Logistics Evolved: Enabling Retail

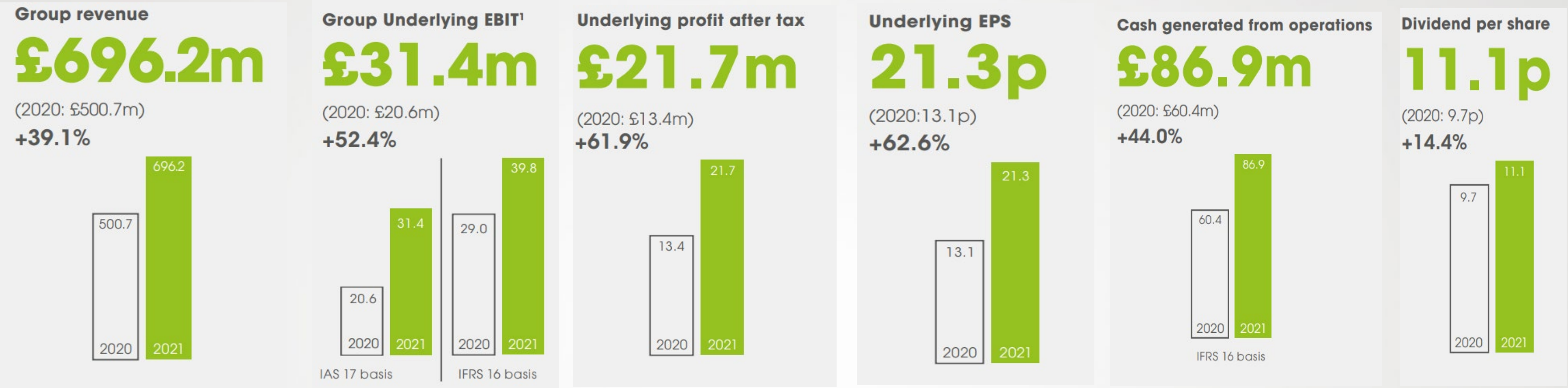
Full year results for the 12 months ended 30 April 2021

Agenda

Financial highlights

Full year results for the 12 months ended 30 April 2021

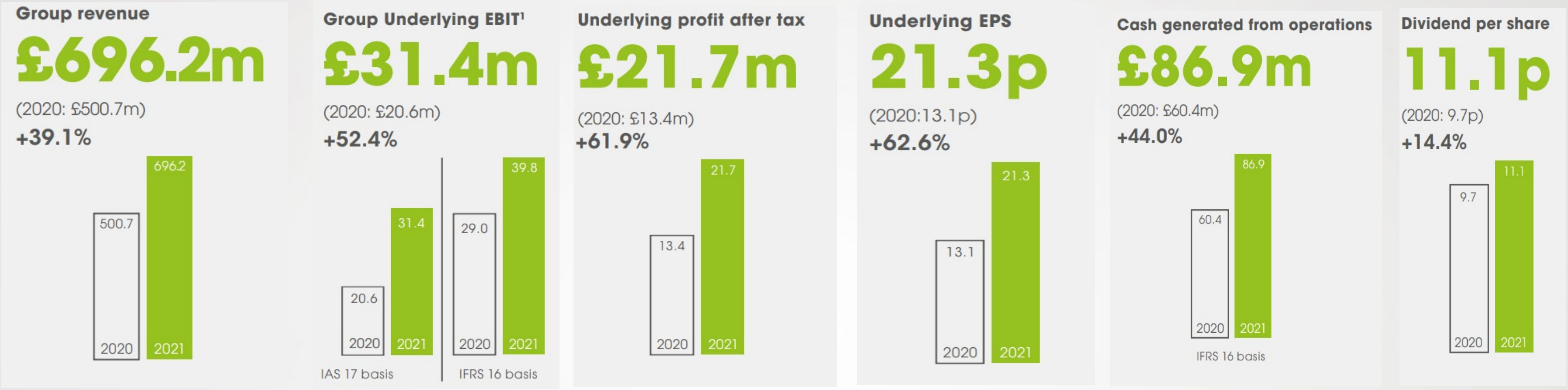
Financial highlights: online drives strong results



