



# Nichols plc

## FULL YEAR 2022

PRESENTED MARCH 2023





# WELCOME

TO OUR  
FULL YEAR  
PRESENTATION

WE  
MAKE  
LIFE  
*taste*  
BETTER



# AGENDA



**ANDREW MILNE**

**CHIEF EXECUTIVE OFFICER**

STRATEGIC & OPERATIONAL REVIEW



**DAVID RATTIGAN**

**CHIEF FINANCIAL OFFICER**

FINANCIAL REVIEW AND OUTLOOK



**ANDREW MILNE**

**CHIEF EXECUTIVE OFFICER**

LOOKING FORWARD – A CLEAR FOCUS





# 2022 HIGHLIGHTS

- Full year Adjusted PBT in line with expectations
- Strong top line growth delivered across the business
- Continued accelerated sales momentum across our International geographies
- Strong investment in Vimto to deliver long-term brand equity
- Actions implemented to mitigate significant inflation headwinds
- Strategic review completed on our Out of Home business
- Significant progress on our operational change programme
- Momentum on our ESG commitments
- Appointment of a new Non-Executive Chair
- Full year dividend 27.7p (+20%)







# Market

UPDATE



# UK SOFT DRINKS MARKET

## PERFORMANCE

### Total 'take home' Soft Drinks

Value £10.5bn

Volume 7.8bn litres



**Value**  
+9.2%



**Volume**  
-2.1%

## WINNERS

	ENERGY	PLAIN WATER	COLA
<b>VALUE:</b>	+14.1% ↑	+22.0% ↑	+7.0% ↑
<b>VOLUME:</b>	+6.2% ↑	+1.9% ↑	-2.9% ↓

## LOSERS

	MIXERS	SQUASH	LEMONADE
<b>VALUE:</b>	-10.3% ↓	-0.6% ↓	-0.9% ↓
<b>VOLUME:</b>	-17.4% ↓	-12.3% ↓	-11.4% ↓

- A resilient soft drinks market driving value over volume
- Shoppers buying soft drinks at a higher price
- Energy consistently performing well, attracting new shoppers
- Squash market flat due to lockdown in Q1 2021 driving tougher comparative figures
- Mixers suffering due to recovering OoH trade sector



# VIMTO OUTPERFORMING THE MARKET IN SQUASH & STILL S

- UK Vimto Brand Value £105.9m - Value +3.0%, Volume -6.6%
- Value over volume strategy
- Driving household penetration in Squash +1m in 5 years
- Number 2 squash brand
- Fastest growing squash brand in category<sup>1</sup>

	SQUASH	VIMTO®
VALUE:	-0.6% ↓	+1.7% ↑
VOLUME:	-12.3% ↓	-4.0% ↓

	RTD's STILL JUICE	VIMTO®
VALUE:	+12.1% ↑	+15.9% ↑
VOLUME:	+1.8% ↑	+6.1% ↑

	FLAVOURED CARBS	VIMTO®
VALUE:	+12.7% ↑	-3.3% ↓
VOLUME:	+2.7% ↑	-16.4% ↓



# UK – STRONG INVESTMENT DRIVING BRAND GROWTH



Launch of our new bottle across our squash portfolio



Successful flavour Innovation launched across the portfolio



Consumer engagement driven through strong in store execution



In store promotions to drive Consumer Penetration



Strong integrated Marketing Campaign



Van sales initiative launched to drive distribution & visibility



# INNOVATION & EXECUTION DELIVERING MOMENTUM IN THE MIDDLE EAST



Outstanding market execution delivering strong in-market sales performance



Launch of the first Zero cordial across the region



Launch of new citrus based 'green' range



Take over of the Burj Khalifa by Vimto as part of the Ramadam Marketing Programme



Strong brand investment in the 'Sweet Togetherness' campaign



# AFRICA CONTINUES TO DELIVER STRONG GROWTH



Launch of Vimto cans into 3 new markets across Africa – Angola, Chad and Central African Republic



Strong marketing campaigns were launched across a number of key occasions in the first Half of 2022



