greencore group plc

Results

For the year ended 28 September 2018

DISCLAIMER – FORWARD LOOKING STATEMENTS

Certain statements made in this document are forward-looking. These represent expectations for the Group’s business, and involve known and unknown risks and uncertainties, many of which are beyond the Group’s control. The Group has based these forward-looking statements on current expectations and projections about future events. These forward-looking statements may generally, but not always, be identified by the use of words such as “will”, “aims”, “anticipates”, “continue”, “could”, “should”, “expects”, “is expected to”, “may”, “estimates”, “believes”, “intends”, “projects”, “targets”, or the negative thereof, or similar expressions.

By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future and reflect the Group's current expectations and assumptions as to such future events and circumstances that may not prove accurate. A number of material factors could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements.

You should not place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this full year results statement. The Group expressly disclaims any obligation to publicly update or review these forward-looking statements other than as required by law.

AGENDA

OVERVIEW

Patrick Coveney, CEO

FINANCIAL REVIEW

Eoin Tonge, CFO

OPERATING & STRATEGIC UPDATE

Patrick Coveney, CEO

Peter Haden, MD UK

Q&A

OVERVIEW

Patrick Coveney, CEO

KEY MESSAGES

1 FY18 FINANCIAL PERFORMANCE*

- Results in line with guidance: Adjusted EPS of 15.1p
- Pro forma revenue growth of 8.7% in continuing business
- Enhanced free cash flow generation
- Strong returns profile

2 STRATEGIC HIGHLIGHTS

- Refocusing on core UK strengths following disposal of US business
- Significant UK organisation and portfolio change sets us up for future growth
- Continued opportunities in a dynamic UK marketplace

* The Group uses Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole. These APMs along with their definitions are provided in the Appendix

UPDATE ON US DISPOSAL & CAPITAL RETURN

- Transaction completed on 25 November
- High Court process for capital reduction completed
- Capital return of £509m; planned by way of tender offer

FINANCIAL REVIEW

Eoin Tonge, CFO

FY18 FINANCIAL PERFORMANCE

IN LINE WITH OVERALL GUIDANCE*

- Adjusted EPS of 15.1p

ENHANCED FREE CASH FLOW GENERATION

- Free Cash Flow of £92.4m, up £14.4m

STRONG RETURNS

- ROIC for continuing operations: 15.6%

* In line with previous guidance of Adjusted EPS in the range of 14.7p-15.7p

CONVENIENCE FOODS UK & IRELAND
(CONTINUING OPERATIONS)

£m	FY18	FY17	Change (as reported)	Change (pro forma)
Revenue	1,498.5	1,438.4	+4.2%	+8.7%
Adjusted Operating Profit *(before reallocated central costs)*	110.6	106.8	+3.6%	
Adjusted Operating Profit	104.6	102.9	+1.7%	
Adjusted Operating Margin	7.0%	7.2%	-20bps	

- Pro forma revenue growth of 10.8% in food to go categories; underlying category growth of c. 3%*
- Pro forma revenue growth of 4.9% in other parts of the business
- Streamlining and efficiency programme offsetting inflation
- Profit growth, notwithstanding ready meals and increase in reallocated central costs

* Nielsen data for the 52 weeks to 6 October 2018

CONVENIENCE FOODS US
(DISCONTINUED OPERATIONS)

£m	FY18	FY17	Change (as reported)	Change (pro forma)
Revenue	1,061.8	881.3	+20.5%	+6.6%
Adjusted Operating Profit*	48.0	37.2	+29.0%	
Adjusted Operating Margin	4.5%	4.2%	+30bps	

- US business results presented as discontinued operations
- Strong H2 performance
- Disposed of Rhode Island facility for $10.8m in September

* Excludes central costs previously allocated to discontinued operations

OTHER P&L ITEMS

£m	FY18	FY17
Interest payable	(26.2)	(23.7)
Tax (continuing operations)	(13.0)	(7.4)

- Interest costs increase on higher average Net Debt for full year
- Effective tax rate for continuing operations: 13% (FY17: 8%)

£m	FY18	FY17
Adjusted EPS (pence)	15.1	15.4
Basic EPS (pence)	4.8	1.9
DPS (pence)	5.57	5.47

- EPS impacted by increase in weighted average share count
- 1.8% growth in dividend per share

