greencore group

Results

For the half year ended 25 March 2016

HIGHLIGHTS

- Strong growth driven by food to go businesses
- Sustained investment in capacity and capability
- Further enhancements to strong commercial pipeline

FINANCIAL REVIEW

Alan Williams

Chief Financial Officer

FINANCIAL SUMMARY

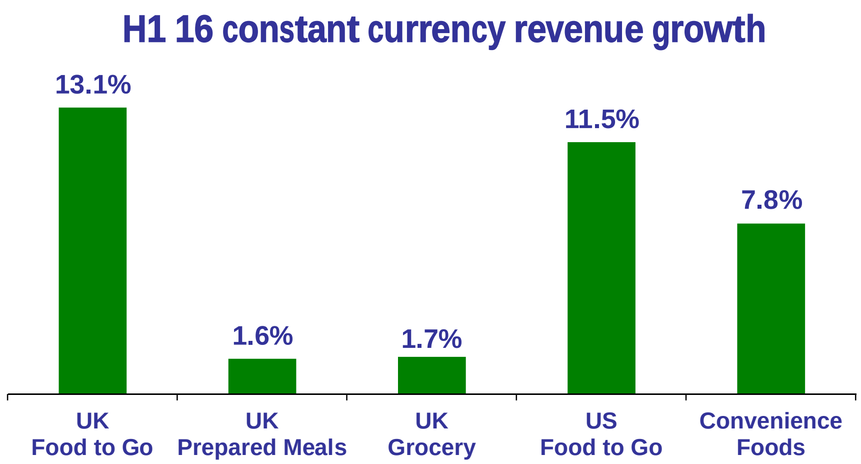
	H1 16	Versus H1 15
Revenue[1]	£691.6m	+7.5%
Convenience Foods revenue[1]	£667.9m	+7.8%
Operating profit[2]	£43.5m	+8.5%
Operating margin[2]	6.3%	unchanged
Adjusted PBT[3]	£36.5m	+9.3%
Adjusted earnings per share[3]	8.2p	+7.9%
Interim dividend per share	2.55p	+6.25%

1. Revenue growth expressed on a constant currency basis
2. EBITDA, operating profit and operating margin are stated before exceptional items and acquisition related amortisation
3. Adjusted PBT and adjusted earnings measures are stated before exceptional items, pension finance items, acquisition related amortisation, FX on inter-company and certain external balances and the movement in the fair value of all derivative financial instruments and related debt adjustments

CONVENIENCE FOODS

Food to go led strategy driving growth

	H1 16 £m	H1 15 £m	% change
Revenue	667.9	614.7	+8.7% reported
Operating profit²	42.9	39.3	+9.2%
Operating margin²	6.4%	6.4%	unchanged



- Convenience Foods constant currency revenue growth of 7.8%:
  - Food to Go led: roll out of major contracts in the UK and US and good market growth
  - Good volume growth in Prepared Meals & Grocery
- Operating profit growth a little ahead of revenue growth:
  - Good conversion given start-up costs associated with new facilities

INGREDIENTS & PROPERTY

	H1 16 £m	H1 15 £m	% change	
			Actual currency	Constant currency
Revenue	23.7	25.1	-5.6%	-1.6%
Operating profit[2]	0.6	0.8	-25.0%	

Division represents less than 5% of Group activity

- Constant currency revenue and operating profit lower reflecting a challenging global dairy commodity market

FINANCING, TAX, PENSIONS & EXCEPTIONAL ITEMS

Financing

- Bank interest payable of £7.6m (H1 15: £7.6m): higher average net debt offset by lower rates and £0.3m higher capitalisation of interest

Tax

- Group effective tax rate at 2% (H1 15 1%)
- Substantially all UK historic losses recognised in the balance sheet by end FY16 meaning ETR will increase more markedly from FY17

Pensions

- Net IAS 19 pension deficit of £93.3m, after related deferred tax asset, an increase of £3.9m from September 2015
- Cash requirement for FY16 expected to remain around £15m

Exceptional Charge

- £6.0m charge:
  - £2.0m in connection with capacity investment and distribution projects
  - £4.0m to complete remediation of former sugar sites

CASHFLOW AND NET DEBT

Net debt at 25 March 2016 of £316.0m - 2.4x Net Debt / EBITDA*

£m	H1 16	H1 15
EBITDA[2]	**60.3**	**54.3**
Working capital movement	(17.1)	(45.4)
Net capex	(44.6)	(43.7)
Interest & tax	(7.9)	(7.9)
Operating cashflow	**(9.3)**	**(42.7)**
Pension financing	(6.9)	(5.7)
Exceptional items	(3.8)	(4.9)
Net dividends paid	(8.7)	(8.0)
Shares purchased for EBT	(13.6)	(9.3)
Other including FX	(7.9)	(0.3)
Cashflow before acquisitions/disposals	**(50.2)**	**(70.9)**
Deferred consideration	(0.3)	0.4
US Washington state investment	-	(8.8)
Change in net debt	**(50.5)**	**(79.3)**