- Total **revenue** growth of **39.1% to £696.2m** (2020: £500.7m)– **19.4%** CAGR since IPO in 2014
- **E-commerce** related revenue growth of **52.0% to £420.9m** (2020: £277.0m)
- Strong underlying Group **EBIT** growth of **52.4%** (IAS 17 basis) **to £31.4m** (2020: £20.6m). Introduction of IFRS16 and property lease depreciation flattens underlying EBIT growth to 37.2%, in line with revenue growth of 39.1%
- **Cash** generated from operations: **strong growth** of **+44.0% to £86.9m** (2020: £60.4m)

• The EBIT, profit after tax and EPS comparatives for FY20 exclude £3.5m of negative goodwill arising on a business combination under IFRS 3

Financial highlights: online drives strong results



- Net debt of **£16.9m** with **£31.7m** of capex on back-to-back contracts with clients – leverage ratio (net debt/EBITDA) of **0.4x**, falling further since year end
- Underlying **earnings per share** growth of **62.6% to 21.3p** (2020: 13.1p)
- Strength of performance leads the Board to recommend a final dividend of **7.1p**
- Total dividend per share for the year of **11.1p** (2020: 9.7p)

- The EBIT, profit after tax and EPS comparatives for FY20 exclude £3.5m of negative goodwill arising on a business combination under IFRS 3

Clipper: a unique platform to accelerate growth and profitability

Full year results for the 12 months ended 30 April 2021

A unique platform to accelerate growth & profitability

Pure-play online	c70% of logistics revenue derived from online Full end-to-end solutions enabler
Retail Focus	Fast growing markets – Fashion / Health & Beauty and Luxury goods
Agile & Able	Business model highly deployable to capture growth globally Entrepreneurial culture (eg ClinkLink JV expansion)
Resilience and collaborative environment	Long term contracts: 76% open book & 17% hybrid Shared user model Strong cash generation
Outperforming the market	39% revenue and 52.4% underlying EBIT growth in FY21
Asset light model	Low maintenance CAPEX below 1% Low levels of net debt – 0.4x EBITDA

A unique platform to accelerate growth & profitability

Unique expertise in fast growing markets

Fashion, beauty & luxury products represent 60% of total E-commerce revenue

Investing for the future

+6 major new long term contracts

+4.2m sq. ft. secured in FY21

New vertical: Life Sciences

High level of cash conversion and ROCE

Cash conversion (IAS 17): 229%

ROCE (IAS 17): >35%

Highly deployable model in new territories

Doubling size for ASOS in Poland

FARFETCH: new contract in Netherlands

A unique platform to accelerate growth & profitability

Value added Logistics revenue: structural shift to online driving growth acceleration

E-fulfilment & returns management

Business activity revenue

£420.9m

% of Group logistics revenue

69%

(FY20: £277.0m)

+52.0%

Non e-fulfilment

Business activity revenue

£194.7m

% of Group logistics revenue

31%

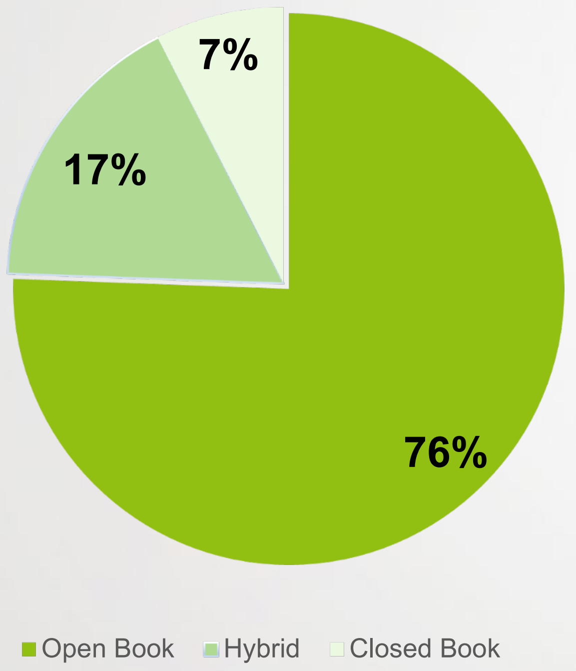
(FY20: £143.8m)