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



Investment in key markets to drive consumer engagement



# OUT OF HOME BUSINESS RE-OPENS FOR FULL YEAR



Support for OoH  
Customers to  
open up  
fully



Footfall and  
consumer  
spend  
slow to  
recover

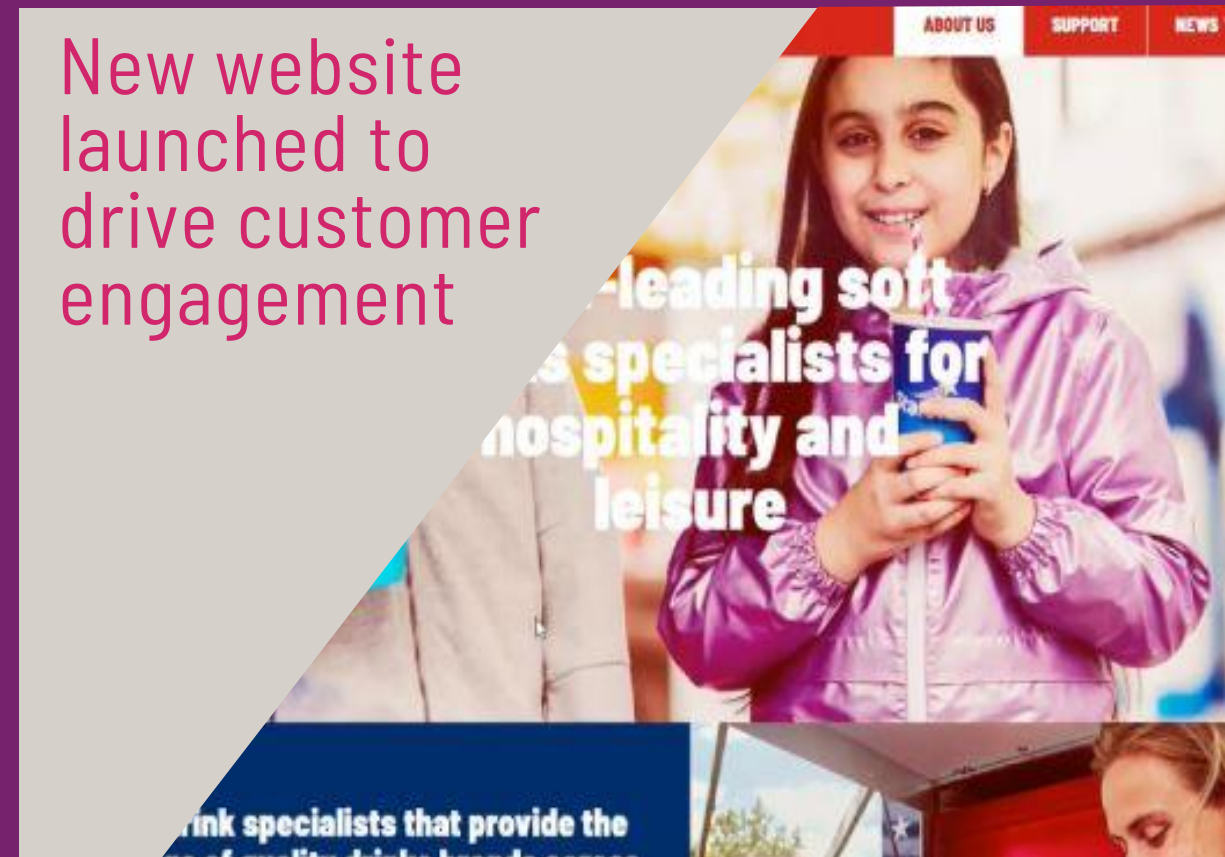


Old Jamaica  
brand added to  
dispense  
portfolio

Strong  
execution on  
ICEE



New website  
launched to  
drive customer  
engagement







FULL YEAR RESULTS PRESENTATION

MARCH 2023

# OPERATIONAL CHANGE PROGRAMME DELIVERING EFFICIENCY AND CAPACITY FOR FUTURE GROWTH

- Dilutes production switched to Refresco
- Logistics tenders completed across UK and International markets
- Enhanced purchasing capability programme implemented





# OUR HAPPIER FUTURE ESG 2022 ACHIEVEMENTS



Pilot of our Camp Vimto Programme – raising aspirations and creating opportunities for young people

Established our first female leaders network group

**EVERYONE MATTERS**



DRS Scotland Ready - Launch August 2023

UK HFSS compliance work completed

New NAS product launches across all ranges

**PRODUCTS WE'RE PROUD OF**



All UK locations now operating on 100% Renewable Energy

Scope 3 data collated for our UK businesses

**OWNING OUR CLIMATE IMPACT**



# NEW NON-EXECUTIVE CHAIR APPOINTED

- Liz McMeikan announced as the Company's next Non-Executive Chair
- Liz McMeikan initially joined the Group as a Non-Executive Director on 1st February 2023
- Liz will become Chair on 26th April 2023 (day of Nichols plc 2023 AGM)
- Liz brings a broad range of experience from both a private and public perspective in an executive (Tesco/Colgate Palmolive) and non-executive capacity
- John Nichols to remain on the Board as a NED, taking the second of the two Nichols family Board seats, agreed as part of the Relationship Agreement signed in July 2020







