

# DELIVERING PERFORMANCE AND STRATEGY

NWF GROUP PLC FINAL RESULTS TO MAY 2019



# 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**

Finance Director

**Key skills**

- » Finance
- » Mergers and acquisitions
- » Strategy

Joined as 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.

# KEY HIGHLIGHTS

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## 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 dividend growth
- » Clear growth strategy

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## Fuels

- » Third largest oil distributor in the UK
- » 552 million litres delivered in 2019
- » Road diesel, gas oil, heating oil and petrol
- » 23 depots across the UK
- » 126 tankers delivering Fuel
- » 63,000 customers both commercial and domestic
- » Three acquisitions in last twelve months in a fragmented market

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## Food

- » Boughey distribution is a leading consolidator of ambient grocery products
- » Over 800,000 ft<sup>2</sup> of modern, racked warehousing at Wardle, Cheshire
- » 100,000 pallet spaces
- » 127 trucks and 252 trailers
- » 200 contracted ambient grocery customers

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## Feeds

- » Second largest national ruminant feed supplier – feeds one in six dairy cows
- » Feed mills in Cumbria, Cheshire and Devon
- » 591,000 tonnes sold in 2019
- » 4,750 farming customers
- » 38 trucks and 13 trailers
- » Principally dairy, also beef and sheep

# RESULTS SUMMARY

Strong results ahead of expectations

## Revenue

**£671.3m +9.9%**



## Headline operating profit<sup>1</sup>

**£10.2m -3.8%**



## Headline profit before tax<sup>1</sup>

**£9.7m -4.9%**



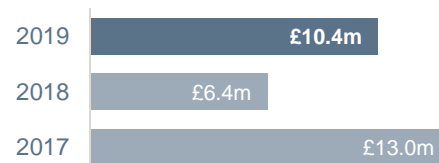
## Headline earnings per share<sup>1</sup>

**15.8p -5.4%**



## Net debt

**£10.4m**



## Dividend per share

**6.6p +4.8%**



<sup>1</sup> Stated before exceptional items, amortisation of acquired intangibles and the net finance cost of the Group's defined benefit pension scheme and the tax effect thereon where relevant

# OPERATING HIGHLIGHTS

Delivering on the strategy to grow the network

- » New leadership team led by Richard Huxley focusing on growth opportunities
- » Managed oil price volatility effectively
- » Increased gas oil sales to offset lower heating oil demand following the record cold winter in the prior year
- » Investing in advanced systems and capabilities to drive efficiency as the network expands
- » Acquisitions: added 20% volume and five additional depots:
  - » Midland Fuel Oil Supplies in South Birmingham
  - » Consols Oils in Cornwall
  - » Ribble Fuel Oils in North West (post year-end)



## Key figures

£443.0m +10.6%

REVENUE  
2018 £400.7M

£5.6m -18.8%

OPERATING PROFIT  
2018 £6.9M

552m +1.7%

VOLUME LITRES  
2018 543M



# OPERATING HIGHLIGHTS

Strong performance from new customers and operational effectiveness

- » New customers won in 2018 and 2019 – strong service delivery
- » Price increases offsetting inflationary pressure
- » Increased operating effectiveness in warehouses and distribution
- » Seven customers utilising e-fulfilment operation
- » Offsite storage supporting customers additional Brexit stocking requirements (now shipped)
- » Increased activity levels – outloads up 8.5%
- » Demand for our space and services remains strong



## Key figures

£47.9m <sup>+18.6%</sup>

REVENUE  
2018 £40.4m

£1.8m <sup>+257%</sup>

OPERATING PROFIT  
2018 £0.7m

100.000 <sup>+11.1%</sup>

PALLET SPACES  
2018 90,000

# OPERATING HIGHLIGHTS

## Stable performance

- » Demand volatility across the year
  - » High demand in the summer with low forage availability – feeding advice essential
  - » Lower winter demand with mild conditions and good forage
- » Pricing aligned to commodity prices
- » Continued focus on operational efficiency
- » Stable market conditions
  - » Milk prices stable at over 27p per litre
  - » Milk production up 1.6%
  - » Ruminant feed market volumes down 1.3%
  - » Spot commodities volatile



## Key figures

£180.4m <sup>+6.2%</sup>

REVENUE  
2018 £169.9m

£2.8m <sup>-6.7%</sup>

OPERATING PROFIT  
2018 £3.0m

591,000 <sup>+0.3%</sup>

VOLUME TONNES  
2018 589,000

# FINANCIAL REVIEW

## Income statement summary

	May 2019 £m	May 2018 £m
<b>Revenue</b>		
Fuels	<b>443.0</b>	400.7
Food	<b>47.9</b>	40.4
Feeds	<b>180.4</b>	169.9
<b>Total revenue</b>	<b>671.3</b>	611.0
<b>Operating profit</b>		
Fuels	<b>5.6</b>	6.9
Food	<b>1.8</b>	0.7
Feeds	<b>2.8</b>	3.0
<b>Headline operating profit*</b>	<b>10.2</b>	10.6
Exceptional items	<b>(0.5)</b>	-
Amortisation of acquired intangibles	<b>(0.1)</b>	-
<b>Operating profit</b>	<b>9.6</b>	10.6

Fuels	2014	2015	2016	2017	2018	2019
Litres (million)	402	420	474	513	543	552
Profit (pence per litre)	0.8p	1.0p	0.8p	0.9p	1.3p	1.0p
Litres per depot (m)	23.6	24.7	24.9	27.0	28.6	29.0
Revenue per litre	£0.85	£0.74	£0.62	£0.70	£0.74	£0.80

