2017 Interim Results:
For the 26 weeks ended 1 July 2017
Agenda

• Highlights
• Financial performance
• Operational review
• Outlook for 2017
Good progress in the first half

- Total sales up 7.3% to £453m (2016: £422m)
- Company-managed shop LFL sales up 3.4% (2016: 3.8%)
- Underlying pre-tax operating profit* up 1.8% to £27.6m (2016: £27.2m)
- 61 new shops, 19 closures
- Continued strong cash generation
- Ordinary interim dividend 10.3p (2016: 9.5p)

* Excludes exceptional charge of £8.3m in H1 2017 (H1 2016: £4.0m) and freehold property disposal gains of £0.3m in H1 2017 (H1 2016: £2.2m)
## Group sales and profit

<table>
<thead>
<tr>
<th></th>
<th>H1 2017 £m</th>
<th>H1 2016 £m</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>452.9</td>
<td>422.1</td>
<td>+7.3%</td>
</tr>
<tr>
<td>Operating profit before property &amp; exceptional items</td>
<td>27.6</td>
<td>27.2</td>
<td>+1.8%</td>
</tr>
<tr>
<td>Property disposal gains</td>
<td>0.3</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td>EBIT before exceptionals</td>
<td>27.9</td>
<td>29.4</td>
<td></td>
</tr>
<tr>
<td>Net exceptional charge*</td>
<td>(8.3)</td>
<td>(4.0)</td>
<td></td>
</tr>
<tr>
<td>Finance expense</td>
<td>(0.2)</td>
<td>0.0</td>
<td></td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>19.4</td>
<td>25.4</td>
<td></td>
</tr>
</tbody>
</table>

* Exceptional items in H1 2017 relate to costs of previously-announced restructuring of supply chain operations and related property disposal gain
Continued good LFL growth

Quarterly Company-managed shop LFL sales growth

1 Underlying LFL level excluding Christmas & New Year trading pattern
2 Reported level
### Net margin (before exceptionals)

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>£452.9m</td>
<td>£422.1m</td>
</tr>
<tr>
<td><strong>Gross margin</strong></td>
<td>63.3 %</td>
<td>63.2 %</td>
</tr>
<tr>
<td><strong>Distribution &amp; selling costs</strong></td>
<td>(51.5)%</td>
<td>(50.8)%</td>
</tr>
<tr>
<td><strong>Admin expenses</strong></td>
<td>(5.7)%</td>
<td>(6.0)%</td>
</tr>
<tr>
<td><strong>Operating margin before property gains</strong></td>
<td>6.1%</td>
<td>6.4%</td>
</tr>
<tr>
<td><strong>Property disposal gains</strong></td>
<td>0.1 %</td>
<td>0.5 %</td>
</tr>
<tr>
<td><strong>EBIT (before exceptionals)</strong></td>
<td>£27.9m</td>
<td>£29.4m</td>
</tr>
<tr>
<td><strong>EBIT margin</strong></td>
<td>6.2%</td>
<td>6.9%</td>
</tr>
</tbody>
</table>

- Gross margin pressure mitigated by cost reduction activity
- Distribution & selling costs reflect increased wage rates and training costs of systems implementation
- Property gains insignificant this year, unusually high level in 2016
**Exceptional charge – supply chain restructuring**

Exceptional one-off charges being incurred in respect of previously-announced £100m investment programme to reshape manufacturing & logistics operations:

<table>
<thead>
<tr>
<th>£m</th>
<th>2016</th>
<th>H1’17</th>
<th>H2’17</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>One-off change costs</td>
<td>5.2</td>
<td>8.0</td>
<td>0.9</td>
<td>5</td>
<td>4</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td>Non-cash (asset-related) charges</td>
<td>1.8</td>
<td>0.7</td>
<td>0.8</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>Exceptional costs charge</td>
<td>7.0</td>
<td>8.7</td>
<td>1.7</td>
<td>7</td>
<td>5</td>
<td>2</td>
<td>32</td>
</tr>
<tr>
<td>Associated property gains</td>
<td>(0.4)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net exceptional charge</td>
<td>7.0</td>
<td>8.3</td>
<td>1.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expected cash cost phasing</td>
<td>3.7</td>
<td>1.6</td>
<td>1.0</td>
<td>10</td>
<td>6</td>
<td>2</td>
<td>25</td>
</tr>
</tbody>
</table>
Cost inflation in H1, marginal easing in H2

Food inputs
- 7% ingredient inflation in H1 2017
- Largest drivers remain dairy & proteins
- Q3 costs largely covered, Q4 partially
- Still expect 6-7% overall food input inflation in 2017