EXCEPTIONAL ITEMS

greencore group

£m	FY18 Income Statement	FY18 Cashflow
Continuing Operations		
Network rationalisation and optimisation	(21.2)	-
Reorganisation and integration	(15.9)	(12.1)
Business exit costs	(13.9)	1.5
Pre-commissioning and start up costs	(1.2)	(1.0)
Exceptional items (pre-tax) – continuing	**(52.2)**	**(11.6)**
Tax on exceptionals – continuing	7.8	-
Exceptional items (after tax) – continuing	**(44.4)**	**(11.6)***
Discontinued operations		
Exceptional items (pre-tax) – discontinued	**(27.9)**	**3.2**
Tax on exceptionals – discontinued	20.6	-
Exceptional items (after tax) – discontinued	**(7.3)**	**3.2**

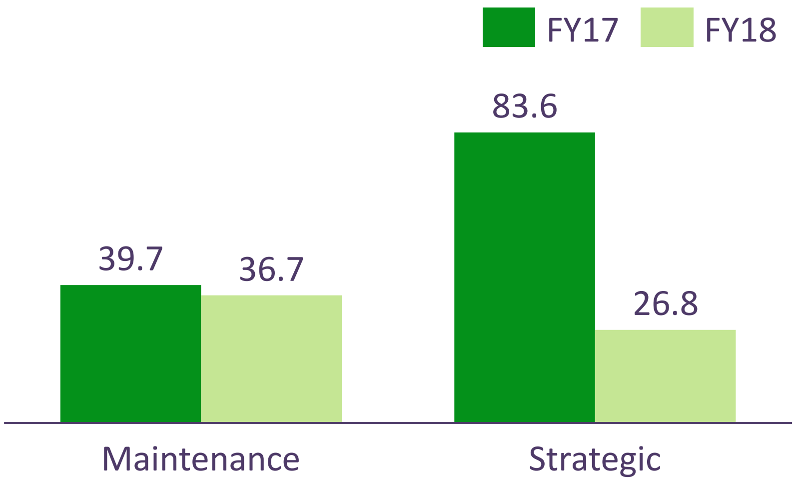
* Up to £9.8m additional cash outflows in future periods relating to continuing operations

CASH FLOW

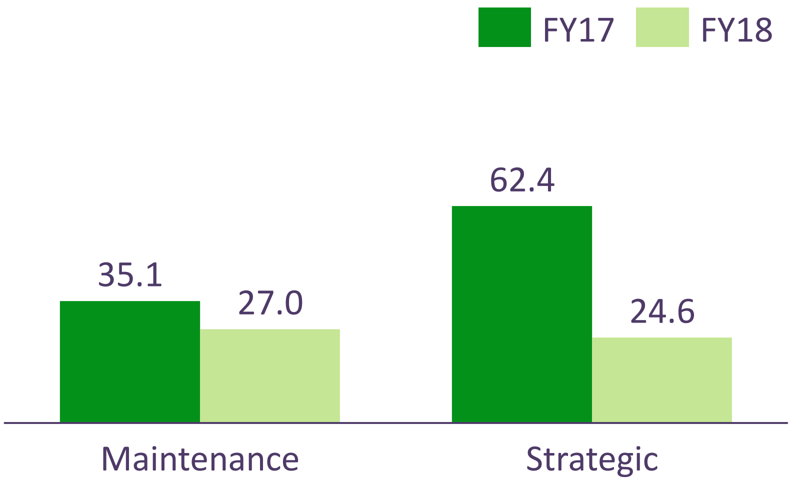
£m	FY18	FY17
Adjusted EBITDA	205.0	189.7
Movement in working capital	(15.9)	(3.0)
Exceptional cashflow	(15.0)	(33.7)
Maintenance capital expenditure	(36.7)	(39.7)
Other operating cashflows	(0.8)	4.5
Operating Cash Flow	**136.6**	**117.8**
Interest/tax/pensions	(42.7)	(38.8)
Dividends to non-controlling interests	(1.5)	(1.0)
Free Cash Flow	**92.4**	**78.0**
Strategic capital expenditure	(26.8)	(83.6)
Ordinary dividends	(35.7)	(16.5)
M&A (net)	-	(603.3)
Issue (purchase) of equity	(2.0)	420.5
FX/Other	(9.8)	17.5
Change in Net Debt	**18.1**	**(187.4)**

