



DELIVERING FUEL, FOOD & FEED

NWF GROUP PLC HALF YEAR RESULTS TO 30 NOVEMBER 2018



GROUP OVERVIEW

Results summary: Profit improvement, on track to meet Board expectations

Revenue

£330.5m +11.7%

2018	£330.5m
------	---------

2017	£295.8m
------	---------

Headline operating profit*

£2.6m +8.3%

2018	£2.6m
------	-------

2017	£2.4m
------	-------

Headline profit before tax*

£2.4m +9.1%

2018	£2.4m
------	-------

2017	£2.2m
------	-------

Headline earnings per share*

3.8p +5.6%

2018	3.8p
------	------

2017	3.6p
------	------

Net debt

£14.8m (9.2%)

2018	£14.8m
------	--------

2017	£16.3m
------	--------

H1 dividend per share

1.0p

2018	1.0p
------	------

2017	1.0p
------	------

* Stated before exceptional items and the net finance cost of the Group's defined benefit pension scheme and the tax effect thereon where relevant

GROUP OVERVIEW

Key highlights

- » Profit improvement, trading in line with full year Board expectations
 - » Fuels in line with expectations
 - » Food delivering planned recovery
 - » Feeds strong volume growth in the summer: providing nutrition with limited grazing
- » Market conditions
 - » Warm summer
 - » Rising commodity prices across Fuels and Feeds
 - » Stable milk price
- » Fuels acquisition completed in December in line with strategy

FUELS - OPERATING HIGHLIGHTS

Good start to the year, acquisition completed

- » Good start to the year
 - » Warm summer reduced market demand and increased competitive pressure
 - » Autumn performance strong across the depot network
- » Major tanker fleet refresh: 49 new tankers on order – shorter replacement cycle
- » Transition to new MD successfully completed
- » Brent crude volatile: in the range \$59 - \$86 per barrel
- » Midland Fuel Oil Supplies acquired in December 2018:
 - » 12 million litre depot in line with strategy
 - » Planned integration into Kenilworth depot



Revenue

£222.4m +12.0%

2018 £222.4m

2017 £198.5m

Operating Profit

£0.9m (18.2%)

2018 £0.9m

2017 £1.1m

Volume

263m (2.2%)

2018 263m

2017 269m

FOOD - OPERATING HIGHLIGHTS

Recovery on plan

- » Significant improvement in profitability from prior year H2
 - » New customers bedding in
 - » Staffing levels stable
 - » Managing site challenges from high activity levels
- » Activity levels (loads) up 13%
- » Aldi platform provider trial successful
- » Fledgling e-commerce fulfilment business:
 - » Four customers and additional enquiries
- » Customers increasing stock levels as Brexit protection – utilising overflow warehousing



Revenue

£23.8m +22.1%

2018	£23.8m
2017	£19.5m

Operating Profit

£1.0m +11.1%

2018	£1.0m
2017	£0.9m

Pallets Stored

96,000 +7.9%

2018	96,000
2017	89,000

FEEDS - OPERATING HIGHLIGHTS

Planned returns from strategic investment

- » Summer grazing conditions poor, autumn very good
 - » NWF nutritionists increased feed rates to maintain farmers' milk yields
 - » Farmers now have reasonable forage stocks
- » Volume up over 15% in July and August
- » Pricing aligned to higher commodity prices
- » Benefiting from prior years' investment in capex
- » Market conditions reasonable in first half
 - » Milk prices increased by 4p over the period
 - » Milk production flat (12.2bn litres p.a.)
 - » Ruminant feed market volumes up 5.8%
 - » Spot commodities up 14% over the year (peaked 30% higher in August)



Revenue

£84.3m +8.4%

2018 £84.3m

2017 £77.8m

Operating Profit

£0.7m +75.0%

2018 £0.7m

2017 £0.4m

Tonnes

279,000 +5.3%

2018 279,000

2017 265,000

FINANCIAL REVIEW

Income statement summary

	Nov 2018 £m	Nov 2017 £m	May 2018 £m
Revenue			
Fuels	222.4	198.5	400.7
Food	23.8	19.5	40.4
Feeds	84.3	77.8	169.9
Total revenue	330.5	295.8	611.0
Operating profit			
Fuels	0.9	1.1	6.9
Food	1.0	0.9	0.7
Feeds	0.7	0.4	3.0
Headline operating profit*	2.6	2.4	10.6
Exceptional items	(0.3)	-	-
Operating profit as reported	2.3	2.4	10.6
Finance costs	(0.4)	(0.5)	(0.9)
Headline profit before taxation*	2.4	2.2	10.2
Exceptional items	(0.3)	-	-
Net finance costs - DB scheme	(0.2)	(0.3)	(0.5)
Profit before taxation	1.9	1.9	9.7
Tax	(0.5)	(0.4)	(1.9)
Profit after taxation	1.4	1.5	7.8
Headline EPS (pence)*	3.8	3.6	16.7
DPS (pence)	1.0	1.0	6.3
Dividend cover	3.8	3.6	2.7
Interest cover (excl pension finance)	13.0	12.0	26.5

- » Revenue increased by 11.7% driven by commodity prices
- » Headline operating profit of £2.6 million – up 8.3% on prior year
- » £0.3m exceptional in the period – change in pension liabilities recognised for GMP Equalisation
- » Headline PBT* increased 9.1% to £2.4 million
- » Effective tax rate of 20.8% – in line with underlying rate
- » Diluted headline EPS – increased 5.6% to 3.8p
- » Half year dividend maintained at 1.0p

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

FINANCIAL REVIEW

Balance sheet summary

	Nov 2018 £m	Nov 2017 £m	May 2018 £m
Fixed assets	66.9	68.6	67.9
Net working capital	11.4	8.2	2.5
Assets employed	78.3	76.8	70.4
Pension deficit	(15.4)	(19.0)	(17.1)
Net debt	(14.8)	(16.3)	(6.4)
Deferred consideration	-	(0.9)	(0.8)
Tax provisions	(1.1)	(0.7)	(1.6)
Provisions	(0.1)	(0.3)	(0.1)
Net assets	46.9	39.6	44.4
Net debt : EBITDA	1.0	1.2	0.4
Total assets	156.2	145.8	141.6

ROCE:

