



Nichols plc

YEAR END 2021
PRESENTED MARCH 2022

OUR PURPOSE



WE
MAKE
LIFE
taste
BETTER

AGENDA



**ANDREW
MILNE**

Chief Executive
Officer



**DAVID
RATTIGAN**

Chief Financial
Officer



**ANDREW
MILNE**

Chief Executive
Officer



**STRATEGIC &
OPERATIONAL
REVIEW**

**FINANCIAL
REVIEW AND
OUTLOOK**

**LOOKING FORWARD –
A CLEAR FOCUS**

2021 HIGHLIGHTS

- Strong revenue growth on Vimto in UK and Internationally
- Accelerated growth delivered across Africa
- Resilient performance across the Middle East
- Strong investment in the Vimto brand
- Continued progress against our Happier Future ESG strategy
- Excellent progress on our operational change programme
- Impairment review in Out of Home (OoH), strategic review commenced
- Maintained a strong cash position
- Plans in place to help mitigate significant inflation costs



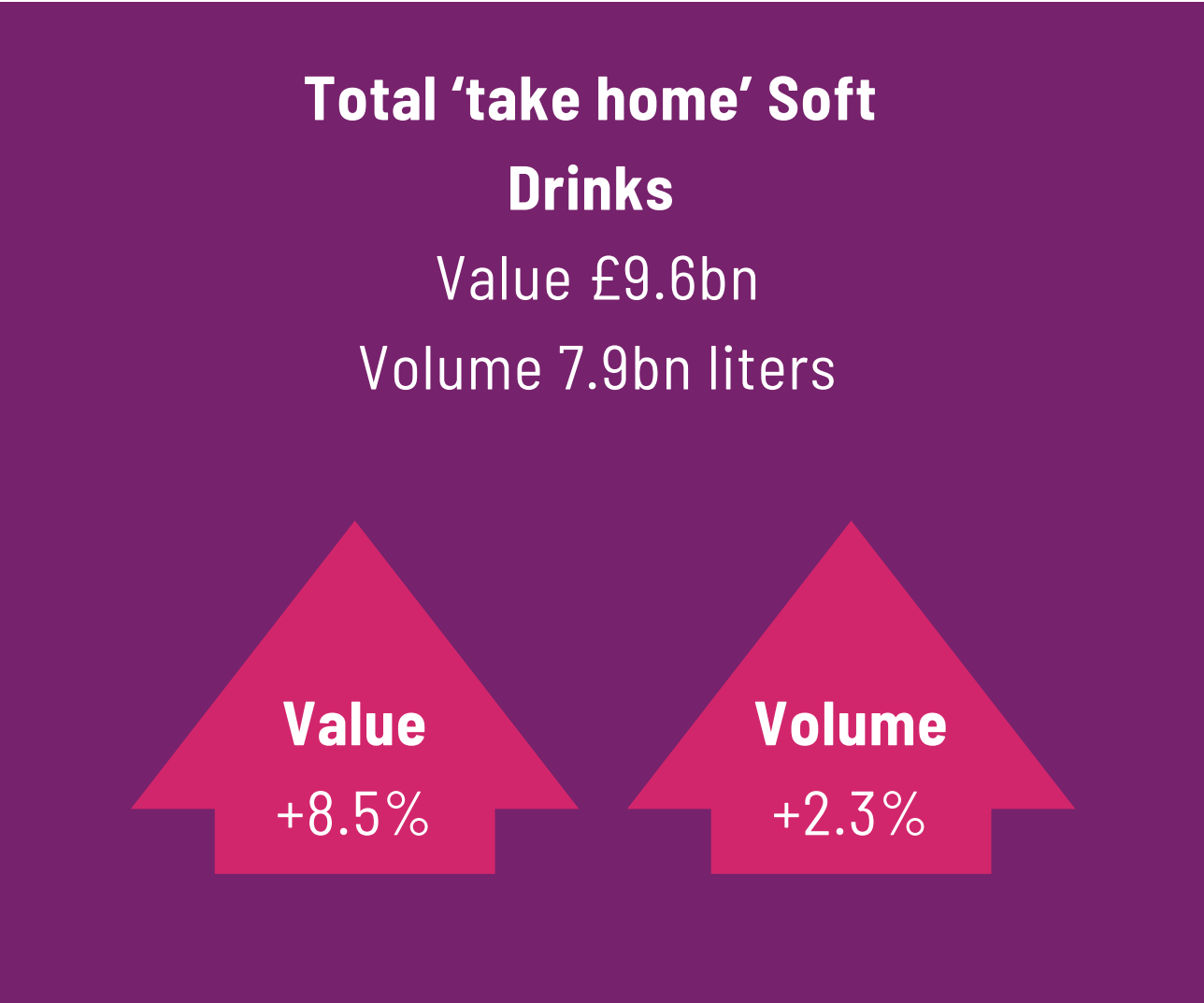


MARKET UPDATE

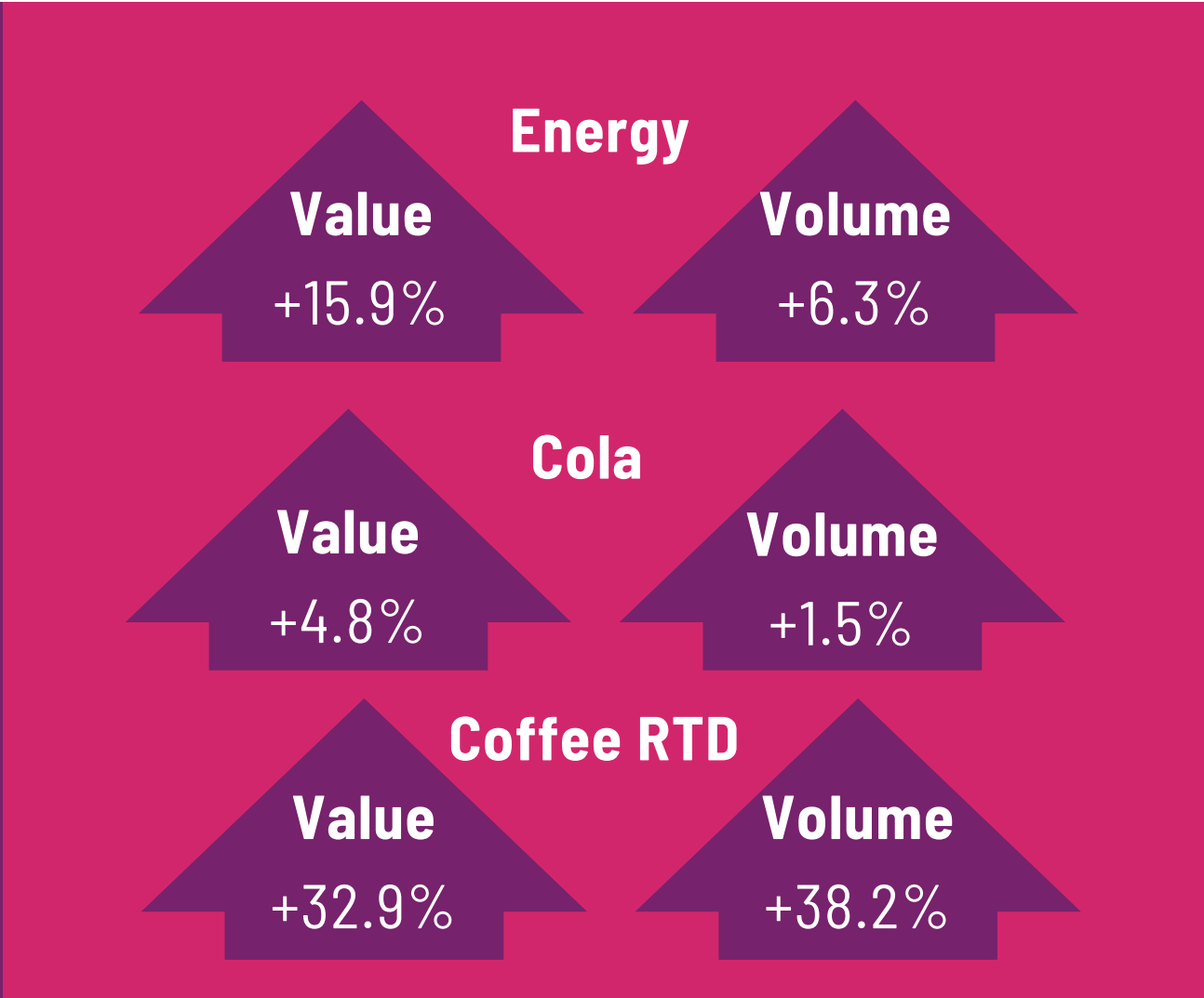
UK SOFT DRINKS MARKET



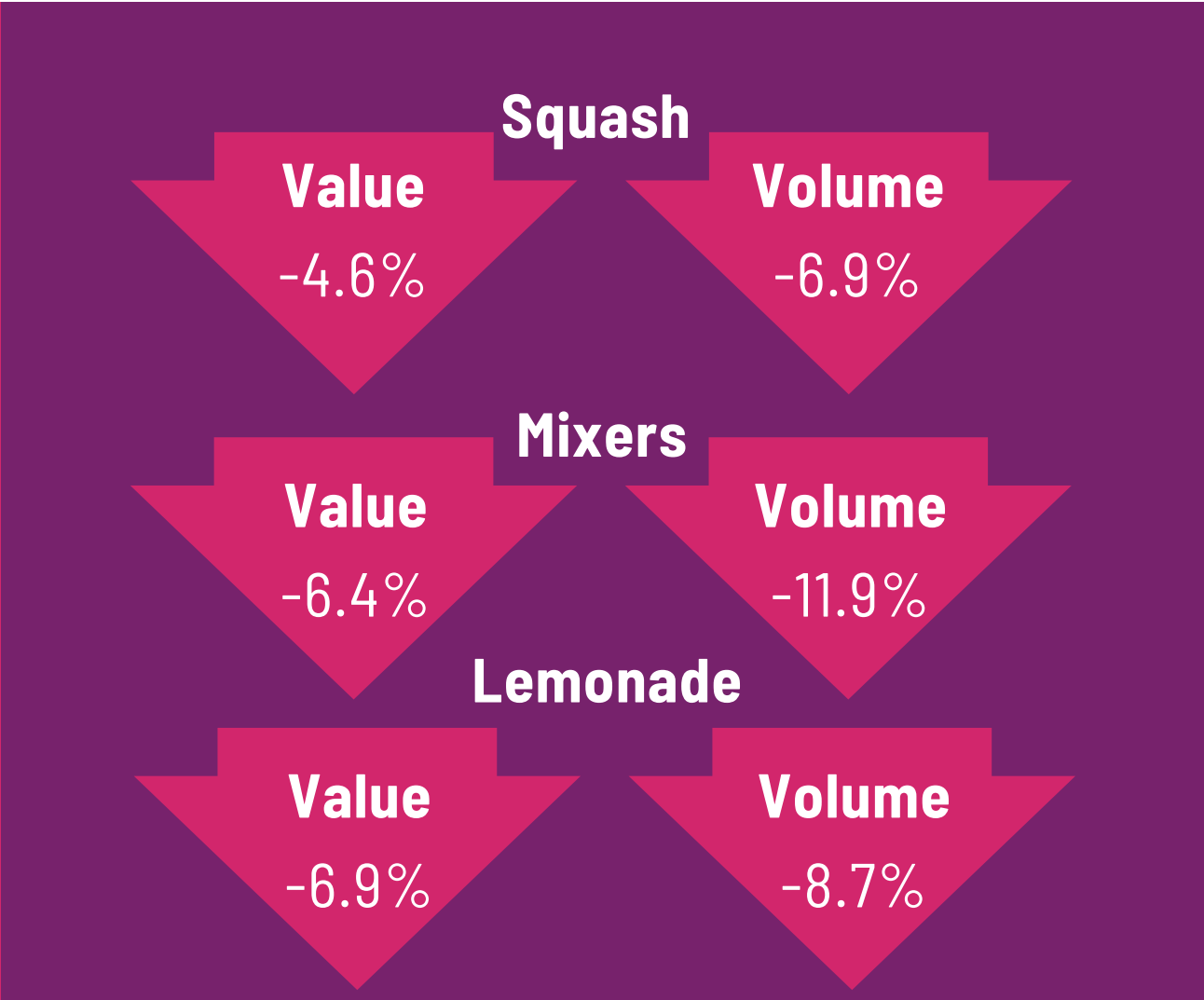
PERFORMANCE



WINNERS



LOSERS



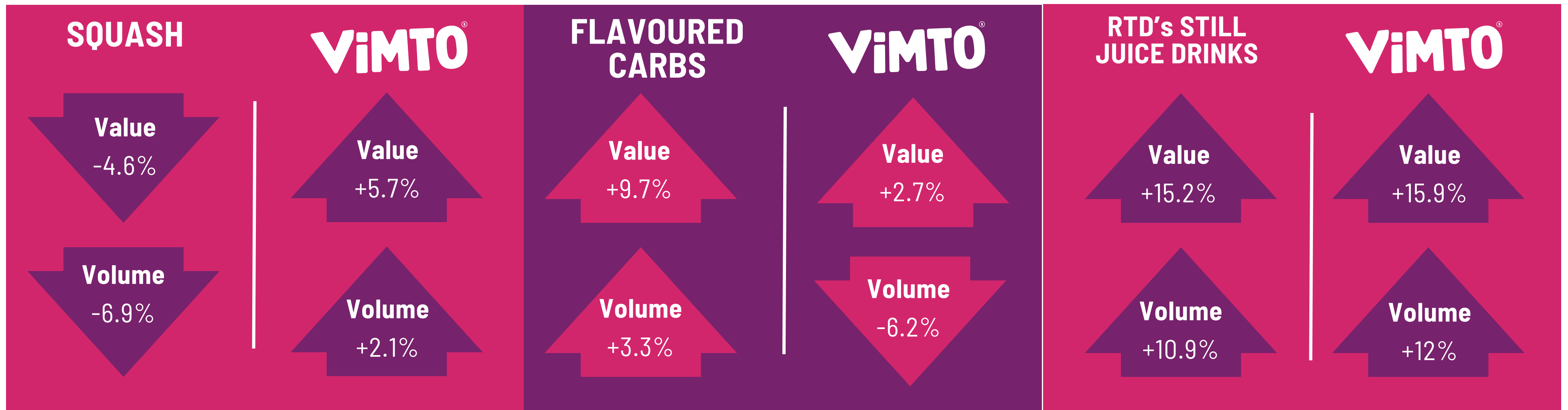
NICHOLS PLC - YEAR END 2021

- A resilient soft drinks market driving value and volume
- Shoppers buying soft drinks more often at a higher price
- Energy and cola consistently performing well, both attracting new shoppers
 - Squash lapping the outstanding performance of 2020
- Mixers suffering due to recovering OoH sector trade sector