- » Revenue increased by £60 million (9.9%):
    - » £45 million from increased commodity costs across Fuels and Feeds
    - » £8 million from higher activity levels
    - » £7 million from acquisitions
  - » No impact from IFRS 15
  - » Headline operating profit of £10.2 million
  - » Exceptional items:
    - » GMP Equalisation (£0.3 million) as reported in H1
    - » Acquisition-related costs (£0.2 million)
- 
- » Fuel volumes increased by 1.7%
  - » Pence per litre profit in line with historical average

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



# FINANCIAL REVIEW

## Income statement summary

	May 2019 £m	May 2018 £m
<b>Operating profit</b>	<b>9.6</b>	10.6
Finance costs	(0.9)	(0.9)
<b>Headline profit before tax*</b>	<b>9.7</b>	10.2
Exceptional items	(0.5)	-
Amortisation of acquired intangibles	(0.1)	-
Net finance costs – DB scheme	(0.4)	(0.5)
<b>Profit before tax</b>	<b>8.7</b>	9.7
Tax	(1.9)	(1.9)
<b>Profit after tax</b>	<b>6.8</b>	7.8
<b>Diluted headline EPS (pence)*</b>	<b>15.8</b>	16.7
<b>DPS (pence)</b>	<b>6.6</b>	6.3
<b>Dividend cover</b>	<b>2.4</b>	2.7
<b>Interest cover (excluding pension finance)</b>	<b>20.4</b>	26.5

- » Headline PBT of £9.7 million
- » Bank interest increased by £0.1 million as a result of acquisitions
- » Pension scheme interest reduced by £0.1 million due to lower a pension scheme deficit across the year
- » Effective tax rate (pre-exceptionals) of 20.8% - in line with underlying rate
- » Full year proposed dividend increased by 4.8% to 6.6p

\* Stated before exceptional items and the net finance cost of the Group's defined benefit pension scheme. Diluted headline EPS also takes into account the taxation effect thereon

# FINANCIAL REVIEW

## Balance sheet summary

	May 2019 £m	May 2018 £m
Fixed assets	<b>70.2</b>	67.9
Net working capital	<b>6.3</b>	2.5
<b>Assets employed</b>	<b>76.5</b>	70.4
Pension deficit	<b>(17.3)</b>	(17.1)
Net debt	<b>(10.4)</b>	(6.4)
Deferred consideration	-	(0.8)
Tax provisions	<b>(1.7)</b>	(1.6)
Provisions	-	(0.1)
<b>Net assets</b>	<b>47.1</b>	44.4
 <b>Net debt : EBITDA</b>	 <b>0.7</b>	 0.4
<b>Total assets</b>	<b>149.1</b>	141.5
<b>ROCE:</b>		
Fuels	<b>38.1%</b>	71.9%
Food	<b>7.2%</b>	2.7%
Feeds	<b>7.6%</b>	8.7%
<b>Total ROCE</b>	<b>13.4%</b>	15.1%

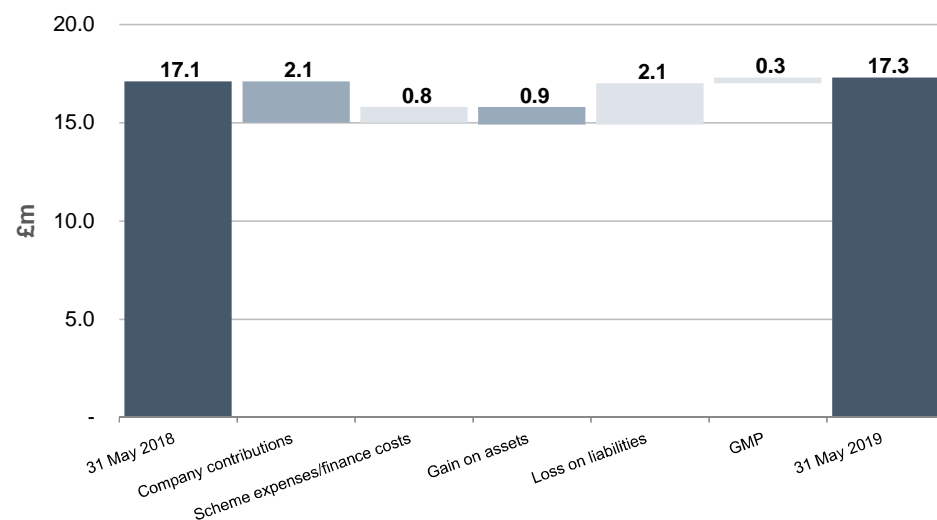
- » Fixed assets increased due to acquisitions
- » Higher net working capital due to commodity prices and a high level of trading in May 2019
- » Net debt increased by £4.0 million, reflecting the acquisitions in the year, but remains well below 1x EBITDA
- » No further deferred consideration payable
- » Strong asset underpin – total assets of £149.1 million
- » Group ROCE of 13.4%
- » Estimated IFRS 16 impact:
  - » £16.5 million right of use asset
  - » £16.5 million right of use liability
  - » £0.2 million increase in operating profit
  - » £0.3 million increase in interest costs

# FINANCIAL REVIEW

## Pension summary

	May 2019 £m	May 2018 £m
Assets	<b>38.0</b>	36.3
Liabilities	<b>(55.3)</b>	(53.4)
<b>Deficit</b>	<b>(17.3)</b>	(17.1)
Related deferred tax asset	<b>2.9</b>	2.9
<b>Net pension liability</b>	<b>(14.4)</b>	(14.2)
<b>Discount rate</b>	<b>2.50%</b>	2.75%
<b>Inflation rate (RPI)</b>	<b>3.20%</b>	3.05%

- » Single defined benefit pension scheme
- » Closed to new members in 2002 and future accrual in 2016
- » Slight increase in deficit since May 2018 – primarily the impact of the discount rate
- » £0.3 million additional liability recognised for GMP Equalisation
- » Current recovery plan contributions of £1.8 million following triennial valuation in December 2016
- » No constraint on Group development



