

INVESTING FOR GROWTH

Investor Presentation



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Overview

Financial

- Revenue and gross margin ahead of expectations, leading to significant improvement in adjusted operating profit

Operational

- Continual emphasis on operational efficiency
- Reinvestment in fleet post pandemic shortages

Strategic

- Acquisition of WestCountry in December 2022

Dividend

- Declared interim dividend of 3.75 pence per ordinary share, an uplift of 50% on H1 2022



Group performance

Revenue

+23.1%

Exc. WestCountry +17.4%
Exc. WestCountry cases +4%

Gross margin

21.6%

+1.8% vs H1 2022

Operating profit

£10.2m

+52% vs H1 2022

LTM Leverage

1.9x

1.1x (excl. IFRS16)

Interim dividend

3.75p

+50% vs. H1 2022

Net cash from
operations

£11.7m

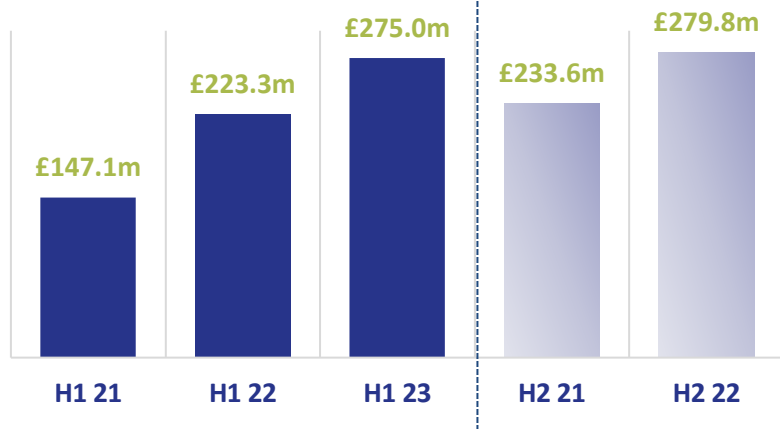
-£5.3m vs. H1 2022

Financial summary

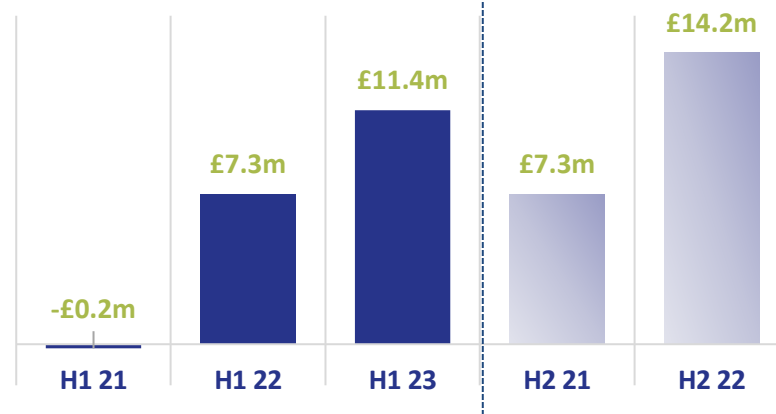


Delivering growth

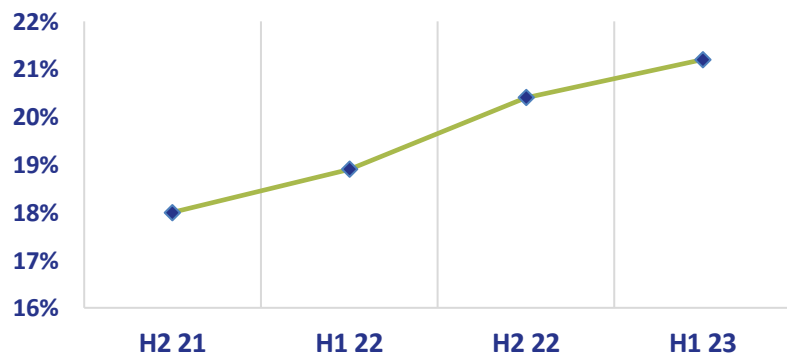
Revenue



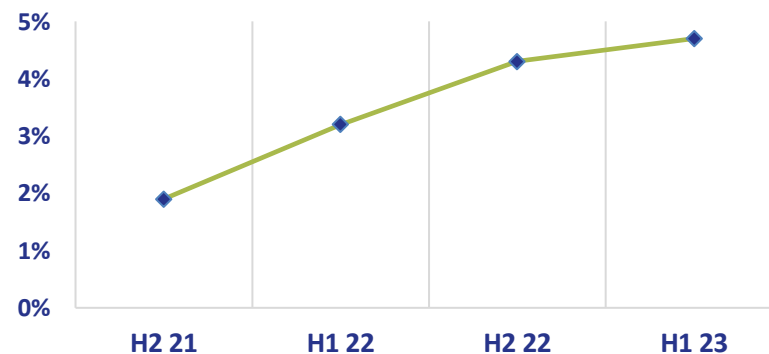
Adjusted operating profit



LTM gross profit margin



LTM adjusted operating profit margin

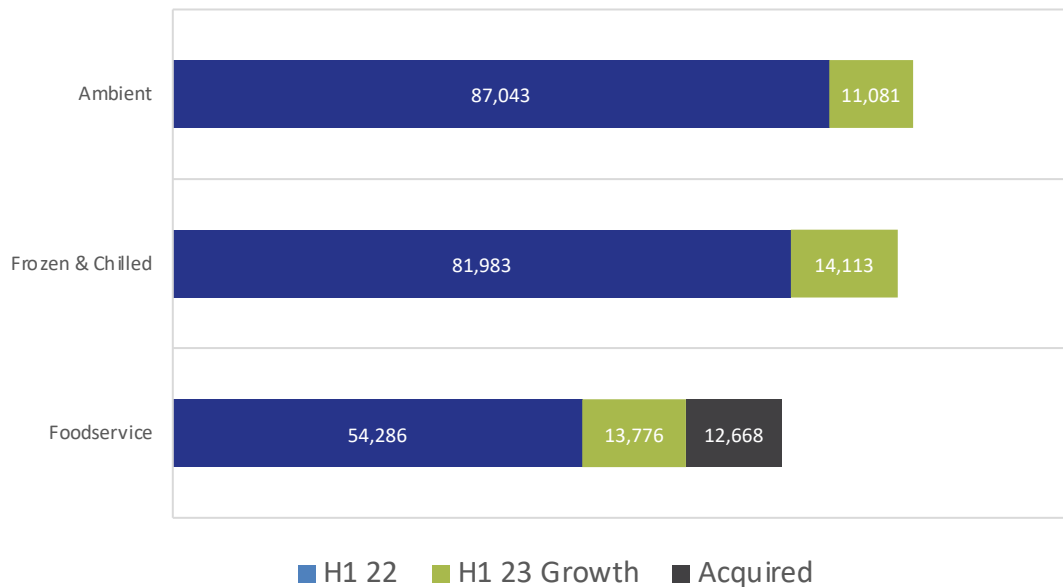


Income statement

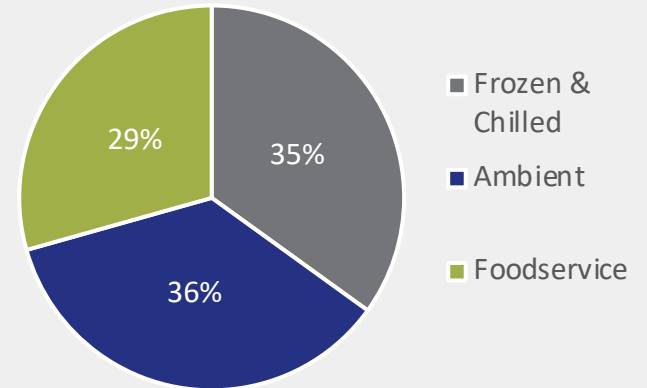
Revenue

- Revenue of £275.0m, a 23.1% increase on H1 22
(Excluding WestCountry increase 17.4%)

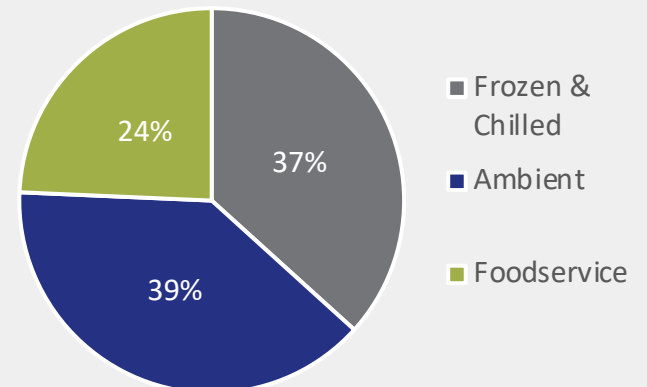
Divisional revenue bridge



Total revenue H1 23 (£000)



