

greencore  
group



# Refocusing Greencore

15 October 2018

## 1 IMMEDIATE REALISATION OF US VALUE

- **Sale of Greencore US** to Hearthside for \$1,075m<sup>1</sup>
- **Compelling valuation**, EV / EBITDA multiple of 13.4x / 14.2x<sup>2</sup>
- Enables **special dividend of 72p** per share<sup>3</sup> and **reduced leverage**

## 2 FOCUSED RETAINED GROUP

- **Industry-leading position** in UK generating attractive growth and returns
- **Significant opportunities** in a dynamic UK marketplace
- **Team, focus, and financial flexibility** to drive future shareholder returns

<sup>1</sup> Transaction includes the entirety of Greencore US business; comprising both the former Peacock Foods business as well as the original Greencore US business. Purchase price on a cash- and debt-free basis, subject to standard working capital and other adjustments

<sup>2</sup> Transaction enterprise value calculated as \$1,075m. Adjusted EBITDA for 13.4x multiple calculated based on Adjusted EBITDA for Greencore US for the 12 month period ended 29 September 2017. Adjusted EBITDA for 14.2x multiple calculated on the same basis, but also including allocated central costs

<sup>3</sup> Subject to board approval, the agreement of the relevant lenders to waive any applicable prepayment obligations or an agreement to refinance the existing debt and the completion of the proposed capital reduction (requiring shareholder approval and Irish High Court approval)

# 1 KEY TRANSACTION TERMS & TIMELINE

## Key transaction terms

### Transaction

- \$1,075m purchase price<sup>1</sup>
- Entire Greencore US business, including 13 manufacturing facilities and ~3,000 employees
- Net proceeds of £802m<sup>2</sup>

### Acquirer

- Hearthside: Scale US contract food manufacturer with diverse production capabilities, \$1.5bn revenues pre-Transaction, heritage in US food industry outsourcing

### Conditions to closing

- Greencore shareholder approval
- US HSR<sup>3</sup> approval

## Transaction timeline

- Distribution of circular on 15 October with Extraordinary General Meeting on 7 November
- Expected transaction completion by late November

<sup>1</sup> Purchase price on a cash- and debt-free basis

<sup>2</sup> Based on gross proceeds of disposal of £817m and transaction costs of £15m and GBP/USD FX rate of 1.3158 as at 12 October 2018

<sup>3</sup> Hart-Scott-Rodino Antitrust Improvements Act of 1976

# 1 COMPELLING VALUE, IMMEDIATELY REALISED

- Transaction EV / EBITDA multiple of 13.4x / 14.2x<sup>1</sup>
- Valuation represents 41% of Greencore Group estimated enterprise value<sup>2</sup>
- Immediate realisation of value from Greencore US
- Premium to both \$747.5m<sup>3</sup> paid for Peacock Foods and Greencore's total invested capital in the US of \$979m<sup>4</sup>

<sup>1</sup> Transaction enterprise value calculated as \$1,075m. Adjusted EBITDA for 13.4x multiple calculated based on Adjusted EBITDA for Greencore US for the 12 month period ended 29 September 2017. Adjusted EBITDA for 14.2x multiple calculated on the same basis, but also including allocated central costs. The Group calculates Adjusted EBITDA as Adjusted Operating Profit plus depreciation and amortisation. The Group calculates Adjusted Operating Profit as net profit before net finance costs, taxation, share of associate's profit/loss after tax, exceptional items and acquisition related amortisation.

<sup>2</sup> Based on market capitalisation of £1,467m as at 12 October 2018, net debt of £522.2m as at 30 March 2018, and GBP/USD FX rate of 1.3158 as at 12 October 2018

<sup>3</sup> Peacock Foods acquisition prospectus, 14 November 2016

<sup>4</sup> Based on net assets of Greencore US as at 30 March 2018 of £699.4m, translated at the GBP/USD FX rate of 1.40 as at 30 March 2018



- **Returns 72p per share (£509m) via special dividend<sup>1</sup>**
  - Represents 35% of market cap<sup>2</sup>
  - Concurrent share consolidation<sup>3</sup>
  
- **Strengthens balance sheet**
  - Upon completion, up to £293m to be used to reduce leverage<sup>1</sup>
  
- **Enables greater financial flexibility and more dynamic capital management**
  - Target leverage ratio of 1.5-2.0x Net Debt / EBITDA<sup>4</sup>
  - Flexibility for further investment and value return to shareholders
  - Progressive dividend policy from FY19