CAPITAL EXPENDITURE

Capital expenditure – Total operations



Capital expenditure – Continuing operations



- FY18 opening of extended and refurbished ready meals facility in Warrington
- Capital expenditure normalising in FY18 after phase of significant investment in FY16 and FY17, particularly in continuing operations
  - Capacity investments (Northampton, Park Royal, Bow)
  - Distribution capabilities

BALANCE SHEET HIGHLIGHTS

£m	FY18	FY17
Net Debt	501.1	519.2
Net Debt:EBITDA (x)*	2.3	2.4
Pension deficit (after tax)	73.6	103.1
ROIC (%) – continuing operations	15.6%	16.0%

- Reduction in absolute debt driven by free cash flow increase
- Net Debt:EBITDA ratio of 2.3x at end FY18; new leverage position post disposal and capital return
- ROIC: underlying profitability increase offset by higher tax rate

*Net Debt:EBITDA leverage as measured under financing agreements

DYNAMIC CAPITAL MANAGEMENT

Growth in free cash flow generation

Organic investment

- Capacity
- Capability
- Efficiency

Inorganic investment

- Strategic acquisitions
- Tactical bolt-ons

Return to shareholders

- Share buybacks
- Progressive dividend policy

ROIC discipline and Net Debt:EBITDA of 1.5-2.0x over medium term

