

INVESTING FOR GROWTH

Investor Presentation



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Overview

Financial

- Revenue is in line with upgraded expectations with significant improvement in adjusted operating profit

Operational

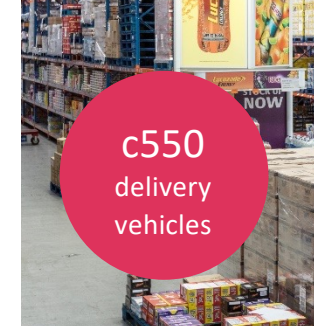
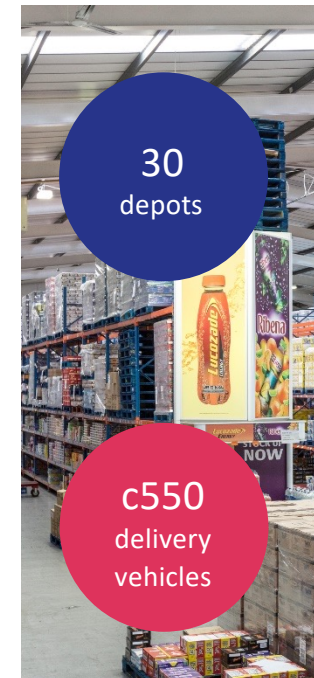
- Wakefield distribution centre opened in March 2022
- Web trading platform launched across all divisions

Strategic

- Acquisitions of M. J. Baker in February 2022 and post year end of WestCountry in December 2022

Dividend

- Final dividend of 6.75 pence per ordinary resulting in a total dividend of 9.25 pence per ordinary share (*37% increase compared to FY21*)
- Dividend payout of 45% of profit after tax



Financial summary



Income statement

FY22 Financial Summary

FY22 reflects a period of strong growth across the Group and the increase in trade as the business returned to pre-pandemic trading levels

- L4L Group revenue increased by 27% to £484.8m
- Gross profit margin improvement to 20% (FY21: 18%)
- Adjusted operating profit in FY22 of £21.5m (FY21: £7.1m)
- Adjusted EBITDA improved to £29.5m (FY21: £15.1m)
- Profit before tax of £17.8m (FY21: £2.1m)

	FY22	FY21
	£000	£000
Revenue	503,088	380,694
Cost of sales		
	(400,460)	(312,109)
Gross profit	102,628	68,585
Gross margin %	20.4%	18.0%
Other operating income	374	4,771
Distribution expenses	(44,010)	(31,203)
Administrative expenses	(38,617)	(35,755)
Operating profit	20,375	6,398
Operating profit %	4.0%	1.7%
Adjusted operating profit	21,481	7,086
Adjusted operating profit %	4.3%	1.9%
Adjusted EBITDA	29,477	15,053
Adjusted EBITDA %	5.9%	4.0%

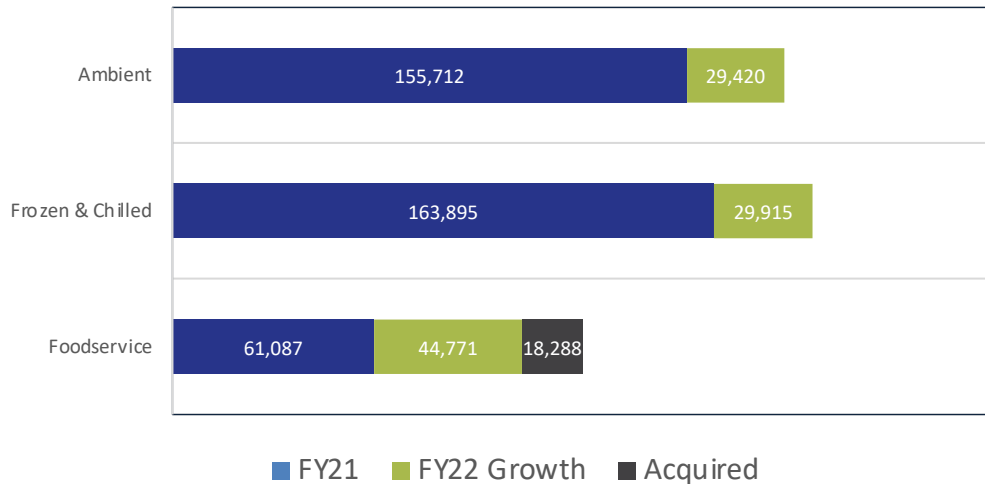
FY21 – Other income related to furlough monies received (£2.3m) and the CPO income relating to the Luton warehouse (£2.3m)

