

greencore  
group



# Results

For the half year ended 31 March 2017

## CONVENIENCE FOODS UK & IRELAND

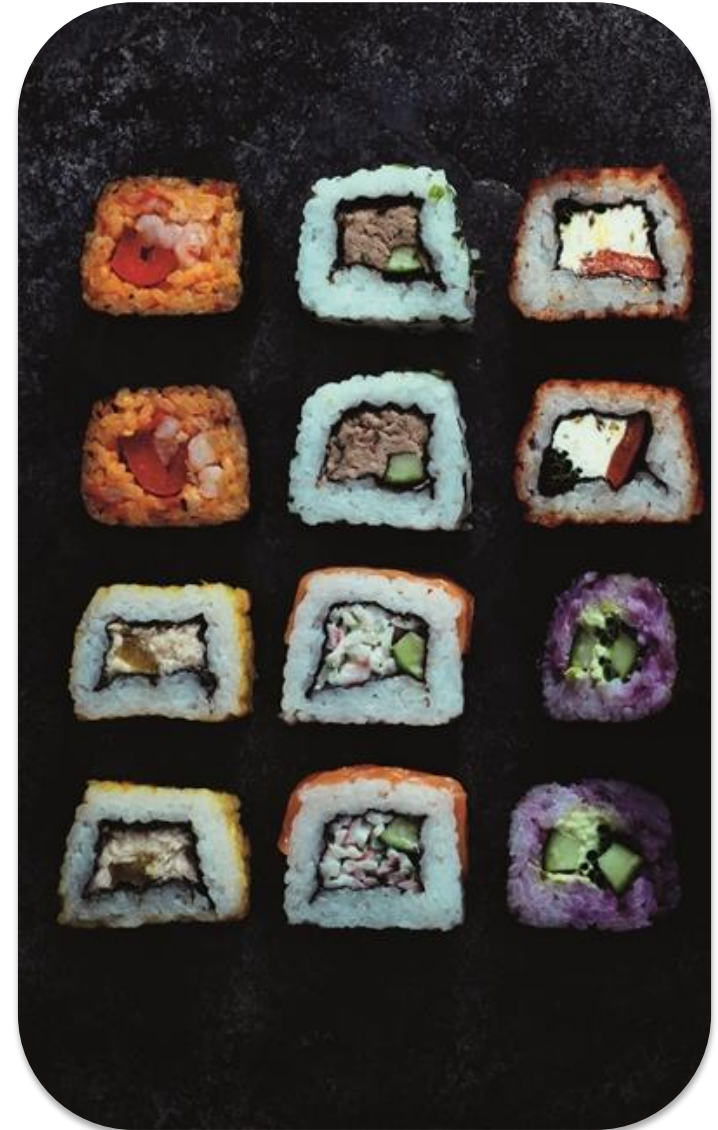
- Strong growth
- Significant project activity to enable new commercial wins
- Raw material and labour inflation fully mitigated

## CONVENIENCE FOODS US

- Peacock transaction completed successfully
- Strong volume growth
- Integration on track

## GROUP

- Organisation enhanced
- Strategy working well



# FINANCIAL REVIEW

Eoin Tonge  
Chief Financial Officer

# FINANCIAL SUMMARY

	H1 17	H1 16	Versus H1 16
Group Revenue <sup>1</sup>	£1,010.3m	£691.6m	+41.6% <i>Pro forma +7.3%</i>
EBITDA <sup>2</sup>	£79.1m	£60.3m	+31.2%
Operating Profit <sup>2</sup>	£55.3m	£43.5m	+27.1%
Operating Margin <sup>2</sup>	5.5%	6.3%	-80bps
Adjusted PBT <sup>3</sup>	£44.7m	£36.5m	+22.5%
Adjusted Earnings <sup>3</sup>	£37.8m	£33.4m	+13.2%
Adjusted EPS <sup>3</sup>	6.3p	6.7p	-6.0%
Net Debt	£556.6m	£316.0m	
Net Debt/EBITDA <sup>4</sup>	2.7x	2.4x	

1. Pro Forma references throughout this statement adjust reported revenue to reflect ownership of both The Sandwich Factory and Peacock Foods for the full period of both H1 16 and H1 17. These figures are presented on a constant currency basis and are included to provide meaningful comparatives with the consolidated first half 2017 Group numbers

