# Capital Markets Day

Thursday, 26th September 2019

CLICK HERE TO HEAR AN AUDIO RECORDING OF THE CAPITAL MARKETS DAY

## Opening Remarks

Gary Kennedy

*Chairman, Greencore*

**Welcome**

Good morning, everybody. You're very, very welcome to the Greencore Capital Markets Day. Firstly, let me just say thank you to everybody who's made an effort to be here. We have some of our very important shareholders here today, we've a lot of asset management people, people who aren't in our equity, as of yet, obviously equity analysts, a lot of our professional partners and advisors. And equally as important, we've got a really good cross section of our colleagues and talent pool, and given that they have put so much effort into getting ourselves organised today, I'd like to thank them for that. And I would encourage you to not go to the obvious choice of Eoin and Peter and Patrick, but actually to engage with the wider talent pool that we have, because there's a real depth and strength there and it's an opportunity to see just how pervasive we are as a company.

**From the Past to the Present**

My job really is here is to do the introduction and to do a little bit of revision of the past to the present. The guys will take it from the present to the future, and I think that's a really important moment for us. For those who have the same amount of hair as me or less, and certainly the same colour, you'll remember way back, you know, Greencore was a semi-state company in Ireland that was involved in the sugar industry. It has changed dramatically since then and continues to change on a fairly regular basis and, from its first foray into the United Kingdom in terms of food acquisition, it has really expanded its portfolio, rationalised that portfolio and, indeed, got into the very vibrant space of convenience food, largely through the acquisition of Uniq, which got us into a new customer reach that allowed us to consolidate our position and really grow our business here in the United Kingdom.

We obviously moved into the United States about ten years ago, which was a deliberate strategy to diversify our geographic dependency in terms of this territory, and that worked really well and we were in a very much an upward trajectory in terms of that business. But as you all know, last year, around the summer time, we had a very compelling offer for that business and, doing the right thing from a shareholder perspective and value proposition, it was a compelling offer that we couldn't ignore.

So I think the give back to our shareholders has gone down well; it was a big chunk of change. We obviously took the opportunity to strengthen our balance sheet by paying down some of our debt at that stage, and I think it has put us into really good shape as we now focus on a more narrowly defined territory here in the United Kingdom. We're in a sector that has high barriers to entry, but is a very good sector for us and we have a tremendous amount of confidence and enthusiasm about how we can leverage that capability in terms of growing our business here.

**Format of the Day**

I think today's format is different to typical capital markets days. Our last one was in Chicago, in July 2016, some of you were there. Obviously, our business has changed: it tends to be a little bit more information imparting and I think the format today is going to be good. You are going to see a lot of accolades and insights from our customer base, through videos, which has been really, really dynamic for us. And I think the message from that, for me, would be very much an affirmation of the market segmentation here in the United Kingdom, and those bits of the market that we have chosen to play in. They're certainly a big plus in terms of our ability to innovate and work alongside our customers and I think, also, in terms of our customer identification and reach, it sort of validates that.

You will also see a lot of stuff in terms of what we do internally here, particularly on our operating processes. So our excellence programme that sort of goes across manufacturing, through purchasing, through commercial, you'll get good visibility to that. And also, you'll see the impact of all of that in terms of our forward look in terms of our financial model, and particularly relevant in terms of capital management; it's a big, big part of what we do at this point in time. So: focus on free cash flow generation, what we're prepared to invest in maintenance CapEx, what we'll do in terms of strategic expansion, but at the same time, delivering returns to our shareholders.

So I hope you enjoy the day, that's the most important thing. I hope that you'll get a sense of confidence not only from me and my colleagues in terms of the Board but the extended management team, in terms of what we're about and what we can deliver. And I hope you feel, as I do, that we will be a compelling investment opportunity for those who are currently not in the stock. So I wish you well, enjoy the day.

## Introduction

Eoin Tonge

*Chief Financial Officer, Greencore*

**Preamble**

Excellent. I like the fact that we're going to clap everyone, that's a good start. Thanks, Gary. And look, I'll just echo Gary's welcome to everyone. Thanks, everyone, for making the effort to come here today, we're delighted to have you here for our Capital Markets Day here in London.

