

**HILTON  
FOODS**

# **HILTON FOODS INTERIM RESULTS**

**2023**





# Cautionary Statement

This investor presentation contains forward-looking statements that are subject to risks and uncertainties. These forward-looking statements are based on current expectations and assumptions relating to anticipated events and circumstances which may be beyond Hilton Foods control. Words such as 'aim', 'anticipate', 'believe', 'consider', 'estimate', 'expect', 'goal', 'intend', 'may', 'plan', 'potential', 'should', 'target' and other words and phrases of similar meaning including the negative of these terms are generally but not always used to infer forward-looking statements. Forward-looking statements are not a guarantee of future performance or outcomes. Neither Hilton Foods or any of its associates or directors provides any guarantee that any occurrence or event expressed in a forward-looking statement will actually occur. Undue reliance should not be placed on these statements.

These forward-looking statements are made as of the date of this presentation and based on risk factors and uncertainties that we believe to be reasonable at the time of writing. After this date and except as required by law or regulation, Hilton Foods does not undertake to publicly update or review these forward-looking statements to reflect any change to expectations, new information, or otherwise on which the statement may have been based.

Actual results and events could differ substantially from those implied in the forward-looking statements for a multitude of reasons including but not limited to domestic and global macroeconomic and political factors, changes to consumer purchasing strategies, industry trends, changes to customer relationships, supply chain disruption, volatility in raw material and commodities markets, cyber-security, the recruitment and retention of talented employees, significant incidents such as fire, flood, pandemic or interruption of supply of key utilities, the production of safe and high quality products, interest rates and currency movements and the impact of changes to tax and other legislation. Further detail on the principal risks and uncertainties faced by the Group are detailed in the Hilton Food Group Plc 2022 Annual report.



# AGENDA

## Highlights & Business Overview

Steve Murrells CBE, Group CEO

## H1 Performance Summary

Matt Osborne, Group CFO

## Business Update

Steve Murrells CBE, Group CEO

## H2 Priorities & Outlook

Steve Murrells CBE, Group CEO

## Q&A

Steve Murrells CBE, Group CEO

Matt Osborne, Group CFO





# Business Highlights – good progress in the first half

- ▶ Robust financial performance
  - ▶ Trading in line with market expectations in H1
  - ▶ Revenue +5.2%; volume resilient +0.2% having worked hard to mitigate raw material inflation
  - ▶ Strong performance in APAC as revenue and volume grow by c.7%
- ▶ Strong operational performance
  - ▶ Core meat category remains resilient; new business wins in red meat and poultry
  - ▶ Food service performing strongly with robust pipeline of new business wins
  - ▶ Decisive management of seafood category; recovery on track
  - ▶ Strong new business pipeline for Easier Meals with Tesco; launch of Swedish Food Park
- ▶ Continued progress on ESG
  - ▶ Packaging innovation in free flow mince, saving 690tns of plastic in Europe with UK trial currently in progress
  - ▶ Submitted ambitious SBTi targets

# H1 Performance Summary

Revenue\*

**+5.2%**

£2.1bn

Volume

**+0.2%**

272,321 t

EBIT

**+1.4%**

£41.8m

Underlying free cash flow

**£36.9m**

Net debt: EBITDA 1.8x

EPS

**21.6p**

-22.8%

Interim dividend

**9.0p**

+26.8%

# Hilton Foods has all the right attributes in place

- ▶ Real USP, supply chain leadership and strong product offer
- ▶ Dedicated to long-term partnerships across international markets
- ▶ Strength and depth of talented team
- ▶ Opportunities for growth ahead – across geographies and product offer
- ▶ All underpinned by strong financial position and industry leading ESG credentials



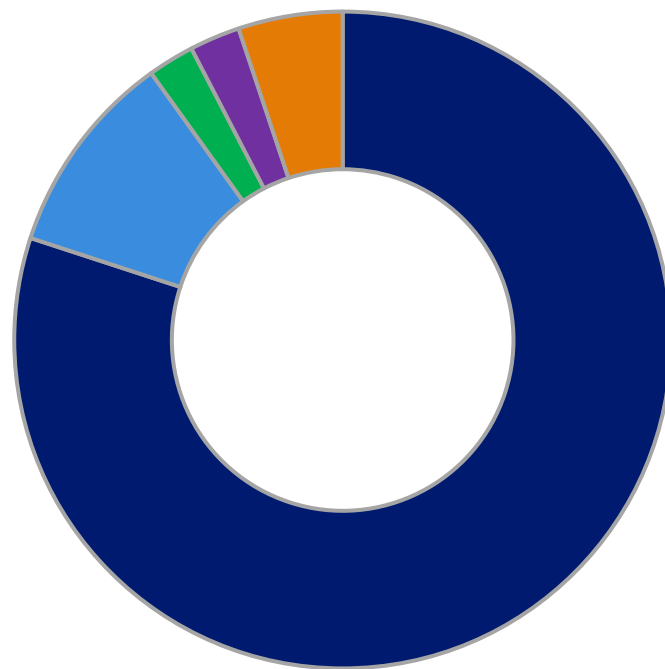
# Driving long-term sustainable value

Ambition to be the international food and supply chain services partner of choice

## Outstanding food products

We create and produce award winning multi-category food products for retail, foodservice and wholesale best placed to meet consumer needs

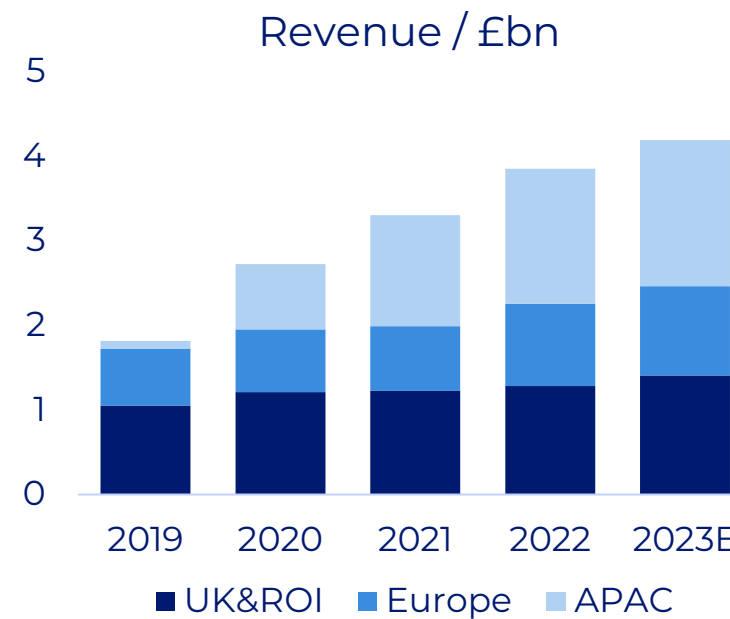
2022 Revenue



- Meat
- Fish
- Vegan & Vegetarian
- Easier Meals
- Food Service/Trading

## Growing across international markets

Long term partnerships spanning almost 30 years with leading international retailers



## Industry leading technology

Efficient highly automated food processing, production, sortation and logistics services



Integration into our tech stack delivers us competitive edge and commercialisation for revenue and profit growth

## The Sustainable Protein Plan (People, Planet, Product)



# Significant growth opportunities remain across categories, channels and countries

Innovation within existing partnerships



Cross sales of our product portfolio



New partnerships



	UK	Ireland	Holland	Denmark	Sweden	C. Europe	Portugal	Australia	New Zealand	Singapore	China	North America
Meat												
Seafood												
Vegan & Vegetarian												
Easier Meals												
Food Service												



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A close-up photograph of a white ceramic bowl filled with a rich, brown beef soup. The soup contains large chunks of tender beef, several whole baby potatoes, and sliced carrots. It is garnished with fresh green herbs. A silver spoon is partially submerged in the soup on the left side. The bowl sits on a light-colored, textured surface.