+35.4%

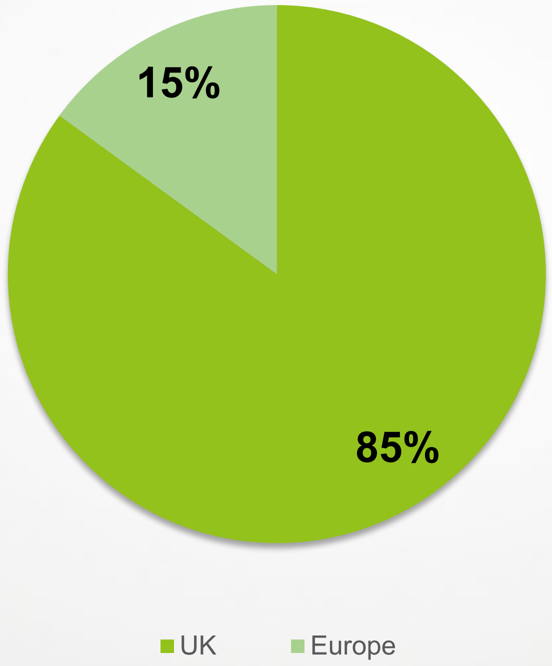
A unique platform to accelerate growth & profitability

Asset light, highly resilient and deployable model

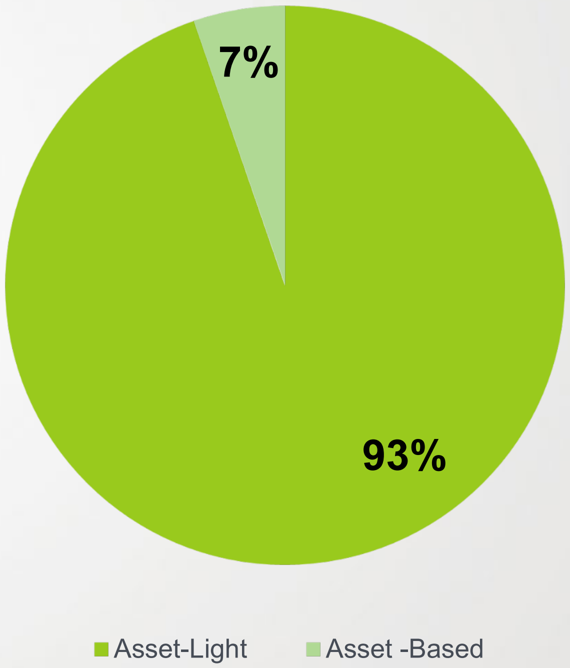
Contract mix



Logistics revenue by Geography



Revenue Mix



A unique platform to accelerate growth & profitability

Leading Ecommerce full end to end **Logistics Enabler**

Listed on LSE main market since 2014

£696m revenue in FY21

19.4% CAGR since IPO

Significant **shareholder value creation**

54

Locations

16.0 million sq. ft

+4.2m sq.ft in 2021

+c2,000 FTE's

added in FY21

Coverage - **5 European countries**

- Leader in full end-to-end ecommerce in UK
- Predominantly shared use operations
- National coverage for next day pre-noon Click & Collect through Clicklink
- Largest return, repair and remedial processor in UK through Boomerang and Technical Services

European Facilities in:

- Berlin, Germany
- Dublin, Ireland
- Hof, Germany
- Munchberg, Germany
- Nettetal, Germany
- Neuss, Germany
- Poznan, Poland
- Venray, Netherlands

A unique platform to accelerate growth & profitability

The Clipper way

Thought leadership:

- Strong brand
- Entrepreneurial spirit
- Experienced management team
- Innovative solutions

