Greencore Group Plc
Full Year Results

Tuesday, 26th November 2019

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Welcome

Jack Gorman

Head of Investor Relations, Greencore Group

Opening remarks

Okay, let us begin please. So, good morning at everyone here in the room and on the line. You are all very welcome to Greencore's Results Presentation for the Full Year Ended 27th September 2019. My name is Jack Gorman. I am Head of Investor Relations at Greencore and before we begin, I just have one or two housekeeping items for everyone in the room and on the line. For those in the room, you will find on your seats a copy of the presentation that we are going to go through today. For those not in the room, the presentation is available online or via webcast. I will also draw your attention to the forward-looking statements on slide two, and the agenda for this morning's presentation that is outlined on slide three. So, with that, thank you, and I will hand over to Patrick Coveney, our CEO.

Introduction

Patrick Coveney

Chief Executive Officer, Greencore Group

Summary

Thanks Jack, and again, to echo Jack's comments, welcome to everyone. I am joined this morning for this presentation by our CFO Eoin Tonge, and also in the room by Gary Kennedy, our Chairman, and Peter Haden, COO, and some of the members of our management team, but you are very welcome.

In terms of how we are going to run the session this morning, Eoin and I are going to take about 30 minutes to run through the results and some of the strategic and operating drivers behind those results and then we will take questions from people in the room and people on the conference call.

I mean, in summary, this year has been about refocusing the Greencore portfolio, resetting the Greencore strategy and performing solidly while we have done all of that. In terms of where we now sit, we are, to put it candidly, we are exactly where we would like to be. We have strong entrenched positions in what we think is the most attractive part of the UK food market. We have got a strong team, strong culture, strong set of relationships and an economic model and balance sheet that enables us to both perform and grow.

We have performed well in terms of the growth that we have delivered on pro forma revenue, in terms of profit and in terms of earnings, and we have done that while working through two pretty significant challenges in the year. One, is the level of internal change with the portfolio change the strategy reset and some of the people changes through the year. And the second is the level of uncertainty and change that is run through the UK economy and the UK grocery sector through this year. As I will describe a little bit later on, we think on a comparative basis, we are running in terms of growth at 2 to 3 percentage points above the underlying markets in which we compete through the year while recognising that those markets have moved around a fair bit through 2019.

Finally, in terms of setup, we are off to a decent start in FY20. We are in line with plans in terms of how we are trading. We are not being especially heroic in terms of how we are thinking about the underlying trajectory of the markets, particularly in the first six months of the year but we are where we would like to be in terms of current trading.

So, with that, I am going to hand over to Eoin who's going to actually describe how these factors flow through the results of our group and how that sets us up in terms of the economic model for the year ahead. Eoin.

Financial Outlook FY19

Eoin Tonge

Chief Financial Officer, Greencore Group

Summary

Thanks, Patrick, and good morning to everyone. It does not seem that long since we were last together at the end of September in the Capital Markets Day. As we guided then, we are very happy with the progress we are making in what are, as Patrick mentioned, somewhat challenging market conditions.

In that context, we start the slide with the financial performance we are going to go through today. So just to take you through, give you a bit more colour on that financial performance, I am going to start with the profit and loss highlights on slide seven. So, I am going to walk you through our revenue and profit performance in detail in later slides. At the top level, you can see we had a 3.5% decline in reported revenue due to the exit from our cakes and dessert businesses and the restructuring of our longer life ready meals activities.

Pro forma revenue is up 2.6%. We delivered modest adjusted operating profit in FY19 which when combined with lower interest charges from lower desk following the US disposal. We had good growth in adjusted profit before tax of 16%. Adjusted earnings per share was 6% higher at 16 pence. Two primary points here. The group results from last year included the full year contribution from the US so adjusted earnings in total are down year on year. This year, of course, includes the effect of the tender offer on the weighted average share count which, of course, is a positive for the per share out turn[?].

The tender offer was executed at the end of January 2019. It is worth noting that if the current number of shares were in place at the beginning of the financial year and you excluded US earnings, adjusted EPS would have been 17 pence, and that is a more comparable baseline for us to assess FY20 growth.

Exceptionals were largely as presented in the first half. The only change to exceptionals in the second half, of note, being the transaction costs relating to Freshtime acquisition. Altogether, we had a post-tax exceptional credit of £25.9 million as detailed in the statement, driven in the large part by the profit on the US disposal. Basic EPS was therefore up significantly at 19.9 pence.

I would also highlight our recommended dividend per share at a growth for the year of a very healthy 11.3%, reflecting our confidence in this resetting of our per share performance. It is worth noting that all of these numbers are pre-IFRS 16 which comes into effect in FY20.

There is more detailed information on those effects on our annual report and there is a summary in the appendix to this presentation.

Revenue performance

So, to take a closer look at our revenue performance on slide eight. Our focus on pro forma growth here in this slide just to give a clearer understanding of the underlying revenue performance. FY19 pro forma growth was 2.6 overall as I mentioned with 3.3% growth in food to go categories and 1.2% in our other convenience categories.

In food to go categories, the contribution from manufactured product growth underlying sales was modestly higher than that from our third-party distribution revenue. Overall the 3.3% was almost first half weighted. First half pro forma growth was 7% where the second half pro forma growth was 0.3%. The growth in third-party distribution revenue all came in the first half with a modest decline in that revenue in the second half. So, taking that into account, the growth in manufactured product revenue was approximately 1% in the second half. This exceed the market which according to ROI data declined in the second half, not helped by the top comparators from FY18.

In other convenience categories, pro forma growth was 1.2%. The saving was also first half weighted in these categories, with first half pro forma growth of 2.8% and a modest decline of 0.4% in the second half.

In the first half, our ambient cooking source was the driver of growth, mostly in the first quarter. There was a mixed performance in the second half, broadly tracking the markets in the categories we operate in.

EBITDA

So, turning to EBITDA and operating profit performance on slide nine. In FY19, we generated a 1.4% increase in adjusted EBITDA to 142 million and a 0.9% increase in adjusted operating profits to 105.5 million. We generated profit growth in our food to go categories, supported both by the volume growth and the continued strong operational performance during the year in that part of that business.

In other categories, there was some ups and downs. We continued to be encouraged by the revenue in our ready meals business following the reset of the products and facility footprint in that business in the first half while our cooking source business experienced a more mixed commercial and operational performance through the year.

At a group level, inflation trends were broadly as anticipated. Raw material and packaging inflation decelerated through the year, ending up at just 0.4% inflation. There were no discernible changes in labour availability trends during FY19. Labour cost [inaudible] as anticipated by approximately 5%, largely as a result of the increase in the national levy wage and the effect on associated pay levels.

