



**Nichols** plc

**HALF YEAR 2024**

PRESENTED JULY 2024

**W** *elcome*

**TO OUR**

**HALF YEAR**

**PRESENTATION**



# AGENDA



**ANDREW MILNE** CHIEF EXECUTIVE OFFICER

STRATEGIC & OPERATIONAL REVIEW



**RICHARD NEWMAN** CHIEF FINANCIAL OFFICER

FINANCIAL REVIEW AND OUTLOOK



**ANDREW MILNE** CHIEF EXECUTIVE OFFICER

LOOKING AHEAD

# HALF YEAR 2024 HIGHLIGHTS

- **Adjusted PBT growth of +18.0% vs HY23**
  - Consistent strong earnings and cash generation
- **Volume (+4.9%) and revenue (+5.3%) growth in UK Packaged**
  - Market share gains and highest ever Retail Sales Value (RSV) for the Vimto brand
- **Successful implementation of Out of Home Strategic Review**
  - Significant improvement in profitability as expected
- **Announcement of special dividend (£20.0m) and interim dividend +18.3%**
- **FY24 Adjusted PBT expected to be slightly ahead of market expectations<sup>1</sup>**

<sup>1</sup> FY24 expectations refers to Group compiled market consensus for FY24 adjusted PBT of £28.8m at 23 July 2024





# **S** *trategic* *& Operational*

**REVIEW**

# OUR STRATEGY



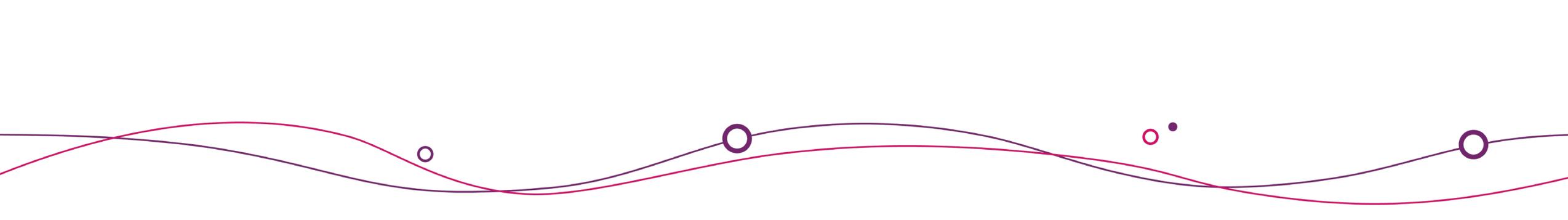
## ACCELERATE GROWTH IN OUR PACKAGED BUSINESS AND DRIVE BOTTOM LINE VALUE FROM OUR OUT OF HOME BUSINESS

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**  
 Enviable culture where our people thrive



# M

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**UPDATE**

# UK SOFT DRINKS MARKET



## PERFORMANCE

### Total 'take home' Soft Drinks

Value £5.2bn

Volume 3.3bn litres



**Value**  
+2.7%



**Volume**  
-0.7%

## WINNERS

### ENERGY

### WATER

### PURE JUICE

**VALUE:**

+7.7% ↑

+8.6% ↑

+4.7% ↔

**VOLUME:**

+1.0% ↑

+5.5% ↑

-6.4% ↓

## LOSERS

### LEMONADE

### MIXERS

### SPORTS

**VALUE:**

-7.1% ↓

-8.5% ↓

-21.6% ↓

**VOLUME:**

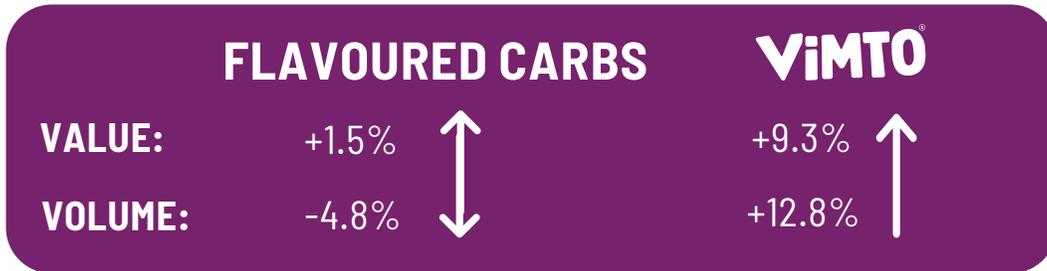
-9.5% ↓

-8.5% ↓

-15.0% ↓

- A resilient soft drinks market
- Inflation driving value over volume
- Energy consistently performing well, attracting new shoppers
- Prime unable to cycle peak performance year on year as sports falls out of the top performers