<sup>1</sup> Subject to board approval, the agreement of the relevant lenders to waive any applicable prepayment obligations or an agreement to refinance the existing debt and the completion of the proposed capital reduction (requiring shareholder approval and Irish High Court approval)

<sup>2</sup> Based on market capitalisation of £1,467m as at 12 October 2018, and GBP/USD FX rate of 1.3158 as at 12 October 2018

<sup>3</sup> Share consolidation to be used to maintain the reference share price and earnings per share on a comparable basis to prior years, subject to EGM approval. See appendix for further detail

<sup>4</sup> As measured under financing agreements

# 1 FINANCIAL EFFECTS AND CURRENT TRADING

## *Financial effects*

- Retained Group will principally comprise Convenience Foods UK & Ireland
- Pre-transaction central cost base to be subsequently optimised
- Proposed share consolidation to reduce share count<sup>1</sup>

## *Current trading*

- Reiterating previously announced Adjusted EPS range of 14.7p-15.7p for FY18<sup>2</sup>
- Completed disposal of Rhode Island facility for additional cash consideration of \$10.8m in FY18
- FY18 Results will be issued on 4 December 2018

<sup>1</sup> See appendix for further detail

<sup>2</sup> This statement constitutes a profit estimate for the purposes of the listing rules, as described in part IV of the shareholder circular; Adjusted EPS is calculated by dividing Adjusted Earnings by the weighted average number of Ordinary Shares in issue during the year, excluding Ordinary Shares purchased by a trust on behalf of Greencore and held in trust in respect of the Deferred Bonus Plan, the Performance Share Plan and the Executive Share Option Scheme

# TRACK RECORD OF SUSTAINED GROWTH IN DYNAMIC UK MARKET

## Greencore UK revenue growth rates, FY11-FY17

CAGR %,

**UK convenience food<sup>1</sup>**



*driven by...*

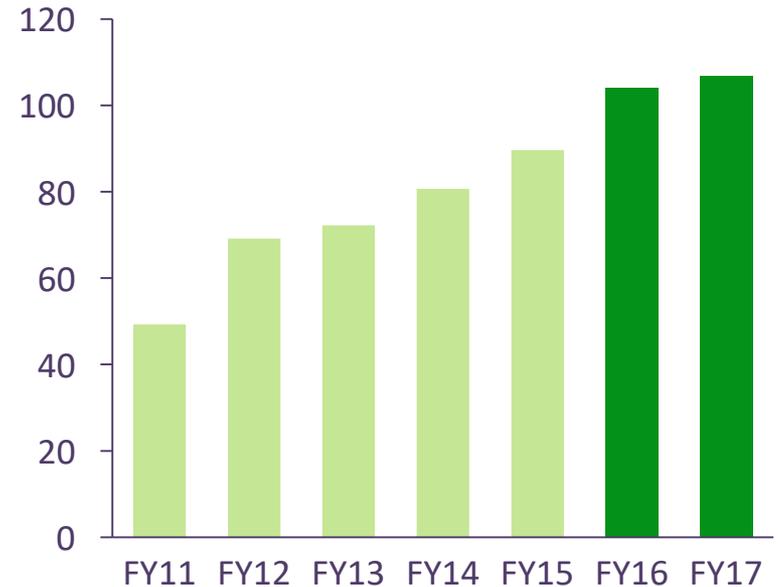
**Food to go categories<sup>2</sup>**



## Illustrative Adjusted Operating Profit, FY11-FY17

£m

Convenience Foods<sup>3</sup>    Convenience Foods, UK&I<sup>4</sup>



<sup>1</sup> Revenue from Greencore's UK total convenience food activities

<sup>2</sup> Revenue from Greencore's UK food to go activities

<sup>3</sup> Greencore annual reports; Convenience Foods Division as reported - includes UK and US activities but excludes Irish activities

<sup>4</sup> Greencore annual reports; Convenience Foods UK&I Division as reported - includes UK and Irish activities but excludes US activities

## 2 A FOCUSED RETAINED GROUP AND STRATEGY

**a** **Extend leadership position in attractive and structurally growing categories**

**b** **Deepen our long-term customer partnerships**

**c** **Execute value-creating initiatives**

**d** **Focus organisation on UK market opportunities**

**e** **Drive sustained growth, returns and cash flow**

# EXTEND LEADERSHIP POSITION IN ATTRACTIVE AND STRUCTURALLY GROWING CATEGORIES

## Important categories for our customers and consumers...

- Drives strong customer economics
- Provides point of brand differentiation
- Supports new format and channel growth strategies
- Attracts incremental consumer footfall
- Aligns with health, freshness, local and convenience trends