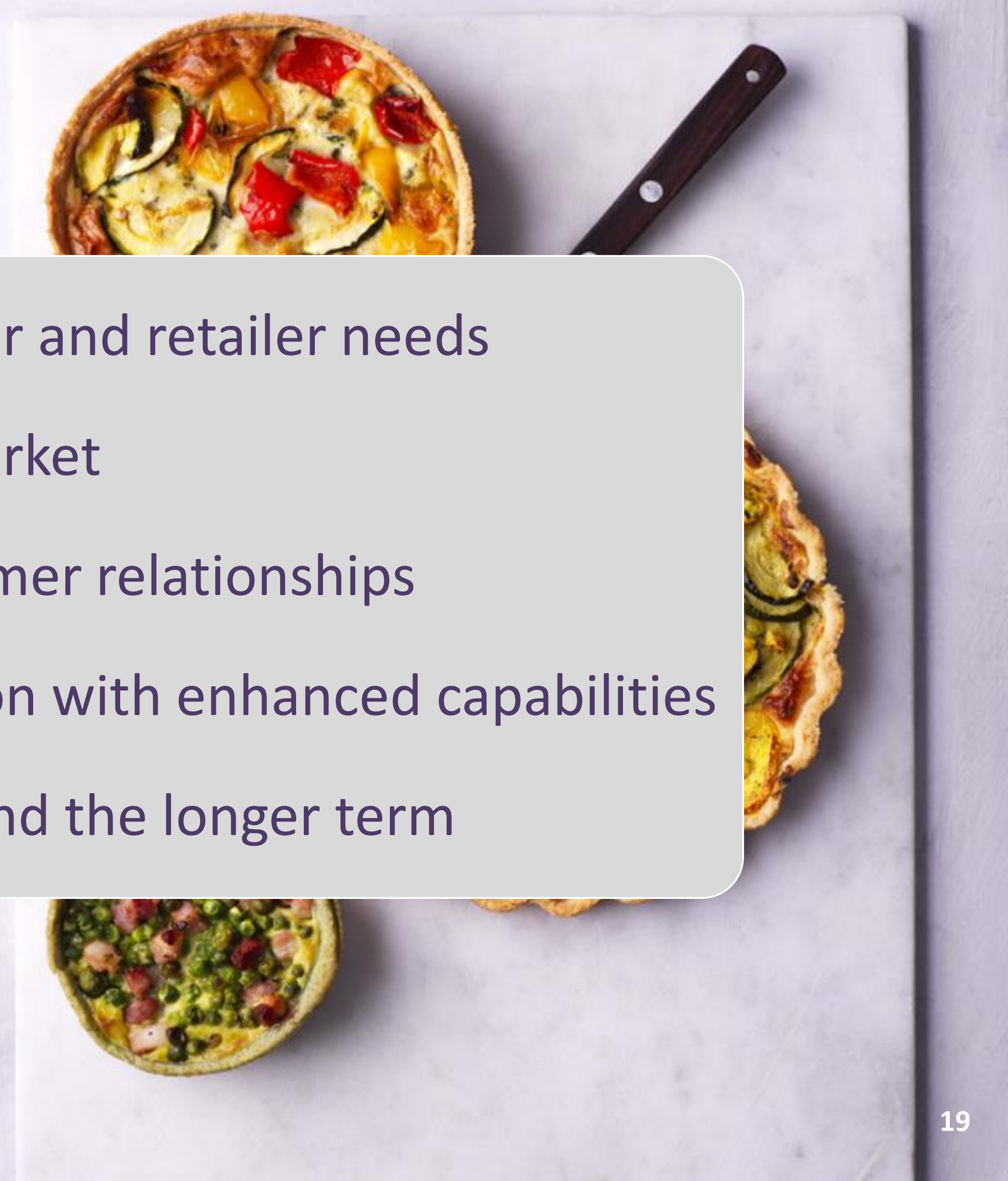
OUTLOOK

- Financial effects of US disposal
- Stronger and leaner business in UK
- Revenue growth in key categories
- Adjusted Operating Profit growth
- Manageable medium-term Brexit risks, understandable near-term uncertainty
- Well positioned to drive profitability, returns and free cash flow

OPERATING & STRATEGIC UPDATE

Patrick Coveney, CEO
Peter Haden, MD UK

OPERATING & STRATEGIC UPDATE



1. High relevance to consumer and retailer needs
2. Structural growth in UK market
3. Extension of our key customer relationships
4. Streamlined UK organisation with enhanced capabilities
5. Well-positioned for FY19 and the longer term

① HIGH RELEVANCE TO CONSUMER AND RETAILER NEEDS

Proliferation of meal and snacking occasions

Consumers seeking convenience

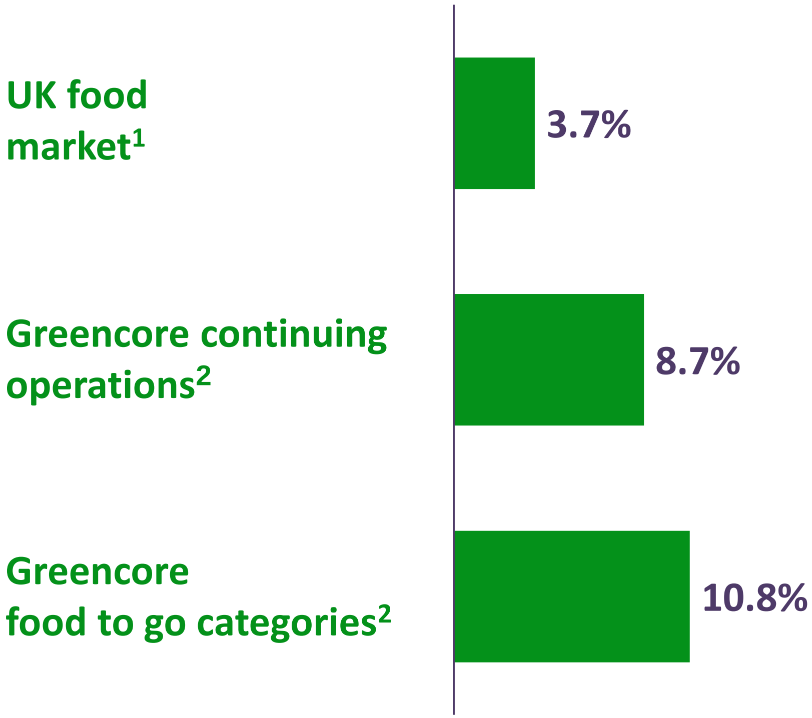
Fresher, healthier, 'local' product

Food to go driving retailer growth and returns

2 STRUCTURAL GROWTH IN UK MARKET

Greencore portfolio growth well ahead of UK food market

FY18, value growth (%)



Revenue progress

- Good growth in food to go category
- Additional wins in café and convenience formats
- Expansion of distribution offer