# VIMTO DELIVERING MARKET SHARE GROWTH



- UK Vimto Brand Value £49.6m at HY24
  - Value +3.3%, Volume +5.2%
- Volume growth driving performance
- No. 2 Squash brand
- 2<sup>nd</sup> fastest growing carbonates brand
- RTD performance forecasted to improve in H2



# STRATEGY IN ACTION: MORE FROM THE CORE



## UK PACKAGED



- Growth in UK of +5.3% vs HY23 driven by volume gains of +4.9% underpinned by strong distribution gains
- Highest ever annualised brand value of £109m<sup>1</sup> (RSV) with Vimto the No. 2 brand in the squash category
- Strong investment in 'Love the Taste' marketing and promotional campaign

## INTERNATIONAL PACKAGED – MIDDLE EAST



- Strong execution in market driving awareness and availability
- Fully integrated 360-degree marketing campaign
- Continued strong investment in driving Vimto Zero Cordial

## INTERNATIONAL PACKAGED – REST OF WORLD



- Strong ROW performance
- Significant growth in USA (+21.9%) and Europe (+52.0%)
- Performance driven through strong distribution and supply chain efficiencies

<sup>1</sup> Nielsen IQ RMS data for the Squash, Flavoured Carbonates, RTD Stills, Flavoured Water, and Energy categories YTD to 15.06.24 for the GB Total Coverage market



# STRATEGY IN ACTION: THIRST FOR NEW



## UK PACKAGED



- Strong innovation across UK Packaged market
  - Launch of Discoveries, Energy, Minis and Squash
- Distribution gains delivered across all UK Packaged sub channels
- Supported via impactful in store marketing campaigns

## UK PACKAGED - LEVI ROOTS



- Strong performance on Levi brand (+27% vs HY23)
- Performance driven through launch of new innovation across the marketplace
- Supported by the relaunch of the green bottle and strong in store execution

## INTERNATIONAL PACKAGED - SIERRA LEONE



- Launch into new West African market
- Vimto Carbonated 300ml PET pack format introduced
- Strong execution plans to drive growth



# STRATEGY IN ACTION: FUEL FOR GROWTH



## OUT OF HOME



- Implementation of actions following the strategic review largely delivered
- Significant growth in profitability of +£1.6m vs HY23 delivered through a more focused business

## BUSINESS TRANSFORMATION



- Transformation project on track with design phase complete
- Go-live in Q1 2025 with benefits realisation from early 2026
- Total spend in FY24 expected to be c.£6m

## INTERNATIONAL PACKAGED - SENEGAL



- Phased can production commenced in Senegal
- Production closer to the end market and consumer, eliminating risk and cost of import tariffs
- Concentrate model increases margins from lower revenues
- Key strategic initiative to drive growth across Africa



# STRATEGY IN ACTION: HAPPIER FUTURE



## EVERYONE MATTERS



- Real Living Wage Employer Accreditation
- LGBTQ+ Community momentum with education and awareness plan in place H2
- Fundraising for Warrington Youth Zone