We continue to put a huge focus on the area of labour. For example, as many of you heard and saw at the Capital Markets Day, we stepped up our work on automation programme and we will speak more of this as the progresses.

In terms of margin, we generate 50 basis points increase in adjusted EBITDA margin to 9.8% and a 30 basis points increase in adjusted operating margins to 7.3%. This was primarily driven by the deposit of mixed effect as expected as a result of our exit from lower margin businesses, but also underpinned by continued overall efficiency.

Cash flow

So, moving to cash flow on slide 10. First thing to focus on the moving parts in free cash flow in the year. You may recall in May that the first half of cash flows were very noisy, given the disposal of our US business and the resulting reset of our capital structure. I did say at the time, that free cash flow metric will be cleaner and stronger in the second half of the year and this is, hopefully, what you see here now today.

As a reminder, our free cash flow metric is after interest, tax, pensions and any cash exceptionals so walking through the waterfall, starting from EBITDA. Networking capital for the UK business – UK and Irish business – had a very modest side flow. A little better than we would normally model for. Maintenance CapEx was 2.2% of sales as expected. Exceptional cash flows outflows were substantially off in the first half and almost all related to prior year charges.

Interest, tax and pensions were also broadly anticipated, with interest reducing given the lower debt levels and cash tax paid starting to increase as expected. After the impact of flows from the discontinued US operations, we had a free cash flow of £54.9 million. If you excluded those cash flows, we had a free cash flow of 67.1 from the continued operations, gives us an increase of approximately £21 million on the comparable results in FY18. It also represents a conversion of 47% of adjusted EBITDA, up from 33% in the previous year and approaching our medium-term ambition of the approximately 50%. Overall, I am very happy with our performance here in free cash flow.

Net debt

So, onto slide 11 to just look at net debt. Driven by the proceeds from US disposal and by the underlying free cash flow just discussed, net debt reduced by £212.6 million in FY19, and net debt to EBITDA as measured under the financing agreement, reduced by half a turn from 2.3 times to 1.8 times.

The net debt number, those reflect the acquisition of Freshtime in September. As with the net debt to EBITDA measure which is calculated to take into account the pro forma effect of 12 months' of ownership.

So, a couple of other points to note in net debt. Strategic CapEx was low as anticipated at just under £14 million and cash dividend rose significantly as expected. This reflected in large part a one-off change in the phasing of cash payment following the removal of our scrip dividend option. Overall, as I say, this leaves us at 1.8 times at year end, in line with our expectations and guidance.

Capital allocation model

Before I hand back to Patrick, just on slide 12 now. Let me just outline the capital allocation model that we discussed in more detail at the Capital Markets Day. I thought it would be useful just to line up FY19 performance up against the model to see it in action. Firstly, on average, we continue to maintain net debt EBITDA in a comfortable position, notwithstanding the strategic acquisition of Freshtime. As noted earlier, we increased our dividend per share by 11.3%. We spent approximately £70 million on a combination of the strategic CapEx and the acquisition of Freshtime and we returned £509 million to shareholders in the tender offer in January. I would note that our continuing return on the debt and capital metric had an out turn of 14.4% in FY19. We're still happy with this overall out turn. It is worth noting, however, that there are two material impacts on this metric on FY19. One is purely technical which is the timing of the Freshtime acquisition and the secondly, is the impact of the increased effective tax rate which at 15% starting to resemble a more normalised rate of taxation.

Overall, FY19 was a good example of how we are looking at our capital allocation. Prudent leverage, disciplined investment, were discovered to return incremental value to shareholders on an opportunistic basis.

So, with that, I hand you back to Patrick and I will come back for Q&A.

Strategy and Operating Model

Patrick Coveney

Chief Executive Officer, Greencore Group

Summary

Great. Thanks, very much, Eoin. So, I now want to give you a flavour for how our strategy and operating model drives the results that Eoin has described. For those following me and then on the conference call, I am on slide 14 now.

As we step back from the year, it is really a story of four quarters and four different themes. So, quarter one was all about the US exit, you know, taking advantage of a strategic bid at a very significant premium for our US assets and monetising not only the investments that we made but the future profits for the US business are just under $1.1 billion of consideration for that business.

Quarter two was about taking those proceeds and flowing it through our capital structure and organisation. So, it was about the capital return of 509 million, and as Eoin described, it was the reset of our organisation as we became a smaller and more UK-centric business and setting our business up to perform in a post-US world.

Quarter three was about resetting our strategy and working with our teams, our board, to really, I guess, to capitalise under very strong instincts and experience that we had about the strength of our market position, the strength of our capability, the strength of our relationship and the prospects for growing our revenues, our profits and our returns in the UK and putting that into a strategy that we could then take and share with all of our stakeholders, which is what we did in quarter four where we brought that strategy to life internally and we brought that strategy to life with our customers, we brought that strategy to life on our Capital Markets Day at the end of September and we began to get traction against that with the Freshtime acquisition in September as well. So, four quarters, four themes of portfolio, balance sheets, strategy and momentum against that strategy.

Strategy

Turning now to summarising what that strategy is and for those of you who were with us at the end of September when we had the Capital Markets Day, this slide, slide 15 should be familiar but it is about three themes. It is about the theme of growth, it is about the theme relevance and it is about the theme of differentiation.

So, the first of those themes is growth. It matters that we position our business in a growing, attractive, exciting part of the UK food business. That part is food to go which plays out across many channels and many product forms. It is a part of the market that is forecast to continue to grow. If you look at the IGD data and projections on that, for example, it cites a 5% compounded growth rate for capital growth rate over the next five years.

Of course, there is where our business is anchored. Two-thirds of our revenue and a very significant portion of our capability and a greater portion than that of our workforce and colleagues are focused around the food to go part of business.

The strategy is also about relevance. The relevance flows somewhat from the growth and excitement. It is about relevance to consumers but in particular, it is about the relevance of our business to the strategies and operating model of our customers. We have long-standing, deep, trust-based relationships with the core customers of our Group, and we are working on the growth and return strategies of those customers, be that around product or format or shopper experience that are going to matter and that are going to matter most to those.

Thirdly, it is about differentiation and I will touch on these things a little later in the presentation in more detail but it starts with the food and the two-and-a-half dozen schemes that we bring to market every year and the level of innovation we have against that and the commitments that we make in terms of the safety and integrity and consistency of those products.

It is also about people. It is about how we engage, work with and bring to life our strategy and operating model with 12,000 colleagues across our business. It is about the depth and strength and culture of the leadership teams that run through our business and it is also about how we augment and strengthen our capability and culture over time.