Total revenue H1 22 (£000)

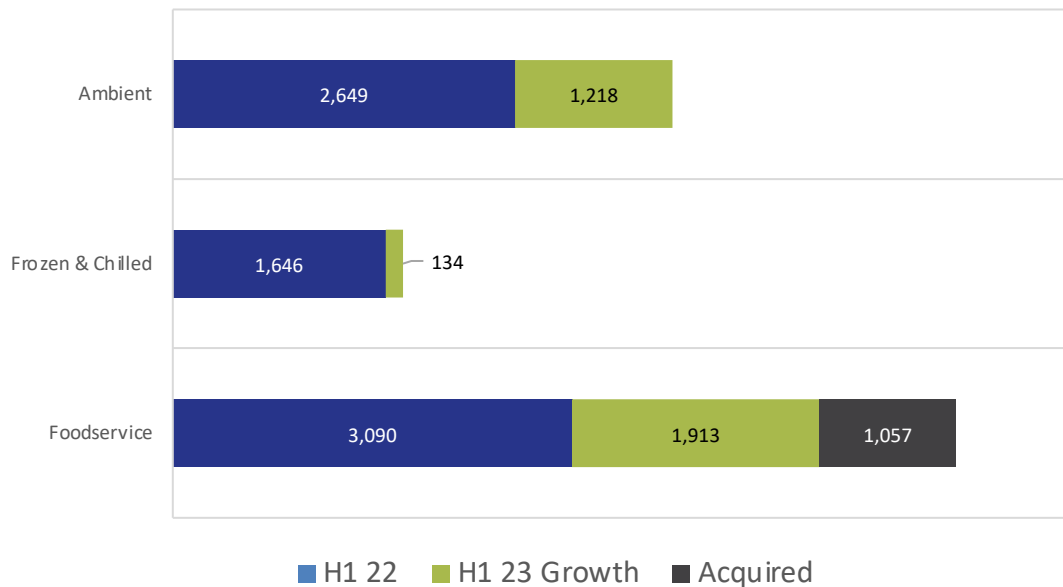


Income statement

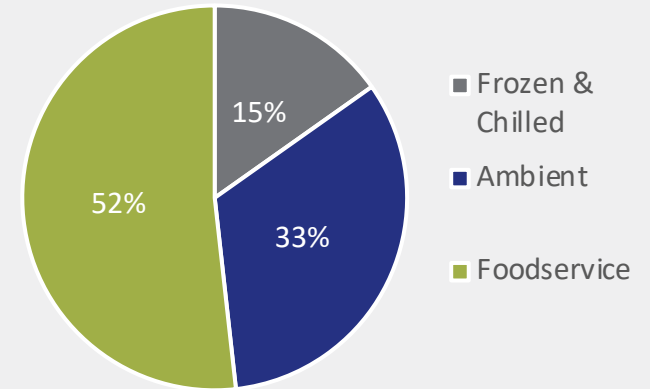
Adjusted operating profit

- Adjusted operating profit of £11.7m, a 60.5% increase on H1 22
(Excluding WestCountry increase 46.0%)

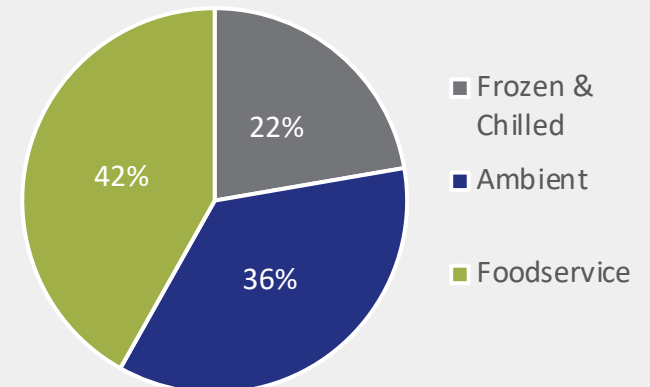
Divisional adjusted operating profit bridge



Total adjusted operating profit H1 23 (£000)



Total adjusted operating profit H1 22 (£000)



Principles

1 Reinvest in business operations and customer service

2 Maintain a solid balance sheet with leverage below 2.5x

3 Maintain a dividend policy of paying between 40% and 50% of PAT

4 M&A activity that is earnings enhancing to the Group

5 Maintain working capital control with LTM conversion of 95%

Outcomes

=>

Capex spend plus new HP in H1 of c£2.1m in delivery fleet renewal

=>

Net debt/EBITDA = 1.9x
Net debt (exc IFRS16) / EBITDA = 1.1x

=>

FY22 dividend paid £4.7m
Full year dividend being 45% of PAT

=>

Net consideration of £19.6m paid for the WestCountry acquisition

=>

H1 2022 - 87%
(95% excluding WestCountry)

