

# ***Wincanton***

*At the heart of British supply chains*

**Wincanton plc**

Results for the half year to 30 September 2023





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

James Wroath, CEO

Executive summary

Tom Hinton, CFO

Financial performance

James Wroath, CEO

Strategic update



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# Executive summary

- **Trading in line with market expectations**, despite lower year-on-year revenue and profit
- **Challenging macro-economic environment** impacting retail and construction volumes
- **Strategic reorganisation of transport**
- **Strong balance sheet** and cash generation
- **Pensions resolution** offers significant boost to free cash flow
- **New capital allocation framework** introduced and announcement of £10m share buyback programme
- **Primary focus on organic growth**, deploying technology to deliver transformational supply chain value





# Financial performance

Tom Hinton, CFO

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# Financial summary









£m	HY 23/24	HY 22/23	Change
Total Revenue	694.7	753.6	(7.8%)
Underlying EBITDA	48.4	57.4	(15.7%)
<i>Underlying EBITDA margin</i>	7.0%	7.6%	(65)bps
Depreciation & amortisation	(21.8)	(25.2)	(13.5%)
Financing cost	(4.0)	(4.2)	(4.8%)
Underlying PBT	22.6	28.0	(19.3%)
<i>Underlying PBT margin</i>	3.3%	3.7%	(46)bps
Tax	(5.7)	(4.8)	(18.8%)
Underlying Profit after tax	16.9	23.2	(27.2%)
<i>Effective tax rate</i>	25.2%	17.1%	
Underlying EPS (pence)	13.7p	18.8p	(5.1p)
Free cash flow	24.5	17.7	38.4%
Net cash flow	2.4	(5.9)	
Net cash/(debt)	15.6	(2.2)	
Dividend per share (pence)	4.4	4.4	-

- Revenue lower year-on-year driven by strategic exit of closed book transport contracts and reduced customer volumes
- Margin impact driven by weaker volumes and profile of new business
- Underlying PBT in line with FY24 market expectations
- Effective tax rate increase due to higher UK corporation tax and prior year super capital allowances
- High level of free cash flow and strong cash position
- Interim dividend held at HY23 level

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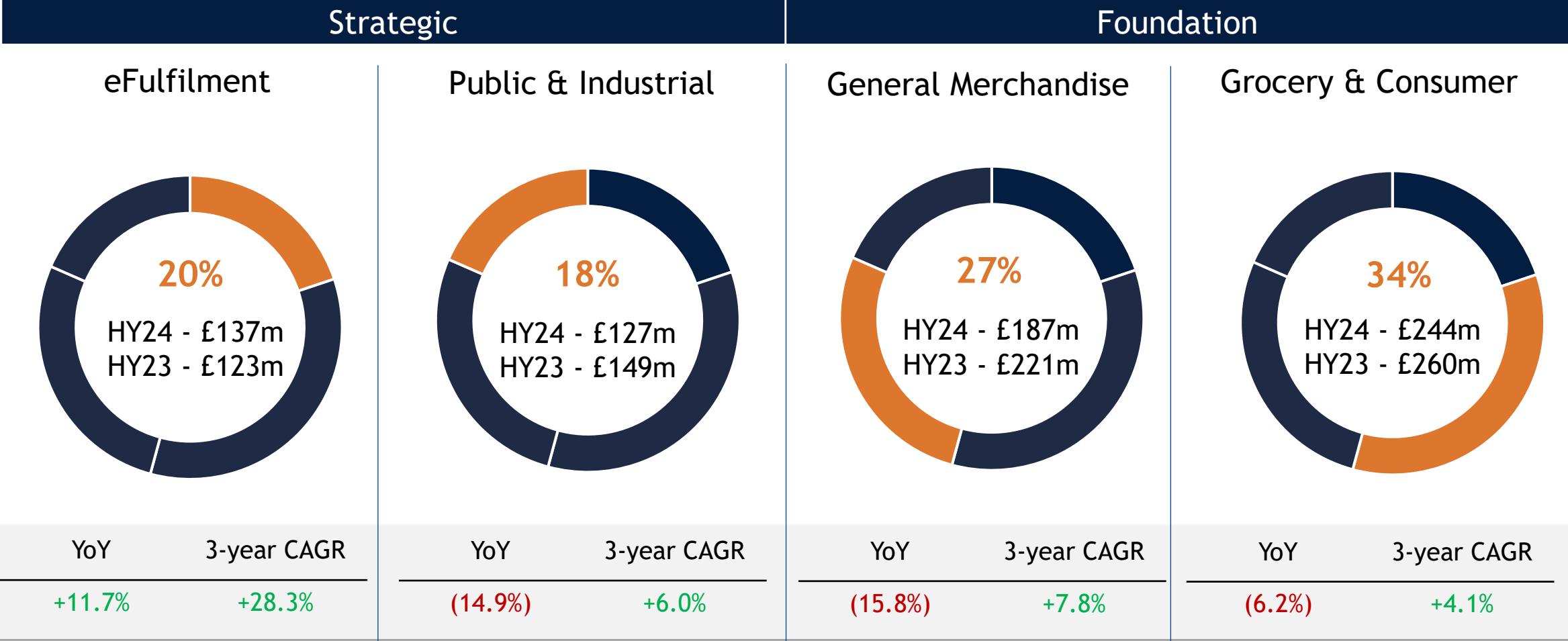