The big idea that we brought to life that is different over the last 18 months and Greencore has been this team of excellence and consistency in terms of capability and most particularly in terms of manufacturing and we have continued to invest behind that and actually it has been a very strong underpin to the margin performance and margin progression that Eoin described earlier.

Finally, it is about the sustainability of our business and I mean this in a more fundamental rather than glib marketing weight. Our business at its very core, is about sustainability. It is about fresh, nutritious products, it is about very short length of supplier chain, it is about the integrity and consistency of that food and it is about delivering for the communities and shoppers and wider set of stakeholders in the UK through the role that we play in the UK food industry. While that substance has been there for a long time, we had done some work in the last year that I will describe a little bit later on, about how we bring that together into a more joined up framework that we will talk more and more about as we go through FY20 and beyond.

Growth

So, if I go now to growth and Eoin touched on some of these themes because growth is important to our business and I think it is important to all businesses but, especially, a business like ours that actually is about delivering performance and growth for our customers and opportunities for our colleague is a very important thing.

So, if I start with the markets, I do not think it will be any great secret to state that the market has been more subdued and more challenged in aggregate in FY19 than in prior years. What you will see on this slide on slide 16 is if you take a full year view on the market, it was modestly in decline, 0.3%, let's call that flat for the full year. Driven by what happened in the second half, and most particularly in the third quarter, and Eoin touched on that earlier, where you can see in the bottom part of this slide a 2.6% market decline in the – in the second half of the year for food to go. Now, what I would say actually, is even if you look at the market data, is a story of two quite different quarters. If you look at the market data for food to go, what you'll actually see is it grew by 1.8% in quarter four. So, this is really heavily, heavily influenced by what happened in the third quarter.

And if I turn now to Greencore food to go performance in the period, what you will see is that on a full-year basis and on a second-half basis is that we grew by between two and three percentage points above the relevant markets in the year. The drivers of that are partly that our portfolio, notwithstanding the breadth of customers that we have, is modestly overexposed to the somewhat faster-growing parts of the market at the very premium end and at the value end of the market.

But the second factor is the role that some of the newer product areas that we're really focussing on are contributing to, in terms of our performance. So, what you'll see, actually, is the – of that 3.3% growth in the full year, about half of that comes from meal salads and sushi performance, right, which grew, in the case of sushi, by high single digit and in the case of salads, in the low to mid-double-digit performance in the year. So, strong momentum behind that part of our business.

And we also, as Eoin referenced earlier, we had very good growth in our distributed product revenue, but that is all a story of the first half. And again, if I was just to be very specific on this for a second, we reported 7% growth in the first half of the year, about half of that with the manufactured product, half of that was in distributed revenue. In the second half of the year in food to go, we had 0.3% growth, one percentage point of growth in manufactured volume and a modest decline year-on-year in distributed revenues in the second half of the year.

Now, that's the full year performance. There are people in this room and there are people listening on this call who will have greater insight than me on all of the different factors that impacted on the UK economy in the year, the UK grocery sector in the year. And I think it's not surprising, with all of that change, that consumer sentiment and consumer spending has been more subdued and more conservative than it might otherwise have been, given some of the fundamentals around employment and income because of that uncertainty.

We anticipate that that will begin to unwind in FY20 and beyond. But more importantly, the underlying drivers of growth and food to go, we think, are very robust in the medium term. They're partly about the role that the product plays in the diet of consumers around health, around freshness, around sustainability, but partly about the extension of these product areas, in terms of time of day or occasion.

And for those of you who heard me talking in September, you may have been surprised when we pointed out that based on our own research of over 40,000 consumer shopping occasions over the last four years, that only about a third of all food to go products are actually consumed at lunchtime. There is a world of opportunity in different day parts – in the evening, in all-day snacking, and in breakfast – and part of our strategy is to get after that hard. And we're also seeing a proliferation of the points of consumption for UK consumers. And again, bringing our business and making it relevant to where consumers want to buy food to go products is going to be an important theme for us, as we go forward.

Drive growth in expanding food to go market

And if I touch on those two themes now, one about product, and one about points of consumption here, and just illustrate quite specifically what did we do in FY19, what impact did it have on FY19, and what will it mean for the trajectory of our business in each of these areas. So, actually, we had – in terms of product, we probably had the greatest level of innovation, in terms of percentage of our portfolio that's new in FY19 in my time in the business.

So, we almost had, with 1,200 new products in the year, a very high level of product change. And one of the real sort of secret sauces of Greencore, if I could describe it in that way, is we're able to do that quickly, we're able to do that safely, and we're able to do that profitably. In other words, we make all of that product change without any real lag effect, in terms of the profitability, or without any real threat to the quality of our product proposition, in terms of food safety to our customer set.

Within that, there undoubtedly are some themes. Eoin was talking more widely to the media about this this morning. But if you look at a – which is about the role of us really hitting the plant-based or vegan-based product desires of the UK consumer. So, of the 1,200 of them are either plant-based or vegan products in the year. That's nearly three times the level of plant-based or vegan products in 2019 versus what we had in 2018.

And if I take what I referenced there a second ago – if I then on – I'm sure of the 17 new Christmas products or seasonal products that we have right now in the market right now are plant-based, as in terms of the proposition that they have. Very different dynamics to previous years. And again, illustrating the ability of our business to hit these trends quickly and to be really relevant to both consumers and to how our customers respond to those consumer trends.

Second part of our business, is – in terms of product, is taking the platform that we have in sandwiches as the core food to go product proposition and leveraging that to rapidly build scale in sushi, in meal salads, in chilled snacking, and in hot food to go. And in particular, in the first two of those, we had a very significant momentum in FY19.

About half of our overall – of all of the growth that we achieved in the year came in those two areas, with both of them growing strongly way ahead of the rest of our portfolio, reflecting the investment decisions that we've made there. And that's before I come to the Freshtime effect. We haven't yet had the same impact on our revenue, in terms of chilled snacking and hot food to go. We've got some interesting experiments and an interesting momentum there, and it will become a bigger theme for us in FY20 and beyond.

But growth isn't just going to be about product. It's also about channels and it's also about bringing our range to the points of consumption that consumers now want. So, the biggest lever is actually, as we put it, is making our existing space and our customers' existing space work better. And that's about merchandising. And really, it's about building a capability and investing in the analytical supply chain capability to help our customers merchandise by format, by region, and increasingly, as it relates to food to go, ranges by store.

It's also about availability and it's about matching availability to the actual shopping patterns and consumption patterns of UK consumers, reflective of the fact that this has moved way beyond simply being a lunchtime range. And doing that without compromising the waste expectations and waste requirements and, therefore, profitability requirements for the category of our customer set.

