

DELIVERING PERFORMANCE AND STRATEGY

NWF GROUP PLC HALF YEAR RESULTS TO 30 NOVEMBER 2019



HALF YEAR RESULTS SUMMARY

Strong results ahead of expectations – increased activity in all three divisions

Revenue

£348.9m +5.6%

2019	£348.9m
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2018	£330.5m
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Headline operating profit

£3.5m +34.6%

2019	£3.5m
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2018	£2.6m
------	-------

Headline profit before tax

£3.0m +25.0%

2019	£3.0m
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2018	£2.4m
------	-------

Headline earnings per share

5.1p +34.2%

2019	5.1p
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2018	3.8p
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Net debt (excl. IFRS 16 'Leases')

£14.9m +0.7%

2019	£14.9m
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2018	£14.8m
------	--------

H1 dividend per share

1.0p

2019	1.0p
------	------

2018	1.0p
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FUELS OPERATING HIGHLIGHTS

Increased sales and acquisitions delivered

- » Growth of gas oil and heating oil - increased underlying volumes in H1 with additional volume from acquisitions
- » Lower, stable oil prices in the period
- » Investment is continuing in systems, people and assets to improve efficiencies and provide a strong platform for continued growth
- » Acquisitions: added 20% volume and five additional depots in the last 6 months:
 - » Ribble Fuel Oils in North West – 75 million litres – Jul '19
 - » Caldo Oils in North West – 5 million litres – Oct '19
 - » Darch in South West – 35 million litres – Dec '19



Key figures

REVENUE		OPERATING PROFIT		VOLUME LITRES	
£245.9m		£1.4m		314m	
+10.6%		+55.6%		+19.4%	
2019	£245.9m	2019	£1.4m	2019	314m
2018	£222.4m	2018	£0.9m	2018	263m

FOOD OPERATING HIGHLIGHTS

Improved operational effectiveness and a major expansion

- » Continued improvement in operational effectiveness
- » Significant Brexit additional activity Sept / Oct followed by destocking in Nov / Dec
- » Increased activity levels – outloads up 4%
- » Seven customers now utilising e-fulfilment facility
- » Continued development of Palletline
- » Significant expansion announced with a major customer contract



Key figures

REVENUE

£24.4m ^{+2.5%}

2019	£24.4m
2018	£23.8m

OPERATING PROFIT

£1.4m ^{+40%}

2019	£1.4m
2018	£1.0m

PALLET SPACES

106,000 ^{+10.4%}

2019	106,000
2018	96,000

FEEDS OPERATING HIGHLIGHTS

Gaining market share and training for the future

- » NWF volume up 6.5%
 - » Ruminant feeds market volume down 10.8%
- » NWF sales increases in all channels and regions
 - » Direct to farm, merchants, compounders
- » Pricing aligned to commodity prices
 - » 16% lower than prior year
- » Launch of NWF academy to train UK's future nutritionists
- » Market conditions
 - » Milk prices stable at over 29p per litre average
 - » Milk production up 0.6%



Key figures

REVENUE

£78.6m -6.8%

2019 £78.6m

2018 £84.3m

OPERATING PROFIT

£0.7m -%

2019 £0.7m

2018 £0.7m

VOLUME TONNES

297,000 +6.5%

2019 297,000

2018 279,000

FINANCIAL REVIEW

Income statement summary

	Nov 2019 £m	Nov 2018 £m	May 2019 £m
Revenue			
Fuels	245.9	222.4	443.0
Food	24.4	23.8	47.9
Feeds	78.6	84.3	180.4
Total revenue	348.9	330.5	671.3
Operating profit			
Fuels	1.4	0.9	5.6
Food	1.4	1.0	1.8
Feeds	0.7	0.7	2.8
Headline operating profit*	3.5	2.6	10.2
Exceptional items	(0.3)	(0.3)	(0.5)
Amortisation of acquired intangibles	(0.1)	-	(0.1)
Operating profit as reported	3.1	2.3	9.6
Finance costs	(0.7)	(0.4)	(0.9)
Headline profit before taxation*	3.0	2.4	9.7
Exceptional items	(0.3)	(0.3)	(0.5)
Amortisation of acquired intangibles	(0.1)	-	(0.1)
Net finance costs - DB scheme	(0.2)	(0.2)	(0.4)
Profit before taxation	2.4	1.9	8.7
Tax	(0.5)	(0.5)	(1.9)
Profit after taxation	1.9	1.4	6.8
Headline EPS (pence)*	5.1	3.8	15.8
DPS (pence)	1.0	1.0	6.6
Dividend cover	5.1	3.8	2.4
Interest cover (excl pension finance)	7.0	13.0	20.4

- » Revenue increased by £18.4 million (5.6%):
 - » Increase in activity in all three divisions
 - » £36.9 million from acquisitions
 - » Partly offset by reduced commodity costs across Fuels and Feeds, and product mix in Fuels
- » No impact from IFRS 15
- » Headline operating profit of £3.5 million
- » Exceptional items:
 - » Acquisition-related costs (£0.3 million)
- » Headline profit before tax increased by 25.0% to £3.0 million
- » Effective tax rate of 21%: in line with underlying rate
- » Diluted headline EPS: increased by 34.2% to 5.1p
- » Half year dividend maintained at 1.0p per share
- » IFRS 16 impact (prior period not restated):
 - » £0.1 million increase in operating profit
 - » £0.2 million increase in interest costs

* Stated before exceptional items, amortisation of acquired intangibles and the net finance cost of the Group's defined benefit pension scheme

FINANCIAL REVIEW

Balance sheet summary

	Nov 2019 £m	Nov 2018 £m	May 2019 £m
Fixed assets	74.2	66.9	70.2
Right of use asset	19.5	-	-
Net working capital	6.1	11.4	6.3
Assets employed	99.8	78.3	76.5
Pension deficit	(17.0)	(15.4)	(17.3)
Lease liability	(18.6)	-	-
Net debt	(14.9)	(14.8)	(10.4)
Tax provisions	(0.5)	(1.1)	(1.7)
Provisions	-	(0.1)	-
Net assets	48.8	46.9	47.1
Net debt : EBITDA	1.0	1.0	0.7
Total assets	183.9	156.2	149.1

ROCE:

