

Nichols plc

FULL YEAR 2023

PRESENTED MARCH 2024



W *elcome*

TO OUR

FULL YEAR

PRESENTATION



AGENDA



ANDREW MILNE CHIEF EXECUTIVE OFFICER

STRATEGIC & OPERATIONAL REVIEW 2023



DAVID TAYLOR INTERIM CHIEF FINANCIAL OFFICER

FINANCIAL REVIEW 2023



ANDREW MILNE CHIEF EXECUTIVE OFFICER

LOOKING AHEAD – FOCUS FOR 2024

2023 HIGHLIGHTS

- Adjusted PBT above expectations +8.7% vs FY22
- Strong sales growth delivered on total Packaged business +6.1% vs FY22
- Continued momentum in International Packaged business +16.8% vs FY22
- Accelerated bottom line value from our Out of Home (“OoH”) business post strategic review
- Actions implemented to mitigate significant inflationary headwinds with UK Packaged (“UKP”) margins protected
- Investment across our brands, infrastructure and people to drive innovation and future growth potential
- Momentum against our ESG (‘Happier Future’) strategy



OUR STRATEGY



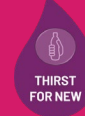
ACCELERATE GROWTH IN OUR PACKAGED BUSINESS AND DRIVE BOTTOM LINE VALUE FROM OUR OUT OF HOME BUSINESS

GROWTH PILLARS



MORE FROM THE CORE

Accelerating organic growth through core brands, categories, channels and geographies



THIRST FOR NEW

Driving incremental growth through innovation, acquisition and geographic expansion



FUEL FOR GROWTH

Fuel growth through efficiencies and leveraging asset light model



HAPPIER FUTURE

Building a happier future for people and planet

ENABLERS

BRANDS

Distinctive portfolio of brands

PARTNERSHIPS

Strong long term strategic partners

PEOPLE

Enviably culture where our people thrive



STRATEGY IN ACTION: MORE FROM THE CORE



INTERNATIONAL PACKAGED – AFRICA



- Growth in Africa of +17.6% vs FY22
- +70% growth in last 5 years
- Red can portfolio driving growth
- Stronghold in West Africa
- Strong future growth potential

INTERNATIONAL PACKAGED – MIDDLE EAST



- Growth in Middle East of +10.3% vs FY22
- Celebrated 100th Ramadan campaign
- Integrated marketing plan driving iconic Ramadan dominance and deep consumer connection
- Cordial +9% vs FY22 season and gaining market share

UK PACKAGED



- Growth in UK of +1.3%, highest ever brand value £107m¹
- Margin protection in FY23
- Increased marketing investment to protect equity
- Vimto no.2 brand in squash category
- Market outperformance in H2 23

¹Nielsen IQ RMS for Squash, Flavoured Carbonates, RTDs, and Flavoured Water categories for 12 months to 30.12.23 for the total coverage market



STRATEGY IN ACTION: THIRST FOR NEW



INTERNATIONAL PACKAGED – AFRICA



- New partner in key West African market of Ivory Coast
- Exceptional growth delivered in FY23
- Strong marketing campaign and key distribution gains

INTERNATIONAL PACKAGED – MIDDLE EAST



- Focus on driving year round consumption
- Strong innovation launches on new flavours and Zero ranges
- Vimto no.2 brand in Kids category

UK PACKAGED



- Innovation is vital to drive growth in UK
- Launch of Vimto Energy into fast growing category
- Iconic SLUSH PUPPiE brand has resonated well with consumers
- Key driver of growth in FY23



STRATEGY IN ACTION: FUEL FOR GROWTH



OUT OF HOME



- Focus on driving bottom line contribution +43% vs FY22
- Strategic review actions implemented with benefits being delivered ahead of plan +3.8% OP margin growth
- Simplified business model
- Strong portfolio of brands

BUSINESS TRANSFORMATION



- Business transformation programme underway
- Focus on driving efficiencies through integrated systems and processes
- Implementation of SAP4 HANA - Q1 2025
- Business benefits from 2026

OPERATIONAL CHANGE PROGRAMME



- Enhanced procurement team to drive buying efficiencies
- Future capacity and capability built through key partner tenders to enable growth
- Enhanced service levels to key customers to drive improved sales



STRATEGY IN ACTION: HAPPIER FUTURE



EVERYONE MATTERS



- Employee Wellbeing Forum
- Community partnerships
- Camp Vimto programme

PRODUCTS WE'RE PROUD OF



- DRS Scotland & UK
- Vimto Zero Middle East
- Responsible Sourcing Programme and Supplier Code of conduct
- Product reformulation for Slush

