

Real Good Food plc

Cake Decoration • Food Ingredients • Premium Bakery



Interim results / highlights
For the six months ending 30 September 2016

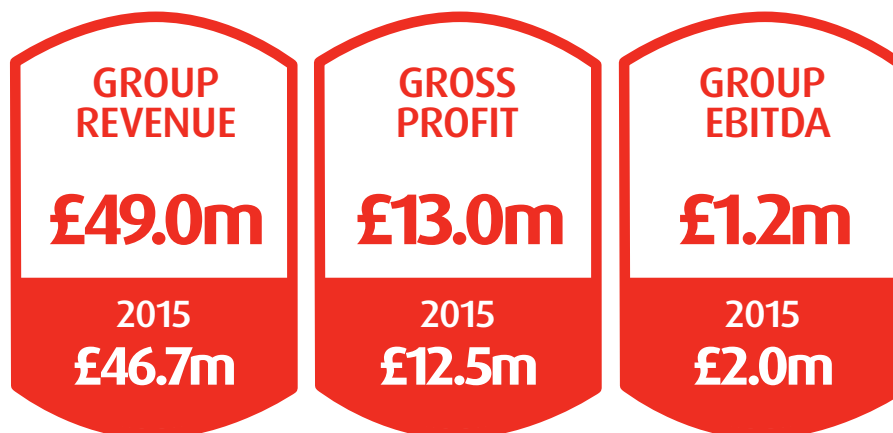


Interim highlights

- Total Group sales grew by 5% to £49.0 million (2015: £46.7 million) driven primarily by the performance of the Premium Bakery division, alongside the successful integration of Chantilly to the Group
- Gross profit increased to £13.0 million (2015: £12.5 million), but impacted adversely by performance of Food Ingredients which struggled with volatile commodity pricing and adverse currency movements
- Total Group EBITDA (prior to significant items¹) down by £0.8 million from the previous year at £1.2 million (2015: £2.0 million) – due to increased expensed investment costs across the Group, primarily in the Development Centre and in the USA, which will drive future growth and operating efficiencies; also impacted by the performance of the Food Ingredients division, which suffered volatile commodity pricings.
- Group loss before tax of £0.2 million (prior to significant items¹) of £0.7m (2015: £0.2 million)
- Substantial increase in actuarial losses of pension scheme of £3.3 million over six months
- Proposed payment of first ever dividend in December 2016 with an interim payment of 0.04 pence per share
- Key Q3 trading period in line with expectations to date.

¹ Significant items relate to management and restructuring costs of £0.3 million and acquisition related costs of £0.4m

Real Good Food plc is a diversified food business serving a number of market sectors including retail, manufacturing, wholesale, foodservice and export. The Group focuses on three main markets: Cake Decoration (Renshaw, Rainbow Dust Colours), Food Ingredients (Garrett Ingredients and R&W Scott) and Premium Bakery (Haydens and Chantilly Patisserie).





Overview

We have continued to make good progress on developing our growth strategies in each business division.

With the exception of Garrett Ingredients, where the dairy and sugar markets have continued to be difficult, exacerbated by recent currency fluctuations, trading performance has been broadly in line with the Board's expectations.

Our new Development Centre at Liverpool is beginning to pay dividends following a number of high profile customer visits and the opening of our own sales and warehousing operation in the US will enable significant sales growth from early 2017. At the same time we are finalising other investment plans at our sites in Liverpool and Devizes to improve our operational efficiency over the medium term.

Financial Review

Total Group sales grew by 5% to £49.0 million (2015: £46.7 million) driven primarily by the performance of the Premium Bakery division, alongside the successful integration of Chantilly to the Group. Gross profit increased to £13.0 million (2015: £12.5 million), again aided by the addition of Chantilly to the Group but impacted adversely by performance of Food Ingredients as detailed above.

Total Group Administrative Expenses increased by £1.4 million to £10.2 million (2015: £8.8 million) as a result of the increased investment across the Group, including the Food Development Centre and the acquisition of Chantilly. Total Group EBITDA was therefore down by £0.8 million from the previous year at £1.2 million following the increased investment costs across the Group detailed above and the performance of the Food Ingredients division.

After depreciation and amortisation charges of £1.1 million, the Group reported an operating profit prior to significant items of £0.046 million (2015: £1.1 million).

The Group loss before tax prior to significant items of £0.7m (comprising management and restructuring costs of £0.3 million and acquisition related costs of £0.4m) was £0.2 million (2015: £0.2 million), and reported Group loss before tax was £0.9 million (2015: £0.2 million).

Since the previous year end the Group successfully negotiated extended borrowing facilities with Lloyds Bank plc to enable it to continue its acquisition and investment strategy.

Dividend

Although our primary objective is to invest our cash to drive growth in our operations, the Board feels that it is important to start to pursue a progressive dividend policy alongside this.