People costs
- 3.1% overall wage & salary inflation expected in 2017 (H1 3.3%, H2 2.8%)
- Retail assistant pay remains 3% above National Living Wage
- Apprenticeship Levy £1.2m on-cost in 2017 (£1.5m annual)

Shop occupancy costs
- First signs of a firming up in rents
- On average taking on larger new shops to accommodate seating
- Rates revaluation impact positive overall from April
# Tax, earnings and dividend

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tax charge</strong>*</td>
<td>21.3%</td>
<td>22.1%</td>
</tr>
<tr>
<td>- expect 21.25% charge for 2017, continuing thereafter at c.2% above headline rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Underlying diluted earnings per share</strong>*</td>
<td>21.4p</td>
<td>22.3p</td>
</tr>
<tr>
<td><strong>Interim ordinary dividend per share</strong></td>
<td>10.3p</td>
<td>9.5p</td>
</tr>
</tbody>
</table>

*Includes property disposal gains but excludes exceptional items impact

Net exceptional charge assumed to receive tax relief at 20.0% (H1 2016: 22.7%)

**Distribution approach**

- **Interim** ordinary dividend set at 1/3 level of previous year’s total ordinary dividend
- **Full year** dividend 2x covered by underlying earnings
- **Special** dividends if material surplus capital
## Capital expenditure

<table>
<thead>
<tr>
<th>£m</th>
<th>H1 2017</th>
<th>H1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shop refits and equipment</td>
<td>15.9</td>
<td>12.9</td>
</tr>
<tr>
<td>New shops and relocations</td>
<td>6.9</td>
<td>7.0</td>
</tr>
<tr>
<td>Supply chain investment</td>
<td>10.3</td>
<td>5.3</td>
</tr>
<tr>
<td>I.T. &amp; office</td>
<td>3.3</td>
<td>6.0</td>
</tr>
<tr>
<td><strong>Total capital expenditure</strong></td>
<td><strong>36.4</strong></td>
<td><strong>31.2</strong></td>
</tr>
</tbody>
</table>

Full year capital expenditure now expected to be c.£80m (2016: £80.4m)
Cash flow and balance sheet

- Good cash generation in H1:
  - £34.0m net cash inflow from operating activities (2016: 44.7m)
  - Working capital settled following 2016 finance system changeover
  - Capital expenditure, dividends and exceptional costs all funded from internally-generated cash flow

- Strong balance sheet position:
  - £19.9m net cash at half year end (2016: £35.0m)
  - Continue to target net cash position of c.£40m at year end
Strategic progress
Roger Whiteside
PURPOSE: Making good, freshly prepared food accessible to everyone

VISION: Customers’ favourite for food-on-the-go

having a positive impact on people’s lives
Freshly prepared food offer at great prices
Further potential for estate growth

- First ‘Drive-Thru’ shop at Irlam, Manchester, opened in June, encouraged by its popularity
- Continued to expand the estate in SW England and Northern Ireland
- Adapting formats to suit locations such as garage forecourts
- H1 2017:
  - 61 new shops (24 franchised), 19 closures
  - 1,806 shops (including 181 franchised)
- Pipeline remains strong, continue to expect around 100 net openings in year as a whole
- Great progress in transforming shops to food-on-the-go format
- 107 refurbishments in H1, now expect c.130 in year as a whole
Investment in supply chain progressing

Supply network locations

H1 2017
- Planned closure of Edinburgh bakery completed
- Production and logistics activities transferred to Glasgow site
- Invested in Glasgow to absorb additional work
- Includes first new consolidated manufacturing platform for production of Yum-Yums
- Already delivering improved product quality, consistency and efficiency

H2 2017
- Now placing orders for the next phase of investment
- First will be consolidation of cake and muffin production at Leeds site

Manufacturing-only centre of excellence
Radial distribution with manufacturing
Dedicated distribution centre
Systems investment continues apace

• Successfully deployed new central forecasting and replenishment system to all shops ahead of plan, most significant process change ever undertaken

• Already seeing benefits in product availability and simplification of administrative tasks

• Some increase in costs during transition but a clear net benefit already

• Now planning for first deployment of SAP manufacturing & distribution modules in H2
Outlook for 2017

- Good start to the second half
- Alert to pressures on consumers’ disposable income and continuing economic uncertainty
- Strategic change programmes progressing to plan
- Continue to see opportunities for further growth

“Over the year as a whole we expect to deliver results in line with our previous expectations as well as further progress against our strategic plan”