Fuels	58.8%	38.8%	71.9%
Food	3.0%	8.6%	2.7%
Feeds	8.3%	5.9%	8.7%
Total ROCE	13.8%	12.0%	15.1%

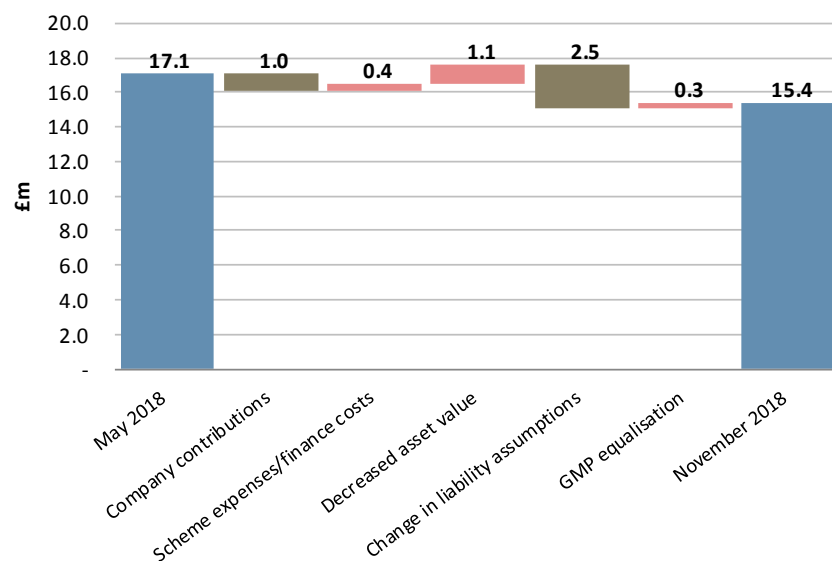
- » Fixed assets broadly stable at £66.9 million
- » Working capital increased by £3.2 million as a result of increased activity
- » Net debt reduced by £1.5 million reflecting trading performance and lower levels of capital expenditure, partially offset by working capital investment
- » Net debt : EBITDA 1.0x (H1 2017: 1.2x)
- » No further deferred consideration payable
- » Strong asset underpin – total assets of £156.2 million
- » Group ROCE 13.8% (H1 2017: 12.0%)

FINANCIAL REVIEW

Pension summary

Movement in pension scheme deficit

	Nov 2018 £m	May 2018 £m
Assets	35.6	36.3
Liabilities	(51.0)	(53.4)
Deficit	(15.4)	(17.1)
Related deferred tax asset	2.6	2.9
Net pension liability	(12.8)	(14.2)
Discount rate	3.25%	2.75%
Inflation rate (RPI)	3.30%	3.05%



- » Single defined benefit pension scheme
- » Closed to new members in 2002 and future accrual in 2016
- » Pension scheme deficit reduction of £1.7 million (accounting basis) since May 2018 – primarily the net impact of discount rate and inflation assumptions
- » £0.3m additional liability recognised for GMP Equalisation following Lloyds Bank High Court Judgement
- » Current recovery plan contributions of £1.8 million following triennial valuation in December 2016
- » No constraint on Group development

FINANCIAL REVIEW

Cash flow summary

	Nov 2018 £m	Nov 2017 £m	May 2018 £m
Cash flows from operating activities			
Operating profit (excluding GMP exceptional)	2.6	2.4	10.6
Depreciation and amortisation	2.3	2.3	4.5
Profit on disposal of fixed assets	-	-	(0.1)
Working capital	(8.9)	(4.7)	1.0
Utilisation of provision	-	-	(0.2)
Contributions to pension scheme not recognised in income statement	(0.8)	(0.5)	(1.3)
Other	(0.1)	(0.1)	0.2
Operating cash flow	(4.9)	(0.6)	14.7
Interest paid	(0.2)	(0.2)	(0.4)
Tax paid	(1.1)	(0.4)	(1.4)
Net cash from operating activities	(6.2)	(1.2)	12.9
Cash flows from investing activities			
Capital additions (net of receipts from disposals)	(1.4)	(1.6)	(2.9)
Payment of contingent consideration	(0.8)	(0.5)	(0.5)
	(8.4)	(3.3)	9.5
Dividends paid	-	-	(2.9)
Movement in net debt	(8.4)	(3.3)	6.6

- » Headline EBITDA* of £4.9 million (2017: £4.7 million)
- » Working capital reflects increased activity in Feeds
- » Contribution to the pension scheme of £0.8 million (2017: £0.5 million)
- » Net capital expenditure of £1.4 million (all replacement and maintenance)
- » £0.8 million of deferred consideration paid

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

FINANCIAL REVIEW

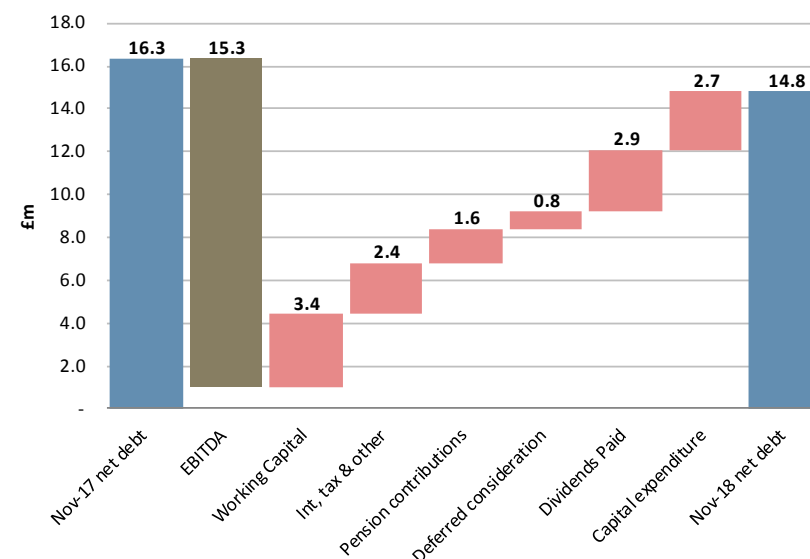
Net debt summary

- » Facilities of £65 million with RBS until October 2023
- » Net debt of £14.8 million at November 2018 with substantial facility and covenant headroom