And it's also about product life and waste, right? It's trying to find ways where we can to build more life into product and also to build speed into the supply chain. So, if we can get an extra half-day or an extra day of life on shelf by getting the product more quickly to store, that's very valuable, in terms of making space work better. And actually, the capability that we're building on that, what I might call, supply-side category management is really, really important and we've seen a big step on, in terms of how our customers think about our capability in that area.

And then the fourth area where I would – which I would put in the category here of experiments that we're running, that you will see us talk more about them, as we go forward, is finding ways to bring our products to new points of consumption for customers. We're already a very, very significant supplier of product into cafes and, most particularly, the cafes of our customer set, doing some work on product and on format there.

But we're also actually trying to take the time to establish new points of distribution. And in particular, with three of our customers now, we have pilot programmes going on around vending, which are set up to bring our product and their proposition to points of consumption they can't access with physical stores, whether that be events and concerts or a presence in hospitals or some of those types of locations where people will be unable to actually either locate or operate a store at the hours at which consumers want those products.

So, those four themes against the two imperatives of product proposition and channel proposition of how we deliver growth in 2019 and how it will impact on our business, going forward.

Freshtime is an example of us bringing this strategy to life. We acquired this business in September and we spent £56 million buying it. It's a really, really nice strategic fit for us. Its three core customers are existing food to go customers for Greencore. In other words, we have sandwich products that fits on shelf next to the salad product that Freshtime makes. In two of those customers – the two largest customers of Freshtime, we're actually physically distributing. We were physically distributing those salad products already alongside the sandwiches that were going through our direct-to-store distribution network. So, the level of knowledge we had about this business, the way it worked for consumers, the way it worked for customers was very deep and that really enabled us to understand, in a very fundamental way, the strategic fit and the operational fit of the business alongside our existing food to go business.

And in summary, we're off to the – a nice start, in terms of integration. Customers have welcomed the acquisition, both current and prospective customers of Freshtime. And we've begun to think about how to leverage the combined network, in terms of where we make stuff. We're going to think about the capability in Freshtime and how we deploy some of that more widely across our business. And there are, as you would expect, some interesting synergy opportunities on the procurement and supply chain side that we'll be going after as we roll through FY20.

But also, it's – beyond the specifics of Freshtime, it's an example of what a forward-looking model for us, in relation to M&A activity, will look like. It's strategic. It's individually modest. And it's a good and complementary fit to both our strategy and our customer set. And it can be funded and driven out of existing resources with a different approach, in terms of capital allocation against that. So, again, it's a nice acquisition of itself, but it's also illustrative of the Greencore strategy, going forward.

Deepen customer relevance: highlights

I wanted to turn to the second theme now, which is relevance. The – for those of you who joined us in September, hopefully you will have been somewhere between intrigued and reassured by the way in which our customer set spoke about the nature of their relationship with Greencore and the relevance that we play in the strategy's growth and operating model of our customer set.

I think you can – what you can see on slide 19 here is that, again, as customers view us – and the kind of recognised industry standard for that is a survey called the Advantage Survey. Again, Greencore has scored very, very strongly here with the Greencore food to go business, again as the number one overall business cited by the wide UK customer set, in terms of how they think about strategic alignment, people, category development, own label strategies and so forth.

So, our business is very well-established alongside our customer set. You see that flowing through. It's an – it's a modest overall change, in terms of the length of our supply contract. And the percentage of our sandwich sales, for example, that are on these long-term contracts has picked up from 90% last year to 96% this year. That's reflective of three customers putting in place long-term supply agreements. One of those was a roll over, two of them were new.

And that's important not just because of the predictability it gives around our commercial model, but it also gives us the confidence to be able to invest behind those customers, to invest in capabilities like distribution, like inventory management systems, like category management. Because we've got forward-looking certainty, in terms of who and how we're going to trade and what the economics of that look like – looks like, it gives us the ability to make sensible capital decisions in relation to that and capability decisions in relation to that.

I also wanted to touch against the theme of relevance and what we've done in ready meals. Eoin referenced the change to that earlier. I mean, in effect, what we've done is two things in the first half of this year.

First of all, we pivoted our ready meal business much more towards fresh. All right? We were in fresh ready meals and long-life ready meals. We're now just in fresh ready meals.

All right? So, that's a significant change, in terms of what we're doing. And with that has come enhanced relevance to consumers. It's on trend. And we think it's going to set us up well for growth and returns, going forward.

Adopt a distinctive and repeatable way of working

If I turn finally then to the – to theme three, which is the theme of differentiation. And again, I'm going to – what I'm just going to try to do here over the next couple of minutes is state specifically what have we done in FY19 against each of these four areas.

First of all, in relation to food. I've already spoken about the level of product innovation and the ability to do that, as I say, quickly, safely, and profitability – and profitably in the year. But enough – but a big part of that is what we're doing in relation to food safety. And so, we're pioneering, actually, in the UK market here in this area of earned autonomy around recognition, where customers are outsourcing to us the responsibility for the quality assurance around our product areas.

In other words, several of our large customers now have stopped auditing our plants completely. And instead, we make available all of the audits that we do on those, in terms of quality assurance, thereby creating a more efficient overall supply chain, in terms of cost, speed. But all – but that is only possible to do because of the level of trust that exists between the two businesses and the confidence that they have in our quality assurance and technical processes.

Secondly is in the area of people. The two big changes or initiatives that we've driven through this year, one has been really trying to take – if you think about an organisation that has 12,000 colleagues, most of whom are involved in the assembly or manufacturing of food every day; and there's about 800 to 1,000 people that provide the front-line management or leadership interface into that group. So, we've put a lot of resources into developing what we call the line manager frameworks and the line leader frameworks which are really training programmes to upskill those front-line leaders in terms of their management capability and their engagement capability with our front-line colleagues; and it's widely recognised within the food industry as a powerful framework in terms of how we've driven that through. Secondary is around the streamlining of our management team as we've come out of the US setting our business up to be an operating UK business in terms of where our senior team exists, how they work and how we drive the growth and performance and strategic agenda of the business.

The third area – and I touched on this earlier as the kind of big or different idea for our business – which is a real focus on being excellent in manufacturing and also being consistent around that excellence in manufacturing: so, in terms of how we've organised, how we've built capability and this concept of bringing back new talent into our business. For those of you who were with us when we did our half year results in May, we spoke about the fact that we have brought 50 people into our business who are data scientists, continued improvement experts, to really take forward what we were doing, bring best external practice into our business and help us to push on the manufacturing and supply chain capability in our business.