Operational overview



People

- Launch of 'Kitwave One' - a new colleague portal that supports our people centric approach across the Group to improve colleague engagement
- Kitwave One is an important tool to provide additional benefits packages for colleagues and a route to engage with our workforce
- Harnessing our Group philosophy of growing from within by offering learning & development opportunities such as: warehouse development, driver training and future leaders program offering MBA level courses

The screenshot displays the Kitwave One portal for a user named Beatrice. The interface is clean and modern, with a light blue and white color scheme. At the top left, the 'KITWAVE one' logo is prominent, along with the text 'Automatic Retailing KITWAVE®'. A personalized greeting 'HI, BEATRICE' and 'Welcome to Kitwave One' is shown next to a network diagram of colorful avatars. Below this, a 'TOP LINKS' section offers quick access to 'My Total Reward', 'My Benefits', 'Grocery Aid', and 'Useful Documents'. A 'USEFUL LINKS' menu lists various resources like Home, Risk Portal, e-Payslips, and more. A 'LOG OUT' button is also visible. The main content area features a 'Benefits' overview, a 'GroceryAid' section with a rainbow logo and a 'Discover Grocery Aid' button, and a 'PENSION' section with a photo of two people and a 'Discover Pension' button. Other sections include 'BENEFITS' with a piggy bank icon and 'DISCOUNTS' with a hand holding money icon, both with 'Discover' buttons. The footer contains legal links and version information.

Physical and vehicle infrastructure

New integrated delivery hub in the South West

- Acquisition of WestCountry and M.J. Baker creates an opportunity to fully integrate the Southwest operation and leverage their 6,000+ customer base
- New design and build 80,000 sq. ft. distribution site acquired. Construction commenced June 2023 with planned completion Q3 2024
- The integrated site will be able to offer a full Kitwave wide product offering with a complete food service range, ice cream, fresh produce and on-trade into the Southwest customer base
- Greater potential benefits of offering a wider product base and more streamlined operational structure to drive operational margin



Continued drive to improving operational efficiency

- Delivering an ongoing program of incremental improvement with a daily focus on making our business more efficient
- Integration of the Reading depot into the operations at Luton. Providing an ability to offer an enhanced product range to the relevant customer base
- Frozen division successfully implemented a delivery matrix review resulting in a reduction of distance between drops and fuel used per run thus driving contribution per drop
- Virtual reality modelling driving a depot efficiency program with operational efficiency savings from within our warehouses



Delivery matrix benefits

- Driving hours c8% down
- Distance travelled c7% down
- Fuel consumption c8% down

Customers

- Diverse customer base of 42,000+ customers
- Fleet of 550 delivery vehicles offering independents a service driven delivered wholesale solution with 7.5m individual selling items delivered daily
- Nationwide delivery capability and the capacity to ensure stock holding is sufficient to achieve over 98% of deliveries being on time and in full
- Customer service specialists



