 24)

EBITDA delivered driving profit upgrades at £10.2m, an increase of 43.7% year on year.



Headlines…

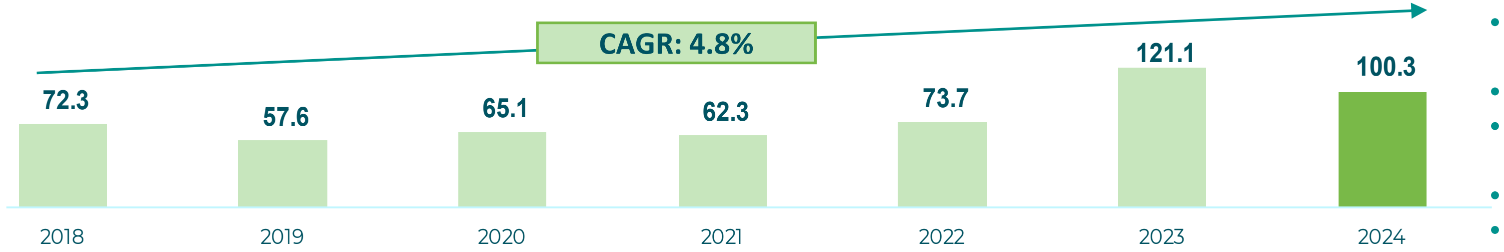
- No customer losses but volume balance realigned through SKU churn into higher margin products to grow profitability. Consumers have moved in to lower grammage/spec product range meaning headline volumes step down.
- Product development channels remain strong with opportunities in licencing agreements as well as a buoyant customer demand pipeline for H2 FY24.
- Raw material pricing has reduced quicker than originally anticipated which has recovered gross margin position in line with historic norms at 27%.
- Following strong commercial management and tight cost control, the Group remains on track to deliver FY24 adjusted EBITDA in line with the Board's expectations of at least £21m, up 34% year-on-year.
- Recently acquired Severn Delta wipes business will be accretive to earnings from FY25 and contributes various of new product ranges across household and personal care to our robust customer list.

Source: Company Information

Financial overview

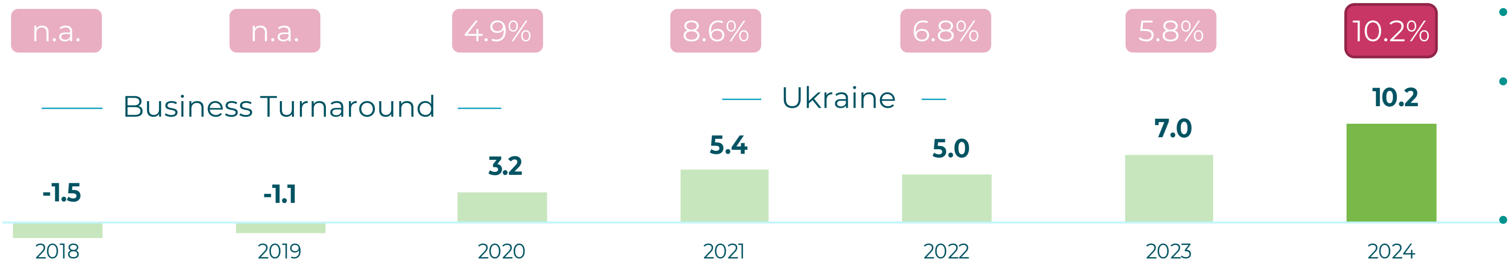
Accrol well positioned to continue to exploit the growth in private label tissue products and drive strong returns from recovering margin performance

Revenue (£m)



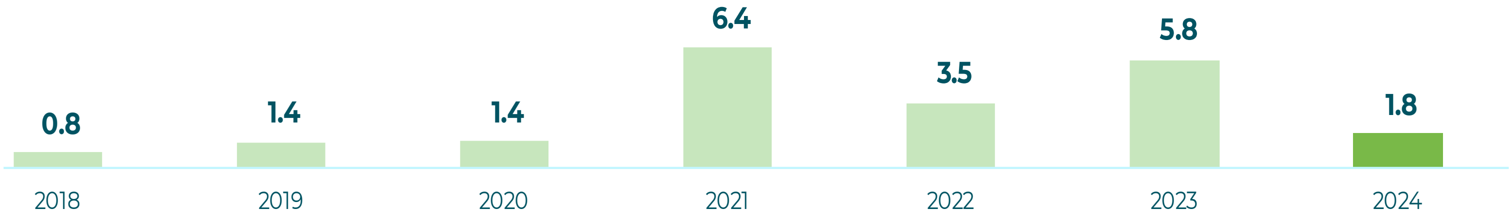
- Revenues reduced with price reductions & active SKU changes
- 20% of revenue from own branded sale
- New Licence agreement will drive further high value growth
- Private Label share up to 55% H1 FY24
- Bolt on acquisitions add product breadth & commercial strength