I'm delighted to be doing the introduction just before I hand over to Patrick, who's going to really start the day in terms of the main event of the strategy. I get the fun jobs of doing the housekeeping, for example. So, if there is a fire alarm, leg it. We had one here yesterday here, so it's not impossible. The only other kind of more serious housekeeping is I do direct you to the forward-looking statements note in your pack and at the start.

**Today's Speakers**

Look, as Gary said, we're excited about today. You're going to hear a lot about our strategy, about our business model, about our team and our capability and about our economic model.

On our team, you're going to meet a lot of people from Greencore. The main presenters here are Patrick and the senior members of the team and, amazingly, actually, between the five of us here, we've got 75 years experience in Greencore, so I think we can talk with authority on the company, and over 100 years of food industry experience. But you're going to meet a lot of people here today, in the breakouts and in the breaks, so I encourage you really to kind of touch and feel the company and – well, not literally – but, you know, really get a sense for the knowledge and the passion that we have for the company.

**Today's Agenda**

I'm not going to kind of go into detail on what the shape of the day is; it's pretty kind of straightforward. After I hand to Patrick for the strategy, the morning will be: Patrick, Peter and myself and we'll do a little bit of Q&A at that point in time. After the break, where you get a chance to really see our food and our food innovation, we're going to come back and we're going to do some deep dives, we're calling them, into our commercial and our operational processes. And then I'm going to wrap it up, talking about our economic and our value creation model and then we're looking to aim to finish in and around one o'clock.

**Greencore**

*Set up for growth*

So, as Gary kind of talked about, a little bit, the journey, where we got to today, I'm going to talk a little bit about where we are today and then really we're going to talk about the future. So the next three slides really are – I'm not going to present them in detail, but they're just kind of a snapshot of the company really, where it is today. I'm going to talk about us commercially, I'm going to talk about us operationally and I'm going to talk about us financially.

So this first slide really just shows the exposure we have currently in terms of portfolio, category exposure and our customer exposure. And a couple of things to point out: you know, all of our portfolio is important to us and we are going to touch upon our total portfolio today, but it is weighted towards Food-to-Go categories. And Food-to-Go categories, as we're going to talk about, we believe are particularly attractive and particularly positioned for continual growth.

We also have a diverse customer base. We've always made a virtue of the fact that we are well diversified across the full grocery retail customer base. You're going to hear, actually, a lot, as Gary said, from our top three customers of Co-Op, Marks and Spencer and Sainsbury's, but actually we could have had lots of excerpts and videos from, actually, all of our customers, because we've got very strong relationships with the full suite of grocery retail and with the convenience store channel.

*Well-invested, nationwide network with capacity for growth*

Our network, we believe, is really second to none. We have a – it's very well invested, very – and nationwide. We've got 21 production units across 16 locations and we've got what we believe is a pretty unique and distinctive direct to store distribution model. It's well invested; we've spent over – or spent about £300 million in this network over the last the five years and, critically, it's got the capacity for medium-term growth, which is going to be important when we talk about our strategy and our financial model in a moment.

*Attractive economic model*

And then finally, just in terms of rounding off the kind of snapshot of who we are today, just on the economic model. I mean, firstly, I'd start with, on the left-hand side is, you know, I believe we start with actually pretty strong financial metrics already. The left-hand side is the full-year '18 results for this business and there's two numbers that I'd direct you to: our margin of 7% and our return on invested capital of just over 15%. I'm going to talk about those a lot more later on, in my section, but again, I believe they are really strong platforms for us, for our business and how we think about our business going forward.

One thing probably that goes a little bit unnoticed, to a certain extent, because we haven't ever really presented these numbers before, because we've been one Group, is the track record of our UK business over a longer period of time. This is going back eight years, from the time of the acquisition of Uniq, and what you see here is a track record of strong delivery both in terms of top line and also in terms of operating profit. The 11.7%, which is a number I'll talk a little bit about later, is the growth we've seen – the combined – the CAGR growth we've seen over that period in the categories we operate in today, which is, you know, pretty obviously stunning growth and we'll talk a little bit about that when we come back together later on in the day.

