

WE MAKE LIFE *taste* BETTER.



احتفالية رمضان المئوية وقيمتو مجتمعنا بحلاوة اللقاء

Centennial Ramadan Celebration with Vimto's Sweet Togetherness

Nichols plc

HALF YEAR 2023

PRESENTED JULY 2023



TO OUR HALF YEAR PRESENTATION

WELCOME

WE
MAKE
LIFE
taste
BETTER

AGENDA



ANDREW MILNE

CHIEF EXECUTIVE OFFICER

STRATEGIC & OPERATIONAL REVIEW



DAVID TAYLOR & GARY EDEN

INTERIM CHIEF
FINANCIAL OFFICER

GROUP FINANCIAL
CONTROLLER



FINANCIAL REVIEW AND OUTLOOK



ANDREW MILNE

CHIEF EXECUTIVE OFFICER

LOOKING FORWARD – A CLEAR FOCUS





HALF YEAR RESULTS PRESENTATION

JULY 2023

HALF YEAR 2023 HIGHLIGHTS

- Strong top line growth delivered across the business
- Continued accelerated sales momentum across our International business
- Strong investment in Vimto continues to deliver long-term brand equity
- Actions implemented to mitigate significant inflationary headwinds
- Strong progress on our Out of Home Strategic Review implementation
- Strong cash position
- Momentum on our ESG commitments
- Interim dividend 12.6p
- Full year Adjusted PBT anticipated to be in line with expectations





Market

UPDATE

UK SOFT DRINKS MARKET

PERFORMANCE

Total 'take home' Soft Drinks

Value £5bn

Volume 3.4bn litres



Value
+11%



Volume
-2.4%

WINNERS

	ENERGY	SPORTS	COLA
VALUE:	+15.5% ↑	+92.5% ↑	+7.6% ↑
VOLUME:	+4.9% ↑	+33.2% ↑	-1.5% ↓

LOSERS

	MIXERS
VALUE:	-4.2% ↓
VOLUME:	-12.7% ↓

- A resilient soft drinks market
- Inflation driving value over volume
- Energy consistently performing well, attracting new shoppers
- Launch of Prime driving Sports performance
- Only the Mixer category showing decline versus last year

VIMTO GROWING IN STILL SUB-CATEGORIES

- UK Packaged Brand Value £51.4m: Value +0.4%, Volume -13.5%
- Value over volume strategy
- Driving household penetration in Squash +0.7m in 5 years¹
- Remain the number 2 Squash brand
- 6 consecutive years of growth in Squash