# Understanding our business

Type	Characteristics	H1 Performance	Trajectory				3-year CAGR	
<div>Open book</div> <div></div> <div>Warehousing</div>	<div>✓ Lower risk</div> <div>✓ Robotics &amp; Automation opportunity</div> <div>✓ Capital investment</div>	Core YoY	<div>✓</div> <div>(1%)</div>	<div>% of Group revenue*</div> <div><div>39%</div><div>40%</div><div>40%</div><div>43%</div></div> <div><div>£227m</div><div>£273m</div><div>£302m</div><div>£300m</div></div> <div><div>HY21</div><div>HY22</div><div>HY23</div><div>HY24</div></div>				<div>+10%</div>
<div>Closed book</div> <div></div> <div>Warehousing</div>	<div>✓ High volume eFulfilment</div> <div>✓ Defence and Infrastructure</div>	Core YoY	<div>✓</div> <div>+3%</div>	<div><div>8%</div><div>7%</div><div>8%</div><div>9%</div></div> <div><div>£43m</div><div>£48m</div><div>£62m</div><div>£64m</div></div> <div><div>HY21</div><div>HY22</div><div>HY23</div><div>HY24</div></div>				<div>+14%</div>
<div>Open book</div> <div></div> <div>Transport</div>	<div>✓ Technology enabled</div> <div>✓ Seamless network subcontracting</div> <div>✓ Customer fleet</div>	Core YoY	<div>✓</div> <div>(9%)</div>	<div><div>37%</div><div>37%</div><div>37%</div><div>37%</div></div> <div><div>£215m</div><div>£257m</div><div>£280m</div><div>£256m</div></div> <div><div>HY21</div><div>HY22</div><div>HY23</div><div>HY24</div></div>				<div>+6%</div>
<div>Closed book</div> <div></div> <div>Transport</div>	<div>▪ Strategic exit from high exposure closed book transport</div>	Core YoY	<div>✗</div> <div>(32%)</div>	<div><div>16%</div><div>15%</div><div>15%</div><div>11%</div></div> <div><div>£93m</div><div>£112m</div><div>£110m</div><div>£75m</div></div> <div><div>HY21</div><div>HY22</div><div>HY23</div><div>HY24</div></div>				<div>(7%)</div>

\*split of transport open and closed book and warehouse open and closed book is based on an updated contract allocation methodology

# Year-on-year revenue - by sector





# Managing headwinds

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Divergence of  
value and  
volume

