



KITWAVE[®]
Group plc

Delivering Excellence

Investor Presentation

Final Results
Year ended 31 October 2021

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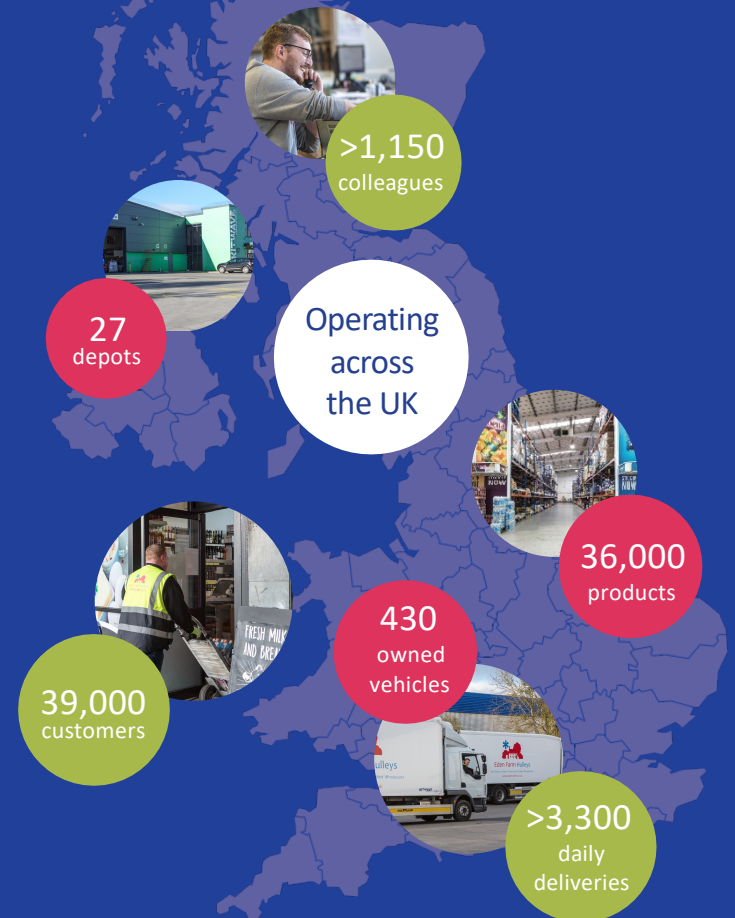
Introduction

We are a delivered wholesale business with depots and delivery throughout the UK.

We specialise in selling impulse products, frozen and chilled foods, alcohol and groceries.

Kitwave's listing on AIM in May 2021 provides the Company with the opportunity to grow at pace and increase market share in the fragmented UK grocery and foodservice wholesale market.

Founded in 1987, the listing represents over three decades of the Company's dedication and operational excellence.





Stephen ("Steve") Smith

Independent Non-Executive Chairman

- Joined the Group as Non-Executive Chairman following investment by Pricoa Capital Group in 2016
- Held role of CEO of Northgate plc for over 20 years
- Served on a number of private company boards and is currently a Non-Executive Director of Ramsdens Holdings Plc
- Chartered accountant and holds a degree in Economics from the London School of Economics
- Steve is Chairman of the Nomination Committee



Paul Young

Chief Executive Officer

- Co-founded the Group in 1987, initially as a single North East based cash and carry.
- During his 30-year tenure as Chief Executive Officer, and as majority shareholder, Paul has grown the business into a national delivered wholesale business with revenue over £380.7m in FY21.
- Paul is a qualified Cost and Management Accountant (ACMA).



David Brind

Chief Financial Officer

- Joined the Group in 2011, following NVM Private Equity LLP's investment
- Has led the Group's 11 successful acquisitions and is responsible for the development of the IT and reporting infrastructure.
- Previously held roles at Barclays, at Ward Hadaway as a Corporate Finance Director and at Ernst & Young as Assistant Director in Corporate Finance.
- Qualified as a chartered accountant and is a Fellow of the Institute of Chartered Accountants in England and Wales.
- Holds a degree in Business Studies at the University of Hull.



