Wincanton

# WINCANTON PLC

RESULTS FOR THE YEAR TO 31 MARCH 2018

Certain statements in this presentation are forward-looking statements.

Such statements are based on current expectations and by their nature are subject to a number of risks and uncertainties that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement.

The information does not assume any responsibility or obligation to update publicly or revise any of the forward-looking statements contained herein.


# AGENDA

## Introduction

- Adrian Colman, CEO

## Financial Review

- Tim Lawlor, CFO

## Operational and Strategic Update

- Adrian Colman, CEO

# INTRODUCTION

Adrian Colman, Chief Executive Officer

# STRONG DELIVERY AGAINST STRATEGY

- Revenue increased by 4.8% to £1,172m
- Attracting new business in our key growth markets
- Innovative propositions developed and launched in the year
- Capacity and cost base of business repositioned in the year
- Underlying operating profit increase of 1.5% to £52.9m
- Strong underlying EPS growth of 11.2% to 30.8p
- Growth in full year dividend to 9.9p

# FINANCIAL REVIEW

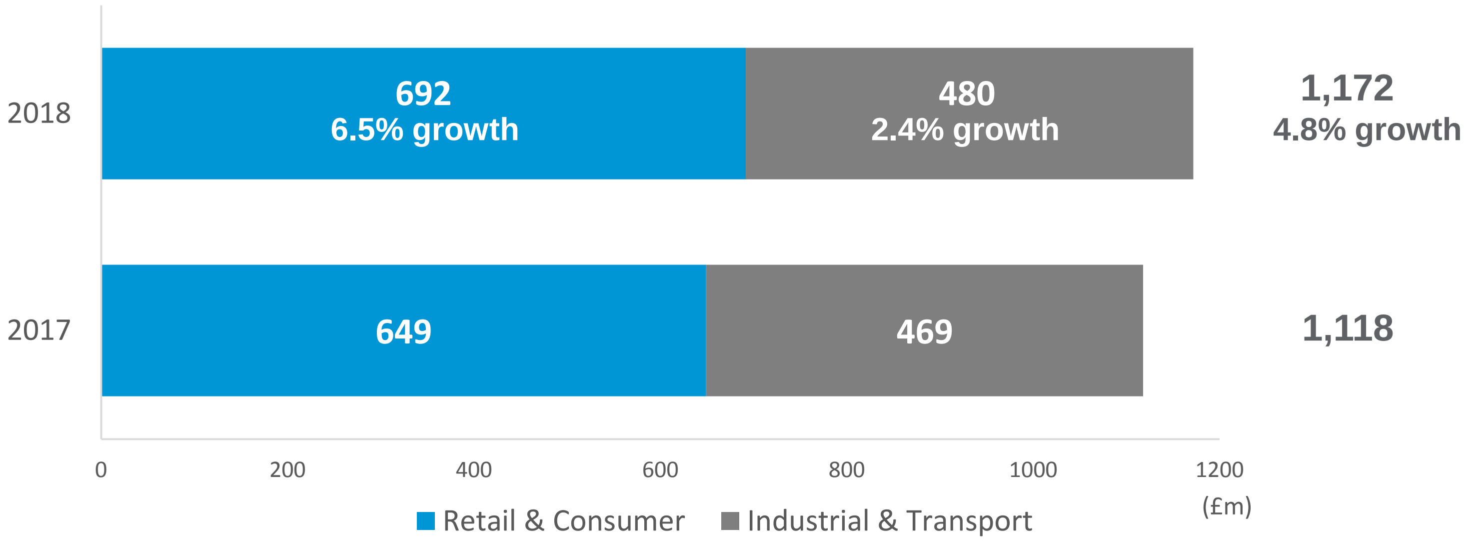
Tim Lawlor, Chief Financial Officer

# FINANCIAL SUMMARY

| | 2017/18 £m | 2016/17 £m | Change |
|---|---|---|---|
| Revenue | 1,171.9 | 1,118.1 | 4.8% |
| Underlying EBITDA* | 64.8 | 63.9 | 1.4% |
| Underlying operating profit* | 52.9 | 52.1 | 1.5% |
| Underlying operating profit margin* (%) | 4.5% | 4.7% | (20)bps |
| Underlying profit before tax* | 46.4 | 41.5 | 11.8% |
| Profit before tax | 37.9 | 45.4 | (16.5)% |
| Underlying EPS (pence)* | 30.8p | 27.7p | 11.2% |
| Net debt | (29.5) | (24.3) | |
| Total dividend per share (pence) | 9.9p | 9.1p | |