OWNING OUR CLIMATE IMPACT



- Reduction of Scope 1 & 2 carbon impact by 30% in UK vs 25% target 2025
- SBTi medium term targets approved
- UK Roadmap to Net Zero (all scopes) developed

F*inancial*

REVIEW



HIGHLIGHTS



Revenue

£170.7m +3.5%

2022: £164.9m

Free Cash Flow² (FCF)

£20.9m +43.1%

2022: £14.6m

Adjusted earnings per share (basic)¹

56.41p +1.9%

2022: 55.38p

Adjusted Profit Before Tax (PBT)¹

£27.2m +8.7%

2022: £25.0m

Cash and cash equivalents

£67.0m +19.0%

2022: £56.3m

Proposed Final Dividend

15.6p +2.0%

2022: 15.3p

Adjusted PBT Margin¹

15.9% +0.8ppts

2022: 15.1%

Adjusted ROCE³

26.3% (0.9ppts)

2022: 27.2%

Total Dividend

28.2p +1.8%

2022: 27.7p

¹ Excluding exceptional items

² Free Cash Flow is the net increase in cash and cash equivalents before acquisition funding and dividends

³ Adjusted return on capital employed is the adjusted operating profit divided by the average period-end capital employed

REVENUE



- Revenue +3.5% at £170.7m (2022: £164.9m)
- Overall Packaged business revenue increased by +6.1%
 - International Packaged revenue increased by +16.8% with double digit growth in all geographic segments
 - ME +10.3% at £13.0m
 - Africa +17.6% at £22.2m
 - ROW +26.5% at £8.1m
 - UK Packaged revenue increased by +1.3%
- Out of Home business revenue decreased by -3.4%
 - In line with revised strategy post restructuring

ADJUSTED PBT



- **Adjusted Profit before Tax +8.7% to £27.2m**
- **Gross Profit of £72.2m (2022: £71.0m)**
 - Price increases to recover significantly higher material input costs early in the year where we were unable to mitigate these costs
- **Gross Margin of 42.3% (2022: 43.1%)**
 - UK Packaged gross margin maintained despite inflationary pressures
 - Market mix resulted in slightly lower percentage margin
- **Distribution Expenses fell -10.4% to £9.6m (2022: £10.7m)**
 - Volumes down in UKP and OoH and reduced fuel costs in H2
- **Administrative Expenses +£1.7m to £37.4m**
- **Operating profit £25.2m +2.4%**
- **Net finance income of £2.0m (2022: £0.4m)**

SEGMENTAL REPORTING



2023	Packaged Regions			Out of Home	Central	Total Group
	UK	International	Total Packaged			
	£m	£m	£m	£m	£m	£m
<i>Continuing operations</i>						
Revenue	83.9	43.3	127.2	43.5	-	170.7
Adjusted operating profit			36.3	5.1	(16.2)	25.2
Return on sales (ROS %)			28.6%	11.6%		14.8%
Adjusted profit before tax						27.2
Return on sales (ROS %)						15.9%

2022	Packaged Regions			Out of Home	Central	Total Group
	UK	International	Total Packaged			
	£m	£m	£m	£m	£m	£m
<i>Continuing operations</i>						
Revenue	82.8	37.0	119.8	45.1	-	164.9
Adjusted operating profit			34.4	3.5	(13.3)	24.6
Return on sales (ROS %)			28.6%	7.8%		14.9%
Adjusted profit before tax						25.0
Return on sales (ROS %)						15.1%

- **Revised segmental disclosure for FY23**

- Identifying operating profit arising from our Packaged and OoH businesses alongside shared Central expenses

- **Strong profit growth in the Packaged business**

- Adjusted Operating Profit increasing to £36.3m (2022: £34.4m)
- Further investment in the long-term development of the business
- Overall profitability was impacted by a provision against the recoverability of international customer debts

- **Pleasing progress in OoH**

- Adjusted Operating Profit increased to £5.1m (2022: £3.5m)
- Reduction in costs arising from the restructuring
- Benefits being realised earlier than initially anticipated

- **Central costs increased to £16.2m (2022: £13.3m)**

- Cost of living increases driving employment costs
- Investment into creating additional capability within the Group