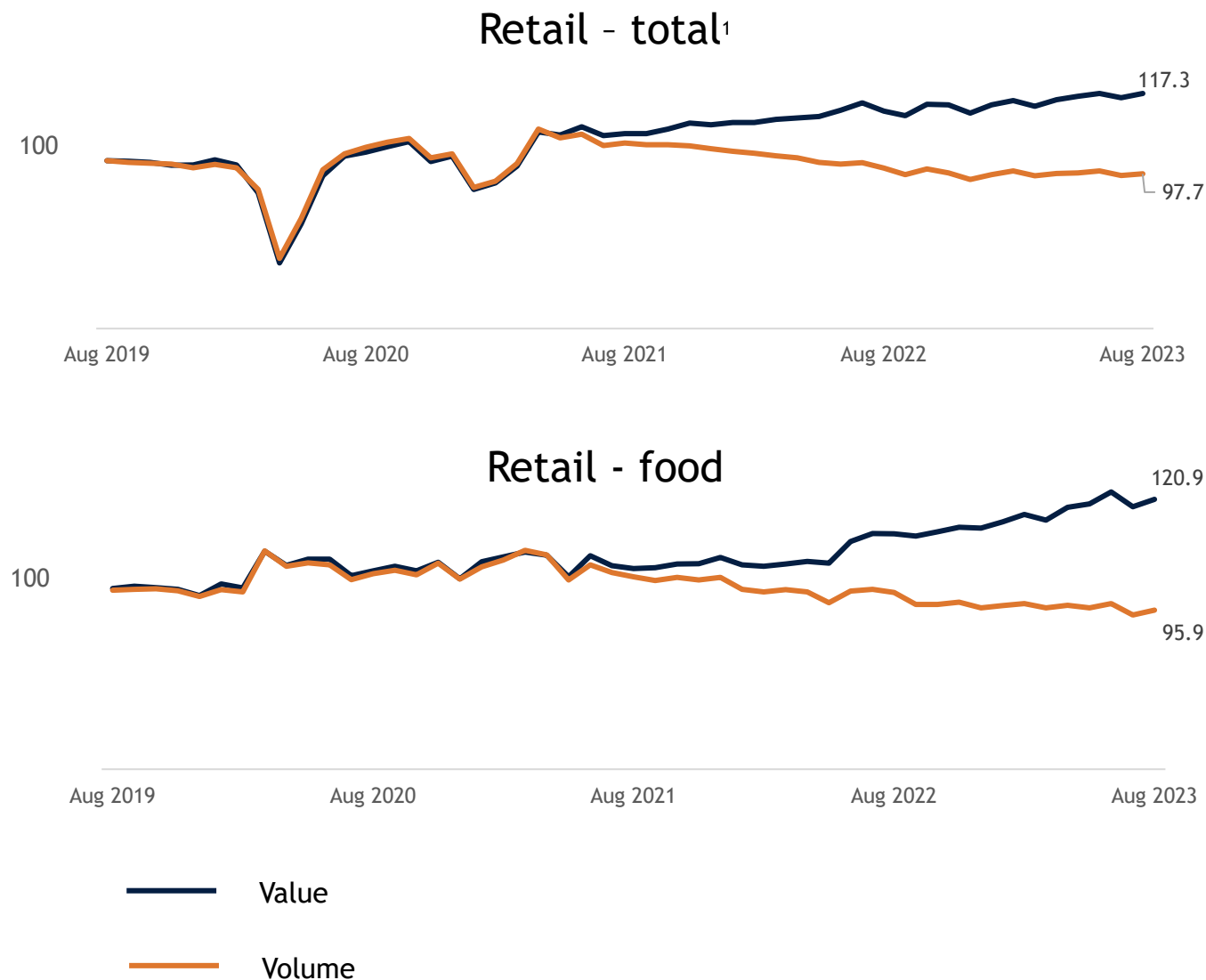


Inflationary  
pressures



Cost of capital

# Divergence of value and volume



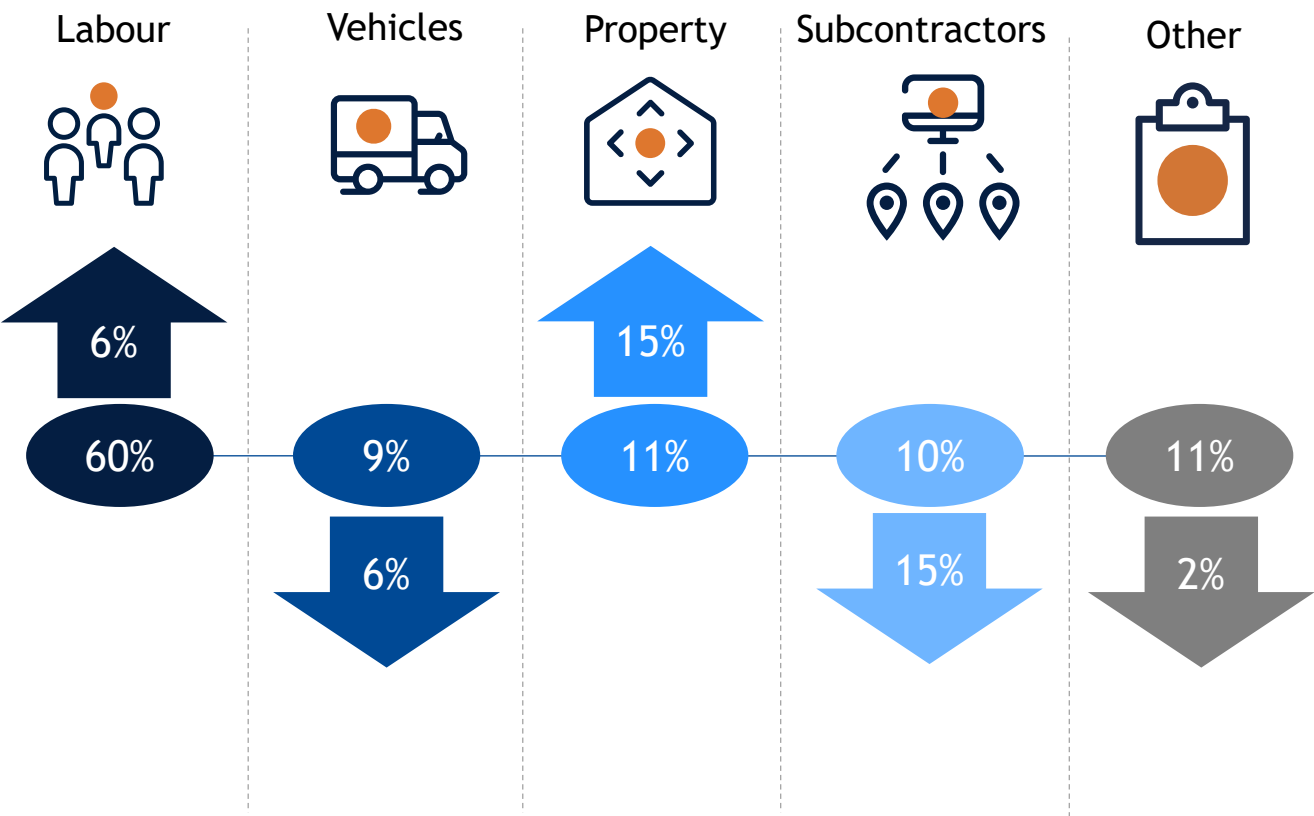
## Actions

- ✓ Managing cost base
- ✓ Optimising shared-user assets
- ✓ Exiting closed book transport at pace
- ✓ Operational excellence programme
- ✓ Capitalise on customer decision making

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# Proactive response to inflation

Impact by cost category\*



Actions

- ✓ Close customer engagement
- ✓ Contractual rate reviews