Income statement

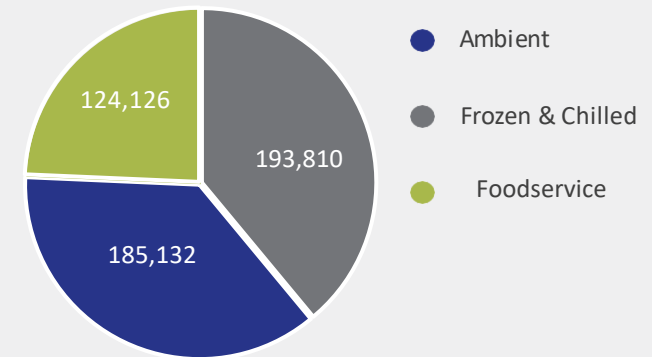
Revenue

- Revenue of £503.1m, a 32% increase on FY21 (L4L increase 27%)

Divisional revenue bridge



Total revenue (£000)



Gross profit

- Divisional gross margins improvement combined with increased revenues generating £34m of additional gross profit on FY21

Gross margin

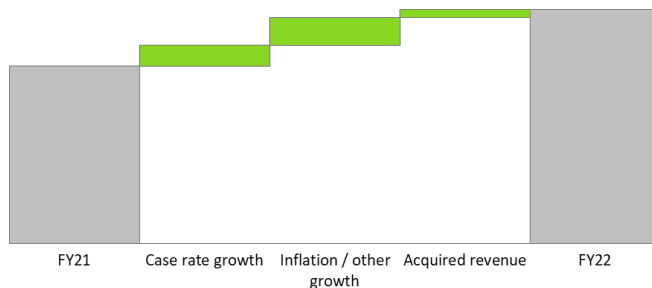
- Ambient : 14% (FY21: 12%)
- Frozen & Chilled : 22% (FY21: 21%)
- Foodservice : 27% (FY21: 24%)

Organic growth

Organic growth achieved through a mix of product price inflation and organic case rate growth

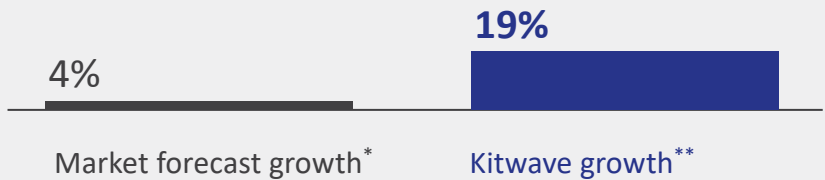
FY22 revenue growth of £122.4m
(32% growth)

- 12% revenue growth from organic case rate increases
- 16% revenue growth from price rise inflation
- 5% revenue growth through acquisition of M. J. Baker

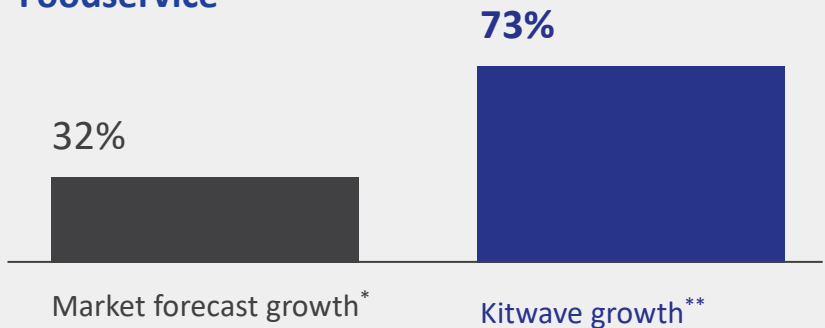


Retail & wholesale

(within the Ambient and Frozen & Chilled divisions)