	SQUASH	VIMTO®
VALUE:	+5.1% ↑	+0.7% ↑
VOLUME:	-8.6% ↓	-14.8% ↓

	RTDs STILL JUICE	VIMTO®
VALUE:	+6.4% ↑	+2.5% ↑
VOLUME:	-7.0% ↓	-14.4% ↓

	FLAVOURED CARBS	VIMTO®
VALUE:	+12.0% ↑	-6.8% ↓
VOLUME:	+0.8% ↑	-16.5% ↓

MIDDLE EAST REGION



Strong in store availability and visibility of the brand



Vimto celebrated its 100th Ramadan campaign



Continued strong brand investment in 'Sweet togetherness' campaign



New innovation driving consumer penetration



Broader range delivering incremental growth outside of Ramadan

AFRICA



Strong sales delivered across Ivory Coast after launch with new partner



Continued accelerated organic growth in core markets



Continued investment in marketing campaigns drives strong brand awareness

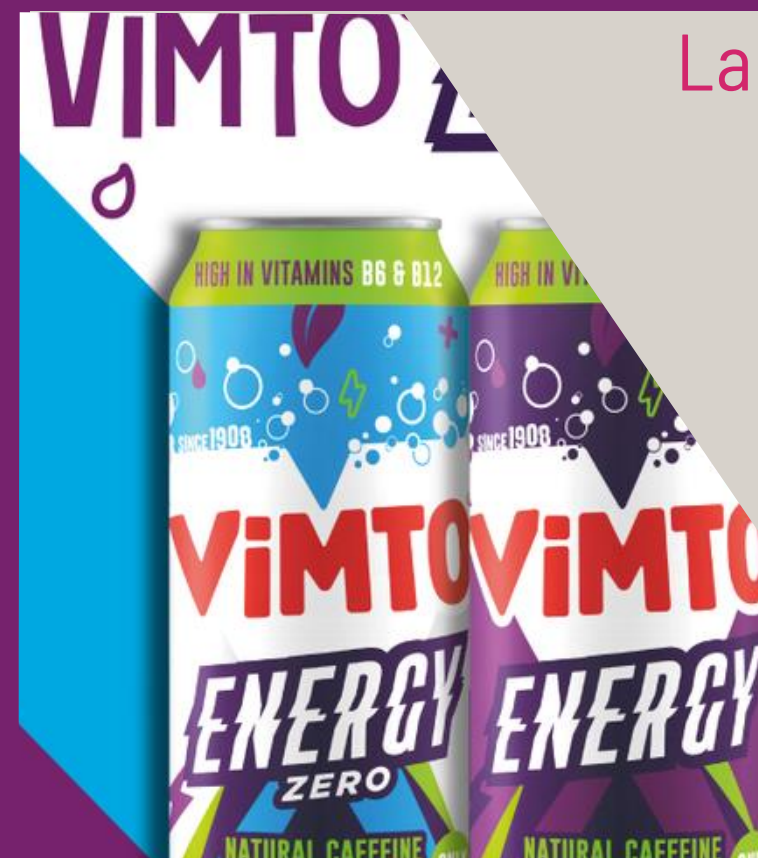


New branding driven strong consumer engagement

Flavour innovation has been pivotal in driving new distribution



Launch of Vimto into Energy category



Strong execution in store driving visibility and availability



Strong investment in 'Find your different' marketing campaign



Launch of new SLUSH PUPPIE range to drive incremental growth



OUT OF HOME

STRATEGIC REVIEW MAKING STRONG PROGRESS:

- 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
- Operating Out of Home as a distinct division within the Group, segmental reporting

Actions will be implemented throughout 2023

with the benefits being realised 2024



OPERATIONAL CHANGE

- Enhanced capacity across UK Packaged Business for future growth
- Improved efficiency and service due to logistics tender completion
- Strong investment in enhancing our purchasing capability with new in-house function established