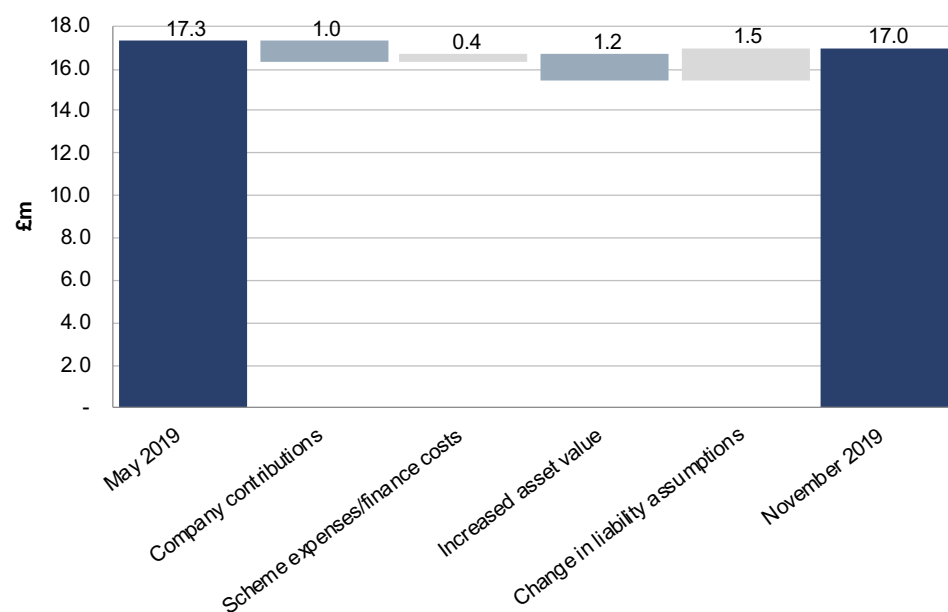
Fuels	34.9%	58.8%	37.8%
Food	8.4%	3.0%	7.2%
Feeds	7.5%	8.3%	7.6%
Total ROCE	13.7%	13.8%	13.3%

- » Fixed assets increased due to acquisitions
- » Lower net working capital reflecting lower commodity prices
- » Net debt £0.1 million higher than comparative and £4.5 million higher than May 2019 –
 - » Normal seasonal outflow and acquisitions
 - » Partly offset by lower working capital
- » Strong asset underpin – total assets of £183.9 million
- » Group ROCE of 13.7%
- » IFRS 16 impact (prior period not restated):
 - » £19.5 million right of use asset
 - » £18.6 million lease liability
- » Net debt including IFRS 16 liability is £33.5 million

FINANCIAL REVIEW

Pension summary

	Nov 2019 £m	May 2019 £m
Assets	39.4	38.0
Liabilities	(56.4)	(55.3)
Deficit	(17.0)	(17.3)
Related deferred tax asset	2.9	2.9
Net pension liability	(14.1)	(14.4)
Discount rate	2.10%	2.50%
Inflation rate (RPI)	2.85%	3.20%



- » Single defined benefit pension scheme
- » Closed to new members in 2002 and future accrual in 2016
- » Slight decrease in deficit since May 2019
 - » Positive asset performance
 - » Offsetting movement in liability assumptions
- » Current recovery plan contributions of £1.8 million following triennial valuation in December 2016.
 - » Next triennial valuation at December 2019
- » No constraint on Group development

FINANCIAL REVIEW

Cash flow summary

	Nov 2019 £m	Nov 2018 £m	May 2019 £m
Cash flows from operating activities			
Operating profit	3.1	2.6	9.6
Depreciation and amortisation	2.2	2.3	4.7
Depreciation on IFRS 16 assets	2.4	-	-
Working capital	1.7	(8.9)	(3.9)
Utilisation of provision	-	-	(0.1)
Contributions to pension scheme not recognised in income statement	(0.8)	(0.8)	(1.4)
Other	-	(0.1)	(0.1)
Operating cash flow	8.6	(4.9)	8.8
Interest paid	(0.5)	(0.2)	(0.5)
Tax paid	(1.7)	(1.1)	(1.9)
Net cash from operating activities	6.4	(6.2)	6.4
Capital additions (net of receipts from disposals)	(2.3)	(1.4)	(2.8)
Acquisition of subsidiaries (net of cash acquired)	(3.2)	-	(3.5)
Payment of contingent consideration	-	(0.8)	(0.8)
Net cash flows absorbed by investing activities	(5.5)	(2.2)	(7.1)
Increase in bank borrowings	0.6	9.0	6.2
IFRS 16 lease payments	(2.3)	-	-
Finance lease payments	(0.2)	(0.1)	(0.1)
Dividends paid	-	-	(3.1)
Net cash flows from financing activities	(1.9)	8.9	3.0
Net movement in cash and cash equivalents	(1.0)	0.5	2.3

- » Headline EBITDA* of £5.3 million (2018: £4.9 million)
- » Working capital movement benefited from lower commodity prices
- » Net capital expenditure of £2.3 million (all replacement and maintenance)
- » Net cash of £3.2 million spent on two acquisitions, plus assumed net debt of £1.7m

* Stated before exceptional items, amortisation of acquired intangibles and the net finance cost of the Group's defined benefit pension scheme

FINANCIAL REVIEW

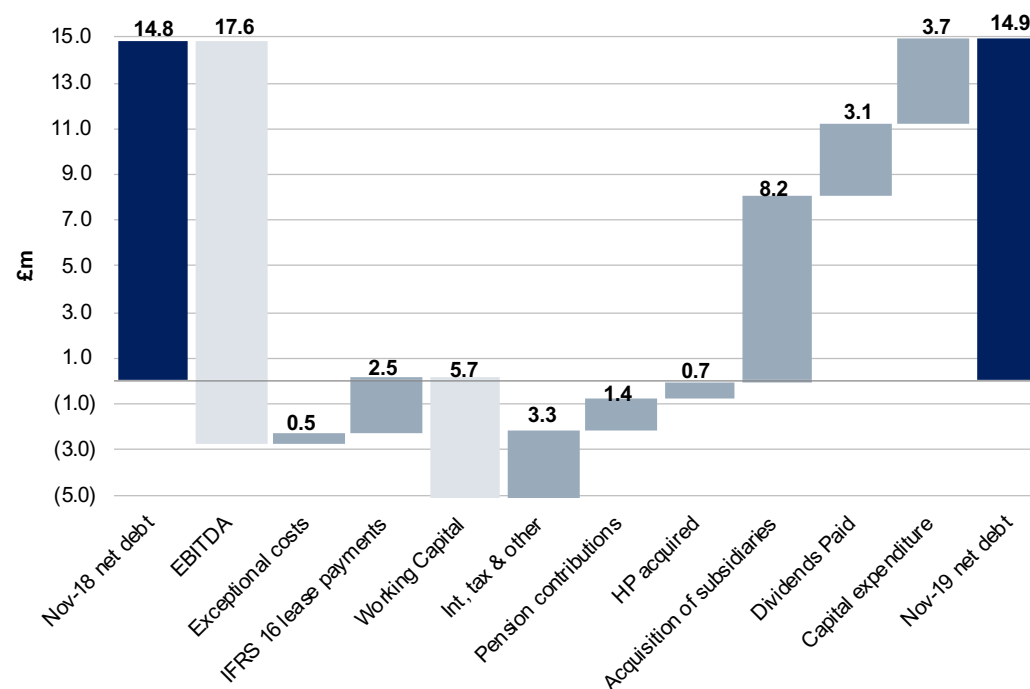
Net debt summary

- » Facilities of £65.0 million with RBS until October 2023
- » Net debt of £14.9 million at Nov 2019 with substantial facility and covenant headroom