One thing to point out as well is, I mean, which is relevant for how we think about the future, is this track record is delivered in a period of pretty significant industry change and a lot of macroeconomic conditions – different macroeconomic conditions. Just to make sure we frame that.

**Our Investment Case**

So why are we here today, right? So, I mean, this is the – this is really – that's the – that was Greencore today, this is what we're talking about, which is the future. What Patrick now is going to take us through is our belief that we've got very strong platforms to build an investment case around. Like:

- Deep customer relationships, of which you're going to hear an awful lot from our customers and from our team;
- Our positions, particularly in our Food-to-Go categories, which we think are particularly attractive – changing, but very attractive and poised for continual growth;
- A networking capability which really is second to none and, you know, we have really developed that significantly over the last couple of years and, hopefully, you'll get a real strong sense for that;
- And the track record of outperformance, which I've mentioned.

We have translated that into a set of medium-term financial ambitions; we put those on the website on the announcement this morning. I'm going to come back and talk a little bit about how we think about those, the makeup of those, later on in the morning, but just to kind of leave them with you in terms of how we're thinking about the shape of value creation:

- Mid single-digit organic revenue growth;
- High single-digit adjusted EPS growth;

- Converting half of our adjusted EBITDA to free cash flow. You all, I think, are people getting used to me, you hear me talk a lot about cash;
- And sustaining mid-teen return on invested capital.

So I'm going to just – before I just hand over to Patrick, I'm going to make just three quick points, some are bigger than others, but I'm going to make them pretty quickly. One is, we made a pre-close announcement today about current trading, so I kind of refer you that in relation to current trading. Secondly, we have a page in our Appendix in relation to the implementation of IFRS 16, which hits in FY20. I'm not going to go into detail in either of those two things; we're going to go into much more detail on that at our results in November. And then thirdly, Brexit. I know we're all tired of Brexit and so on, but clearly we're going to address Brexit as we go through the day, but we're not going to drain Brexit, we're not going to talk about it. I think there are three points to make in relation to Brexit: you know, there's no real new news, from our perspective; our business is really well set up and well insulated for the various different Brexit scenarios; and critically importantly, we are very well prepared and planned for different scenarios.

So we are more than happy to address any of those points in our Q&A throughout the day, but with that, I'll hand you over to Patrick. Do I get a clap?

## Strategy

Patrick Coveney

*Chief Executive Officer, Greencore*

### Welcome

Morning everybody, and welcome and thank you. It's actually a privilege to be here with you and we're delighted with the attendance. In particular, to echo what Gary and Eoin said, I wanted to welcome the extended group from Greencore who are here, principally at the back. They'll become more rowdy as the day unfolds, don't worry, particularly when they've done their individual sections and they're off the hook in that regard. But actually, I think it is important just to set out here – and I'm kind of – I'm asking a little in advance for forgiveness in this regard, in that this is actually going to be a very interactive day, right. We've got a lot of technology that we're going to show you, we've got a lot of videos that we're going to show you, we've got moderated Q&As. And what we were trying to do was, first of all, make the day interesting in that regard, but also give you a real sense as to who Greencore is. And I choose those words 'who Greencore is' in terms of the people who sit in the business and what the essence of our culture and capability is. And so I really would urge all of you, although we've kind of scared the hell out of a lot of our teams by talking about what you can and can't say with regard to closed period and all of that, but questions about what Greencore is, don't just talk afterwards to Eoin or Peter or I or Gary, but there's probably 40 other Greencore people here between the people who are in the room now and all of the food theatre and so forth that we are going to show.

**Greencore**

*What it is*

Right, with that welcome, let me just, I guess, start with what Greencore is. Greencore's a great business, right. It's dynamic, it's growing, it's relevant, it's fun, it's exciting and it is an absolute privilege for me to be the CEO of Greencore. And I look at where we are, what we've done and where we're going with a real sense of excitement for what's possible and a real sense of ambition for the business.

If I talk very specifically around where we are in the context of where we've been, the way we think about it is we are about six months into what I would characterise as the fourth era of Greencore over the course of the last 12 years. For those of you who know us well, and there are many people who've known me since I became CEO, in December 2007, who are here and, you know, well done for surviving that length of time, myself included, I would say.