- ✓ Fuel escalator mechanism
- ✓ Continuous improvement
- ✓ People Campus

# Efficient capital management

£15.6m

H1 period end net cash

£2.8m

Net interest on borrowings

14.5x

Interest cover\*

£134m

Avg. RCF headroom

## Actions



Rigorous working capital management



Optimising sources of credit



Leveraging supplier relationships



Disciplined focus on cash

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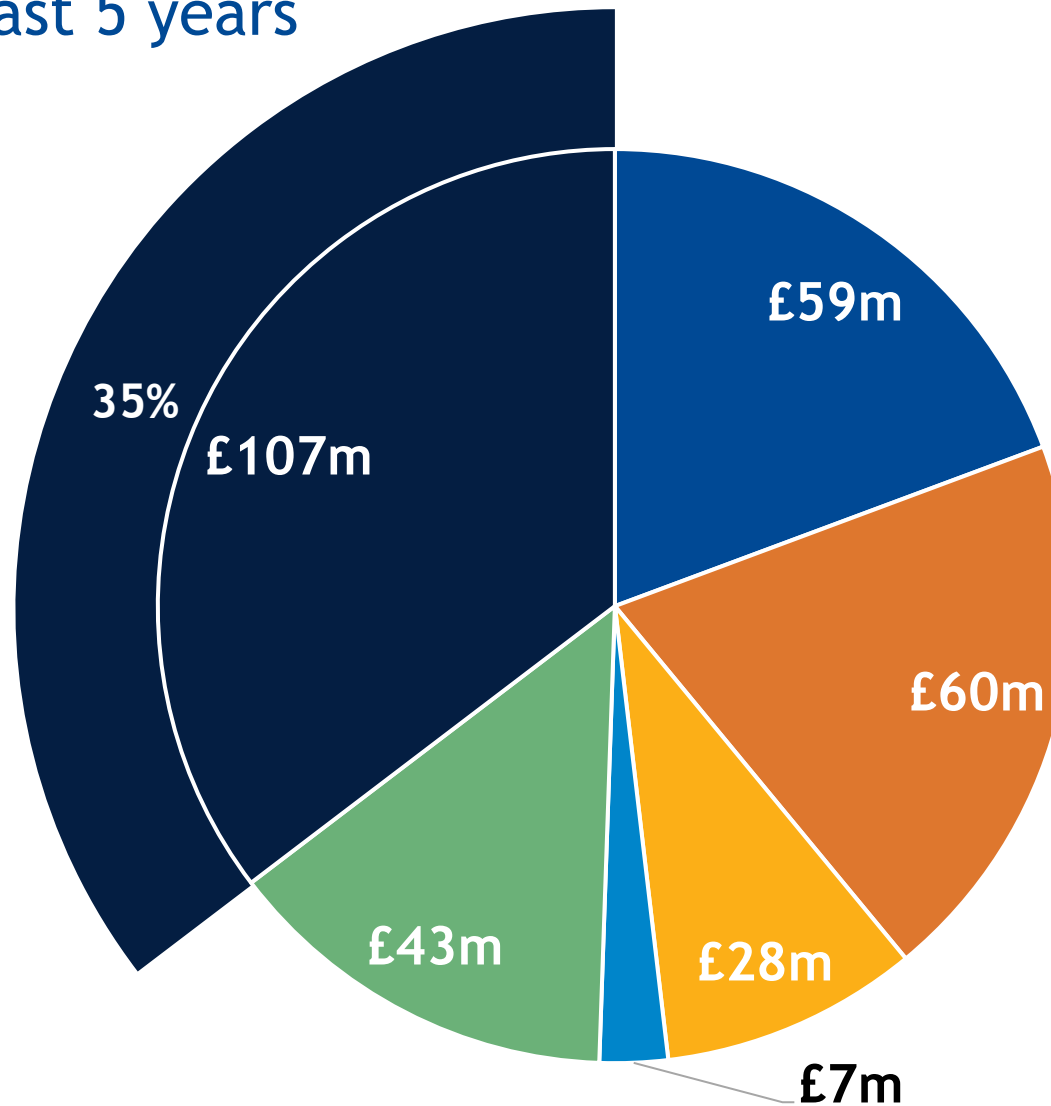
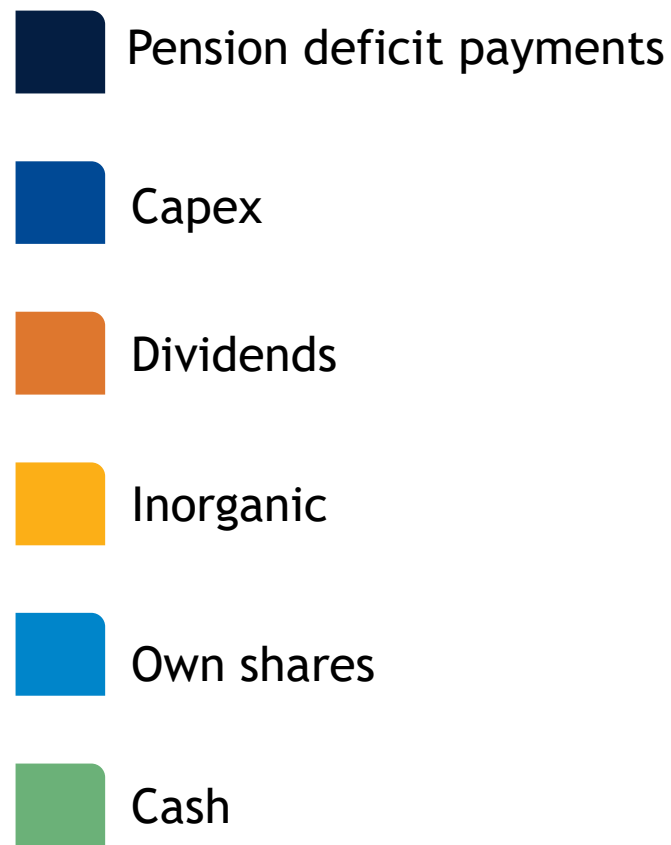
# Strong cash generation