Ben Maxted

Chief Operating Officer

- Joined the Group in 2011 as Finance Director of the Automatic Retailing business, before his appointment as Managing Director of Eden Farm (following its acquisition by the Group in 2014).
- Led the growth of the Frozen & Chilled division, successfully integrating four acquisitions into the Group.
- Fellow of the Institute of Chartered Accountants in England and Wales
- Spent three years at PricewaterhouseCoopers in its Corporate Finance division.
- Holds a degree in Business Accounting and Finance from the University of Newcastle upon Tyne.
- Appointed to the Board as Chief Operating Officer in November 2021.



Gerard Murray

Independent Non-Executive Director

- Currently CFO of Tharsus Group, Non-Executive Chairman of Nixon Hire and director of Newrona Limited.
- Previously held roles as Group Finance Director or Chief Financial Officer at companies including Reg Vardy plc, Northgate plc, Immunodiagnostic Systems Holdings plc, Benfield Motor Group and Quantum Pharma plc.
- Fellow of the Institute of Chartered Accountants in England and Wales,
- Qualified as a chartered accountant with Arthur Andersen
- Holds a degree in Economics from the University of Leicester.
- Chairman of the Audit Committee and Chairman of the Remuneration Committee.

Investment case

Kitwave is well placed to capitalise on the fragmented UK grocery and foodservice wholesale market.



Established business with more than 30 year history provides high barriers to entry



Strong growth track record (organic and through acquisitions)



Trusted brand ambassador and partner to suppliers, ensuring excellent service provision



Robust balance sheet and cash generative business model



Continuing a successful buy-and-build strategy



Significant market opportunity – current market share of < 2%

Ensuring high quality service provision to clients

With over three decades' experience, Kitwave's focus is delivering to its diverse, nationwide customer base – on time and in full.

Wholly owned fleet

- Fleet of 430+ delivery vehicles fulfilling 3,300+ deliveries per day
- Having its own fleet enables the flexibility to deliver on the Group's commitment to service quality
- Provides customers the ability to have lower minimum order levels, whilst still achieving next day delivery if required



Nationwide depots

- Network of 27 depots, comprising 7 main stock holding depots and 20 satellite depots
- Provides a nationwide delivery capability and the capacity to ensure stock holding is sufficient to achieve over 98% of deliveries being on time and in full



Diverse customer base

- Diverse customer base of 39,000+ customers - mainly independent convenience stores and foodservice outlets
- Group has a good representation of national based retailers
- Many other UK wholesalers utilise the Group's provision of the delivery of frozen and chilled products



Highlights for the period

Financial performance

- Revenue ahead of initial expectations in H2, leading to significant improvement in adjusted operating profit (*RNS : Nov 21*)

Operational investment

- In February 2021, the Group opened its new 70,000 sq. ft distribution centre in Luton to cater for Frozen & Chilled product operations
- Work progressing on Wakefield warehouse, expected to be opened in March 2022

Post-period acquisition of M. J. Baker

- Acquired M. J. Baker, expanding the Group's nationwide reach and developing the Group's foodservice offering
- Immediately earnings enhancing

Dividend

- Final dividend of 4.5 pence per ordinary share, resulting in a total dividend of 6.75 pence per ordinary share

Group revenue

£380.7m

Adjusted operating profit

£7.1m

Adjusted EBITDA

£15.1m

Profit before tax

£2.1m

Pre tax operational cash conversion

85%

Post-period acquisition of M. J. Baker

West Country's leading independent foodservice supplier

- M. J. Baker to be integrated into Group's Foodservice division
- Total gross consideration payable of £24.5m. Net cash acquired of c. £6.0m with a net £18.5m cash outflow to the Group

Rational

- Expands the Group's nationwide reach into the South West
- Enhances the Group's foodservice offering

Background

- Founded in 1999 and based in Newton Abbott, Devon with a customer base of 2,000+
- Offers 3,500+ products in ambient, chilled and frozen foods, together with alcohol, confectionery and non-food items