# Financial

## REVIEW

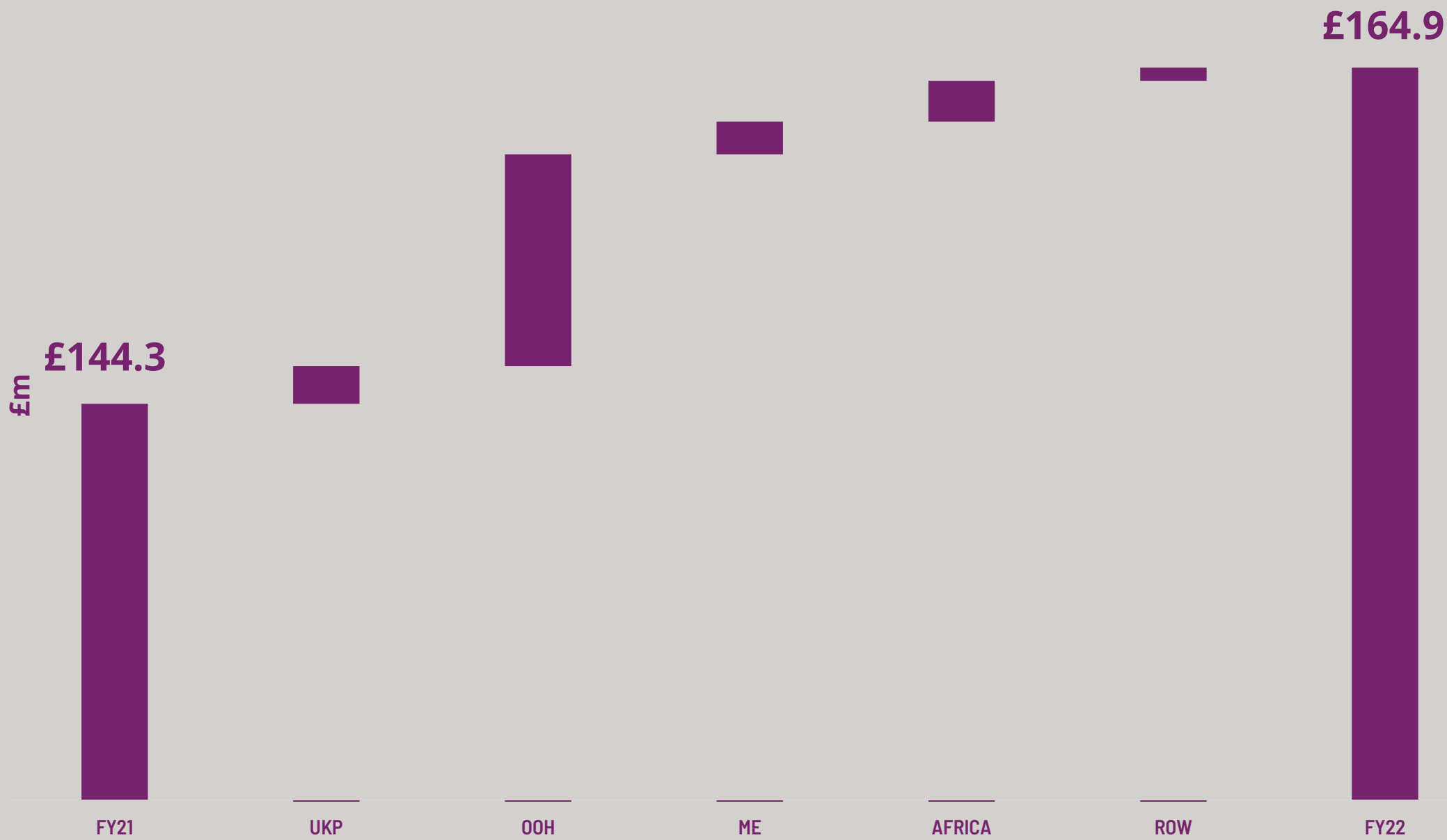






# REVENUE

	FY22	FY21	Movement
Revenue	164.9	144.3	14.3%

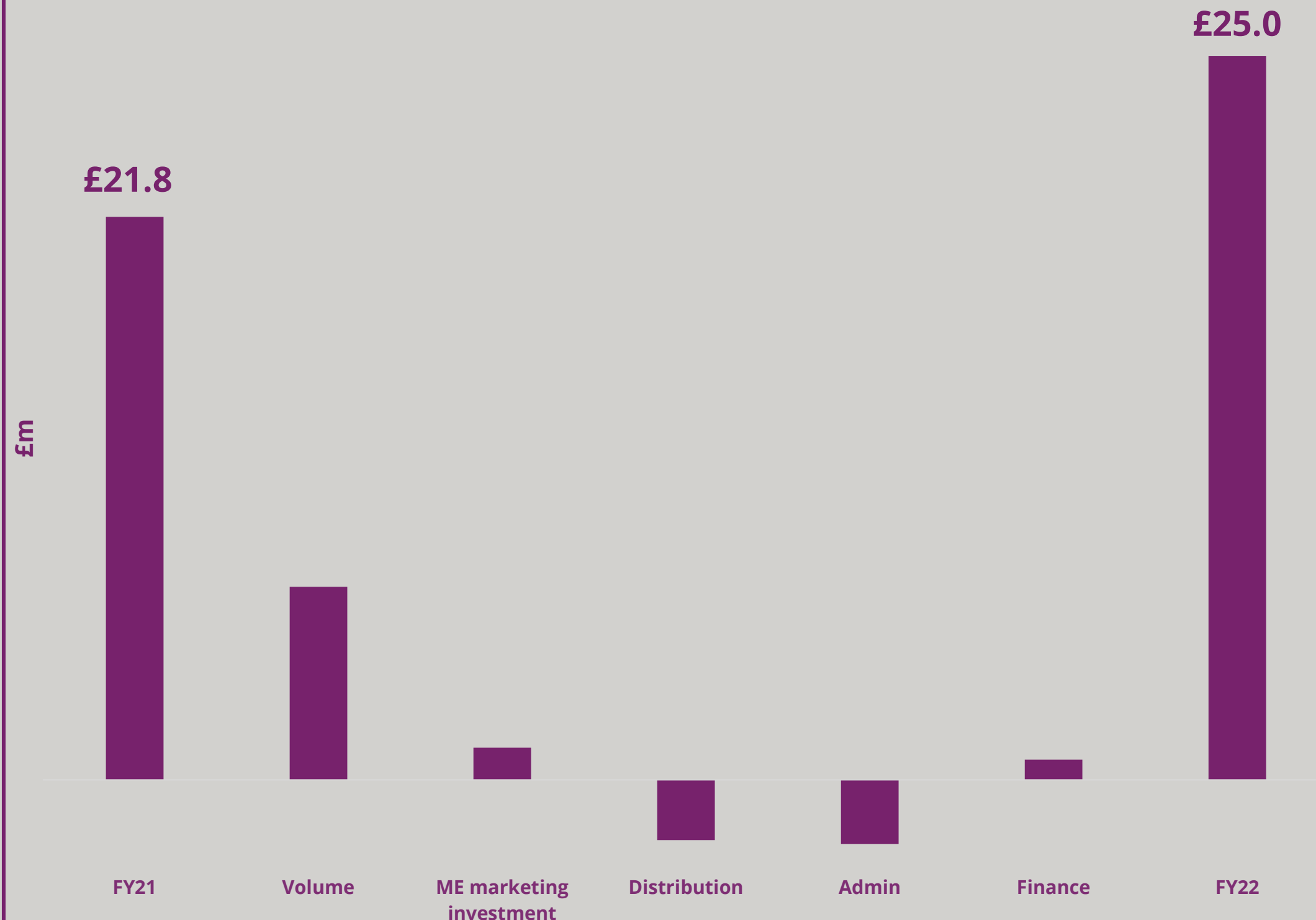


- Progress across all reported segments and geographies as well as within each of our 3 routes to market
  - 12.1% Group revenue growth since 2019
- Group - Carbonates +20.4%, Stills +8.2%
- UK revenues +13.7% to £127m
  - UK packaged +2.9%
    - Vimto brand value +3.0%
    - Outperformance dilutes market +2.3%
    - RTD significant progress +15.9%
  - OoH post pandemic recovery, +42.8%
    - H2 growth +5%
    - Dispense +48%
  - Challenging UK operating environment, value over volume
    - Significant and accelerating inflationary pressure
    - Increasing consumer cost of living challenges
    - Revenue management balances
      - Promotional activity
      - SKU/channel focus
    - Packaged Flavoured Carbonates brand value -3.3%
- International +16.1%
  - Middle East +20.4%
  - Africa +15.0%
- Solid and significant progress internationally
  - Successful navigation of the Middle East SB Tax
  - Africa +45%, versus 2019