£m	HY 23/24	HY 22/23
Underlying EBITDA	48.4	57.4
Working capital	0.8	(1.9)
Tax	3.7	(4.7)
Net interest	(6.7)	(5.4)
Other items	3.0	0.5
Repayment of obligations under leases	(19.4)	(18.9)
Capex net of disposal proceeds	(4.6)	(7.6)
Non-underlying items	(0.7)	(1.7)
Free cash flow	24.5	17.7
Pension payments	(11.3)	(10.0)
Dividends	(10.8)	(9.9)
Acquisition	-	-
Own shares acquired	-	(3.7)
Net cash flow	2.4	(5.9)
Closing Net Cash/(Debt)	15.6	(2.2)

- Closing net cash of £15.6m and free cash flow of £24.5m
- £11.3m pension payment represents total outflow for FY24
- £3.7m tax rebate in reflecting FY23 overpayment
- Year-on-year increase in lease payments reflects the investment in ROU assets

# Pension deficit largest capital use in recent years

## Allocation of free cash flow - last 5 years



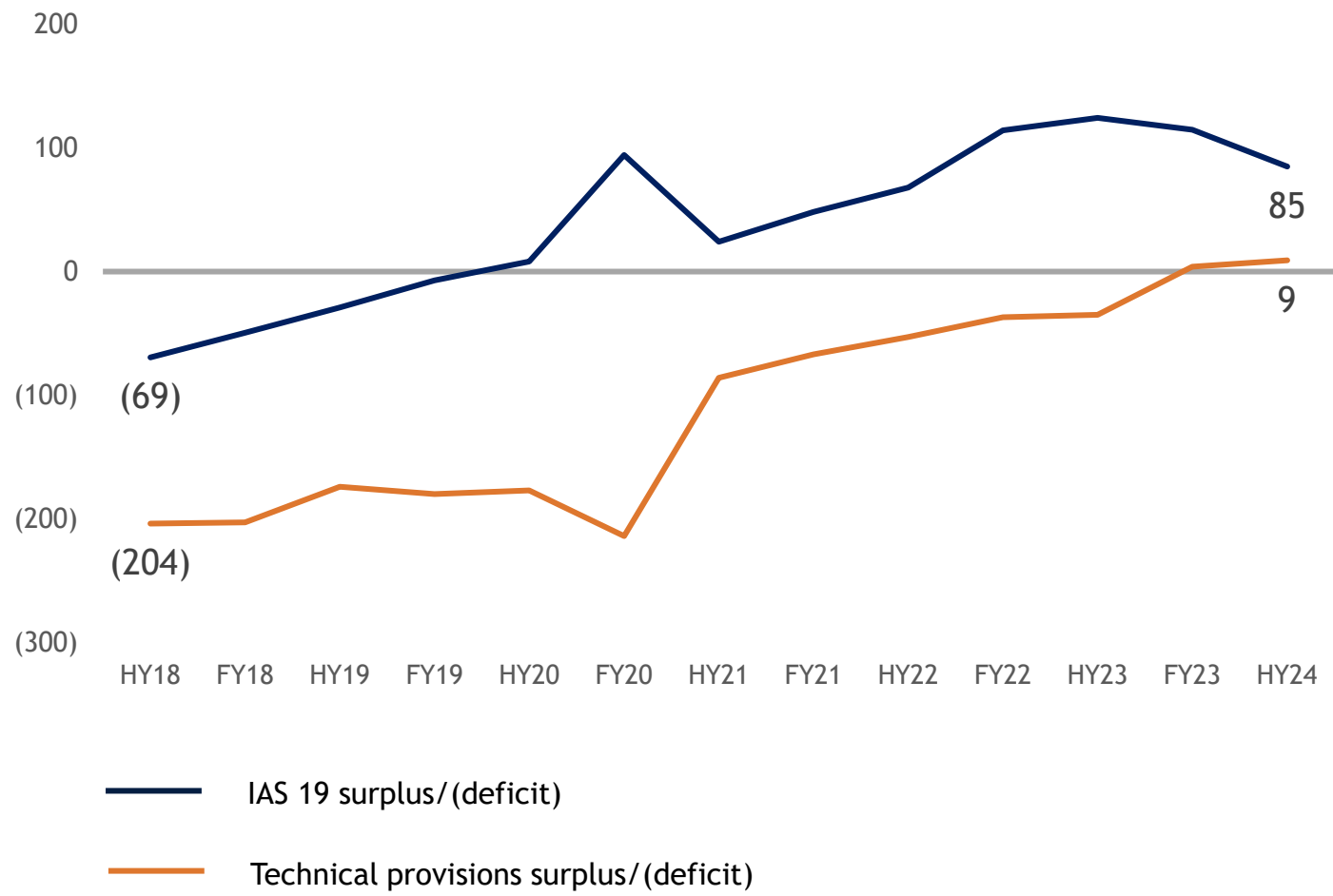
£304m

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# Pensions

## 2023 Triennial valuation outcome

Pension surplus/(deficit) (£m)



### Summary of outcome

- Enhanced security and certainty for scheme members
- Final deficit recovery outflow July 2023
- Conditions on shareholder returns removed
- Scheme security reinforced with guardrails for any required future contribution



# New Capital Allocation Framework

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New framework to provide general guidance and prioritise capital spend

## Source

### Free cash flow

High cash conversion

Enhanced FCF post pension  
Triennial Valuation (£100m+  
paid since FY19)

### Leverage\*

Up to 1.0 x EBITDA

Zero (at 31 March 2023)

## Baseline

### 1. Capex

BAU capex required for normal trading to support our market-leading operations  
~1% of total revenue

### 2. Dividend

Dividend growth in line with earnings growth

## Opportunities

### 3. Organic growth

Fuelling a pipeline of investment opportunities  
>20% ROCE | 3-4 year payback

### 4. Acquisitions

Disciplined approach to capability enhancing acquisitions

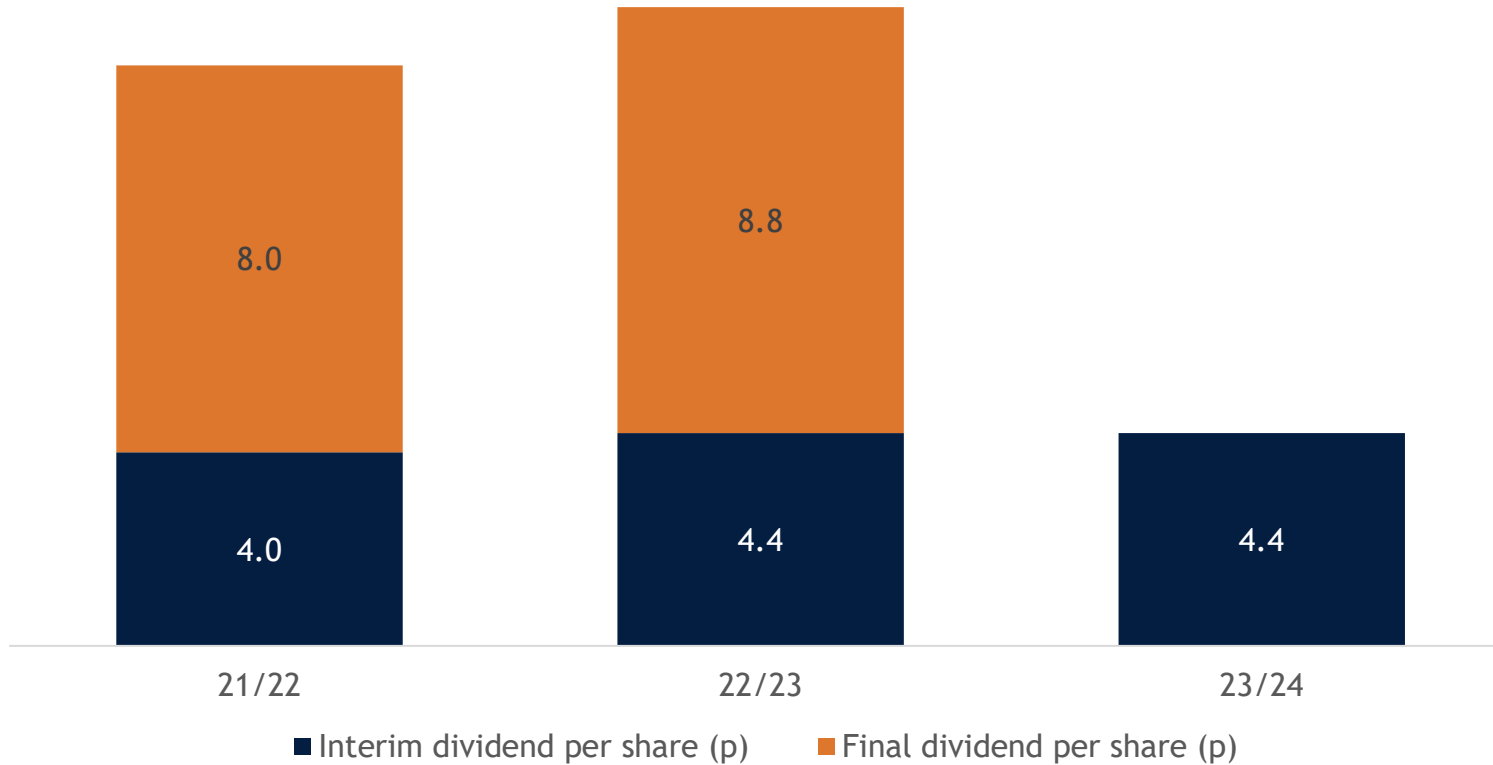
### 5. Enhanced shareholder returns

Excess capital returned to shareholders via share buybacks or special dividends

Blue = Target

# Enhanced shareholder returns

## Dividend maintained and £10m share buyback announced



- Interim dividend of 4.4p per share
- Dividend policy consistent with prior years:
  - Split broadly 1/3 interim: 2/3 final
- To be paid on 15 December 2023



# Strategic update

James Wroath, CEO

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# Wins | Renewals | Go-lives

