



# WINCANTON PLC

Results for the half year to  
30 September 2020

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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.

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## AGENDA

James Wroath, CEO

- Executive Summary

Tim Lawlor, CFO

- Financial Performance

James Wroath, CEO

- Strategic Priorities





# EXECUTIVE SUMMARY



## Positive progress against strategy

- Strong growth in Digital & eFulfilment contributes to resilient performance
- Positive recovery from initial stages of pandemic, good momentum into H2. Well positioned to deal with lockdown.
- Continue to develop opportunities in foundation markets across our Grocery & Consumer and General Merchandise sectors
- Focus on high growth opportunities in digital, public sector and infrastructure
- Strengthen operational collaboration within transport, health & safety, sustainability, operational excellence
- Simplified organisation with greater focus on strategic growth markets, disposal of non-core Containers and Pullman operations

# OUR NEW ORGANISATIONAL STRUCTURE

## Positioning the business for growth



### Grocery & consumer

Food focused sector creating a logical connection in one of the UK's most critical supply chains

Sainsbury's  
Argos



KraftHeinz

Husqvarna

Morrisons  
Since 1899

ASDA

Coca-Cola Enterprises

### General Merchandise

Retail focused sector to meet the evolving needs of major multi-channel customers

B&Q

SCREWFIX

wilko

halfords

DUNNES  
STORES

### Digital & eFulfilment

Technology focused sector to support the growing eCommerce market

WAITROSE  
& PARTNERS

HOME BASE

CORMAR  
CARPET CO

M&S  
EST. 1884

IKEA

Wickes

Magnet

THE WHITE COMPANY  
LONDON

loaf

ROPER RHODES®  
BATH

SOFA Club

dwell

### Public & Industrial

Services focused sector for customers in Construction, Infrastructure, Defence, Energy and the Public Sector

TARMAC  
A CRH COMPANY

IBSTOCK™  
Innovators in clay

THALES

HM Revenue  
& Customs

AGGREGATE  
INDUSTRIES

BAE SYSTEMS

HPC  
EDF ENERGY

Valero

ALSTOM

GENERAL DYNAMICS  
United Kingdom Limited

müller  
WISEMAN  
DAIRIES

PHILLIPS  
66

WATSON



# FINANCIAL PERFORMANCE

Tim Lawlor  
Chief Financial Officer

# FINANCIAL SUMMARY



	H1 20/21 £m	H1 19/20 £m	Variance %
Revenue	578.7	592.9	-2.4%
Underlying EBITDA	43.2	50.9	-15.1%
Underlying profit before tax	19.1	26.2	-27.1%
Underlying EPS (pence)	12.9p	17.8p	-27.5%
Interim dividend per share (pence)	2.85	3.90	-26.9%
Free cash flow	76.4	22.4	
Net cash/(debt)	63.3	(14.8)	

- First half recovery underpinned by Digital & eFulfilment growth
- Profit margin reduced by mix of revenue impact
- Full year results expected to be materially ahead of market expectations
- Recommencing dividends at 2.85p per share
- Successful agreement reached on pension triennial

# REVENUE BY SECTOR



	H1 20/21 £m	H1 19/20 £m	Var. %	
Digital & eFulfilment	65.0	56.2	15.7%	<ul style="list-style-type: none"> <li>• New dedicated eFulfilment centre in Nuneaton</li> <li>• Won and commenced work on Waitrose CFC</li> <li>• Other wins: Wickes, Homebase, The White Company, Loaf</li> </ul>
Grocery & Consumer	215.4	206.5	4.3%	<ul style="list-style-type: none"> <li>• Morrisons new business across several locations</li> <li>• Significant sector volume growth; Asda contract renewal</li> </ul>
General Merchandise	149.6	145.9	2.5%	<ul style="list-style-type: none"> <li>• Strong Screwfix and B&amp;Q H1 activity</li> <li>• Major new Screwfix contract - site successfully opened</li> </ul>
Public & Industrial	106.6	137.2	-22.3%	<ul style="list-style-type: none"> <li>• Impacted by COVID-19, recovery in Q2, behind prior year</li> <li>• Growth with EDF Energy on Hinkley Point C</li> <li>• Opportunities in customs clearance centres post-Brexit and from Crown Commercial Services agreement</li> </ul>
Specialist Services	42.1	47.1	-10.6%	<ul style="list-style-type: none"> <li>• Pandemic impacted container operations in particular</li> <li>• Both Containers and Pullman disposed early in H2</li> </ul>
Group revenue	578.7	592.9	-2.4%	<ul style="list-style-type: none"> <li>• Open book/closed book ratio increased to 67%/33% (PY: 64%/36%)</li> </ul>