Financial highlights

- Audited turnover - £16.9m (*FY19 : £28.2m*)
- Profit before tax - £1.5m (*FY19: £2.7m*)
- Net assets - £7.9m



Current trading

Current trading is slightly ahead of expectations

At the end of Q1 (November to January) order levels are in line with the same quarter in 2019-20 before the COVID-19 lockdown

Ambient

Order patterns have remained steady with an uplift of vending orders as restrictions have eased

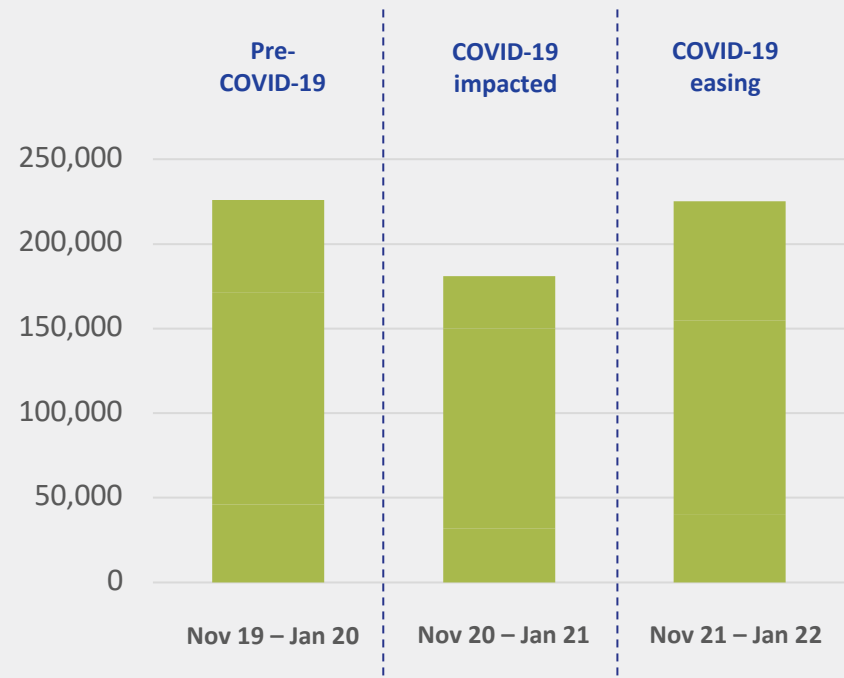
Frozen & Chilled

Order patterns have been consistent since the pre-COVID-19 restrictions

Foodservice

The customers of this division were most affected by compulsory COVID-19 shutdowns and restrictions on trade. The order numbers for the quarter are in line with pre-COVID-19 trading.

Q1 order numbers





Operational overview

Ambient division

Revenue

£155.7m (41% of Group revenue)

Segment adjusted EBITDA

£4.3m

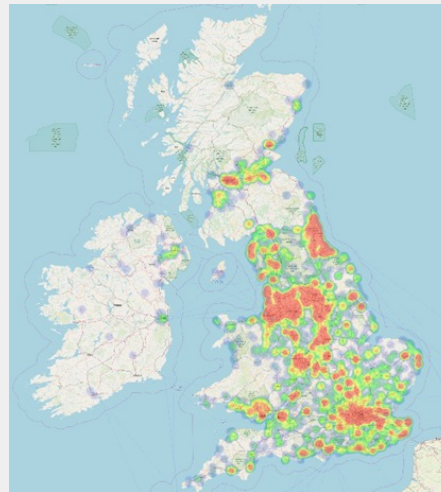
Operations

- Operates from 6 depots
- Next day delivery and product availability are part of the key service levels within this division that is driven by multi small drop deliveries
- Delivery capability to most of England



Customers

- Customer base comprises independent convenience stores, vending operators, national retail and other UK wholesalers



Products

- Division supplies branded products including confectionery, soft drinks, crisps and snacks and tobacco
- 30 year history working with market leading suppliers enables the Group to be a brand ambassador