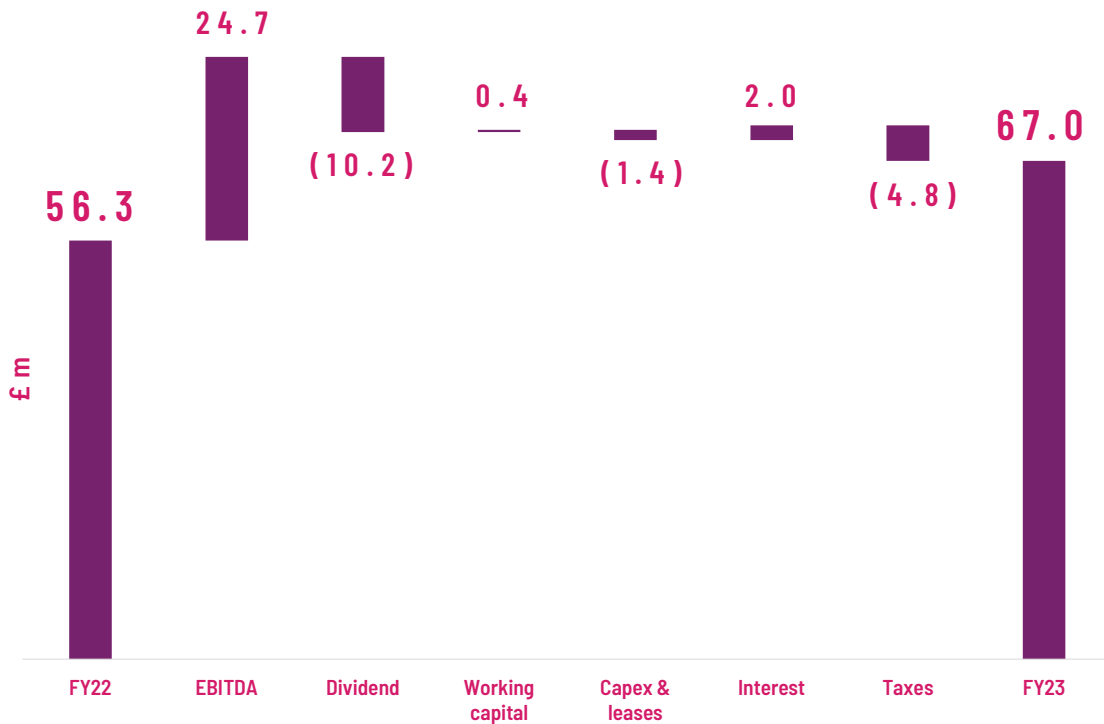
PBT - EXCEPTIONALS



	£m
Out of Home Strategic Review and Restructuring	1.8
Business Change Programme and Systems Development	1.7
Historic incentive scheme	(0.6)
Total	2.9

- **Total Exceptional costs £2.9m (2022: £11.1m)**
- **Out of Home Strategic Review and Restructuring £1.8m**
 - Implementation of 2022 Strategic Review
 - Costs incurred to restructure operations
- **Business Change Programme and Systems Development £1.7m**
 - Costs incurred on review, vendor selection and business design phases
 - Further costs on development of new systems and processes during 2024 expected completion 2025
- **Historic Incentive Scheme -£0.6m**
 - Progress made in the collection of outstanding amounts
 - Provision reduced during 2023, net credit to profit

NET ASSETS AND CAPITAL EMPLOYED



- EBITDA £24.7m (2022: £26.9m)
- Strong Free Cash Flow of £20.9m (2022: £14.6m)
 - Cash and cash equivalents of £67.0m (2022: £56.3m)
- Capital expenditure at £0.5m (2022: £1.2m)
 - The reduction largely a result of lower investment in OoH
- Working capital well controlled
- Adjusted ROCE remained strong at 26.3% (2022: 27.2%)

DIVIDEND AND CAPITAL ALLOCATION

- Dividend policy remains at broadly 2x cover
- Adjusted Earnings per Share (basic) of 56.41p
- Final dividend proposed 15.6p
 - Total dividend for 2023 of 28.2p
 - Ex-dividend date will be 21 March 2024
 - Payment will be made on 2 May 2024 subject to shareholder approval
- Capital Allocation
 - Generating strong levels of cash
 - Objective to target sustainable and more efficient capital structure
 - Identify surplus cash reflecting
 - Ongoing cash generation
 - Ungearred position
 - Investment in organic growth and acquisition
- Company's AGM 24 April 2024 in Newton-le-Willows





