



**Nichols plc**

**HALF YEAR TO JUNE  
2022**

PRESENTED July 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**



# 2022 HIGHLIGHTS



- Encouraging revenue and earnings growth
- Continued market share gains in Squash within the UK
- Strong volume growth in the Middle East during Ramadan
- Continued strong investment in the Vimto brand
- Continued progress against our Happier Future ESG strategy
- Excellent progress on our operational change programme
- Plans in place to help mitigate significant inflation
- Full year Adjusted PBT outlook in line with expectations







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# MARKET UPDATE



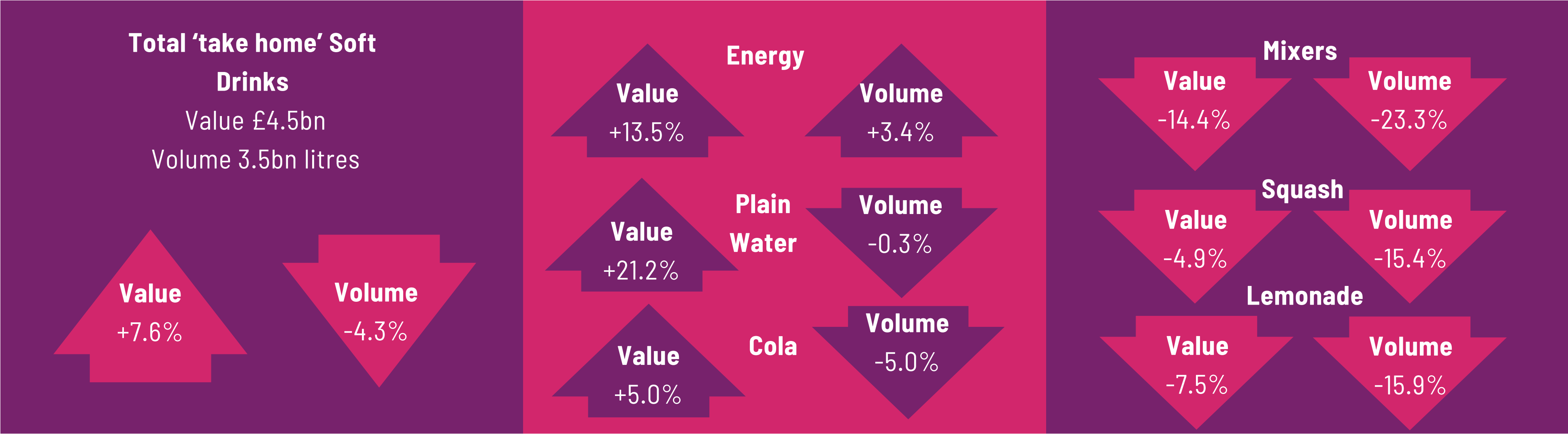
# UK SOFT DRINKS MARKET



## PERFORMANCE

## WINNERS

## LOSERS



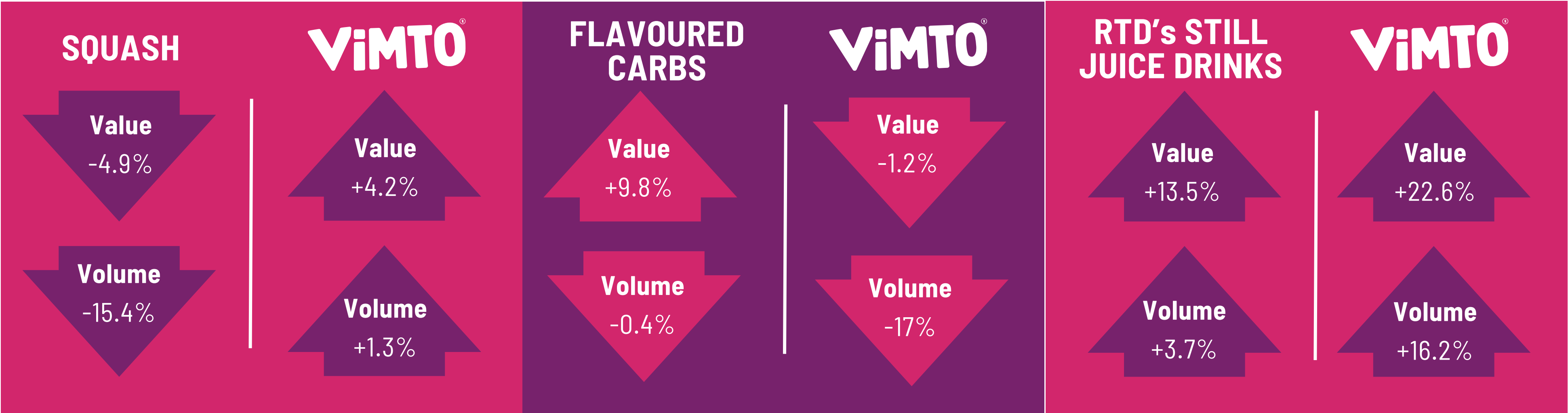
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- A resilient soft drinks market driving value over volume
  - Shoppers buying soft drinks at a higher price
- Energy consistently performing well, attracting new shoppers
  - Squash lapping lockdown in 2021
- Mixers suffering due to recovering OoH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