Finally, in terms of sustainability, as I've said earlier, our business is all about sustainability; but again, we've delivered tangible improvements here in terms of the waste outcomes of our business; reducing both the waste that we generate within our own business, but also the waste that we flow through into our customer businesses by 130 basis points in improvement: significant improvement within our business. Also, what we're committing to I the second quarter of this fiscal year is coming out with a more comprehensive and joined-up sustainability report that really brings to light all of the different things that we're doing in this area, both in terms of how we're driving sustainability outcomes in areas under our direct control and how we're influencing and pushing the rest of the industry to improve sustainability outcomes across the UK food industry overall. So, that will be an important theme for us as we go forward.

Entering FY20 with clear objectives

If I finish then with the objectives as we look into FY20 and a near-term outlook, the first priority here is we're not naïve to the uncertainties and moving parts of the UK economy and the UK grocery industry right now. Our plan for FY20 against which we're assessing performance is not especially heroic in terms of how that's going to play out, we have a conviction and an experience set that actually our business is resilient to the ebbs and flows of consumer sentiment across the different categories in which we operate; but we will, of, course, have some work to navigate our business through whatever outcomes you'll begin to see at a macroeconomic or grocery sector level. The second priority is around continuing to build momentum against the product and channel extension activity that I described earlier. The big idea here is migrating our business over time from a sandwich business in the grocery sector at lunchtime to a food-to-go business across all channels throughout the day; and that's the essence of what we're trying to do and that's what's going to embed the future growth of our business.

The third area is continuing to get traction on the excellence programs; and in particular, referencing, as Eoin described earlier, the experiments, and investment and conviction we have behind the opportunity in automation and how that flows through and links with what we're doing in terms of manufacturing. The magic of this in Greencore is going to be doing all of that while maintaining the entrepreneurship and customer-centricity of our business so that we can continue to get growth as well; and that's a balance that we'll have to get right through the year. We want to capitalise on the potential of Freshtime. I have very little doubt about our ability to do that, but we still need to do that and have it flow through; and we need to do all that within the capital allocation framework and medium-term target that Eoin described both back in September and again this morning. So, if I pull all that together into what does that mean for our business this year and the outlook for our business this year, we're on track and we anticipate delivering profitable growth for the year ahead.

So, that's our results. Eoin and I are happy to take questions in a second; but just before I do that, if you'll allow me, I wanted to publicly and very sincerely thank Peter Haden for his enormous contribution to Greencore over the last six years. He is an absolutely outstanding business executive, one of the very best that I've every worked with; and on behalf of myself, Eoin and our board – I know Peter is going to finish up with us as a Director with us at the end of the year and as a colleague at the end of the half year; and I just wanted to publicly acknowledge that and thank you for everything that you've done. So, with that, Eoin and I will take questions.

Q&A

Nicola Mallard (Investec): Nicola Mallard, Investec, a couple of questions if I may. You talked about obviously looking at chilled snacks and food to go: are they on the agenda really for a focus in FY20, or is it more salads sushi, and do you need acquisitions to really make a sort of footprint in those new categories? Secondly, can you comment on stranded costs? We were obviously given a number last year that it was 6 million after the US sale, and we probably wouldn't expect much progress on that this year, but we should next year, and just where we are on that.

Patrick Coveney: Do you want to do the stranded cost and I'll pick up the category stuff.

Eoin Tonge: Sure, yes. So, the stranded costs approximately around £6 million, but not all of those we believed we could actually reduce because some of them were, for example, senior management costs, for example; but, all the changes that we had to make, we've made, and we made most of them actually at the beginning of the financial year and a little bit through there year. So, notwithstanding the announcement this morning, we've effectively done everything we need to do. As far as I'm concerned, that's part of our guidance now; and to a certain extent, you see a little bit of it in the back end of this year in terms of contributing and underpinning margin, and you'll get a little bit more of it into next year; but it's part of the overall guidance that we're giving.

Patrick Coveney: Nicola, in terms of the categories, I think both the contribution in FY19 and my expectation of the contribution in FY20 is I think the contribution of sushi and meal salads to growth in absolute terms will be much stronger in FY20 than chilled snacking and hot eating; and I say that that's before you add Freshtime, which obviously accelerates the meal salads business dramatically over and above that. So, I think that will remain just a very important growth source for us. We are doing a lot of work in the other two areas, but the current contributions are much more modest. If I just think about it quickly, we have meaningful hot eating trials in four customers right now, and we have interesting chilled snacking propositions in three customers, as I think about it right now. The kind of pound value of those right now is modest enough, but the learnings are important and that I think will give us a platform either to put more organic effort behind that or potentially over time, if there's a way of going after and accelerating that through M&A, we'd be looking at that, too, but, there's nothing imminent in that area.

Martin Deboo (Jefferies): Can I go? Martin Deboo, Jefferies. It's been a great year on everything apart from growth, so I just feel compelled to sort of do a bit more of a forensic analysis of growth, if you don't mind, Patrick, you're basically asking us to believe that you're gaining share in a difficult market, and that's evidenced by the IRI data; but I just want to challenge that. You are the biggest player in the market, so you're LFL tells us something meaningful about the market. Are you completely confident in IRI given it's a difficult market to research, and do you think you're getting the right read off of that? That's a sort of general question. The one specific, very technical – Freshtime consolidated in some DSD revenue that was previously sort of passed through. Is that impacting the LFL and DSD, or is that stripped out in the pro forma? That's a very specific one. Just remind me of what happened there.

Eoin Tonge: Why don't I deal with the technical point first, actually. It is stripped out of the pro forma. So, that's the first point. The 3.3%, we only had a little less than a month in FY19 anyway, but it is stripped out for the 3.3%. The forward-looking effect is a little bit sort of complicated, but I'll try and simplify it. No, I'll just do it now. It's very simple. I'll try and simplify. We acquired about £70 million of revenue. About half of that we already distributed; so, effectively, the net impact to next year will be about £35 million. Now, there will be a reclassification between manufacturing and third party, so effectively we'll have 70 million added to manufactured and we'll take 35 million away from third-party distributors.

Patrick Coveney: Martin, you are right. In a kind of previous life, I spent a lot of time talking to people about the fact that if you have such a high market share you can't talk about the market in an entirely disinterested way; so, I fully accept that. We are 60% to 65% of the measured grocery-style sandwich market, so what we do influences enormously – and what our customers do influences enormously the market performance. So, if you try to square the circle as to where is our – what's the source of relative outperformance, if I can describe it in that way, you come back to the outperformance – principally, to the outperformance in meal salads and sushi where we grew very significantly year on year in both cases. I would say our sandwich performance is broadly in line with the market. It's a nudge better than the market because we have a set of customers – and I want to be a little bit careful around what I say here – we're slightly over weighted towards the customer set that's actually growing better, but it's modest enough in terms of the overall impact. Does that answer your question?