Portfolio refinement

- Exit from cakes & desserts
- Optimisation of ready meals portfolio

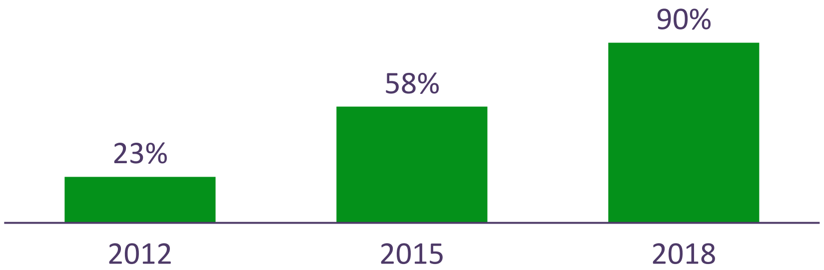
Margin broadly maintained

1 Nielsen data for the 52 weeks to 6 October 2018
2 Pro forma

3 EXTENSION OF OUR KEY CUSTOMER RELATIONSHIPS

Long-term, sole-supply partnerships

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



Doing more for our customers

- Capacity investments
- Collaboration on sourcing
- End-to-end cost reduction
- Category management

FY18 highlights

- Extended contracts with 3 of our 5 largest customers in H1
- Moved from c.2 years to c.4.4 years average sandwich deal length
- Added several new food to go customers in new channels

4 STREAMLINED UK ORGANISATION…

Greencore UK Senior Leadership Team

Managing Director
Peter Haden

UK COO *Kevin Moore*	**Manufacturing Director** *Clare Rees*	**Finance Director** *Nigel Blakey*	**HR Director** *Guy Dullage*	**Purchasing Director** *Alwen Hill*	**Technical Director** *Martin Ford*	**IT Director** *Tracy Costello*

Benefits of new structure

- One face to our customers
- One Greencore Way of working
- Leveraging combined scale

4 …WITH ENHANCED CAPABILITIES

Greencore Manufacturing Excellence

Key elements of programme

- Increased level of ambition
- One way of working across sites
- Specially designed frontline toolkit
- Continuous improvement teams
- Bespoke, simple technology
- Extensive communications

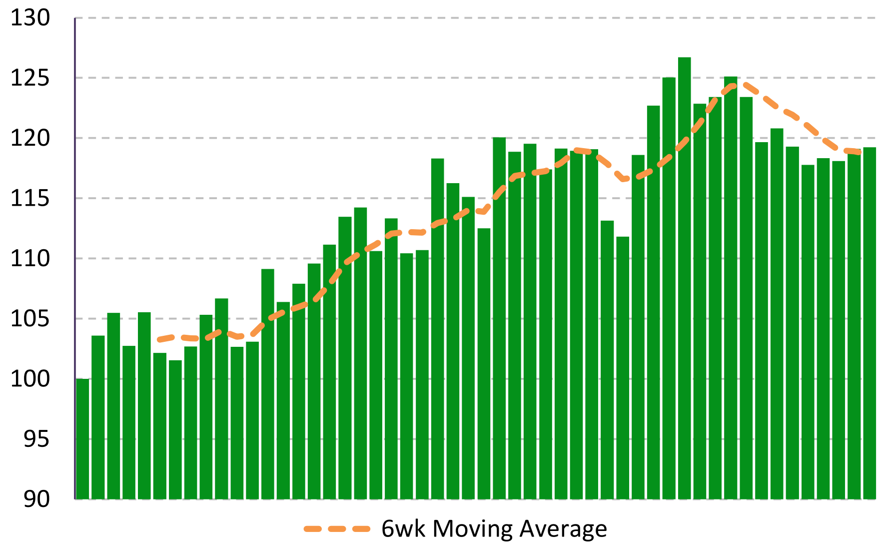
Progress in FY18

- Launch of Greencore Manufacturing Excellence
- Significant impact, mitigating pressure on costs and margins

4 …WITH ENHANCED CAPABILITIES

Improved labour efficiency example (one site)

Units per person hour by week



Widespread support and engagement

FY18 impact

- Continuous improvement delivery significantly higher than in previous years
- Reduced use of temporary labour, improving sustainability of model
- Mitigating labour inflation

5 WELL-POSITIONED FOR FY19…

- Drive growth in food to go categories
- Improve ready meal performance
- Extend operational efficiency programme across the business
- Review and reduce central costs
- Navigate Brexit challenges

⑤ …AND THE LONGER TERM

Context

- Attractive convenience food market of c.67m consumers
- Proliferation of channels and buying behaviours
- Consolidation among retailers and suppliers