Source: Nielsen IQ RMS data for the Total Soft Drinks category for the YTD period ending 18.6.22 for the GB Total Coverage market. Kantar WPO 24 weeks to 12.6.22



# VIMTO GROWTH IN SQUASH & STILL



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- Brand Value £48.1m - Value +5.7%, Volume -3%
  - Value over volume
- Driving household penetration +700,000 in 5 years
  - Number 2 squash brand
- Fastest growing squash brand in category<sup>1</sup>

Source: Nielsen IQ RMS data for the Squash, Flavoured Carbonates, and RTD Stills categories for the YTD period ending 18.6.22 for the GB Total Coverage market. Squash brands >£29m<sup>1</sup>. Kantar WPO MAT 12.6.22 vs. MAT 17.6.18



# UK PACKAGED



Roll out of our new bottle across our squash portfolio



Strong flavour Innovation launched across the portfolio



Multipack Cans launched in cardboard



Strong in store promotions to drive consumer penetration



Strong TTL integrated marketing campaign



Largest van sales initiative launched to drive distribution and visibility



# Levi Roots

## Strong Momentum



**Levi Range achieving double digit growth and market outperformance**



**New distribution gains driving strong visibility and availability**



**Launch of a new clear plastic bottle as part of our Happier Future Strategy**



# INTERNATIONAL MIDDLE EAST



Outstanding market execution  
delivering strong in market sales  
performance



Launch of the first Zero cordial  
across the region



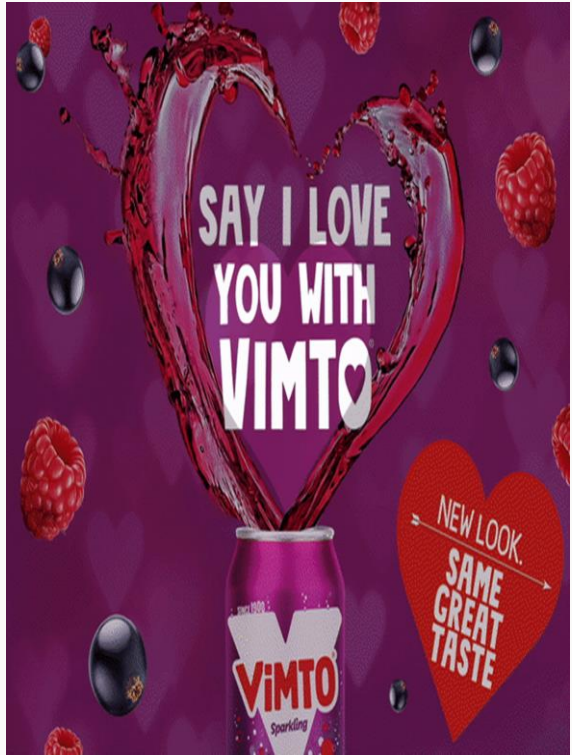
Strong brand investment in the  
'Sweet Togetherness' campaign



# INTERNATIONAL AFRICA



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



# OUT OF HOME



- Out of Home sector continues to recover
- Strong growth delivered in 2022 due to 2021 lockdowns
- 2022 is still behind 2019 Volume levels
- Progress has been made on the strategic review





# OUR HAPPIER FUTURE STRATEGIC FRAMEWORK



**EVERYONE MATTERS**

01

We pledge to improve the future for over 100 young people in our local communities, raising aspirations through skills development and career development opportunities.

**PRODUCTS WE'RE PROUD OF**

02

03

We will innovate to allow our consumers to make healthier choices.

All of our UK packaged products will contain 51% sustainably sourced rPET by end 2022. We are striving to reach 100% by 2025.

**OWNING OUR CLIMATE IMPACT**

04

We will reduce our impact on climate change by reducing absolute Scope 1 & Scope 2 Green House Gas emissions\* by 25% by 2025 and define our net zero roadmap.