Supplier / brand partnerships

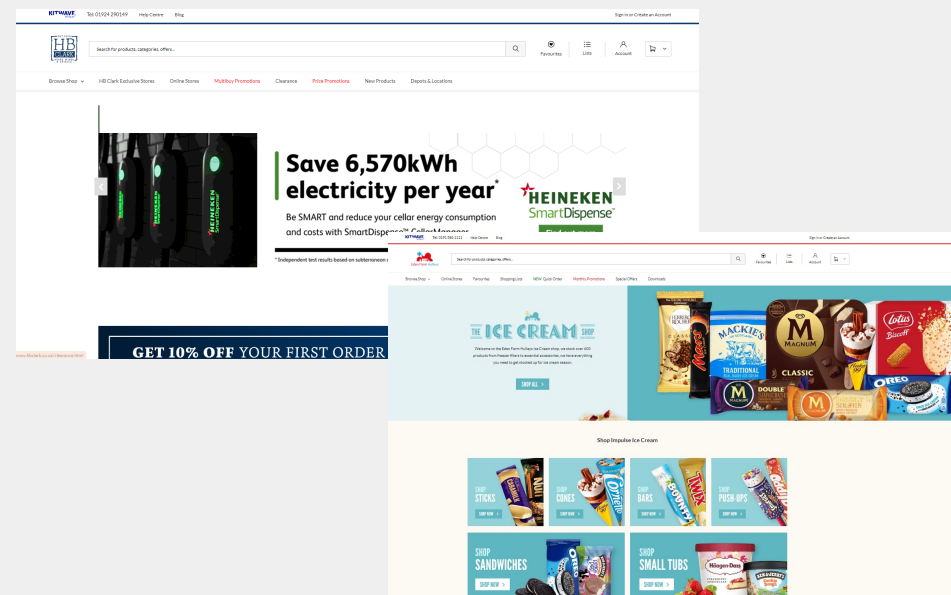
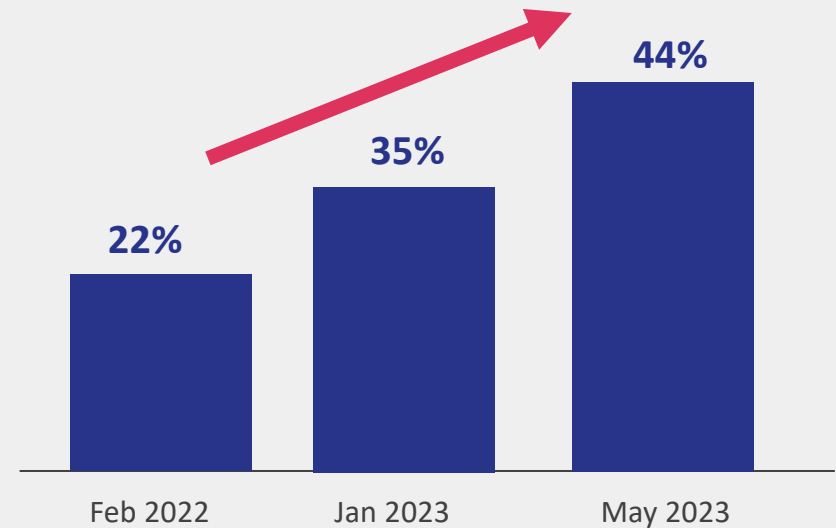
- Continue to leverage our relationships with brand owners and utilise our nationwide delivery capability to foster new supply partnership opportunities
- Preeminent route to market partner for the brand owners into independent retail convenience for frozen and chilled foods
- Deep category knowledge



Website development

- Electronic ordering has doubled from 22% to 44% driving our continued growth in order capture
- Average order value has continued to run 8% higher online than traditional methods of order capture driven through e-commerce selling aids and developing brand partnerships
- Brand owner engagement has been encouraging resulting in strong working partnerships developed with their ecommerce teams and incremental investment which has made the project cost neutral
- Expected reduction in traditional sales ordering processing costs to follow

Electronic ordering (% share)



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

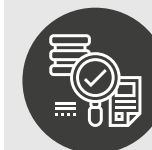


Too Good To Go



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



Group strategy



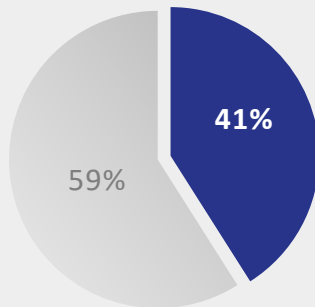
Strategy for growth

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

Excellent track record of successfully integrating businesses

Retail & convenience – worth c£18.7bn (£11.9bn ex tobacco)*

Booker /
Bestway /
Nisa /
Blakemore
(SPAR)



Market
opportunity
c£4.9bn



c90,000 outlets



64% delivered



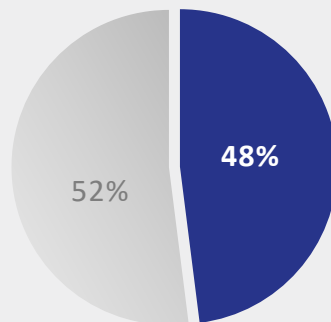
2023 forecast **↑ 4.4%**



Online ordering **46%**

Foodservice – worth c£12.1bn*

Brakes /
Bidvest /
Booker



Market
opportunity
c£5.8bn



c360,000 outlets



83% delivered



2023 forecast **↑ c8.2%**



Online ordering **41%**

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

Excellent track record of successfully integrating businesses

Acquisition rationale

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

Ability to de-risk acquisitions

- Management expertise
- Repeatable strategy and integration blueprints

Pipeline of further acquisitions

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



Growing organically

Kitwave targets revenue and market growth as well as operational efficiency across the Group

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



Organic sales growth through selling more to our well-established customer base

- Sale of wider basket to existing customers
- Grow customer wallet share
- New business wins



M&A provides scale in the Foodservice operations

- Negotiate better annual terms and rebates
- Ability to cross-sell wider product categories



Daily focus on operational efficiency

- Opportunity to access a wider customer base
- Delivery efficiency via centralised 'Paragon' route planning
- Constant review of infrastructure requirements and layout



IT & service excellence

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

Summary



Summary

Aiming to continue to be seen as 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 share of addressable market c5%

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 c550 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 29 depots, comprising eight main stock holding depots and 21 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.