Facility	Facility	Drawn
Invoice Discounting	£50.0m	£11.8m
RCF/Guarantees	£14.0m	£4.0m
Overdraft/(Cash)	£1.0m	(£1.0m)
Bank facilities	£65.0m	£14.8m

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

Movement in net debt

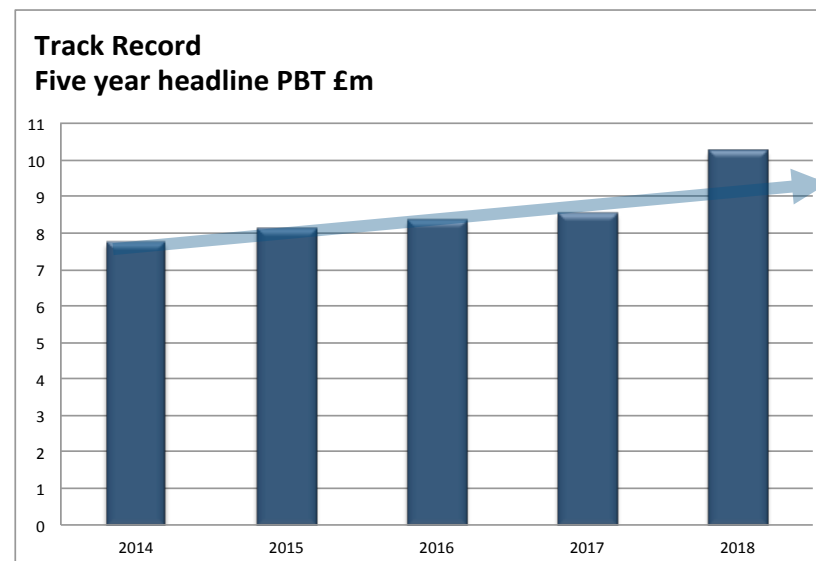


- » £2.3m cash generated before development expenditure

GROUP DEVELOPMENT STRATEGY

Solid platform for growth – good track record

- » Diversified sources of earnings deliver resilient growth
 - » Solid cash generative businesses in large stable markets
 - » Number 2 in UK Feed and Number 3 in UK Fuels markets
 - » Fuels: consolidate the market and win new customers
 - » Food: optimise customer mix and targeted expansion
 - » Feeds: operational efficiency, consolidation and broadening offer
 - » Focus on total shareholder return
 - » Solid track record and an ambitious Board
-
- » Brexit planning
 - » NWF operates in large, stable, UK-only markets
 - » Potential short-term volatility risk from no-deal Brexit

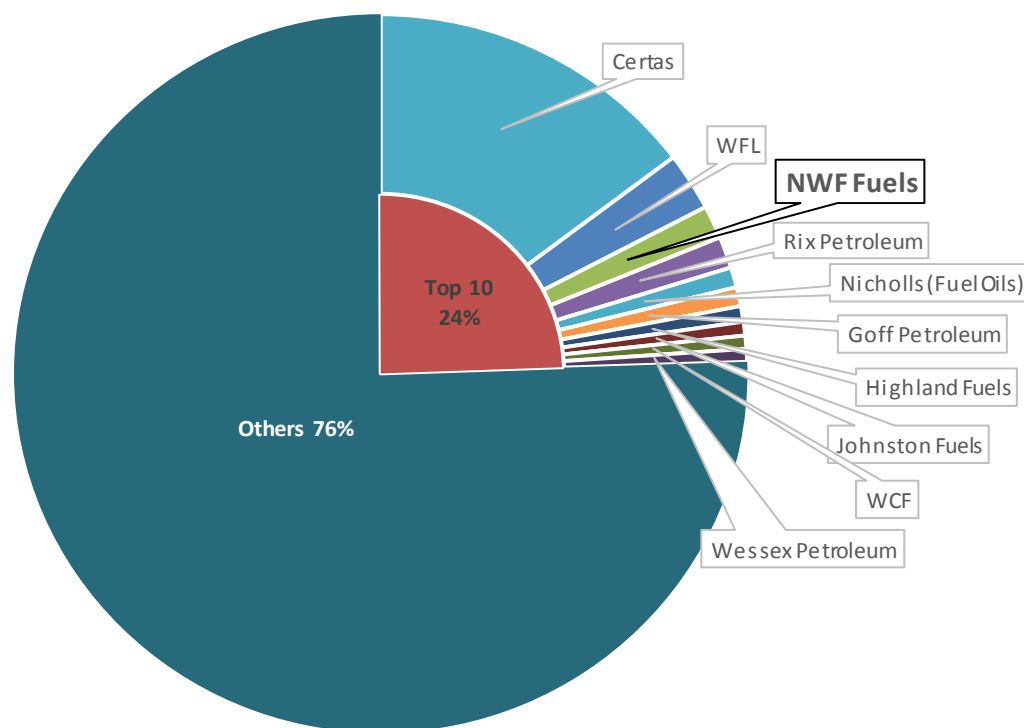


FUELS - DEVELOPMENT STRATEGY

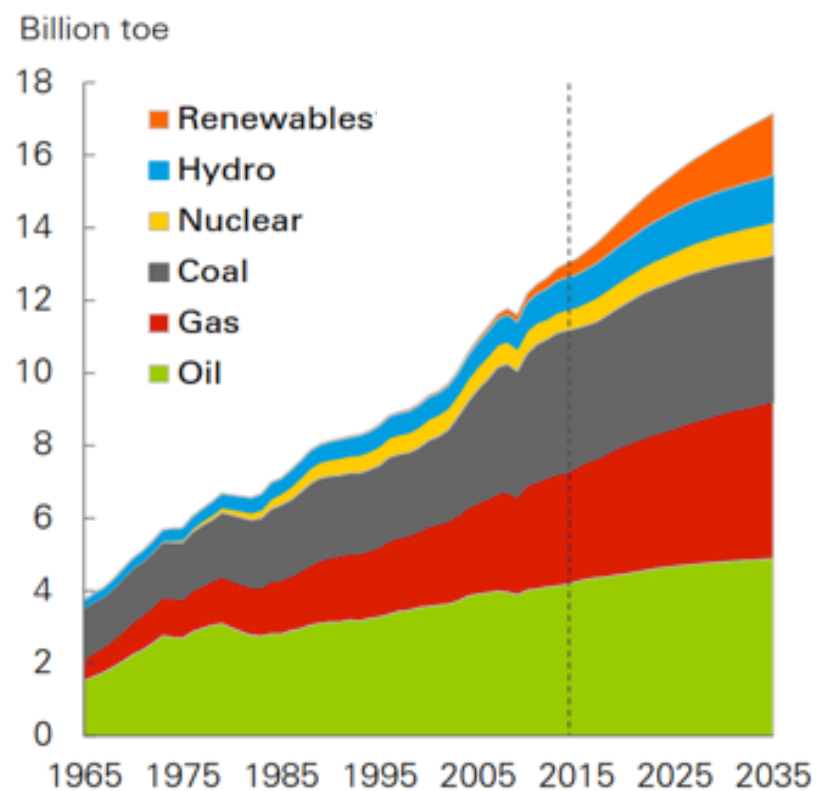
Consolidate the market and win new customers