# FINANCIAL REVIEW

## Cash flow summary

	May 2019 £m	May 2018 £m
Operating profit	9.6	10.6
Depreciation and amortisation	4.7	4.5
Profit on disposal of fixed assets	(0.1)	(0.1)
Working capital movements	(3.9)	1.0
Utilisation of provision	(0.1)	(0.2)
Contributions to pension scheme not recognised in income statement	(1.4)	(1.3)
Other	-	0.2
<b>Operating cash flow</b>	<b>8.8</b>	<b>14.7</b>
Interest paid	(0.5)	(0.4)
Tax paid	(1.9)	(1.4)
<b>Net cash from operating activities</b>	<b>6.4</b>	<b>12.9</b>
Net capital additions	(2.8)	(2.9)
Acquisition of subsidiaries (net of cash)	(3.5)	-
Hire purchase acquired	(0.2)	-
Payment of contingent consideration	(0.8)	(0.5)
	(0.9)	9.5
Dividends paid	(3.1)	(2.9)
<b>Movement in net debt</b>	<b>(4.0)</b>	<b>6.6</b>

- » Headline EBITDA\* of £14.8 million (2018: £15.1 million)
- » Working capital movement as a result of commodity prices and a high level of trading in May 2019
- » Net capital expenditure of £2.8 million (all replacement and maintenance) – reduced as a result of a move to contract hire tankers in Fuels
- » £3.5 million spent on two acquisitions
- » Final £0.8 million of deferred consideration in relation to New Breed paid

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

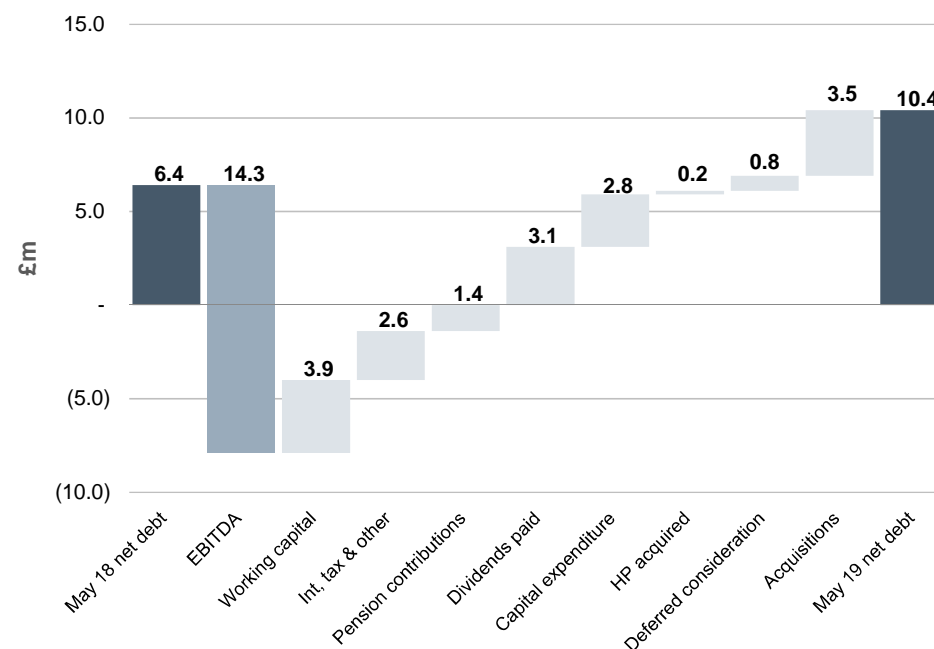
# FINANCIAL REVIEW

## Net debt summary

- » Facilities of £65 million with RBS until October 2023
- » Net debt of £10.4 million at May 2019 with substantial facility and covenant headroom

	Facility £m	Drawn £m
<b>Facility</b>		
Invoice discounting	50.0	10.0
RCF/Guarantees	14.0	3.0
Overdraft/(Cash)	1.0	(2.8)
Hire purchase obligations	—	0.2
<b>Total</b>	<b>65.0</b>	<b>10.4</b>

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



- » £0.5 million cash generated before development expenditure
- » £1.5 million short term working capital outflow at the year end



# DEVELOPMENT STRATEGY

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## 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

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## Fuels

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

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## 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

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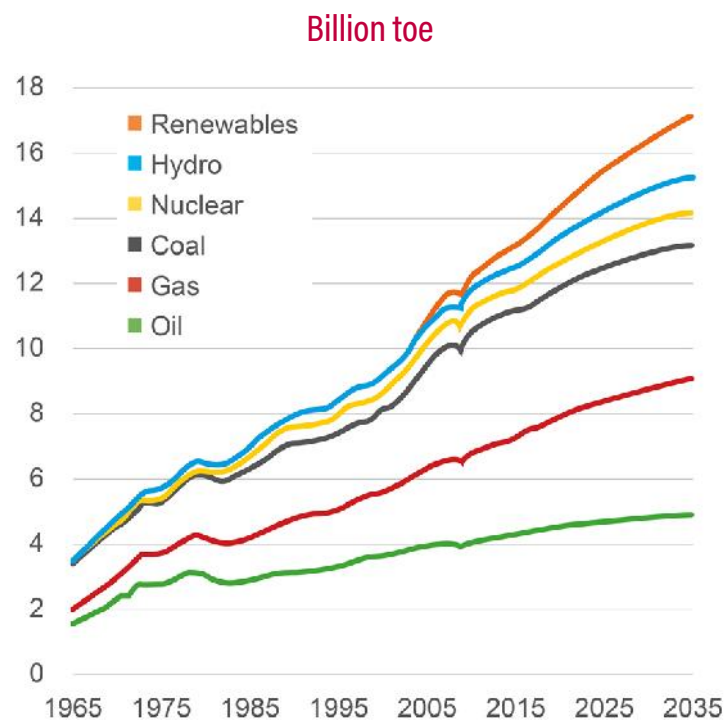
## Feeds