**PERFORMANCE  
SUMMARY**



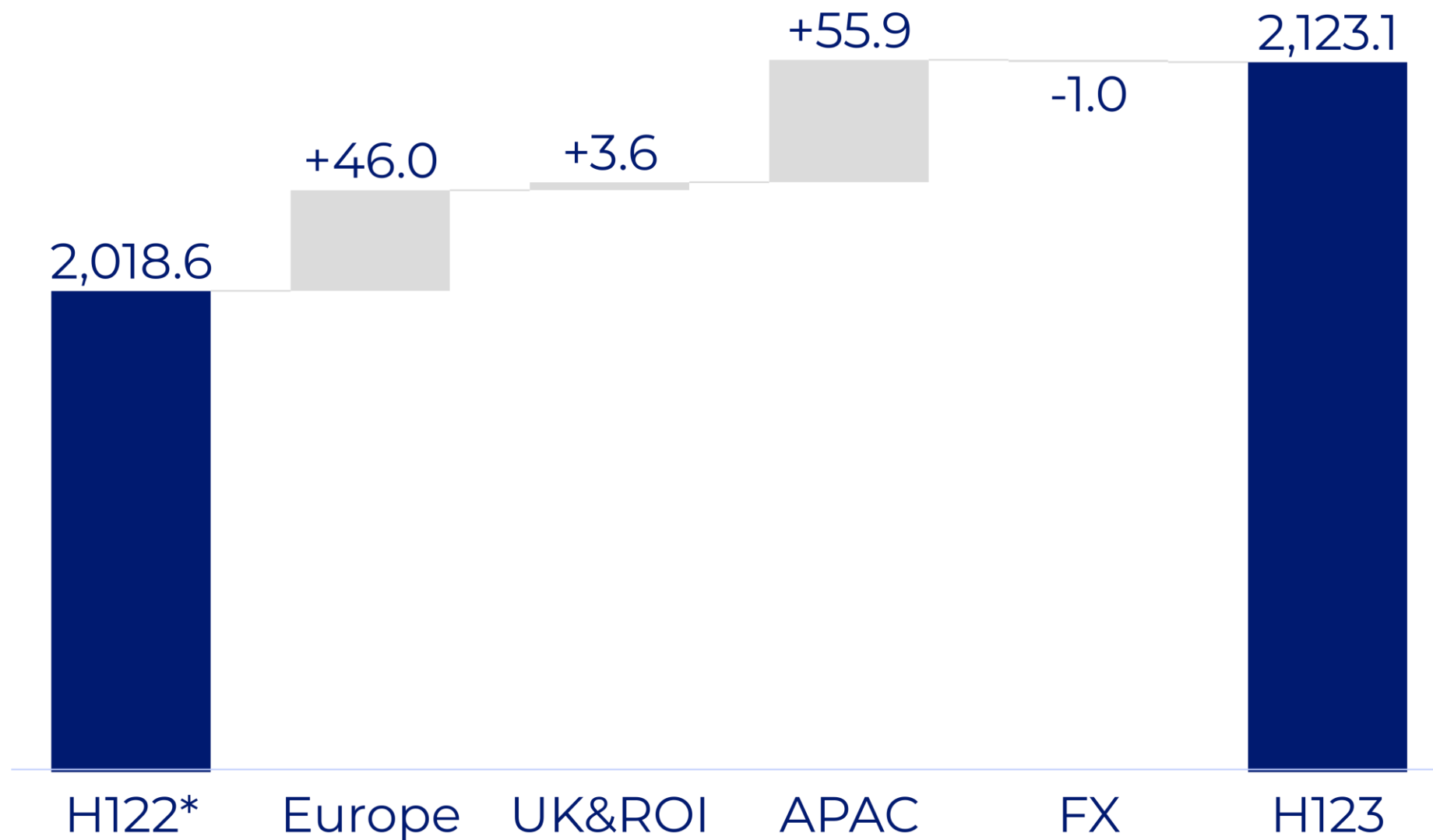
# H1 Performance Highlights

	H1 23	H1 22	%
Volume / t	<b>272,321</b>	271,708	+0.2%
Revenue / £m	<b>2,123.1</b>	2,018.6*	+5.2%
Operating profit / £m	<b>41.8</b>	41.2	+1.4%
Operating profit margin	<b>2.0%</b>	2.0%	-
Profit before tax /£m	<b>26.8</b>	34.4	-22.2%
Adjusted EPS / p	<b>21.6</b>	28.0	-22.9%
Interim dividend per share /p	<b>9.0</b>	7.1	+26.8%
Capex / £m	<b>27.8</b>	26.0	+\$1.8m
Net debt /£m	<b>217m</b>	212m*	+\$5m



# Group revenue growth

Revenue growth / £m

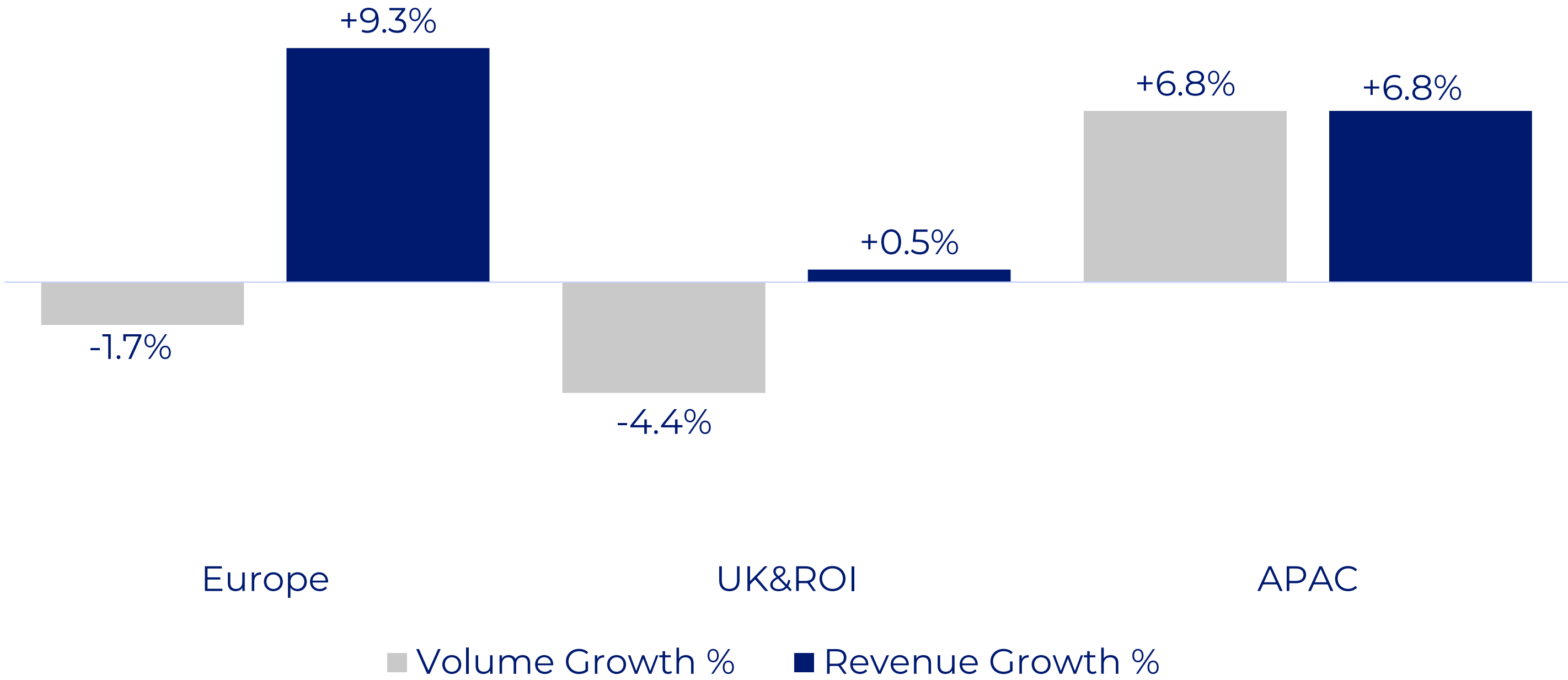


- ▶ + 5.2% constant currency revenue growth
  - ▶ Volume growth +0.2%
  - ▶ YoY price impact +5.0%
  - ▶ Change in mix +0.2%
  
- ▶ LFL revenue growth +3.8%
  
- ▶ Revenue impacted by:
  - ▶ Significant contribution from the Foppen acquisition within Europe
  - ▶ Strong APAC volumes
  - ▶ Continued inflationary impact to revenues
  - ▶ Volume pressure in UK and Europe