Martin Deboo: Does the IRI number include salads and sushi, or is it sandwiches only.

Patrick Coveney: It's food to go including meal salads and sushi, which are parts of the market where our relative share is much lower; roughly, depending on definition, between 10% and 20% in both cases. So, I would say we have scope to grow our share of those product areas, and we're clearly eating into that and that the implicit share gains we've had in the year are principally in those two categories.

Roland French (Davy): Good morning, Roland French from Davy. Maybe just sticking with the theme of growth, clearly, you've kind of quoted out as subdued on certain environments. How should we think about your medium-term targets in terms of when they're going to be achieved? Is the run rate going to be achieved during FY20, or are you thinking 21 or beyond? That's the first question. Second question, I know in previous quarters, you've kind of called out voluntary between your own customer set, and I know there might have been specific system issues. Has that trend continued? Is there still that polarisation from your customer set? And then thirdly, maybe some colour around the manufacturing or per depot. I know there was reset in ready meals, but generally how should we think about utilisation, efficiency, logistics costs, etc? Is there leaders or laggards within the depot?

Patrick Coveney: Let me see if I can hit each of them. Clearly, Roland, if we didn't have a conviction supported by a level of insight around each of the four medium-term targets in terms of their achievability, then we wouldn't have introduced them in the Capital Markets Day. What I suspect the core of your question is around the growth one in terms of how we reconcile the mid-single-digit forward looking growth aspiration to the current level of growth performance, most particular in the second half of FY19. My best judgment there is that we'll be on a pretty good path against that as we finish FY20, but I wouldn't be sitting here saying to you that there's been a very strong rebound in terms of market sentiment in the first quarter; or indeed, my view on the first half of the year is that the UK consumer sentiment remains pretty subdued. So, we're delivering against the other aspirations pretty well, but we are not going to be able to defy gravity in terms of where UK consumer sentiment and UK grocery sales sit. So, I think we have a very high level of confidence that we can relatively outperform, but the actual performance of the UK grocery in aggregate will impact on our overall revenue number. So, best judgment is I feel pretty good about that for '21 and beyond, and I think we'll transition towards a reasonable place as we go through FY20, but you don't need me to describe the different events that are unfolding in the UK right now and how that's going to impact on sentiment.

On your second question, customers, we have seen a greater level of difference in terms of customer performance in volume terms in our categories this year than I can remember in any previous year. Now, again, I'm going to have to be a little bit careful about how I actually amplify that; but, if I could put it in a broad there where if you take the big four grocers in aggregate, their performance I food to go is less good than if you take the rest of our customer set, which is people focused on convenience focused on convenience, people focused on premium, people focused on value. So, we have seen a more marked difference between big four grocers and the rest, but bear in mind - if you remember from our Capital Markets Day - only about a third of all of our food to go sales go into big four grocers, and about 40% of our total sales go into them; so, our business is quite well hedged in terms of how it's set up there, but clearly we will benefit from a reestablishment of momentum in some of the big four grocers. As we see and as we work with them, they are going after some of those themes both overall and in particular in the food to go area and now we'll just have to see how that flows through.

I think your last question was around kind of manufacturing performance and utilisation. If I deal with utilisation from the perspective of capital requirements first, our judgment here based on the capex that we've put down, 300 million over the last five years into our UK network, the medium term growth trajectory that we have in terms of volume and the continued improvements that we're putting through our manufacturing network because of the Greencore manufacturing excellence investment; I think we've got four or five years at least of capacity into which we can grow without having to have meaningful strategic capacity enhancing in capex. In terms of just the performance of the network, again my judgment here is that in aggregate it's probably better than it's ever been; and that has underpinned our profitability in FY19 when volume has been a little bit softer, and it's reflective of the investments in the capability around manufacturing that we've put through. That's not to say that there isn't some portfolio effect across 17 manufacturing sites and 19 distribution depots. There are always things you can do better in one place versus another, but in aggregate the performance is pretty decent and has been an important underpinning to our performance.

Clive Black (Shore Capital): I'll have a go this time. Clive Black from Shore Capital, two questions, if I may. Firstly, building on your last comments, Patrick, how do you see the shape of 2020 given the quite considerable defence on performance between H1 and H2, and what should you be guiding us to in that respect? Secondly, to what extent does this 2020 represent a meaningful year when you bring automation, supply chain technology, data analytics, AI and all the rest of it together for the business, and where does that feed through in the P&L in terms of operating costs, working capital, and so forth? Is this a transition year of block-building, or is this a year that comes through or do we wait till '20, '22, '28, '29 for all that stuff to emerge?

Patrick Coveney: If I deal with the last question first, I think the tolerance that we would have internally or that stakeholders to our business would have for transitory years is pretty low; so, whatever investments we make, they've got to work within our overall envelope that we've set out in terms of the metrics that Eoin described. So, FY20 needs to perform in and of itself and not be about setting it up for '20 or '21, and that's what we would expect. In terms of the – just to hit on the different themes that you've raised, the first point in terms of economic progression year on year, I might just echo what Eoin said earlier which is that the earnings accretion effects of the US exit will flow through more in 2020 than they did in 2019, all right, because of this timing of when the capital return was done versus when the US actually left. And that's where we reported 16p earnings this year. The actual pro forma is really 2017. So you get that step up plus the earnings growth that we'll deliver in the year. So that's obviously going to be a contributing factor.

In terms of phasing, I mean, our best sense is that half two is always more important for us and I think it will continue to be so. We're cognisant of the direction of guidance in the market across each of the individual metrics, and I think we sort of note that. And if we were uncomfortable, we'd be saying something about it and we're not.

But I think what I think we would say is that the – our business is shaped more towards the second half of the year than the first. I think Freshtime will nudge it even more so actually because it's principally a summer-based range. So again, you'll see it through the second half flow-through strongly there.

In terms of your point on investment in automation and so forth, I mean, again I think this is a – the way we're thinking about this is it's not a one-off event, but it's a multiyear story. And so we've already done some work in automation. Anyone here who's either seeing or just talk about what we're doing in wines and that's significant level of automation in terms of how we're putting together a pasta-based ready meals there.

And what you're going to start seeing us really ease into automation opportunities in the sandwich assembly processes as we go forward but we're going to do that in a way that validates not only the technology but the interaction of that technology with our people across the different plants. I think that we've built through this year, next year and beyond. But last point in terms on working capital.