VIMTO IN GROWTH ACROSS ALL 3 SUB-CATEGORIES



NICHOLS PLC - YEAR END 2021



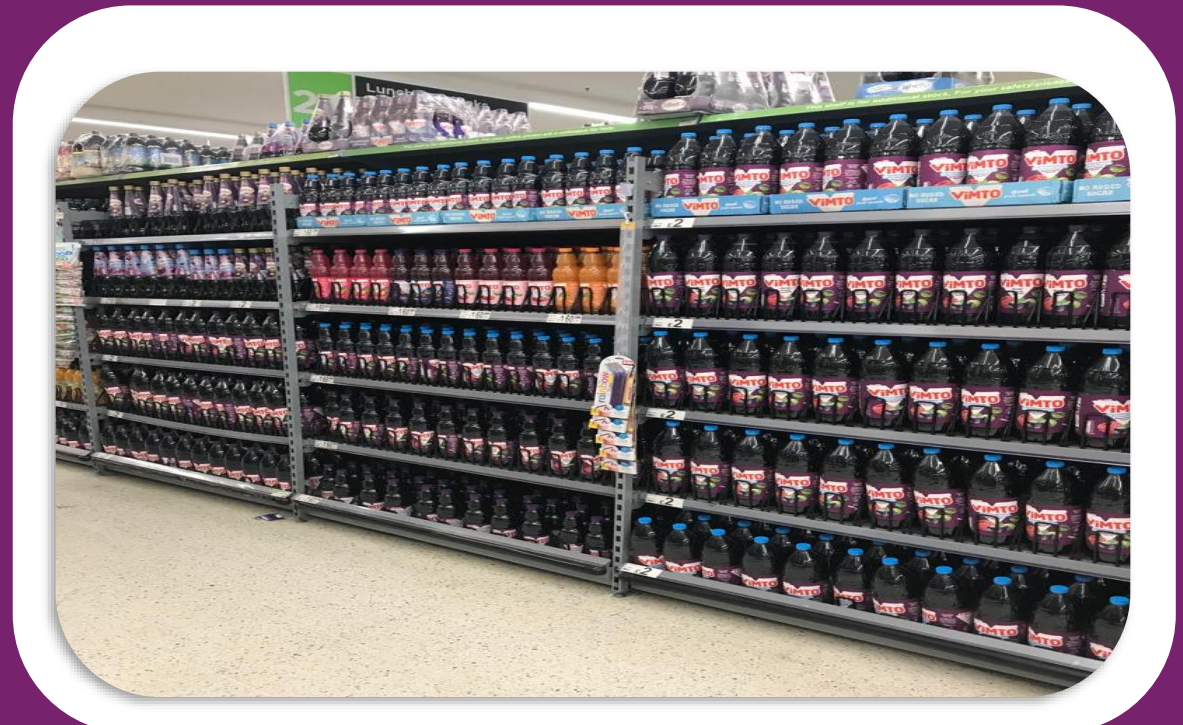
- Brand Value £102.5m - Value +6.3%, Volume +0.1%
 - Value over volume
- Driving household penetration +900,000 in 5 years
 - Number 2 squash brand
- Fastest growing squash brand in category¹

UK PACKAGED

STRONG PERFORMANCE ACROSS ALL CHANNELS



Fortified squash & our broadest flavour range ever!



Driving visibility at the point of purchase



Focus on driving points of distribution across Impulse



Bigger packs drove share & customer/consumer engagement



Power brand partnership MyProtein

NEW & EXCITING MARKETING CAMPAIGN



National above the line
campaign reaching **81%**
of mums **5+ times**



New creative aired April-
Sept **across** TV, VOD,
Outdoor & In-store



Digital, social &
influencer campaign

INTERNATIONAL – MIDDLE EAST

A RESILIENT PERFORMANCE



Outstanding market execution delivering strong brand visibility and availability achieved across all key channels



Launch of the first no added sugar cordial across the region sweetened with fruit juice



Strong brand investment as 'Sweet Togetherness' campaign is launched with a strong digital focus

INTERNATIONAL – AFRICA

ACCELERATED GROWTH



Strong marketing campaigns were launched across a number of key occasions throughout 2021



Launch of new branding across a range of countries within the African region



New products and flavours continue to attract new shoppers into the brand

OUT OF HOME

- Significant impact on the sector due to Covid and the subsequent outlet closures
- Growth delivered in 2021 versus 2020
- 2021 is still behind 2019 levels
- Impairment charge, impairing the entire goodwill
- A strategic review commenced to build the route to market back stronger