\* 2018 baseline



# 2022 H1 ACHIEVEMENTS

INAUGURAL ESG  
REPORT

EVERYONE  
MATTERS

PRODUCTS  
WE'RE  
PROUD OF

OWNING  
OUR CLIMATE  
IMPACT



## People

Our Engagement Score – 85%

Established our first two community groups – Female Leaders and LGBTQ+

## Healthier Hydration

UKP HFSS compliance work completed

New NAS product launches in Vimto Carbonates and ICEE Limited Edition

## Green Energy

All UK locations now 100% Green Electrical Tariffs





NICHOLS PLC - HALF YEAR JUNE 2022

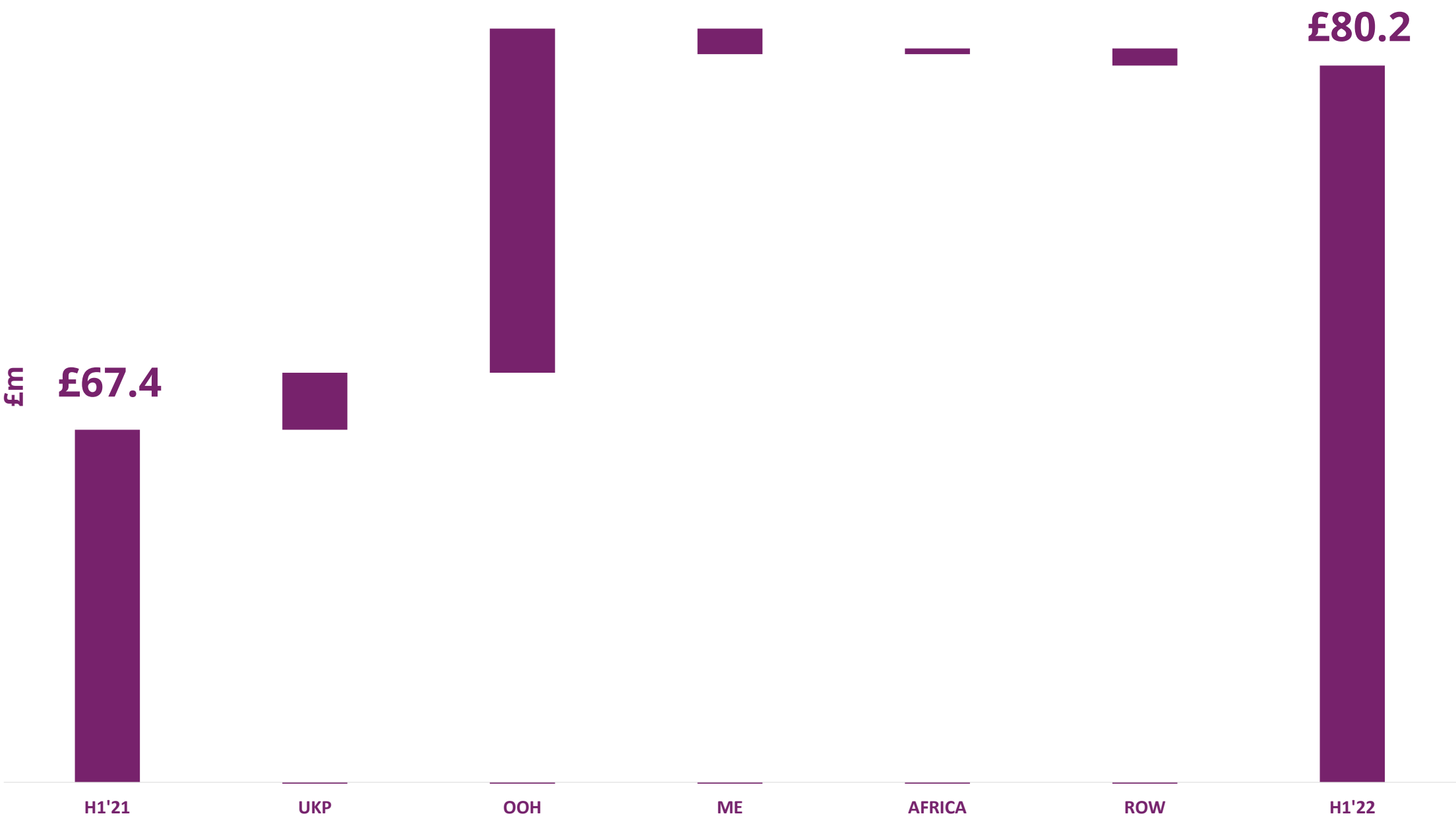
# FINANCIAL REVIEW



# REVENUE



	H1'22	H1'21	Movement
Revenue	80.2	67.4	19.1%

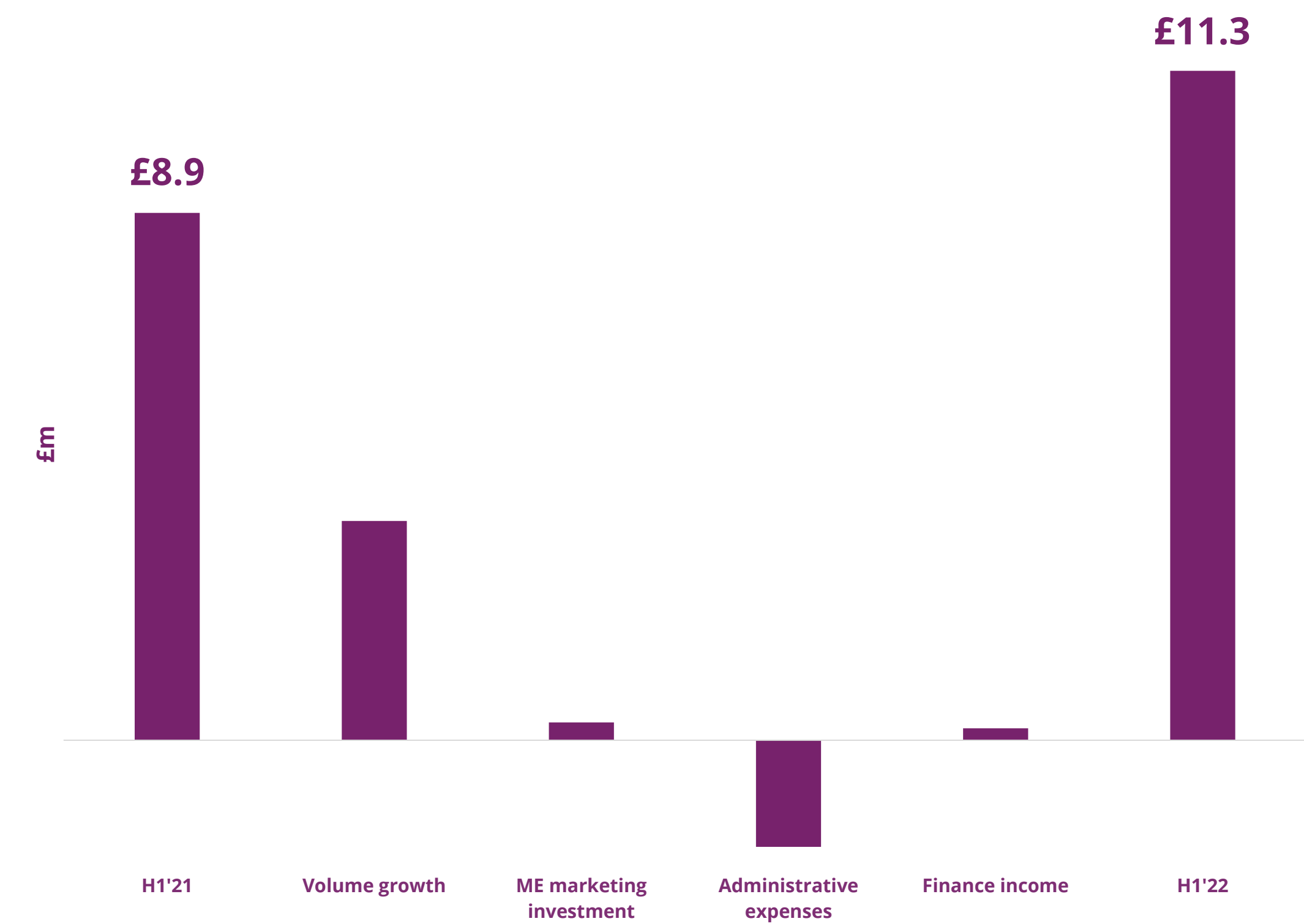


- **Still +4.9%, Carbonates +34.9%**
  - Strong OoH recovery
- **UK +29.3%**
- **UK packaged +5.1%**
  - Accelerated ingredient, packaging and distribution inflation
    - Overall soft drinks category down -4.3%
  - Vimto market outperformance
    - Volumes broadly flat
    - Dilutes & RTD
  - Levi Roots and Feel Good, +37.3%
- **OoH recovery from 2-year pandemic, +131.9%**
  - Prior year H1 impacted by lockdown
  - Revenues now ahead of H1 2019
    - ICEE roll out through 2019 and Q1 2020
- **International -7.2%**
- **Middle East down -18.5%**
  - Shipment phasing
  - In market volumes of cordial encouraging, up +10%
- **Africa up +2.0%**
  - Strong recovery following Q1 shipment challenges
    - (Q1 -4%, Q2 +11%)
- **Rest of World -16.8%**
  - US -54.1%, constrained by shortage of shipping containers
  - Continued progress in Europe +18.6%