OUR HAPPIER FUTURE ESG 2023 HALF YEAR UPDATE



Employee Wellbeing Forum

Paranetball Partnership with Manchester Thunder Superleague Club

EVERYONE MATTERS



DRS Scotland & UK

Packaging Design for Recycling

Vimto Zero Cordial ME

Responsible Sourcing Programme

Reformulation of our still slush portfolio

PRODUCTS WE'RE PROUD OF



Reduction of Scope 1 & 2 carbon impact by 20% in UK

Employee Sustainability Training

OWNING OUR CLIMATE IMPACT

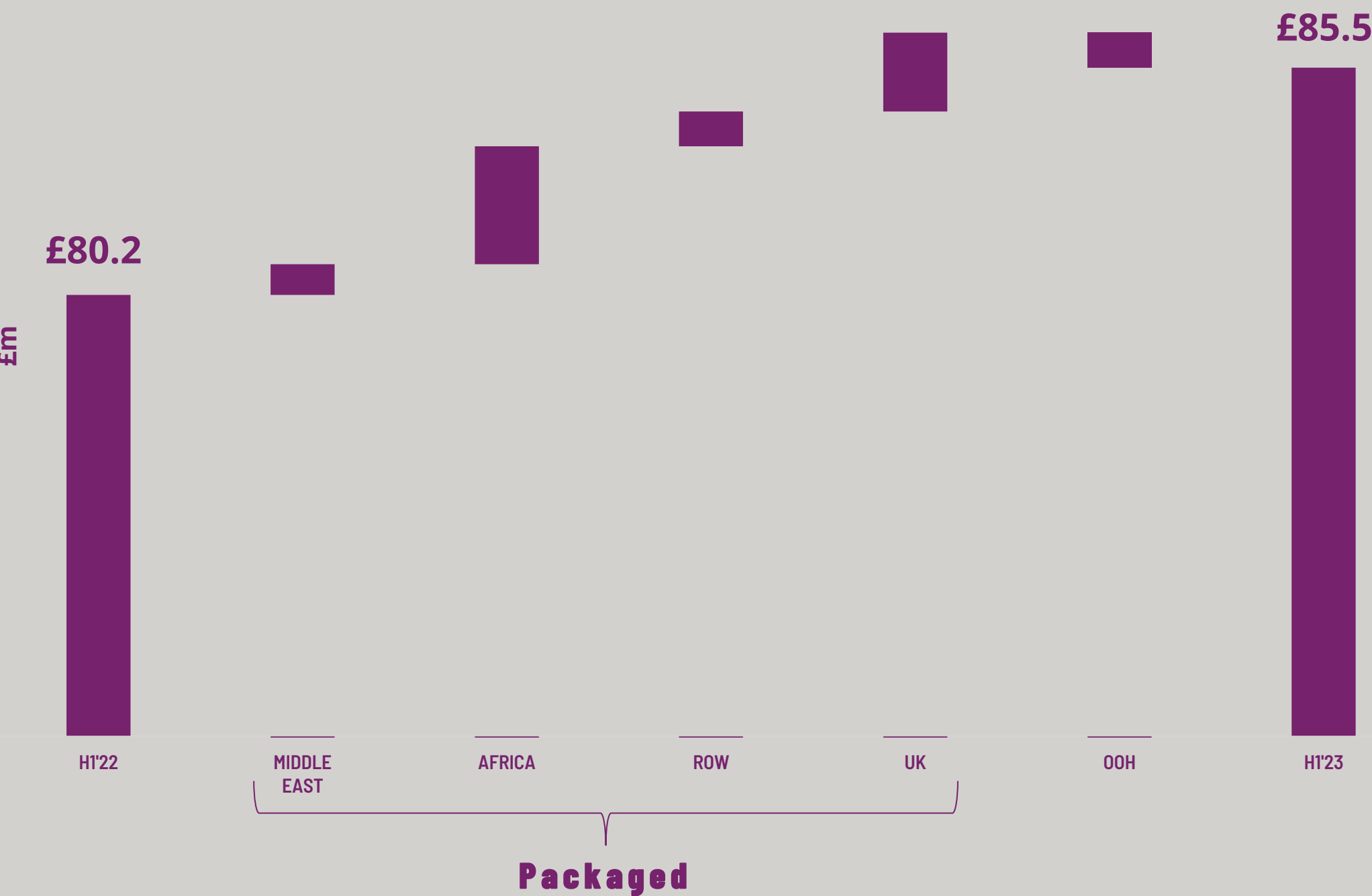
Financial

REVIEW



REVENUE

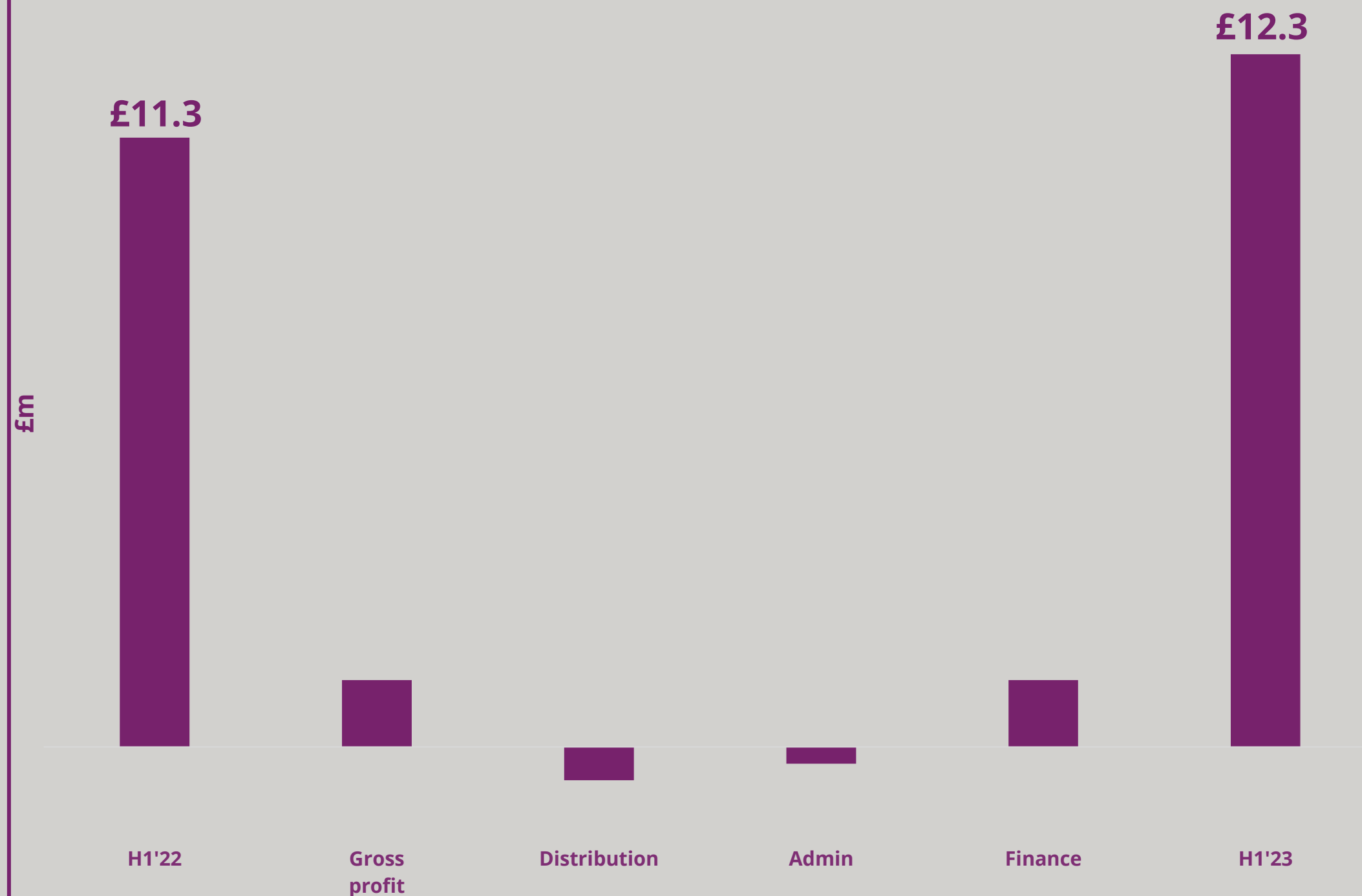
	H1'23	H1'22	Movement
Revenue (£m)	85.5	80.2	+6.6%



- Strong revenue growth +6.6%
- Packaged revenues +10.4%
 - International +24.6%
 - Double digit growth in all regions
 - Middle East +17.5%
 - Africa +26.1%
 - ROW +29.8%
 - UK packaged +4.5%
 - Value over volume
- OoH revenues -3.5%
 - Planned reduction post OoH Strategic Review

ADJUSTED PBT

	H1'23	H1'22	Movement
Adjusted profit before tax (£m)	12.3	11.3	+9.1%



- Adjusted Profit Before Tax Margin 14.4% (H1'22: 14.0%)
- Gross Profit up +£0.8m
- **Gross Margin % -1.7ppt to 41.1%**
 - Excluding inherent dilutive effect of price recovery Gross Profit % was comparable with H1'22
- **Volumes**
 - Flat International Packaged volume
 - UK Packaged volume
 - Out of Home
- **Underlying cost of goods inflation +16%**
 - Supply chain mitigation action
 - Dilutes transfer to faster, more efficient lines
 - Contract renegotiations/supplier changes
 - Revenue management activities
- **Distribution -£0.4m**
 - Inflation, particularly around fuel
- **Administrative expenses -£0.2m**
 - Net payroll and staff related costs year on year
 - Marketing spend
 - Savings in other cost centres
- **Finance +£0.8m**
 - Interest, cash balances and pension surplus

