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NWF Group plc

NWF Group plc: Acquisition of lease and Notice of Half Year Results

Third warehouse marks further significant expansion of Food division

NWF Group plc ('NWF' the 'Company' or the 'Group'), the specialist distributor, is pleased to announce the signing of a lease (the "Lease") between its subsidiary Boughey Distribution Limited ("Food"), Aver Property General Partner Limited and Aver Property Nominee Limited for a 332,000ft² warehouse at Lymedale Business Park in Newcastle-under-Lyme ('Lymedale' or the 'Warehouse').

The investment follows on from the success of the Group's Crewe 240,000ft² warehouse, which opened in 2020, and is in line with the Group's strategy for its Food business to target warehouse expansion backed by customer and retailer demand. The Lease is for a period of 15 years with a tenant only break clause after 12 years and will be supported by a parental guarantee from the Group.

Highlights:

The newly constructed warehouse is conveniently located close to the M6 and the Group's existing sites in Crewe and Wardle, allowing the business to utilise its in-house expertise to bring the Warehouse into operation.

The capacity of the Food division will increase by 52,000 pallets to a total of 187,000 pallets spaces, supporting strategic growth and ongoing demand from its customers for ambient grocery consolidation and distribution. The Group's capacity was 100,000 pallet spaces prior to the opening of the Crewe warehouse.

The fit out of the Warehouse will commence immediately and the site is expected to be fully operational by the early Autumn of this year, backed by an active pipeline of customer demand supported by our high levels of service and customer recommendations.

Financial guidance resulting from the additional warehouse:

- In its first full financial year of operational activity, the year ending 31 May 2026, Lymedale is expected to deliver additional annualised operating profits of approximately £2.8 million. As a result of IFRS16 interest in respect of the Warehouse lease and associated additional leased vehicles, this will result in incremental annualised headline PBT of approximately £1.2 million in the financial year ending 31 May 2026 increasing to £2.5 million in the financial year ending 31 May 2035 as the IFRS16 lease liability reduces.
- The balance sheet position of the Group will increase by a right-of-use asset of £26.5 million and an associated lease liability of £25.2 million.
- The initial capital expenditure will be approximately £8.5 million, which will be funded using the Group's current cash balance.
- At this early stage in the project, the initial ramp-up costs are expected to impact headline PBT in the current financial year ending 31 May 2024 by approximately £1.7 million. The net impact in the financial year ending 31 May 2025 is expected to be zero, as ramp-up costs are offset by revenue, with a full run-rate of profitability achieved during financial year ending May 2026 as noted above.
- Lymedale is expected to deliver an IRR of approximately 20%.

Chris Belsham, Chief Executive Designate of NWF Group said:

"We are delighted to start the new calendar year by announcing the signing of the agreement to lease Lymedale. The addition of 52,000 pallet spaces in our Food business allows us to meet the growing demand for our first-class services and will drive further growth in line with our strategy for our Food business. Once opened, we will have nearly doubled our capacity in Food over the last five years and transformed the contribution of the business to the Group's growth and profitability."

Announcement of Half Year Results

NWF Group plc will announce its half year results for the six months ended 30 November 2023 on Wednesday 31st January 2024.

There will be a webcast and conference call for analysts at 9.30am start on the day of the results hosted by Chris Belsham, Chief Executive Designate, and Katie Shortland, Chief Financial Officer. Please contact MHP for further details at nwf@mhpgroup.com.

Information for investors, including analyst consensus forecasts, can be found on the Group's website at www.nwf.co.uk.

Company compiled analyst consensus is for headline profit before tax of £14.4m (FY 2023: £19.6m).

Certain information contained in this announcement would have constituted inside information (as defined by Article 7 of Regulation (EU) No 596/2014), as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR") prior to its release as part of this announcement and is disclosed in accordance with the Company's obligations under Article 17 of those Regulations.

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| Richard Whiting, Chief Executive | Reg Hoare / Catherine Chapman | Mike Bell / Ed Allsopp |
| Chris Belsham, Chief Executive Designate | / Christian Harte | |
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