# ADJUSTED PBT



	H1'22	H1'21	Movement
Adjusted profit before tax	11.3	8.9	26.7%



- Gross Profit up +£4.5m
- Gross Margin % -1.6ppt to 42.8%
  - lower margin carbonate revenues as OoH reopens
- Significant and accelerating inflationary pressures
  - Ingredient, Packaging and Distribution
  - Diversified business model
  - Appropriate balancing mitigation in H1
    - Dilutes production
    - Operational efficiency
    - Customer price
- Volume growth +£4.2m
  - Out of Home cost recovery
- Administrative expenses -£1.8m
  - Out of Home normalisation
  - UK and International growth capability
    - Commercial and Operational
  - Marketing
    - 'Find Your Different' campaign
- Finance +£0.2m
  - Interest, cash balances and pension surplus

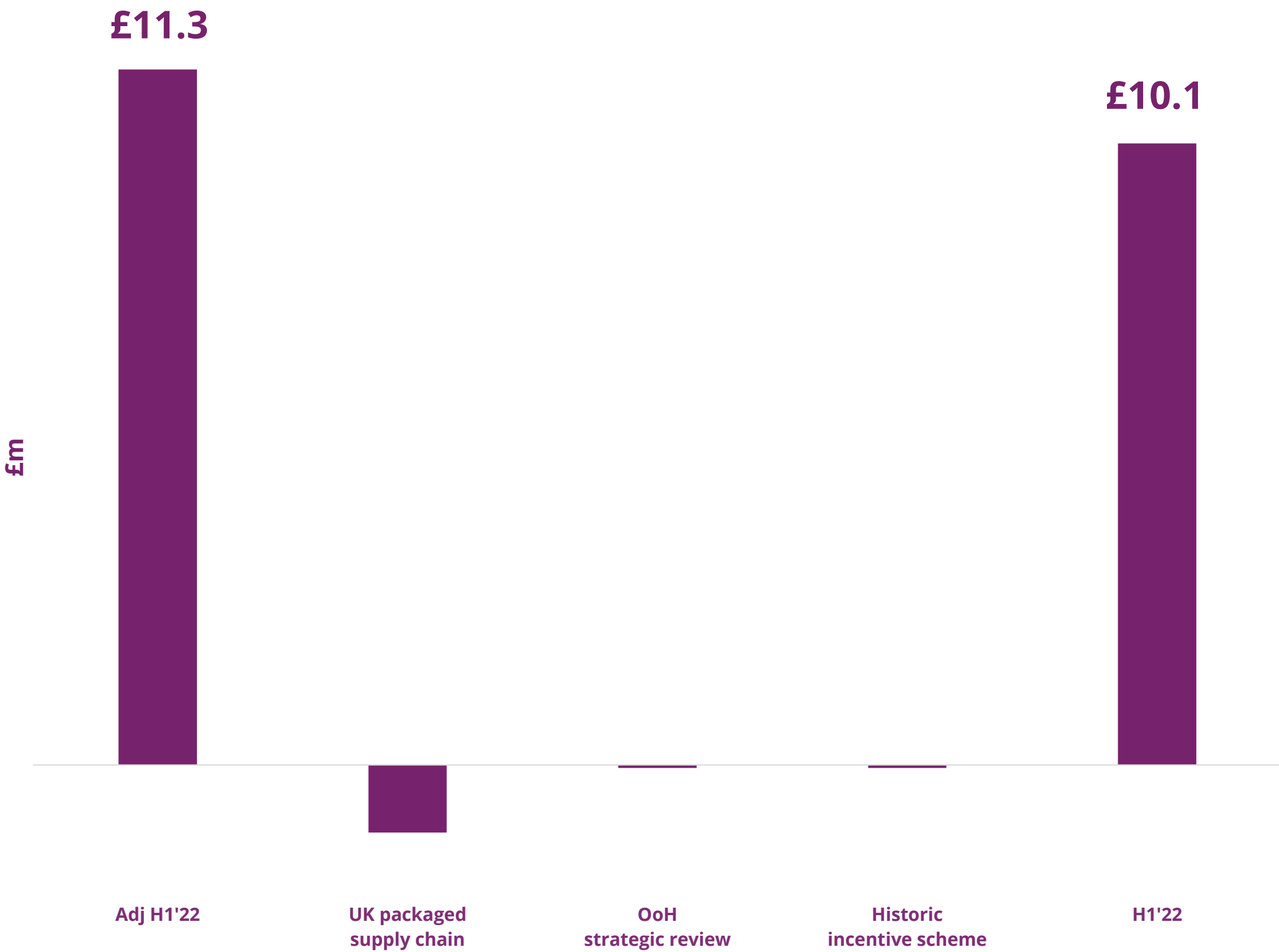




# PBT - EXCEPTIONALS



	Adj H1'22	H1'22
Profit before tax	11.3	10.1



- **Total exceptional costs -£1.2m**
  - H1 21: £0.3m
- **UK Packaged Supply Chain -£1.1m**
  - Dilutes production moved to new contract manufacturer
  - Successfully completed
- **Out of Home Strategic Review -£0.1m**
  - Strategic review commenced during the period
  - Further costs expected in H2 2022
  - Board expects to report on findings end of financial year
- **Historic incentive scheme -£0.1m**
  - Provided for in FY 2021
  - Ongoing legal fees