# ADJUSTED PBT

	FY22	FY21	Movement
Adjusted profit before tax	25.0	21.8	14.5%

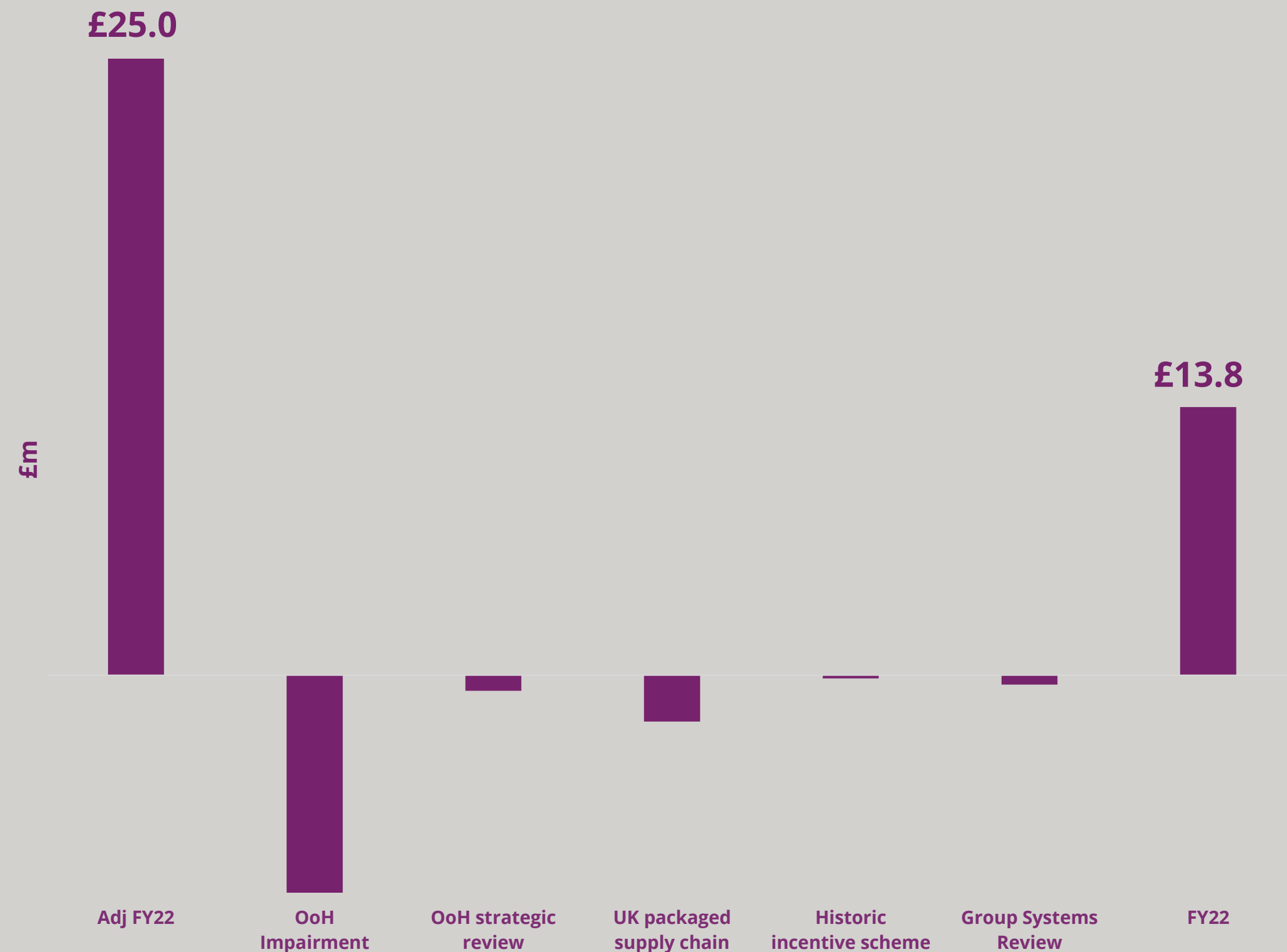


- **Adjusted Profit Before Tax Margin 15.1% (FY21: 15.1%)**
- **Gross Profit up +£5.8m**
  - Volume +£4.8m
    - + UK Out of Home
    - + Packaged International volume
    - - UK Packaged volume
  - Positive Middle East SBT marketing comparison +£0.8m
  - Forex +£0.2m
- **Underlying cost of goods inflation +14%**
  - Supply chain mitigation action
    - Dilutes transfer to faster, more efficient lines
    - Contract renegotiations/supplier changes
  - Revenue management activities
- **Gross Margin %, -2.1ppts to 43.1%**
  - Excluding inherent dilutive effect of price recovery Gross Profit % was consistent with FY21
- **Distribution -£1.6m**
  - Volume
  - Ongoing inflationary pressure
  - New 5 year contract operational through 2022
- **Administrative expenses -£1.6m**
  - Net payroll and staff related costs year on year
  - Broadly in line with cost-of-living increases
- **Finance +£0.5m**
  - Interest, cash balances and pension surplus



# PBT - EXCEPTIONALS

	Adj FY22	FY22
Profit before tax	25.0	13.8



- **Total exceptional costs -£11.1m**
  - £8.7m non-cash
- **Out of Home asset impairment -£8.7m**
  - UK on trade slow down
    - Record pub and bar closures
  - Increased cost of capital to 13.1%
  - Out of Home intangibles and proportion of fixed assets
    - £5.2m of assets remaining, part of which will be disposed of in FY23
  - Overall, Out of Home impairments now £44.9m
- **Out of Home Strategic Review -£0.5m**
  - Strategic review now complete
- **UK Packaged Supply Chain -£1.5m**
  - Dilutes production moved to new contract manufacturer. Successfully completed.
  - Overall costs £2.4m
- **Historic incentive scheme -£0.1m**
  - HMRC settlement complete (£4.3m cash)
- **Group systems review -£0.3m**
  - New packaged ERP
  - Out of Home system review



# ADJUSTED PBT – DRAFT SEGMENTAL (Fully allocated)

- Unaudited

2022	Out of Home £m	Packaged Regions					Total Packaged £m	Total Segments £m	Corporate £m	Total Group £m
		UK £m	Middle East £m	Africa £m	Rest of World *** £m					
Continuing operations										
Revenue	45.2	82.5	11.8	18.9	6.5	119.7	164.9	-		164.9
Adjusted profit before tax	(0.7)					28.6	27.9	(2.9)		25.0
Return on sales (ROS %)	(1.5%)					23.9%				15.1%
Exceptional items										(11.1)
Profit before tax										13.8
Fixed assets	5.2 *					5.8				11.0
Capital employed <sup>1</sup>	18.9 **					40.2		32.3		91.4
Proxy for ROCE	(3.7%)					71.1%				27.2%

- Loss making, higher asset/people OoH business
- Return to profitability
- Realise value

- Low asset, higher margin mix of Concentrate and Packaged
- Drive for growth
- Invest for the future

- Future capital deployment will focus on UK & International Packaged growth, and drive value in OoH
- Packaged and Corporate Return on Sales (ROS) 21.5%, ROCE 35% including cash

<sup>1</sup> Capital employed is Total Assets less Current Liabilities with proxy for operational cash