Foodservice



*IGD report growth 2022 forecast v 2021 actual

** FY22 Kitwave organic growth

Distribution costs

- Continued drive toward cost control despite inflationary increases in the cost base
- Distribution costs of £44.0m with a cost to serve of 8.7% (FY21: 8.2%)
- Distribution costs as a proportion of gross profit reduced to 42.9% (FY21: 45.5%) due to controls and efficiency supported by improved gross margins

Adjusted operating profit

- Adjusted operating profit increased by £14.4m to £21.5m (FY21: £7.1m)



Distribution costs %

- Ambient – 5.8% (FY21: 5.3%)
- Frozen & Chilled – 11.5% (FY21: 10.5%)
- Foodservice – 9.4% (FY21: 8.8%)



Adjusted operating profit margin %

- Ambient – 3.7% (FY21: 1.4%)
- Frozen & Chilled – 3.2% (FY21: 3.3%)
- Foodservice – 7.2% (FY21: 0.3%)

Balance sheet

Key highlights

- Strong balance sheet with net assets of £71.9m

Goodwill

- £13.1m increase in goodwill resulting from the acquisition of M. J. Baker

Capital investment

- £2.0m investment in fleet and warehouse facilities
- Further £8.7m of right of use assets included £4.7m associated with the new Wakefield warehouse

Working capital

- Working capital investment of £31.7m, an increase of £0.1m on FY21 (£2.6m decrease, excluding M. J. Baker)

Debt

- Net debt of £43.6m, including £25.9m of IFRS16 lease liabilities
- LTM leverage of 0.6x (1.5x including IFRS16 liabilities)

	Oct-22
	£000
Non-Current assets	
Goodwill	44,342
Intangible assets	737
Tangible and right of use assets	39,489
Investments	<u>35</u>
	84,603
Working Capital	
Inventories	31,846
Trade receivables and other debtors	57,698
Trade payables and other creditors	<u>(57,891)</u>
	31,653
Cash and debt	
Cash and cash equivalents	5,511
Lease liabilities	(28,749)
Other interest bearing loans and borrowings	<u>(20,354)</u>
	(43,592)
Tax	
Tax payable	(62)
Deferred tax liabilities	<u>(715)</u>
	(777)
Net assets	<u>71,887</u>

Cashflow statement

Key highlights

- Net increase in cash in FY22 of £0.5m
(FY21: inflow of £6.8m)
- Working capital inflow of £1.4m
- Pre-tax operational cash conversion of 105%

Non trading cashflows

- £2.3m net capex spend
- £5.1m of lease liabilities paid

Dividend

- Final FY 2021 paid of 4.50p per share in April 2022 with the total dividends paid in the period of £4.9m

Acquisition of M. J. Baker

- Net acquisition outflow of £16.9m funded from a draw on available banking facilities
- Net draw on debt facilities over the period of £5.7m

	FY22 £000
Cash flow from operating activities	
PBIT	20,375
Depreciation and amortisation	7,996
Other non cash items	786
	29,157
Working capital	1,373
Pre tax operational cash	30,530 105%
Tax paid	(4,005)
Net cash inflow from operating activities	26,525 91%
Net capex	(2,300)
Free cash flow to service debt	24,225
Interest paid	(2,534)
Net cash movement in debt	5,734
Lease liabilities paid	(5,068)
Dividends paid	(4,900)
Net pre M&A increase in cash	17,457
Acquisition of subsidiary undertakings	(16,914)
Net increase in cash	543

Operational overview



Ambient division

Revenue

£185.1m

(37% of Group revenue)

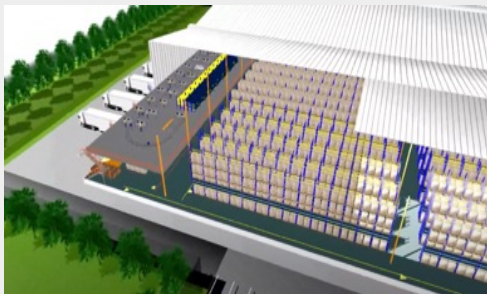
Segment adjusted operating profit

£6.8m

(32% of Group adjusted operating profit)