**BRITISH SALT**  
A TATA Enterprise

**ASDA**

**Sainsbury's**

NEW LOOK

WILLIAMS SONOMA  
CALIFORNIA

SEPHORA

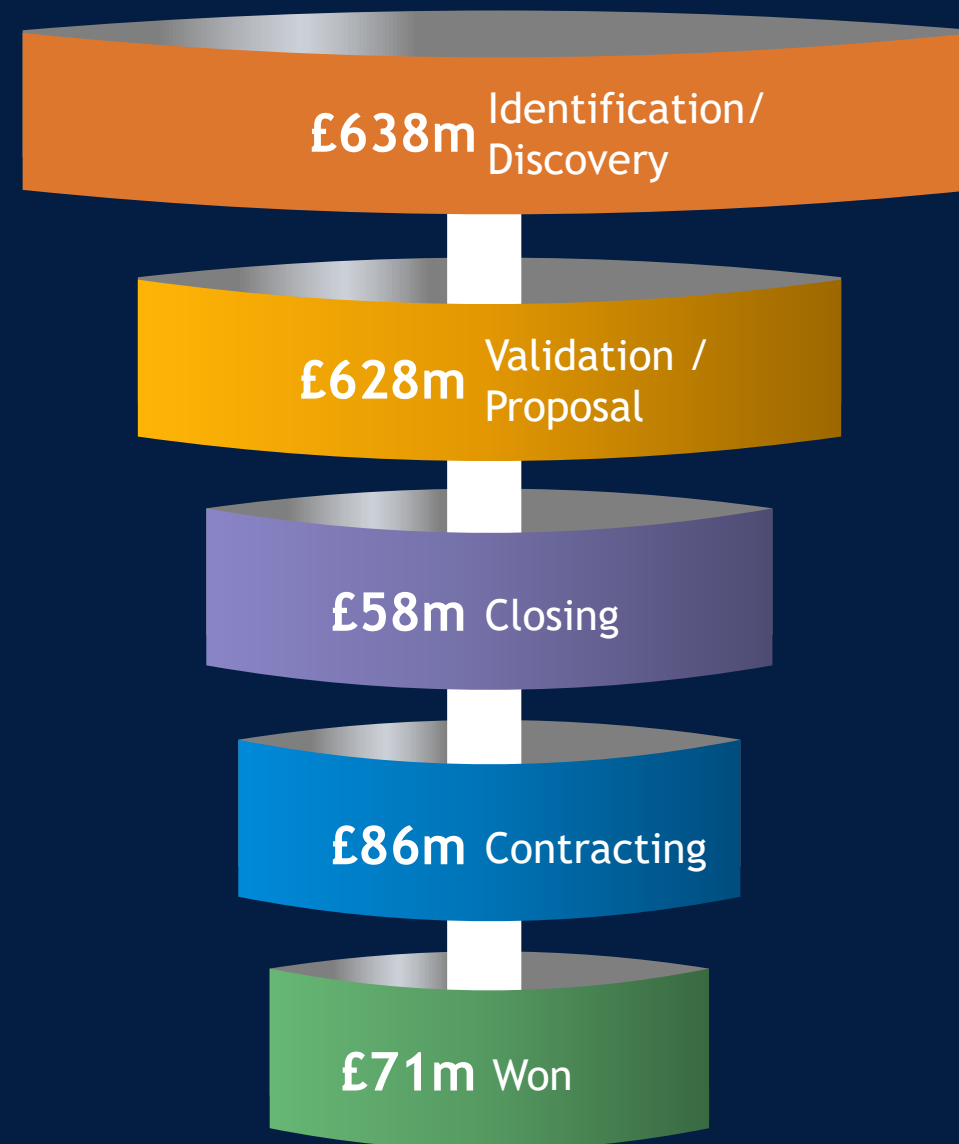
**Segen**



**Jet2.com**

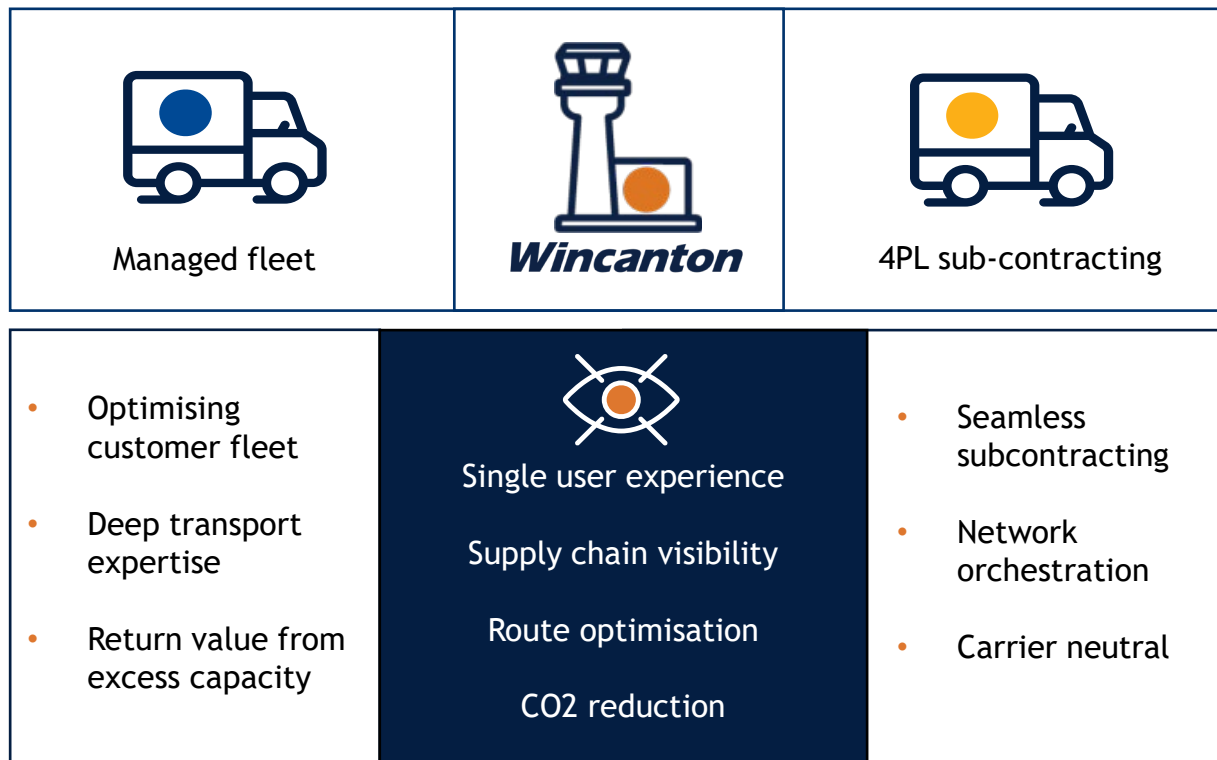
THE  
**CONRAN**  
SHOP

## Pipeline 1x Group revenue



# Transforming transport

## Optimising transport through orchestration and technology



## CASE STUDY

# Sainsbury's

Largest transport outsourcing project in recent years

- 5-year contract
- Complex transition (2/3 complete)
  - c.3,500 new colleagues
  - 21 sites
- 6,013 vehicles & trailers