Financial Appendix



Income statement

H1 2023 Financial Summary

H1 reflects a period of steady growth across the Group with continued emphasis on cost control and margin improvement

- Group revenue (excluding WestCountry) increased by 17.4% to £262.3m
- Gross profit margin improvement to 21.6% (H1 22: 19.8%)
- Adjusted operating profit increased by 60% to £11.7m (H1 22: £7.3m)
- Adjusted EBITDA improved to £16.0m (H1 22: £11.1m)
- Profit before tax of £8.3m (H1 22: £5.6m)

	6 months April 2023 £000	6 months April 2022 £000
Revenue	274,950	223,312
Cost of sales	<u>(215,621)</u>	<u>(179,195)</u>
Gross profit	59,329	44,117
Gross margin %	21.6%	19.8%
Other operating income	157	42
Distribution expenses	(26,262)	(19,351)
Administrative expenses	(23,008)	(18,119)
Operating profit	10,216	6,689
Operating profit %	3.7%	3.0%
Adjusted operating profit	11,741	7,316
Adjusted operating profit %	4.3%	3.3%
Adjusted EBITDA	16,017	11,125
Adjusted EBITDA %	5.8%	5.0%

Income statement

Gross profit

- Divisional gross margins improvement combined with increased revenues generating £15m of additional gross profit on H1 22

Distribution costs

- Continued drive on cost control despite inflationary increases in the cost base
- Distribution costs of £26.3m with a cost to serve of 9.6% (H1 22: 8.7%)

Adjusted operating profit

- Adjusted operating profit increased by £4.4m to £11.7m (H1 22: £7.3m)
- Adjusted operating margin increased by 1.0% to 4.3% (H1 22: 3.3%)



Gross margin

- Ambient :15% (H1 22: 14 %)
- Frozen & Chilled : 22% (H1 22: 22%)
- Foodservice :29% (H1 22: 26%)