# UNDERLYING PROFIT



	H1 20/21 £m	H1 19/20 £m
Underlying EBITDA	43.2	50.9
<i>Underlying EBITDA Margin</i>	7.5%	8.6%
Depreciation & Amortisation	(21.8)	(20.6)
Underlying Operating Profit	21.4	30.3
<i>Underlying Operating Profit Margin</i>	3.7%	5.1%
Financing costs	(2.3)	(4.1)
Underlying Profit before tax	19.1	26.2
<i>Underlying Profit before tax Margin</i>	3.3%	4.4%
Tax	(3.1)	(4.2)
Underlying Profit after tax	16.0	22.0

- Profit impacted by sudden revenue drop in closed book networks in early months of H1:
  - Construction, energy and specialist services largest impact
  - Margin lower due to revenue mix
  - Home delivery network closed for few weeks; volumes quickly recovered and remain buoyant
- Finance costs benefit from lower net debt and higher pension surplus
- Effective tax rate remains at 16.1%

# OTHER MATTERS



## Contingent liability

- Group informed by HMRC of potential claims for Excise duty and VAT related to former shared user customer – potential claims, including penalties, of up to c£50m
- Claims being vigorously disputed by Wincanton. Confident in legal position based on expert legal advice. Expected to go to tax tribunal
- Engaging with HMRC on the process to avoid or minimise cash outflows following issuance of claims

## Specialist Services disposals

- Containers operations sold in October for c£1.5m
- Pullman sold in November for a nominal sum
- Small gain on both disposals
- Group's annual revenue reduces by c£90m
- Small improvement in underlying earnings

# PENSIONS



<b>IAS 19 valuation</b>	<b>30/09/20 £m</b>	<b>30/09/19 £m</b>	<b>31/03/20 £m</b>
Assets	1,284.5	1,272.5	1,157.5
Liabilities	(1,260.2)	(1,264.4)	(1,063.1)
<b>Surplus / (deficit)</b>	<b>24.3</b>	<b>8.1</b>	<b>94.4</b>

- 2020 triennial valuation agreed with pension trustees:
  - Net contributions of £18.2m pa 2021 to 2024 - c£6m lower than previously agreed
  - Actuarial deficit 31 March 2020: £160m down to 30 June 2020: £105m
  - Acceleration of the planned de-risking of the scheme's investment strategy
- Year end IAS 19 pension surplus reduced due to correction of short term market movements

# CASH



	H1 20/21 £m	H1 19/20 £m
Underlying EBITDA	43.2	50.9
Working capital	54.1	(2.5)
Tax	-	(4.9)
Net interest	(3.1)	(4.1)
Other items	0.8	(1.5)
Repayment of obligations under leases	(16.2)	(15.8)
Capital expenditure	(2.8)	(4.7)
Net proceeds from disposals	0.4	5.0
Pension recovery payments	(3.0)	(8.9)
Dividends	-	(9.0)
<b>Reduction in net debt</b>	<b>73.4</b>	<b>4.5</b>
<b>Closing net cash/(debt)</b>	<b>63.3</b>	<b>(14.8)</b>

- Cash flow includes approximately £55m of deferred payments, including:
  - VAT deferral of £43.9m
  - Pension contributions of £6.1m
  - Expect to repay both in early 2021
- Strong working capital management and cash collections in H1
- Capex mainly systems-related in H1
- Group bank facility to Oct 2023
  - Bank facility: £141.2m (Oct 2023) + £40m extension (May 21)
  - Receivables Purchasing Facility – line of credit up to £50.0m
  - Overdraft facility of £7.5m