Facility	Facility	Drawn
Invoice Discounting	£50.0m	£13.2m
RCF/Guarantees	£14.0m	£3.0m
Overdraft/(Cash)	£1.0m	(£1.8m)
Hire purchase obligations	-	£0.5m
Bank facilities	£65.0m	£14.9m

- » Facility primarily in the form of invoice discounting at a rate of Base + 1.25%
- » Borrowing covenants:
 - » Net debt : EBITDA
 - » EBIT : interest cost

Twelve month movement in net debt



- » £9.3 million cash generated before development expenditure
- » £5.7 million working capital benefit – lower commodity prices

FINANCIAL REVIEW

Financial impact of Fuels acquisitions and expansion of Food

Aggregate impact of recent growth initiatives:

- » Acquisition of Caldo and Darch expected to add around £0.5 million to Fuels profitability in FY19/20
- » Initial start-up costs associated with new Food warehouse of £0.5 million impacting FY19/20.
 - » Expected to be profit enhancing in FY 20/21.
- » Investments result in an increase in net debt of approximately £7.0 million



DEVELOPMENT STRATEGY

Summary

- » Diversified source of earnings
- » Cash generative businesses
- » Experienced, capable Board
- » Group operates in large stable markets
- » Focus on total shareholder return
- » Strong track record

Fuels

- » Consolidate a highly fragmented market
- » Expand existing geographical area
- » Increase business density in existing territories
- » Active acquisition pipeline

Food

- » Optimise the customer mix
- » Optimise storage and distribution solutions on the Wardle site
- » Value added niche businesses:
 - » E-fulfilment
 - » Palletline
- » Targeted expansion backed by customer and retailer contracts

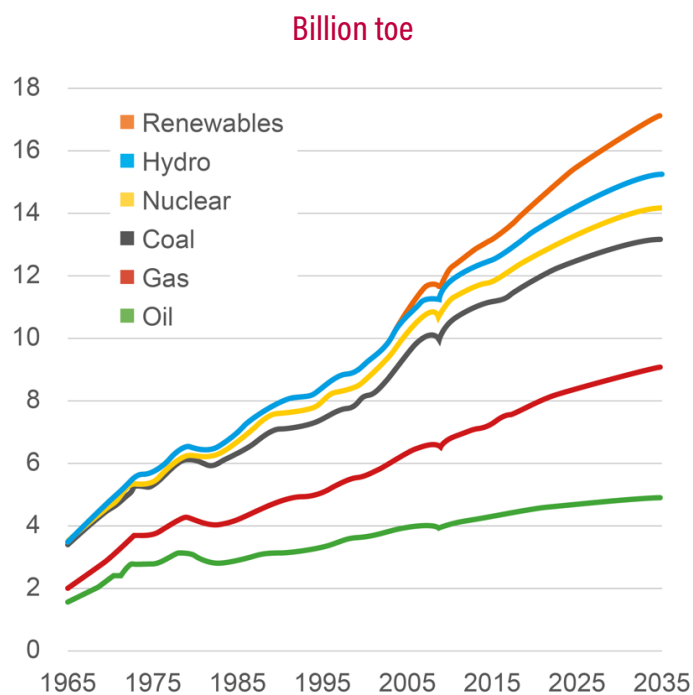
Feeds

- » Consolidate the UK ruminant feed market (NWF No. 2, feeding 1 in 6 dairy cows)
- » Utilise national operations platform
- » Continue to develop feed volumes across the country
- » Increase range offering to over 4,750 farmers across the UK
 - » Expand nutritional range

FUELS DEVELOPMENT STRATEGY

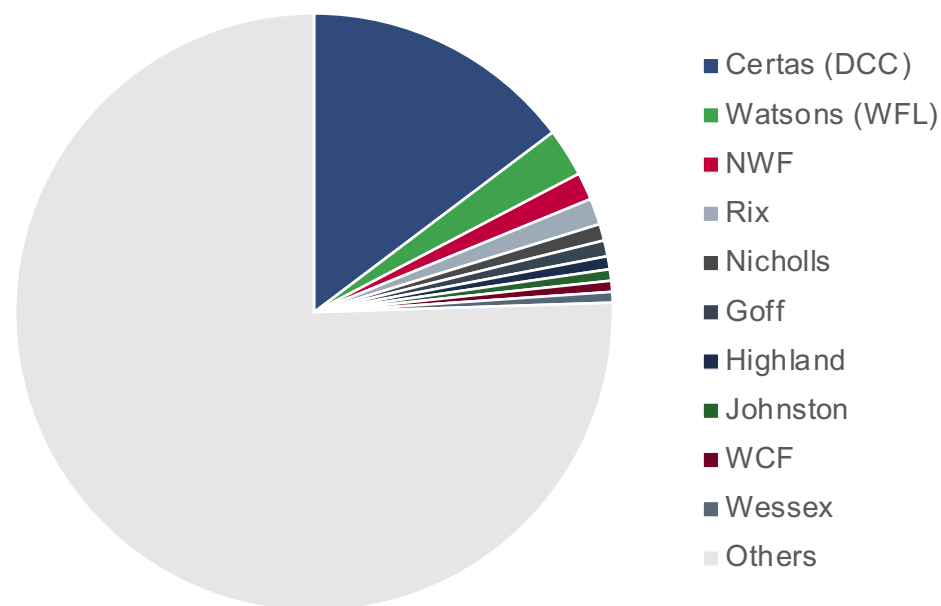
Very attractive market with significant consolidation potential

- » Fragmented market for oil distribution
 - » Top 10 players only 25%, over 150 small players
 - » NWF No. 3 with 2% market share
- » Stable demand for oil supply
- » Customers purchase fuel from local depots, expanding the depot network is key to growth