### ...have driven strong structural growth<sup>1</sup>...

Market CAGR, FY13-FY18

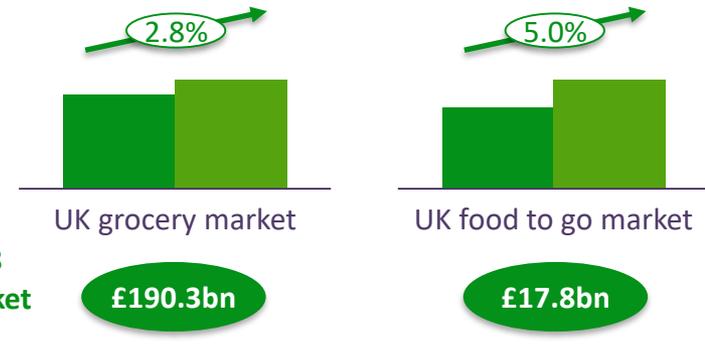
FY13 FY18



### ...with positive momentum expected to continue<sup>2</sup>

Market CAGR, 2018-2023

2018 2023



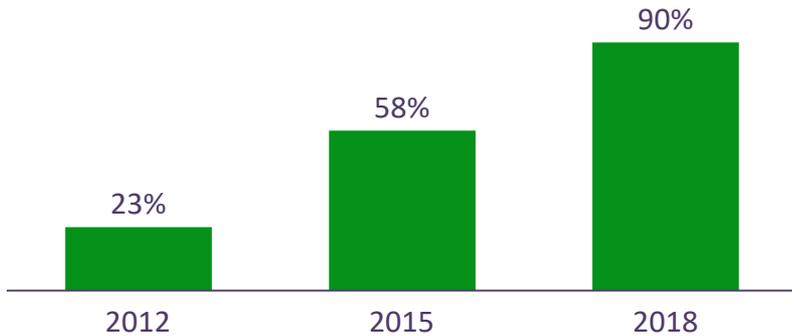
<sup>1</sup> Market historical growth rates, FY13-FY18 (Source: Nielsen)

<sup>2</sup> Market forecasts, 2018-2023 (Sources: IGD, *UK Channel Opportunities: 2018-2023*, June 2018; *UK Food-to-Go Market 2018*, August 2018)

# DEEPEN OUR LONG-TERM CUSTOMER PARTNERSHIPS

## Long-term, sole-supply partnerships

% of Greencore UK net sandwich sales in 3-yr+ contracts



## Expanding capabilities throughout supply chain

- New Product Development
- Technical & Food Safety
- Sourcing
- Order Management
- Manufacturing
- Distribution
- Merchandising

## Valued partner to our customers

Advantage Report – retailers’ ranking of suppliers<sup>1</sup>

Manufacturers	Overall Performance (Rank of 5)	Strategic Alignment	People	Category Development	Retailer Own Label	Trade & Shopper Marketing	Supply Chain	Customer Service
<b>Greencore</b>	1	1	1	1	1	1	1	3
Competitor 1	2	2	3	2	2	*	3	2
Competitor 2	3	2	2	2	2	2	2	2

<sup>1</sup> The Advantage Report, part of a worldwide programme, whereby retailers rate and rank all of their suppliers, both branded and own-label; © The Advantage Group International, Inc., August 2018

## Organic investment

*New capacity*



*New capabilities*



*Operational effectiveness*



## Inorganic investment

*Both transformational...*



*...and tactical acquisitions*





the  
greencore  
way



- Single UK organisation to drive performance and growth
- Tightened Group team to drive strategy
- Strong overall team with wide-ranging industry experience and relationships
- Industry-leading expertise across strategy, commercial, manufacturing, technical/food safety and sourcing
- Strong track record of people development and colleague engagement

- Strong historic revenue growth with positive future growth prospects
- Well-invested network and working capital discipline, supporting strong cash generation
- Attractive return on capital profile
- Deleveraged balance sheet providing financial flexibility
- Dynamic capital management model driving shareholder returns

- Attractive disposal valuation that accelerates realisation of intrinsic value
- Significant cash returns with 72p special dividend<sup>1</sup>
- Group well positioned with enhanced strategic and financial flexibility
- Focus on a dynamic UK market with significant change and opportunity

<sup>1</sup> Subject to board approval, the agreement of the relevant lenders to waive any applicable prepayment obligations or an agreement to refinance the existing debt and the completion of the proposed capital reduction (requiring shareholder approval and Irish High Court approval)