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. Adjusted earnings per share and dividends per share figures have been adjusted to reflect the impact of the rights issue

4. Net debt / EBITDA leverage as measured under financing agreements



# ACQUISITION OF PEACOCK FOODS AND NEW REPORTING SEGMENTS

- Completed the acquisition of Peacock Foods for £604.7m on 30 December 2016, results consolidated for one quarter
- Pro forma revenue used to show underlying growth of Peacock Foods business
- Financed via rights issue (£427.0m, net of associated fees) and debt (\$249m)
- Per share measures impacted by new number of shares, last year comparatives restated for bonus factor
- Additional amortisation charge of £3.4m in period relating to intangible assets, primarily customer relationships, recognised on the acquisition
- New reporting structure to reflect change in Group



## CONVENIENCE FOODS UK & IRELAND

- Food to Go
- Prepared Meals
- Grocery
- Edible oils & molasses trading

## CONVENIENCE FOODS US

- Peacock Foods
- Greencore's existing US business

# CONVENIENCE FOODS UK & IRELAND

	H1 17	H1 16	Versus H1 16
Revenue <sup>1</sup>	£685.7m	£590.4m	+16.1% <i>pro forma +10.6%</i>
Operating Profit <sup>2</sup>	£46.8m	£46.7m	-
Operating Margin <sup>2</sup>	6.8%	7.9%	-110bps



- Food to Go pro forma growth of 19.7%, through strong category growth of 7% and new business wins
- Significant customer launches in Food to Go and Prepared Meals, with related network modifications
- Inflation mitigated in the period
- Operating Margin in H1 impacted by investment in new commercial launch activity; also by challenging market conditions in parts of our non Food to Go businesses in the UK
- The Sandwich Factory integrated and performing well
- Announced proposal to phase out manufacturing at Evercreech in the second half of 2018

	H1 17	H1 16	Versus H1 16
Revenue <sup>1</sup>	£324.6m	£101.2m	+220.8%, <i>pro forma</i> +2.5%
Operating Profit <sup>2</sup>	£8.5m	-£3.2m	n/a
Operating Margin <sup>2</sup>	2.6%	-3.2%	+580bps



- Peacock Foods performing in line with expectations, volume growth of c. 9% on a pro forma basis, driven by good category growth and business wins
- Deflationary environment for raw materials, not impacting profit due to pass-through nature of contracts; labour inflation being mitigated
- Existing business pro forma revenue growth of 6.0%
- Implementing major new business project at Carol Stream; investment costs in line with plan
- Integration and synergy delivery on track

## EXCEPTIONAL ITEMS

- £15.1m charge relating to transaction costs associated with the acquisition of Peacock Foods
- £5.3m charge relating to the integration of Peacock Foods and The Sandwich Factory
- £2.5m charge due to the pre-commissioning and start-up costs from commercial launches

## INTEREST

- Bank interest payable of £11.1m (H1 16: £7.6m): increase driven by increased debt from the acquisition of Peacock Foods

## TAX

- Group effective tax rate at 8% (H1 16: 2%); tax rate applicable to adjusted earnings at 13% (H1 16: 7%)
- Substantially all of the UK historic losses now recognised as a deferred tax asset in the balance sheet; certain Peacock Foods historical tax losses recognised on the balance sheet
- Cash tax continues to be low



EARNINGS PER SHARE	H1 17	H1 16
Adjusted Earnings	£37.8m	£33.4m
Denominator for EPS <sup>3</sup>	603.4m	496.6m
Adjusted EPS <sup>3</sup>	6.3p	6.7p

- Adjusted Earnings driven by higher Operating Profit, partially offset by increases in financing charge and overall tax rate
- Weighted average number of shares for period; H1 16 restated for bonus factor
- Per share earnings impacted by increased share number following the rights issue

DIVIDEND	H1 17	H1 16
Total dividend distribution	£14.8m	£10.5m
Denominator for DPS <sup>3</sup>	705.1m	502.1m
Dividend per share <sup>3</sup>	2.10p	2.10p

- Dividend for share reflects full number of shares in issue
- Unchanged DPS as compared to bonus-adjusted DPS in H1 16
- Annual dividend pay-out policy is 30-40% of adjusted earnings