Source: BP global energy market

UK Fuel Market (35 billion litres)



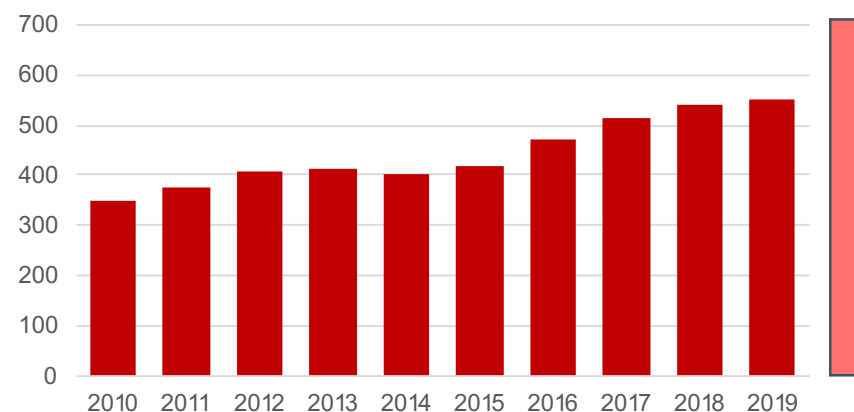
Source: company estimates

FUELS DEVELOPMENT STRATEGY

Acquisition activity

- » Last 12 months' activity:
 - » Acquired five businesses across the UK
 - » Over 150 million litres of business added (30%)
 - » £13 million consideration paid
- » Clear post acquisition integration plan
- » Brand and customer facing operations retained

Fuels Volume (million litres) Annualised volume



Ribble Fuel Oils



Midland Fuel Oil
Supplies Ltd.

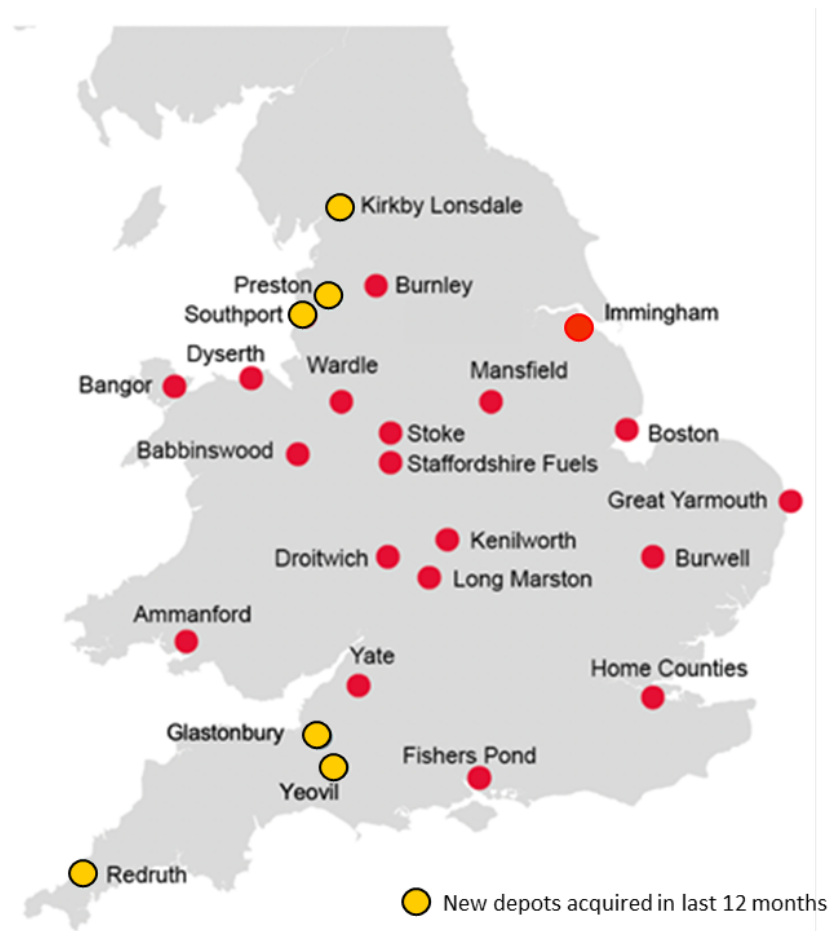


FUELS DEVELOPMENT STRATEGY

Acquisition process

- » Targeting oil distribution businesses in the UK
- » Clear valuation and pricing strategy
- » Effective transaction process:
 - » Established legal, environmental and financial due diligence process and advisors
 - » In-house operational and commercial due diligence supports integration planning
- » A range of ways to deliver value:
 - » Integrate into existing depot infrastructure to realise cost synergies – Midlands into existing Kenilworth depot, Caldo into Wardle
 - » Expand geography and enhance performance – Consols in Cornwall, Ribble Fuel Oils in North West and West Yorkshire, Darch in Somerset and Devon
- » Model of retaining brands and customer facing elements whilst centralising Finance, IT and credit control
- » Investing to enhance systems, strengthen team and develop technology to support future acquisition activity
- » Active UK pipeline of acquisitions – NWF seen as an attractive buyer