Long standing relationships & internationalisation:

- Focus on value-added services
- Long standing relationships with major retailers and e-commerce pure players including ASDA, ASOS, John Lewis, PLT, and FARFETCH

Technologically advanced:

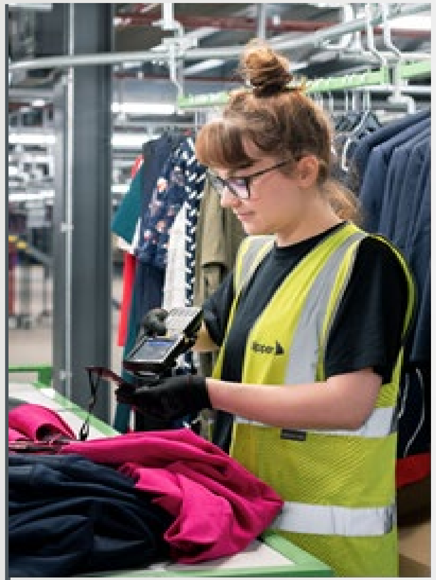
- Work collaboratively
- Deploy solutions rapidly
- Embrace new technology

Effective financial management:

- Low maintenance capex
- Efficient working capital profile
- Long term contractual certainty underpins our highly predictive model

A unique platform to accelerate growth & profitability

Full end-to-end solution



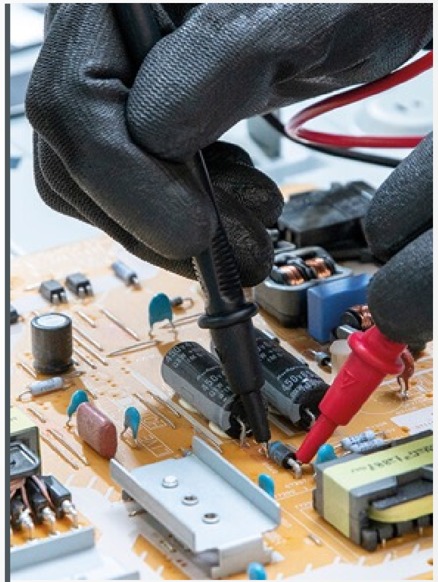
E-FULFILMENT

CLICK & COLLECT

clicklink
connecting retailers to customers

RETURNS MANAGEMENT

Boomerang
Returns Management by Clipper



REPAIR & REMEDIAL

Servicecare
part of the Clipper group

RepairTech
part of the Clipper group

DISPOSITION

Environmental Social & Governance

Full year results for the 12 months ended 30 April 2021

ESG and "The Clipper Way"

ESG is at the heart of our way of working

ESG and responsible business governance and accountability

Clipper Logistics plc Board – ESG Board Champion

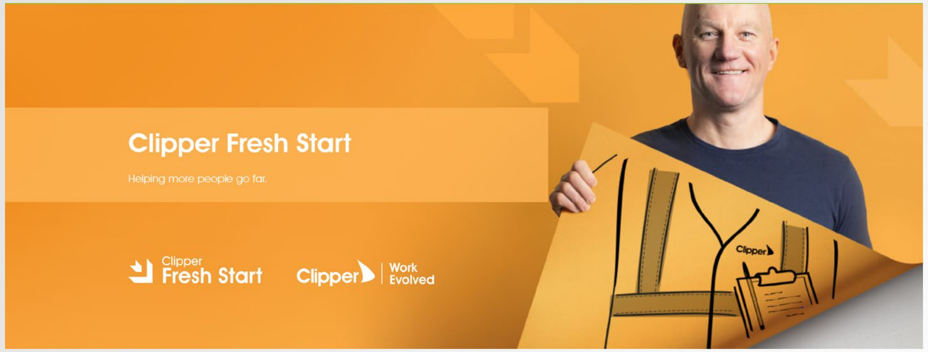
SMT ESG Steering Committee (ESG strategy)
Audit Committee (ESG risk)
Remuneration Committee (ESG-linked remuneration)