- » Fragmented market for oil distribution
- » Stable demand for oil with other energy sources to meet increasing demand for energy

UK oil market share (of c. 35bn litres)



Source: company estimates



Source: BP global energy market

FUELS - DEVELOPMENT STRATEGY

Consolidate the market and win new customers

- » Third largest oil distributor in the UK
- » Low cost depot operating model
- » Good track record of acquisition integration
- » Low ROS, high ROCE > 20%

Development Strategy

- » Consolidation of UK depot market
- » Organic growth of commercial and domestic customers

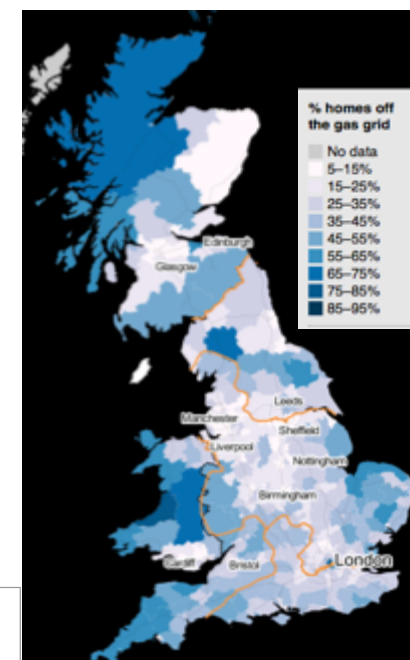
Acquisition criteria

- » Expand existing geographical area
- » Increase business density in existing territories
- » Well established customer mix

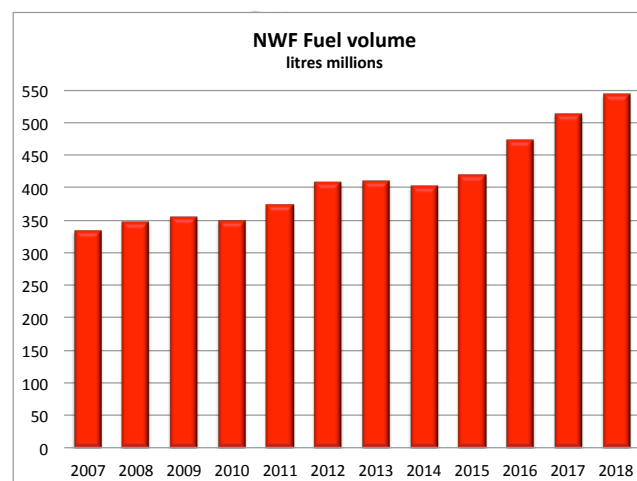
NWF depots



Off gas grid homes in GB



Source: Department for Business, Energy and Industrial Strategy



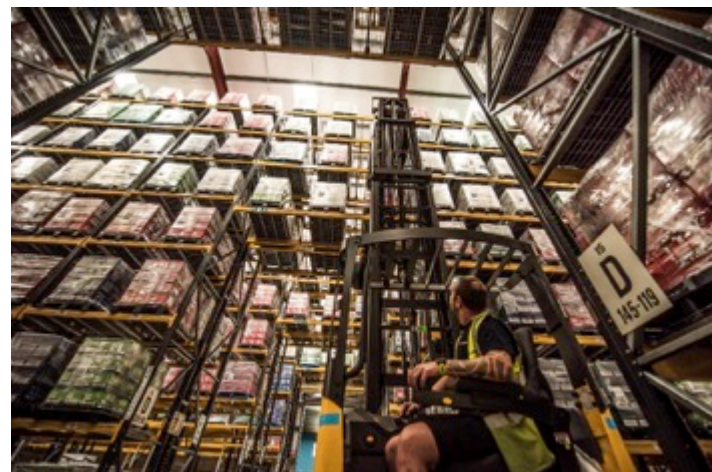
FOOD - DEVELOPMENT STRATEGY

Optimise customer mix and targeted expansion

- » Market for ambient groceries remains large and stable
- » Working under contracts with blue chip brands and retailers
- » Delivering products across the UK
- » Warehousing in the UK remains in short supply

Development Strategy

- » Deliver operating efficiencies with new customer mix
- » Continue development of Palletline, exploring geographical expansion
- » Develop e-fulfilment capability and customer base
- » Optimise customer mix



e-fulfilment process



FEEDS - DEVELOPMENT STRATEGY

Operational efficiency, consolidation and broadening offer

- » Agriculture represents an attractive market for the Group
- » National player with a strong track record
- » Effective operational platform
- » Market prospects underpinned by stable milk prices