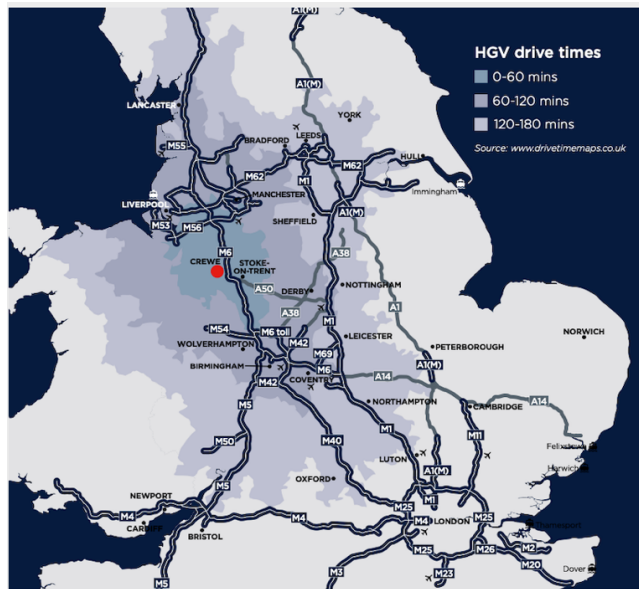
25 Fuel depots



FOOD DEVELOPMENT STRATEGY

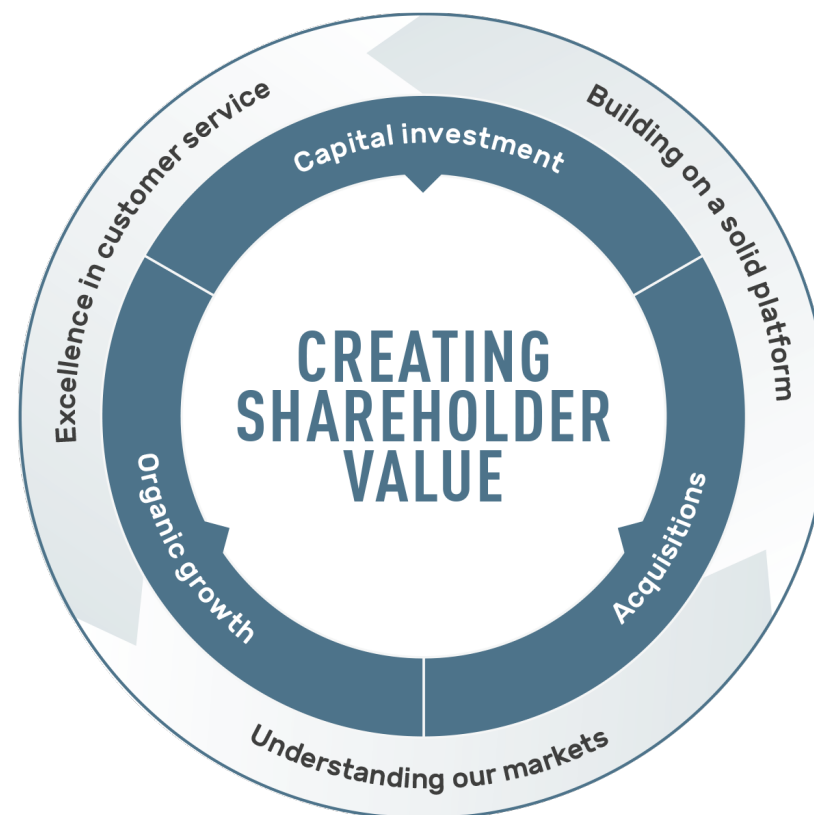
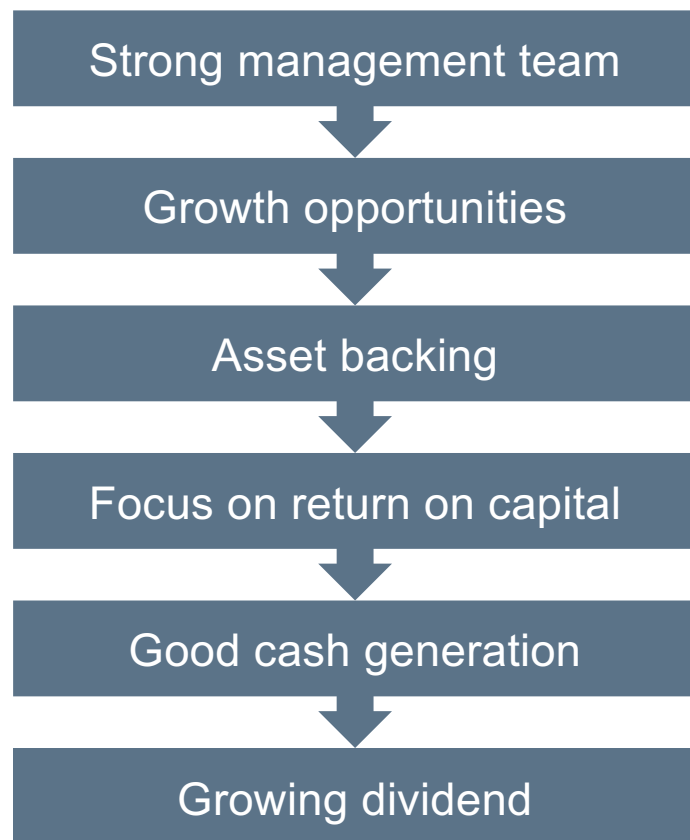
Major expansion – backed by customer contracts

- » Significant expansion announced with a major customer contract increasing capacity by 37,000 pallet spaces
 - » Close to M6 Junction 16
 - » 240,000 ft²
 - » Six months to fully utilise facility
 - » Expansion backed by new customer contracts
 - » Fully operational within 6 months
 - » Earnings enhancing in next financial year



INVESTMENT SUMMARY

The NWF proposition



SUMMARY AND OUTLOOK

Good platform for development

- » Strong result in the first half year
 - » First half ahead, increased activity across the Group
 - » Demonstrable delivery of strategic plan with five fuels acquisitions in the last 12 months
 - » Strong balance sheet with long term funding in place

- » Brexit
 - » NWF operates in large, UK only, stable markets
 - » Continue to monitor and plan contingencies with customers and suppliers

- » Currently trading in line with the Board's expectations
 - » Fuels: integrating acquisitions and investing in systems and capabilities
 - » Food: establishing new Crewe warehouse, investing in equipment and people
 - » Feeds: managing farmers' nutrition needs with good forage supplies

- » Confidence in the future development opportunities and outlook for the Group

ADDITIONAL INFORMATION

- » Leadership team
- » Business summary
- » Analyst coverage and consensus forecasts
- » Business overview
- » Locations
- » Organisation
- » Main site photo
- » Group financial performance
- » Divisional track record
- » Additional market data

LEADERSHIP TEAM



Richard Whiting

Chief Executive

Key skills

- » Strategy and leadership
- » Sales and marketing
- » Operations
- » Finance
- » Mergers and acquisitions

Joined in 2007. Previously group finance director of Heywood Williams Group plc, after joining as business development director from Brand-Rex Ltd, where he was managing director of the datacom division.



Chris Belsham

Group Finance Director

Key skills

- » Finance
- » Mergers and acquisitions
- » Strategy

Joined as Group Finance Director in 2017. Previously an equity partner and head of corporate finance at Irwin Mitchell LLP having joined the business in 2014 from KPMG Corporate Finance. Qualified as a Chartered Accountant with PwC in 1999.