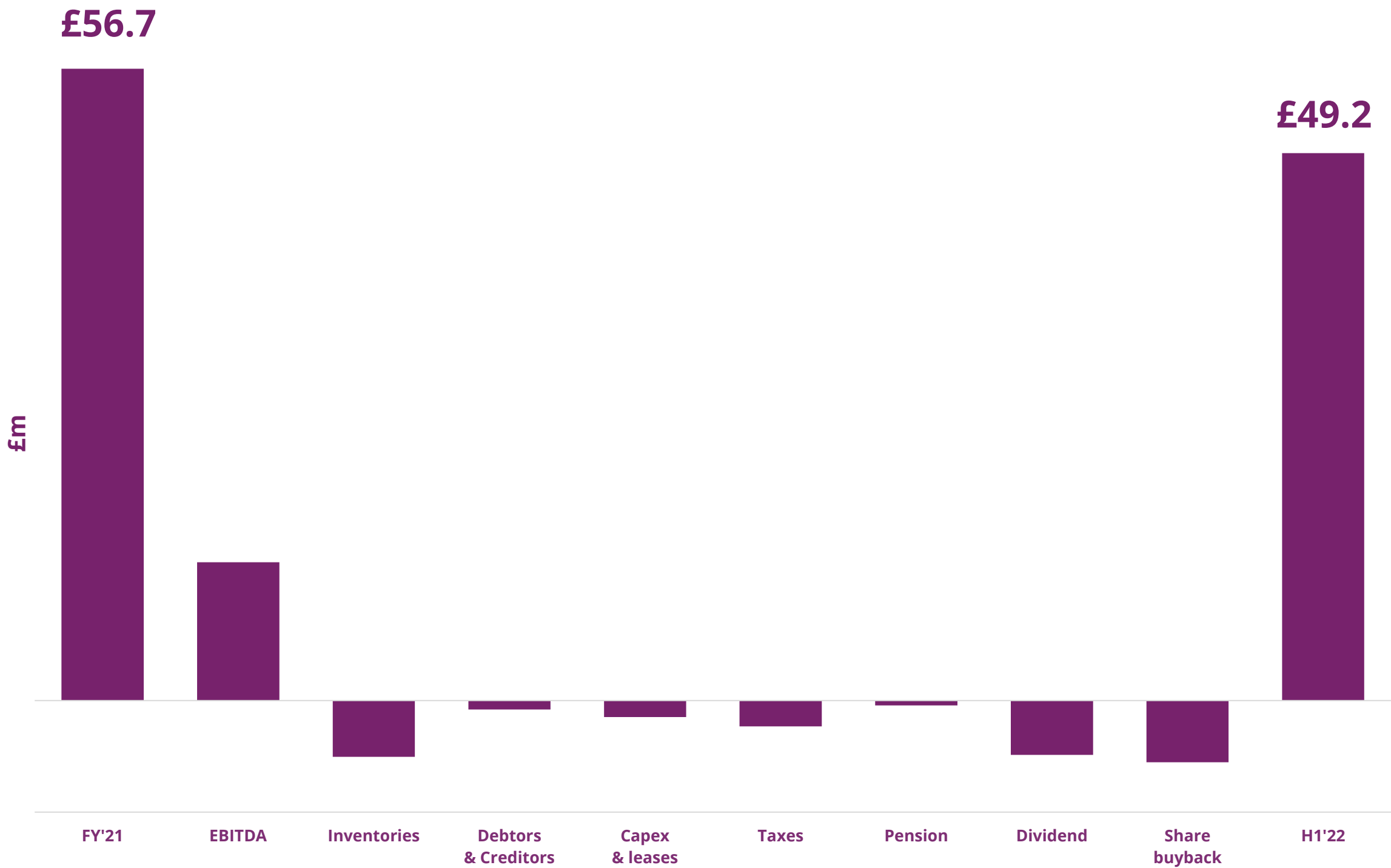




# Net Assets and Capital Employed



	H1'22	FY'21	Movement
Cash and Cash Equivalents	49.2	56.7	(13.2%)



- Strong and improving EBITDA +£12.4m at 15.5%
- Reinvestment in Working Capital -£5.9m
  - Out of Home
  - Dilutes contract manufacturing
  - Inflation
- Capital Investment -£0.9m
  - Higher financial hurdles for Out of Home
- Share buy back -£5.5m
  - SAYE and Management incentives
  - Programme completed H1
- Pension surplus now £6.6m
  - De-risking of assets completed H2 2021
- Return on Capital Employed 25.2%
  - Now a KPI
  - Cash balance opportunity

NICHOLS PLC - HALF YEAR JUNE 2022





# Interim Dividend

- Dividend policy is broadly 2x cover
- Adjusted Earnings Per Share (basic) 24.8p, therefore
  - Interim dividend of 12.4p
  - Record date will be 5 August 2022
  - Payment will be made on 9 September 2022





# Financial Outlook

- FY 2022 Group Adjusted PBT expectations<sup>1</sup> remain unchanged
- **Significant inflation**
  - 13.6% underlying for FY 2022
  - Mitigation plans in place
- **Accelerating inflation**
  - 13.6% full year, is as thought, more weighted to H2
- Inflation appears longer lasting than thought in Q4 2021 and Q1 2022
- Cost of living crisis impact is softening demand
- **Creating an environment that has potential for earnings impact for FY 2023**
  - Monitor and plan
  - Update market as things become clearer

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





# LOOKING AHEAD





# GOOD MOMENTUM ON OUR 5 KEY STRATEGIC DRIVERS



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



Targeted approach to M and A



A clear set of commitments on our Happier Future ESG strategy