Implementing ESG: People/HR, Fleet, IT, H&S, Finance, Site Management

Environment

- Carbon & energy management – full review of property estate – “fit for the future” & Clipper DC of the Future
- Greening the fleet – gas, electric, biomethane, hydrogen**: 3.6%** reduction in total carbon emissions year-on-year
- Better managing the fleet activity to reduce environmental impact – Microlise project roll out
- Boosting the circular economy – unrivalled expertise in specialist electronic returns – **circa 1m** electrical items refurbished in the year to April 21
- Processing and repair of other returns: **>95%** returned to good stock
- Reducing packaging waste – developed capabilities such that **5 UK sites are now “zero packaging waste to landfill”** – with all sites re-using and recycling to divert waste from landfill

Inclusion, Diversity and Equality



Fresh Start Employees

We offer flexible working and expert training to individuals who are:

- Learning and physically disabled
- Ex-offenders
- Ex-military
- Homeless
- Refugees
- Retirees
- Full-time parents and carers

disability confident EMPLOYER

- Award winning programme – diversity & inclusion
- Over **1,200 team** members have joined the business via this programme since its inception. Over **92%** retention rate
- The scheme is now supported across the business by Fresh Start Champions & mental health first aiders & we offer flexible shift patterns to increase access to employment and sustain our fast growth trajectory
- We are now developing “Fresh Start in The Community” to support the locality around each DC location and are creating a range of family friendly policies to help attract more female talent into the business – at all levels

Health & Safety

2021
RoSPA
Gold Award

2020 AWARDS
WINNER
TALENT IN LOGISTICS
Health, Safety & Wellbeing Initiative

- We are delighted that Clipper was again awarded the Gold status standard against the rigorous standards set by RoSPA
- Over **200,000** hours of H&S training completed in FY21
- **No** major health and safety incidents reported
- We created a comprehensive COVID-secure strategy – including risk assessments, site audits, signage, PPE and extensive management training
- In conjunction with the DHSC we piloted mass workplace testing and workplace vaccinations
- **Talent in Logistics Awards** – we were delighted to receive the award for the "**Best Health, Safety and Wellbeing Initiatives**" at the October 2020 Awards. The award recognised the successful implementation of the Group wide H&S framework
- To further strengthen our commitment to these initiatives we are recruiting for a new post of Group Head of Health, Safety & Wellbeing and are increasing the use of technology to enhance real-time reporting

Social-Responsible business practices

Good Business Charter
Recognition for Responsible Business

- All Clipper sites & our labour agencies are annually audited by **Intertek plc using the SMETA and Ethical Trading Initiative standards**. All results are reviewed by our CPO
- **Our Anti-slavery & Human Trafficking Policy** clearly sets out the standards for the business and our suppliers
- Our confidential helpline **"SeeHearSpeakUp"** is available across the business
- To further develop our Responsible Business Best Practice approach we have partnered with **"Stronger2gether"**. This provides additional ethical practice auditing team training to ensure we remain vigilant to modern slavery. We are jointly developing our Code of Supplier Ethics
- **Good Business Charter** – we are an accredited member of the GBC having been able to satisfy the stringent business practices/behaviours required

Corporate Governance

- **Board leadership and company purpose** to promote long term sustainable success, generating value for shareholders and contributing to the wider society
- **Division of responsibilities** between the chair and the board with an evaluation process led by the Senior Independent Directors to assess the chair's effectiveness
- **Composition, succession and evaluation** to assure a formal, rigorous and transparent procedure and an effective succession plan based on merit and objective criteria. Within this context, promotion of diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
- **Audit, risk and internal control:** audit committee, risk management report and statement of Directors responsibilities
- **Remuneration:** policies have been designed with consideration of wider workforce in order to support our strategy. Our remuneration policy received 98.86% approval at our 2020 AGM