\* £50m OoH Fixed assets prior to 2021/22 impairments

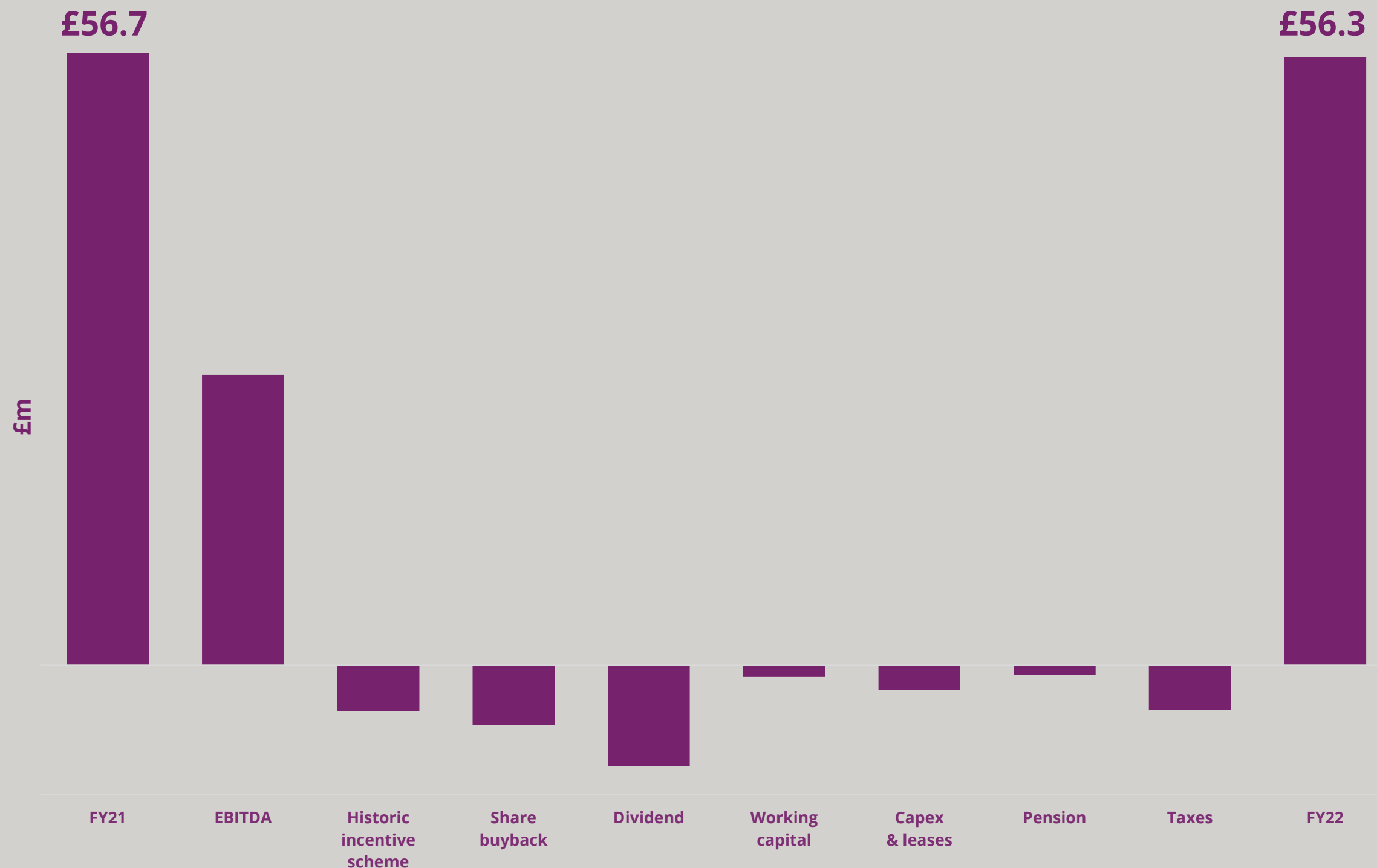
\*\* £64m OoH Capital Employed prior to 2021/22 impairments

\*\*\* OoH international sales now reported in OoH segment (2022 segmental is geographic)



# NET ASSETS AND CAPITAL EMPLOYED

	FY22	FY21	Movement
Cash and Cash Equivalents	56.3	56.7	(0.7%)



- EBITDA +£26.9m at 16.3% (2021: +£23.7m)
- Free cash flow +£14.6m (+£18.9m excl HMRC settlement)
  - £17.5m 2021
  - Fully utilised shareholder funds
    - Treasury share buyback -£5.5m
    - Dividends -£9.4m
  - Cash and Cash equivalents therefore largely flat
  - Cash conversion of 72% (FY21: 103%)
- Working capital and Capex now normalised
- Adjusted Return on Capital Employed 27.2%
  - Significant Packaged opportunity
- Pension surplus £4.1m
  - Further de-risking of assets
  - Funding (assets vs liabilities) 122%
  - Review of potential buy out commenced





# DIVIDEND PROPOSAL AND AGM

- Dividend policy remains at broadly 2x cover
- Adjusted Earnings Per Share (basic) 55.38p
- The Board therefore propose a final dividend of 15.3p
  - Combined with interim, results in a full dividend for 2022 of 27.7p
- Ex-dividend date will be 23 March 2023
- Payment will be made on 4 May 2023 subject to shareholder approval
- Company's AGM 26 April 2023
  - Newton-le-Willows