So we had a three or four-year period which was about resetting the portfolio and establishing control and kind of figuring out really what we are during that period. We then had a phase which was all about consolidation and growth in sandwiches in the UK. We then had a third phase, it had been preceded a little bit by some experimentation, which was a rapid scale up, and what I would characterise as disciplined exit from America. And the fourth phase, which I think we've probably been in since about March of this year, which is about deepening and widening our presence in the UK and using that to really take the business forward in terms of growth and disciplined returns going forward.

And that's really the story of what you're going to hear from all of us today. It's about widening, it's about deepening, it's about leveraging the capabilities, relationships, skills that we have and it's about doing all of that because of the tremendous level of insight that we have on this marketplace and our business in this market, in a very disciplined way that generates very good returns.

So, just to say I think that is a different strategy than what we've had before, but it builds on many elements of what we've done. It's exciting, and I'm personally committed to getting it done, not on a one or two-year timeframe, but a five-year timeframe or more, in terms of where we're going to take the business. That's the potential of what we have as we look forward.

*Relevant, distinctive and fast growing*

Now, there are three concepts that are going to run through everything that we do between now and 12.30 or 12.45 today. They're concepts of relevance, concepts of distinctiveness and concepts of growth. We are a business that are privileged to sit right at the heart of UK society. 50% of the UK population eat one of our products every week, 90% of the population eat one of our products every month. We have a very, very wide customer set and a very deep set of relationships with all of them and with that relevance comes tremendous opportunity.

We've also got a business and a business model that is distinctive. It's distinctive in terms of the market positions that we have, it's distinctive in terms of the capability set that we're running with, it's distinctive in terms of our culture, our team, our capability, the relationships that we have right the way across the value chain in this market as we go forward.

And thirdly, we're about growth. We choose to be in categories that are high growing. We choose to deliver growth for our customers. We choose to set out growth ambitions in terms of what we're doing in the business that are well in excess of the underlying growth of the UK food market. And, as a mindset, we're about growth in terms of what we do with the business, but also how we run the business: how we think about people, how we think about development, the sense of fun, ambition, excitement that runs through our business.

So those three themes of relevance, distinctiveness, growth run through everything that we're going to talk about. So, before jumping into the strategy, what I thought I would do is play a brief snippet, at CEO level, of our three largest customers talking about what it's like to work with Greencore and their observations on the kind of business that Greencore is.

[VIDEO]

Okay, you're going to hear three or four more times today, and against different themes, from our customers, but one of the – actually the realisations that I got from listening to this footage over the course of the last number of weeks is that we talk about customers and our customers talk about partnership. And, actually, it really is symptomatic of how we work together and I think you'll see that when we talk about growth, you'll see that when we talk about relevance, you'll see that when we talk about capability and I think it will be really brought to life in the breakout session that Kevin Moore, Andy Parton and Andy Atherton are going to lead after the coffee break.

**Our Strategy**

Now I wanted to now talk about strategy. I mean, what we're about is winning in convenience food in the UK. We sit in a convenience food market that we are certain has structural growth characteristics attached to it and, within that, what we're about is driving four different things – and this is essentially the organising device for how we're going to spend the time with you today.

So, one is about growth and driving growth in what we're characterising as a dynamic, expanding Food-to-Go market.

Secondly is the concept of relevance and let me just say why relevance is important. So we are a business to business brand, right. We have the privilege and the responsibility, with those brand positions, to have responsibility for driving the strategies and growth of our customers. We're embedded at all levels with those customers and that's where the relevance really sits; it's from – it starts with me, but it runs through hundreds or, indeed, thousands of people who get to engage with our customers in lots of different ways. And the way in which that relevance manifests itself – and Peter will talk about this at much greater length – is in this joined up, one business approach to how we go to market.

Thirdly, we're about being distinctive. Not only being excellent but actually constructing a repeatable model in terms of both what we do, but also who we are, what our culture is, and we think that's a really, really important part of how we go forward.

And finally, how this is pulled together in terms of how we drive shareholder value going forward.

So I'm going to focus on growth, Peter's going to jump in on relevance and our model and then Eoin's going talk about shareholder value later on.