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AHEAD

OUR STRATEGY: FOCUS FOR 2024



MORE FROM THE CORE

Accelerating organic growth through core brands, categories, channels and geographies

Strategic Initiative:
Driving growth in Africa



THIRST FOR NEW

Driving incremental growth through innovation, acquisition and geographic expansion

Strategic Initiative:
Innovation in the UK and Middle East

Strategic Initiative:
Geographic expansion
in Africa

Strategic Initiative:
Acquisition plan



FUEL FOR GROWTH

Fuel growth through efficiencies and leveraging asset light model



HAPPIER FUTURE

Building a happier future for people and planet

Strategic Initiative:
embedding our ESG principles into
our everyday decision making to
deliver our commitments



STRATEGIC FOCUS: MORE FROM THE CORE



Focus for 2024: Accelerating organic growth through core brands, categories, channels and geographies

DRIVING GROWTH IN AFRICA

- Strong presence in vast majority of countries in West Africa - 13
- Strong growth has been delivered over the last 5 years (+70%)
 - predominantly through the red can portfolio
- Competition is intensifying, import tariffs are increasing and supply chains can be fragile
- Costs of production are increasing in Europe
- Opportunity for production being closer to the point of consumption
- Increased value in the chain to drive growth
- Concentrate model vs shipping finished product – sustainability benefits
- Investment to put Nichols people in the local market to drive key marketing activities with first overseas legal entity, Nichols Senegal
- Key strategic initiative to drive further growth in Africa





STRATEGIC FOCUS: THIRST FOR NEW



Focus for 2024: Innovation will play a key role in driving growth across our Packaged business in the UK and Middle East

- Entering new categories and consolidating our current position will be fundamental to win in the Packaged business in the UK

UK CARBONATES



UK SQUASH



UK KIDS RTDs



UK ENERGY





STRATEGIC FOCUS: THIRST FOR NEW



Focus for 2024: Innovation will play a key role in driving growth across our Packaged business in the UK and Middle East

- Continuing to launch new flavours and drive execution of the zero ranges will increase penetration into the categories in the Middle East

MIDDLE EAST KIDS



MIDDLE EAST CORDIAL



MIDDLE EAST CARBONATES





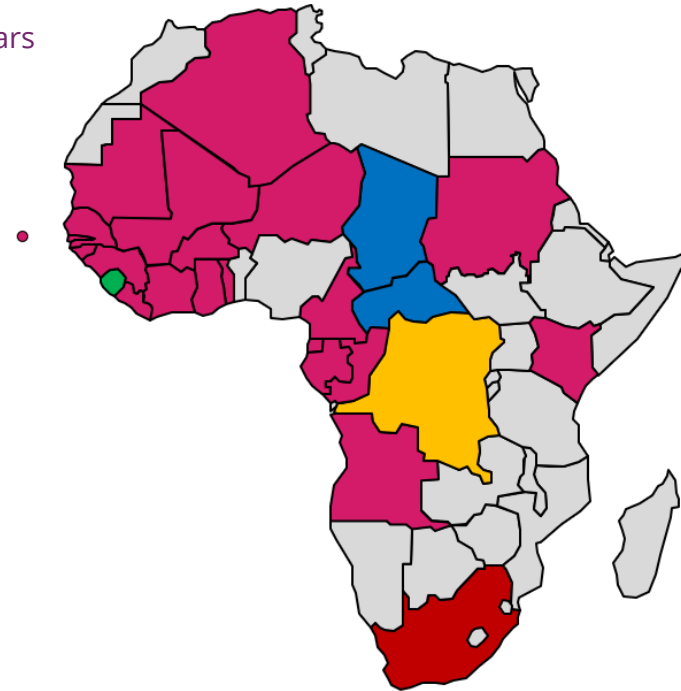
STRATEGIC FOCUS: THIRST FOR NEW



Focus for 2024: Driving incremental growth through selective geographic expansion

GEOGRAPHIC EXPANSION - AFRICA

- West African stronghold has been a major driver of growth and will continue to be over the next 5 years
 - Present in 13 countries in West Africa
 - Major countries – Senegal, Ivory Coast, Cameroon and Mali
 - Launch in **Sierra Leone** during H1 24
- Launch in **Central Africa** where we are less dominant
 - Launch in **DRC** during H2 24
- Major focus to launch in **South Africa** in 2024
 - Large population and high per capita consumption. Strong progress being made.