In this regard, I am pleased to announce that the Board has decided to commence the payment of dividends with an interim dividend for this year of 0.04 pence per share. It is expected this will be paid on 25 January 2017 to those shareholders on the register as at 30 December 2016.

The ex-dividend date is therefore 29 December 2016.

Pension Scheme

In common with most UK pension schemes the continuing reduction in Government and corporate bond rates has had a disproportionate effect on the NBF Pension deficit, resulting in an increase in actuarial losses of £3.3 million over six months. Brexit and the subsequent policy of quantitative easing are major contributors to this. However, it is worth investors noting that a 1% increase in bond rates would reduce the actuarial losses by some £5 million, so over the life of the scheme such a short term 'hit' has to be seen in context.

The Board is actively involved in the scheme's liability management and is currently working with the Trustees and the actuaries on an Enhanced Transfer Value offer to deferred pensioners, the results of which should be known by March 2017.

Outlook and Current Trading

Sales trends for the key third quarter are in line with expectations to date and we anticipate significant year on year growth in EBITDA in the second half. However, we face some challenges due to the recent weakening of sterling and increased raw material prices and the timing of price recovery. This, as well as the uncertainty in commodity pricing in particular at Garrett Ingredients, means that, while we expect our year end EBITDA to be ahead of last year, there is a risk that it could fall short of current market estimates.

Divisional Business Reviews



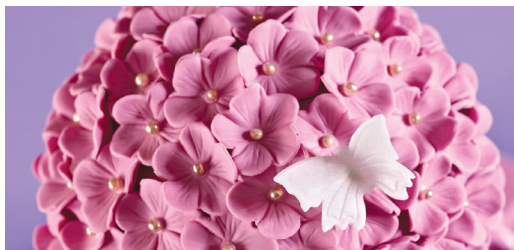
Cake Decoration

Renshaw and Rainbow Dust Colours manufacture and sell cake decoration products and ingredients for the baking sector across the UK and abroad. Renshaw Europe and Renshaw Americas sell these products in their respective territories.

£'000s	Six months ending 30 September 2016
Revenue	21,039
EBITDA	3,145

While the market was not as buoyant during the summer as in recent years, sales trends improved towards the autumn particularly with the return of the Great British Bake-Off. The first half saw significant investment in the product ranges with the re-launch of the UK Renshaw Professional range and a new product, Renshaw Extra, targeted at the European market. Rainbow Dust Colours also re-launched its market leading edible colouring, Progel, for the European market.

Significant investment was made in opening a new warehouse in Rockaway, New Jersey, as the base for the new Renshaw Americas business.

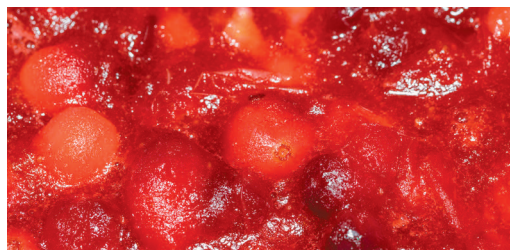


Food Ingredients

Garrett Ingredients supplies a range of food ingredients including bagged sugars and dairy ingredients to food manufacturers. R&W Scott manufactures and supplies chocolate coatings, jams, fruit fillings and sauces to food manufacturers, wholesalers and retailers.

£'000s	Six months ending 30 September 2016
Revenue	12,347
EBITDA	(477)

Difficult conditions continued in both of Garrett's main commodity markets and this was followed by short term difficulties caused by the weakening of sterling in September. Sugar supplies have become critically short which will constrain volumes, though markedly higher prices should improve margins. The dairy market has also seen upward price movement and it is likely to be six months before matters stabilise. The price rises in both these markets will, in due course, present Garrett's with a number of opportunities, through its sourcing expertise. R&W Scott has performed solidly, increasing its delivered margin over last year while operationally it performed well.



Premium Bakery

Haydens and Chantilly Patisserie manufacture, sell and distribute added value bakery and dessert products to UK retailers and foodservice customers.

£'000s	Six months ending 30 September 2016
Revenue	15,568
EBITDA	571

Sales have performed well with Haydens strongly ahead of last year with good sales through Waitrose and new business gained at Marks and Spencer. Growth at Chantilly has been constrained by the delay in moving to new premises which is now timed for early 2017. While the outlook on sales remains positive, EBITDA will be more challenging in the second half as recent significant raw material inflation (butter and cream prices have doubled recently as a result of a sudden drop in milk production across the EU and the effect in the UK has been exacerbated by the weakness of sterling) is unlikely to be fully offset by price recovery until the New Year.



Real Good Food plc

International House, 1 St Katharine's Way, London E1W 1XB

T 020 3056 1516

enquiries@realgoodfoodplc.com

www.realgoodfoodplc.com

For a full copy of the interim result:

<http://www.realgoodfoodplc.com/investor-information/reports-and-accounts/>

Create • Inspire • Enjoy