Distribution costs

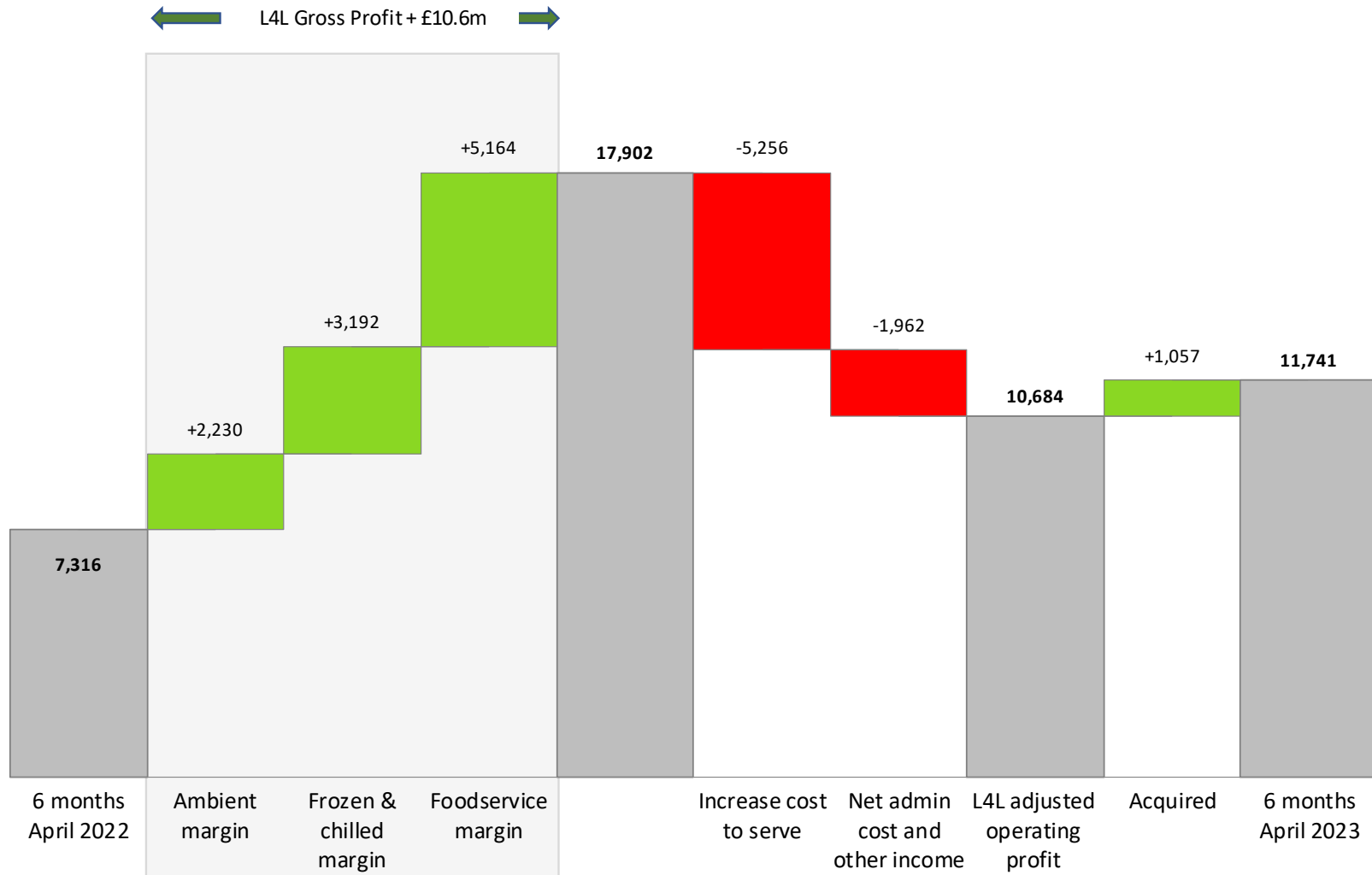
- Ambient :5.5% (H1 22: 5.7 %)
- Frozen & Chilled :12.2% (H1 22: 11.8%)
- Foodservice :10.9% (H1 22: 8.7%)



Adjusted operating profit margin

- Ambient :3.9% (H1 22: 3.0%)
- Frozen & Chilled :1.9% (H1 22: 2.0%)
- Foodservice :7.5% (H1 22: 5.7%)

Adjusted operating profit



Balance sheet

Key highlights

- Strong balance sheet with net assets of £74.0m

Goodwill & Intangible assets

- £14.3m increase in goodwill resulting from the acquisition of WestCountry plus £5.0m of intangible assets (H1 2023 amortisation £0.4m)

Capital investment

- £3.0m investment in fleet and warehouse facilities
- Further £2.7m of right of use assets included £1.6m associated with fleet replacement

Working capital

- Working capital investment of £33.4m, an increase of £7.5m on FY22 (£6.0m increase, excluding WestCountry)

Debt

- Net debt of £63.5m, including £26.3m of IFRS16 lease liabilities
- LTM leverage of 1.1x (1.9x including IFRS16 liabilities)

	Apr-23
	£000
Non-Current assets	
Goodwill	58,680
Intangible assets	5,384
Tangible and right of use assets	42,979
Investments	45
	<u>107,088</u>
Working Capital	
Inventories	45,769
Trade receivables and other debtors	65,388
Trade payables and other creditors	<u>(77,767)</u>
	33,390
Cash and debt	
Cash and cash equivalents	3,288
Lease liabilities	(29,991)
Other interest bearing loans and borrowings	<u>(36,816)</u>
	(63,519)
Tax	
Tax payable	(973)
Deferred tax liabilities	<u>(2,019)</u>
	(2,992)
Net assets	<u>73,967</u>

Cashflow statement

Key highlights

- Net decrease in cash in H1 23 of £2.2m
(H1 22: inflow of £1.1m)
- Working capital outflow of £2.0m
- Pre-tax operational cash conversion of 95% excluding the seasonal movement in WestCountry since acquisition

Non trading cashflows

- £1.4m net capex spend
- £3.2m of lease liabilities paid
- £1.5m of interest paid

Dividend

- Final FY 2022 paid of 6.75p per share in April 2023 with the total dividends paid in the period of £4.7m