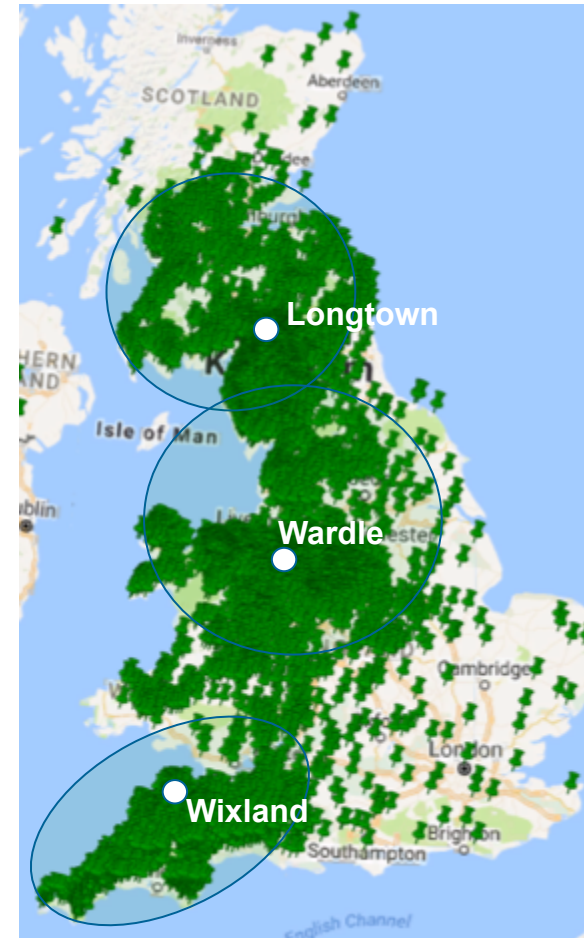
Development Strategy

- » Optimise the business
- » Target market consolidation opportunities – driving market efficiency through lower cost to serve
- » Focus on increasing breadth of nutritional offering through organic development and acquisitions

Acquisition criteria

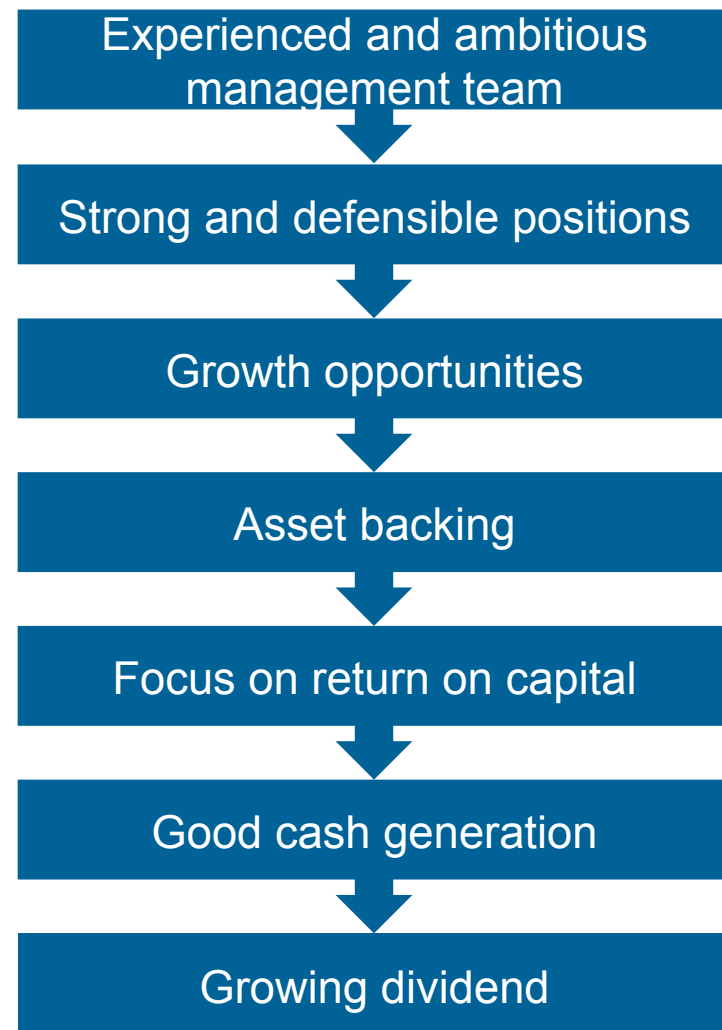
- » Synergy with existing business
- » Development capability
- » Proven management team

Feed mills & customers



GROUP OVERVIEW

NWF Investment summary



GROUP OVERVIEW

Summary and outlook

- » Profit improvement delivered in first half
- » Full year Board expectations for trading performance and net debt levels unchanged
 - » Fuels - effective management of volatile pricing in normal winter conditions
 - » Food - managing higher storage and activity rates
 - » Feeds - continuing to benefit from returns on previous investment
- » Demonstrating strategic delivery with Fuels acquisition in December 2018
- » Strong balance sheet – financial resources for future acquisitions
- » Confidence in the future development opportunities and outlook for the Group

GROUP OVERVIEW

Additional information

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

GROUP OVERVIEW

Analyst coverage and consensus forecasts

	Actual	Consensus forecasts		
	2018	2019	2020	2021
Revenue	£611.3m	£651.3m	£661.1m	£671.9m
Headline operating profit	£10.6m	£9.5m	£10.0m	£10.2m
Headline profit before tax	£10.2m	£9.0m	£9.5m	£9.7m
Headline earnings per share	16.7p	14.7p	15.3p	15.5p
Dividend per share	6.3p	6.6p	6.9p	7.1p
Net (debt)/cash	(£6.4m)	(£4.8m)	(£2.5m)	£1.3m

Analysts	
Peel Hunt*	Charles Hall
Panmure Gordon	Adrian Kearsey
Shore Capital	Phil Carroll

* Corporate broker

The consensus is an arithmetic calculation of the forecasts made by contributing investment analysts as at 28 January 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.

This information does not constitute or form part of any offer for sale or solicitation of any offer to buy or subscribe for any securities nor shall they or any part of them form the basis of or be relied on in connection with, or act as any inducement to enter into, any contract or commitment whatsoever. No reliance may be placed for any purpose whatsoever on the information or opinions contained in these figures or on their completeness, accuracy or fairness.