- » 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 4,500 farmers across the UK
  - » Expand nutritional range

# DEVELOPMENT STRATEGY

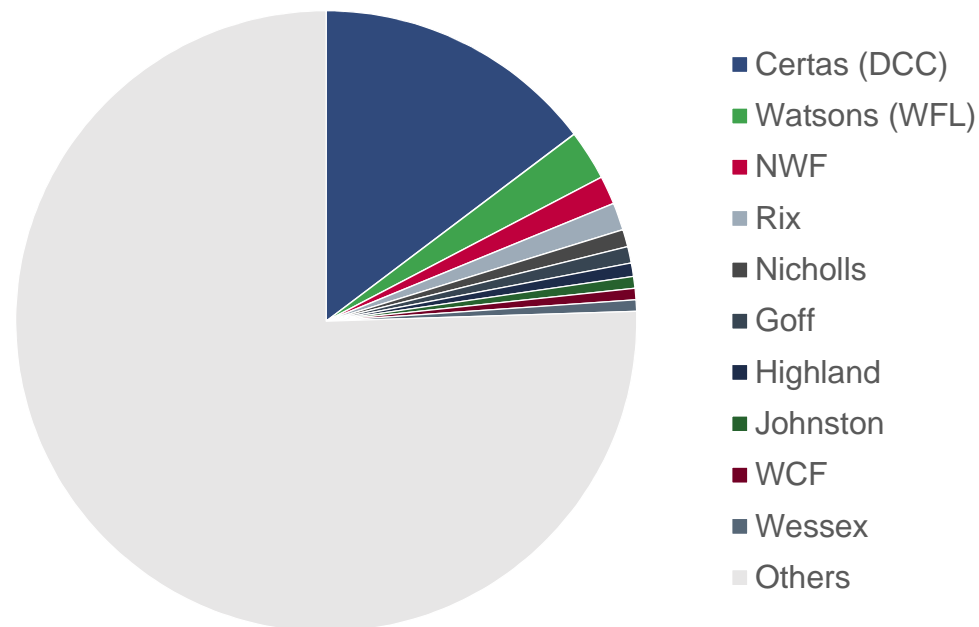
Very attractive market with significant consolidation potential

- » 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)



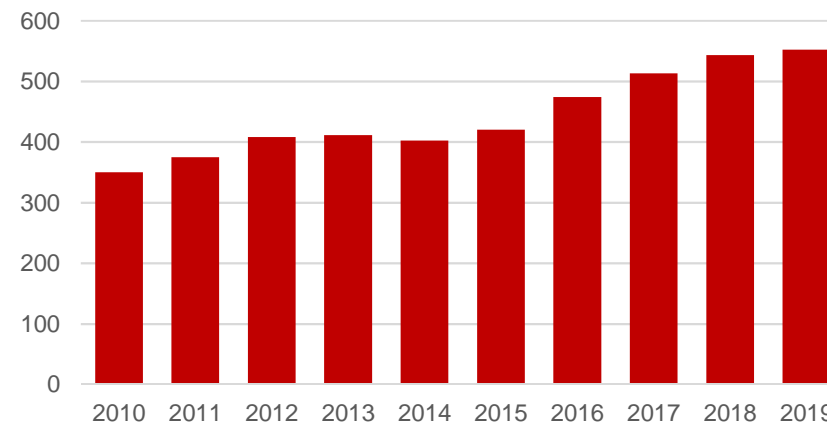
Source: company estimates

# DEVELOPMENT STRATEGY

## Acquisition activity

- » Last 12 months activity:
  - » Acquired three businesses across the UK
  - » Over 110 million litres of business added
  - » £8 million consideration paid
- » Clear post acquisition integration plan
- » Retained the brand and customer facing operations

Fuels Volume (million litres)



Ribble Fuel Oils

**Consols Oils**  
RESPECT THE PUMP



Midland Fuel Oil  
Supplies Ltd.