# APPENDIX

## *Transaction timeline*

- Distribution of circular: 15 October 2018
- Extraordinary General Meeting: 7 November 2018
- Expected transaction completion: by late November 2018
  - Subject to shareholder and HSR approvals

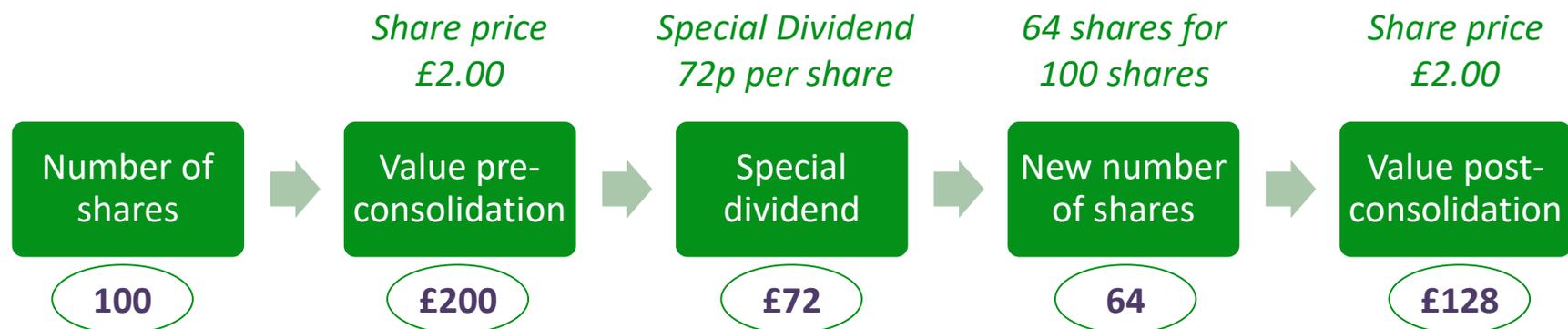
## *Special dividend and share consolidation information<sup>1</sup> (subject to EGM approval)*

- Record date and share consolidation: mid-December 2018
- Special dividend paid: mid-January 2019

<sup>1</sup> Subject to board approval, the agreement of the relevant lenders to waive any applicable prepayment obligations or an agreement to refinance the existing debt and the completion of the proposed capital reduction (requiring shareholder approval and Irish High Court approval)

# ILLUSTRATIVE SHARE CONSOLIDATION EXAMPLE

## Illustrative example using current share price and a shareholder owning 100 shares



Dividend + Share value post consolidation = £200

Special DPS/Share Price = % share reduction  
Consolidation ratio required for share reduction = 64 new shares for every existing 100 shares

<b>FY18 Full Year Results</b>	4 December 2018
<b>Q1 Trading Update</b>	29 January 2019
<b>Annual General Meeting</b>	29 January 2019
<b>H1 19 Period End</b>	29 March 2019
<b>H1 19 Results</b>	21 May 2019
<b>Q3 Trading Update</b>	30 July 2019
<b>FY19 Period End</b>	27 September 2019
<b>FY19 Results</b>	26 November 2019

**Jack Gorman**  
*Head of Investor Relations*

 [investor.relations@greencore.com](mailto:investor.relations@greencore.com)

 +353 1 605 1000

# CAUTIONARY STATEMENT



THIS DOCUMENT IS STRICTLY CONFIDENTIAL AND IS BEING PROVIDED TO YOU SOLELY FOR YOUR INFORMATION AND FOR USE AT A PRESENTATION TO BE HELD IN CONNECTION WITH THE PROPOSED DISPOSAL BY GREENCORE GROUP PLC (THE "COMPANY") OF GREENCORE US (THE "TRANSACTION"). THIS DOCUMENT MAY NOT BE REPRODUCED IN ANY FORM OR FURTHER DISTRIBUTED TO ANY OTHER PERSON OR PUBLISHED, IN WHOLE OR IN PART, FOR ANY PURPOSE.