£m	H1 17	H1 16
<b>EBITDA<sup>2</sup></b>	<b>79.1</b>	<b>60.3</b>
Working capital movement	(20.2)	(17.1)
Pension financing	(4.7)	(6.9)
Other operating movements	2.0	3.3
<b>Net operating cash inflow before exceptional items</b>	<b>56.2</b>	<b>39.6</b>
Exceptional items	(19.5)	(3.8)
Net capex	(60.3)	(44.6)
Interest & tax	(10.6)	(7.9)
Net dividends paid	(6.1)	(8.7)
Shares purchased for EBT	(7.2)	(13.6)
Other including FX	(2.2)	(11.6)
Proceeds from issue of own shares	427.0	0.4
Acquisitions/disposals (net)	(602.1)	(0.3)
<b>Change in net debt</b>	<b>(224.8)</b>	<b>(50.5)</b>

## KEY FEATURES OF NET DEBT MOVEMENT

- Increase in underlying operating cashflow
- Acquisition of Peacock Foods
- Exceptional items relating to transaction and integration and plant start-up costs
- Additional capex relating to investments in capacity to support new volumes

**NET DEBT AT 31 MARCH 2017 OF  
£556.6M –  
2.7X NET DEBT / EBITDA<sup>4</sup>**

## DEBT

- New 5 year \$249m bank facility to finance the acquisition of Peacock Foods
- Extended the maturity of primary committed bank facility of £300m for a further year to March 2022
- Extended the maturity of a £50m bilateral bank facility to March 2020
- Total committed facilities of £737m
- Weighted average maturity of 4.9 years

## PENSIONS

- IAS 19 pension deficit of £109.9m, net of related deferred tax asset
- Decrease of £24.8m from September 2016, driven by increase in discount rates in the period
- Cash requirement for FY17 expected to remain around £15m

MATURITY PROFILE	£m
< 1 year	-
2 – 5 years	660
> 5 years	77
Total facilities	737
Average maturity	4.9 years

# SUMMARY FINANCIAL PERFORMANCE

- Significant change to the business as a result of the acquisition of Peacock Foods
- Growth in revenue, EBITDA and Operating Profit
- Strong volume led growth driven by Food to Go and Peacock Foods
- Group operating margin impacted by significant commercial launches
- Strengthened balance sheet and cashflow following the acquisition



# OPERATING REVIEW AND OUTLOOK

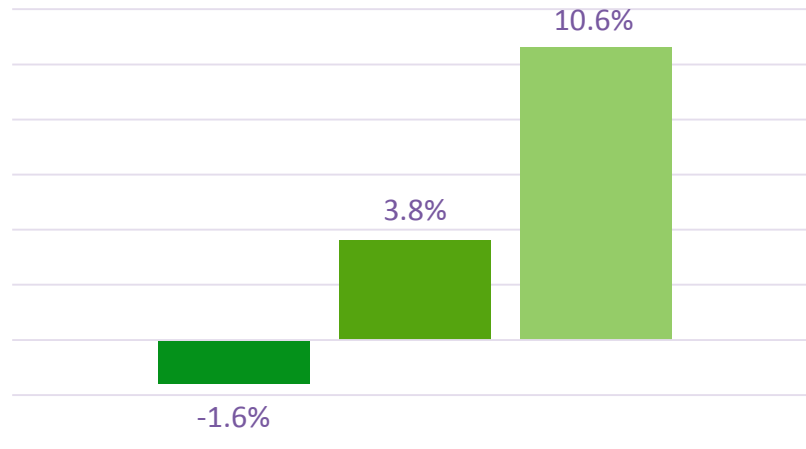
Patrick Coveney  
Chief Executive Officer



## A TRANSFORMATIONAL PERIOD

- 1 Significant project activity delivering strong growth in UK
- 2 Peacock Foods performance and US integration on track
- 3 Organisation strengthened to deliver strategy and growth
- 4 Set up for progress in FY17 and beyond

## Growth



■ Total Food   ■ Chilled Convenience   ■ Greencore pro forma



## RETAIL CUSTOMERS

- Challenging and competitive environment
- Closer supplier partnerships
- Inflation mitigation
- Growth of convenience formats, particularly food to go