Adj. EBITDA (£m, %)



- Strong EBITDA growth delayed by Ukraine/Inflationary costs
- 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)

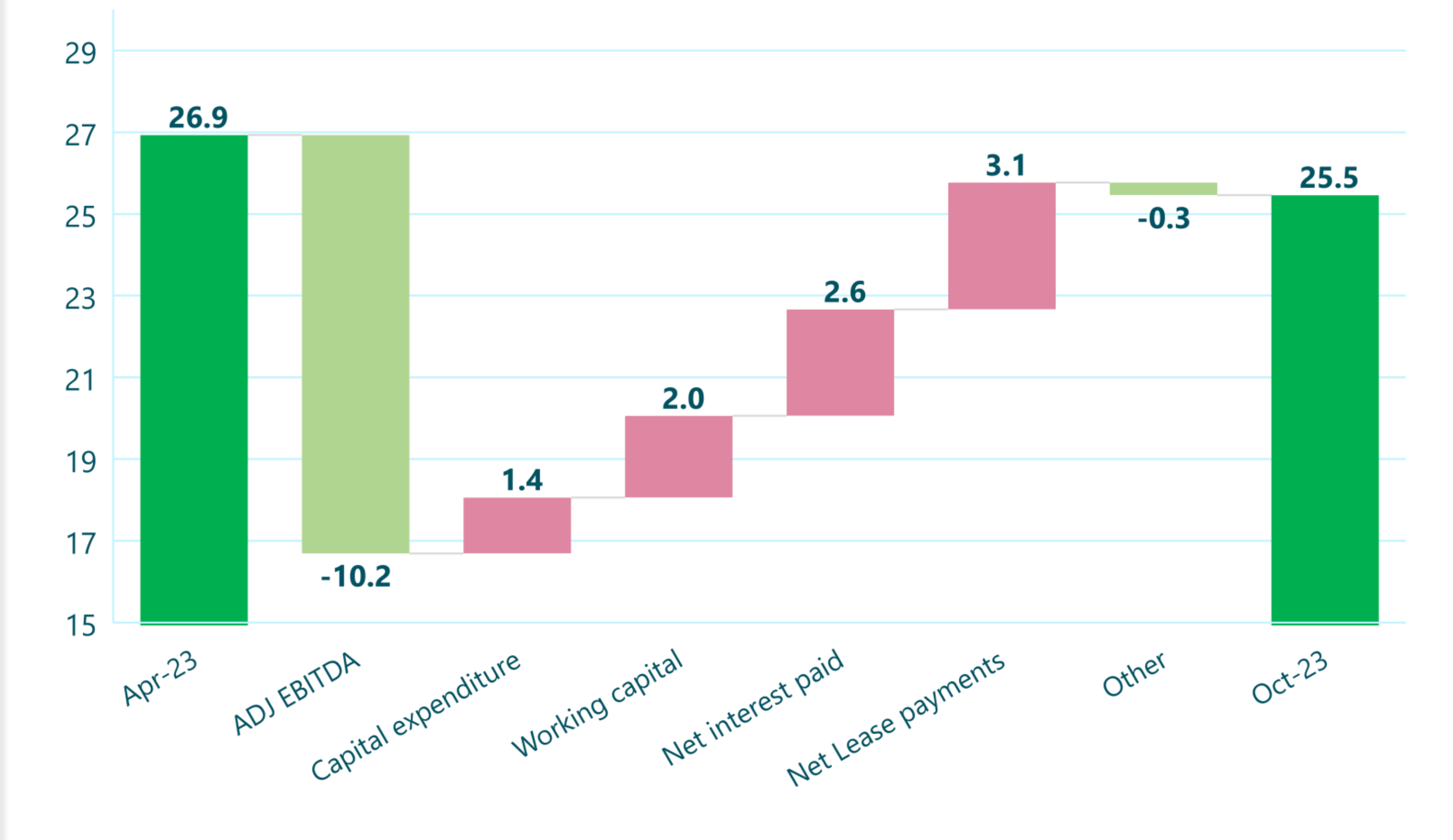


- Significant CAPEX programmes now fully delivered.
- Full automation complete across all sites in FY23 to conclude £20m+ CAPEX programme.
- Fully integrated WMS launched in FY23.
- Minimal Capital required in core business going forward £3m to £4m
- 20% “spare” capacity

Source: Company Information
Notes: based on October half year-end

Net Debt Improvements H1 FY24

Despite inflationary challenges the Group still made significant progress with regards to Adjusted Net Debt, reducing net levels to £25.5m at 1.7x levered



Headlines...