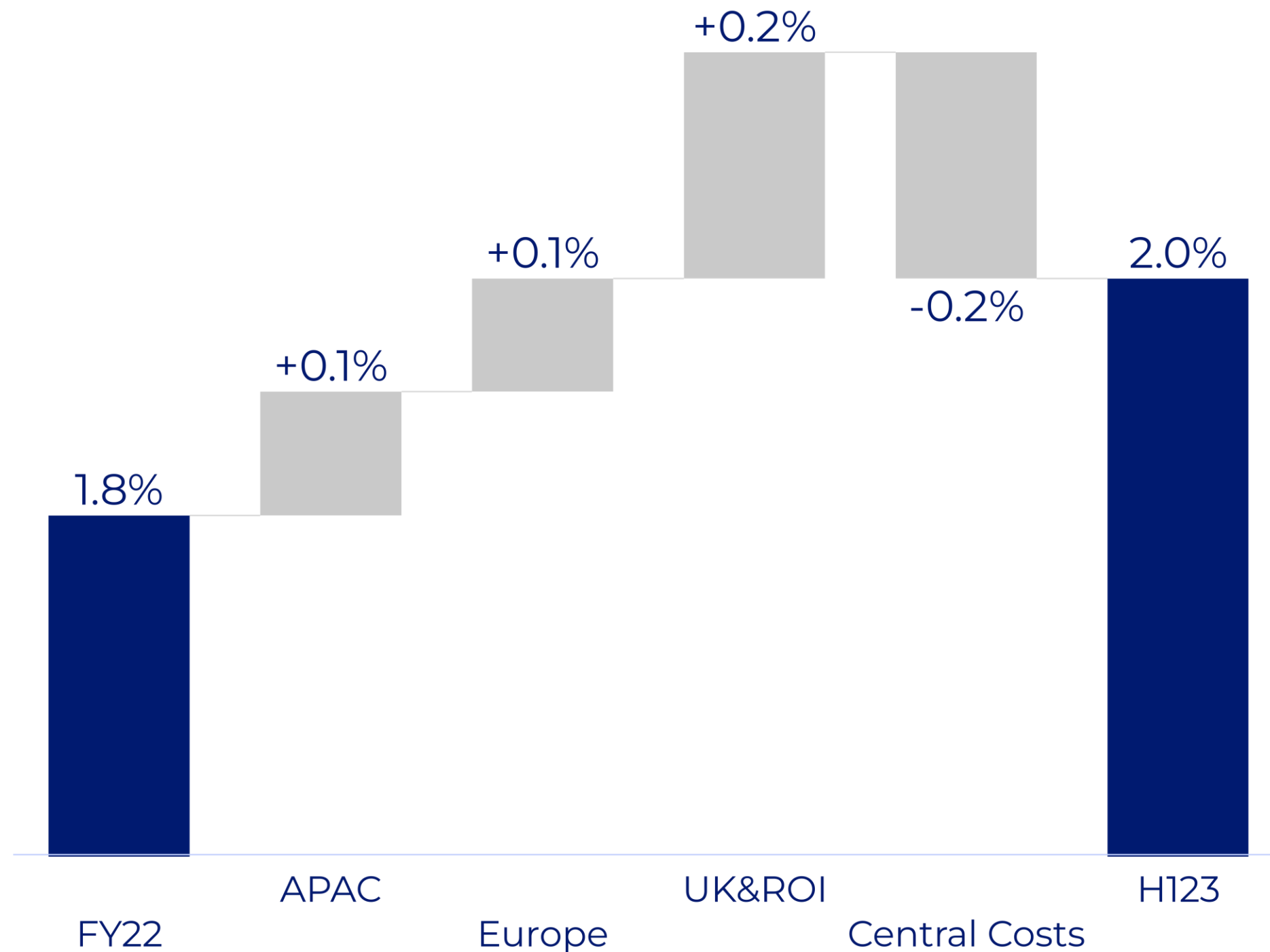


# Regional Revenue Growth; particularly strong performance from APAC region

Volume / Revenue\* Development by Region



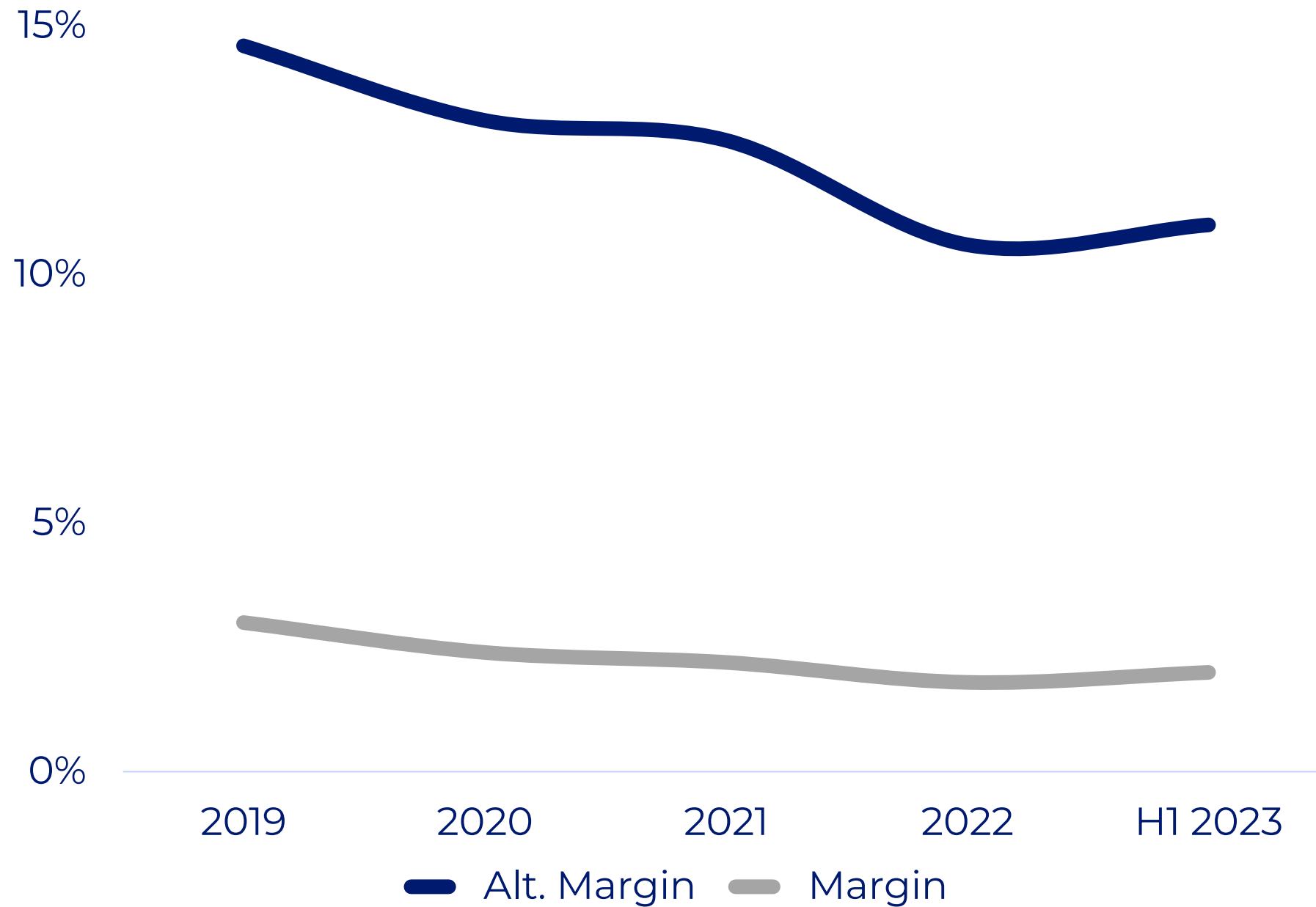
# Operating Profit Margin Progression



- ▶ UK & ROI benefits from Seafood turnaround
- ▶ Increased interest recovery in APAC
- ▶ Offset by normalised central costs



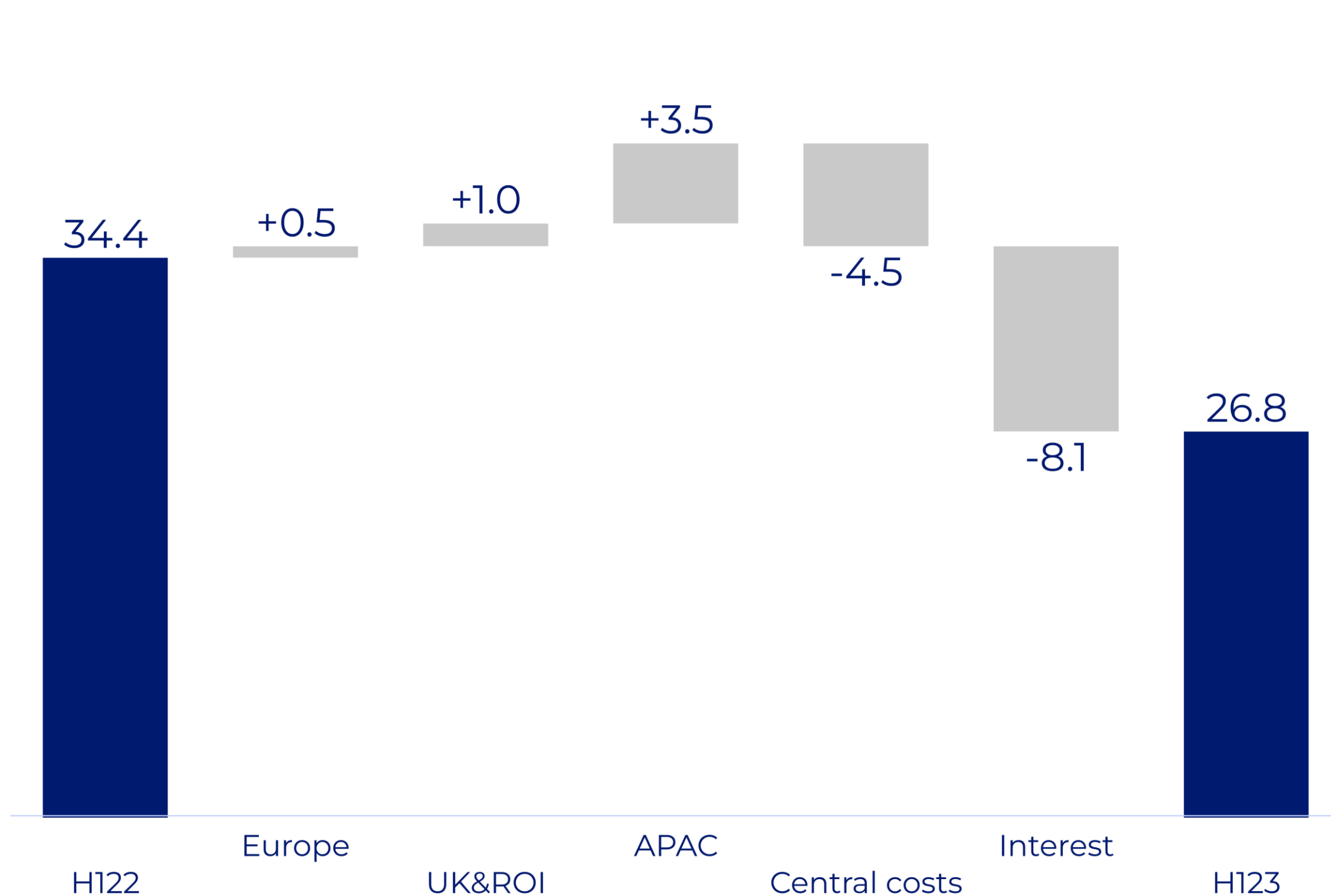
# Viewing Hilton's margin performance through a different lens



- ▶ Viewing Hilton Foods as a services business
  - ▶ We achieve double digit margins on our conversion costs
  
- ▶ Resilient cash margin
  - ▶ % margin impacted by wider inflationary cost increases
  
- ▶ Our de-risked, cost pass-through model generates low single digit margins

# PBT Progression

PBT / £m



- ▶ EBIT growth in all regions
- ▶ UK & ROI
  - ▶ Seafood turnaround
  - ▶ Resilient core performance
- ▶ Europe
  - ▶ Full period of Foppen acquisition
  - ▶ Strong performance in CE and Scandinavia
- ▶ APAC
  - ▶ Volume growth
  - ▶ EBIT benefits from interest cost recovery
- ▶ Normalisation of central costs
- ▶ Increasing interest costs impacting PBT



# Strong free cashflow generation

£m	H1 23	H1 22	+/-
EBITDA	67.5	66.6	+0.9
Working capital & other	0.3	(43.4)	+43.8
Tax & Interest	(21.2)	(15.2)	-6.0
<b>Operating cash flow</b>	<b>46.6</b>	<b>8.0</b>	<b>+38.6</b>
Maintenance capex	(9.7)	(9.0)	-0.7
<b>Underlying FCF</b>	<b>36.9</b>	<b>(1.0)</b>	<b>+37.9</b>
Expansionary capex	(18.1)	(17.0)	-1.1
<b>Free cash flow**</b>	<b>18.8</b>	<b>(18.0)</b>	<b>+36.8</b>