BUSINESS OVERVIEW

Fuels

Supply of fuels and fuel cards to commercial, domestic and retail customers across the UK

- » Third largest oil distributor in the UK
- » 59,000 customers
- » 203 people
- » 19 depots across the UK
- » Supply 29 retail petrol stations
- » 99 tankers
- » Fuel card marketing
- » 543 million litres per annum



BUSINESS OVERVIEW

Food

Consolidation of ambient grocery products to UK Supermarkets

- » Market leader in the North West
- » 100,000 pallet spaces
- » 800,000ft² of warehousing in Wardle
- » 543 people
- » 122 trucks, 236 trailers
- » 200 customers including Arla & Typhoo
- » Packing room for added value work
- » E-fulfilment capability
- » Palletline member and operation in Cheshire



BUSINESS OVERVIEW

Feeds

Supply of feed to ruminants in the UK – principally dairy

- » Number two in the UK – feeds one in six dairy cows in the UK
- » Feed for dairy, beef and sheep
- » 589,000 tonnes per annum
- » Sell added value products including minerals, supplements and fertiliser
- » 4,750 customers
- » 198 people
- » 39 trucks, 16 trailers
- » Compound mills in Cumbria, Cheshire and Devon
- » Blend plants in Cumbria, Cheshire and Devon



GROUP OVERVIEW

Business locations

Feeds

Aspatia
Longtown
Wardle*
Wixland

Food

Wardle*

Fuels

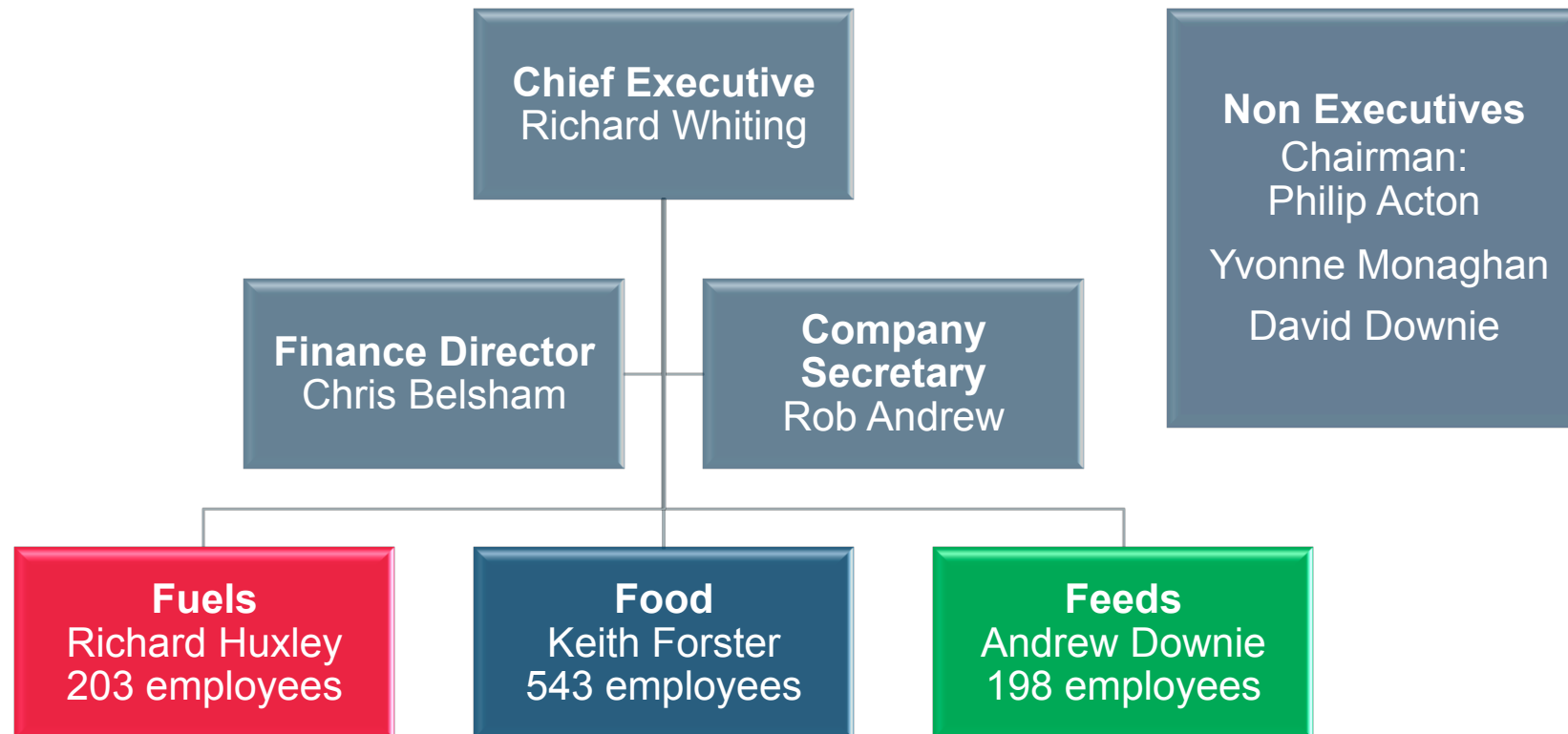
Ammanford
Babbinswood
Bangor
Boston
Burnley
Burwell
Droitwich
Dyserth
Fishers Pond
Great Yarmouth
Home Counties
Kenilworth
Long Marston
Mansfield
Martlet
Staffordshire Fuels
Stoke
Wardle*
Yate