## PRODUCTS WE'RE PROUD OF

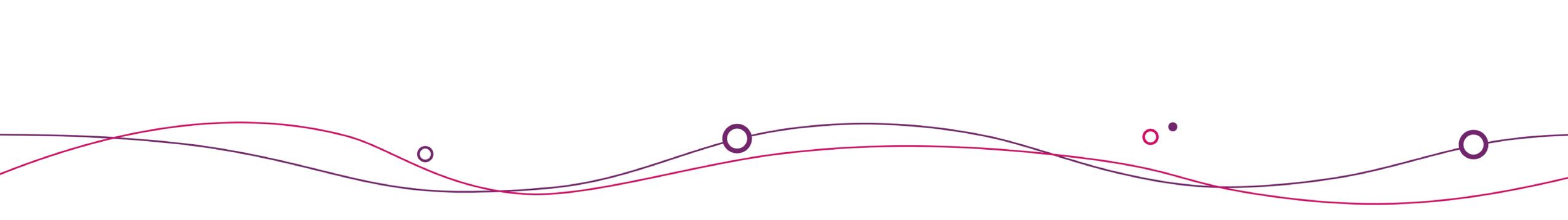


- On track to reach our 2024 rPet target in our UK Packaged portfolio
- Lightweighting of squash bottles
- Clear progress against our Responsible Sourcing Programme
- No Added Sugar and Zero product innovations launched in UK Packaged

## OWNING OUR CLIMATE IMPACT



- Embedding our sustainability expectations through strategic partnership contracts
- 2024 UK Scope 3 Roadmap commitments all on track with our partners