Frozen & Chilled division

Revenue

£163.9m (43% of Group revenue)

Segment adjusted EBITDA

£9.3m

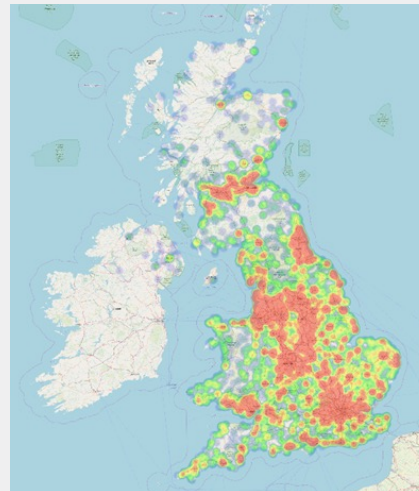
Operations

- Operates from 10 depots
- UK nationwide delivery capability
- The frozen infrastructure in place enables a market-leading delivery service to independent and nationally based customers



Customers

- Customer base comprises independent convenience stores, leisure outlets and UK wholesalers



Products

- Division supplies branded products including ice cream, pizzas, chips, ready meals, and a full range of chilled products
- As one of the UK's leading suppliers of impulse ice cream, the division sees a seasonal uplift during the summer months



Foodservice division

Revenue

£61.1m (16% of Group revenue)

Segment adjusted EBITDA

£2.0m

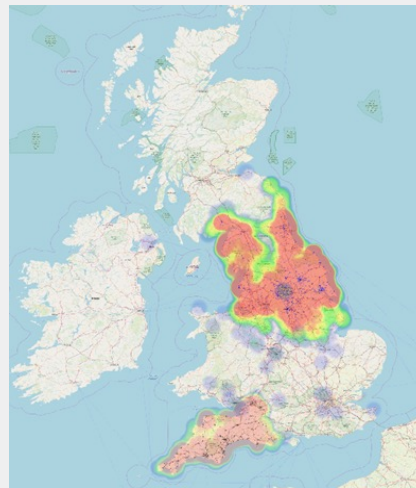
Operations

- Operates from 11 depots
- Delivery capability currently across the North of England and the South West



Customers

- Customer base comprises independent traditional foodservice outlets including bars, restaurants and leisure outlets, as well as the care home and education sectors



Products

- Division supplies frozen, chilled and ambient food, as well as alcohol and soft drinks





Financial overview

Income statement

FY21 Financial Summary

The Group saw a return to profitable trading in H2 as COVID-19 restrictions experienced in H1 were eased

- Group revenue recovered strongly in H2 with a 59% increase over H1
- Gross profit margin maintained at 18% (FP20: 18%)
- Adjusted operating profit in H2 of £7.3m compared to a adjusted operating loss in H1 of £0.2m
- Adjusted EBITDA - £15.1m (FP20: £27.6m)
- Profit before tax - £2.1m (FP20: £1.3m - an increase of 63%). H2 generated a profit before tax of £5.6m compared to a loss before tax in H1 of £3.5m

	FY21 £000	FP20 £000
Revenue	380,694	592,016
Cost of sales	(312,109)	(484,842)
Gross profit	68,585	107,174
Gross margin %	18.0%	18.1%
Other operating income	4,771	3,020
Distribution expenses	(31,203)	(44,014)
Administrative expenses	(35,755)	(54,156)
Operating profit	6,398	12,024
Operating profit %	1.7%	2.0%
Adjusted operating profit	7,086	16,477
Adjusted operating profit %	1.9%	2.8%
Adjusted EBITDA	15,053	27,634
Adjusted EBITDA %	4.0%	4.7%

Segmental performance

Ambient

- Revenue of £155.7m (41% increase in H2 compared with H1)
- Gross margin 12.4% (FP20: 12.2%)