## CONSUMERS

- Underlying growth driven by convenience, snacking and health
- Continued blurring of retail and foodservice channels

## SIGNIFICANT SANDWICH WIN AT PARK ROYAL & BOW



## MATERIAL RANGE EXTENSIONS AT NORTHAMPTON



## THE SANDWICH FACTORY INTEGRATION



## READY MEAL NETWORK ENHANCEMENT



**RAW MATERIALS & PACKAGING****+2%**

- Impact of weaker sterling and specific moves in certain markets, such as dairy
- Worked with customers to mitigate impact

**LABOUR****+4%**

- Indirect effect of National Living Wage
- Recovering through multiple cost and innovation initiatives





### BUSINESS CASE ON TRACK

- Operating scale in the US
- Leading market positions
- New channels and new customers
- Enhanced manufacturing footprint
- Enhanced capabilities
- Strengthened leadership team
- Compelling financial returns

### UNDERLYING GROWTH

- Volume growth of 9% in Peacock Foods on a proforma basis
- Driven by good category growth across portfolio
- Customer wins in meal kits areas
- Existing US business grew by 6.0% with addition of Seattle





## 2 INTEGRATION ON TRACK

- Integration progressing well and in line with plans
- New management team in place and broader organisation structure being rolled out
- Consolidation of head office expected to complete in second half
- Cost synergy delivery on track
- Encouraging pipeline of commercial and customer opportunities for new enlarged network



## SIGNIFICANT EXPANSION AT CAROL STREAM



## FURTHER EXPANSION AT ROMEIOVILLE



## PEOPLE AT THE CORE

Board appointments

New US senior leadership

Continued investment in our people and culture



greencore  
leadership  
programme 

## 4 SUMMARY AND OUTLOOK

- Transformational year
- Strong growth in the UK and US
- Significant investment activity
- Confidence to deliver in line with market expectations



# **APPENDICES**

## **(Financial)**



# NEW REPORTING STRUCTURE

## CONVENIENCE FOODS UK & IRELAND

FOOD TO GO	PREPARED MEALS	GROCERY
Sandwiches, Sushi & Salads	Ready meals, Quiche, Soups & Sauces	Cooking Sauces, Yorkshire Puddings, Cakes & Desserts
<ul style="list-style-type: none"> <li>• Atherstone</li> <li>• Bow</li> <li>• Crosby</li> <li>• Manton Wood</li> <li>• Northampton</li> <li>• Park Royal</li> <li>• Spalding</li> </ul>	<ul style="list-style-type: none"> <li>• Bristol</li> <li>• Consett</li> <li>• Kiveton</li> <li>• Warrington</li> <li>• Wisbech</li> </ul>	<ul style="list-style-type: none"> <li>• Evercreech</li> <li>• Hull</li> <li>• Leeds</li> <li>• Selby</li> </ul>

**EDIBLE OILS & MOLASSES**

## CONVENIENCE FOODS US

US
Sandwiches, Meal Kits & Salad Kits
<ul style="list-style-type: none"> <li>• Anaheim</li> <li>• Bolingbrook</li> <li>• Carol Stream</li> <li>• Fredericksburg</li> <li>• Geneva</li> <li>• Itasca</li> <li>• Jacksonville</li> <li>• Minneapolis</li> <li>• Rhode Island</li> <li>• Romeoville</li> <li>• Salt Lake City</li> <li>• Seattle</li> <li>• Wilmington</li> <li>• Woodridge</li> </ul>