* Wardle = Head office



GROUP OVERVIEW

Organisation



GROUP OVERVIEW

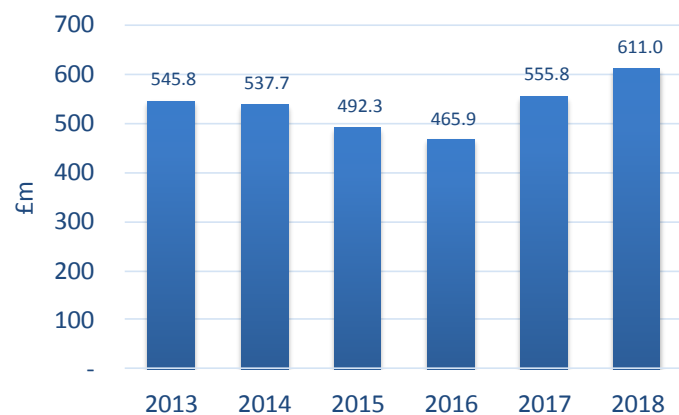
Wardle – Main operating site



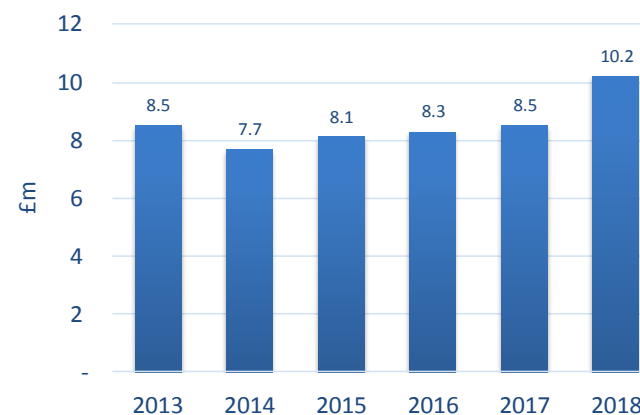
GROUP OVERVIEW

Track record

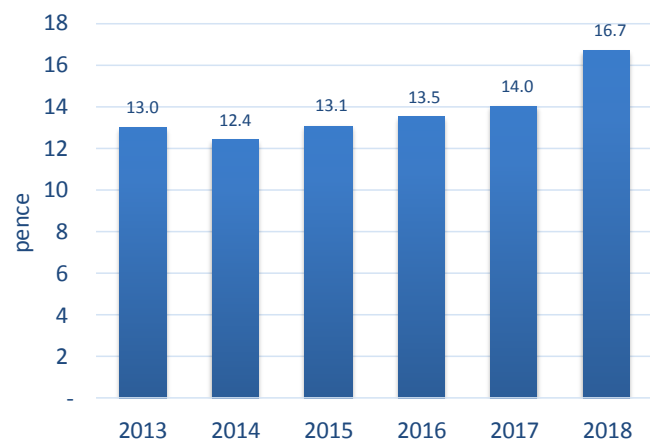
Revenue



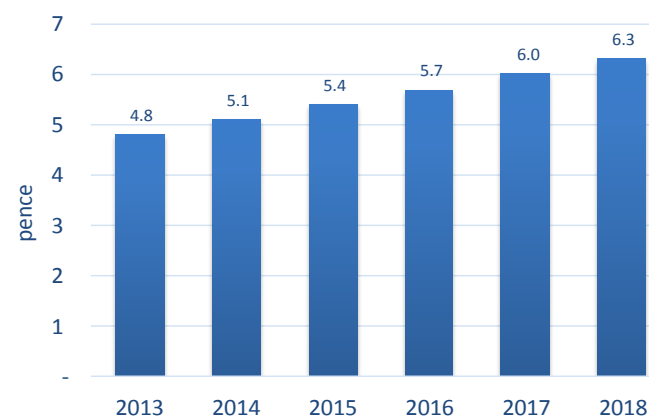
Headline PBT



Headline EPS



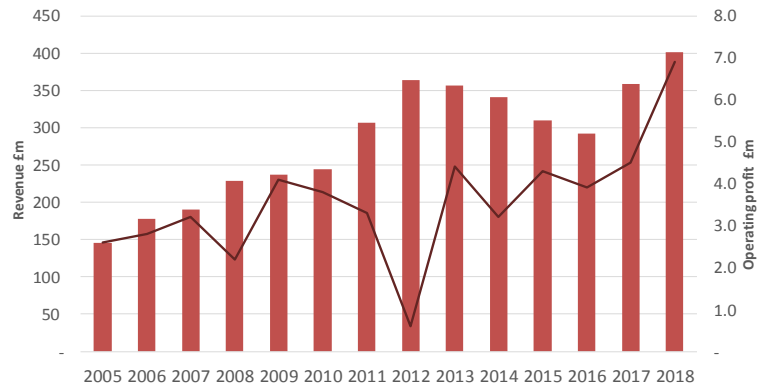
Dividend



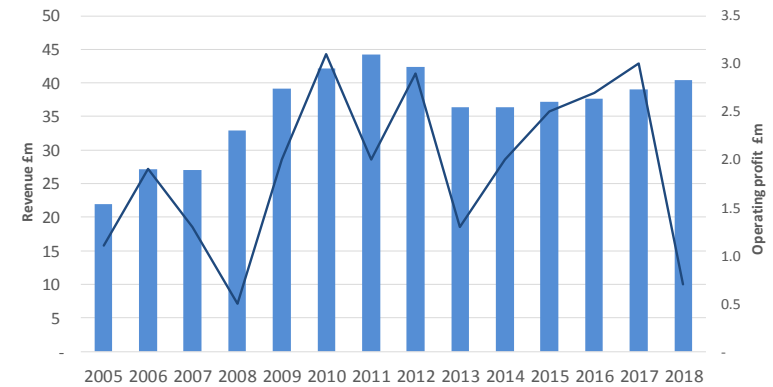