SEGMENTAL REPORTING

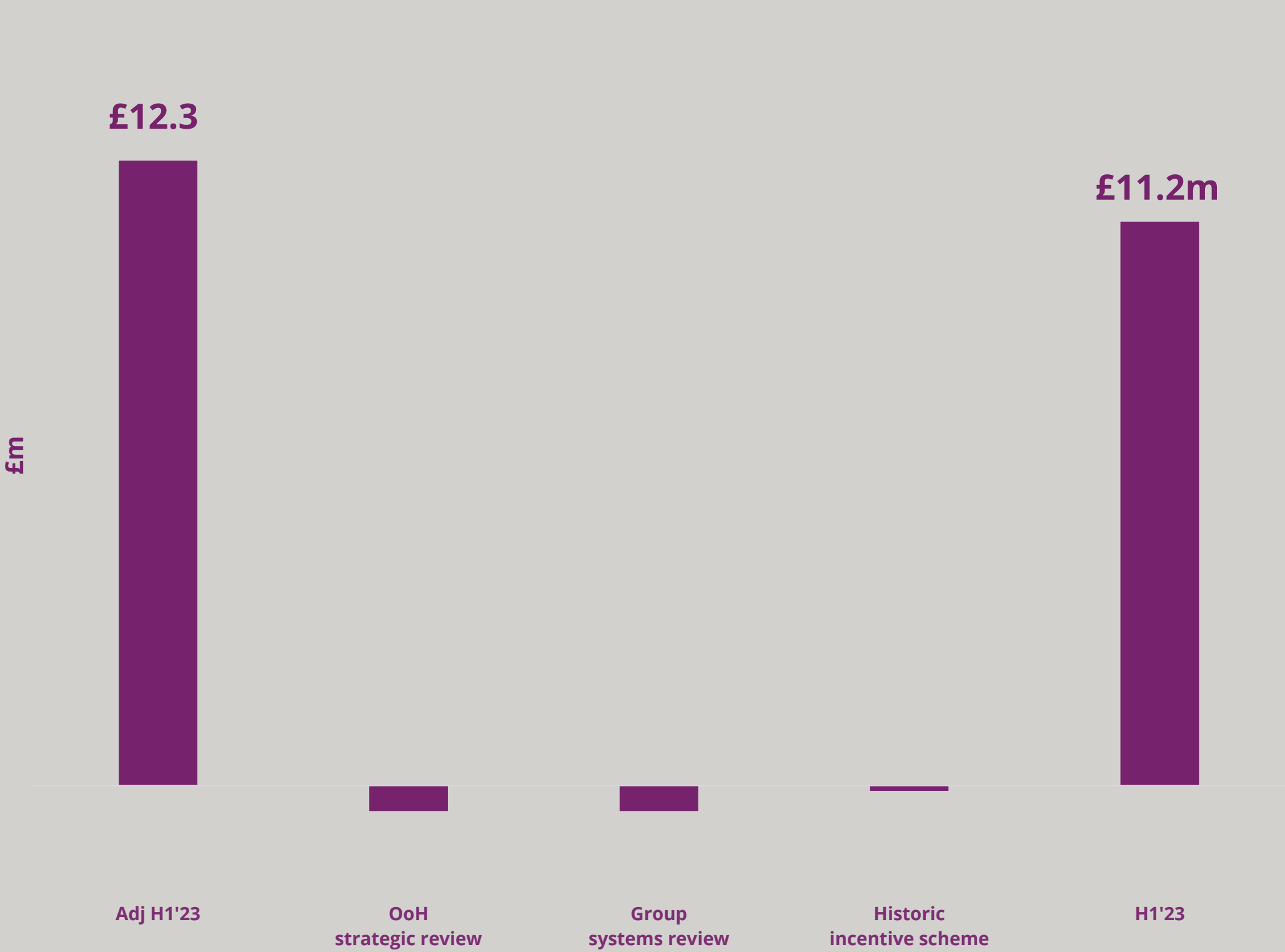
	Packaged Regions					Total Group £m
	UK £m	International £m	Total Packaged £m	Out of Home £m	Central £m	
H1 2023						
<i>Continuing operations</i>						
Revenue	43.1	21.4	64.5	21.0	-	85.5
Adjusted operating profit			18.0	1.4	(7.9)	11.5
Return on sales (ROS %)			27.9%	6.4%		13.4%
Interest						0.8
Adjusted profit before tax						12.3
Return on sales (ROS %)						14.4%

