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NWF Group plc

NWF Group plc: Trading Update

NWF Group plc ('NWF' the 'Company' or the 'Group'), the specialist distributor operating in UK markets, today provides a trading update for the financial year ended 31 May 2024 ("FY24").

Trading update

The Board reports that the Group's FY24 results are anticipated to be in line with market expectations¹, reflecting the previously expected normalisation in the Fuels and Feeds markets alongside a strong contribution from Food.

Fuels:

Volumes in FY24 remained ahead of the prior year, in part benefitting from increased commercial customer orders as the mild weather across the winter resulted in low demand for domestic heating oil.

As noted at the half-year results, and as expected, margins continued to normalise during the second half from the abnormally elevated level experienced in the prior year, as the market continued to experience stable supply conditions and competitive pricing of diesel and gas oil given the lower demand for heating oil. This resulted in a lower operating profit pence per litre, which is expected to continue during FY25.

The business has actively managed its cost base through optimising its sales team and tanker fleet whilst committing to increased investment in fleet renewals during FY25.

The Board continues to consider acquisition opportunities for Fuels in line with the stated strategy, supported by a robust financial position.

Food:

The business traded strongly in FY24 and ahead of the prior year. Storage volumes reached a peak of just over 146,000 pallet spaces (FY23: 126,000 pallet spaces) which required the business to utilise overflow storage facilities efficiently, and as planned. Pallet throughput was higher than the prior year, reflecting the high storage levels.

The fit out of the new 52,000 pallet space warehouse at Lymedale has progressed in line with its business plan and the site is now partially operational for both storage and distribution. This will support the growth of the business into FY25 and beyond.

Having absorbed ramp-up costs in FY24, Lymedale is expected to have a net neutral impact in the current financial year, whilst incurring IFRS16 interest charges in respect of the warehouse lease and associated additional leased vehicles.

The customer pipeline remains strong, and the Board continues to consider further growth opportunities to service this demand for its services.

Feeds:

Volumes in FY24 were behind the prior year as ideal grass growing conditions across the summer and autumn provided farmers with significant forage for the winter. This was partially mitigated by the wet winter and spring which extended the usual winter season demand into April.

As reported in the half-year results, weaker milk prices and reduced volatility in raw material prices over the prior year have resulted in the expected normalisation of margins. Against this backdrop, the business has delivered effective management of both margin and operational costs.

Financial position

Net cash at the year-end of £10m is in line with market expectations¹, reflecting the trading result, effective working capital management and the investment in the new warehouse at Lymedale.

The robust financial position supports the strategic focus on targeted acquisitions in Fuels, and the increased level investment during FY24 and FY25 in Lymedale and the new fleet.

Notice of Results

NWF expects to announce its results for the year ended 31 May 2024 in late July.

Chris Belsham, Chief Executive of NWF Group said:

"NWF has delivered a solid financial performance as it experienced more challenging conditions than in recent years, with market pricing normalising for Fuels and Feeds, the impact of which has continued into the new financial year.

"The investment in the new Lymedale warehouse to meet the growing customer demand in our Food business has progressed in line with plan which will support the future growth of the business.

"We continue to focus on our long-term growth strategy of development through targeted acquisitions, organic investment including significant investment in new fleet and improvement initiatives, supported by our strong financial position and confidence in NWF's potential and prospects."

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

¹Company compiled analyst consensus is for headline operating profit of £14.5m (FY2023: £21.0m), headline profit before tax of £12.7m (FY 2023: £19.6m) and net cash of £11.9m.

Chris Belsham, Chief Executive Katie Shortland, Chief Financial Officer	Reg Hoare / Catherine Chapman	Mike Bell / Ed Allsopp
NWF Group plc	MHP	Peel Hunt LLP (Nominated Adviser and broker)
Tel: 01829 260 260	Tel: 020 3128 8100	Tel: 020 7418 8900

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