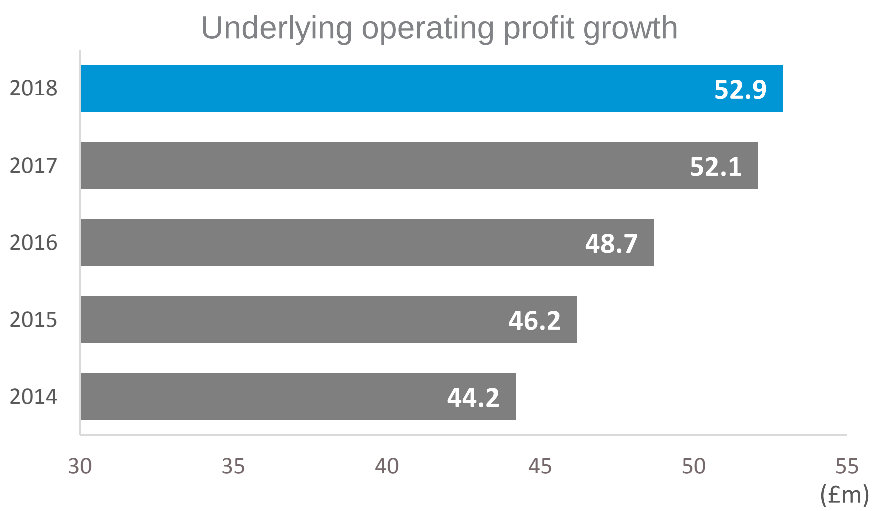
* before amortisation of intangibles and exceptional items

# REVENUE BY SEGMENT




- Revenue increase of £54m (4.8%) primarily driven by:
  - New wins and organic growth in R&C, particularly General Merchandise
  - I&T new business growth in Transport Services and Construction, partly offset by volume pressures

# UNDERLYING OPERATING PROFIT




| | | 2017/18 £m | 2016/17 £m |
|---|---|---|---|
| **Group** | **Op profit** | **52.9** | **52.1** |
| | **Margin** | **4.5%** | **4.7%** |
| Retail & Consumer | Op profit | 29.7 | 25.8 |
| | Margin | 4.3% | 4.0% |
| Industrial & Transport | Op profit | 23.2 | 26.3 |
| | Margin | 4.8% | 5.6% |

- Operating profit growth of 1.5%
- Strong performance in R&C from:
  - Contract wins and organic growth in General Merchandise
- Partly offset by reduction in I&T:
  - Challenges in transport-related areas and contract start-ups
  - Restructuring programme completed
  - End of contract property credits in prior year

# EXCEPTIONAL ITEMS

| | **2017/18 £m** | 2016/17 £m |
|---|---|---|
| Restructuring costs | **(8.2)** | - |
| Pension scheme liability management exercise | **2.0** | (0.9) |
| Other items | - | 7.0 |
| **Net exceptional items** | **(6.2)** | 6.1 |

- Restructuring costs to support competitive positioning:
  - Headcount reductions and space consolidation
- Pension scheme liability management exercise concluded
- Other items in prior year include:
  - Non-cash credit on release of disposed business provisions
  - Settlement of a supplier claim

# FINANCING COSTS & NET DEBT

| | **2017/18 £m** | 2016/17 £m |
|---|---|---|
| Net bank interest payable | **(4.1)** | (5.9) |
| Provisions discount unwinding | **(0.6)** | (1.2) |
| Pension financing costs | **(1.8)** | (3.5) |
| **Financing costs** | **(6.5)** | (10.6) |
| **Net debt** | **(29.5)** | (24.3) |

- Financing costs reduced by c.40%
  - Reduction in interest payable due to:
    - Repayment of M&G debt July 2017
    - Maturity of US$ Private Placement in November 2016
  - Pension financing costs reduced due to lower opening deficit
- Small increase in net debt reflects investment in new business
- Long-term financing facility in place until October 2021