BUSINESS SUMMARY

Summary

- » NWF is a specialist distributor of fuel, food and feed across the UK
- » Strong track record of delivering increased shareholder returns
- » Group operates in large, stable markets
- » Strongly cash generative with track record of dividend growth
- » Clear growth strategy

Fuels

- » Third largest oil distributor in the UK
- » Over 600 million litres
- » Road diesel, gas oil, heating oil and petrol
- » 25 depots across the UK
- » 155 tankers delivering Fuel
- » 90,000 customers both commercial and domestic
- » Five acquisitions in last twelve months in a fragmented market

Food

- » Boughey distribution is a leading consolidator of ambient grocery products
- » Over 1 million ft² of modern warehousing in Cheshire
- » 100,000 pallet spaces
- » 124 trucks and 247 trailers
- » 228 contracted ambient grocery customers

Feeds

- » Second largest national ruminant feed supplier – feeds one in six dairy cows
- » Feed mills in Cumbria, Cheshire and Devon
- » Over 600,000 tonnes
- » 4,750 farming customers
- » 38 trucks and 14 trailers
- » Principally dairy, also beef and sheep

ANALYST COVERAGE AND CONSENSUS FORECASTS

	Actual	Consensus forecasts				Analysts	
	2019	2020	2021	2022		Peel Hunt*	Charles Hall
Revenue	£671.3m	£791.2m	£772.8m	£766.8m		Panmure Gordon	Adrian Kearsey
Headline operating profit	£10.2m	£10.5m	£10.8m	£11.0m		Shore Capital	Akhil Patel
Headline profit before tax	£9.7m	£9.6m	£9.9m	£10.1m			
Headline earnings per share	15.8p	15.9p	16.0p	16.2p			
Dividend per share	6.6p	6.9p	7.1p	7.4p			
Net (debt)/cash	(£10.4m)	(£10.5m)	(£8.0m)	(£4.3m)			

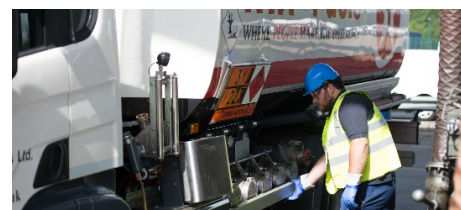
* Corporate broker

The consensus is an arithmetic calculation of the forecasts made by contributing investment analysts as at 30 November 2019 and is not, in any way, based on the internal budgets of NWF Group plc. The underlying forecasts are the responsibility, and constitute the judgement, of each individual contributing analyst alone. In distributing this analysis, NWF Group plc does not imply its endorsement of, or concurrence with, such information, conclusions or recommendations.

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BUSINESS OVERVIEW

NWF Fuels is a leading distributor of fuel oil and fuel cards delivering over 600 million litres across the UK to 90,000 customers. It is one of the largest authorised distributors of Texaco and is a major customer of other fuel suppliers including Shell and Jet.



Key figures

600

MILLION LITRES PER
ANNUM

25

DEPOTS

279

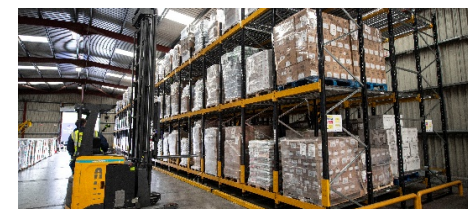
PEOPLE

155

TANKERS

BUSINESS OVERVIEW

Boughey Distribution is a leading consolidator of ambient grocery products to UK supermarkets with over 1 million ft² of warehousing and significant distribution assets. It works with over 200 customers including Arla and Typhoo.



Key figures

100,000

PALLET SPACES

595

PEOPLE

124

TRUCKS

247

TRAILERS

BUSINESS OVERVIEW

NWF Agriculture has grown to be a leading national supplier of ruminant animal feed to 4,750 customers in the UK, feeding 1 in 6 dairy cows in Britain. It operates from sites in Cumbria, Lancashire, Cheshire and Devon.