FULL YEAR RESULTS PRESENTATION

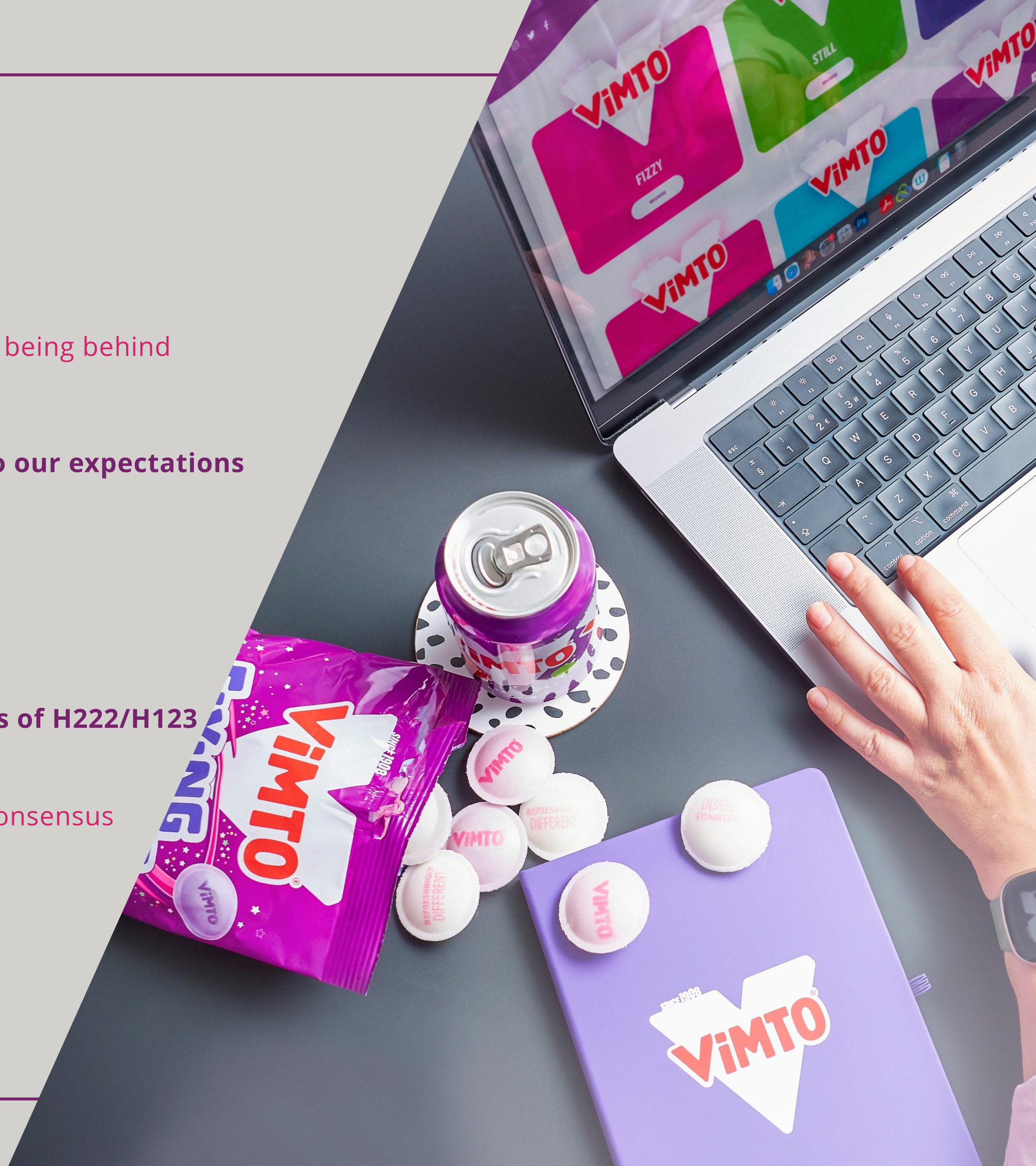
# FINANCIAL OUTLOOK

MARCH 2023

- FY 2023 Group Adjusted PBT expectations<sup>1</sup> remain unchanged
- We are comfortable with consensus for FY23 and FY24
  - Balance between International being ahead of expectations, OoH being behind
  - The OoH strategic review actions are implemented
- Significant inflation and cost of living pressures are factored into our expectations
  - 15% underlying inflation for FY 2023, including carry over
  - Mitigation plans in place, already implemented
    - Cost efficiencies
    - Revenue management
- Potential exists for UK economy 'soft landing' post inflation highs of H222/H123
  - More limited cost of living impact and opportunity for brands
  - Providing potential for UK upside in both 2023 and 2024 versus consensus
- However, some risk of stubborn inflation into FY 2024
- Exceptional costs
  - OoH Strategic Review implementation, FY23
  - Group systems review, FY23 and FY24

<sup>1</sup> FY 2023 market expectations refers to a Group compiled consensus of adjusted PBT of £25.1m

<sup>2</sup> FY 2024 market expectations refers to a Group compiled consensus of adjusted PBT of £27.2m





SINCE 1908

VIMTO



Looking  
AHEAD



# OUT OF HOME STRATEGIC REVIEW

## CONCLUSIONS:

- The impact of the pandemic and subsequent cost of living crisis has resulted in the strategic review of the Out of Home business
- The National geographical footprint leads to inefficiencies and an unprofitable cost to serve model
- Out of Home is capital intensive versus the asset light Packaged model
- The business is distinct in that it has higher operational gearing and lower net margin compared to the Packaged business
- It has different strategic challenges versus the Packaged business and therefore a different management approach is required to deliver long-term shareholder returns





# OUT OF HOME STRATEGIC REVIEW

## OUTPUTS:

- A simplified business model
- Exit all frozen national accounts (except Cinema)
- Exit our coffee business
- Exit of the in-house central frozen region
- Closure of a number of depots across the country
- Rationalisation of roles
- A disciplined capital allocation policy
- Operate the business in 3 distinct regional profit centres across Scotland, North and South
- Introduction of improved financial reporting, focused on net profit and return on capital employed
  - Actions will be implemented throughout 2023 with the benefits being realised during 2024
- Operating Out of Home as a distinct division within the Group, segmental reporting



# KEY STRATEGIC DRIVERS FOR OUR PACKAGED BUSINESS





# 2023 PLAN TO DRIVE GROWTH ACROSS UK & INTERNATIONAL PACKAGED BUSINESS



Strong innovation pipeline across the packaged UK and International regions



New partners to accelerate growth in key African markets



Driving core brand growth in existing markets



Strong integrated marketing campaigns across Middle East, Africa and UK



# OUT OF HOME STRATEGIC FOCUS



SIMPLIFIED BUSINESS MODEL



TO OPERATE AS A STAND-ALONE BUSINESS



MAXIMISE VALUE





# SUMMARY

- The soft drinks category has remained resilient over several years with opportunities for future growth
- The strength of the diverse business has been a key factor again in 2022
- Highly profitable and cash generative
- Clear capital allocation strategy
- Confident in delivering our long-term strategic objectives and continued profitable growth