*Customers already benefitting from our innovative transport solutions:*

**BRITISH SALT**  
A TATA Enterprise

**Sainsbury's**

  
**Valero**

**PRIMARK**

**NEW LOOK**

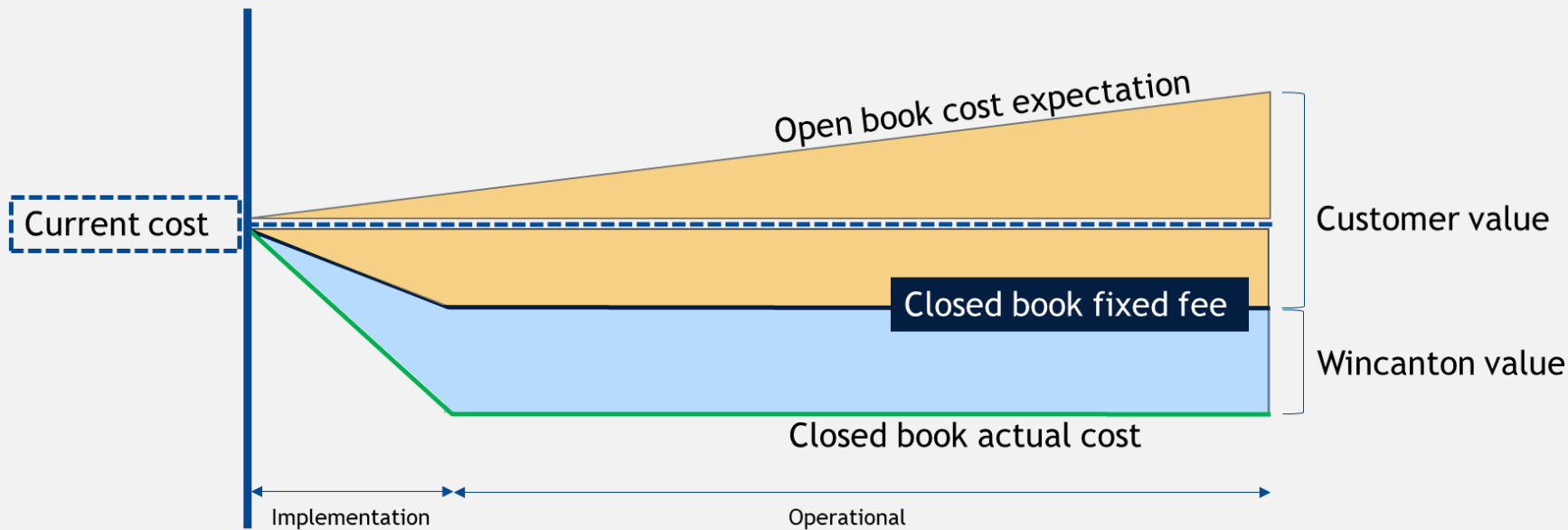
  
**BREEDON**

# Capturing supply chain value through automation

## 3. Organic growth

Fuelling a pipeline of investment opportunities  
>20% ROCE | 3-4 year payback

### Value sharing mechanism



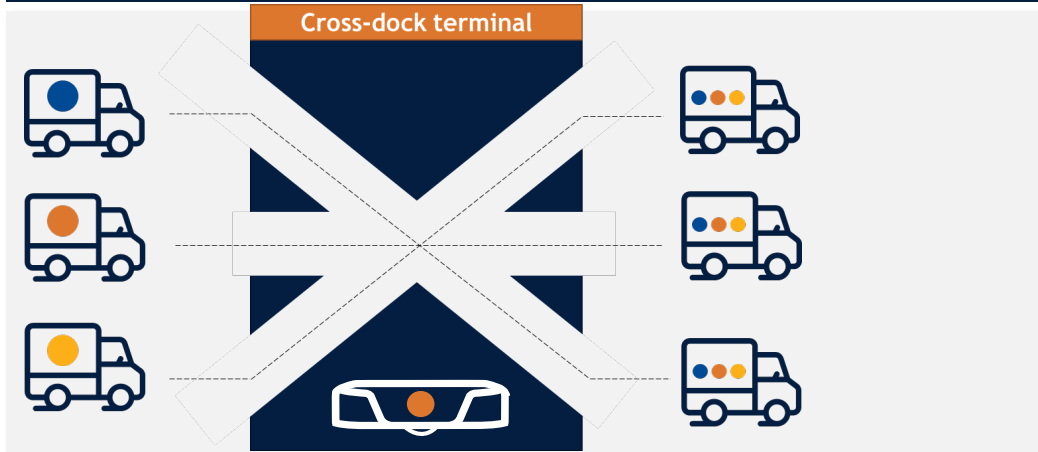
### Benefits

-  Lower labour costs
-  Higher depreciation + EBITDA
-  Higher skillset
-  Increased customer stickiness
-  Higher margin