<b>Net Debt</b>	<b>216.7</b>	<b>211.9*</b>	<b>+4.8</b>
<b>Net debt : EBITDA</b>	<b>1.8x</b>	<b>1.8x</b>	<b>-</b>

- ▶ Highly cash generative core business
  - ▶ H1 operating cash conversion 2.3x
- ▶ Comfortable leverage
  - ▶ Annualised Net debt : EBITDA 1.8x
- ▶ Floating rate interest
  - ▶ +3.9% pts increase in blended interest rate YoY

# Capex – focused investments delivering strong returns

- ▶ UK automation programme improving efficiency
- ▶ Swedish Food Park – launches in Q3
  - ▶ £9m investment
  - ▶ Broadening customer product portfolio
  - ▶ Supplementing a great first half performance with strong revenue and profit growth
- ▶ Full year capex guidance c£55-60m
- ▶ FY24 targeted core spend c£50-55m

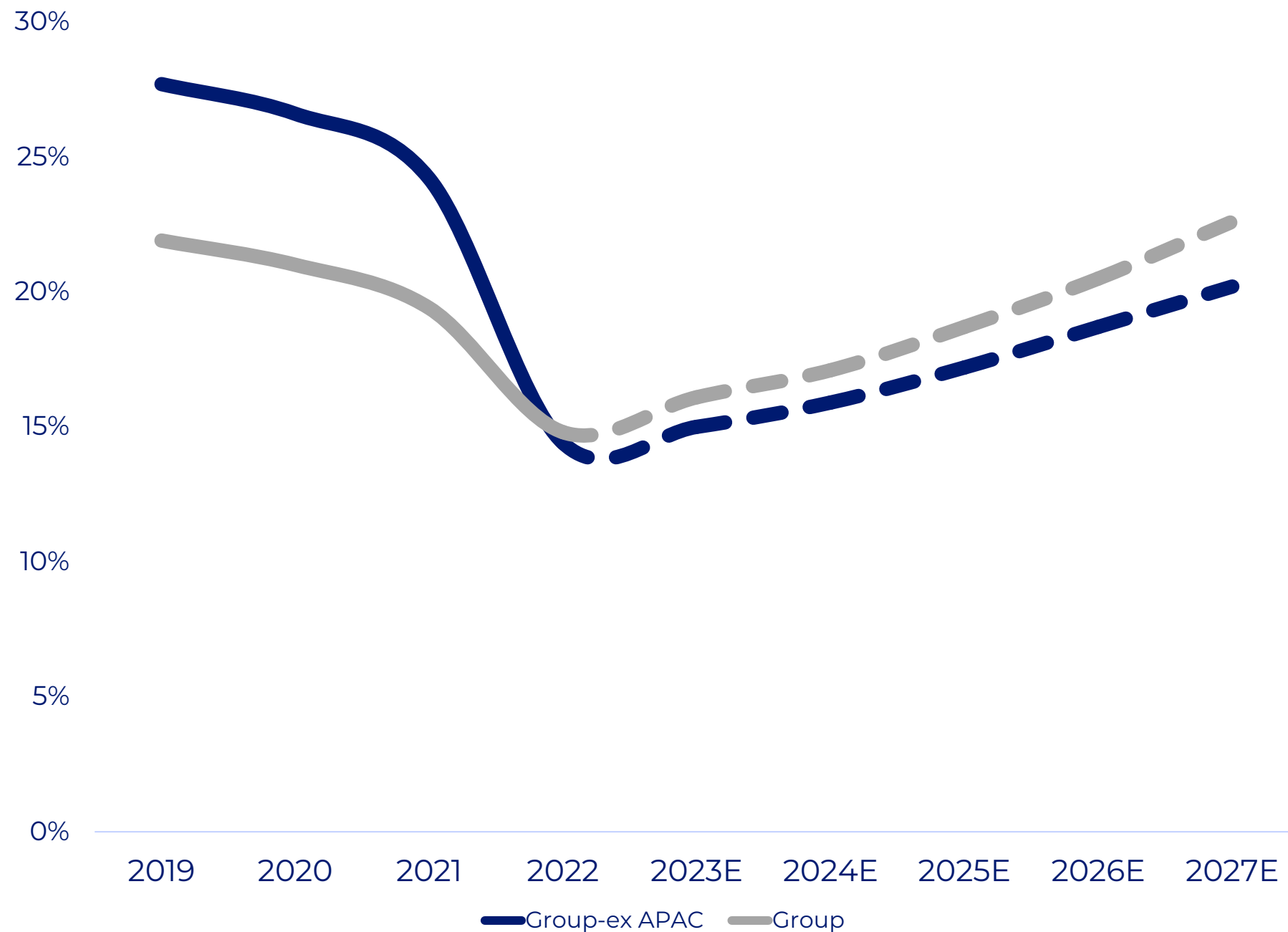
£m	H1 23	H1 22	+/-
Expansionary capex	18.1	17.0	+1.1
Maintenance capex	9.7	9.0	+0.7
<b>Total</b>	<b>27.8</b>	<b>26.0</b>	<b>+1.8</b>

£m	H1 23	H1 22	+/-
UK&ROI	12.8	17.5	-4.7
Europe	13.2	4.6	+8.6
APAC	1.7	3.9	-2.2
Other	0.1	-	+0.1
<b>Total</b>	<b>27.8</b>	<b>26.0</b>	<b>+1.8</b>



# Taking action to improve returns over time

ROCE Progression



▶ **Strong returns over the life of our long-term partnerships**

▶ **APAC**

- ▶ Sustained YoY ROCE improvements as capital matures
- ▶ Positive impact on Group ROCE
- ▶ £103m operating cash generated from FY19 to present day

▶ **ROCE impacted by:**

- ▶ Structural shift following strategic M&A
- ▶ APAC expansion – “immature” capital
- ▶ UK Seafood performance

▶ **Further ROCE improvements as:**

- ▶ Seafood turnaround plan is executed
- ▶ Longer term benefits of margin accretive acquisitions delivered





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**BUSINESS UPDATE**



# Highlights in H1 2023 - Driving our multi-category offer



Strength in core retail and food service



Recovery on track



Responding to changing consumer dynamics



Continued growth momentum



Underpinned and enhanced by our growing supply chain service offer



# Strength within our core meat category

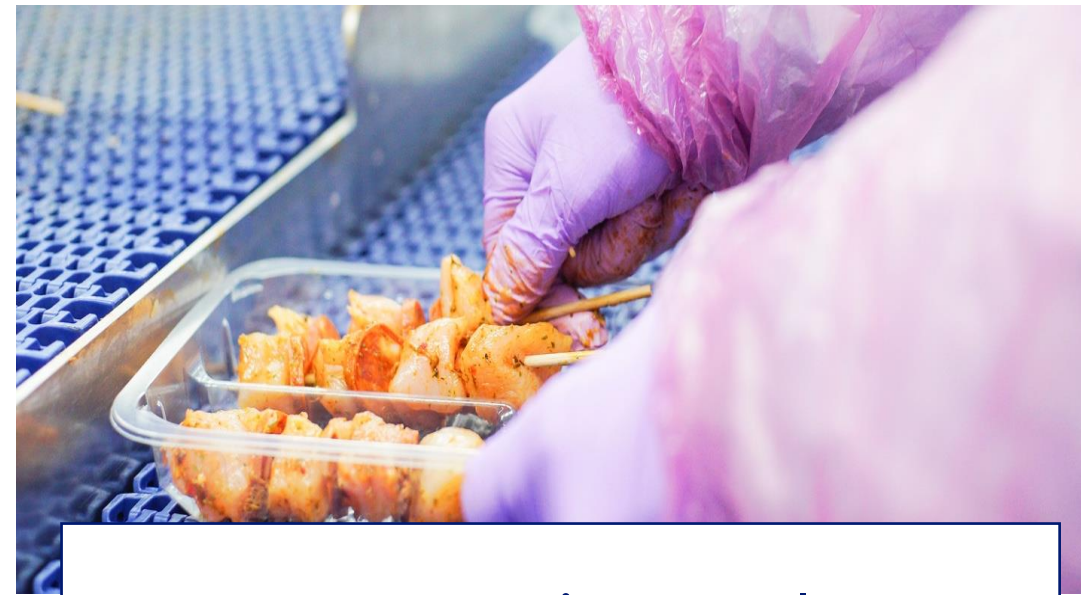


## Resilience in the face of cost-of-living crisis

Strong growth in APAC and new regional CEO leadership

New business in the frozen meat category in Europe

Strategic automation programme



## Progress in poultry

European business wins in retail poultry

Diversification into fresh poultry through existing partnership with ICA



## More sustainable packaging formats

70% less packaging

690tns of plastic saved in Holland and Sweden

Further saving of 660tns if rolled out after UK and Ireland trials

Same great product quality and consumer use at home with positive shopper recognition