Opportunities

- Sustain demand for fresh, local convenient food
- Broaden reach of food to go as customers extend their reach
- Leverage capabilities into adjacent categories
- Selectively participate in market consolidation

Strategic focus, ambition and people in place to deliver our vision: to be a fast-growing leader in UK convenience food

Q&A

APPENDIX

INVESTMENT CASE

We operate in a dynamic consumer market in the UK

- We participate in a vibrant and prosperous market of 67 million people
- We are a food manufacturer of scale in the UK with revenue of £1.5 billion and a well-invested network of 15 facilities
- We are relevant to key players across multiple channels in the retail market

We are a leader in structurally advantaged food categories

- We lead in attractive and structurally growing categories and formats in convenience foods
- This growth is driven by positive customer and channel dynamics
- These are underpinned by convenience and health trends

We have enduring and valued customer relationships

- Our relentless focus on customer centricity makes us a trusted partner in the industry
- We develop multiple personal relationships across functions and levels, underpinned by long term customer agreements
- We are strategic partners for our customers, supporting them throughout the supply chain

We strive for excellence in what we do – The Greencore Way

- We have a highly regarded core expertise in value-added, assembly led manufacturing of convenience food; this expertise is extending across all areas of the supply chain
- We are committed to invest in people, infrastructure and capability to support this expertise; underpinned by a strong management team
- We have a constant focus on continuous improvement – the need to adapt and innovate, flows through
- The Greencore Way and is reflected in our culture.

We have a strong financial and economic model that allows us to execute on value creating initiatives

- Structural growth, strong operational execution and our ability to adapt drives revenue and profit growth
- We generate cashflow through careful control of working capital and capital expenditure
- We have a strong track record of executing multiple strategic initiatives to drive organic and inorganic investment in the UK, delivering overall attractive returns

WHAT WE DO

We Source…
Greencore's central purchasing team sources from 3,600 different suppliers

3,600
suppliers

We Innovate…
Greencore's skilled chefs and product developers create hundreds of new products each year

35%
innovation churn

We Manufacture…
Greencore operates 15 highly efficient manufacturing sites, many with multiple manufacturing units

15
manufacturing sites

We Serve…
Greencore's planning and supply chain teams ensure the right products are delivered on time

98.2%
average service level

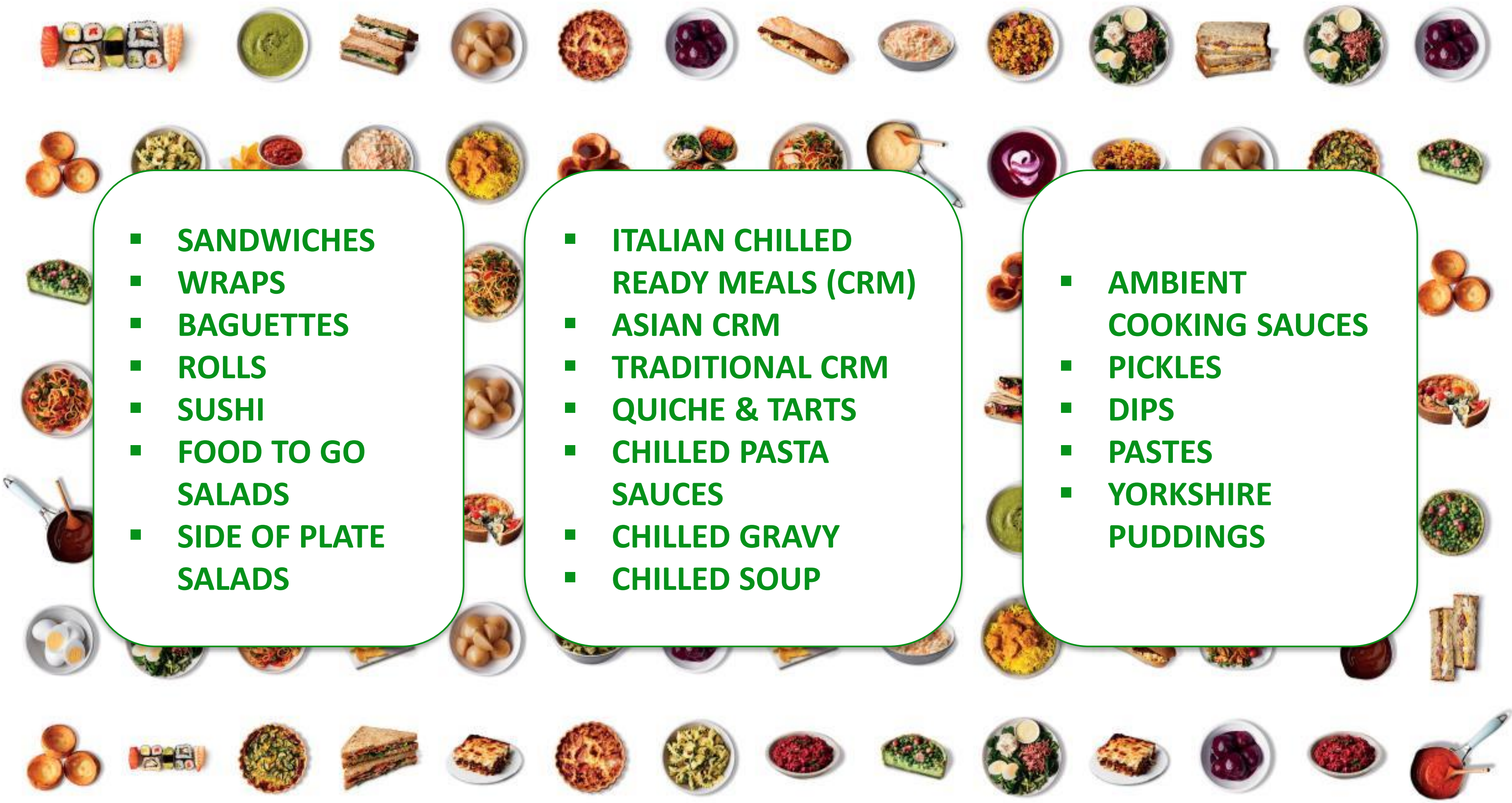
We Distribute…
Greencore supplies primarily multiple retailers and convenience stores with its own chilled distribution fleet