	Packaged Regions					Total Group £m
	UK £m	International £m	Total Packaged £m	Out of Home £m	Central £m	
H1 2022						
<i>Continuing operations</i>						
Revenue	41.3	17.2	58.5	21.7	-	80.2
Adjusted operating profit			16.5	1.6	(6.9)	11.2
Return on sales (ROS %)			28.1%	7.5%		14.0%
Interest						0.1
Adjusted profit before tax						11.3
Return on sales (ROS %)						14.0%

- **Group Packaged and Out of Home**
 - New segmental reporting for FY23
- **Packaged**
 - Absolute Adj OP growth £1.5m
 - Return on sales % in line with prior year
 - Value over volume to protect margins
- **Out of Home**
 - Absolute Adj OP -£0.2m
 - Expected impact from OoH Strategic Review
 - Reformulation costs of £0.5m
 - Excluding these profits up c.£0.3m
- **Central -£1.0m**
 - Principally payroll and staff related costs

PBT - EXCEPTIONALS

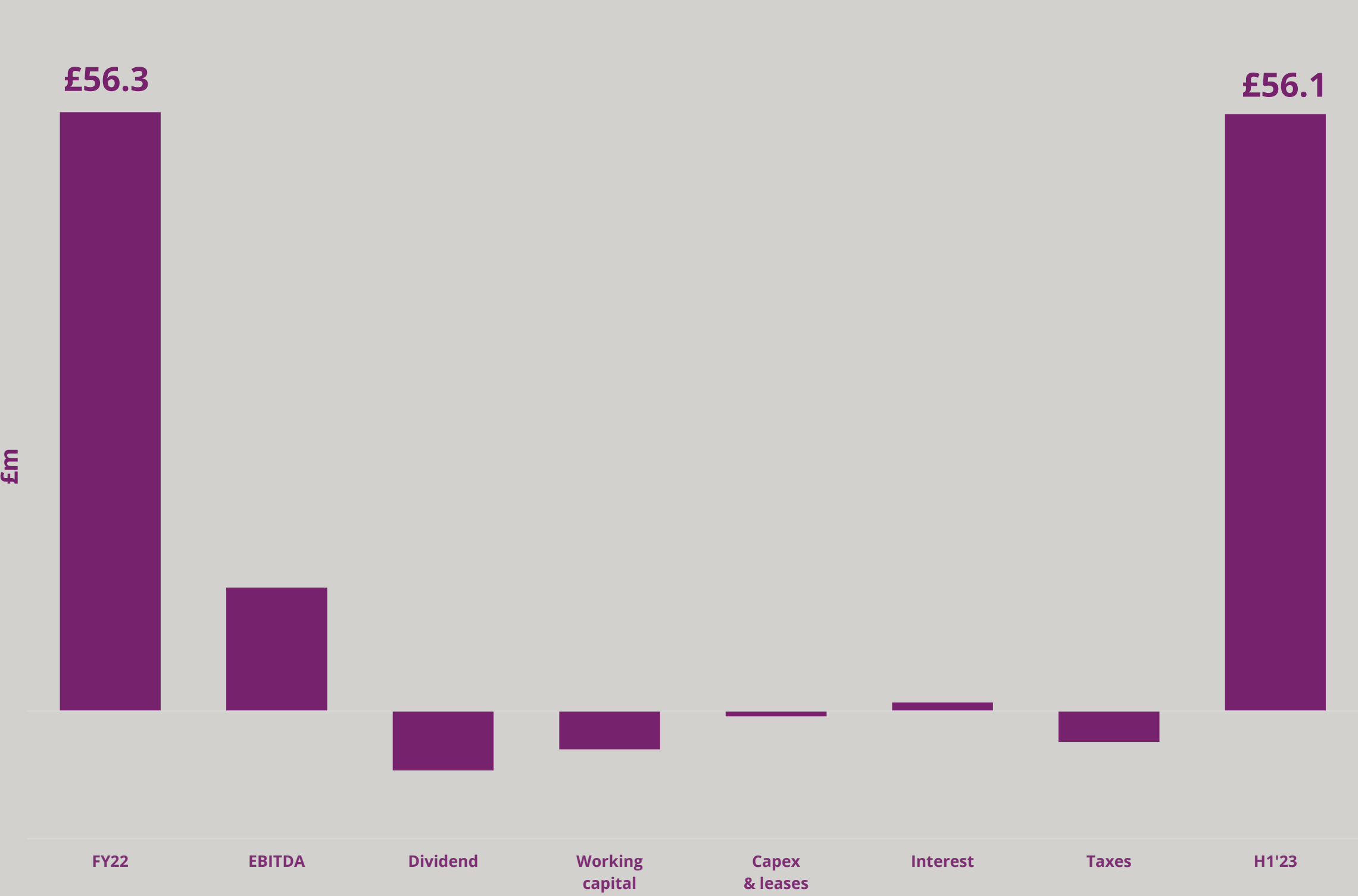
	Adj H1'23	H1'23
Profit before tax (£m)	12.3	11.2