FEEL GOOD



Brand with Purpose

Making the world feel better one sip at a time



Climate Control

An ambition to reach net zero by 2030



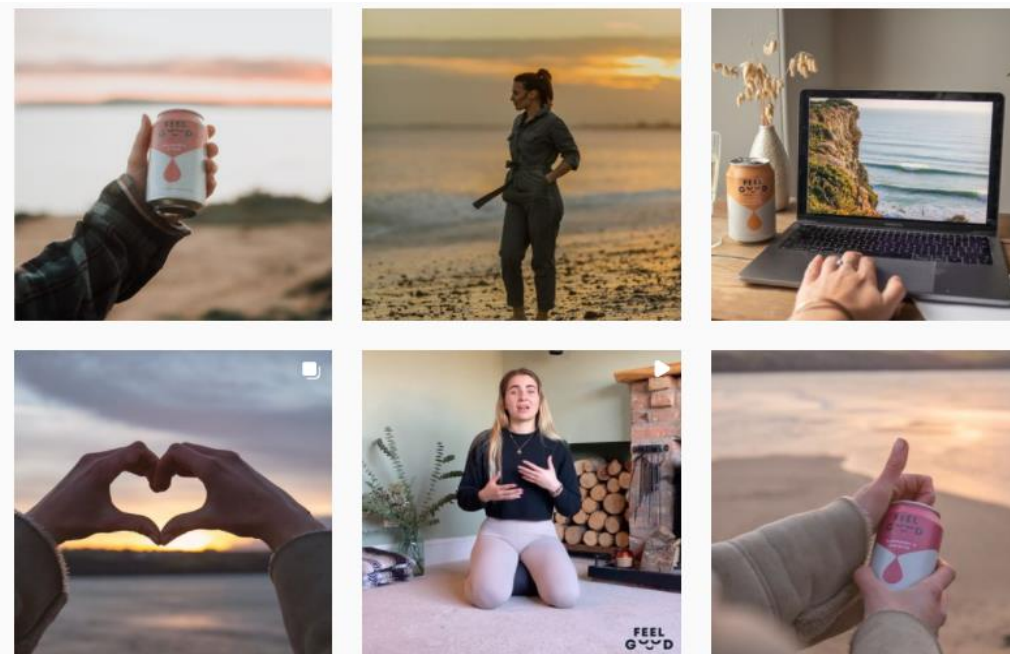
Consumer Relevance

Sustainable programs for consumers



Building a Community

Events and influencers for trial



Digital First

Amplification partner to increase reach



More Cans on Shelves

Grow numeric distribution in existing and new

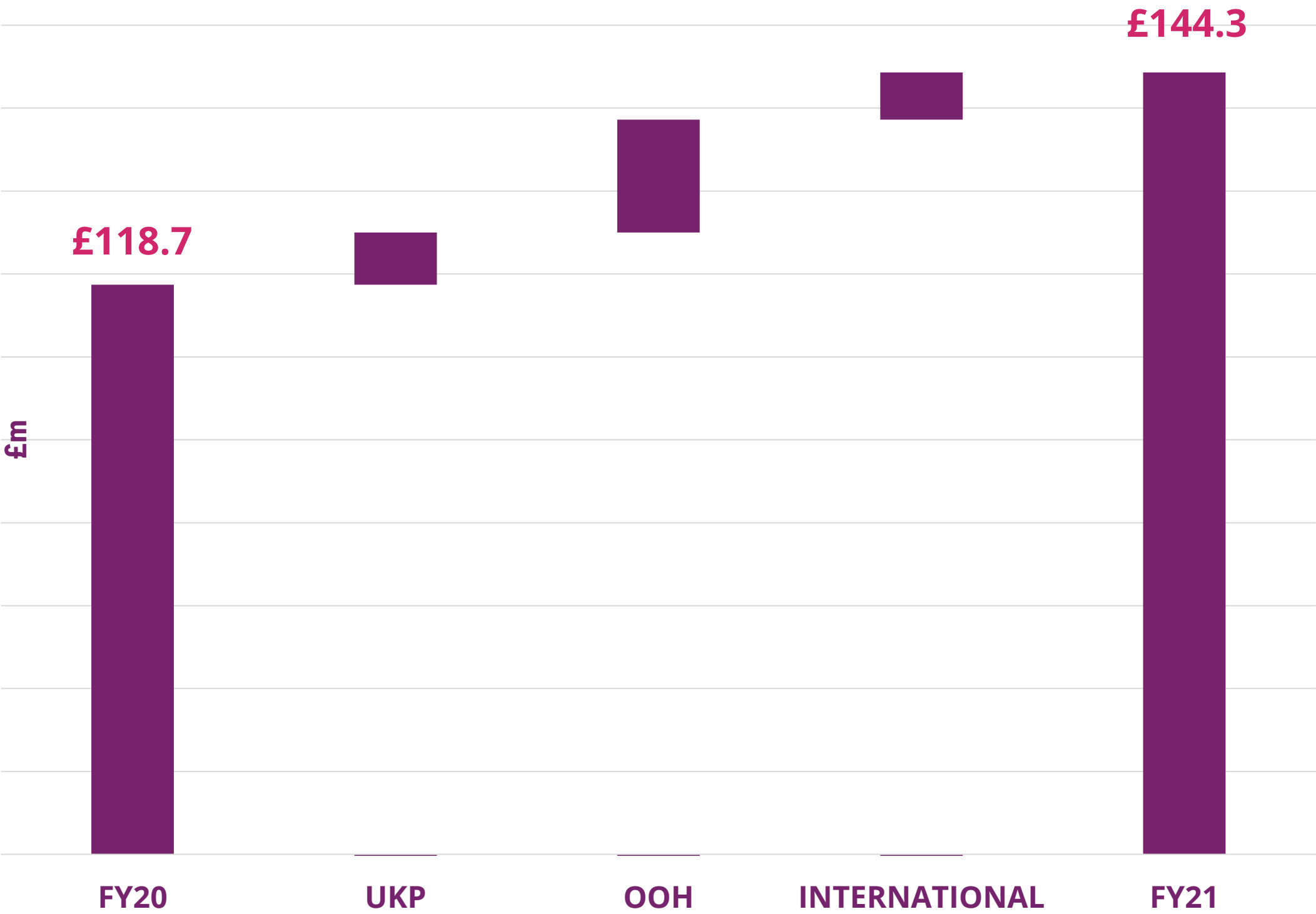


FINANCIAL REVIEW

REVENUE



	FY21	FY20	Movement
Revenue	144.3	118.7	21.6%



Strong Group performance across all 3 routes to market

- Broadly back to pre-pandemic FY19 levels

UK Packaged up +8.5%

- Vimto and Levi Roots
 - Vimto brand value +6.3%¹
 - + Squash, + Carbs and + Still
 - +13.2%² versus FY19
 - Levi Roots +25% versus FY20

- Multiples and discounters up +7.0%
 - Distribution gains

- Convenience, Delivered Wholesale and C&C +11.3%
 - Recovery from 2020

OoH +77.4%

- Q1 lockdown, Q2 easing of restrictions
- Restricted summer footfall; ‘pingdemic’, social distancing
- Strengthening recovery; strong Q4, 5x Q420
- Revenue down -31.4% versus FY19

International +21.0%

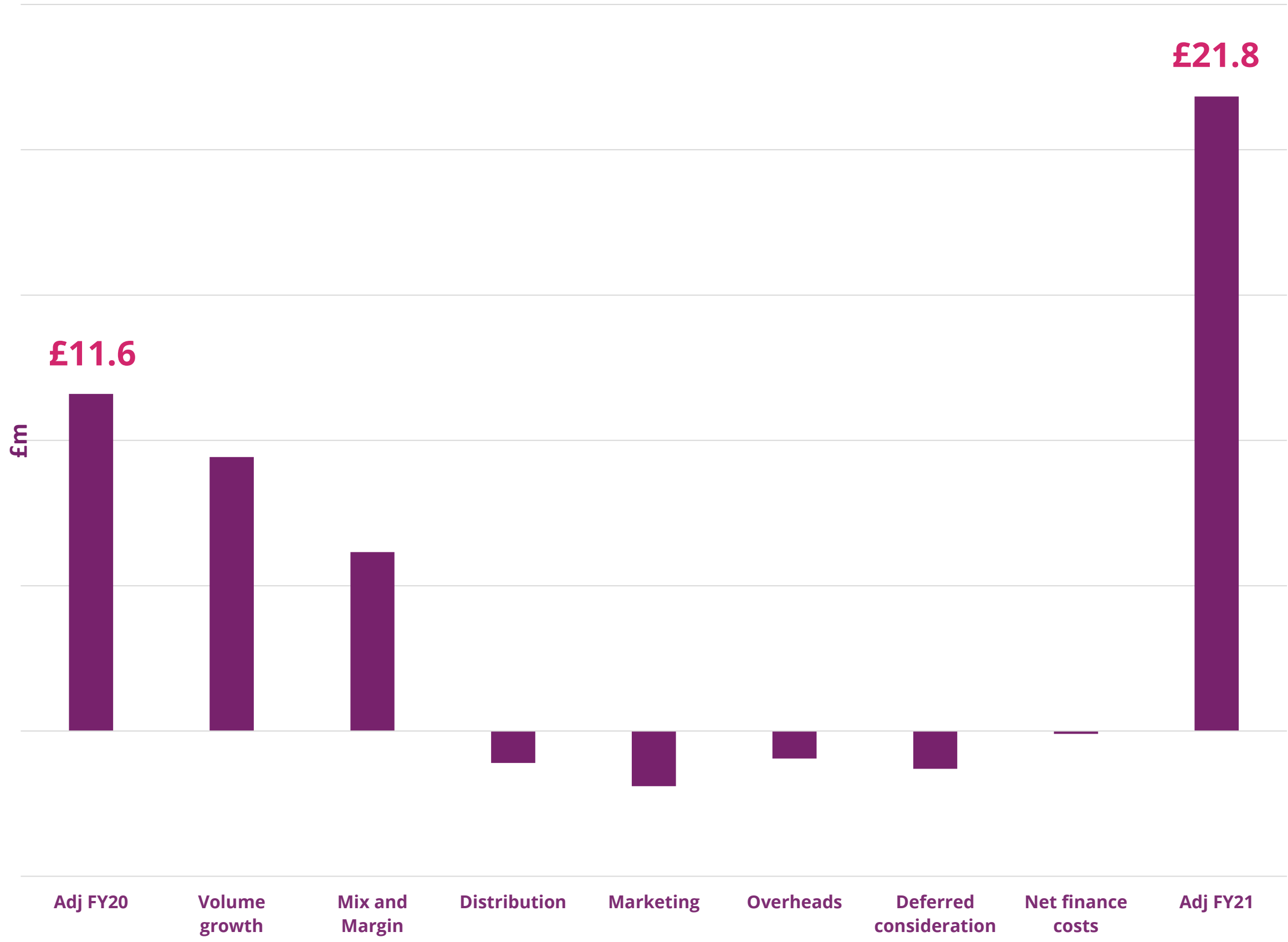
- Shipping constraints throughout the year
 - Africa up +17.1%
 - ROW up +14.2%
- SBT investment completion
- Underlying +9.8%, with Middle East broadly flat