# TAX RATE RECONCILIATION

Adjusted earnings reconciliation	HY17			HY16		
£m	Pre-exceptional	Adjustments	Adjusted earnings	Pre-exceptional	Adjustments	Adjusted earnings
Operating profit (pre amortisation of intangibles)	55.3	-	55.3	43.5	-	43.5
Amortisation of intangibles	(7.9)	7.9	-	(4.5)	4.5	-
Finance costs (excl. pension financing, FX on intercompany, movement in derivatives)	(11.2)	-	(11.2)	(7.5)	-	(7.5)
Pension financing	(2.0)	2.0	-	(2.2)	2.2	-
<b>Taxable earnings</b>	<b>34.2</b>	<b>9.9</b>	<b>44.1</b>	<b>29.3</b>	<b>6.7</b>	<b>36.0</b>
Taxation	(2.7)	(3.1)	(5.8)	(0.6)	(1.8)	(2.4)
<b><i>Tax rate reconciliation</i></b>	<b>8.0%</b>		<b>13.2%</b>	<b>2.0%</b>		<b>6.7%</b>
FX on intercompany / Movement in derivatives	(0.1)	0.1	-	(2.9)	2.9	-
Associates (net of tax)	0.5	-	0.5	0.4	-	0.4
Non-controlling interests	(1.0)	-	(1.0)	(0.6)	-	(0.6)
<b>Attributable to equity shareholders</b>	<b>30.9</b>	<b>6.9</b>	<b>37.8</b>	<b>25.6</b>	<b>7.8</b>	<b>33.4</b>

# EPS & DPS RESTATEMENT

EARNINGS PER ORDINARY SHARE (PENCE)	AS REPORTED		RESTATED*	
	FY 2016	HY 2016	FY 2016	HY 2016
Basic earnings per ordinary share	11.6	4.9	9.5	4.0
Adjusted earnings per ordinary share	19.5	8.2	16.0	6.7
Diluted earnings per ordinary share	11.4	4.8	9.4	4.0
Adjusted diluted earnings per ordinary share	19.2	8.1	15.8	6.6

## Dividend per Ordinary Share (pence)

	As reported	Restated*
Interim dividend for the year ended 30 September 2016	2.55	2.10
Final dividend for the year ended 30 September 2016	4.10	3.37
Total dividend for the year ended 30 September 2016	6.65	5.47

\*Restated to include the effect of the bonus issue of shares incorporated in the Rights Issue in December 16

# **APPENDICES**

## **(General)**

- Fast-growing, international convenience food leader
- Leading UK manufacturer of sandwiches to grocery retailers; complementary positions in other convenience food categories
- Leading US manufacturer of sandwiches, meal kits and salads to CPG, convenience retail and food service leaders
- Pro forma FY16 Group revenue of £2.3bn
- Headquartered in Ireland, FTSE 250 listed



# FROM AGRIBUSINESS TO CONVENIENCE FOOD

## Origins & Transition

Broad agribusiness centred around Irish Sugar; diversification into convenience foods through Hazlewood Foods acquisition in 2001; exit of sugar and malt between 2008 and 2010



## Focus

Focus on food to go in the UK and US achieving growth mainly through acquisition, most notably that of Uniq plc in 2011



## Transformation

Scale business in both UK and US with significant growth through organic initiatives and M&A, the latest being the acquisition of Peacock Foods at the end of 2016

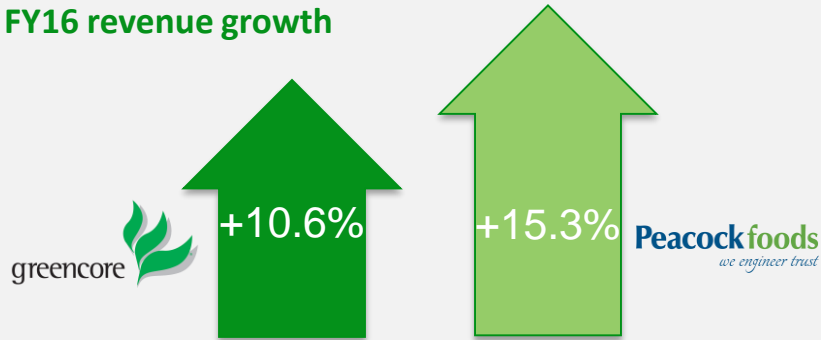




# OUR VISION IS TO BE A FAST-GROWING, INTERNATIONAL CONVENIENCE FOOD LEADER

## Fast-growing...

FY16 revenue growth



## ...international...

Pro forma FY16 sales\*



45%

55%

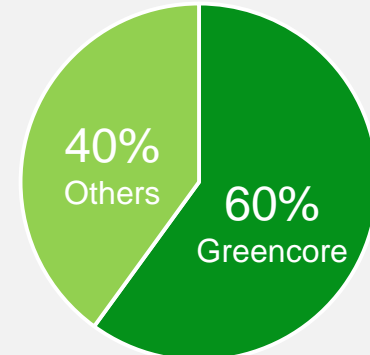


## ...convenience food...



## ...leader

Market share UK pre-packed sandwiches\*\*



\*Pro forma figures for 12 months to end of September 2016; US figures translated using GBP/USD rate of 1.2577; Peacock Foods consolidated from 30 December 2016