Key figures

600,000

TONNES

226

PEOPLE

38

TRUCKS

14

TRAILERS

BUSINESS LOCATIONS

Feeds

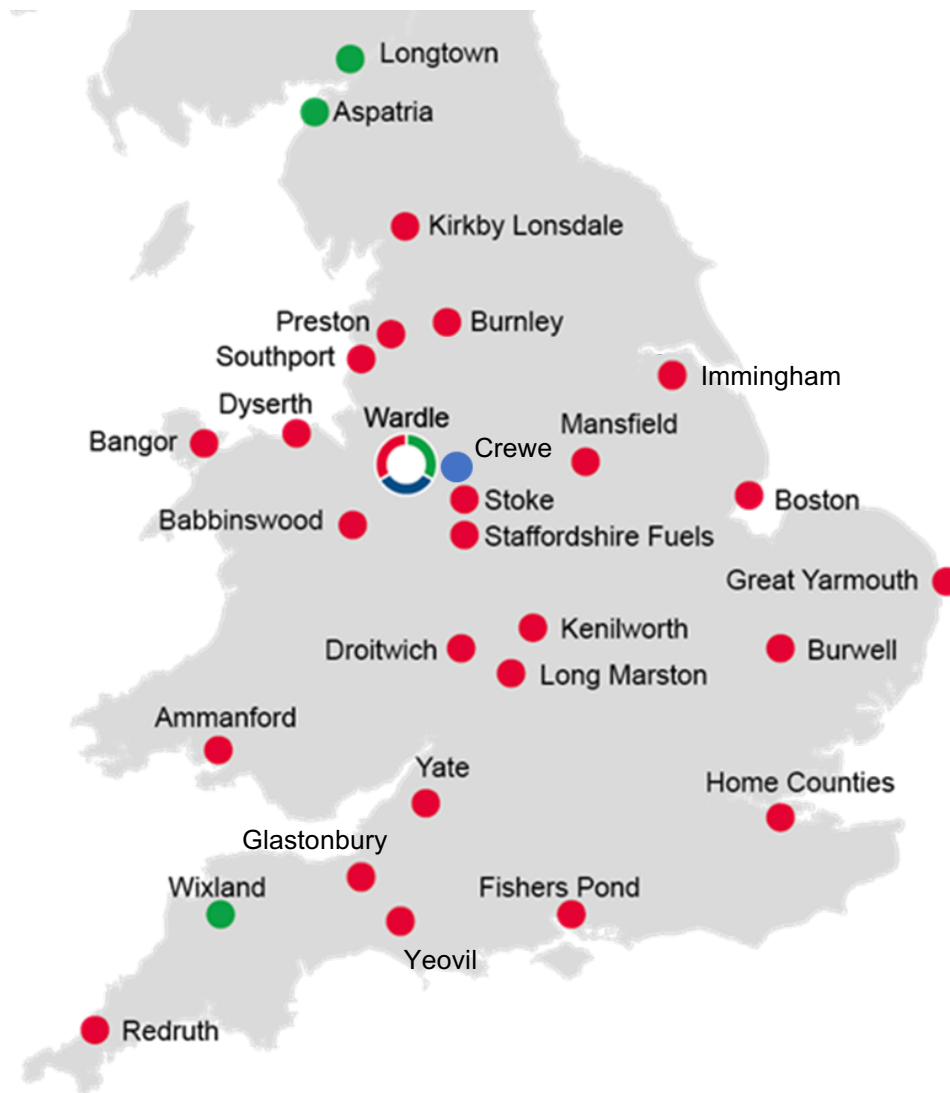
Aspatria
Longtown
Wardle*
Wixland

Food

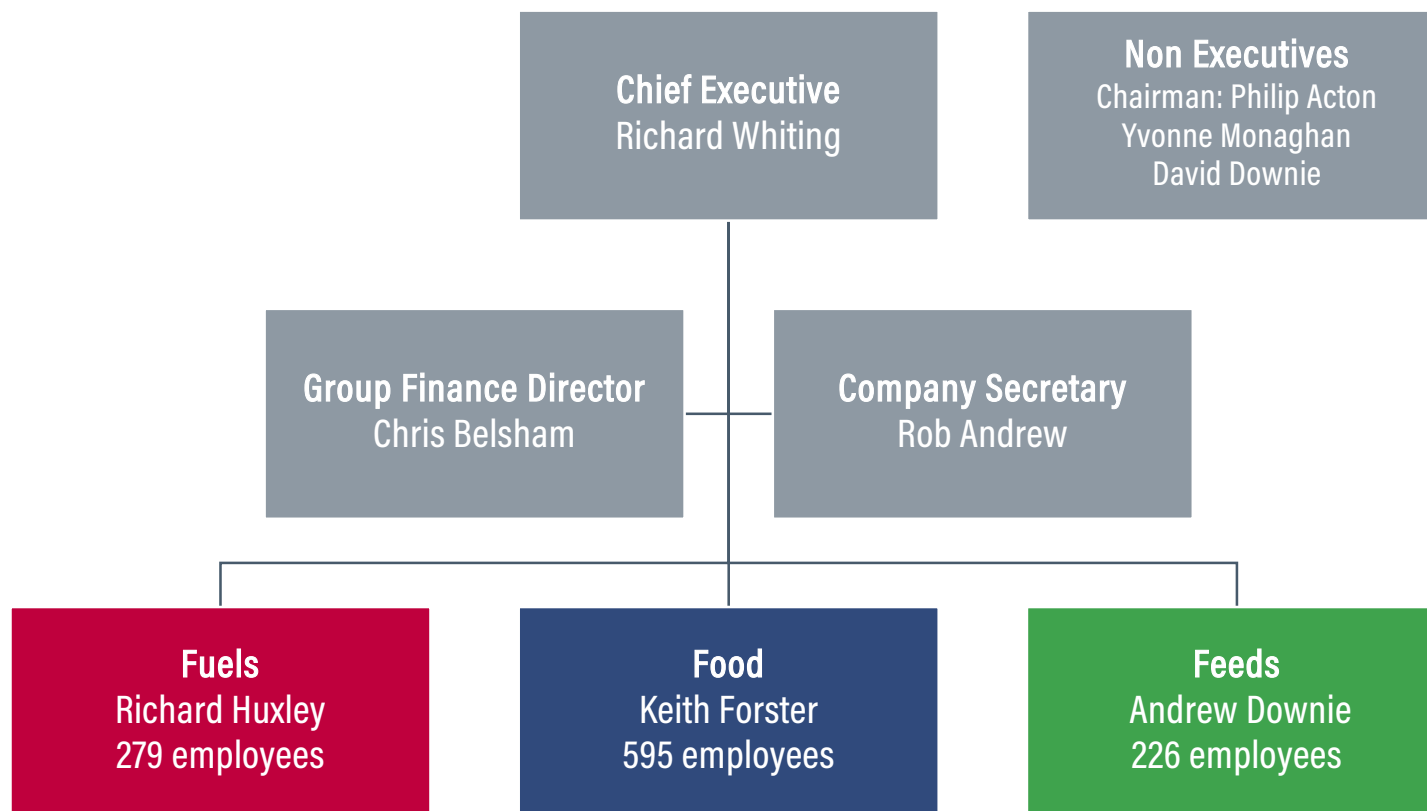
Crewe
Wardle*

Fuels

Ammanford
Babbinswood
Bangor
Boston
Burnley
Burwell
Droitwich
Dyserth
Fishers Pond
Glastonbury
Great Yarmouth
Home Counties
Immingham
Kenilworth
Kirkby Lonsdale
Long Marston
Mansfield
Preston
Redruth
Southport
Staffordshire Fuels
Stoke
Wardle*
Yate
Yeovil