1 Source: Nielsen, Total Coverage 12 months to 1 January 2022

2 Source: Nielsen, Total Coverage 12 months to 1 January 2022 vs. 12 months to 4 January 2020

ADJUSTED PBT

	FY21	FY20	Movement
Adjusted profit before tax	21.8	11.6	87.9%



Gross Profit up +£15.6m & +3.4ppt to 45.2%

- % Broadly back to FY18, FY17 levels of 45.7%
- FY19 47.6%

Volume growth +£9.4m

Mix and margin management +£6.2m

- SBT investment reduced and now complete +£2.7m
- Customer mix +£1.8m
 - OoH, return of In-house and Nationals
- Margin management +£1.7m
 - Prior year restructuring
 - OoH volume planning improvements

Distribution costs up -£1.1m

- Volume growth
- Inflation - Driver shortages & fuel
- Capacity - New 5 year distribution contract

Marketing investment up -£1.9m

- Successful Vimto 'Find your Different' campaign
- Consumer awareness & customer distribution wins
- Re-phasing from 2020

Overhead up -£0.9m

- Restructuring benefits +£1.2m
- 2020 Asset loss provision fully utilised +£1.1m
- Increase travel and entertaining -£0.5m
- Reinstatement bonus/employee incentives -£2.3m
- Adverse FX -£0.4m

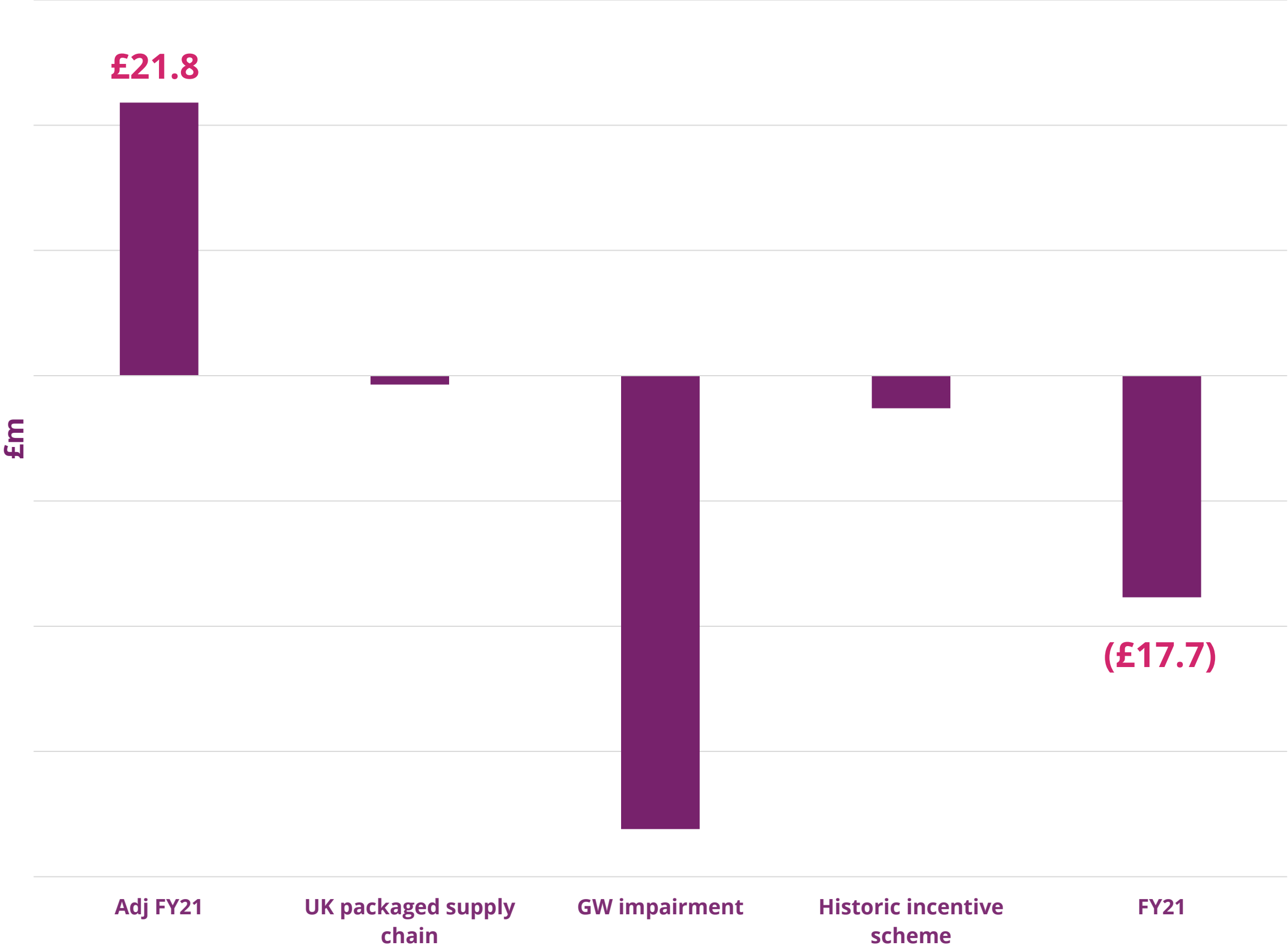
Deferred Consideration -£1.3m

- Noisy Dr Co (NW) & AML (2) not delivering growth target



PBT - EXCEPTIONALS

	Adj FY21	FY21
Profit/(loss) before tax	21.8	(17.7)



Significant exceptional cost -£39.5m

- Largely non cash
- 2020: -£5.1m

UK Packaged Supply Chain -£0.6m

- Successful capacity and capability development
 - Logistics
 - Manufacturing
 - Business continuity planning
- Project commenced Q420 (-£0.3m)
 - Completing through FY22

Goodwill impairment -£36.2m

- OoH acquisitions
- Future growth but slower than expectation
 - lower margin
 - higher cost
- Significant opportunity remains
 - requires transformational approach
- Strategic Review commenced