Operations

- Depot efficiency program initiated using a data driven approach and VR modelling to drive operational synergies within our warehouses
- Voice picking technology implementation commenced at key ambient warehouse



Customers

- A 14% increase in cases supplied compared to FY21 driven by continued growth in vending as breadth of range and product availability is driving growth



Products

- 35-year history working with market leading suppliers continues to drive product allocation advantage
- Inflationary led price increases landed in the marketplace whilst growing gross margin %



Frozen & Chilled division

Revenue

£193.8m

(39% of Group revenue)

Segment adjusted operating profit

£6.4m

(30% of Group adjusted operating profit)

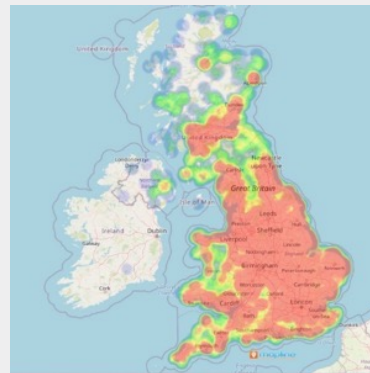
Operations

- Continued operational efficiencies through depot network rationalisation
- Reading depot closed and Kirkham depot moved from a picking depot to a last mile delivery depot



Customers

- A 9% increase in cases supplied compared to FY21
- Contribution per drop focus with increased minimum order quantities and drop density increased through delivery matrix review



Products

- Continued position as preeminent route to market partner for the brand owners into independent retail convenience for frozen and chilled foods
- St Pierre bread distribution agreement has driven organic growth versus FY 2021



Foodservice division

Revenue

£124.1m

(25% of Group revenue)

Segment adjusted operating profit

£8.9m

(41% of Group adjusted operating profit)

Operations

- HB Clark new depot granted bonded status and has enabled efficiencies through central buying and inter-depot transfers of stock
- Depot rationalisation programme started in the South West to drive further synergy opportunities within WestCountry and M. J. Baker



Customers

- A 35% like-for-like increase in cases supplied compared to FY21 as customers returned to foodservice and on trade outlets with case volumes ahead of pre-COVID-19 run rates restrictions



Products

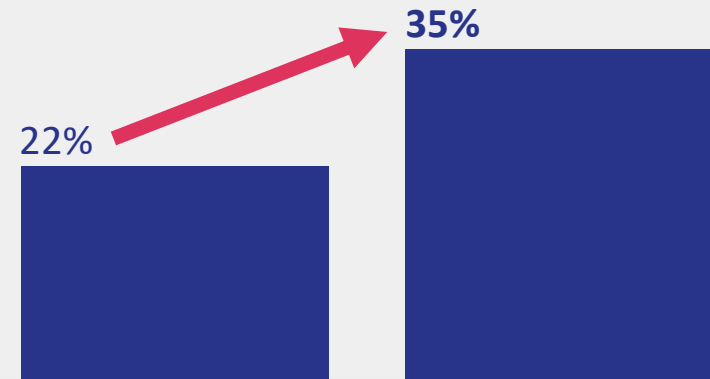
- Organic growth strategy initiated with the sales teams of WestCountry and M. J. Baker to cross-pollinate a customer base of c.3,000 trading foodservice customers in the South West with fresh produce
- Successful integration of buying function across M. J. Baker and David Millers