# SUMMARY



- The strength of the diverse business has been a key factor again in 2022.
- Highly profitable and cash generative with a strong balance sheet
- Good momentum on 5 strategic drivers
- Confident in delivering our long-term strategic objectives and continued profitable growth





# THE APPENDICES



# APPENDICES

## Consolidated Income Statement



NICHOLS PLC - HALF YEAR JUNE 2022

	Unaudited Half year to 30 June 2022 £'000	Unaudited Half year to 30 June 2021 £'000	Audited Year ended 31 December 2021 £'000
<b>Continuing operations</b>			
Revenue	80,232	67,392	144,328
Cost of sales	(45,880)	(37,448)	(79,153)
<b>Gross profit</b>	<b>34,352</b>	<b>29,944</b>	<b>65,175</b>
Distribution expenses	(4,651)	(4,244)	(9,129)
Administrative expenses	(19,667)	(16,945)	(73,601)
<b>Operating profit/(loss)</b>	<b>10,034</b>	<b>8,755</b>	<b>(17,555)</b>
Finance income	126	24	57
Finance expenses	(63)	(149)	(158)
<b>Profit/(loss) before taxation</b>	<b>10,097</b>	<b>8,630</b>	<b>(17,656)</b>
Taxation	(1,969)	(1,640)	(4,512)
<b>Profit/(loss) for the period</b>	<b>8,128</b>	<b>6,990</b>	<b>(22,168)</b>
Earnings/(loss) per share (basic)	22.22p	18.93p	(60.04p)
Earnings/(loss) per share (basic)	22.19p	18.91p	(60.04p)
<b>Adjusted for exceptional items</b>			
Operating profit/(loss)	10,034	8,755	(17,555)
Exceptional items	1,173	267	39,477
<b>Adjusted operating profit</b>	<b>11,207</b>	<b>9,022</b>	<b>21,922</b>
Profit/(loss) before taxation	10,097	8,630	(17,656)
Exceptional items	1,173	267	39,477
<b>Adjusted profit before taxation</b>	<b>11,270</b>	<b>8,897</b>	<b>21,821</b>
Adjusted earnings per share (basic)	24.80p	19.52p	46.15p
Adjusted earnings per share (diluted)	24.77p	19.49p	46.09p