Net liability for historic incentive scheme -£2.6m

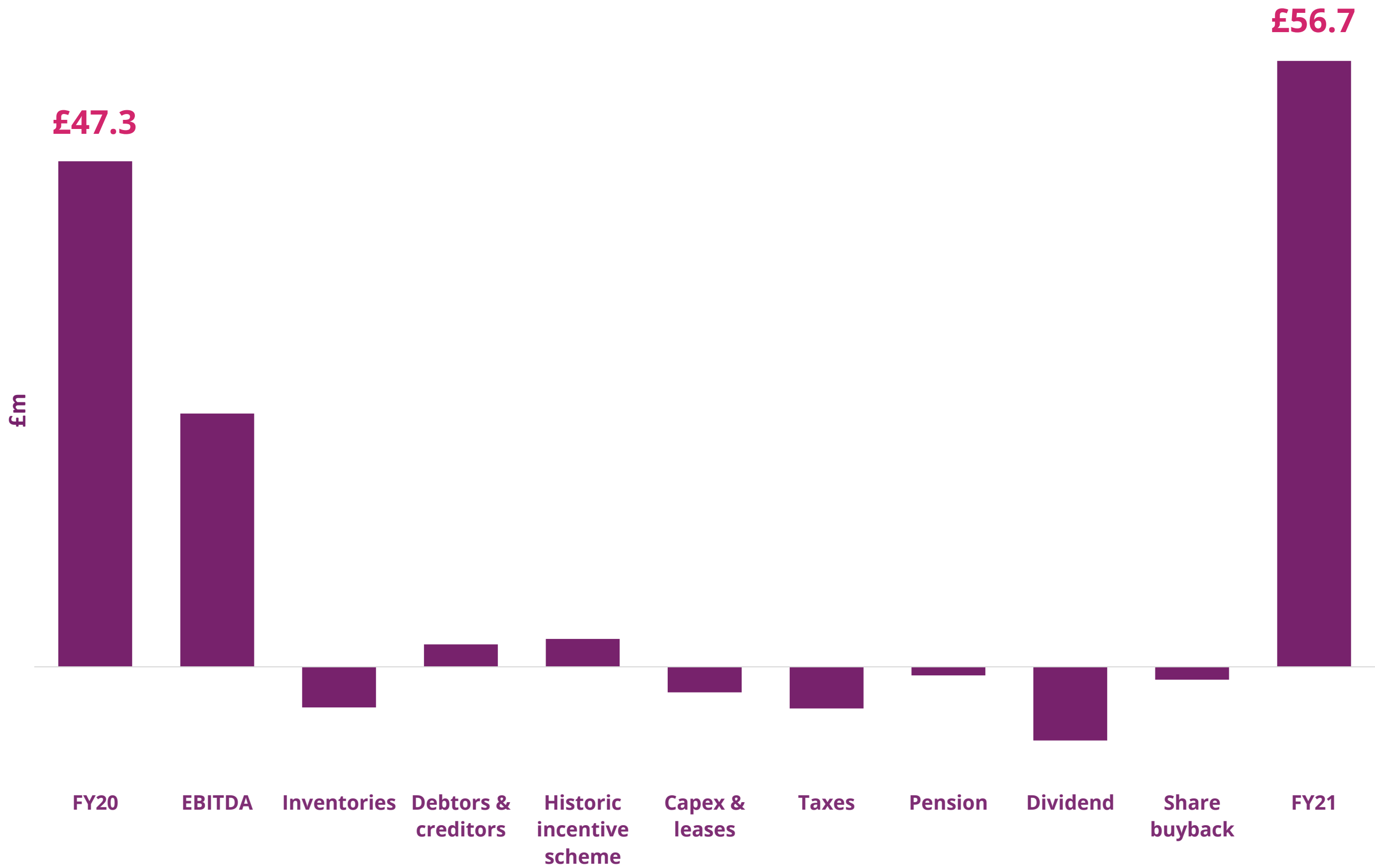
- Previously disclosed contingent liability
- HMRC disputed tax treatment
- Tribunal has ruled in favour of HMRC (January 2022)
 - Tax liability and interest costs
 - Employees indemnity - income tax and ee NI



CASH



	FY21	FY20	Movement
Cash and Cash Equivalents	56.7	47.3	19.8%



Key pandemic focus area

- Cash has been a focus through the pandemic
- Cash conversion +103%
- +186% in 2020
 - as working capital unwound

Significant stock build

- UK packaged supply chain
 - Specific - change readiness
 - General - labour shortages

Trading normality return offset by Q4 stock creditors and historic incentive scheme net liability

Higher financial return thresholds in OoH reducing capex spend

Free Cash Flow maintained

- +£17.5m in 2021
- +£17.6m in 2020

DIVIDEND PROPOSAL & AGM

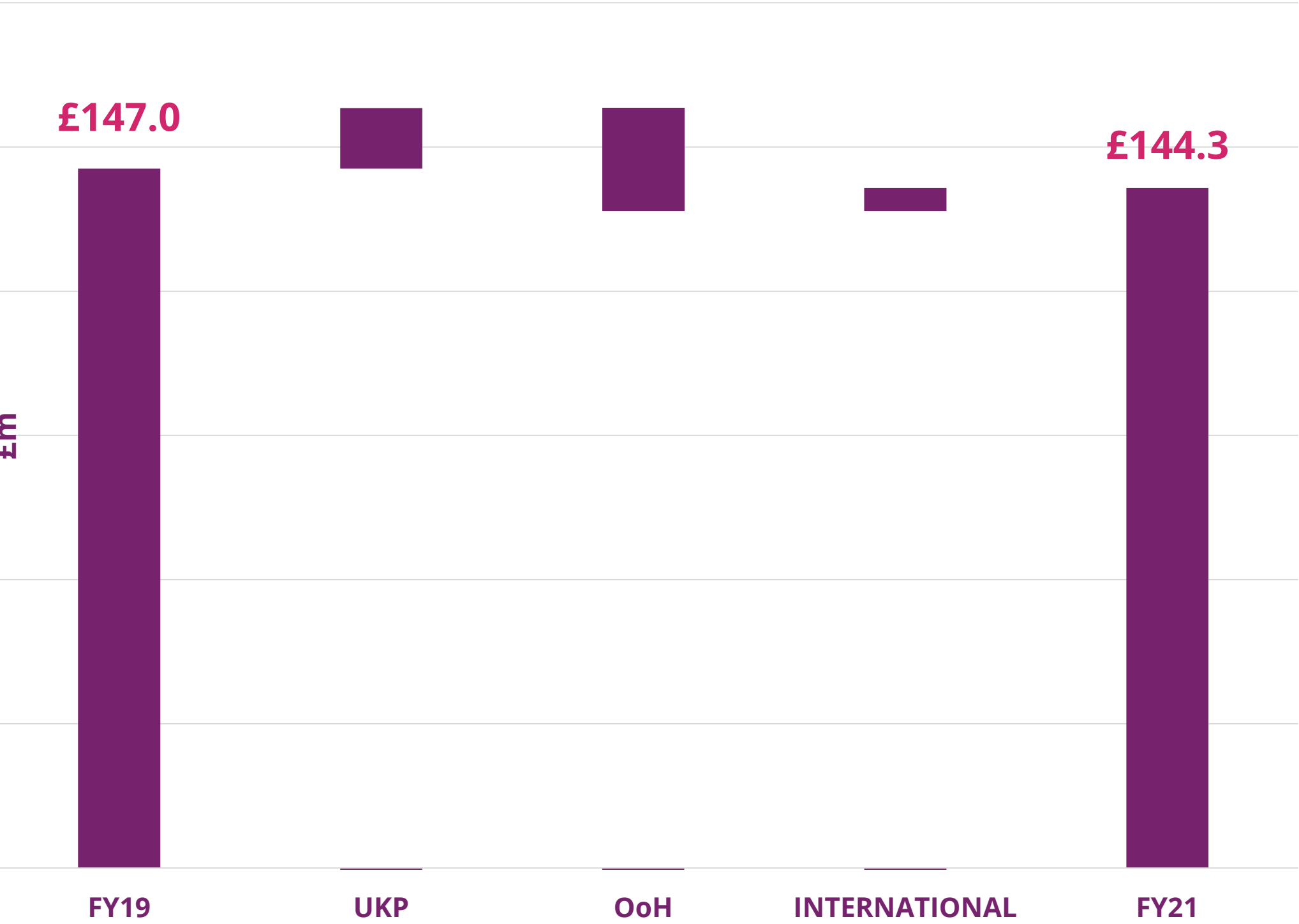


- **In 2020 the Board advised a dividend policy of broadly 2x cover**
 - balances shareholder distributions with the investment needs and growth opportunities of the business post-pandemic
- **Adjusted Earnings Per Share (basic) 46.15p**
- **The Board therefore propose a final dividend of 13.3p**
 - Combined with interim, results in a full dividend for 2021 of 23.1p
- **Ex-dividend date will be 24 March 2022**
- **Payment will be made on 5 May 2022 subject to shareholder approval**
- **Company's AGM 27 April 2022**
 - physical meeting in Newton-le-Willows