# F

*inancial*

**REVIEW**

# HALF YEAR - HIGHLIGHTS



Group revenue

**£84.0m** -1.8%

H1 2023: £85.5m

Adjusted profit before tax (PBT)<sup>1</sup>

**£14.5m** +18.0%

H1 2023: £12.3m

Adjusted PBT margin<sup>1</sup>

**17.3%** +290bps

H1 2023: 14.4%

Cash and cash equivalents

**£70.3m** +25.2%

H1 2023: £56.1m

Adjusted earnings per share (basic)<sup>1</sup>

**29.87p** +16.2%

H1 2023: 25.70p

Adjusted operating profit<sup>1</sup>

**£13.1m** +14.1%

H1 2023: £11.5m

Free cash flow<sup>2</sup>

**£9.0m** +65.4%

H1 2023: £5.4m

Interim dividend per share

**14.9p** +18.3%

H1 2023: 12.6p

Adjusted operating profit margin<sup>1</sup>

**15.6%** +220bps

H1 2023: 13.4%

Adjusted ROCE<sup>3</sup>

**27.1%** +120bps

H1 2023: 25.9%

Special dividend per share

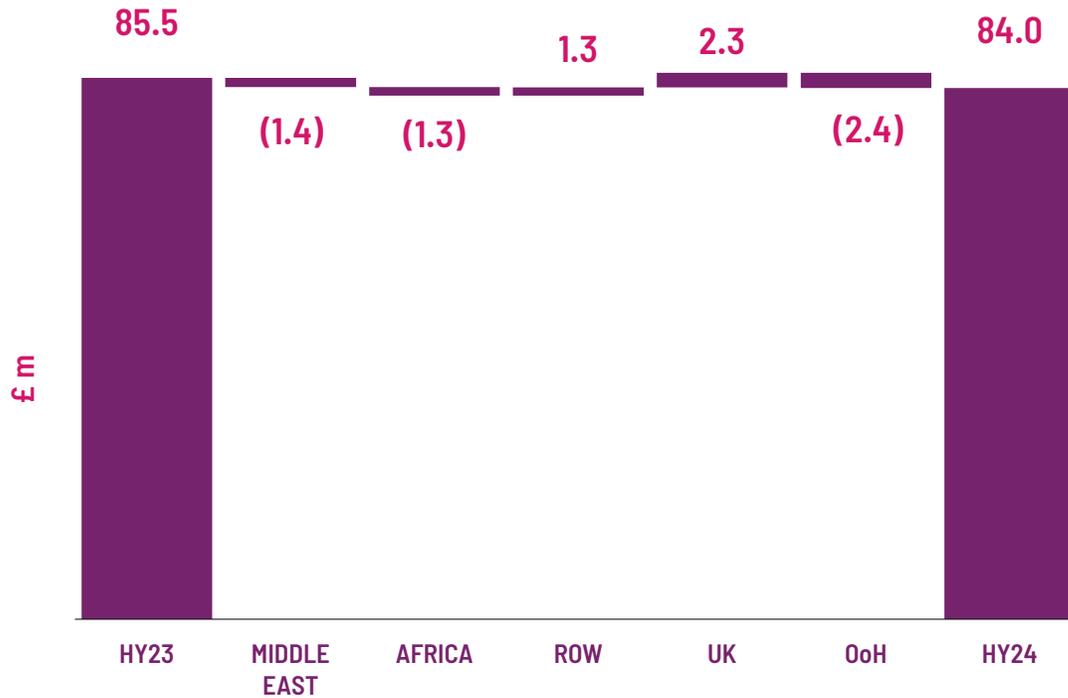
**54.8p**

<sup>1</sup> Excluding exceptional items

<sup>2</sup> Free cash flow is the net increase in cash and cash equivalents before acquisition funding and dividends

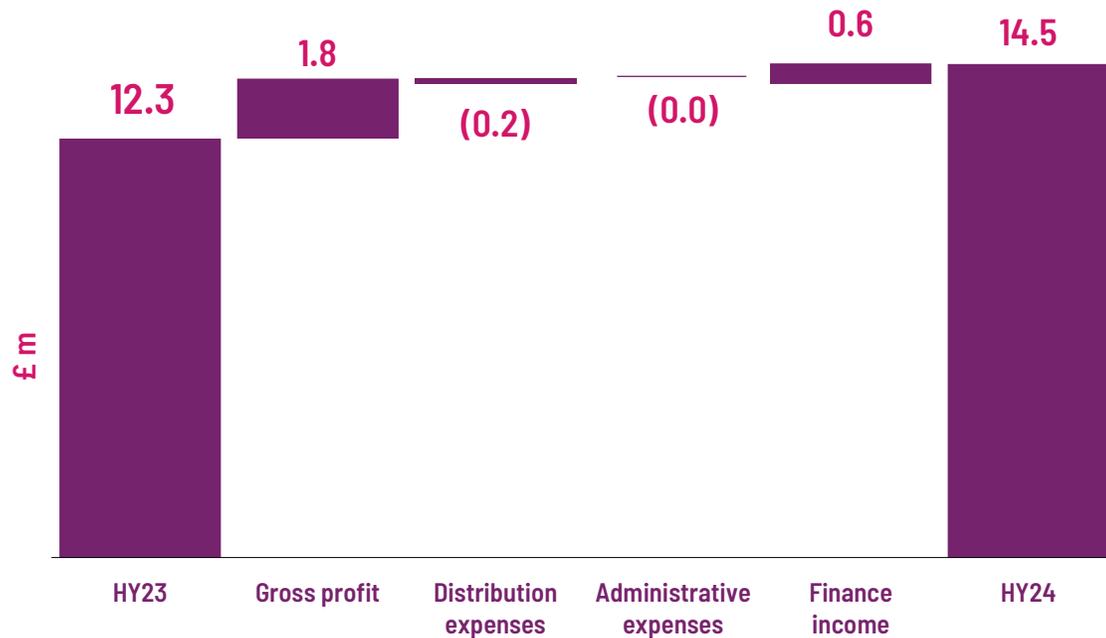
<sup>3</sup> Adjusted return on capital employed is the rolling 12 months' adjusted operating profit divided by the average period-end capital employed

# HALF YEAR - REVENUE



- **Packaged business revenue increased by +1.3%**
  - **UK Packaged** revenue increased by +5.3%
    - Growth across all sales channels
    - Product innovation driving distribution gains
    - Increased brand and promotional investment
  - **International Packaged** revenue decreased by -6.9%
    - Middle East -29.3% at £3.5m (Ramadan timing benefits H2)
    - Africa -10.1% at £11.8m (Ivory Coast launch in HY23)
    - ROW +37.1% at £4.8m (increased distribution)
    - Strong progress forecast for H2
- **Out of Home business revenue decreased by -11.3%**
  - Planned withdrawal from a number of unprofitable accounts
  - In line with revised strategy post restructuring
- **Group revenue -1.8% at £84.0m (HY23: £85.5m)**