ORGANISATION



WARDLE – MAIN OPERATING SITE

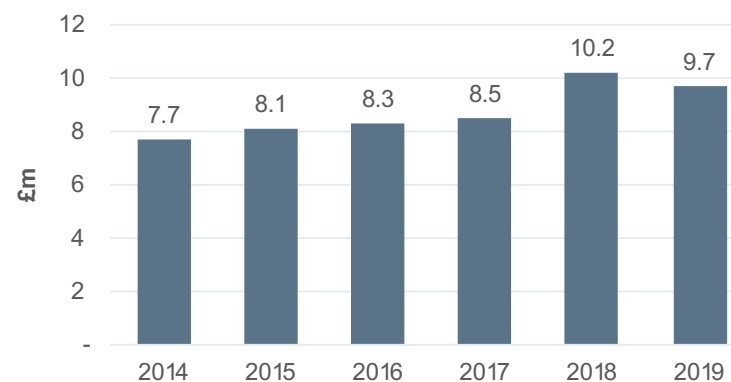


TRACK RECORD

Revenue



Headline PBT



Headline EPS

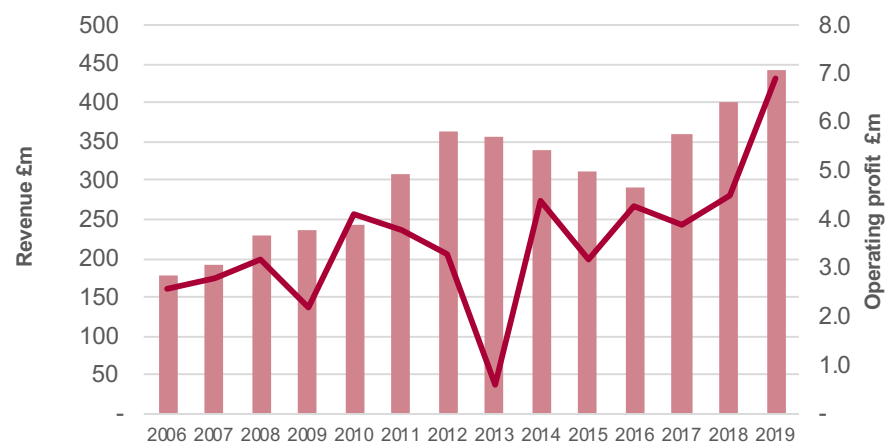


Dividend

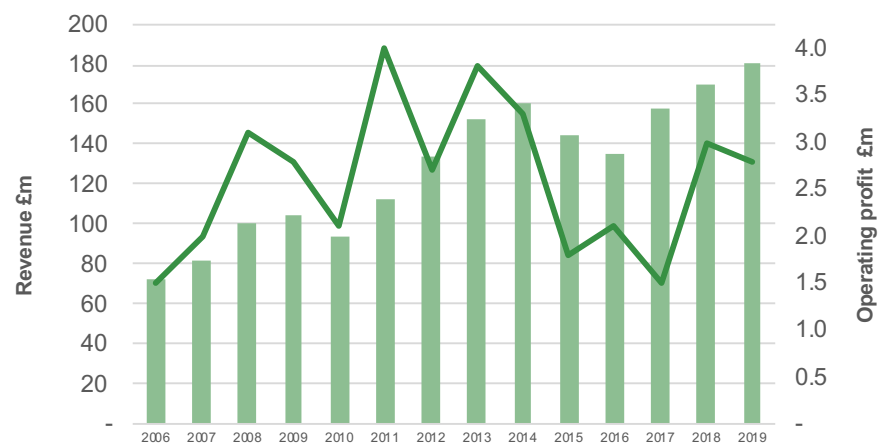


DIVISIONAL TRACK RECORD

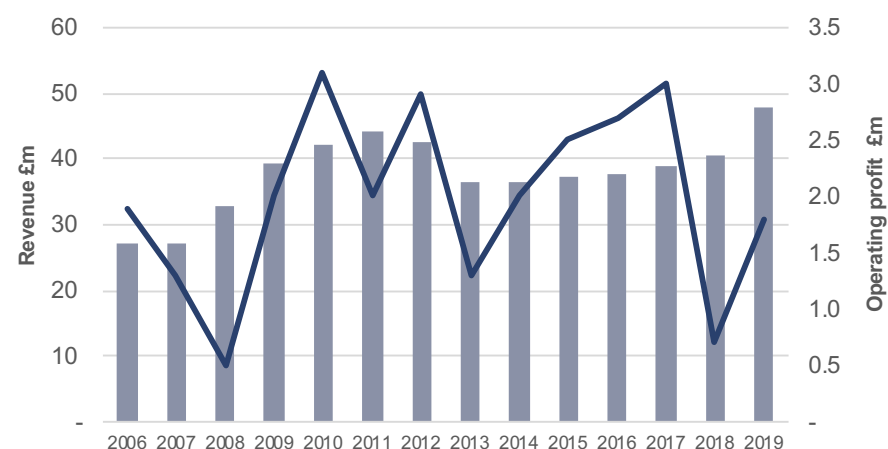
Fuels



Feeds



Food



Revenue
Operating profit

GROUP OVERVIEW

Fuels additional market data

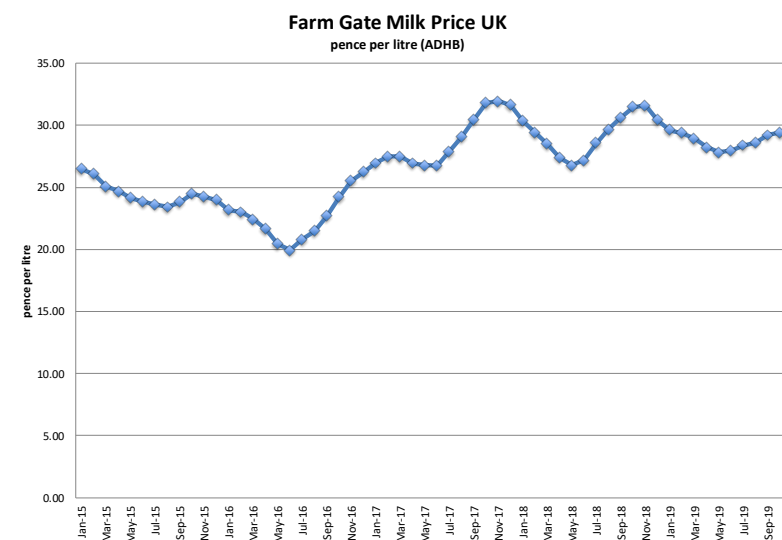
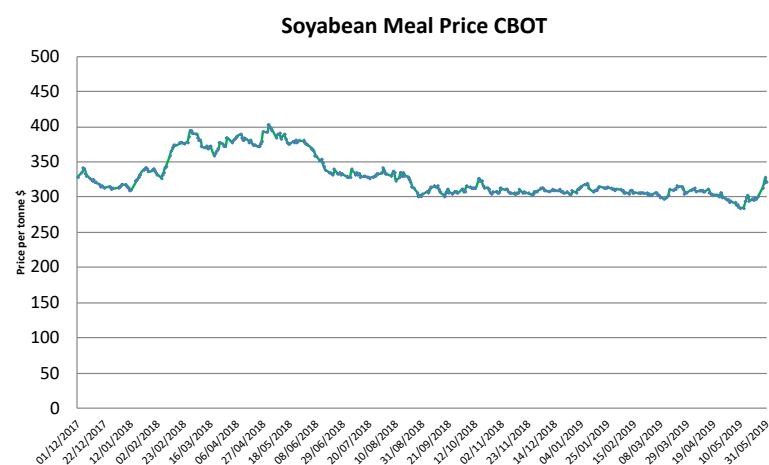
Oil Prices - Brent crude \$ per barrel

Oil Market Journal



GROUP OVERVIEW

Feeds additional market data



GB Market	2014	2015	2016	2017	2018
Milk (Litres)	11.6bn	12.2bn	12.4bn	11.8bn	12.4bn
UK Dairy Herd	1.8m	1.9m	1.9m	1.9m	1.9m
Ruminant Feed Market (tonnes)	4.9m	4.8m	4.7m	4.8m	5.1m
NWF (tonnes)	543k	567k	580k	589k	589k
Market share	11%	12%	12%	12%	12%