Website development

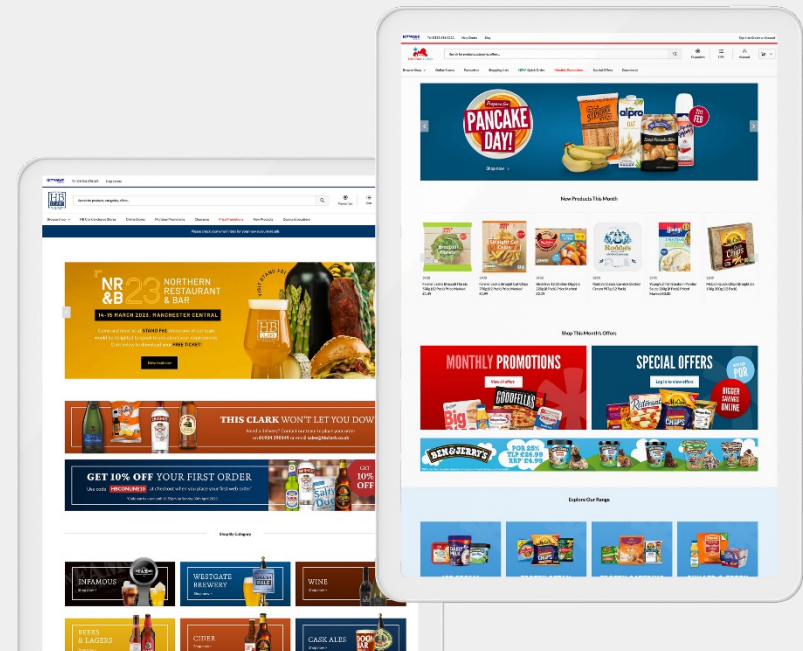
- New group company websites now live and trading platform
- Order capture via electronic ordering has risen from 22% to 35% to date
- Average order value 8% higher online than traditional methods of order capture
- Brand owner engagement has been encouraging resulting in strong working partnerships developed with their ecommerce teams
- Expected reduction in traditional sales ordering processing costs to follow

Electronic ordering (% share)



Feb 2022

Jan 2023



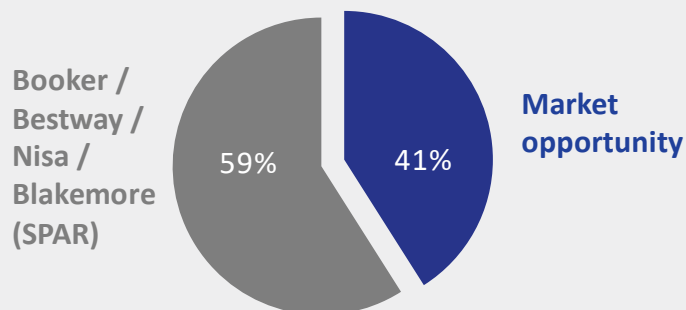
Group strategy



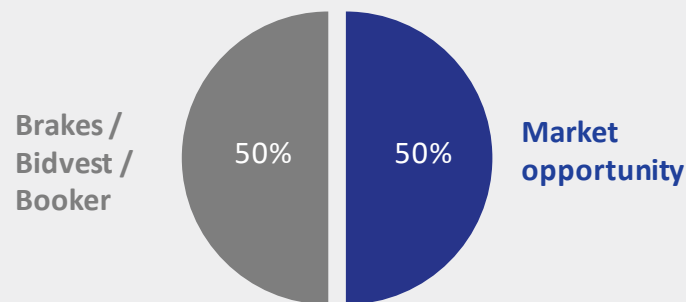
UK grocery and foodservice wholesale market offers significant acquisition and growth potential

Excellent track record of successfully integrating businesses

Highly fragmented market creates acquisition opportunity



Retail & Convenience – worth c. £19.5bn*



Foodservice – worth c. £11.5bn*

Acquisition rationale

- Market share growth
- Revenue-enhancing
- Product/customer base expansion
- Cost and operational synergies

12
acquisitions
since 2011

Ability to de-risk acquisitions

- Management expertise
- Repeatable strategy and integration blueprints

Pipeline of further small bolt on acquisitions

- Established search criteria and process
- M&A opportunities identified

*Source: IGD UK grocery & foodservice wholesaling 2022 Report based on 2022 market forecast and 2021 market share

Post-period acquisition of WestCountry

Westcountry Food Holdings Limited, a specialist fresh produce wholesaler

- Integrating into Group's Foodservice division
- Total gross consideration payable of £28.5m. Net cash acquired of c. £7.8m with freehold property of c. £1.2m to the Group

Rationale

- Complements existing foodservice offering in South West following acquisition of M. J. Baker in 2022
- Enhances the Group's foodservice offering to include high-quality fresh produce providing organic growth opportunity

Background

- Founded in 1856 with three depots across Devon and Cornwall
- Unrivalled network of high-quality local growers and direct supply links with national and international fresh produce markets