Key features of net debt movement:

- Better operating cashflow performance than H1 15
- Seasonal working capital outflow lower than in prior year
- Capital expenditure broadly in line with prior year
- FX translation impact of c.£12m from weakness of GBP versus USD and EUR

* Net debt / EBITDA leverage as measured under financing agreements

BORROWINGS PROFILE

- Primary bank facility extended for a further year (to March 2021) immediately after the half year
- USD100m of maturing private placement notes repaid in October 2015 – to be refinanced
- Total committed facilities at end March 2016 of £451m
- Weighted average debt maturity of 4.7 years as at end March 2016

Maturity profile	£m
< 1 year	-
2 – 5 years	405
> 5 years	46
Total facilities	**451**
Average maturity	**4.7 years**

Borrowings split	£m
Bank borrowings	350
Non bank borrowings	101
Total facilities	**451**

SUMMARY FINANCIAL PERFORMANCE

- Strong revenue growth driven by food to go businesses
- Operating profit growth of 8.5% and margin maintained despite pressure from start-up costs and capability investments
- Adjusted EPS up 7.9% versus H1 15

OPERATING REVIEW AND OUTLOOK

Patrick Coveney

Chief Executive Officer

H1 FY16 – A PERIOD OF SIGNIFICANT PROGRESS

H1 delivery

1. Food to go strategy working well
2. UK portfolio trading strongly
3. US network taking shape

Investing in the future

4. New business wins fuelling future growth
5. Significant investments in capacity and capability

1 FOOD TO GO STRATEGY WORKING WELL

UK Food to Go	US Food to Go	UK Prepared Meals	UK Grocery
45%	15%	20%	20%



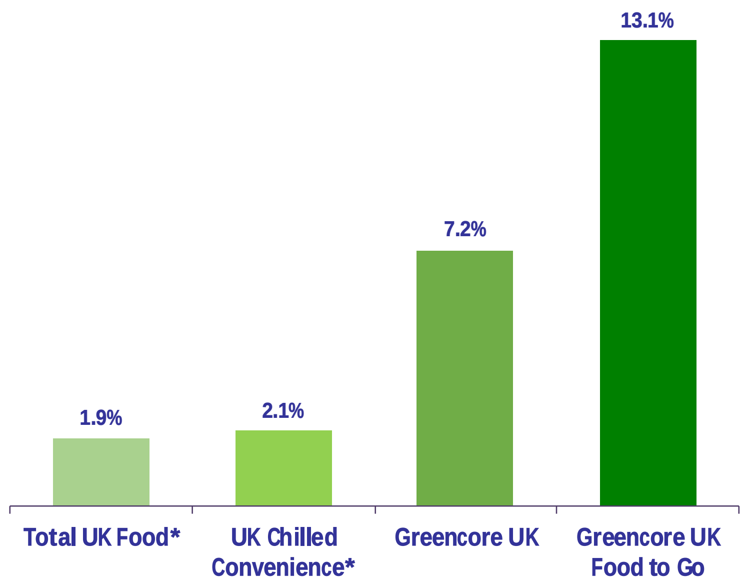

Combined H1 FY16 LFL revenue growth of 12.7%

Note: Percentages shown are as a percentage of HY Convenience Foods revenues, rounded to the nearest 5%

UK PORTFOLIO TRADING STRONGLY...

2

H1 Growth Rates



- Growth underpinned by positive long-term trends
  - Convenience
  - Health & freshness
  - Customer brand focus
  - Product investment model
- More collaborative approach across the supply chain
- Sustained focus on productivity and cost efficiency

* Source: Nielsen 26 weeks ending 26 March 2016

2 ... WITH GOOD PROGRESS IN EACH UK DIVISION

1 Food to Go

- Exceptional revenue growth of 13.1%, vs. market growth 5.6%*
- Rollout of several new customer contracts
- Significant investments in capacity, distribution and capability