# HALF YEAR - ADJUSTED PROFIT BEFORE TAX



- Adjusted operating profit +14.1% to £13.1m
- Adjusted profit before tax +18.0% to £14.5m
- Gross profit of £37.0m (HY23: £35.2m)
  - Inflationary pressures easing
- Gross margin of 44.0% (HY23: 41.1%)
  - Prior year pricing actions now recovering full cost impacts
- Distribution expenses £5.2m (HY23: £5.0m)
  - Reflective of UK volume growth
- Administrative expenses £18.7m (HY23: £18.7m)
  - Cost reduction benefits from OoH review (15.9% margin vs HY23 6.4%)
  - Increased marketing investment in the Packaged business
- Net finance income of £1.4m (HY23: £0.8m)
  - Increased interest earned on higher cash balances

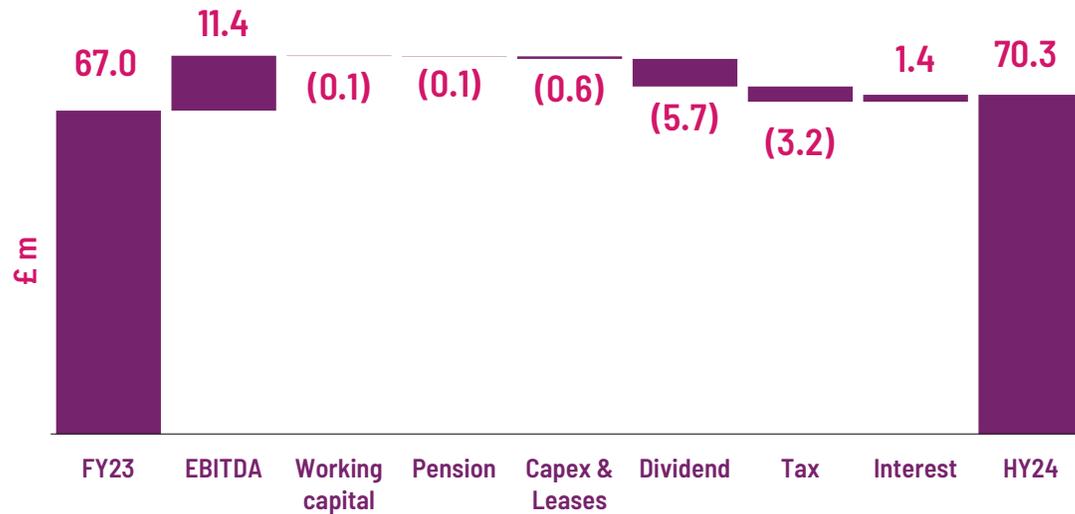
# HALF YEAR – EXCEPTIONAL ITEMS



	£m
Business Change Programme and Systems Development	2.7
Out of Home Strategic Review and Restructuring	0.2
Historic incentive scheme	(0.2)
<b>Total</b>	<b>2.7</b>

- **Total exceptional cost of £2.7m (HY23: £1.1m)**
- **Business Change Programme and Systems Development £2.7m**
  - Costs incurred on SAP design and build phase
  - Expected 'Go-Live' Q1 2025, benefits from 2026
- **Out of Home Strategic Review £0.2m**
  - Costs incurred to implement the Strategic Review
  - Project to fully conclude in H2 2024
- **Historic Incentive Scheme -£0.2m**
  - Further progress made in the collection of outstanding amounts
  - Provision reduced, net credit to profit