\*\* Estimated run rate as of 30 September 2016 market share for sandwiches to the UK grocery channel, source: Nielsen Grocery Multiples 4 weeks ended August 2016

# OUR STRATEGY IS TO WIN IN CONVENIENCE FOOD

## Focus on attractive market positions where we are advantaged

- Build leading positions in fast-growing convenience food categories
- Focus particularly on food to go and meal solutions, delivered through assembly processes
- Support sustainable positions in complementary categories
- Win in the UK and US today, and other markets over time

## Invest in long-term partnerships with leading customers

- Focus on leading players in the categories in which we operate
- Adopt customer centric approach throughout our organisation
- Aspire to a long-term partnership that allows both sides to invest
- Flexible models to share risk and return

## Build distinctive capabilities

- World-class delivery of food safety and technical excellence through the full supply chain
- Expertise in managing a large number of front line colleagues
- Efficient lean manufacturing in chilled and frozen supply chains
- Strategic partnerships with key suppliers

# WE WORK WITH LEADING CUSTOMERS IN UK AND US

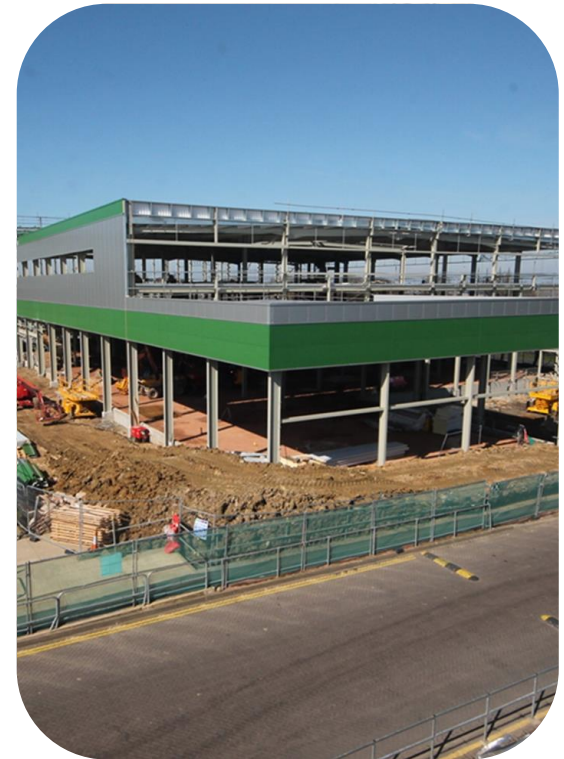
## Convenience Foods US\* £1.0bn (\$1.2bn)



## Convenience Foods UK £1.3bn



# WE ARE INVESTING IN CAPACITY AND CAPABILITY



- Capability
  - HR, leadership development & talent
  - IT and systems
  - Culture & communication
  - Consumer & shopper insight

- Capacity
  - New builds
  - Acquisitions
  - Site investments
  - Lean Greencore
  - Distribution network



# OUR STRATEGY IS UNDERPINNED BY THE GREENCORE WAY

The Greencore Way defines who we are and how we will succeed



## people at the core

- Keep people healthy and safe
- Respect, recognise and reward everyone's contribution
- Ensure responsibility is owned by the right people
- Support one another to fulfil each person's potential
- Build a sense of excitement and fun into the work environment

## great food

- Deliver industry leading food safety standards every day
- Put great tasting food at the heart of our culture
- Continuously innovate food recipes and technologies
- Establish industry recognised food expertise and credibility

## business effectiveness

- Drive growth and performance with and for our customers
- Operate as a lean enterprise - right across the supply chain
- Align our resources to our strategy
- Maintain control and discipline across the business

## cost efficiency

- Embed the importance of cost efficiency
- Develop a constant pipeline of cost initiatives across all parts of our business
- Challenge the status quo to deliver substantial value for all stakeholders
- Share a strong sense of personal responsibility and care for all Group resources