# Strong growth within the foodservice sector

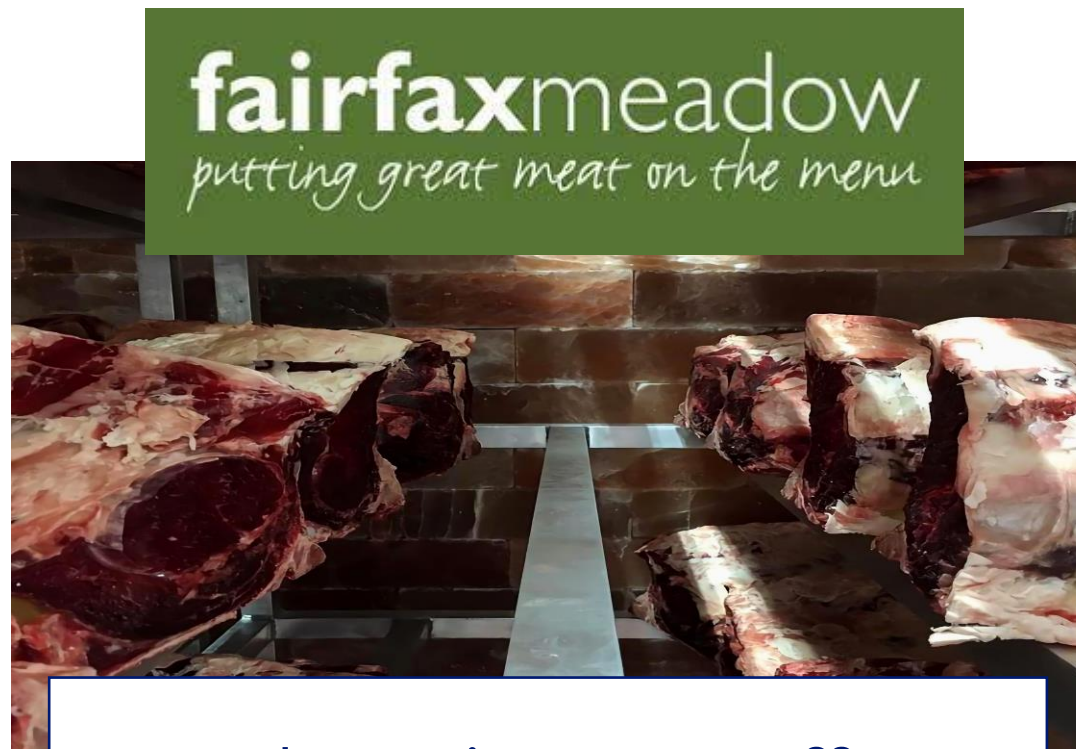


Performing strongly

Fairfax Meadow customer base strategically well-placed and performing strongly

Winning new customers creating robust pipeline for growth

New business wins in UK foodservice sector



Enhancing our offer

Alternative route to market, positive fit with our core meat expertise

New channel growth and expertise to the group

Shared expertise and learning supporting channel development in other geographies



Differentiation in food service sector

Sector leading traceability

Leveraging our automation expertise to drive efficiency

Sharing sector insight to drive growth for retail and food service

Artisan hand cut skills



# Seafood recovery on track in H1



## Consolidation & Driving The Core

Product portfolio tail reduced

Special buys to drive volume

Closure of Russell's artisan smokehouse

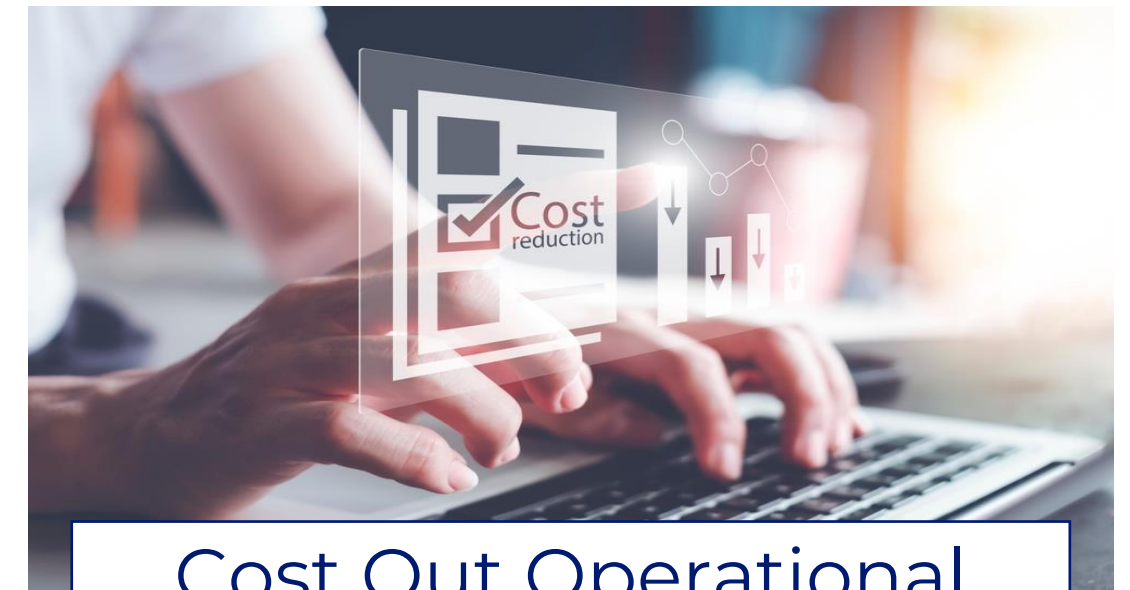


## Inflation Recovery & Profitable New Business

Successful pass through of significant cost inflation

Profitable new business wins achieved

Success in unlocking cross sales



## Cost Out Operational Transformation

Investment programme in automation

Yield and operational efficiency gains

Reducing labour reliance

Buying better



# Actions in response to changing consumer dynamics in vegan and vegetarian



## Market growth significantly slower

Sector forecast reduced; 3yr CAGR c.3%\*

Structural market reset

Short term business performance impacted



## Responding effectively

Fast response to market contraction

Closing of second Dalco site by end of year

Optimising a one site centre of excellence



## Confidence in our future market position

40 years' experience

80% of customers are established brands

Opportunities in private label



# Continued growth momentum in easier meals



## Growth in our existing partnerships

APAC extension in 'To Cook' range

Healthier new products performing strongly in CE ready meals

Growth through new products launched in partnership with Zabka



## New business wins

New Tesco 'ready to cook' range launching October 2023

Increased Christmas slow cooked product range planned for launch in 2023



## Swedish food park on track to launch Q3

Launch in partnership with ICA

Range of private label products including porridge and soup

Unlocks new category growth in Sweden



# Supply chain service offers solutions to sector challenges and enhances our competitive advantage



## Delivering our competitive advantage

Delivered Hilton Foods UK and Seafood UK automation programmes reducing labour reliance

Returnable crate model trialled in UK Foodservice sector

Extended crate wash services in Denmark



## Growing internationally

Foods Connected works with 8 of the largest, leading retailers in the world

Foods connected platform used in 21 countries, with new customers won in the USA in the first half of the year

Agito Group JV landed new projects in Australia and Europe with leading multi-national e-commerce retailer

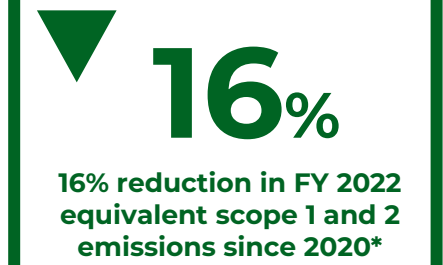
# Progress in delivering our ESG commitments



Submitted Science Based Targets, increased ambition in line with 1.5 °C

Committed to;

- Reduce absolute Scope 1 & 2 GHG emissions 95% by 2030\*.
- Reduce absolute Scope 3 GHG emissions 45% by 2030\*.
- No deforestation across its primary deforestation-linked commodities, with a target date of 31.12.25.
- Reach net-zero GHG emissions across the value chain by 2048\*.



Mince flow pack launched, which achieves a 70% plastic reduction



Shortlisted Food and Drink Federation HR Initiative of the year



**All senior leaders' LTIPs include sustainability objectives**  
**Board level leadership of Sustainability Committee**



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A top-down view of a wooden cutting board. On the board is a large, round, grilled tortilla with distinct char marks. The tortilla is topped with a variety of fresh ingredients: several large, golden-brown shrimp, diced red tomatoes, sliced green onions, dark olives, and fresh green cilantro leaves. A silver spoon is placed on the tortilla, containing a dollop of white sauce. To the left of the tortilla, a stainless steel pan is partially visible, filled with more of the same shrimp. In the bottom right corner, a portion of a metal bowl containing a fresh salad with tomatoes, olives, and greens is visible. The background is a light-colored wooden surface.

**H2 PRIORITIES  
& OUTLOOK**



# Our key priorities for H2 2023



## Consolidate, protect and grow the core

- Maintain strength of performance in core business
- Continue momentum in Seafood recovery
- Respond effectively to challenges in vegan and vegetarian sector



## Grow within our existing partnerships

- Launch of the Swedish Food Park
- Continue to unlock cross sales opportunities across N. America, Asia and Australia



## Strategic investment in future growth

- Continue automation programme
- Roll out of added value services in supply chain including sortation



# Outlook

- ▶ Good progress in the first half with robust financial performance and strong operational performance
- ▶ Hilton Foods is well positioned for the rest of the year ahead
- ▶ The Group's financial position continues to be strong with leverage and headroom at comfortable levels
- ▶ We are confident that opportunities remain for growth within our existing partnerships
- ▶ We also continue to explore new growth opportunities and wider geographic expansion with existing and new customers