- Net debt reduced across the year to 1.4x (FY23 1.7x H1 23) levered.
- 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 as supply chain disruptions have been evident in the recent past

Source: Company Information

Commercial highlights

Customer service has been consistently high with 98% on time deliveries

Headlines…

- Growth across every core tissue product range:

Toilet Tissue
+78%

Kitchen Towel
+27%

Facial Tissue
+34%

Wet Wipes
+70%

- The Group's facial tissue brand, Softy now UK's 2nd most popular brand, Little Hero's our Wet wipe brand is no4.
- Magnum No3 kitchen towel Brand – Elegance No 3 Toilet Roll Brand
- The Groups subscription model, plastic free Oceans brand continues to grow strongly with revenue up 45% year on year and a major investment being made for FY24
- Water industry approved flushable wet wipe sales have grown by 33% in the period
- The business entered an agreement with another of the world's largest consumer goods companies to sell a tissue-based product – launching March 24 – retailer reaction excellent
- The Groups reputation amongst the customer base continue to improved, achieving a customer rating of +8 – industry average 7.75

Source: Company Information

Operational highlights

Operational efficiency continues to improve with +3% increase in output per head

Headlines...

- All major capital investment and restructuring completed
- Leyland output per head up 12% following automation
- Wipes business output per head up 24%
- Service levels exceptional at + 98% on time and in full
- Flint site 3 years accident free, Leicester almost 4 years
- Absentee levels 1.3% (world class)
- Highest ever Retailer Manufacturering audit scores with all sites achieving AA rating

Source: Company Information

Investment case analysis

Efficient allocation of capital through M&A to drive growth

Case Study – John Dale Wet Wipes Acquisition

Revenue at Acq.	£2.4m
Estimated Revenue FY24	£8.0m
Investment	£2.6m
Estimated cash flow returns to FY24*	£1.5m
ROI	58%

Headlines...

- Management apply a rigorous approach to capital allocation and investment decisions to increase the capability and capacity of the Group.
  - Typical IRR hurdle today of +20%.
- Case study - John Dale, purchased in April 2021 for a consideration of £3.4m (excl. freehold land) on a debt and cash free basis.
- Consideration associated with the wet wipes estimated at £2.6m.
  - Total revenues at the time were £6.4m and adjusted EBITDA was £0.6m.
  - Sale split estimated at Facial Tissue £3.9m & Wet Wipes £2.4m.
  - Initial project multiple of 5.7x EBITDA, reducing to 3.1x post synergies.
  - By the FY24 year end, our wet wipes sales are projected to have a run rate of £8.0m
  - The wet wipes element of the John Dale business alone has delivered an estimated return on invested capital of 58%.
- LTC ROI 77% - Facial Tissue ROI +50%

Source: Company Information
**pre-tax basis*

Wet wipes business acquisition

The Group continues to acquire selectively to strengthen and extend our product offering

Headlines…

- The Group has entered into an agreement to buy Severn Delta, a £5m revenue wet wipe business in Somerset, for an undisclosed sum but after operational synergies less than 1.5x paid.
- The business will have a material impact to FY25 EBITDA performance.
- The southern location adds further wet wipe capability and capacity.
- Complementary acquisition to our existing North Wales facility to accelerate growth in the market.
- Further product diversification through dry wipes, tumble dryer sheets & disinfectant wipes as we continue to explore adjacent markets to the core tissue business.
- Fully funded through cash reserves with minimal impact to net debt throughout FY24
- Opens up new markets and further customers
- ROI better than John Dale expected

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 new wet wipe acquisition brings new product technologies and ranges to the Group and will materially impact FY25
- Prices are not expected to soften any further than previously reported.
- EBITDA margins have returned back to pre-pandemic levels as previously reported and business firmly on track to deliver FY24 revenues of £205m and EBITDA of at least £21m – in line with previously upgraded market expectations.
- Strong cash generation – acquisition, share buy backs, dividend payments, accelerate lower debt or capital investment

Source: Company Information

Thank you