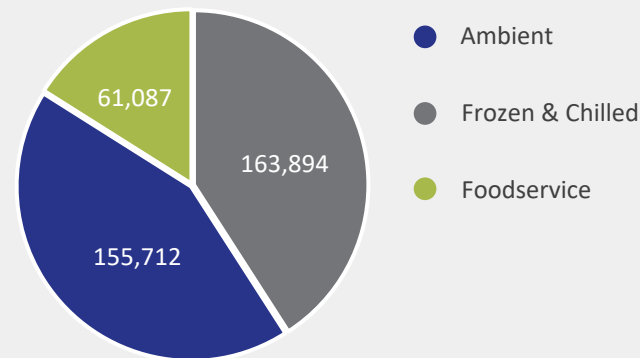
Frozen & Chilled

- Revenue of £163.9m (28% increase in H2 compared with H1)
- Gross margin 21.3% (FP20: 22.8%)

Foodservice

- Revenue of £61.1m (361% increase in H2 compared with H1)
- Gross margin 23.5% (FP20: 21.6%)

Total revenue (£000)



Gross margin

- Ambient - 12.4%
- Frozen & Chilled - 21.3%
- Foodservice - 23.5%

Adjusted operating profit (£000)

Ambient	2,241
Frozen & Chilled	5,220
Foodservice	194

Balance sheet

Key highlights

- Strengthened balance sheet with net assets of £61.6m (*FP20: net liabilities £0.01m*)
- Net debt of £34.3m including £21.7m of IFRS16 lease liabilities

Capital investment

- £2.9m investment in fleet and warehouse facilities
- Further £10.9m increase in right-of-use assets, including £9.4m of new property leases

Working capital

- Net investment in working capital - £31.5m at October 21
- Inventories increased by £2.8m to £26.0m, with increase in trade payables and trade receivables in line with the increased level of trade

Debt

- Net debt of £34.3m including £21.7m of IFRS16 lease liabilities

	Oct-21
	£000
Non-Current assets	
Goodwill	31,249
Intangible assets	431
Tangible and right of use assets	33,292
Investments	20
	<u>64,992</u>
Working Capital	
Inventories	26,043
Trade receivables and other debtors	52,814
Trade payables and other creditors	<u>(47,332)</u>
	31,525
Cash and debt	
Cash and cash equivalents	4,968
Lease liabilities	(24,636)
Other interest bearing loans and borrowings	<u>(14,620)</u>
	(34,288)
Tax	
Tax payable	(370)
Deferred tax liabilities	<u>(275)</u>
	(645)
Net assets	<u>61,584</u>

Cashflow statement

Key highlights

- Net increase in cash in FY21 of £4.6m (*FP20: outflow of £0.9m*)
- Pre tax operational cash conversion of 85%
- £2.7m net CAPEX spend including the new cold store facility at Luton.
- £5.1m of lease liability payments made in the year

Admission to AIM allows debt to be refinanced

- Admitted to AIM on 24 May 2021
- Successfully raised £61.9m net of costs
- Payments made to reduce debt by £50.7m

Dividends commenced

- First interim paid of 2.25p per share

	FY21	
	£000	
Cash flow from operating activities		
PBIT	6,398	
Depreciation and amortisation	7,967	
Other non cash items	1,326	
	15,691	
Working capital	(2,418)	
Pre tax operational cash	13,273	85%
Tax paid	(2,432)	
Post combination services	(2,925)	
Net cash inflow from operating activities	7,916	50%
Net capex	(2,713)	
Free cash flow to service debt	5,203	
Interest paid	(5,093)	
IPO fund raise (net of expenses)	61,889	
Net cash movement in debt	(50,730)	
Lease liabilities paid	(5,068)	
Dividends paid	(1,575)	
Net increase in cash	4,626	



Group strategy

Market opportunity

Kitwave intends to grow its market share through the implementation of its acquisition and organic growth strategy.

Markets

Retail & Convenience
c. £15.7bn*

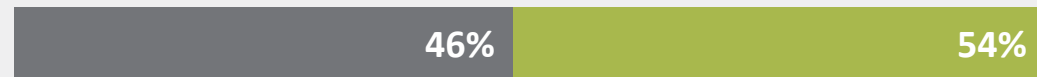
Fragmented market creates acquisition opportunity



Booker / Bestway / Nisa /
Blakemore (SPAR)

market opportunity*

Foodservice
c. £11.2bn*



Brakes / Bidvest / Booker

market opportunity*

*Source: IGD UK grocery & foodservice wholesaling 2020 Report based on 2019 market data.