# HALF YEAR - FREE CASH FLOW

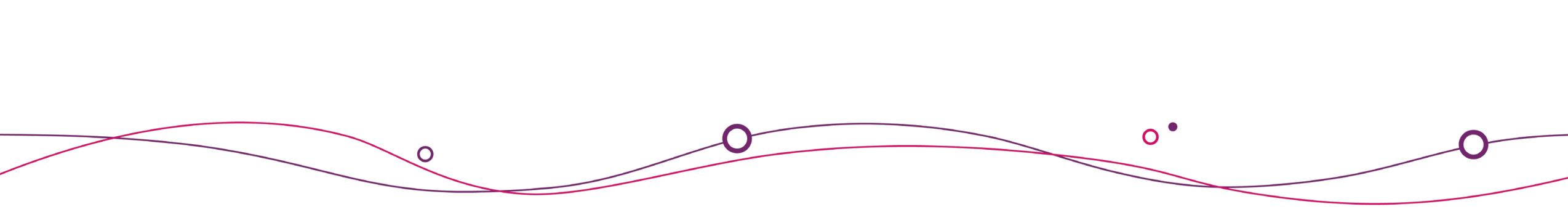


- **Strong free cash flow of £9.0m (HY23: £5.4m)**
  - Cash and cash equivalents of £70.3m (FY23: £67.0m)
- **Capital expenditure at £0.1m (HY23: £0.1m)**
- **Working capital well controlled**
- **Final dividend paid £5.7m**
- **Adjusted ROCE remained strong at 27.1% (HY23: 25.9%)**
- **Pension surplus of £3.7m (HY23: £4.3m)**

# DIVIDEND AND CAPITAL ALLOCATION

- Adjusted Earnings per Share (basic) of 29.87p
- Dividend in line with 2x cover policy
- Interim dividend proposed 14.9p
  - Ex-dividend date will be 1<sup>st</sup> August 2024
  - Payment will be made on 6<sup>th</sup> September 2024 subject to shareholder approval
- Special dividend proposed 54.8p
  - Total 'one-off' distribution of £20m
  - Payment to be made with the proposed interim dividend
- Capital Allocation
  - Generating strong levels of cash
  - Will continue to invest in organic growth and potential acquisitions





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**AHEAD**

# OUR STRATEGY: FOCUS FOR H2 2024



## MORE FROM THE CORE

Strong growth in Africa due to phased can production closer to the point of consumption



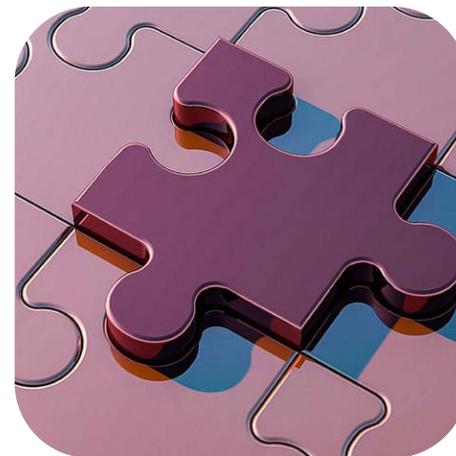
## THIRST FOR NEW

First launch into Malaysia



## THIRST FOR NEW

Continued focus on acquisitions in UK Packaged market



## FUEL FOR GROWTH

Delivery of Business Transformation Programme



**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 the Business Transformation Programme
- **Confident in delivering long-term shareholder value**



Q

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# A *ppendices*

# CONSOLIDATED INCOME STATEMENT



	Unaudited Half year to 30 June 2024 £'000	Unaudited Half year to 30 June 2023 £'000	Audited Year ended 31 December 2023 £'000
<b>Continuing operations</b>			
Revenue	83,976	85,546	170,741
Cost of sales	(47,021)	(50,356)	(98,565)
<b>Gross profit</b>	<b>36,955</b>	35,190	72,176
Distribution expenses	(5,171)	(5,009)	(9,567)
Administrative expenses	(21,402)	(19,846)	(40,323)
<b>Operating profit</b>	<b>10,382</b>	10,335	22,286
Finance income	1,458	866	2,095
Finance expenses	(37)	(48)	(123)
<b>Profit before taxation</b>	<b>11,803</b>	11,153	24,258
Taxation	(2,927)	(2,649)	(5,896)
<b>Profit for the period</b>	<b>8,876</b>	8,504	18,362
Earnings per share (basic)	<b>24.29p</b>	23.31p	50.34p
Earnings per share (diluted)	<b>24.28p</b>	23.29p	50.32p
<b>Adjusted for exceptional items</b>			
Operating profit	<b>10,382</b>	10,335	22,286
Exceptional items	<b>2,713</b>	1,144	2,907
<b>Adjusted operating profit</b>	<b>13,095</b>	11,479	25,193
Profit before taxation	<b>11,803</b>	11,153	24,258
Exceptional items	<b>2,713</b>	1,144	2,907
<b>Adjusted profit before taxation</b>	<b>14,516</b>	12,297	27,165
Adjusted earnings per share (basic)	<b>29.87p</b>	25.70p	56.41p
Adjusted earnings per share (diluted)	<b>29.86p</b>	25.68p	56.39p