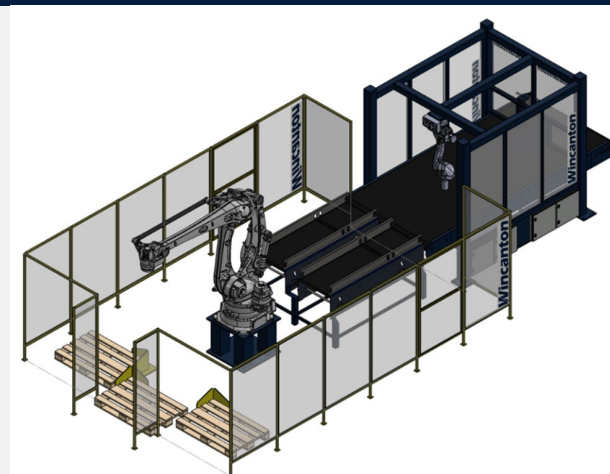
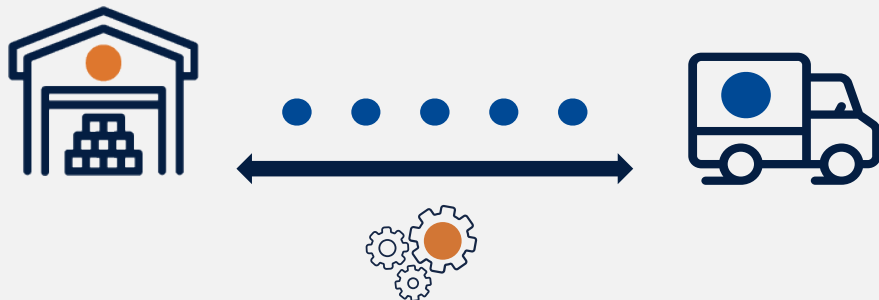
# Transforming warehouse productivity

## Deployable and repeatable technology

### Cross-dock automation



### De-stuffing automation



### Operational test case



100 (AMRs)



£4m capital investment



Test case with long-term customer

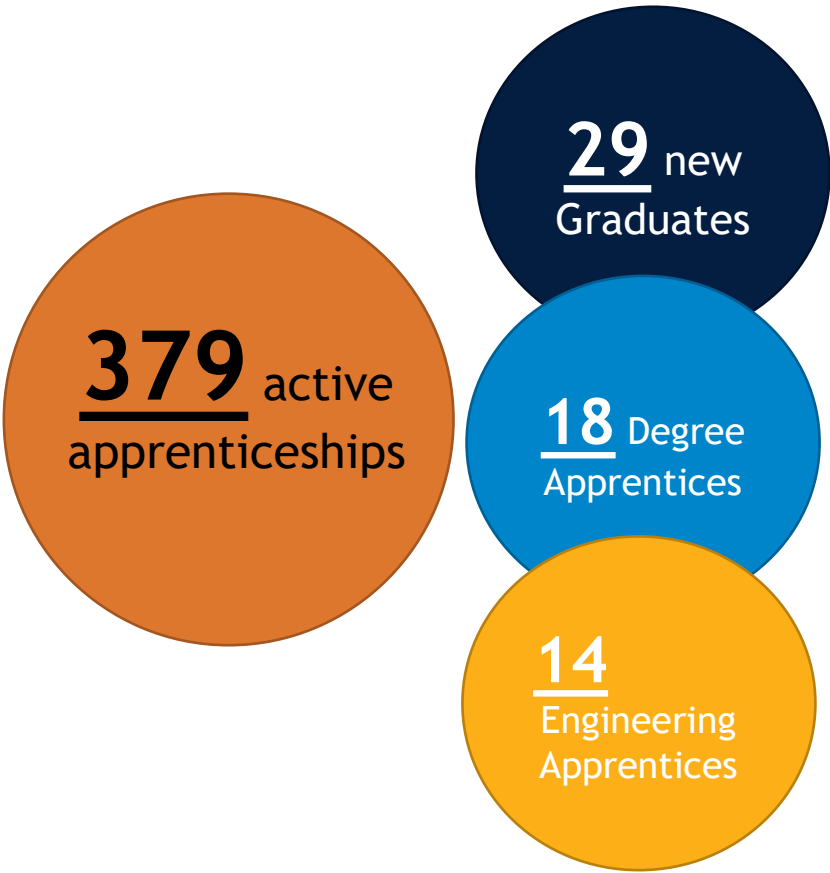
### Cases unloaded per hour

~50% increase





# People management in the age of automation



Partnerships & initiatives

GENERATION LOGISTICS GOLD SPONSOR

The Chartered Institute of Logistics and Transport

CLEAR  
CENTRE FOR LOGISTICS, EDUCATION AND RESEARCH



Logistics Awards 2023

SHORTLISTED

Logistics Partner of the Year

bis henderson group

#Logistics23

GAME CHANGERS

SUPPLY CHAIN GAME CHANGER

MOLTON BROWN LONDON

Wincanton

FINALIST

HR EXCELLENCE AWARDS 2023

FINALIST

CIPD People Management Awards

Highly Commended 2023

Best resourcing initiative

#CIPDPMA23

CILT AWARDS FOR EXCELLENCE 2023

FINALIST

OPERATIONS MANAGEMENT

CIPD People Management Awards

Highly Commended 2023

Best talent management initiative

#CIPDPMA23

Logistics Awards 2023

SHORTLISTED

Diversity and Inclusion Champion of the Year

bis henderson group

#Logistics23

CIPD People Management Awards

Best equality, diversity and inclusion initiative (EDI)

Shortlist 2023

#CIPDPMA23

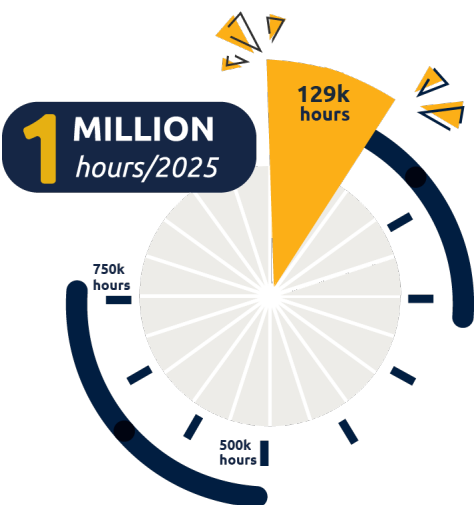
# Delivering on ESG

E



- **PPE uniform** - circular economy partnership with Arco
- **Deep customer partnership** - IKEA's zero emission final mile by 2025

S



G



- **Governance Day** - focusing on Cyber, Modern Slavery and the *Wincanton Way*





# Outlook and summary

## Strategic focus and continued delivery

- Resilient H1 performance in a challenging external environment, **trading in line with market expectations<sup>1</sup>**
- **Strategic exit of unprotected closed book transport**, reorientation towards commercial robust open book principles
- **Continued investment in technology** capability, focused on productivity transforming robotics and automation
- **New capital allocation framework** to prioritise investment and shareholder returns
- **Confidence in business's strength** reiterated by maintained dividend and announcement of £10m share buyback programme



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