# TAXATION

| | **2017/18 £m** | 2016/17 £m |
|---|---|---|
| Underlying profit before tax | **46.4** | 41.5 |
| Underlying tax | **8.3** | 7.5 |
| Tax on amortisation of acquired intangibles | **(0.4)** | (0.4) |
| Exceptional tax | **(1.2)** | (3.7) |
| **Tax as reported** | **6.7** | 3.4 |
| *Effective tax rate* | ***18.0%*** | *18.0%* |
| *Cash tax (net payments)* | *4.0* | *2.6* |

- Underlying tax of £8.3m (2017: £7.5m)
  - Effective tax rate 18.0% (2017: 18.0%)
- Exceptional tax credit of £1.2m relating to restructuring programme (2017: £3.7m credit relating to historic liabilities)
- Cash tax payment lower than P&L charge due to relief on pension payments

# CASH GENERATION

| | 2017/18 £m | 2016/17 £m |
|---|---|---|
| Underlying EBITDA | **64.8** | 63.9 |
| Net capex | **(14.0)** | (18.7) |
| Working capital | **(8.3)** | 6.5 |
| Tax | **(4.0)** | (2.6) |
| Net interest | **(4.1)** | (6.8) |
| Other items | **(9.4)** | (2.5) |
| **Free cash flow** | **25.0** | 39.8 |
| Pension recovery payment | **(14.6)** | (14.1) |
| Pension liability management | **(2.2)** | - |
| Dividends | **(11.6)** | (10.4) |
| Own shares acquired | **(1.8)** | (0.1) |
| **Net cash flow** | **(5.2)** | 15.2 |

- Capex reflects investment in new business growth
- Working capital outflow reflects investment in mobilising new contracts
- Other items includes property provisions and restructuring costs

# PENSION

| IAS 19 valuation | 31/03/18 £m | 31/03/17 £m |
|---|---|---|
| Assets | **1,076** | 1,081 |
| Liabilities | **(1,125)** | (1,159) |
| Deficit | **(49)** | (78) |
| Deferred tax | **8** | 13 |
| **Net deficit** | **(41)** | (65) |

- IAS 19 deficit down by £29m since 31 March 2017
- Triennial valuation for 31 March 2017 continues
  - Technical Provisions deficit will be higher than IAS 19
  - Expect to conclude in 2018
- Liability management
  - Enhanced Transfer Value exercise resulted in £27.6m reduction of liabilities

# DIVIDEND AND UNDERLYING EPS

| | 2017/18 | 2016/17 |
|---|---|---|
| Interim | **3.27p** | 3.00p |
| Final | **6.63p** | 6.10p |
| **Total** | **9.90p** | **9.10p** |
| **Underlying EPS** | **30.8p** | **27.7p** |

- Final dividend of 6.63p proposed
- Consistent with progressive dividend policy
- Final dividend to be paid in August

# OPERATIONAL AND STRATEGIC UPDATE

Adrian Colman, Chief Executive Officer

# RETAIL & CONSUMER

## GENERAL MERCHANDISE | GROCERY | CONSUMER PRODUCTS

| | **2017/18 £m** | 2016/17 £m |
|---|---|---|
| Revenue | **691.7** | 649.3 |
| Underlying operating profit | **29.7** | 25.8 |
| Operating margin | **4.3%** | 4.0% |

- Revenue growth of 6.5% driven by:
  - Contract wins and strong organic volumes in General Merchandise (22% growth)
  - Partially offset by contract exits in Grocery
- New business wins include Wickes, IKEA and wilko
- Long term renewals secured with Argos and Halfords
- eFulfilment capability enhanced in the period
- Strong contract performance and closed book operations driving margin in year

# INDUSTRIAL & TRANSPORT

## TRANSPORT SERVICES | CONSTRUCTION | ENERGY | DEFENCE

| | **2017/18 £m** | 2016/17 £m |
|---|---|---|
| Revenue | **480.2** | 468.8 |
| Underlying operating profit | **23.2** | 26.3 |
| Operating margin | **4.8%** | 5.6% |