GROUP OVERVIEW

Divisional track record

Fuels



Food



Feeds

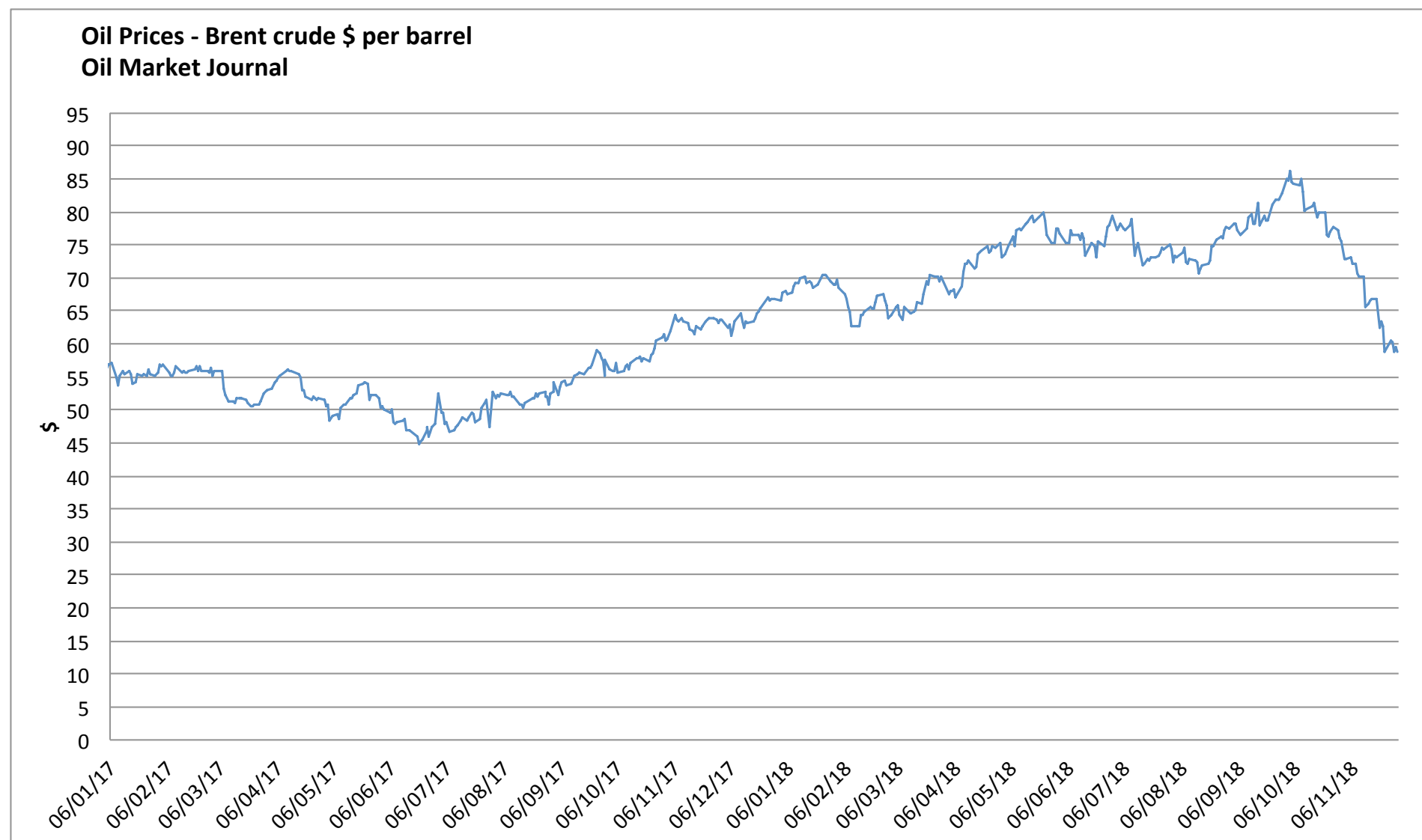


Key:



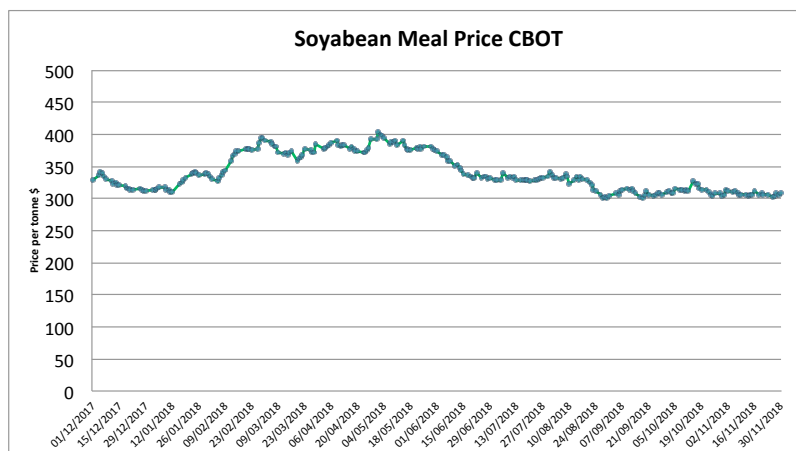
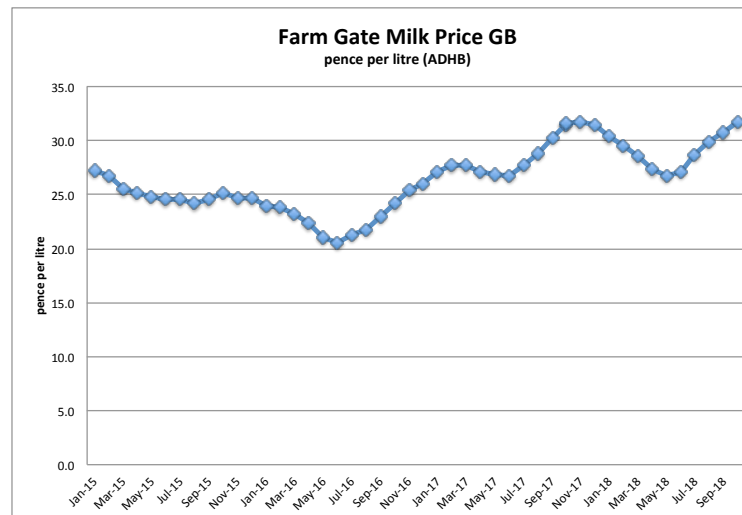
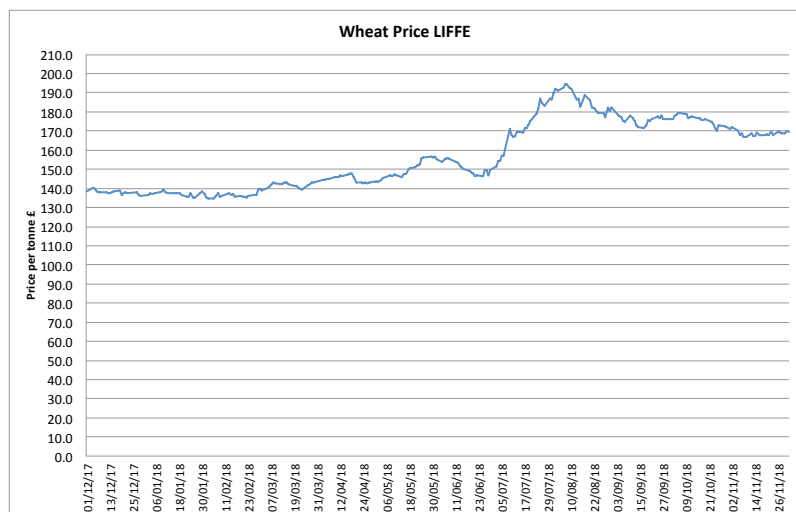
GROUP OVERVIEW

Fuels additional market data



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	-
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%