# DEVELOPMENT STRATEGY

## Acquisition process

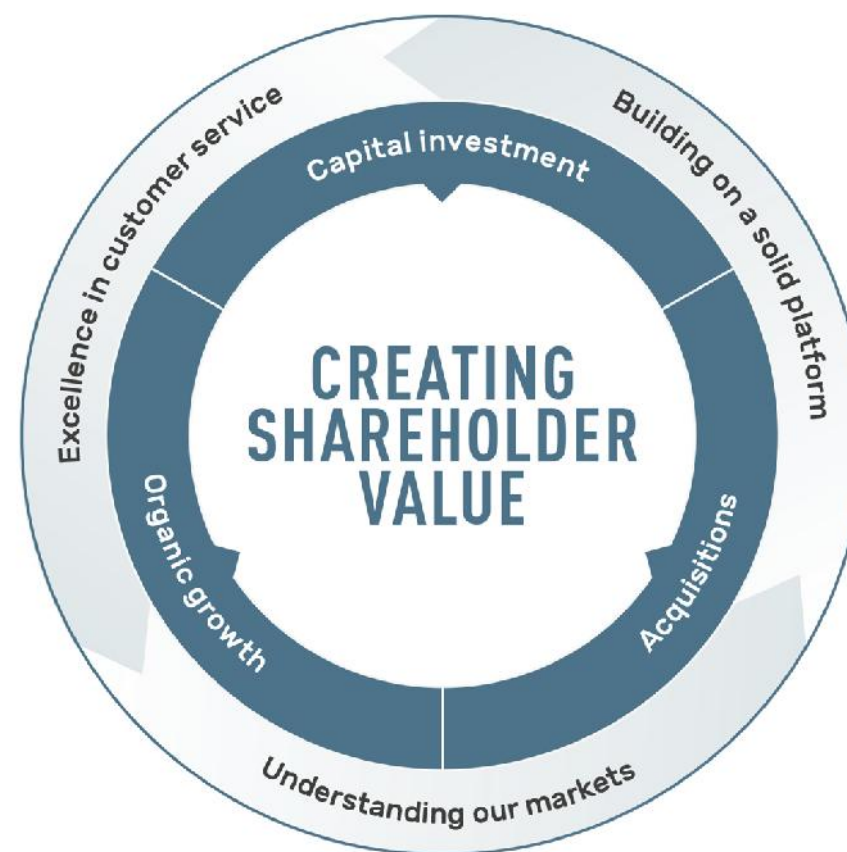
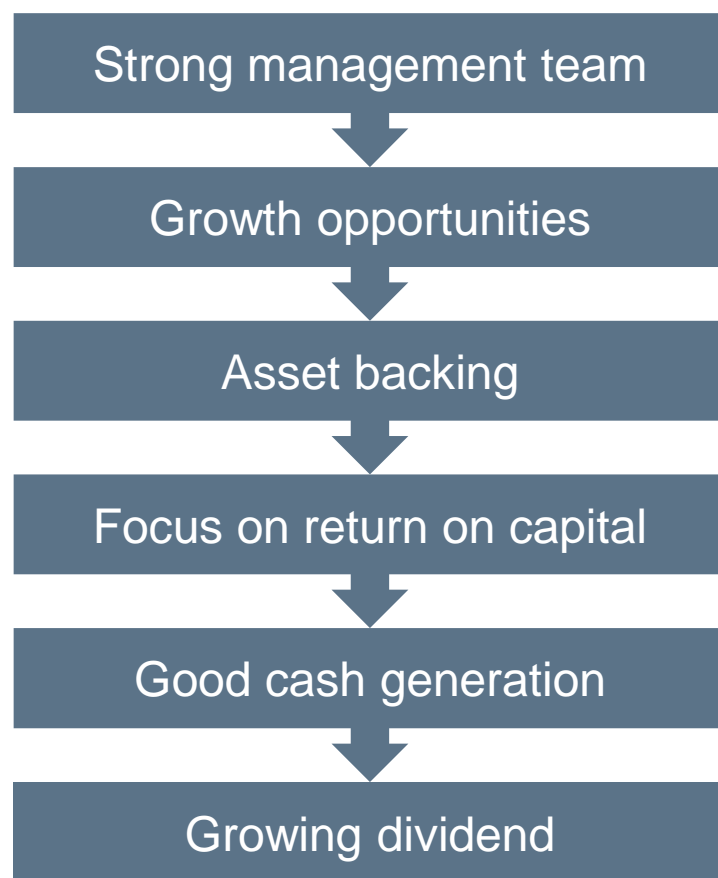
- » Targeting oil distribution businesses in the UK
- » Clear valuation and pricing strategy
- » Effective transaction process:
  - » Established legal, environmental and financial due diligence process and advisors
  - » In-house operational and commercial due diligence supports integration planning
- » A range of ways to deliver value:
  - » Integrate into existing depot infrastructure to realise cost synergies – Midlands into existing Kenilworth depot
  - » Expand geography and enhance performance – Consols in Cornwall & Ribble Fuel Oils in North West and West Yorkshire
  - » Geography and/or capability expansion
- » Model of retaining brands and customer facing elements whilst centralising Finance, IT and credit control
- » Investing acquisition earnings in 2020 to enhance systems, strengthen team and develop technology to support future acquisition activity
- » Active UK pipeline of acquisitions – NWF seen as an attractive buyer

## 23 Fuel depots



# SUMMARY AND OUTLOOK

The NWF proposition





# SUMMARY AND OUTLOOK

## Good platform for development

- » Strong result in 2019 – outperforming original expectations
  - » Demonstrable delivery of strategic plan with three 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
  - » Increased food demand, but limited capacity in the short term
  - » 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 efficiently meeting customers needs delivery good service
  - » Feeds managing farmers nutrition with good forage supplies
  
- » Confidence in the future development opportunities and outlook for the Group

# ADDITIONAL INFORMATION

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

# ANALYST COVERAGE AND CONSENSUS FORECASTS

	Actual	Consensus forecasts			Analysts	
	2019	2019	2020	2021	Peel Hunt*	Charles Hall
Revenue	£671.3m	£662.6m	£689.0m	£671.0m	Panmure Gordon	Adrian Kearsey
Headline operating profit	£10.2m	£10.0m	£10.1m	£10.2m	Shore Capital	Akhil Patel
Headline profit before tax	£9.7m	£9.5m	£9.6m	£9.7m		
Headline earnings per share	15.8p	15.1p	15.1p	15.4p		
Dividend per share	6.6p	6.6p	6.9p	7.1p		
Net (debt)/cash	(£10.4m)	(£6.7m)	(£3.7m)	(£0.5m)		

\* Corporate broker

The consensus is an arithmetic calculation of the forecasts made by contributing investment analysts as at 29 July 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 550 million litres across the UK to 63,000 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

551

MILLION LITRES PER  
ANNUM

23

DEPOTS

233

PEOPLE

126

TANKERS

# BUSINESS OVERVIEW

Boughey Distribution is a leading consolidator of ambient grocery products to UK supermarkets with over 800,000ft<sup>2</sup> of warehousing and significant distribution assets. It works with over 200 customers including Arla and Typhoo.