# DIVIDEND



- Suspension of dividends lifted reflecting improved underlying cash and trading position
- Return to the pre-COVID-19 dividend policy:
  - Progressive dividend growth broadly in line with earnings growth
  - Split of 1/3 interim : 2/3 final
- **Interim dividend of 2.85 pence per share** to be paid on 22 January 2021



# STRATEGIC PRIORITIES

James Wroath  
Chief Executive Officer

# Great people delivering sustainable supply chain value



## Our markets

Deliberately chosen markets for investment that offer potential for organic and inorganic growth, leveraging our capabilities and expertise



## Our products and services

Customer propositions that deliver sustainable value and innovation throughout the supply chain, meeting changing market demands and harnessing the best technologies

## Our people

An inclusive culture supporting performance and growth for our colleagues, developing the best teams that attract and retain the most talented people in the industry

## Our operating model

A disciplined and efficient operating model that is agile and easy for our customers and our people to engage with; and enables economies of scale



# THE WINCANTON WAY

Living our values



## The Code of Conduct

- Sets out **what we stand for**
- Enables our colleagues to **make the right choices** and demonstrate the highest standards of **integrity and ethical behaviour**
- Demonstrates how we deliver value to our customers in a **sustainable way** – ethically, safely, environmentally and financially, for the long term

## How we're living it

- Focus on **diversity and inclusion**
  - 50/50 gender balance in our graduate intake
  - Change the Race Ratio
  - Disability Confident etc
- Focus on **long-term sustainability** goals
  - Net Zero
  - Carbon intensity ratio
- **Collaborative** approach to support our **communities**; regional and national



## *The Wincanton Way*

*Our commitment to how we work and live our values, connecting and delivering with our colleagues, customers, communities and suppliers*



# STRATEGY UPDATE

Making good progress



## Our people



### Delivering for our great people:

- New organisational structure implemented; strategy briefed throughout the business
- Continued strong levels of engagement across our business – regular pulse surveys throughout pandemic
- Award winning talent
  - Everywoman winners
  - finalists for Apprenticeship Programme of the Year

## Our operating model



### Major technology programme:

- Upgrading our finance and HR systems – on schedule
- Digital Transport Management System being rolled out - scalable common platform for growth
- Cloud-based Warehouse Management System - enabling end-to-end fulfilment
- Materials Management System – developed for EDF with strong market potential



# OUR MARKETS

A strategic overview



## Foundation markets

### Increased collaboration

- Grocery
- General Merchandise
- FMCG
- Construction
- Energy
- Defence

Expected growth of c.5%



## Strategic growth markets

### Priority Investment

- eCommerce
- Infrastructure
- Public sector

Expected growth of 10+%





# PRODUCTS & SERVICES

Delivering in our strategic growth markets



## eCommerce

- Shared eFulfilment services
- Dedicated multichannel retail including eFulfilment
- 'Dark stores'
- 2-person home delivery 'white glove services'
- Reverse logistics

## Infrastructure

- National specialist construction transport network
- Extended supply chain management via Consolidation centres enabled by technology
- Market leading health & safety standards

## Public

- Large scale national supply chain solutions
- Multi-sector and discipline expertise
- Asset optimisation
- Control tower management of partners (4PL)



# OUTLOOK



## Positive momentum carried into H2

- The Group continues to demonstrate agility, innovation and commitment:
  - supporting British business through period of unprecedented disruption
  - well positioned to deal with further impact from the pandemic
- Results forecast to be materially ahead of market expectations
- Dividend resumed, with an interim dividend of 2.85p in January 2021
- Good progress on strategy delivery
  - deliberate choice of markets with investment in our products and services
- Successes delivered strengthen conviction
  - notable wins include Waitrose, Wickes and The White Company
  - strong pipeline of further opportunities





## QUESTIONS & ANSWERS