# SEGMENTAL REPORTING



	Packaged Regions			Out of Home £m	Central £m	Total Group £m
	UK £m	International £m	Total Packaged £m			
<b>H124</b>						
<i>Continuing operations</i>						
<b>Revenue</b>	45.4	20.0	65.4	18.6	-	84.0
<b>Adjusted operating profit</b>			18.8	3.0	(8.6)	13.1
<b>Return on sales (ROS %)</b>			28.7%	15.9%		15.6%
<b>Net finance income</b>						1.4
<b>Adjusted profit before tax</b>						14.5
<b>Return on sales (ROS %)</b>						17.3%

	Packaged Regions			Out of Home £m	Central £m	Total Group £m
	UK £m	International £m	Total Packaged £m			
<b>H123</b>						
<i>Continuing operations</i>						
<b>Revenue</b>	43.1	21.5	64.5	21.0	-	85.5
<b>Adjusted operating profit</b>			18.0	1.4	(7.9)	11.5
<b>Return on sales (ROS %)</b>			27.9%	6.4%		13.4%
<b>Net finance income</b>						0.8
<b>Adjusted profit before tax</b>						12.3
<b>Return on sales (ROS %)</b>						14.4%



# CONSOLIDATED STATEMENT OF CASH FLOWS



	Unaudited Half year to 30 June 2024		Unaudited Half year to 30 June 2023		Audited Year ended 31 December 2023	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>						
Profit for the financial period		8,876		8,504		18,362
Adjustments for:						
Depreciation and amortisation	975		1,193		2,343	
Loss on sale of property, plant and equipment	56		74		67	
Finance income	(1,458)		(866)		(2,095)	
Finance expense	37		48		123	
Tax expense recognised in the income statement	2,927		2,649		5,896	
Change in inventories	(1,682)		(163)		1,623	
Change in trade and other receivables	(405)		(2,096)		(1,549)	
Change in trade and other payables	1,971		(928)		384	
Change in pension obligations	(61)		(63)		(81)	
Fair value gain on derivative financial instruments	(30)		(344)		(285)	
		2,330		(496)		6,426
<b>Cash generated from operating activities</b>		<b>11,206</b>		<b>8,008</b>		<b>24,788</b>
Tax paid		(3,171)		(2,939)		(4,776)
<b>Net cash generated from operating activities</b>		<b>8,035</b>		<b>5,069</b>		<b>20,012</b>
<b>Cash flows from investing activities</b>						
Finance income	1,458		866		2,095	
Acquisition of property, plant and equipment	(146)		(138)		(479)	
Proceeds from sale of property, plant and equipment	15		-		192	
<b>Net cash generated from investing activities</b>		<b>1,327</b>		<b>728</b>		<b>1,808</b>
<b>Cash flows from financing activities</b>						
Payment of lease liabilities	(409)		(385)		(909)	
Dividends paid	(5,692)		(5,580)		(10,177)	
<b>Net cash used in financing activities</b>		<b>(6,101)</b>		<b>(5,965)</b>		<b>(11,086)</b>
Net increase/(decrease) in cash and cash equivalents		<b>3,261</b>		<b>(168)</b>		<b>10,734</b>
<b>Cash and cash equivalents at start of period</b>		<b>67,030</b>		<b>56,296</b>		<b>56,296</b>
<b>Cash and cash equivalents at end of period</b>		<b>70,291</b>		<b>56,128</b>		<b>67,030</b>



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