- Revenue growth of 2.4% driven by:
  - Contract wins in Construction (12% growth)
  - Partially offset by contract exits within sector
- Operating profit and margin impacted by:
  - Headwinds in certain transport-related areas
  - Weather impact on Construction volumes in Q4
- Business capacity and cost base repositioned in-year to address trading performance
- New business wins with Thales and Tarmac in second half

# OUR STRATEGY

# GROWTH

## Delivered revenue growth of 4.8% to £1,172m

### Multichannel retail

**Capture additional logistics activity as consumer habits change**

**ACTION**

- Expanded market-leading two-man home delivery services
- Enhanced eFulfilment propositions such as:
  - Returns
  - Carrier management

**PROGRESS**

Wickes
Let's do it right

IKEA

### Construction

**Bring national coverage and high service levels to less mature logistics sector**

**ACTION**

- Built on market-leading Construction logistics services
- Expanded range of services
  - Ready-mix
  - Site logistics
  - Modular homes logistics

**PROGRESS**

AGGREGATE INDUSTRIES

Legal & General HOMES

# TRANSFORMING OUR BUSINESS

Wincanton

## Differentiate our position in the market place to win more, more often

### ACTION

- **W² Labs:** Ran Dragons Den-style start-ups programme
- **W² Partner Network:** Building networks to pull through technology and solutions
- **W² Ideas Accelerator:** Launched internal creativity social media platform

### PROGRESS

- eFulfilment proposition enabled by two W² Labs businesses
- Value enhancing projects identified and delivered cross business and with customers

**Innovation**

### ACTION

- Proactively bridge and broker our capabilities
- Leveraging **W² Programmes** to bring tech platforms and partnerships to market for collaborative logistics

### PROGRESS

- Over 1,450 transport shifts delivered into Retail Christmas peak from other sectors
- Internal trial of dynamic online platform for brokering warehousing capacity

**Collaboration**

### ACTION

- Bring technology and innovation to our customers to drive sustainable operations;
  - Telematics and driver behavioural e-learning
  - Alternative fuels technology

### PROGRESS

- The **UK's first 3PL** to utilise production-level, fully-electric, logistics vehicles for urban home delivery

FUSO

**Sustainable operations**

# OUTLOOK

- Good overall performance from well diversified customer portfolio
- Continuing to bring innovative growth solutions to market
- Ongoing price pressure for renewals, compensated by ongoing efficiency improvements across the Group
- Restructuring programme completed in year to reposition business cost and capacity base for future periods
- Triennial review of the pension scheme in progress to agree an appropriate future funding plan
- We look forward to making continued progress

# QUESTIONS

# APPENDICES

IFRS update, Income Statement and Balance Sheet Summary, Revenue Analysis

# IFRS UPDATE

## IFRS 15: Revenue from Contracts with Customers

- Adopted with effect from 1 April 2018
- No material impact to financial statements

## IFRS 16: Leases

- Adoption with effect from 1 April 2019
- Balance Sheet impact:
    - Capitalisation of operating leases
- Income statement impact:
    - Significant increase in underlying EBITDA due to removal of operating lease rentals
    - Significant increase in depreciation charge due to capitalisation of operating leases
    - Small increase in operating profit, offset by increase in financing cost
    - Potential of small net impact on PBT due to profile & phasing of leases
- No impact on cash flow