7,500
daily deliveries

We Adapt…
Product orders are placed just-in-time, requiring a high degree of agility and responsiveness across our teams

The need to adapt and innovate flows through all The Greencore Way principles and is reflected in our culture

OUR PRODUCT RANGE



- SANDWICHES
- WRAPS
- BAGUETTES
- ROLLS
- SUSHI
- FOOD TO GO SALADS
- SIDE OF PLATE SALADS

- ITALIAN CHILLED READY MEALS (CRM)
- ASIAN CRM
- TRADITIONAL CRM
- QUICHE & TARTS
- CHILLED PASTA SAUCES
- CHILLED GRAVY
- CHILLED SOUP

- AMBIENT COOKING SAUCES
- PICKLES
- DIPS
- PASTES
- YORKSHIRE PUDDINGS

OUR BUSINESS MODEL

OUR MARKETS	OUR BUSINESS RELIES ON:	WE'RE DIFFERENT BECAUSE:	KEY REVENUE & PROFIT DRIVERS	STAKEHOLDER OUTCOMES
We are focused on attractive and structurally growing categories and formats in convenience food. These are driven by positive customer and channel dynamics and underpinned by convenience and health trends **Our business primarily operates in the attractive convenience foods sector in the UK with strong market positions in food to go and other convenience food categories** **Our products are manufactured for grocery and other retailers**	Exceptional people	We are a leader in structurally advantaged categories	Helping our customers outperform	shareholders Delivering industry leading economic performance
	Well invested operating network	We have built many long-term customer partnerships	Growth from existing categories	customers Delivering excitement, intimacy, growth and trust
	Industry-leading safety& technical standards	We are known experts in all aspects of food manufacturing	Broadening our channel mix	suppliers Building effective and transparent supply chains
	Efficient cost control	We have an effective operational framework	Expanding our product range	communities Doing the right thing for our industry and our communities
	A broad range of raw materials	We leverage our scale	Strong operational execution an efficiency	environment Efficiently using and respecting all resources
	Secure and sustainable long-term relationships with suppliers and producers	We are agile, responsive and adaptable	Executing on value creating initiatives	
	Prudent financial management			

THE GREENCORE WAY DESCRIBES WHO WE ARE AND HOW WE 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

DEFINITIONS OF APMS

greencore group

The Group uses the following Alternative Performance Measures ('APMs') which are non-IFRS measures to monitor the performance of its operations and of the Group as a whole

Pro Forma Revenue Growth

- Pro Forma Revenue Growth for continuing operations in FY18 adjusts reported revenue to exclude the impact of the Heathrow Acquisition in both years and excludes the cakes and desserts category, representing Hull and Evercreech which have been disposed of in the year. The discontinued Pro Forma Revenue Growth has been adjusted to reflect the ownership of Peacock Foods for the full period in FY17 and has excluded the Rhode Island site which ceased trading in the current year. These figures are reported on a constant currency basis.