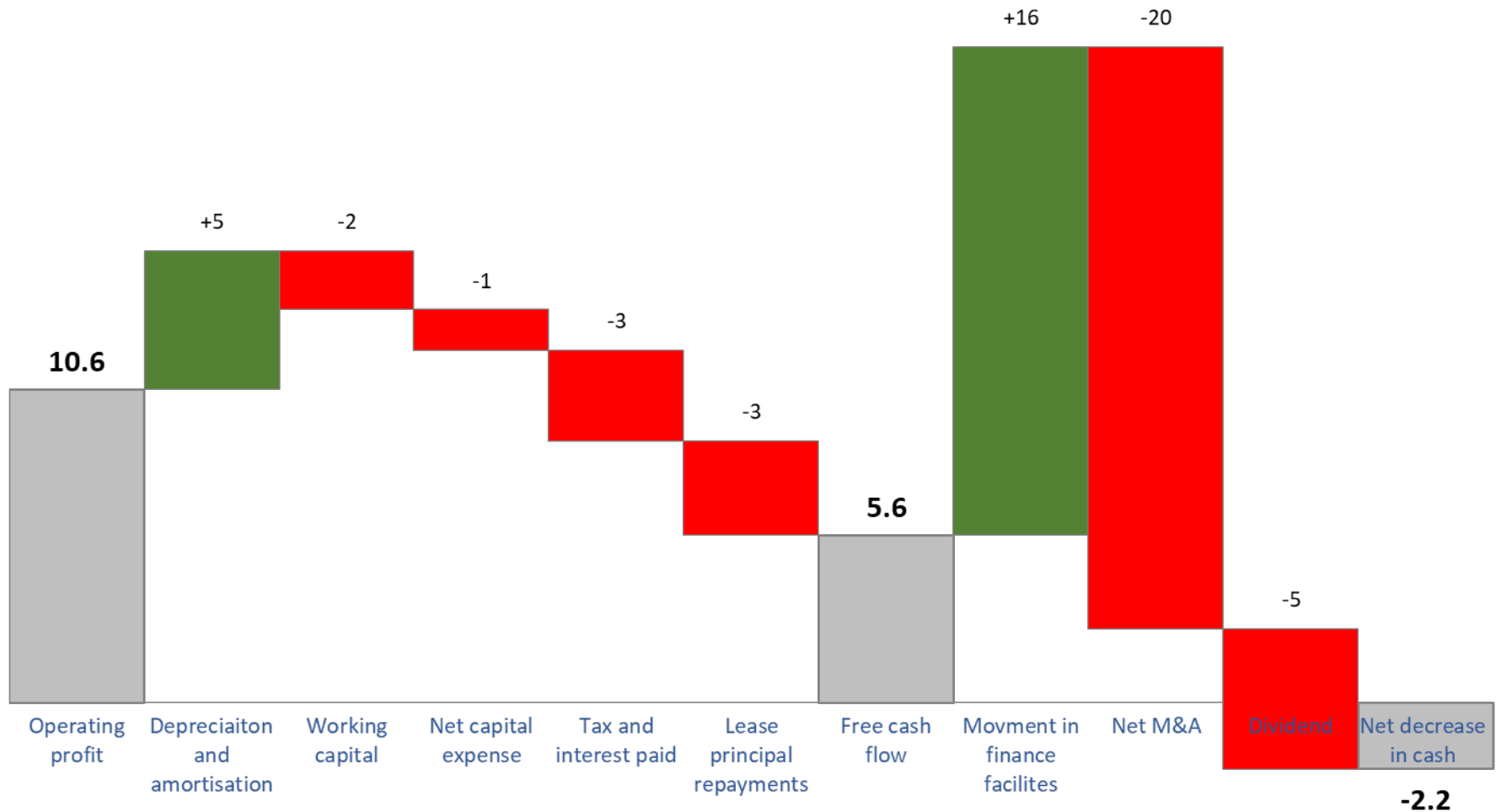
Acquisition of WestCountry

- Net acquisition outflow of £19.6m funded from a draw on a new additional £20m banking facility
- Net draw on debt facilities over the period of £16.5m

	6 months April 2023 £000
Cash flow from operating activities	
PBIT	10,216
Depreciation and amortisation	4,659
Other non cash items	337
	15,212
Working capital	(1,978)
Pre tax operational cash	13,234 87%
Tax paid	(1,528)
Net cash inflow from operating activities	11,706 77%
Net capex	(1,360)
Free cash flow to service debt	10,346
Interest paid	(1,522)
Net cash movement in debt	16,462
Lease liabilities paid	(3,191)
Dividends paid	(4,725)
Net pre M&A increase in cash	17,370
Acquisition of subsidiary undertakings	(19,593)
Net decrease in cash	(2,223)

Cashflow statement

Strong operating cash conversion



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