Jason Molins (Goodbody): Hi, good morning. Jason Molins, Goodbody. Just kicking off on the growth theme again. I guess given the food to go market that you outlined of being slightly negative for the full year, can you maybe just talk about your expectations for the year ahead from an overall market perspective?

And then secondly, just on your own performance in the year just gone, can you give a sense of volume performance within the food to go volume and pricing, would be helpful.

And then in terms of the – I guess, the vegan and plant-based trends, Patrick, you talked about the level of SKU penetration that you're now setting us. What percentage of your revenues are coming from vegan and plant-based? What sort of growth are you seeing? And how, to the extent that, impacts margins, is it more accretive, etc.? Thanks.

Patrick Coveney: Okay. I mean, on markets, I kind of feel, Jason, we've sort of said as much as we can. We don't have a crystal ball in terms of the performance on grocery. What I would expect we would be able to do is to grow our business somewhere between 1 and 2 or 3 percentage points above the underlying growth because of the mix effect that I described early in relation to Martin's question.

So my best judgment is that the market performance for grocery in calendar year 2020 will be stronger than it was in 2019. If that turns out to be right, then you'll see that flow through in our volume and revenue performance. But I can't quite call when that would start or indeed, as I said, I don't have a crystal ball on that and there's a whole series of things that could impact on sentiments that we just see flow through over the next little while.

In relation to volume and price, pretty much our volume – I mean, it's grossly simplifying but it's –

Eoin Tonge: It's been three quarters volume actually for the year and second half of the year was pretty much all volume. Sorry, I'm specifically talking about food to go there actually.

Patrick Coveney: Yeah. And then your last question which was vegan and plant-based. So a very high proportion of our new product introductions, much lower proportion of our overall sales, i.e. in the 2% to 3% of our sales. So in other words what you're seeing here is lots of products being tried, lots of attention has been put on it by customers. And some of those products working some in terms of how consumers are picking them up and working with them and we'll just see that – we'll see that evolve.

The margin impacts are net to not very much, and the – mainly because we're able to bring new products to markets as I say profitably and quickly. We don't carry stocks. But clearly it's better at the margin if products worked and if they don't because withdrawing them isn't helpful. But there is not – I don't want to signal that there's any either positive or negative margin impact for us, so we're supporting our customers going after this trend.

Eoin Tonge: I mean, theoretically it should be margin hunting, but it's just too nascent at the moment that given the price points are similar but the ingredient spend is lower. So theoretically margin hunting for the total wallet, but I think it's too nascent at the moment.

Jason Molins: And is that [inaudible] with their traditional sandwich offerings or how are they managing their SKUs within their network?

Patrick Coveney: I mean, the rate of sales of the entirety of the range is less than the core, but some of them are working reasonably well. So if the rate of sale was identical to the rest, then you'd see the kind of run rate sales for the new products mirroring existing products, not quite doing that, right. So it would be how I describe it. But I do think in some form or other, Jason, I think the trend is from a consumer perspective is here to stay, how it builds and how it manifest itself and which particular formulations work better than others, we'll have to see but I think the trend is good.

Doriana Russo (HSBC): Doriana Russo from HSBC. I just wanted to follow-up on this theme of vegetarian and vegan. Obviously with breads setting up veggie breads, it seems like it's a trend to stay. Are you internally trying to be proactive and perhaps you can extend your offer not only from the sandwich point of view and how receptive your customers are because this could become a substantial portion of your portfolio in five years.

And secondly on the sustainability issue, I just wanted to ask you about your – how proactive are you in terms of adjusting your packaging trying to diffuse the plastic not only the waste that you mentioned in the presentation, if you can update us on that issue? Thanks.

Patrick Coveney: Yeah. I mean, the essence of – I mean, the first question first, which is around share of our products that's in would be veg or vegan or plant-based going forward. I mean, the essence of our production system is that we're agnostic as to whether or not the – as to the individual ingredients, right. So, I mean, what we're – particularly in our food to go business, we're in the assembly business and we can frankly assemble products with almost any ingredient spec. And so it's not – we're not carrying any particular risk or I would say any particular upside associated with the move away from meat to plant-based proteins. That would be how you describe it.

In terms of the skill set and capabilities that we're building in the area, we're – Doriana, we're doing, I guess what you would expect us to be doing, which is we're building expertise in sourcing. And our customers expect us to be really, really knowledgeable about how to access great ingredients, how to ensure that there's integrity associated with those ingredients, how they can get them at scale and to ensure that the replenishment dynamics and availability of those ingredients is in place and that it can be done safely and consistently.

And so the – with a greater level of focus around these kinds of products and these kinds of ingredients, you're going to see greater expertise and greater scale come into how we source them and how we assemble them. My own instinct is that this category will become progressively more important and therefore it will become a progressively larger part of our overall revenues as we go forward. And some of what we're doing in, for example, with the Freshtime capabilities is actually accelerating us down that path.

We're actually doing some contract packing for specialist vegan brands in that space. And again that's the sort of thing that I can see us doing more of.

In relation to packaging the – I mean, we have – we've got lots of work under way around – so we're very cognisant of and we're signed up to the Plastics Pact in the UK and we're working on that. I mean, everything that we do in this space, we do in conjunction with our customer set. And my own experience of looking at this hard, for 15 years now, which is the length of time I've been in Greencore, 12 years in this role, is that as different themes under a broad banner of sustainability emerge, the parts of the UK food industry that go after those themes hardest are actually the retailer own brand product ranges, and the parts of the market that tend to be the laggard, which tend to be the international manufacturer brands. And so my expectation is that that's what you're going to see play out here, as it relates to the understandable UK focus around sustainability of packaging and in particular a desire to actually, meaningfully migrate away from the scale of plastics generally, and in particular, a non-recyclable or non-combustible plastics in the UK market, and we will be, kind of hand in glove with our customer set in terms of how we do that.

Damian McNeela (Numis): Thank you, Damian McNeela from Numis. Just a couple of ones. Returning to growth again. If we look outside of food to go in the sort of the grocery environment, you've got people like "Gregg's" who are delivering very strong like for likes. I was just wondering whether you could give us a sense of whether your customer set feel the pressure and whether there has been a step change in their approach to category and engagement with the new guys.

And then, just sort of, on the margin side, I think at the Capital Markets Day you had margins around 7%, 7.3 – is this where we should expect them to be over the medium term, given, FY2020 looks fairly challenging at the minute? And then, just the last one: is your stuff on – what you're doing with Starbucks, around hot eating and stacking in the UK?