## Key figures

100,000

PALLET SPACES

612

PEOPLE

127

TRUCKS

252

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

591,000

TONNES

203

PEOPLE

38

TRUCKS

13

TRAILERS

# BUSINESS LOCATIONS

## Feeds

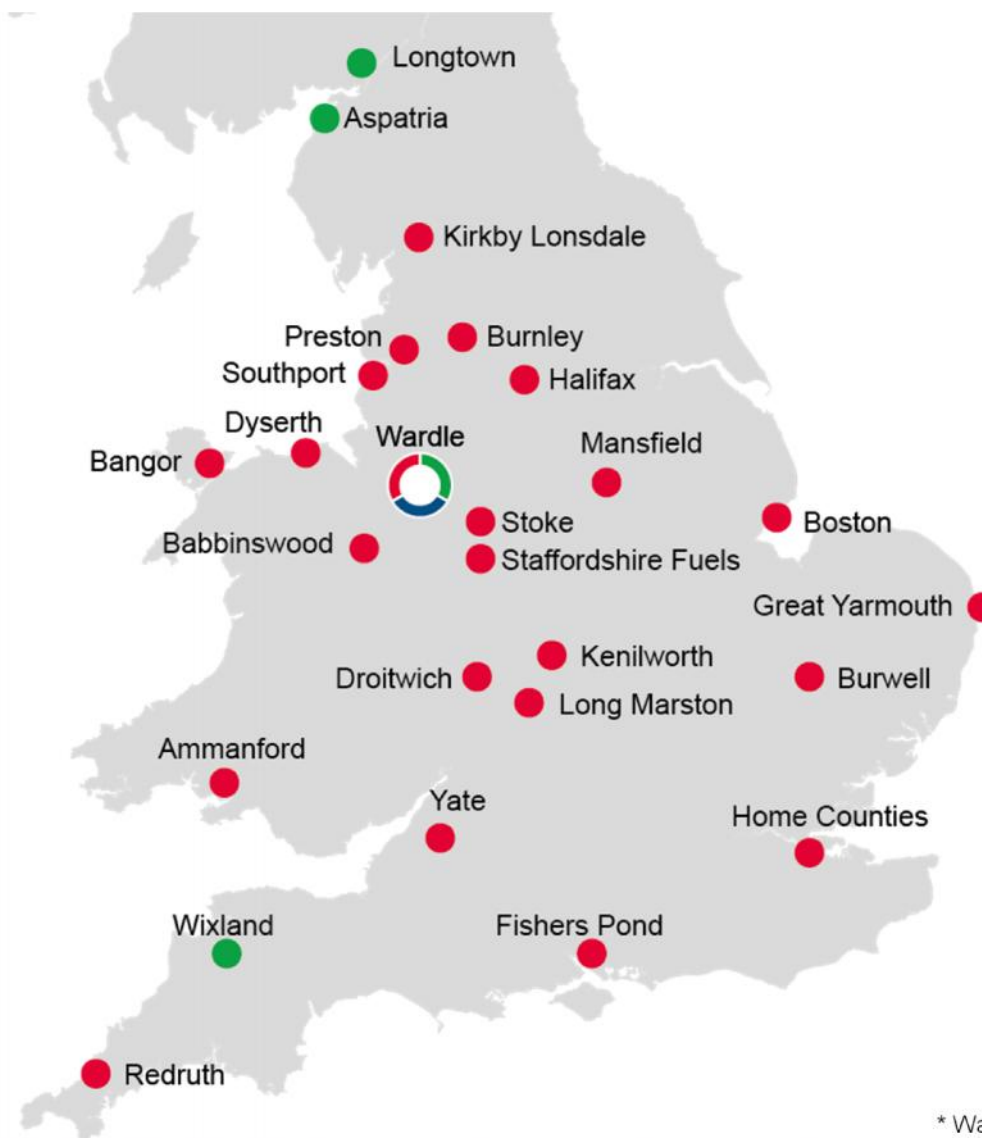
Aspatia  
Longtown  
Wardle\*  
Wixland

## Food

Wardle\*

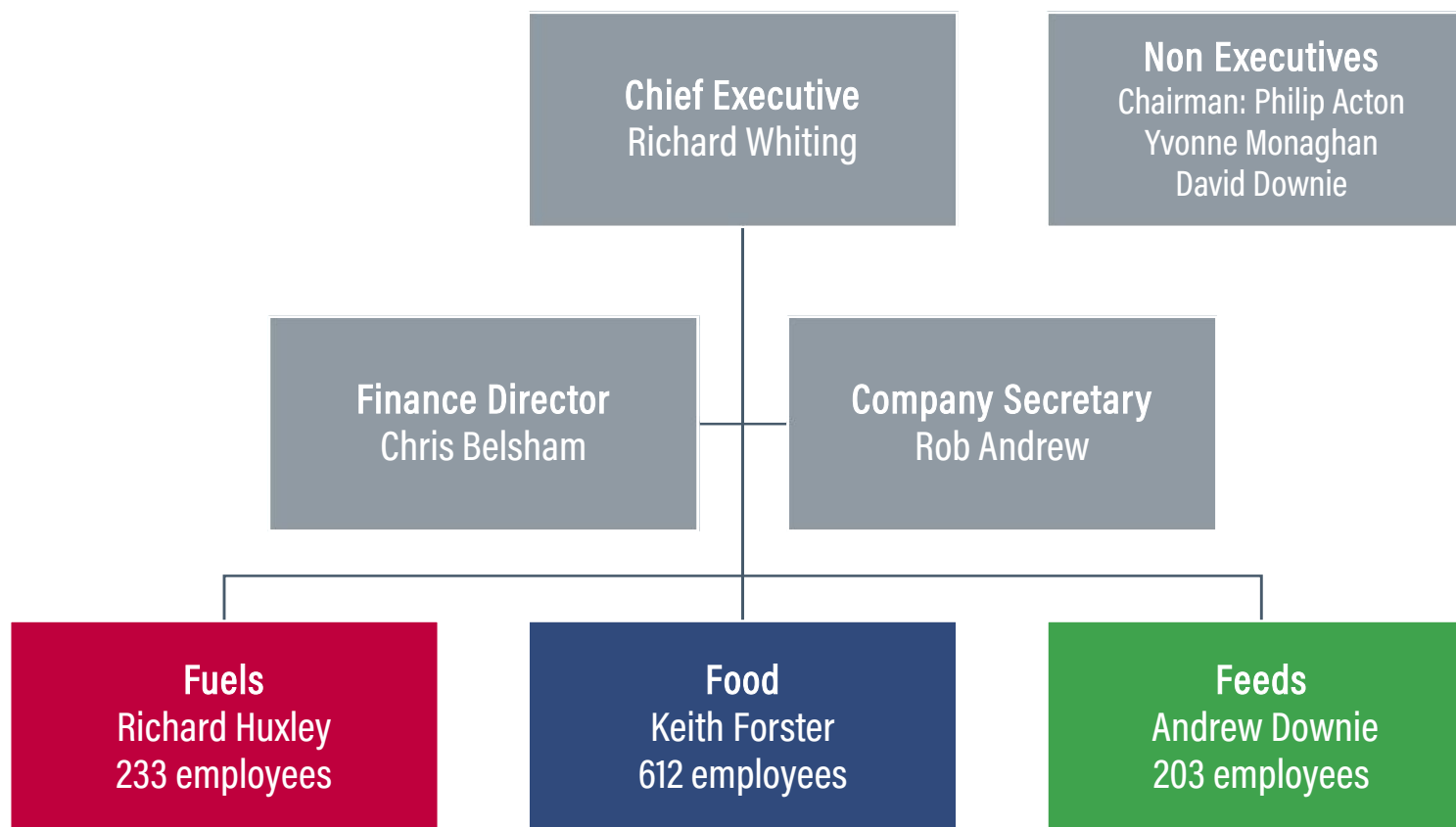
## Fuels

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