- Total exceptional costs -£1.1m
- Out of Home Strategic Review -£0.6m
 - Strategic review actions being implemented
- Group Systems Review -£0.5m
 - Commenced project to implement new ERP
- Historic incentive scheme -£0.1m
 - Legal costs

NET ASSETS AND CAPITAL EMPLOYED

	H1'23	FY22	Movement
Cash and Cash Equivalents (£m)	56.1	56.3	(0.4%)



- EBITDA +£11.6m at 13.5%
- Working capital normalised
- Capital investment
 - Historically OoH weighted, continued focus on capital allocation
- Interest income on deposits
- Adjusted Return on Capital Employed 25.9%
 - Packaged remains highest returning business
- Pension surplus £4.3m
 - Review of potential buy out commenced



DIVIDEND PROPOSAL

- Dividend policy remains at broadly 2x cover
- Adjusted Earnings Per Share (basic) 25.70p
 - Interim dividend 12.6p
 - Record date will be 4th August 2023
 - Payment will be made on 8th September 2023





FINANCIAL OUTLOOK

- **Firm focus on strategic agenda**
 - Accelerate Packaged division
 - UK value over volume
 - International momentum
 - Marketing to drive brand equity
 - Implement OoH Strategic Review actions
- **Business continues to trade well**
 - Packaged growing
 - OoH performing in line with strategic expectations
- **Inflation continues into H2, cost of living challenges**
 - Continue to find optimal balance of mitigating actions and price recovery
- **Exceptional costs**
 - OoH Strategic Review implementation, FY23 and FY24
 - Group Systems Review, FY23 and FY24
- **Confidence in meeting market expectations¹**



¹ FY 2023 market expectations refers to a Group compiled consensus of adjusted PBT of £25.2m as at 25 July 2023.

SINCE 1908

VIMTO



Looking
AHEAD

STRATEGIC AREAS OF FOCUS



A clear focus to drive accelerated growth across our UK and International Packaged businesses



M&A focused on Packaged business



Maximise value in simplified OoH business



Implement the key initiatives to drive Operational Efficiency



Deliver Business Transformation through implementation of a new ERP system

SUMMARY

- Encouraging first half financial performance
- Our diverse business model is proving pivotal
- A clear strategic plan
- Highly profitable and cash generative
- Confident in delivering our long-term objectives and profitable growth