Financial highlights

- Annual revenue - £29.7m
- Profit before tax - £3.9m
- Net assets - £11.0m



Kitwave targets revenue and market growth across the Group

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



Growth in customer base & product range

- Sale of wider basket to existing customers
- Grow customer wallet share
- Scale of product
- Categories
- IT and sales rep education



Strengthening brand relationships

- Negotiate better annual terms and rebates
- Trusted ambassador for 'Brand' owners



Nationwide delivery capability

- Opportunity to access a wider customer base
- Delivery efficiency via centralised 'Paragon' route planning



IT & service excellence

- Full web and app sales offering
- Order tracking and customer insight via EPOD technology

Environmental, Social & Governance (ESG)



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



Environmental

- Group engaged Business Wise and formulated an Energy Management Strategy
- Solar panels produced 360,000 kWh
- All new vehicles meet Euro 6 emissions standards
- Reducing packaging and food waste by partnering with food charity partner Too Good To Go – connecting public to short dated stock
- Continued investment in solar with new PHEV scheme at Luton DC for FY23



Too Good To Go



Social

- Health and Safety Director appointed April 2022 and a new online HSE portal to be introduced in FY23
- Cost of living pay increases implemented
- Partnered with Kickstart to offer 16-24 year olds employment opportunities
- Kitwave Group partnered with Grocery Aid a charity that offer financial, emotional and practical support for people in the grocery industry
- Kitwave Group raised £60,000 for the Heart of the Tyne foundation



Governance

- Teresa Octavio appointed to the Board as Non-Executive Director on 1 February 2023
- The Group adopted an Enterprise Risk Management (ERM) framework during FY22
- Compliant with GDPR legislation
- Anti-money laundering, anti-bribery and whistle-blowing policies
- The Group fully endorses the aims of the Modern Slavery Act 2015



Summary



Summary

Aiming to becoming a leading delivered wholesaler in the UK

The Group is well placed to capitalise on organic growth and acquisition opportunities to drive long-term value for its shareholders



Established business with more than 35 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%

Appendix



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 547+ delivery vehicles fulfilling 4,800+ 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 30 depots, comprising eight main stock holding depots and 22 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 42,000+ customers - mainly independent convenience stores and foodservice outlets
- The 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





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.
- 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 35-year tenure as Chief Executive Officer, and as majority shareholder, Paul has grown the business into a national delivered wholesale business with revenue over £500m in FY22.
- 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 12 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 the Non-Executive Chairman of Nixon Hire and director of Newrona Limited.
- Previously held roles as either Group Finance Director or Chief Financial Officer of a number of 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, having 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.

Teresa Octavio

Independent Non-Executive Director

- Teresa joined the Kitwave Board in February 2023. Teresa has held a number of executive roles at global businesses, including at Kantar Consulting and consumer-facing multinationals Diageo plc and Procter & Gamble. She has also acted as a board advisor at omnichannel company DAME and as an independent advisor for a number of board and C-suite individuals.
- Teresa holds a Sloan Masters MSc in Leadership & Strategy from London Business School, Digital Business Transformation certification from Imperial College, and The Financial Times Non-Executive Director Diploma accreditation.

Key shareholders

The total number of shares in issue is 70,000,000 ordinary shares of £0.01 each

The percentage of shares not in public hands is 48.9%

Significant Shareholders

In accordance with AIM Rule 26 the following investors are identified as having a significant (5% or more) interest.

Shareholder	Shares held	Percentage
Liontrust Asset Management Plc	11,983,125	17.1
Columbia Threadneedle Investments	6,346,955	9.1
Premier Miton Investors	6,300,000	9.0
Canaccord Genuity Wealth Management	3,694,990	5.3
BlackRock	3,550,000	5.1
Chelverton Asset Management	3,506,666	5.0