\* Wardle = Head office

# ORGANISATION

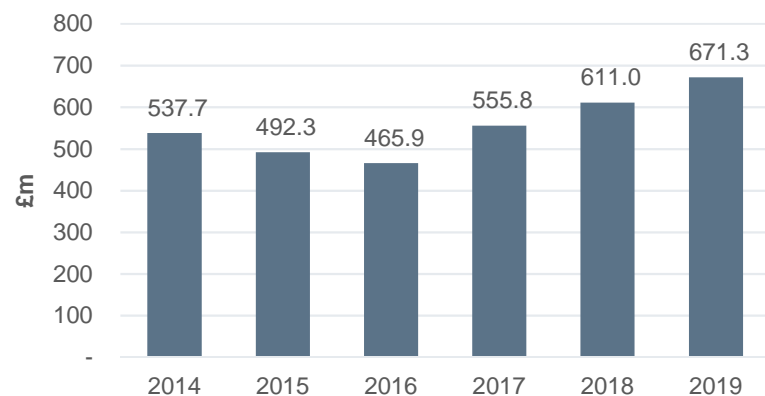


# WARDLE – MAIN OPERATING SITE

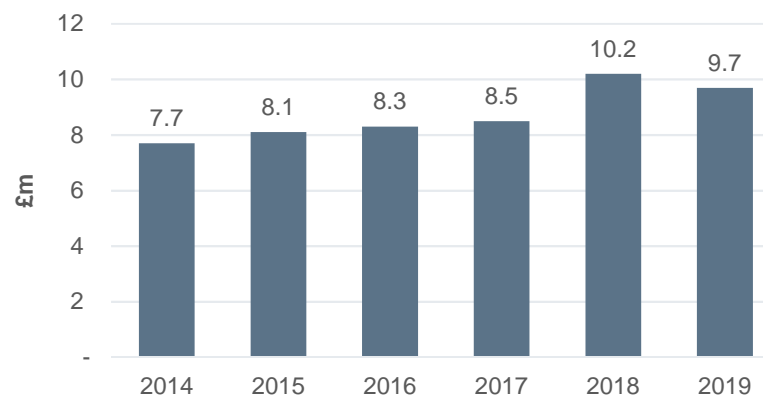


# TRACK RECORD

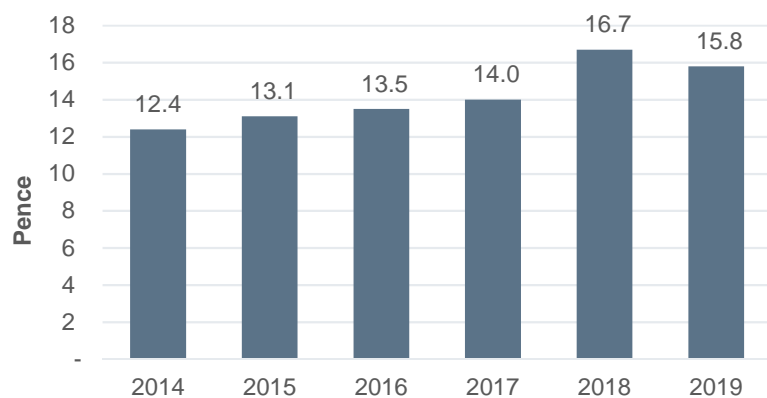
## Revenue



## Headline PBT



## Headline EPS



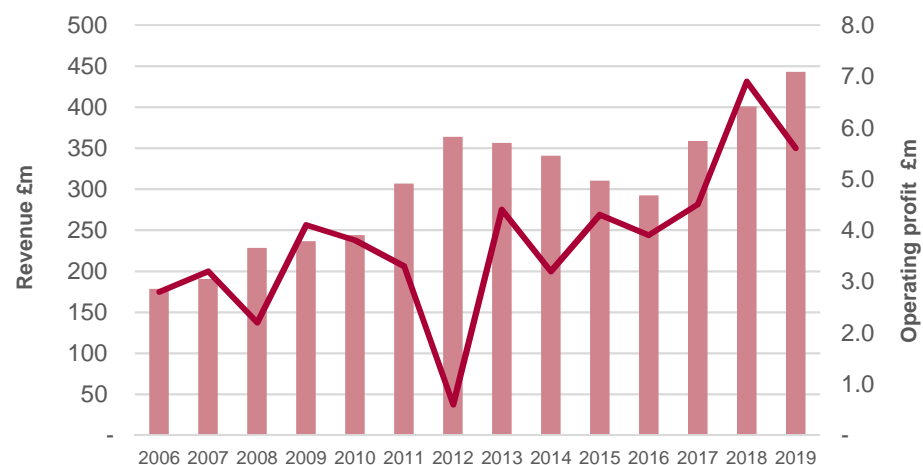
## Dividend



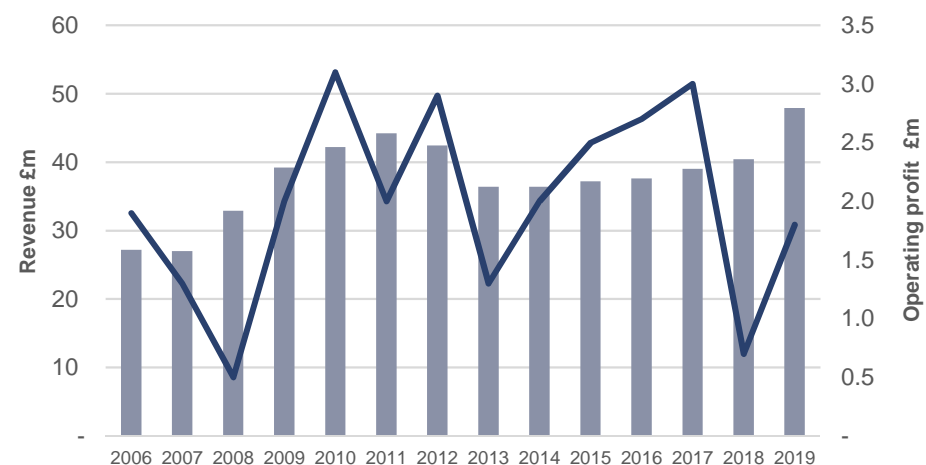


# DIVISIONAL TRACK RECORD

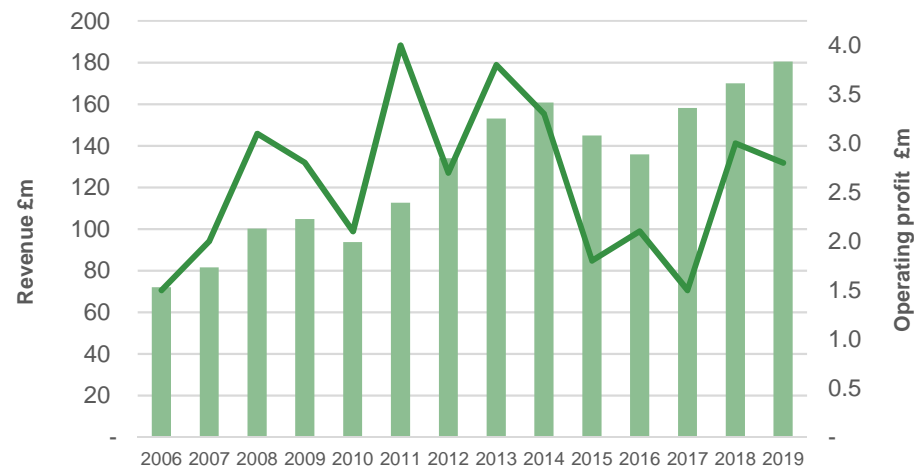