# APPENDICES



## Consolidated Statement of Financial Position

	Unaudited 30 June 2022 £'000	Unaudited 30 June 2021 £'000	Audited 31 December 2021 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16,073	18,706	17,099
Goodwill	-	36,244	-
Intangibles	5,226	5,866	5,546
Pension surplus	6,621	3,925	5,276
<b>Total non-current assets</b>	<b>27,920</b>	<b>64,741</b>	<b>27,921</b>
<b>Current assets</b>			
Inventories	14,751	6,563	9,706
Trade and other receivables	38,548	36,917	36,124
Corporation tax recoverable	1,017	1,062	743
Cash and cash equivalents	49,167	47,427	56,674
<b>Total current assets</b>	<b>103,483</b>	<b>91,969</b>	<b>103,247</b>
<b>Total assets</b>	<b>131,403</b>	<b>156,710</b>	<b>131,168</b>

	Unaudited 30 June 2022 £'000	Unaudited 30 June 2021 £'000	Audited 31 December 2021 £'000
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	30,193	25,860	28,791
Provisions	4,242	-	4,242
<b>Total current liabilities</b>	<b>34,435</b>	<b>25,860</b>	<b>33,033</b>
<b>Non-current liabilities</b>			
Other payables	1,953	2,724	1,954
Deferred tax liabilities	3,307	2,024	3,155
<b>Total non-current liabilities</b>	<b>5,260</b>	<b>4,748</b>	<b>5,109</b>
<b>Total liabilities</b>	<b>39,695</b>	<b>30,608</b>	<b>38,142</b>
<b>Net assets</b>	<b>91,708</b>	<b>126,102</b>	<b>93,026</b>

	Unaudited 30 June 2022 £'000	Unaudited 30 June 2021 £'000	Audited 31 December 2021 £'000
<b>EQUITY</b>			
Share capital	3,697	3,697	3,697
Share premium reserve	3,255	3,255	3,255
Capital redemption reserve	1,209	1,209	1,209
Other reserves	943	306	676
Retained earnings	82,604	117,635	84,189
<b>Total equity</b>	<b>91,708</b>	<b>126,102</b>	<b>93,026</b>



# APPENDICES



## Consolidated Cash Flow

	Unaudited Half year to 30 June 2022		Unaudited Half year to 30 June 2021		Audited Year ended 31 December 2021	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cash flows from operating activities</b>						
Profit/(loss) for the financial period		8,128		6,990		(22,168)
Adjustments for:						
Depreciation and amortisation	2,318		2,464		4,969	
Impairment losses on goodwill and intangible assets	-		-		36,244	
Loss on sale of property, plant and equipment	61		8		63	
Finance income	(126)		(24)		(57)	
Finance expense	63		149		158	
Tax expense recognised in the income statement	1,969		1,640		4,512	
Change in inventories	(5,045)		(642)		(3,785)	
Change in trade and other receivables	(2,939)		(7,774)		(6,804)	
Change in trade and other payables	2,110		4,457		7,429	
Increase in provisions	-		-		4,242	
Change in pension obligations	(435)		(402)		(846)	
Fair value loss/(gain) on derivative financial instruments	515		-		(178)	
		(1,509)		(124)		45,947
<b>Cash generated from operating activities</b>		6,619		6,866		23,779
Tax paid		(2,319)		(2,094)		(3,878)
<b>Net cash generated from operating activities</b>		4,300		4,772		19,901
<b>Cash flows from investing activities</b>						
Finance income	126		24		57	
Proceeds from sale of property, plant and equipment	-		-		2	
Acquisition of property, plant and equipment	(913)		(632)		(1,239)	
Payment of contingent consideration	(71)		(67)		(67)	
<b>Net cash used in investing activities</b>		(858)		(675)		(1,247)
<b>Cash flows from financing activities</b>						
Payment of lease liabilities	(554)		(715)		(1,189)	
Purchase of own shares	(5,534)		-		(1,217)	
Dividends paid	(4,861)		(3,249)		(6,868)	
<b>Net cash used in financing activities</b>		(10,949)		(3,964)		(9,274)
Net (decrease)/increase in cash and cash equivalents		(7,507)		133		9,380
<b>Cash and cash equivalents at start of period</b>		56,674		47,294		47,294
<b>Cash and cash equivalents at end of period</b>		49,167		47,427		56,674



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

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