Headline Financials

Full year 2021 for the 12 months ended 30 April 2021

Headline Financials

Group revenue

For the year ended 30 April

£m	Reported		
	2021	2020	***Change %***
E-fulfilment & returns management services	**420.9**	277.0	*+52.0%*
Non e-fulfilment logistics	**194.7**	143.8	*+35.4%*
Total value-added logistics services	**615.6**	**420.8**	***+46.3%***
Commercial vehicles	**83.6**	82.5	*+1.4%*
Inter-segment sales	**(3.0)**	(2.6)	
Group Revenue	**696.2**	**500.7**	***+39.1%***

Group EBIT

For the year ended 30 April

£m	Reported*			Underlying		
	2021	2020	***Change %***	**2021**	2020	***Change %***
E-fulfilment & returns management services	**31.0**	21.3	*+45.2%*	**25.3**	15.8	*+60.1%*
Non e-fulfilment logistics	**17.0**	15.0	*+13.1%*	**14.5**	12.5	*+16.0%*
Central logistics overheads	**(7.9)**	(6.9)	*-13.3%*	**(7.9)**	(6.9)	*-13.3%*
Total value-added logistics services	**40.1**	29.4	***+36.3%***	**31.9**	**21.4**	***+49.1%***
Commercial vehicles	**3.3**	**2.3**	***+40.4%***	**3.1**	**2.0**	***+53.4%***
Head office costs	**(3.6)**	(2.8)	*-28.9%*	**(3.6)**	(2.8)	*-28.9%*
Group EBIT	**39.8**	**28.9**	***+37.4%***	**31.4**	**20.6**	***+52.4%***

* Reported EBIT excludes the impact of £3.5 milion of negative goodwill in the year ended 30 April 2020

Group revenue growth of +£195.5 million +39.1% is entirely attributable to growth in the **value-added logistics services segment, which grew by +46.3%**

This revenue growth is due to a combination of:

- structural shift to online retail
- full year impact of new contracts won in the prior year (Amara Living, Hope & Ivy, Joules, N Brown, Nutmeg online operation for Morrisons, Simba Sleep and the Very Group)
- part year benefit of new contracts won in the current year (Linenbundle, Revolution Beauty…)

Underlying Group EBIT grew by 52.4%, on revenue growth of 39.1%. **Underlying EBIT from e-fulfilment & returns management services grew by 60.1%** on revenue growth of 52.0%

Commercial vehicles increased **underlying EBIT** growth of **+53.4%**

Headline Financials

Group Income Statement
For the year ended 30 April

£m	2021	2020	*Change %*
Revenue	696.2	500.7	***+39.1%***
Cost of sales	(477.6)	(358.7)	
Gross profit	218.6	142.0	*+53.9%*
Other net gains	(-)	4.1	
Admin expenses	(182.7)	(114.7)	
Operating profit before share of equity-accounted investees, net of tax	35.9	31.4	*+14.1%*
Share of equity-accounted investees, net of tax	1.4	(0.2)	
Operating profit	37.3	31.2	*+19.5%*
EBIT (excluding non-underlying factors)	31.4	20.6	***+52.4%***
IFRS 16 impact	8.4	8.4	
Non-underlying factors	-	3.5	
EBIT	39.8	32.5	***+22.5%***
Less: amortisation of other intangible assets	(1.3)	(1.2)	
Exceptional costs	(0.8)	-	
Share of tax and finance costs of equity-accounted investees	(0.4)	(0.1)	
Operating profit	37.3	31.2	
Net finance costs	(10.6)	(11.1)	
Profit before income tax	26.7	20.1	*+32.9%*
Income tax	(5.1)	(3.9)	
Profit for the financial period	21.7	16.2	*+33.8%*
Basic earnings per share (p)	21.3	15.9	*+34.0%*

- **Strong revenue growth** in the year driven by e-fulfilment & returns management services and structural shift to online
- Key **EBIT** metric saw underlying growth **of 52.4%** excluding the impact of IFRS 16 and non-underlying factors
- Reported EBIT growth was **22.5%**
- Net finance costs down **£0.5 million reflecting strong performance and contract dynamics**
- Profit before tax and amortisation up **31.5% to £28.8 million**
- Profit before tax increased by **32.9% to £26.7 million**
- Basic EPS growth of **34.0% to 21.3 pence**