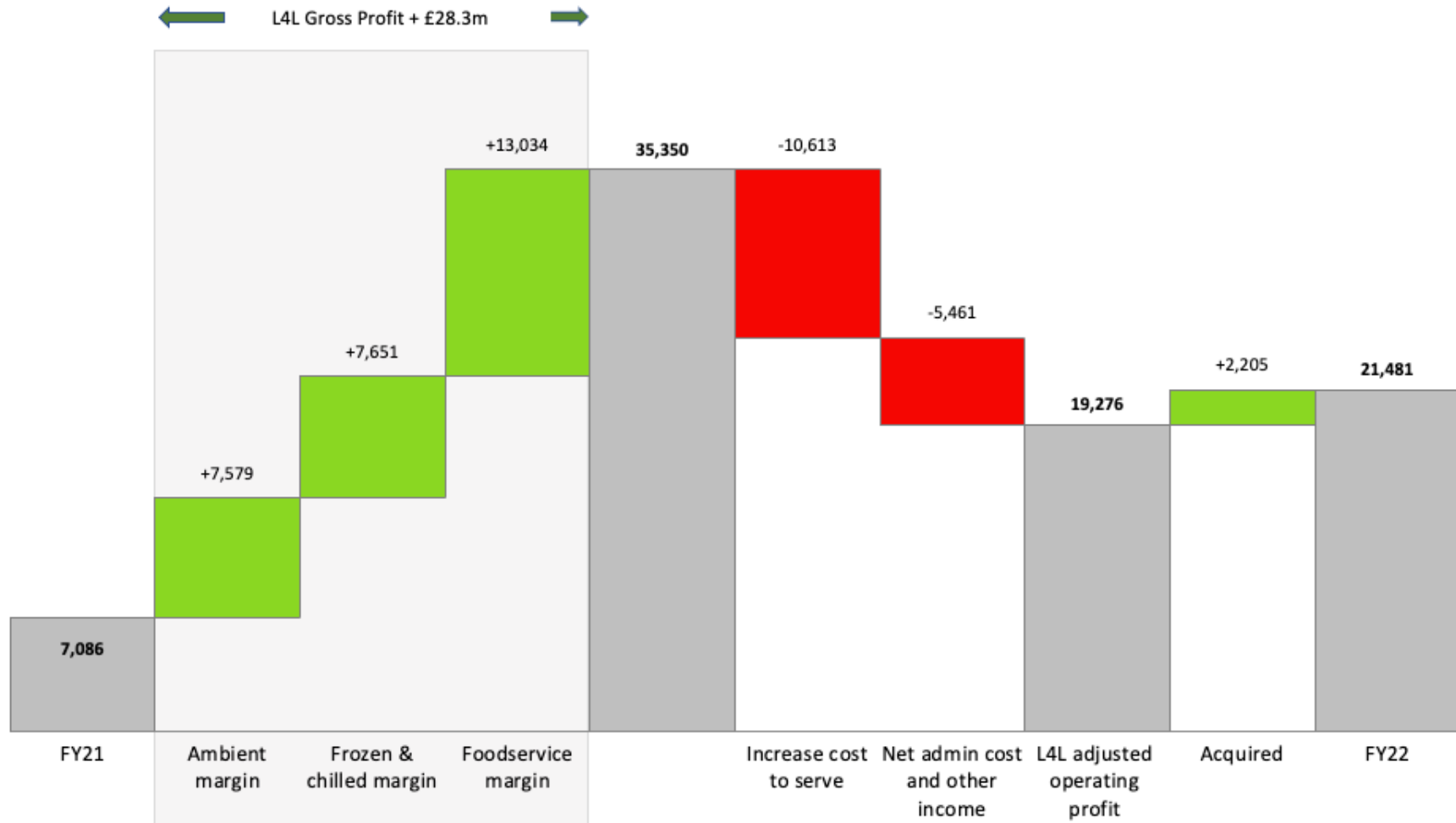
Director Shareholdings

(holdings of the Directors and their PCAs)

Shareholder	Shares held	Percentage
Paul Young*	10,968,550	15.7
David Brind	1,540,233	2.2
Ben Maxted	220,456	0.3
Gerard Murray	70,000	0.1
Stephen Smith	50,000	0.1