BUSINESS SHAPE Vs 2019



	FY21	FY19	Movement
Revenue	144.3	147.0	(1.8%)



UK packaged, up +12%

- Vimto brand has outperformed
- Vimto brand value +13.2%¹
 - Soft drinks +11.0%¹
 - powered by cola, energy, mixers and rtd coffee
 - where Vimto does not operate
- Significant distribution gains
- Exciting improvements across brand awareness metrics

OoH exciting RTM but challenging, down -31%

- COVID-19 impact
- Greater understanding of the challenges
 - slower growth
 - heavier asset and overhead
 - lower net margin after overhead

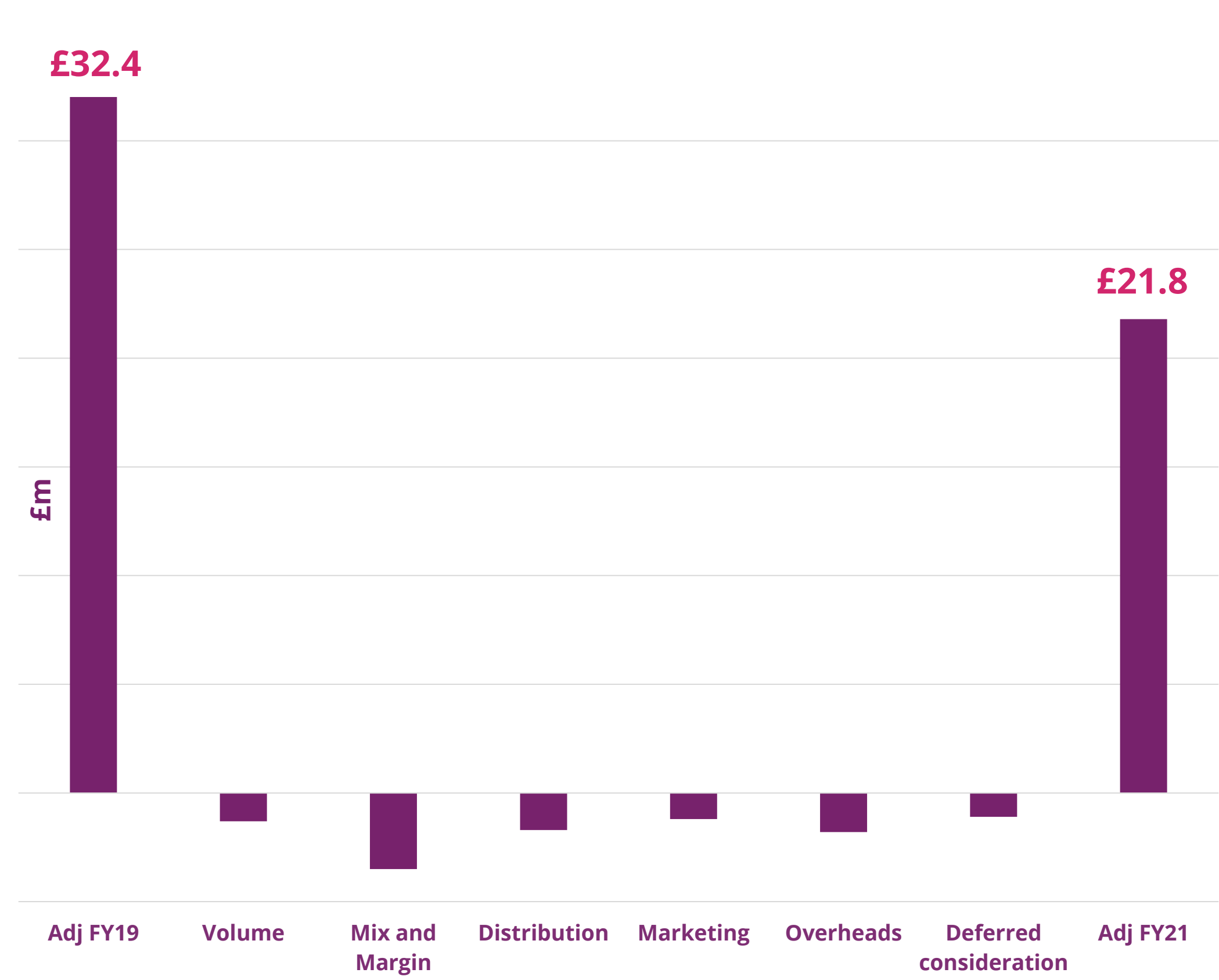
International packaged, up +11%

- Vimto versatility and resilience demonstrated
- Africa growing +26%
- Middle East, mature but stable
- Vimto travels with its loyal consumers,
 - US +117%
 - Europe +5%

¹ Source: Nielsen, Total Coverage 12 months to 1 January 2022 vs. 12 months to 4 January 2020

ADJ PBT Vs 2019

	FY21	FY19	Movement
Adjusted profit before tax	21.8	32.4	(32.7%)



Adjusted PBT -£10.6m

Gross profit down -£4.8m (-7%) & -2.4ppts to 45.2%

Volume down -£1.3m

Mix & margin management down -£3.5m

- SBT investment -£0.8m (0.6ppt of gross profit margin)
- Product Mix +£0.8m
 - UK Packaged squash v carbs +ve
 - International Packaged v concentrate mix -ve
- Margin management -£3.5m (2.4ppt of gross profit margin)
 - Bespoke inflation, post operational disruption -£1.6m
 - UK packaged one off gains FY19 -£1.9m

Distribution costs up -£1.7m (-23%)

- Volume and Inflation

Marketing investment up -£1.2m

- Successful Vimto 'Find your Different' campaign
- Consumer awareness & customer distribution wins

Overhead including finance costs up -£1.8m (-13%)

- Feel Good -£0.4m
- OoH machines, depreciation up -£0.6m
- Bad debt -£0.5m (FY21: £0.3m charge, FY19: credit £0.2m)
- Other, including labour -£0.3m

Deferred Consideration -£1.1m

- AML (1) not delivered growth target



ROCE 37% without including cash in capital employed, 20% including cash

- cash reserves have consistently grown and are strong

The Group has invested £54m (2013-21)

- £27.6 acquisitions
- £26.4m in property, plant and machinery
 - largely for the OoH route to market
- OoH investments have significantly increased the Group's capital employed

OoH growth projections beyond 2022 are now expected to be lower than previously estimated

- net margin progression requires transformational change

Future ROCE focus in terms of Capital Allocation presents significant opportunity

- Strong cash balances
- Highly cash generative with resilient free cash flows
 - Significant Vimto growth opportunities
 - New packaged soft drinks opportunities in adjacent categories

Higher OoH financial return thresholds

1 Return on Capital Employed is the adjusted operating profit divided by the average period-end capital employed

TAKE OUTS



2019 revenues largely delivered but without full recovery of Adjusted PBT

- different shape and focus for the business exiting the pandemic

Vimto is the real long-term winner

- flexible and resilient
- significant organic growth headroom across the UK (national) and Internationally (Africa in particular)

Increased investment in Vimto to realise potential and support expansion

- operational foundations investment, with our partners, allowing for growth capacity and security of supply
 - UK
 - West Africa, increasing concentrate mix
- marketing investment to reach new consumers and drive further distribution gains
- continued renovation and appropriate innovation across the Vimto range