# A p p e n d i c e s





# CONSOLIDATED INCOME STATEMENT

	Audited Year ended 31 December 2022 £'000	Audited Year ended 31 December 2021 £'000
<b>Continuing operations</b>		
Revenue	164,926	144,328
Cost of sales	(93,905)	(79,153)
<b>Gross profit</b>	<b>71,021</b>	65,175
Distribution expenses	(10,677)	(9,129)
Administrative expenses	(46,888)	(73,601)
<b>Operating profit/(loss)</b>	<b>13,456</b>	(17,555)
Finance income	514	57
Finance expenses	(134)	(158)
<b>Profit/(loss) before taxation</b>	<b>13,836</b>	(17,656)
Taxation	(2,201)	(4,512)
<b>Profit/(loss) for the period</b>	<b>11,635</b>	(22,168)
Earnings/(loss) per share (basic)	31.86p	(60.04p)
Earnings/(loss) per share (basic)	31.82p	(60.04p)
<b>Adjusted for exceptional items</b>		
Operating profit/(loss)	13,456	(17,555)
Exceptional items	11,146	39,477
<b>Adjusted operating profit</b>	<b>24,602</b>	21,922
Profit/(loss) before taxation	13,836	(17,656)
Exceptional items	11,146	39,477
<b>Adjusted profit before taxation</b>	<b>24,982</b>	21,821
Adjusted earnings per share (basic)	55.38p	46.15p
Adjusted earnings per share (diluted)	55.32p	46.09p



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited 31 December 2022 £'000	Audited 31 December 2021 £'000		Audited 31 December 2022 £'000	Audited 31 December 2021 £'000		Audited 31 December 2022 £'000	Audited 31 December 2021 £'000
<b>ASSETS</b>			<b>LIABILITIES</b>			<b>EQUITY</b>		
<b>Non-current assets</b>			<b>Current liabilities</b>			Share capital	3,697	3,697
Property, plant and equipment	10,958	17,099	Trade and other payables	30,711	28,791	Share premium reserve	3,255	3,255
Intangibles	88	5,546	Provisions	-	4,242	Capital redemption reserve	1,209	1,209
Pension surplus	4,125	5,276	<b>Total current liabilities</b>	<b>30,711</b>	<b>33,033</b>	Other reserves	1,280	676
<b>Total non-current assets</b>	<b>15,171</b>	<b>27,921</b>	<b>Non-current liabilities</b>			Retained earnings	79,295	84,189
<b>Current assets</b>			Other payables	2,038	1,954	<b>Total equity</b>	<b>88,736</b>	<b>93,026</b>
Inventories	10,432	9,706	Deferred tax liabilities	670	3,155			
Trade and other receivables	39,561	36,124	<b>Total non-current liabilities</b>	<b>2,708</b>	<b>5,109</b>			
Corporation tax recoverable	695	743	<b>Total liabilities</b>	<b>33,419</b>	<b>38,142</b>			
Cash and cash equivalents	56,296	56,674	<b>Net assets</b>	<b>88,736</b>	<b>93,026</b>			
<b>Total current assets</b>	<b>106,984</b>	<b>103,247</b>						
<b>Total assets</b>	<b>122,155</b>	<b>131,168</b>						



# CONSOLIDATED CASH FLOW

	Audited Year ended 31 December 2022 £'000      £'000		Audited Year ended 31 December 2021 £'000      £'000	
<b>Cash flows from operating activities</b>				
Profit/(loss) for the financial period		11,635		(22,168)
Adjustments for:				
Depreciation and amortisation	4,521		4,969	
Impairment losses on goodwill, intangible and fixed assets	8,714		36,244	
Loss on sale of property, plant and equipment	186		63	
Finance income	(514)		(57)	
Finance expense	134		158	
Tax expense recognised in the income statement	2,201		4,512	
Change in inventories	(726)		(3,785)	
Change in trade and other receivables	(4,100)		(6,804)	
Change in trade and other payables	2,963		7,429	
(Decrease)/increase in provisions	(4,242)		4,242	
Change in pension obligations	(920)		(846)	
Fair value loss/(gain) on derivative financial instruments	662		(178)	
		8,879		45,947
<b>Cash generated from operating activities</b>		20,514		23,779
Tax paid		(4,178)		(3,878)
<b>Net cash generated from operating activities</b>		16,336		19,901
<b>Cash flows from investing activities</b>				
Finance income	514		57	
Proceeds from sale of property, plant and equipment	-		2	
Acquisition of property, plant and equipment	(1,245)		(1,239)	
Payment of contingent consideration	(71)		(67)	
<b>Net cash used in investing activities</b>		(802)		(1,247)
<b>Cash flows from financing activities</b>				
Payment of lease liabilities	(995)		(1,189)	
Purchase of own shares	(5,534)		(1,217)	
Dividends paid	(9,383)		(6,868)	
<b>Net cash used in financing activities</b>		(15,912)		(9,274)
Net (decrease)/increase in cash and cash equivalents		(378)		9,380
<b>Cash and cash equivalents at start of year</b>		56,674		47,294
<b>Cash and cash equivalents at end of year</b>		56,296		56,674