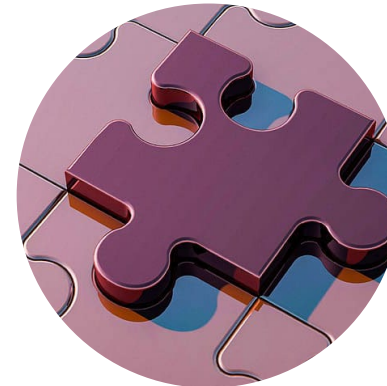
STRATEGIC FOCUS: THIRST FOR NEW



Focus for 2024: Driving incremental growth through acquisition

ACQUISITION PLAN

- Key part of capital allocation strategy
- UK Packaged focused in line with our strategic intent - soft drinks focused
- Portfolio expansion to access growth categories
- More important to our customers with a broader portfolio in categories predicted to outperform the overall soft drinks market in the next 5-10 years
- Synergies identifiable
- Add value to the Group





STRATEGIC FOCUS: HAPPIER FUTURE



Focus for 2024: Embedding our ESG principles into our everyday decision making will be fundamental to us delivering our commitments

EVERYONE MATTERS



- Deepening of Inclusion Plan
 - leadership, education and community groups
- Continue strategic community partnerships and programmes

PRODUCTS WE'RE PROUD OF



- Squash Concentration Strategy
- Innovation focused on launching new Zero products across the UK and the Middle East

OWNING OUR CLIMATE IMPACT



- International Scope 3 data capture for W. Africa
- E-Fleet - new Roadmap

SUMMARY AND OUTLOOK



**WE
MAKE
LIFE
taste
BETTER**

- A resilient soft drinks category
- Clear and focused strategy
 - Accelerate growth in Packaged business
 - Drive bottom line value from OoH
 - Continued focus on driving efficiencies through Operational Change and Business Transformation
- Profitable and cash generative
- 2024 trading has started well and in line with expectations
- Confident in delivering long-term growth



A *ppendices*

UK SOFT DRINKS MARKET



PERFORMANCE

Total 'take home' Soft Drinks

Value £11.4bn

Volume 7.5bn litres



Value
+8.4%



Volume
-3.2%

WINNERS

ENERGY

VALUE:

+15.3%



VOLUME:

+3.7%



SPORTS

+70.2%



+26.6%



COLA

+4.6%



-3.6%



LOSERS

MIXERS

VALUE:

-5.6%



VOLUME:

-11.1%



LEMONADE

-2.3%

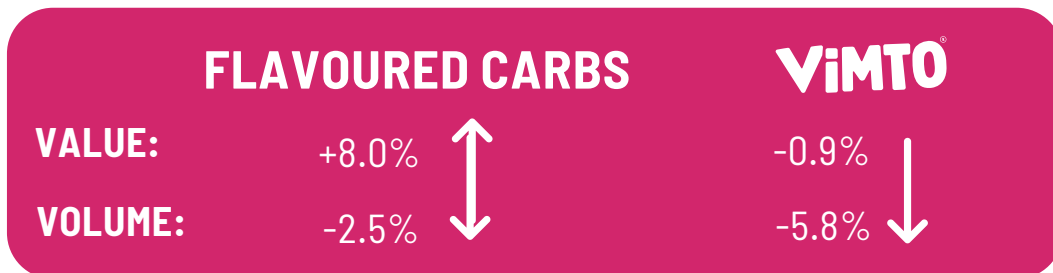
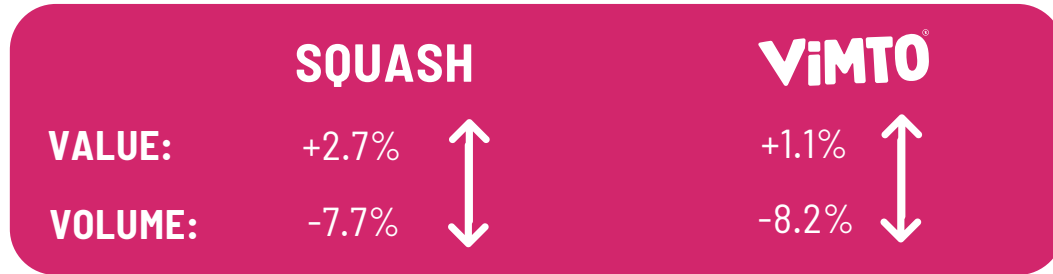


-11.4%



- A resilient soft drinks market
- Inflation driving value over volume
- Energy consistently performing well, attracting new shoppers
- Launch of Prime driving Sports performance