References below to "this presentation" means this document, its contents or any part of it, any oral presentation, any question and answer session and any written or oral material discussed or distributed during the presentation meeting. This presentation does not constitute or form part of, and should not be construed as, an offer, solicitation or invitation to sell or issue or to purchase, subscribe for, or otherwise acquire, any securities of the Company, nor shall it or any part of it nor the fact of its distribution form the basis of or be relied on in connection with any contract or commitment whatsoever. Greencore shareholders are advised to read carefully the formal documentation in relation to the Transaction once it has been despatched. Any response to the Transaction should be made only on the basis of the information in the formal documentation to follow, including a circular containing further details of the Transaction, together with a notice to convene a general meeting of Greencore shareholders, which will be sent to Greencore shareholders as soon as is practicable (the "Circular"). Copies of the Circular will, following publication, be available in electronic form on the Company's corporate website. The Circular may contain information different from the information contained in this presentation. This presentation is subject to amendment and speaks as of its date. Neither the delivery of this presentation nor any further discussions with the Company with any of the recipients shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since such date.

This presentation has been prepared by, and is the sole responsibility of, the Company. The information contained in this presentation has not been independently verified and neither the Company nor any other party is under any duty to update or inform you of any changes to such information. No representation or warranty, express or implied, is made as to the fairness, adequacy, accuracy, reasonableness or completeness of the information contained herein by or on behalf of any of Greenhill & Co. International LLP or Goldman Sachs International (together, the "Joint Financial Advisers") or the Company or any of their respective affiliates, or any of their respective directors, officers, employees, agents, affiliates or advisers or any other person and no responsibility or liability for any errors or misstatements in, or omission from, this presentation or for any loss howsoever arising, directly or indirectly, from any use of, or reliance on, this presentation or its contents or otherwise in connection with this presentation is assumed by any such persons. The Joint Financial Advisers are acting exclusively for the Company and no one else in connection with the matters referred to in this presentation and will not regard any other person as their respective clients in relation to such matters and will not be responsible to any other person for providing the protections afforded to their respective clients, or for providing advice in relation to such matters.

No recipient of or attendee at this presentation should deal in or attempt to deal in or otherwise engage in any behaviour in relation to financial instruments (as defined in the Market Abuse Regulation ("MAR")), which would or might amount to "market abuse" for the purposes of MAR, based on the information in this presentation (and any related materials) until after the information has been made generally available. Nor should the recipient use the information in this presentation (and any related materials) in any way which would constitute market abuse. This presentation contains information which is, or may be, inside information in relation to the Company's listed securities. Accordingly, any person who receives this presentation must not deal in the Company's securities or encourage anyone else to do so and must not disclose this presentation to any other person until such time as the information ceases to be inside information. Breach of UK and Irish insider dealing rules may be a criminal offence and may constitute market abuse and this presentation is given on the basis that all recipients of this presentation understand their legal and regulatory obligations with respect to inside information.

This presentation and any material distributed in connection with it include forward-looking statements. All statements other than statements of historical facts included in this presentation may be forward looking statements. Without limitation, any statements preceded or followed by or that include the words "targets", "should", "continue", "plans", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "estimates", "projects" or words or terms of similar substance or the negative thereof, are forward looking statements. Forward looking statements include statements relating to the following: (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, future capital-raising activities, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of the Company or the retained Greencore group following completion of the Transaction (the "Retained Group"); and (iii) the effects of government regulation on the business of the Company or the Retained Group. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are difficult to predict and outside of Greencore's or the Retained Group's ability to control. Forward-looking statements are not guarantees of future performance and the actual results of Greencore's or the Retained Group's operations and the development of the markets and the industry in which Greencore or the Retained Group operates, may differ materially from those described in, or suggested by, the forward-looking statements contained in this Circular. In addition, even if Greencore's or the Retained Group's business results of operations, financial position and/or prospects, and the development of the markets and the industry in which Greencore or the Retained Group operates, are consistent with the forward-looking statements contained in this Circular, those results and developments may not be indicative of results or developments in subsequent periods. The Company does not undertake any obligation to update or revise any forward-looking statements that may arise due to any change in its or the Retained Group's expectations or to reflect events that may occur or circumstances that may arise after the date of this presentation. You should not place undue reliance on forward-looking statements which speak only as of the date of this presentation.

By attending any meeting where this presentation is made or receiving or accessing this presentation, you will be deemed to have represented and warranted to the Company and each of the Joint Financial Advisers that (i) you are a person to whom this presentation may lawfully be communicated and (ii) you have read, agree to and will comply with the contents of this disclaimer including, without limitation, the obligation to keep this presentation and its content confidential.

Greenhill & Co. International LLP is authorised and regulated by the Financial Conduct Authority (the "FCA") in the United Kingdom. Goldman Sachs International is authorised by the Prudential Regulatory Authority and regulated by the FCA and the Prudential Regulation Authority in the United Kingdom.