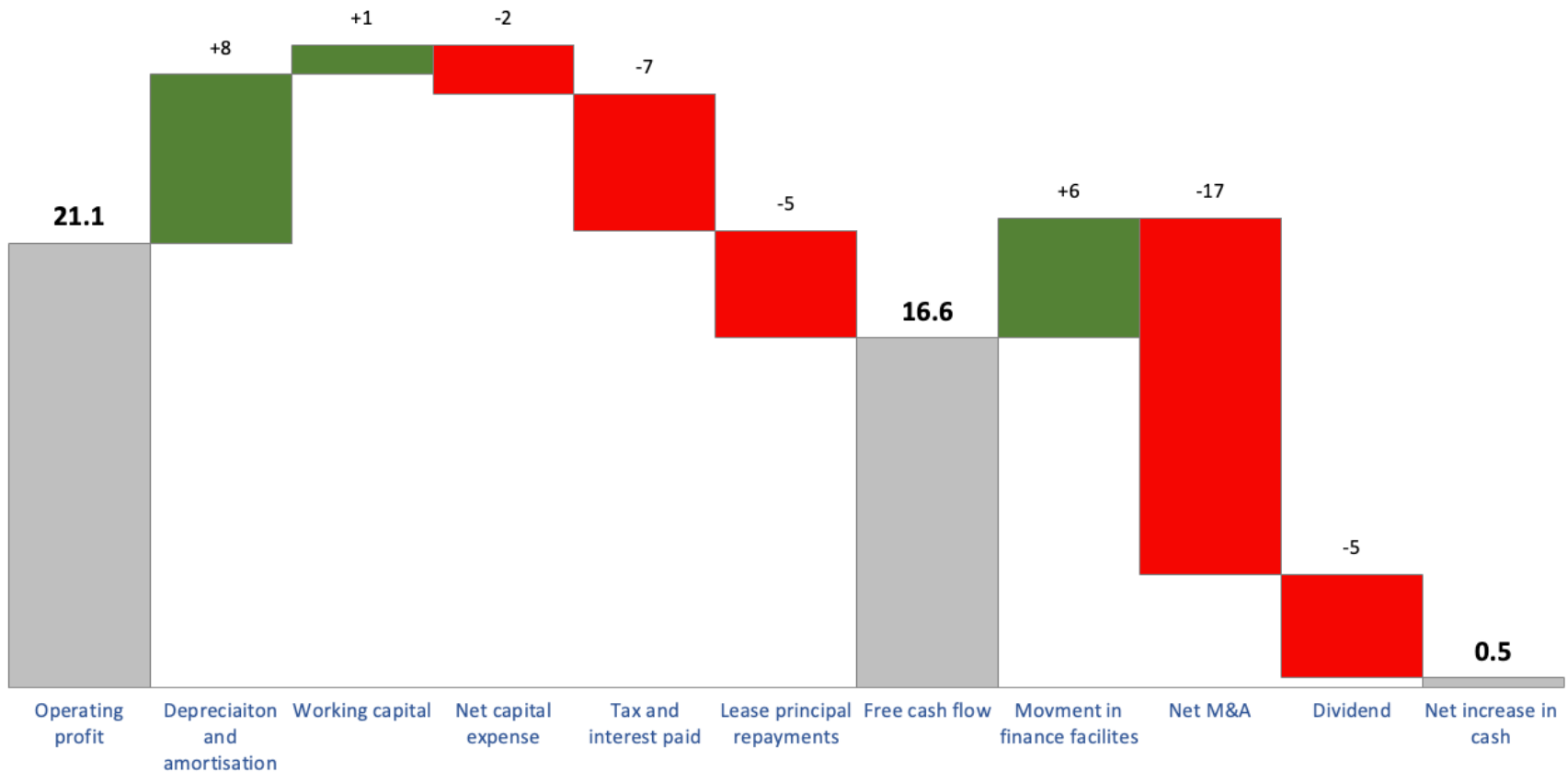
*Paul Young has a direct shareholding of 10,288,187 Ordinary Shares and 14.70 per cent. of the Share Capital and an indirect legal (but not beneficial) shareholding as a trustee of the Paul Young Discretionary Settlement Trust 2021 of 680,363 Ordinary Shares and 0.97 per cent. of the Share Capital.

Adjusted operating profit



Cashflow statement

Strong operating cash conversion



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