Adjusted EBITDA, Adjusted Operating Profit & Adjusted Operating Margin

- The Group calculates Adjusted Operating Profit as operating profit before amortisation of acquisition related intangibles and exceptional charges. Adjusted EBITDA is calculated as Adjusted Operating Profit plus depreciation and amortisation. Adjusted Operating Margin is calculated as Adjusted Operating Profit divided by reported revenue.

Adjusted Earnings and Adjusted Earnings Per Share (‘EPS’)

- Adjusted Earnings is calculated as Profit attributable to equity holders (as shown on the Group’s Income Statement) adjusted to exclude exceptional items (net of tax), the effect of foreign exchange (FX) on inter-company and external balances where hedge accounting is not applied, the movement in the fair value of all derivative financial instruments and related debt adjustments, the amortisation of acquisition related intangible assets (net of tax) and the interest expense relating to legacy defined benefit pension liabilities (net of tax). 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 Greencore and held in trust in respect of the Annual Bonus Plan, the Performance Share Plan and the Executive Share Option Scheme, and after adjusting the weighted average number of shares in the prior year for the effect of the rights issue and related bonus issue on the average number of shares in issue. Adjusted EPS is also referred to as Adjusted Basic EPS.

Adjusted Profit Before Tax ‘(PBT’)

- The Group calculates Adjusted PBT as Profit before taxation, excluding tax on share of profit of associate and 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.

DEFINITIONS OF APMS

Capital Expenditure

- The Group defines Maintenance Capital Expenditure as the expenditure required for the purpose of sustaining the operating capacity and asset base of the Group, and of complying with applicable laws and regulations. It includes continuous improvement projects of less than £1m that will generate additional returns for the Group.
- The Group defines Strategic Capital Expenditure as the expenditure required for the purpose of facilitating growth and developing and enhancing relationships with existing and new customers. It includes continuous improvement projects of greater than £1m that will generate additional returns for the Group. Strategic Capital Expenditure is generally expansionary expenditure creating additional capacity beyond what is necessary to maintain the Group's current competitive position and enables the Group to service new customers and/or contracts or to enter into new categories and/or new manufacturing competencies.

Operating Cash Flow

- The Group calculates Operating Cash Flow as the net cash inflow/(outflow) from operating and investing activities before Strategic Capital Expenditure, contributions to legacy defined benefit pension schemes, interest paid, tax paid, acquisition of undertakings, net of cash acquired and disposal of undertakings.

Free Cash Flow

- Free Cash Flow is a new APM. The Group calculates the Free Cash Flow as the net cash inflow/outflow before the following items: Strategic Capital expenditure, acquisition of undertakings, net of cash, disposal of undertakings, issue and purchase of shares, dividends paid to equity holders, translation and other cash movements.

Net Debt

- Net Debt comprises current and non-current borrowings less net cash and cash equivalents.

Return on Invested Capital ('ROIC')

- The Group calculates ROIC as net Adjusted Operating Profit after tax ('NOPAT') divided by average invested capital. NOPAT is calculated as Adjusted Operating Profit plus share of profit of associates before tax, less tax at the effective rate in the Income Statement. Invested Capital is calculated as net assets (total assets less total liabilities) excluding Net Debt and the balance sheet value of derivatives not designated as fair value hedges, it also excludes retirement benefit obligations (net of deferred tax assets). Average Invested Capital is calculated by adding together the invested capital from the opening and closing balance sheet and dividing by two.

IR CALENDAR & CONTACT

Q1 Trading Update	29 January 2019
Annual General Meeting	29 January 2019
H1 19 Period End	29 March 2019
H1 19 Results	21 May 2019
Q3 Trading Update	30 July 2019
FY19 Period End	27 September 2019
FY19 Results	26 November 2019

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