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**Q&A**



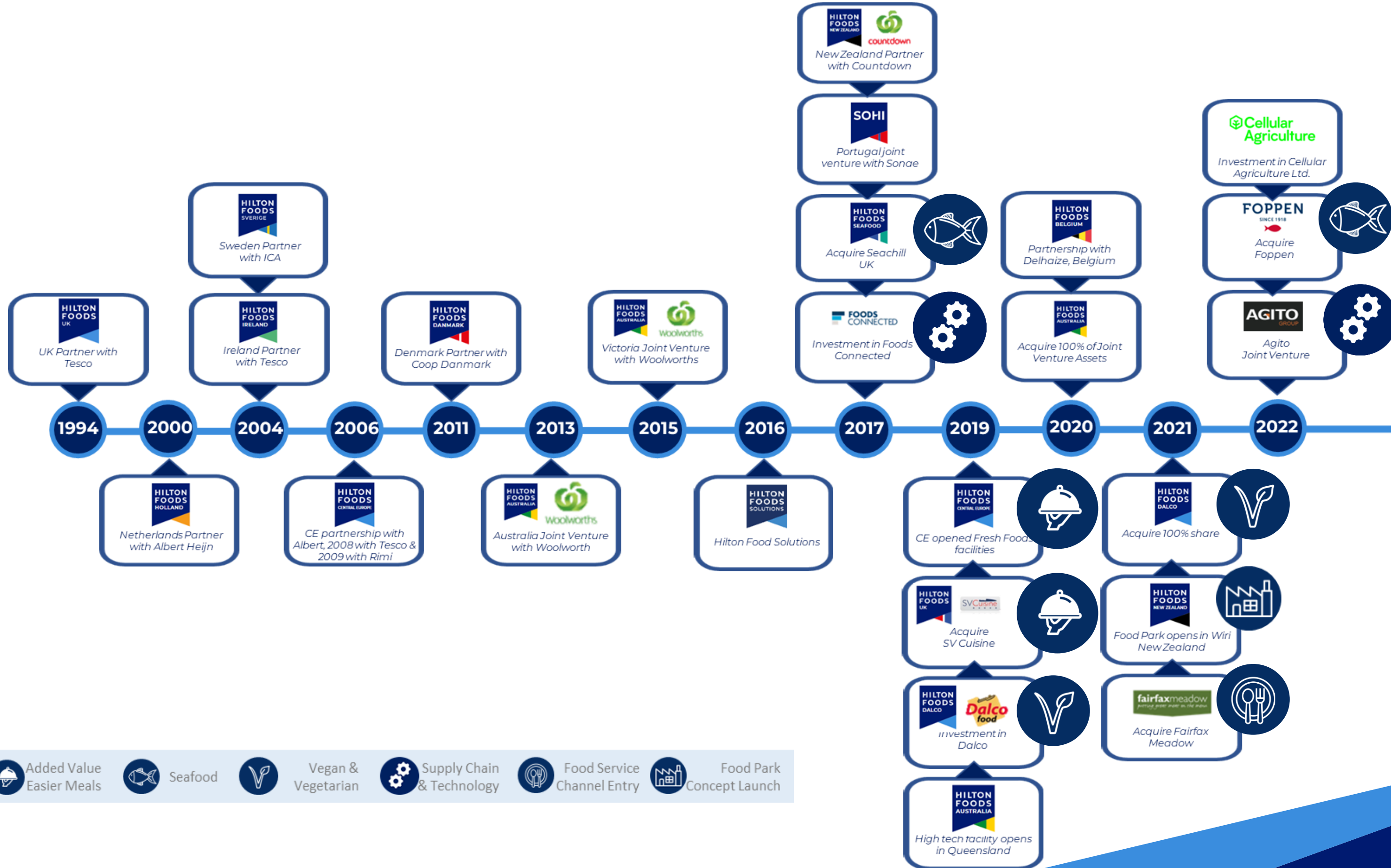


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**APPENDIX**



# Growth and success through long-term partnership



**7000+**  
Highly skilled, dedicated and empowered employees

**£3.8bn**  
Our annual turnover 2022 Full Year

**24**  
Modern, well invested production facilities internationally

**'pull'**  
Pull model which is customer focused and consumer led

- Added Value Easier Meals
- Seafood
- Vegan & Vegetarian
- Supply Chain & Technology
- Food Service Channel Entry
- Food Park Concept Launch