Significant long term soft drink market growth in adjacent categories

- investing in Feel Good

Capital allocation strategy - unrealised potential

- ROCE focus
- enter packaged growth areas of the soft drinks market where Vimto cannot stretch
- invest for the future and play the long game

Some significant headwinds to navigate

- **Out of home financial impact and longer-term approach**
 - Covid 19 impact will unwind, this will be positive
 - Products and customer review
 - Route to market operational review
 - Higher OoH financial return thresholds
- **Significant inflation running at 13.6% for 2022**
 - Mitigation
 - Price
- **Deposit return scheme**
 - Commences in Scotland in 2023
 - UK wide 2024

OUTLOOK – FY22 and FY23



The Group's Adjusted PBT expectations for the year FY22¹ are unchanged



Firm focus on strategic agenda;

Vimto investments
-operational foundations
and growth

Wider soft drinks
opportunities

Aligning strategy with
capital allocation



Navigating short
terms headwinds;

OoH review

Significant inflationary
pressure

Deposit return scheme



FY23 high single
digit Group
Adjusted PBT
growth versus FY22

¹ FY22 expectations refers to a Group compiled market consensus of adjusted PBT £25.2m

LOOKING AHEAD





STRONG PROGRESS BEING MADE ON THE ESG STRATEGY



Putting our people first

- New I&D policy in 2021
- Our supply chains are built on trusting, long-standing relationships. Human Rights policy & procedure review in 2022

Giving Back

- **By 2025 we pledge to improve the future for over 100 young people in our local communities**



Healthier Hydration

- UKP Average sugar content 8g - 5g/100ml (from 2012 to 2021)
- **100% range HFSS compliant in 2022**
- 100% Vimto squash fortified
- UK Frozen slush NAS from 2022
- All future innovation low/NAS

Sustainable Packaging

- REDUCE - since 2019 120 T less plastic, 17 T less aluminium
- **RECYCLE - 100% rPET by 2025, from UK or European sources only**
- **Full support for DRS Scheme**



Direct Emissions

- Scope 1+2 reduction 1663 - 1201 tCO2e (from 2018 to 2021)
- **Roadmap to Net Zero 2050: 25% by 2025, 80% reduction by 2030**

Indirect Emissions

- In 2022 we're building our UK Scope 3 emissions reduction strategy (UK co-packers, ingredient suppliers, transport providers)

5 KEY STRATEGIC AREAS OF FOCUS



NICHOLS PLC - YEAR END 2021



A clear focus to drive accelerated growth across our UK and Intentional packaged businesses



Set ourselves up to win in the long term through our operational change programme



A strategic review across our Out of Home business to build the channel back stronger for the long term



A clear set of commitments on our Happier Future ESG strategy



Targeted approach to M and A

SUMMARY



- **A strong diverse business with excellent momentum on the Vimto brand**
- **Highly profitable and cash generative with a strong balance sheet**
- **A clear focus on 5 strategic drivers**
- **Outlook for 2022 in line with expectations**
- **Confident in delivering our long term strategic objectives and continued profitable growth**

THE APPENDICES

APPENDICES

Consolidated Income Statement



NICHOLS PLC - YEAR END 2021

	Audited Year ended 31 December 2021 £'000	Audited Year ended 31 December 2020 £'000
Continuing operations		
Revenue	144,328	118,657
Cost of sales	(79,153)	(69,021)
Gross profit	65,175	49,636
Distribution expenses	(9,129)	(7,979)
Administrative expenses	(73,601)	(35,077)
Operating (loss)/profit	(17,555)	6,580
Finance income	57	150
Finance expenses	(158)	(190)
(Loss)/profit before taxation	(17,656)	6,540
Taxation	(4,512)	(1,686)
(Loss)/profit for the year	(22,168)	4,854
(Loss)/earnings per share (basic)	(60.04p)	13.14p
(Loss)/earnings per share (diluted)	(60.04p)	13.13p
Adjusted for exceptional items		
Operating (loss)/profit	(17,555)	6,580
Exceptional items	39,477	5,074
Adjusted operating profit	21,922	11,654
(Loss)/profit before taxation	(17,656)	6,540
Exceptional items	39,477	5,074
Adjusted profit before taxation	21,821	11,614
Adjusted earnings per share (basic)	46.15p	25.56p
Adjusted earnings per share (diluted)	46.09p	25.54p

APPENDICES



Consolidated Statement of Financial Position

	Audited 31 December 2021 £'000	Audited 31 December 2020 £'000
ASSETS		
Non-current assets		
Property, plant and equipment	17,099	20,126
Goodwill	-	36,244
Intangibles	5,546	6,206
Pension surplus	5,276	347
Total non-current assets	27,921	62,923
Current assets		
Inventories	9,706	5,921
Trade and other receivables	36,124	29,143
Corporation tax recoverable	743	671
Cash and cash equivalents	56,674	47,294
Total current assets	103,247	83,029
Total assets	131,168	145,952

	Audited 31 December 2021 £'000	Audited 31 December 2020 £'000
LIABILITIES		
Current liabilities		
Trade and other payables	28,791	21,669
Provisions	4,242	-
Total current liabilities	33,033	21,669
Non-current liabilities		
Other payables	1,954	2,922
Deferred tax liabilities	3,155	1,485
Total non-current liabilities	5,109	4,407
Total liabilities	38,142	26,076
Net assets	93,026	119,876

	Audited 31 December 2021 £'000	Audited 31 December 2020 £'000
EQUITY		
Share capital	3,697	3,697
Share premium reserve	3,255	3,255
Capital redemption reserve	1,209	1,209
Other reserves	676	394
Retained earnings	84,189	111,321
Total equity	93,026	119,876

APPENDICES

Consolidated Cash Flow



Consolidated Cash Flow

	Audited Year ended 31 December 2021 £'000		Audited Year ended 31 December 2020 £'000	
Cash flows from operating activities				
(Loss)/profit for the year		(22,168)		4,854
Adjustments for:				
Depreciation and amortisation	4,969		4,971	
Impairment losses on goodwill and intangible assets	36,244		3,820	
Impairment losses on property, plant and equipment	-		1,016	
Loss on sale of property, plant and equipment	63		71	
Finance income	(57)		(150)	
Finance expense	158		190	
Tax expense recognised in the income statement	4,512		1,686	
Change in inventories	(3,785)		2,440	
Change in trade and other receivables	(6,804)		9,220	
Change in trade and other payables	7,429		(838)	
Increase in provisions	4,242		-	
Change in pension obligations	(846)		(755)	
Fair value gain on derivative financial instruments	(178)		-	
		45,947		21,671
Cash generated from operating activities		23,779		26,525
Tax paid		(3,878)		(5,017)
Net cash generated from operating activities		19,901		21,508
Cash flows from investing activities				
Finance income	57		150	
Proceeds from sale of property, plant and equipment	2		35	
Acquisition of property, plant and equipment	(1,239)		(2,701)	
Acquisition of intangible assets	-		(170)	
Payment of contingent consideration	(67)		(880)	
Net cash used in investing activities		(1,247)		(3,566)
Cash flows from financing activities				
Purchase of own shares	(1,217)		-	
Payment of lease liabilities	(1,189)		(1,254)	
Dividends paid	(6,868)		(10,338)	
Net cash used in financing activities		(9,274)		(11,592)
Net increase in cash and cash equivalents		9,380		6,350
Cash and cash equivalents at start of period		47,294		40,944
Cash and cash equivalents at end of period		56,674		47,294

DELIVERING
VIM *and*
VIGOUR
TO THE *nation*
since 1908.