## Fuels



## Food



## Feeds



Revenue  
Operating profit

# GROUP OVERVIEW

## Fuels additional market data

Oil Prices - Brent crude \$ per barrel

Oil Market Journal





# GROUP OVERVIEW

## Feeds additional market data

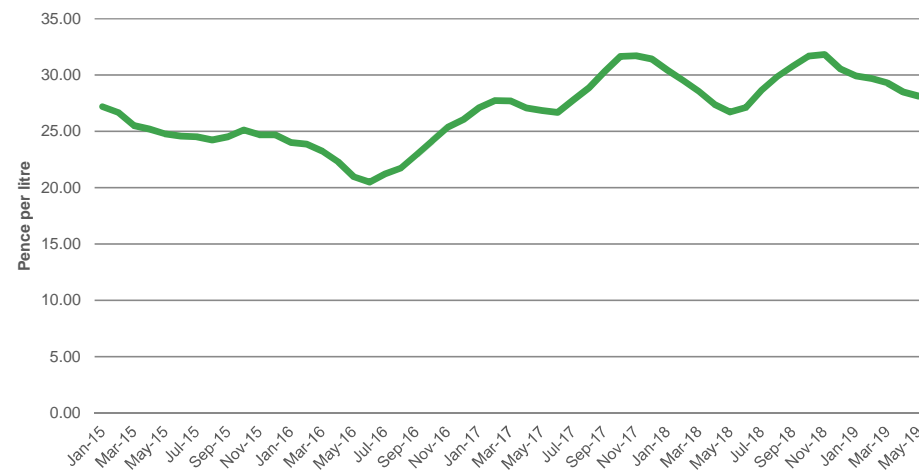
Wheat Price LIFFE



Soyabean Meal Price CBOT



Farm Gate Milk Price GB  
pence per litre (AHDB)



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%