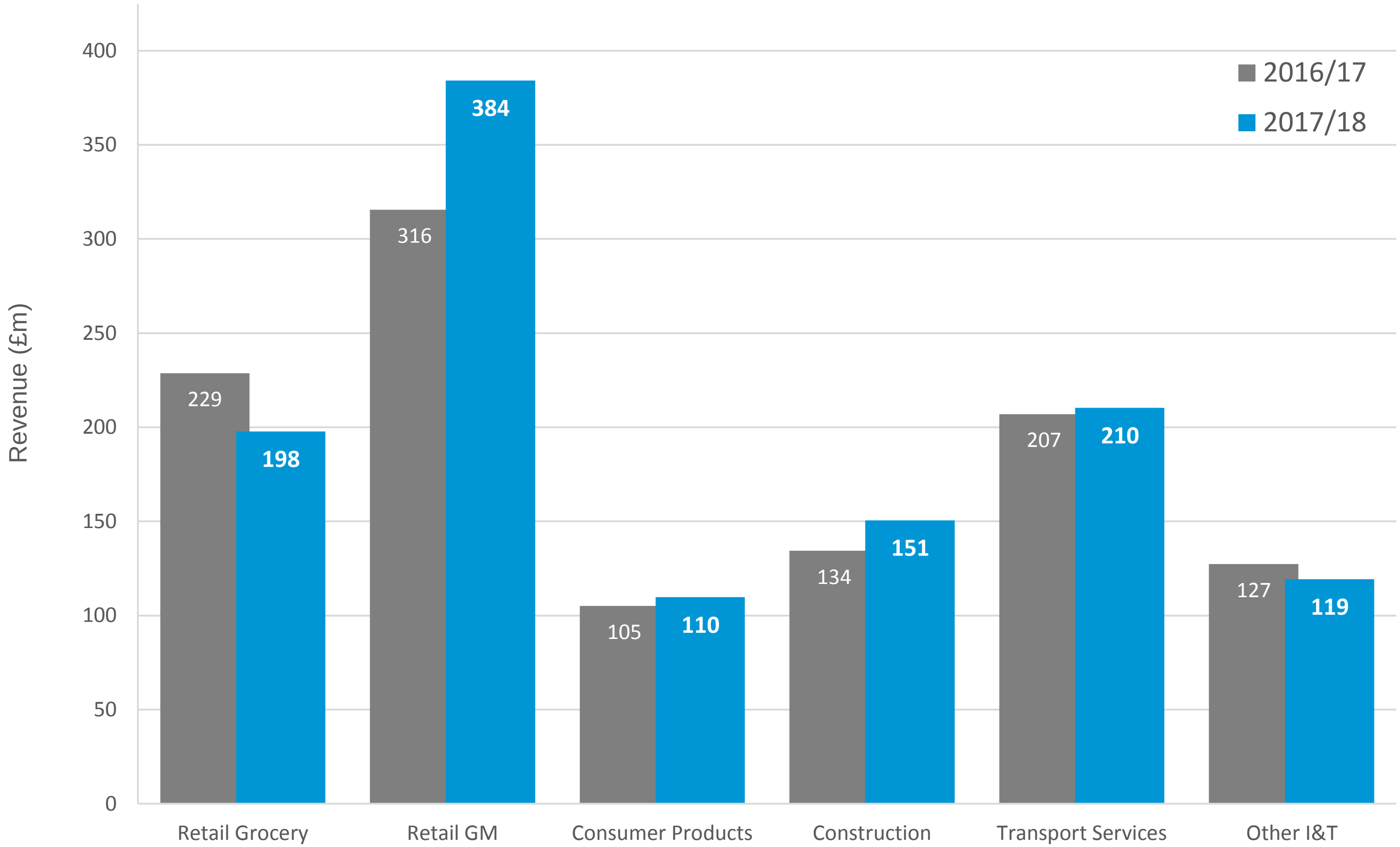
# INCOME STATEMENT SUMMARY

| | 2017/18 £m | 2016/17 £m |
|---|---|---|
| Revenue | **1,171.9** | 1,118.1 |
| | | |
| Underlying operating profit | **52.9** | 52.1 |
| Amortisation of acquired intangibles | **(2.3)** | (2.2) |
| Exceptional items | **(6.2)** | 6.1 |
| Operating profit | **44.4** | 56.0 |
| Net financing costs | **(6.5)** | (10.6) |
| Profit before tax | **37.9** | 45.4 |
| Income tax expense | **(6.7)** | (3.4) |
| Profit for the year | **31.2** | 42.0 |
| | | |
| EPS - basic | **25.2p** | 34.2p |
| EPS - diluted | **24.8p** | 33.0p |

# BALANCE SHEET SUMMARY

| | 2017/18 £m | 2016/17 £m |
|---|---|---|
| Non-current assets | **136.0** | 147.9 |
| Net current liabilities (excluding net debt) | **(136.4)** | (149.8) |
| Non-current liabilities (excluding net debt & pension deficit) | **(33.1)** | (34.8) |
| Net debt | **(29.5)** | (24.3) |
| Pension deficit (gross) | **(49.5)** | (78.4) |
| Net liabilities | **(112.5)** | (139.4) |

# REVENUE ANALYSIS



# THANK YOU