Headline Financials

Group Statement of Financial Position
At 30 April

£m	2021	2020
Intangible assets	38.2	37.9
Property, plant & equipment	31.2	29.0
Interest in equity-accounted investees	2.1	0.6
Right-of-use assets	215.8	186.2
Deferred tax	2.1	1.2
Non-current financial assets	1.9	1.9
Non-current assets	**291.3**	256.8
Inventories	22.7	27.9
Trade & other receivables	143.9	102.7
Cash & cash equivalents	18.0	2.7
Current assets	**184.6**	133.3
Trade & other payables	174.7	130.8
Borrowings	0.2	19.3
Lease liabilities	39.3	38.4
Short term provisions	6.2	0.1
Current tax liabilities	1.0	1.8
Current liabilities	**221.4**	190.4
Borrowings	15.7	0.1
Lease liabilities	188.5	163.9
Long term provisions	7.3	6.5
Deferred tax liabilities	-	-
Non-current liabilities	**211.5**	170.5
Net assets	**43.0**	29.2

- ROU asset increased **by £29.6 million to £215.8 million**. Notable additions were new sites at Venray (Netherlands), Sherburn and Sheffield
- Trade & other receivables reflects the acceleration of our business which continues to experience strong growth
- Trade & other payables are following the same trend
- Net debt excluding the impact of IFRS 16 **was £16.9m, a reduction of £28.2m on the prior year** due to strong trading and contract dynamics

Headline Financials

Group Statement of Cash Flows
For the year ended 30 April

£m	2021	2020
Operating profit	37.3	24.1
Depreciation & Amortisation	6.9	5.3
Other non-cash items	0.6	1.2
Depreciation on Right-of-use asset	36.3	34.9
Change in working capital	13.3	1.3
Cash generated from operations	**93.2**	**66.8**
Net interest paid	(0.9)	(2.9)
Tax paid	(5.4)	(3.5)
Net cash flows from operating activities	**86.9**	**60.4**
Net capital expenditure	(9.6)	(11.7)
Acquisition of a business	-	(2.9)
Net cash flows from investing activities	**(9.6)**	**(14.6)**
Net (repayment)/drawdown of bank loans	(3.7)	1.2
Financing advanced in relation to ROU	1.6	5.7
Repayment of capital on lease liabilities	(49.8)	(43.3)
Shares issued	0.3	0.1
Dividends paid	(10.4)	(10.2)
Net cash flows from financing activities	**(62.0)**	**(46.5)**
Net increase/(decrease) in cash & cash equivalents	**15.3**	**(0.7)**

- Cash generated from operations increased by **+£26.5 million**
- Net interest paid **reduced by £2.0 million** reflecting reduced borrowings compared to the prior year
- Capital expenditure was **£9.6m**; a reduction of £2.1 million due to lower requirements on open book contracts
- Included within investing activities of the prior year, **£2.9 million of cash outflow** relating to the business combination, no such activity in FY21
- Net repayment in FY21 of bank loans due to increased cash within the Group and lower requirements for finance
- Net increase in cash and cash equivalents of **£15.3 million**

Summary & Outlook

Full year results for the 12 months ended 30 April 2021

Summary and Outlook

- Another year of strong performance outperforming the market in a rapidly evolving retail market
  - Significant revenue growth of **39.1%** with underlying **EBIT** growth of **52.4%**
- End-to–end service provider in fast growing markets providing world leading retail solutions
- Continuing to build platform for organic growth
  - Investing for the future with **8 new warehouse** facilities representing **4.2m sq ft**
  - Continuous investment in **bench strength** across the group
  - Continued focus on technology and innovation e.g. autonomous robots
- **Strong momentum into FY22** – current trading remains encouraging with a robust new business pipeline in line with our recent trading upgrade
- **M&A opportunity** remains with potential bolt-on acquisitions of e-commerce players in both mainland Europe & North America
- Well placed and confident that the Group is strategically positioned to **accelerate growth and profit both in the UK and internationally**

Q&A

Clipper

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