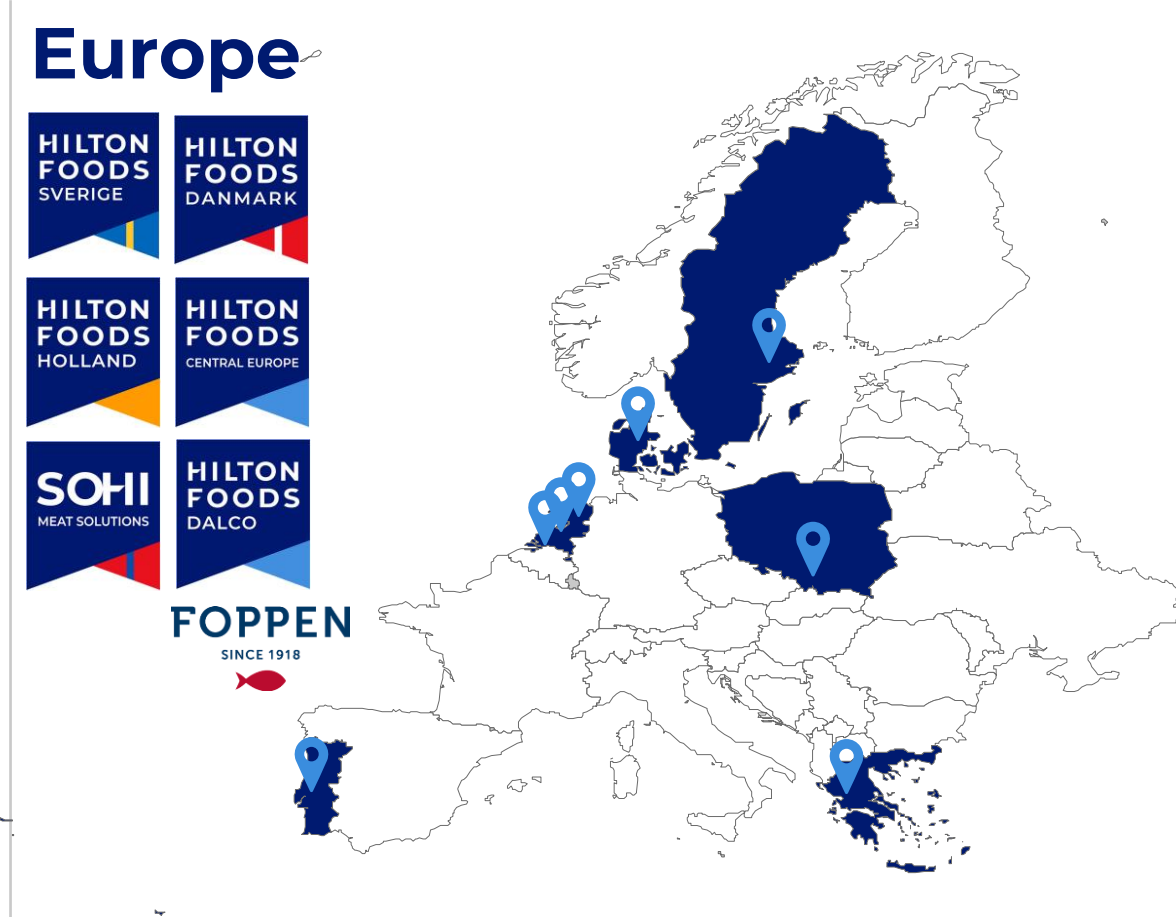


# Where we operate today

## UK & Ireland



## Europe



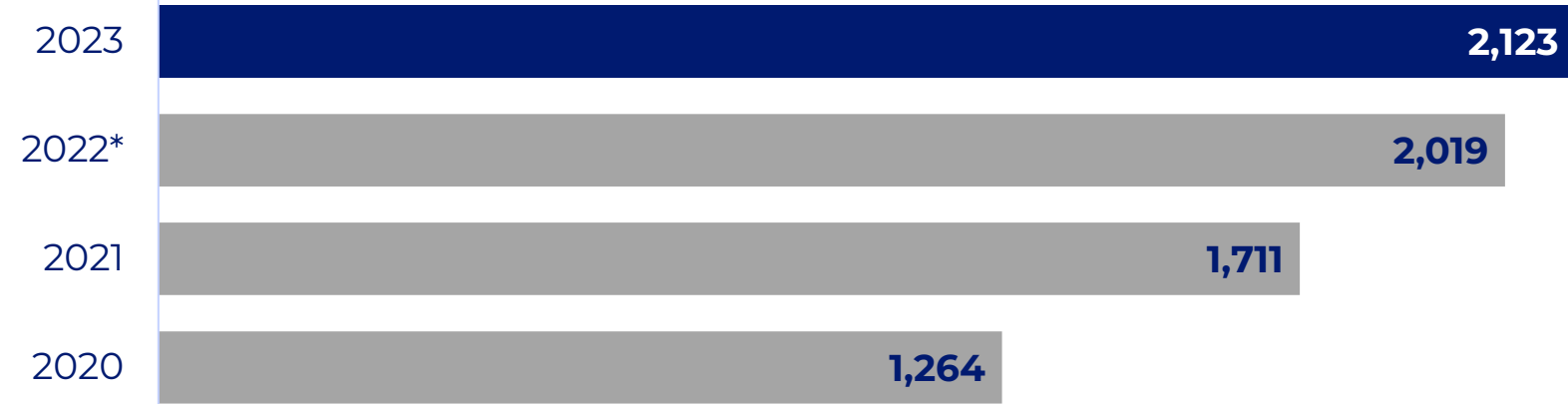
## Asia-Pacific



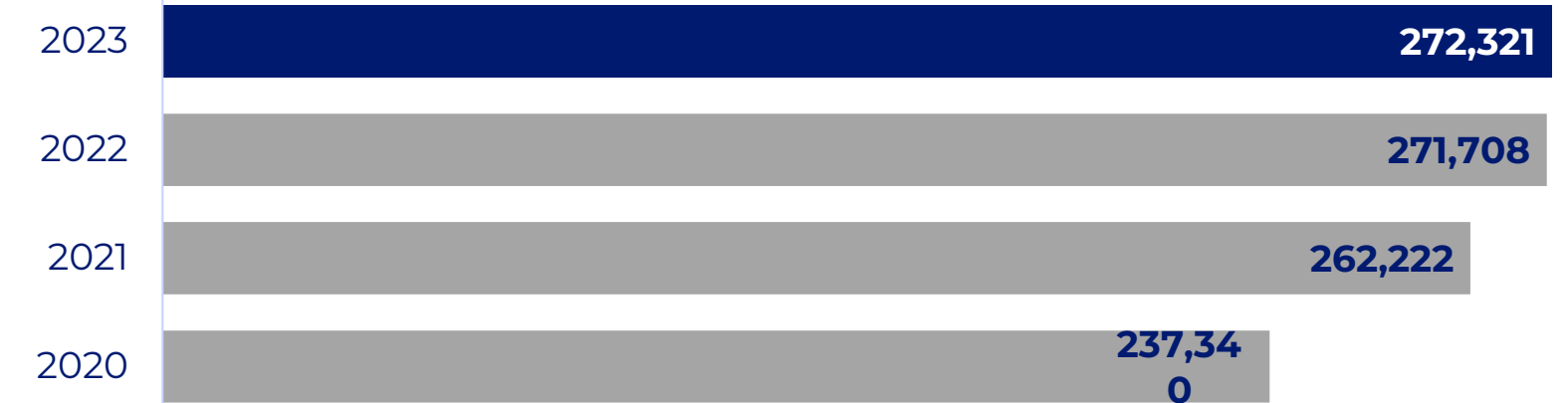


# Financial Performance Summary

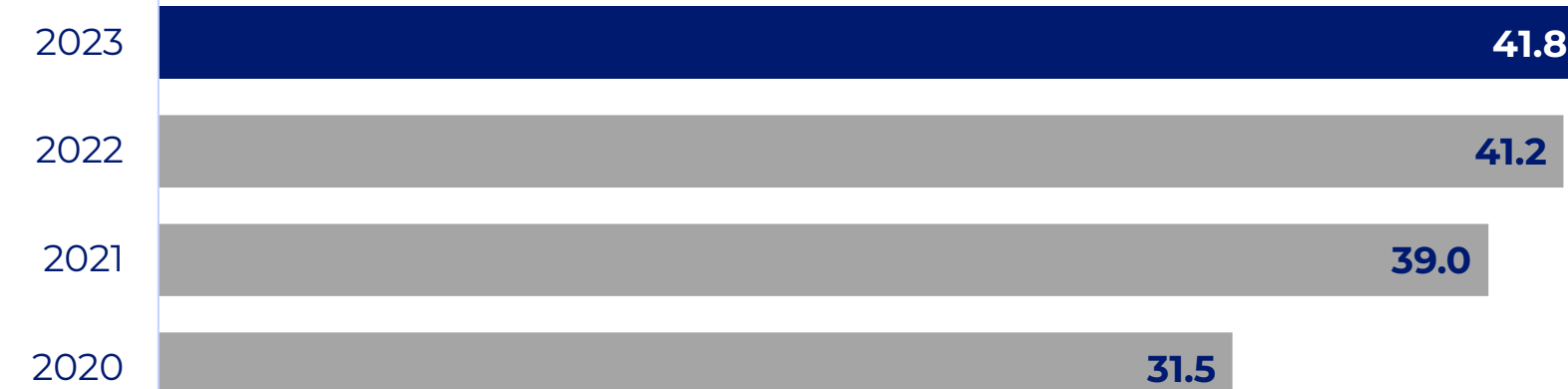
## Revenue / £m +5.2%



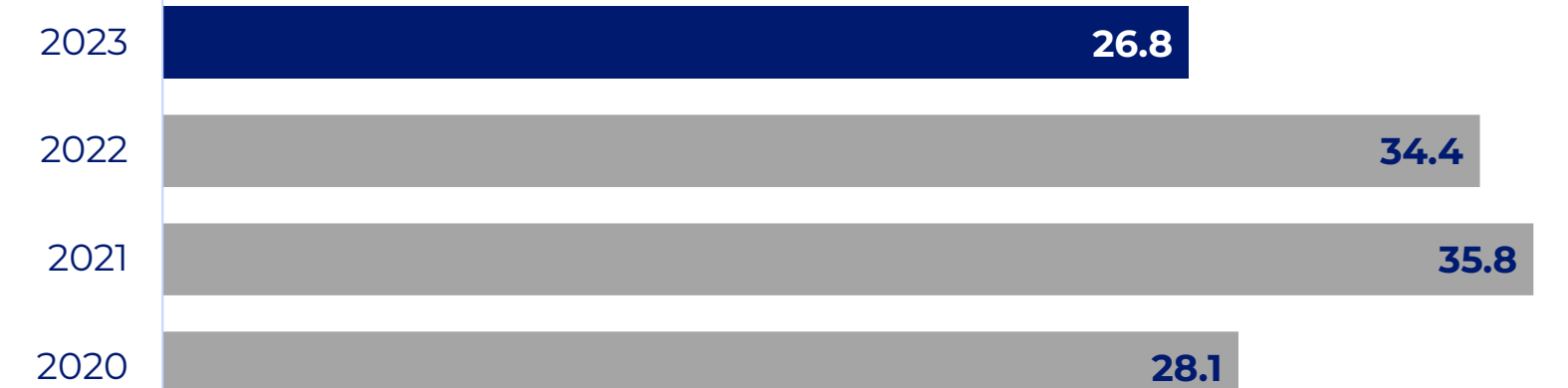
## Volume / t +0.2%



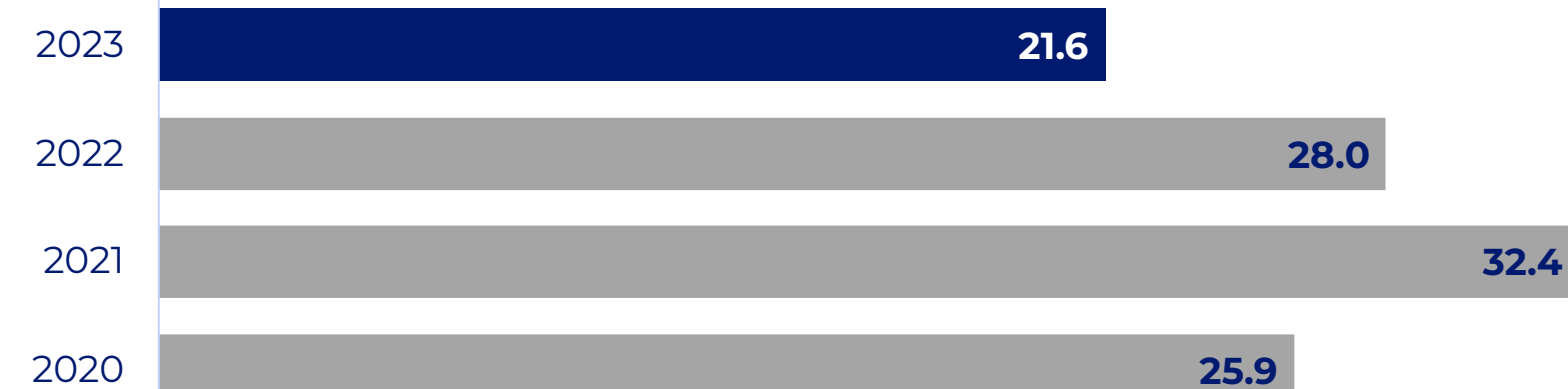
## Operating Profit / £m +1.4%



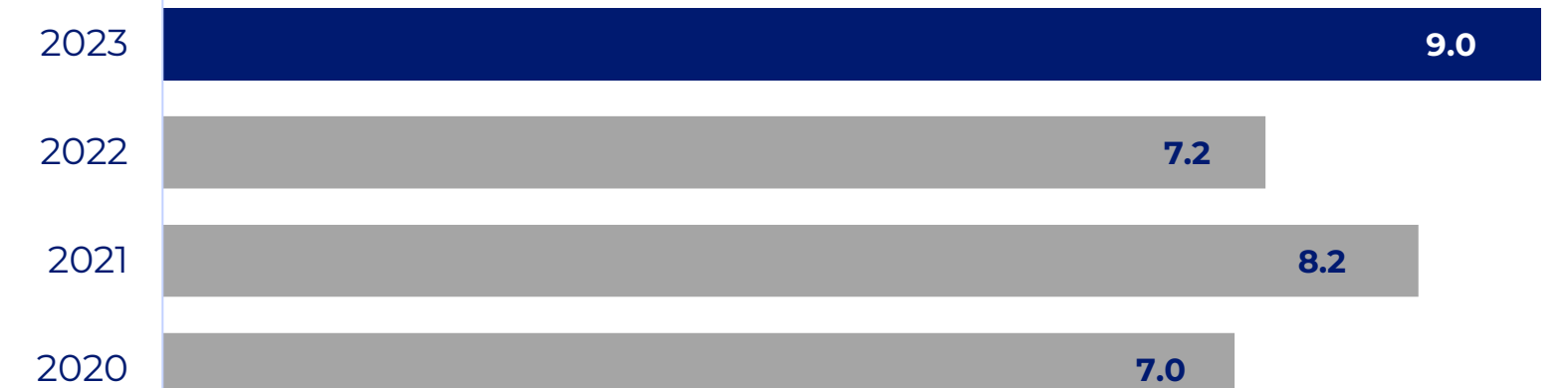
## PBT / £m -22.2%



## Earnings per share / p -22.8%



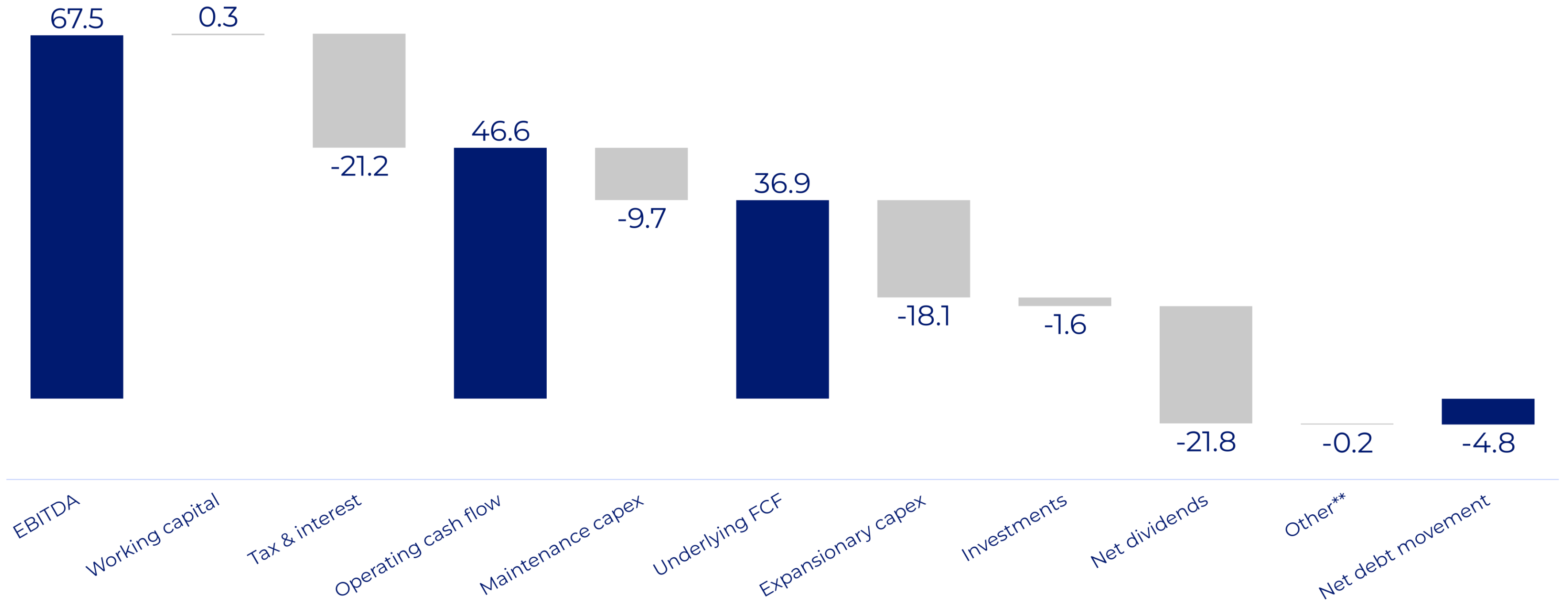
## Interim dividend / p +26.8%





# Strong free cashflow generation

Net debt movement / £m





# Cashflow Statement – IFRS 16 impact

£ m	H1 2023			H1 2022		
	Ex IFRS 16	IFRS 16 Reclass/ Cash Exceptional	Reported	Ex IFRS 16	IFRS 16 Reclass/ Cash Exceptional	Reported
<b>Cash generated from operations</b>	67.8	5.9	73.7	23.2	4.8	28.0
Tax and interest paid	(21.2)	(4.3)	(25.5)	(15.2)	(4.4)	(19.6)
<b>Net cash from operating activities</b>	<b>46.6</b>	<b>1.6</b>	<b>48.2</b>	<b>8.0</b>	<b>0.4</b>	<b>8.4</b>
Maintenance Capex	(9.7)		(9.7)	(9.0)		(9.0)
<b>Underlying Free cashflow</b>	<b>36.9</b>	<b>1.6</b>	<b>38.5</b>	<b>(1.0)</b>	<b>0.4</b>	<b>(0.6)</b>
Expansionary CAPEX	(18.1)	-	(18.1)	(17.0)		(17.0)
<b>Free cashflow</b>	<b>18.8</b>	<b>1.6</b>	<b>20.4</b>	<b>(18.0)</b>	<b>0.4</b>	<b>(17.6)</b>
Acquisitions/JV Investment	(1.6)	-	(1.6)	(83.0)		(83.0)
Payment of lease liabilities	-	(6.9)	(6.9)	-	(7.7)	(7.7)
Dividends paid	(20.2)	-	(20.2)	(19.1)	-	(19.1)
Dividends paid - minority	(1.6)	-	(1.6)	(1.2)	-	(1.2)
Other/FX	(0.2)	5.2	5.0	(15.0)	7.0	(8.0)
<b>Change in net debt</b>	<b>(4.8)</b>	<b>(0.1)</b>	<b>(4.9)</b>	<b>(136.3)</b>	<b>(0.3)</b>	<b>(136.6)</b>
<b>Opening net debt</b>	<b>(211.9)</b>	<b>0.3</b>	<b>(211.6)</b>	<b>(85.4)</b>	<b>1.0</b>	<b>(84.4)</b>
<b>Closing net debt</b>	<b>(216.7)</b>	<b>0.2</b>	<b>(216.5)</b>	<b>(221.7)</b>	<b>0.7</b>	<b>(221.0)</b>



# Net Debt

	H1 23			H1 22		
	ex IFRS 16 £'m	Impact of IFRS 16 £'m	Reported £'m	ex IFRS 16 £'m	Impact of IFRS 16 £'m	Reported £'m
Cash and cash equivalents	79.7	-	79.7	96.9	-	96.9
Bank Borrowings	(296.1)	-	(296.1)	(317.8)	-	(317.8)
<b>Net Bank Debt</b>	<b>(216.4)</b>	<b>-</b>	<b>(216.4)</b>	<b>(221.0)</b>	<b>-</b>	<b>(221.0)</b>
Lease Liabilities	(0.3)	(225.6)	(225.9)	(0.7)	(248.2)	(248.8)