Patrick Coveney: Yeah. Well, I mean, what I try, and take a couple of discussions about, I jump in, I think – I am not quite sure. I would say the customers are feeling under pressure from what they are seeing in food service, but they're certainly mindful of what – what is happening in food service. And as we talked about in the capital market, that feeds through to a lot of the development work we do with them in different formats and to a certain extent, different channels. So, for example, this year we're working on a number of cafe type initiatives with our customers. So, –and for example, and also the whole area of hot is another space that our customers are trying to crack into. So I definitely think they're mindful of the food service trends. I don't necessarily feel that it is a sort of a pressure point that is new in that regard.

Damian McNeela: On hot, we've been talking about it for seemingly a very long time and no one seems to have made any real progress in your customer set. I think outside of that, there has been progress, are the barriers moving?

Patrick Coveney: Yeah. I mean I would – I think if you were having that conversation with Co-op or M&S or Asda – I think they would dispute that characterization. They haven't made any progress in hot. So, you know, you will see, you know, multiple different, both hot food, particularly at breakfast, that's available in the cafes and many of those stores. But you'd also see hot cabinets. I'm not talking about rotisserie chicken, that's been there for a long time, but the – you know, our view here Damian would be that if we're going to meaningfully progress the share of food to go occasions that are done at breakfast or early to mid-morning, that the unlock for that is principally hot. And so, what you were trying to see here, you know – what you are seeing is a variety of different propositions emerging that are being trialled across the UK retail.

My own personal view on that is a very narrow range done in -by which I mean, sort of two to four SKUs done in hot cabinets is the way forward. But there are some of our customers who would like a much larger range than that. I just don't know how you quite make the integrated economics of all of that work. But there is a reasonable level, and that you – can I just make one point on your food to-go – are they – are the customer sizes influenced by what's happening outside grocery. Yes. Particularly at the more premium end of the grocery market. And if I take two of our very large customers, they actually have moved the target quality cues of their products away from a comparator with grocery and towards take panelling versus what you would find in a Gregg's or a Pret a Manger, for example.

And so, I think you will see, just as consumers don't actually view food to go through the prism of what's in grocery and what's elsewhere, they think about just what do they want and where can we get it? I think you'll actually see a lot of movement back and forth in terms of taste cues, packaging cues, how hot gets executed over time between the different formats. I think you'd be, I think, left behind if you, as a retailer, traditional grocery retailer, or as a provider retailer, if you think about it only in a traditional grocery sense.

So Eoin, did you want to pick up on the margins? We're doing both of those things.

Eoin Tonge: Yeah, just, so on margin – so 7.3%, I've been pretty much consistent to what I said actually at the Capital Markets Day. I mean, what we're thinking about in terms of margins is not significant gains, you know, going forward. It's about defending and kind of modestly accreting our margin. And that's sort of how we have set up our model.

And I will pick up one point what you said Damian, saying FY20 is looking challenging. I'm not quite sure I recognise that characterization of FY20 as it comes to margins, right? So, you know, we feel we are pretty well set up actually from an FY20 perspective in terms of margin. But the overall model is to look to kind of modestly accrete. And you know, sometimes that might be a little bit better in some years, and not in other years.

Patrick Coveney: Any other questions?

Question: A couple of us are going to go upstairs and hear about the African swine fever situation and protein inflation across the board. Do you have a view in terms of secondary or third derivative effects around that protein inflation piece that we're seeing in other geographies making its way across and if so, how are you positioned to potentially deal with it?

Patrick Coveney: I would start with the last part of it, I think we're positioned pretty well. I don't think that the impact on us is that significant in terms of, because as you rightly say, most of it is kind of second order, third order doing the little bit direct, but not a huge amount. So, we likely will see inflation. I don't think it will be material in, you know, in the grand scheme of things for us. And the way – again, the way our model is set up that we're pretty well protected in terms of how to do with materials inflation. And so, it's probably not one that impacts our model as directly as you say others in the marketplace.

Question: Okay.

Jack Gorman: I'm just going to turn it to whether there are any questions on the conference call.

Operator: Okay. As a reminder, if you wish to ask a question, please press star one on your telephone. Right now we have first question and our first question comes from the line of Arthur Reeves from Barclays. Your line is now open.

Arthur Reeves (Barclays): Good. Good morning. Thanks for taking my questions. I've got two. The first is about labour inflation – 5% this year. What are you thinking next year? And are you concerned that the two political parties are having a – of fighters do – can claim to be raising the minimum wage the most?

And my second question is on mix. You've talked about mix on vegan and vegetarian products. Thank you. What, what's it like on sushi and salads? How does your margins match up compared to sandwiches in those two areas, please? Thanks.

Patrick Coveney: Yeah, I mean, why don’t I take the labour one Arthur? So, I think we were pretty consistent in saying this, we – we kind of expect the current level of inflation to maintain. And that certainly is our budgeting assumption for FY20, largely driven by the same effects actually, which is the – the raising of the lower level, which kind of has an impact on the overall wage structures.

I think – I mean, we've also been on record and saying that, you know this has been our planning assumption for the last three or four years. And in fact, actually our assumption is, to a certain extent that from a societal perspective, the minimum wage or the national living wage will continue to increase. And that is our budget assumption. So how's the results? We've been working on all of the various different issues we have in relation to labour.

So I mean like, I'm not going to say – I'm not going to tell you sort of what the political position in relation to this, but our budget and assumption is that labour inflation is here and it's here to stay and, you know, we need to be set up well in terms of automation, in terms of how we have our efficiencies set up in our factory, on how we are structured with our customers in terms of passing through costs through our product development, to be able to look to offset that. And we think we're pretty well set up in that regard.

Eoin Tonge: Yeah. And Arthur on your question in terms of mix, if I just deal with them in order, in sushi, the sushi margins are converging towards our sandwich margins. And as we– as we started out the – you know, the new sushi plans, as you might expect, the economics would have been lower. But as we've got to reasonable scale, it's an immaterial difference versus the margin that we would get in sandwiches now. And in salads, the story's pretty much the same. The – and in fact the, you know, the underlying economics of Freshtime, one of the appeals of it with was, that it was pretty similar to the underlying food to go economics then, that we had. So, I would – there's not really, I'm sorry. There is no mix impacts in food to go that rolls through to any change in our margin guidance around that category.

Arthur Reeves: Thanks very much.

Patrick Coveney: Of course. Okay. No more questions from the conference call. So thank you very much for joining and thanks everyone for staying. I know there's some – you've got another session to go to. And thank you too for the questions. We look forward to talking to you again soon. Thank you.

[END OF TRANSCRIPT]