1 Company information

2 UK Retail Grocery Report, 2019

The Group has an excellent record of acquiring and successfully integrating businesses.

Acquisition of M. J. Baker marks the Group's 11th since 2011.

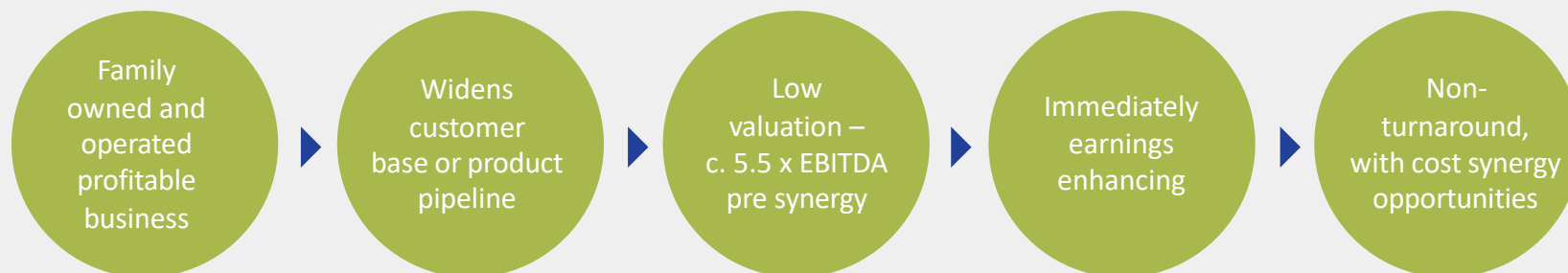
Kitwave is able to de-risk its acquisitions

- Extensive knowledge built from deep relationships
- Track record of acquisitions at low historic EBITDA multiples (2.7x to c. 6.0x)
- Repeatable strategy and integration blueprints
- Migration to existing platforms at the appropriate time e.g. IT, logistic network

Acquisition pipeline

- Kitwave will continue to add to underlying organic growth through small bolt on acquisitions
- Management has a strong track record of successful M&A
- Strong pipeline of M&A opportunities identified with the average acquisition size of between £1.5m and £2.5m EBITDA
- Effect of COVID-19 expected to bring more M&A opportunity

Established M&A criteria and process



Growing organically

Kitwave targets revenue and market growth across the Group

Through leveraging opportunities that arise from activities across the following pillars:



Growth in customer base & product range

- 39,000 customers providing opportunity to sell a wider basket of goods and build customer wallet share
- Scale in certain product categories
- IT and sales rep education



Strengthening brand relationships

- Ability to negotiate better annual terms and rebates
- Trusted ambassador for the 'Brand' owners



Delivery Capability

- National delivery capability providing further opportunity to access a wider customer base
- Efficient delivery via centralised 'Paragon' route planning



IT & Service Excellence

- Development of full Web and App sales offering creating new methods for customer ordering
- Order tracking and customer insight via EPOD technology

Environmental, Social & Governance

A long-term sustainable business model is essential for the success of the Group, its colleagues, shareholders and other stakeholders.

Kitwave intends to implement a CSR strategy and committee, which will monitor the implementation of practices across the Group, ensure standardisation and introduce relevant and realistic objectives.

ESG in action





Summary

Aiming to becoming a leading delivered wholesaler in the UK.

As we exit the COVID-19 period, the Group is well placed to capitalise on organic growth and acquisition opportunities to drive long-term value for its shareholders.



2021 IPO provides the platform to enhance brand and capture significant market share



Continuing Group's successful buy-and-build strategy



Leveraging opportunities from mature relationships with brand owners



Driving further organic growth



Website development and introduction of 'Kitwave Direct'



Robust balance sheet and cash generative business model

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