2 Prepared Meals

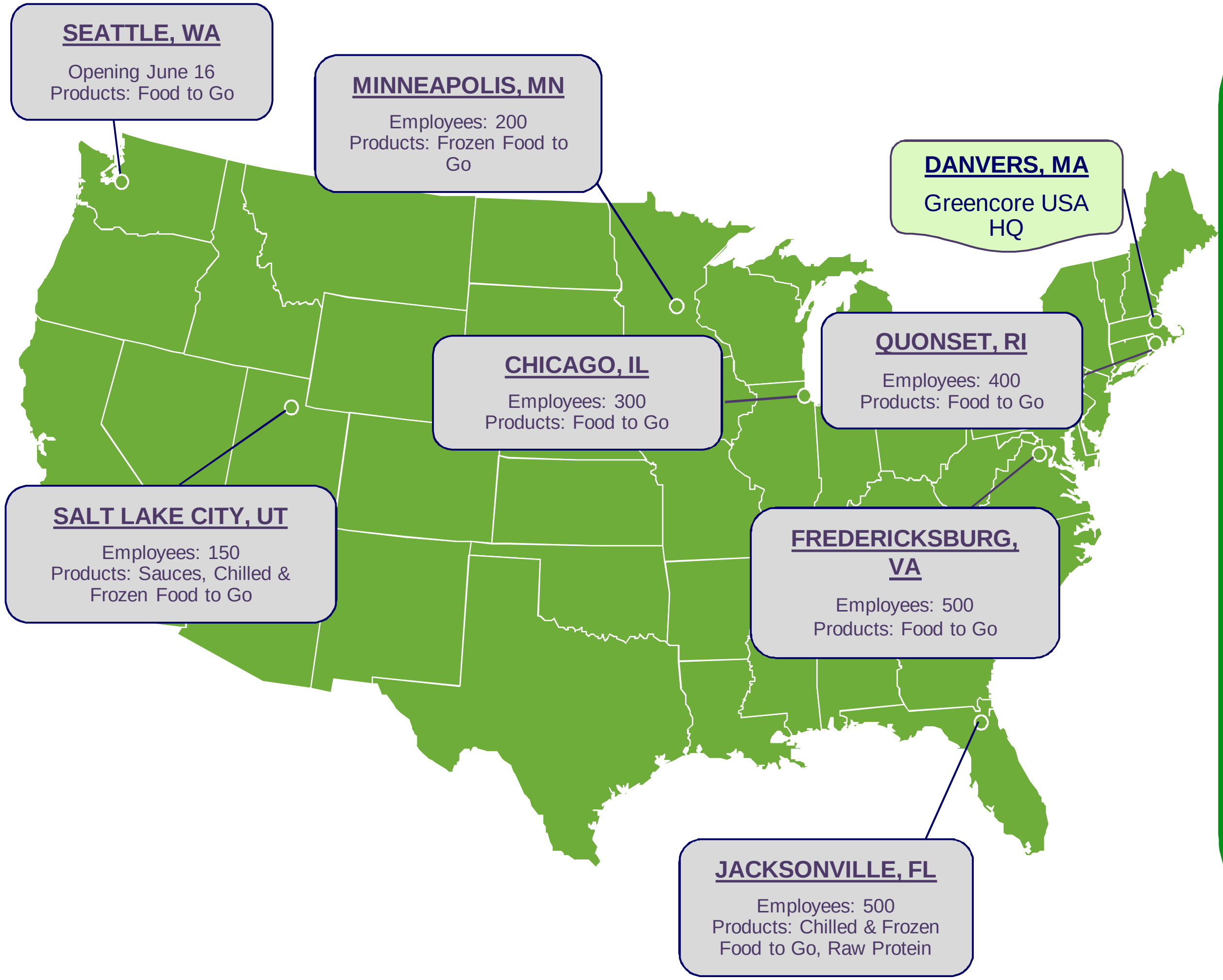
- Revenue growth of 1.6%
- Good ready meals and quiche growth
- Renewal of key commercial relationships

3 Grocery

- Revenue growth of 1.7%
- Good revenue growth in cakes and desserts
- Good uplift in cooking sauce volumes as customers increase focus on own label

* Source: Nielsen 26 weeks ending 26 March 2016

3 US NETWORK TAKING SHAPE



- LFL revenue growth of 11.5%; strengthening in Q2
- Strong growth with two key customers
- Rhode Island site now stabilised following challenging start
- Seattle site on track for June 16 start-up
- Modest loss in H1; expect to be profitable in H2

4 NEW BUSINESS WINS FUELLING FUTURE GROWTH

Finalisation of Food to Go portfolio for Northampton

- Overall sole supply agreement progressing tightly to plan for completion in Q2 FY17
- Construction of new sandwich facility (Unit D) complete and now in production
- Good progress on additional new unit for other food to go products

Adding new sandwich lines at other facilities to meet growing demand and future new business wins

5 SIGNIFICANT INVESTMENTS IN CAPACITY AND CAPABILITY

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Distribution

- New picking and distribution centres in Worksop and Hatfield
- Introduction of new automated processes and systems to enable additional distribution volumes in FY16
- Have already DOUBLED direct store delivery to 4m units/week

People & Processes

HD leadership

greencore leadership programme

agility core

SUMMARY AND OUTLOOK

- Strong performance in H1 16 led by food to go strategy and growth
- Significant step-up in capability and capacity investments to enable new business growth
- Challenging industry and political backdrop
- Confident in ability to deliver performance in line with market expectations

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