<b>Net Debt – including Lease Liabilities</b>	<b>(216.7)</b>	<b>(225.6)</b>	<b>(442.3)</b>	<b>(221.7)</b>	<b>(248.2)</b>	<b>(469.8)</b>



# P&L – Adjusted to Statutory Measure

£ m	H1 23							H1 22						
	Adjusted P&L	Amort. of acq. FV adj	Exceptional Items	Stat P&L Ex IFRS 16	IFRS -16 impact		Statutory P&L	Adjusted P&L	Amort. of acq. FV adj	Exceptional Items	Stat p&L Ex IFRS 16	IFRS -16 impact		Statutory P&L
					Add back IAS 17 lease costs	IFRS 16-Deprn. & Interest						Add back IAS 17 lease costs	IFRS 16-Deprn. & Interest	
Operating Profit – excl. Exceptional Items	41.8	(5.3)	-	36.5	11.3	(9.5)	38.4	41.2	(5.3)	-	35.9	8.4	(10.3)	34.0
Exceptional items	-	-	(7.7)	(7.7)	-	-	(7.7)	-	-	(3.2)	(3.2)	-	-	(3.2)
<b>Operating profit</b>	<b>41.8</b>	(5.3)	<b>(7.7)</b>	<b>28.8</b>	11.3	(9.5)	<b>30.6</b>	<b>41.2</b>	(5.3)	<b>(3.2)</b>	<b>32.7</b>	8.4	(10.3)	<b>30.8</b>
<b>Net finance costs</b>	<b>(15.0)</b>	-	-	<b>(15.0)</b>	-	(4.3)	<b>(19.3)</b>	<b>(6.8)</b>	-	<b>(0.1)</b>	<b>(6.9)</b>		(4.4)	<b>(11.2)</b>
<b>Profit Before Tax</b>	<b>26.8</b>	(5.3)	<b>(7.7)</b>	<b>13.8</b>	11.3	(13.8)	<b>11.3</b>	<b>34.4</b>	(5.3)	<b>(3.3)</b>	<b>25.8</b>	8.4	(14.7)	<b>19.6</b>
<b>Net Income</b>	<b>19.3</b>	(4.0)	<b>(7.5)</b>	<b>7.8</b>	11.3	(12.3)	<b>6.8</b>	<b>25.0</b>	(4.1)	<b>(1.8)</b>	<b>19.1</b>	8.4	(14.0)	<b>13.5</b>

# Balance Sheet Summary

As at	H1 23			H1 22		
	ex IFRS 16	Impact of IFRS 16	Reported	ex IFRS 16	Impact of IFRS 16	Reported
	£ m	£ m	£ m	£ m	£ m	£ m
Non Current Assets	483	204	687	483	228	711
Current Assets	543	(4)	539	549	(5)	544
Current Liabilities	(439)	(6)	(445)	(406)	(8)	(414)
<b>Net Current Assets</b>	<b>104</b>	<b>(10)</b>	<b>94</b>	<b>142</b>	<b>(12)</b>	<b>130</b>
Total Assets Less Current Liabilities	<b>587</b>	<b>194</b>	<b>781</b>	<b>625</b>	<b>216</b>	<b>841</b>
Creditors Falling Due in Over 1 Year	(281)	(213)	(494)	(301)	(236)	(537)
<b>Capital Employed</b>	<b>306</b>	<b>(19)</b>	<b>287</b>	<b>324</b>	<b>(20)</b>	<b>304</b>
Share Capital	9	-	9	9	-	9
Distributable reserves	172	(18)	154	0	(18)	171
Other Reserves	115	(1)	114	309	(2)	118
	<b>296</b>	<b>(19)</b>	<b>277</b>	<b>318</b>	<b>(20)</b>	<b>298</b>
Minority Interests	10	-	10	6	(0)	6
<b>Total Equity</b>	<b>306</b>	<b>(19)</b>	<b>287</b>	<b>324</b>	<b>(20)</b>	<b>304</b>
<b>Net Bank Debt</b>	<b>216</b>	<b>-</b>	<b>216</b>	<b>(221)</b>	<b>-</b>	<b>(221)</b>
<b>Net Debt – including lease liabilities</b>	<b>217</b>	<b>225</b>	<b>442</b>	<b>(222)</b>	<b>(248)</b>	<b>(470)</b>