RNS

13 March 2018

Business and Trading Update

Greencore Group plc ("Greencore" or the "Group"), the leading international convenience food business, today announces a business and trading update.

The key highlights are:

- Restructuring of the US network to match capacity to commercial pipeline
- Changes in the US leadership model and team
- Updated FY18 outlook for Adjusted EPS[1] of 14.7p-15.7p to reflect business developments and current exchange rates

US Network and Commercial Update

The acquisition of Peacock Foods in December 2016 greatly enhanced the scale, operational capabilities and financial performance of Greencore US. Since then the Group has been actively seeking to align the manufacturing network of approximately 2.5m square feet with current and prospective commercial opportunities. In its FY17 results and FY18 Q1 trading update, the Group noted continued low capacity utilisation at some of the original Greencore US sites. The Group is now restructuring its US network to reflect the commercial pipeline and to address these utilisation challenges.

- **Rhode Island:** Current fresh production at the Rhode Island facility will cease, effective from 25 March 2018. The facility will be retained for potential repurposing. The Rhode Island facility represented approximately 4% of the Group's US manufacturing footprint and 2% of its pro forma revenue in FY17. This decision will address the operating losses of the site that have continued into FY18.
- **Jacksonville:** In August 2017 the Group announced its intention to repurpose the Jacksonville facility following the loss of a supply contract. While capacity utilisation has been low through the first half of FY18, we now anticipate that new business wins will increase volumes and site utilisation from Q4 FY18.
- **Minneapolis:** At the point of the Peacock Foods acquisition, capacity utilisation and site economics were weak at the Minneapolis site. Over the past 12 months the Group has delivered several pieces of new business to the site, such that utilisation has improved steadily through FY18.

Greencore continues to make progress on its US commercial pipeline, most particularly with its current large Consumer Packaged Goods ("CPG") customers. Plans are well advanced which, if successful, would secure significant new business at several sites in the Midwest region. The Group anticipates that such new business would contribute revenue and earnings from the first half of FY19. The timing of these wins represents a delay versus previous expectations. Any incremental capital and cash costs related to the delivery of this new business are not expected to be significant for the Group.

Changes in the US leadership team

The Group has restructured its US leadership team to drive near term performance and to exploit its growth agenda.

- **New leadership model**: Patrick Coveney, Group CEO, will take a direct role in the strategic, organisational and commercial leadership of Greencore US, spending approximately half his time in the US. Chuck Metzger, COO of Greencore US, has assumed day-to-day responsibility for the US business and will report to Patrick. Chris Kirke, outgoing CEO of Greencore US, is leaving the Group to return to the UK and will work with Chuck, Patrick and the team to ensure a smooth transition.
- **New senior personnel**: Since January, the Group has made important additions to the US senior team, with four senior hires in the areas of Commercial, Finance, Strategy and HR. These planned additions, combined with the existing Peacock Foods operational skills, and further investments in growth capability, significantly strengthens Greencore in the US.

FY18 Outlook[2]

In the UK, the Group continues to anticipate good organic revenue growth and a modest improvement in operating leverage in FY18, notwithstanding softer volume growth in Q2 primarily due to poor weather.

In the US, the core CPG business has continued to perform in line with expectations. The network and commercial developments announced in this update give the Group confidence in improved financial performance through the second half of FY18 and into FY19. However, the weak performance of the Group's underutilised original sites in the first half of FY18, combined with the timing of new business contributions, and the current GBP/USD exchange rate, will reduce the expected rate of US profit growth in FY18.

The one off cash costs of resetting the US network and the management restructure are anticipated to be approximately £3m. The Group may take a non-cash, asset impairment charge to the FY18 Income Statement for the network restructuring. The scale of such a charge would be determined by the prospective future use and value of these network assets.

For FY18 the Group now anticipates Adjusted EPS in the range of 14.7p-15.7p, with approximately two thirds of that contribution delivered in the second half. This contrasts with current market expectations of 15.7p-16.6p[3]. The Group also anticipates that it will continue to progress towards its benchmark leverage ratio of approximately 2x Net Debt to EBITDA by the end of the fiscal year.

[1]Earnings for the purpose of calculating Adjusted EPS are stated before exceptional items, pension finance items, amortisation of acquisition related intangibles, FX on inter-company and certain external balances and the movement in the fair value of all derivative financial instruments and related debt adjustments

[2]The information in the FY18 Outlook constitutes Inside Information for the purposes of the Market Abuse Regulation

[3]Source: www.greencore.com/investor-relations/analyst-coverage/

Conference Call

A conference call for investors and analysts will be held at 8.30am GMT today. Dial in details are below and a 7 day replay facility will be available afterwards at www.greencore.com.

Dial in details:

Confirmation Code:	8829929
Ireland, Dublin	+353 (0)1 2465621
United Kingdom	+44 (0)330 336 9411
United States	+1 929-477-0448

For further information, please contact:

Patrick Coveney	Chief Executive Officer	Tel: +353 (0) 1 605 1045
Eoin Tonge	Chief Financial Officer	Tel: +353 (0) 1 605 1029
Jack Gorman	Head of Investor Relations	Tel: +353 (0) 1 605 1020
Rob Greening or Lisa Kavanagh	Powerscourt	Tel: +44 (0) 20 7250 1446
Billy Murphy or Louise Walsh	Drury | Porter Novelli	Tel: +353 (0) 1 260 5000

NOTES TO EDITORS

Greencore is a leading international producer of convenience foods with extensive operations in the UK and the US. Headquartered in Dublin, it employs approximately 15,000 people in 30 manufacturing facilities across the UK and the US. On average, it manufactures around 1.5 billion sandwiches, over 600m salad and lunch kits, and 140 million ready meals every year.

In the UK, it is a supplier of own-label convenience food products to all of the major UK supermarkets, and has world-class manufacturing sites with industry-leading technology and supply chain capabilities. It has strong market positions across sandwiches and other food to go products as well as complementary positions in other convenience food categories, including chilled prepared meals, chilled soups and sauces, ambient sauces and pickles, and Yorkshire Puddings.

In the US, Greencore is a leading manufacturer of convenience food products for many of the largest food brands, convenience retail and food service leaders in the US. It produces a wide range of fresh, frozen and ambient products including sandwiches, meal kits and salad kits. It has a well invested network of high quality, scale facilities which supports the Group's ambitions to grow in value added, assembly-led, convenience food manufacturing.

For more information go to www.greencore.com or follow Greencore on social media.

This announcement contains certain forward looking statements with respect to the financial conditions, results of operations and businesses of the Group. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward looking statements. Nothing in this announcement should be construed as a profit forecast. The Group expressly disclaims any obligation to update these forward-looking statements other than as required by law.