A p p e n d i c e s



CONSOLIDATED INCOME STATEMENT

	Unaudited Half year to 30 June 2023 £'000	Unaudited Half year to 30 June 2022 £'000	Audited Year ended 31 December 2022 £'000
Continuing operations			
Revenue	85,546	80,232	164,926
Cost of sales	(50,356)	(45,880)	(93,905)
Gross profit	35,190	34,352	71,021
Distribution expenses	(5,009)	(4,651)	(10,677)
Administrative expenses	(19,846)	(19,667)	(46,888)
Operating profit	10,335	10,034	13,456
Finance income	866	126	514
Finance expenses	(48)	(63)	(134)
Profit before taxation	11,153	10,097	13,836
Taxation	(2,649)	(1,969)	(2,201)
Profit for the period	8,504	8,128	11,635
Earnings per share (basic)	23.31p	22.22p	31.86p
Earnings per share (diluted)	23.29p	22.19p	31.82p
Adjusted for exceptional items			
Operating profit	10,335	10,034	13,456
Exceptional items	1,144	1,173	11,146
Adjusted operating profit	11,479	11,207	24,602
Profit before taxation	11,153	10,097	13,836
Exceptional items	1,144	1,173	11,146
Adjusted profit before taxation	12,297	11,270	24,982
Adjusted earnings per share (basic)	25.70p	24.80p	55.38p
Adjusted earnings per share (diluted)	25.68p	24.77p	55.32p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 30 June 2023 £'000	Unaudited 30 June 2022 £'000	Audited 31 December 2022 £'000		Unaudited 30 June 2023 £'000	Unaudited 30 June 2022 £'000	Audited 31 December 2022 £'000		Unaudited 30 June 2023 £'000	Unaudited 30 June 2022 £'000	Audited 31 December 2022 £'000
ASSETS				LIABILITIES				EQUITY			
Non-current assets				Current liabilities							
Property, plant and equipment	10,247	16,073	10,958	Trade and other payables	29,533	30,193	30,711	Share capital	3,697	3,697	3,697
Intangibles	297	5,226	88	Provisions	-	4,242	-	Share premium reserve	3,255	3,255	3,255
Pension surplus	4,257	6,621	4,125	Total current liabilities	29,533	34,435	30,711	Capital redemption reserve	1,209	1,209	1,209
Total non-current assets	14,801	27,920	15,171	Non-current liabilities				Other reserves	1,481	943	1,280
Current assets				Other payables	2,378	1,953	2,038	Retained earnings	82,271	82,604	79,295
Inventories	10,595	14,751	10,432	Deferred tax liabilities	687	3,307	670	Total equity	91,913	91,708	88,736
Trade and other receivables	42,001	38,548	39,561	Total non-current liabilities	3,065	5,260	2,708				
Corporation tax recoverable	986	1,017	695	Total liabilities	32,598	39,695	33,419				
Cash and cash equivalents	56,128	49,167	56,296	Net assets	91,913	91,708	88,736				
Total current assets	109,710	103,483	106,984								
Total assets	124,511	131,403	122,155								

CONSOLIDATED CASH FLOW

	Unaudited Half year to 30 June 2023		Unaudited Half year to 30 June 2022		Audited Year ended 31 December 2022	
	£'000	£'000	£'000	£'000	£'000	£'000
Cash flows from operating activities						
Profit for the financial period		8,504		8,128		11,635
Adjustments for:						
Depreciation and amortisation	1,193		2,318		4,521	
Impairment losses on intangible and fixed assets	-		-		8,714	
Loss on sale of property, plant and equipment	74		61		186	
Finance income	(866)		(126)		(514)	
Finance expense	48		63		134	
Tax expense recognised in the income statement	2,649		1,969		2,201	
Change in inventories	(163)		(5,045)		(726)	
Change in trade and other receivables	(2,096)		(2,939)		(4,100)	
Change in trade and other payables	(928)		2,110		2,963	
Decrease in provisions	-		-		(4,242)	
Change in pension obligations	(63)		(435)		(920)	
Fair value (gain)/loss on derivative financial instruments	(344)		515		662	
		(496)		(1,509)		8,879
Cash generated from operating activities		8,008		6,619		20,514
Tax paid		(2,939)		(2,319)		(4,178)
Net cash generated from operating activities		5,069		4,300		16,336
Cash flows from investing activities						
Finance income	866		126		514	
Acquisition of property, plant and equipment	(138)		(913)		(1,245)	
Payment of contingent consideration	-		(71)		(71)	
Net cash used in investing activities		728		(858)		(802)
Cash flows from financing activities						
Payment of lease liabilities	(385)		(554)		(995)	
Purchase of own shares	-		(5,534)		(5,534)	
Dividends paid	(5,580)		(4,861)		(9,383)	
Net cash used in financing activities		(5,965)		(10,949)		(15,912)
Net decrease in cash and cash equivalents		(168)		(7,507)		(378)
Cash and cash equivalents at start of period		56,296		56,674		56,674
Cash and cash equivalents at end of period		56,128		49,167		56,296