VIMTO GROWING IN STILL SUB-CATEGORIES



- UK Vimto Brand Value £107m
 - Value +1.1%, Volume -8.2%
- Value over volume strategy
- No. 2 Squash brand
- 7 consecutive years of growth in Squash

CONSOLIDATED INCOME STATEMENT



	Audited Year ended 31 December 2023 £'000	Audited Year ended 31 December 2022 £'000
Continuing operations		
Revenue	170,741	164,926
Cost of sales	(98,565)	(93,905)
Gross profit	72,176	71,021
Distribution expenses	(9,567)	(10,677)
Administrative expenses	(40,323)	(46,888)
Operating profit	22,286	13,456
Finance income	2,095	514
Finance expenses	(123)	(134)
Profit before taxation	24,258	13,836
Taxation	(5,896)	(2,201)
Profit for the period	18,362	11,635
Earnings per share (basic)	50.34p	31.86p
Earnings per share (basic)	50.32p	31.82p
Adjusted for exceptional items		
Operating profit	22,286	13,456
Exceptional items	2,907	11,146
Adjusted operating profit	25,193	24,602
Profit before taxation	24,258	13,836
Exceptional items	2,907	11,146
Adjusted profit before taxation	27,165	24,982
Adjusted earnings per share (basic)	56.41p	55.38p
Adjusted earnings per share (diluted)	56.39p	55.32p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION



	Audited 31 December 2023 £'000	Audited 31 December 2022 £'000
ASSETS		
Non-current assets		
Property, plant and equipment	9,457	10,958
Intangibles	256	88
Pension surplus	4,014	4,125
Total non-current assets	13,727	15,171
Current assets		
Inventories	8,809	10,432
Trade and other receivables	41,393	39,561
Corporation tax recoverable	-	695
Cash and cash equivalents	67,030	56,296
Total current assets	117,232	106,984
Total assets	130,959	122,155

	Audited 31 December 2023 £'000	Audited 31 December 2022 £'000
LIABILITIES		
Current liabilities		
Trade and other payables	30,719	30,711
Corporation tax payable	318	-
Total current liabilities	31,037	30,711
Non-current liabilities		
Other payables	1,865	2,038
Deferred tax liabilities	715	670
Total non-current liabilities	2,580	2,708
Total liabilities	33,617	33,419
Net assets	97,342	88,736

	Audited 31 December 2023 £'000	Audited 31 December 2022 £'000
EQUITY		
Share capital	3,697	3,697
Share premium reserve	3,255	3,255
Capital redemption reserve	1,209	1,209
Other reserves	1,845	1,280
Retained earnings	87,336	79,295
Total equity	97,342	88,736

CONSOLIDATED STATEMENT OF CASH FLOWS



	Audited Year ended 31 December 2023		Audited Year ended 31 December 2022	
	£'000	£'000	£'000	£'000
Cash flows from operating activities				
Profit for the financial year		18,362		11,635
Adjustments for:				
Depreciation and amortisation	2,343		4,521	
Impairment losses on intangible and fixed assets	-		8,714	
Loss on sale of property, plant and equipment	67		186	
Finance income	(2,095)		(514)	
Finance expense	123		134	
Tax expense recognised in the income statement	5,896		2,201	
Change in inventories	1,623		(726)	
Change in trade and other receivables	(1,549)		(4,100)	
Change in trade and other payables	384		2,963	
Decrease in provisions	-		(4,242)	
Change in pension obligations	(81)		(920)	
Fair value (gain)/loss on derivative financial instruments	(285)		662	
		6,426		8,879
Cash generated from operating activities		24,788		20,514
Tax paid		(4,776)		(4,178)
Net cash generated from operating activities		20,012		16,336
Cash flows from investing activities				
Finance income	2,095		514	
Proceeds from sale of property, plant and equipment	192		-	
Acquisition of property, plant and equipment	(479)		(1,245)	
Payment of contingent consideration	-		(71)	
Net cash from/ (used in) investing activities		1,808		(802)
Cash flows from financing activities				
Payment of lease liabilities	(909)		(995)	
Purchase of own shares	-		(5,534)	
Dividends paid	(10,177)		(9,383)	
Net cash used in financing activities		(11,086)		(15,912)
Net increase/(decrease) in cash and cash equivalents		10,734		(378)
Cash and cash equivalents at start of year		56,296		56,674
Cash and cash equivalents at end of year		67,030		56,296



Nichols plc

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