**Drive Growth in Expanding Food to Go Market**

So we thought it would be useful, just for a minute, to understand what has driven our growth so far, right, and Eoin gave you a snapshot of that earlier, right, where he spoke, depending on how you define it, that our UK business has had been between 10 and 12% growth over the last eight or nine years as a business. Bear in mind that's in a grocery market that's probably grown at 3% through that period. And I'm doing that not necessarily because it's directly applicable to how we're going to go forward, but actually there are a lot of lessons in that and what we're going to identify here, as we run through this together over the next 20 minutes or so, is the set of things on which we're going to build and do more of going forward and where we need to add to our growth model as we go forward.

So we've cut it across five different lenses: categories, occasions, channels, formats and competitors. And if you look at what's happened in the last decade, you know, our growth has been about the sandwich, right. Let me be very specific on that: in 2010, we had about £250 million of sales in sandwiches. Today, we have £750 million of sales in sandwiches, right. That has been the really, really big source of growth in our business over that period. If you parse out what's driven that growth, that £500 million pounds of growth in sandwiches, about a third is from acquisitions, about a third is from market growth and about a third is from business wins or share wins within existing customers.

Central to how we've driven that sandwich growth has been owning lunch, right. We have focused with great precision on the lunch occasion, providing products that work for consumers and products that work for our customers and propositions that work for our customers around that. So we created the meal deal, right, and it has worked very, very well.

Thirdly, a big customer focus for us has been around grocery. Now, I should stress that is the – that is grocery as a set of owners of multiple formats rather than just large hypermarket stores, but the growth that we've driven has come through and with the growth agenda of our customers, for which Food-to-Go and sandwich growth has been very, very lucrative.

Within that customer set, the format that has been the secret sauce of all of this has been the convenience store, right. If you look at our sandwich sales today, 50% of the sales happen in stores that are 5,000 square feet or less, right. So, as you saw, a rollout which rolled out at about 5% a year in compounded growth of new outlets between 2011 and 2016, that growth made somewhat of a difference to the overall growth story of our customers, but made an enormous difference to their growth in sandwiches and a very significant difference, obviously, to us, as we drove growth.

And finally, the essence of this sandwich-driven growth was around out-executing our immediate competition, right. So if you go back to 2010, you would have found there was Northern Foods, Uniq, Greencore, Adelie, Cranswick and Samworth who were in the sandwich market. There's really only two and a half players there today. We've got – we've taken our market share from 22% to 65% through that period of sandwich manufacturing, Samworth pretty much have the rest. There's a small residual share of grocery business that Adelie have, but Cranswick are gone, Northern Foods are gone, Uniq are gone, and 2 Sisters, who became the owner of Northern Foods, are gone from sandwich production in that period as well. So it was a very direct focus on out-executing the immediate competition.

So what I'm going to do now is take those lenses and talk about what we're going to do more of against them based on the past, but also what's changing and how that informs our growth strategy as we go forward.

**Consumer Demands – Health, Freshness, Local Sourcing, Sustainability**

*Categories*

So if I jump to consumers and categories, so the first thing to remember is that while there are changes in aspects of how consumers think about their food, there are also some things that stay very, very consistent over time, right. Value: very consistent over time and, importantly, convenience: very consistent over time. So no matter what else I say, please remember that the structural growth of convenience foods, as a broad theme, remains very, very important to the growth agenda of Greencore going forward.

But once you parse that down further, there's quite a lot of changes going on, right. So I want to talk a little bit about the changes in health, because I think there's actually a step-change in terms of the impact of consumers' health trends on food production at the moment. So now, self-selected, 35% of all UK consumers would self-select to say they are on some form of diet. 20% of UK consumers are consciously choosing to eat less meat, right, and that is different from 18 months or 36 months ago. Within that, that has absolutely informed our innovation agenda. We launched 250 meat alternative products this year alone, right. 250 meat alternative products this year. 25% of our total innovation agenda plays to that reduction in meat, in some form or other. Importantly, consumers are also indicating that they will pay more for meat-based alternatives, which actually are also cheaper to make, right. So the economics of that is very important, but the responsiveness and adaptability of businesses to go after those trends is going to be very important.

The second trend, and this plays both to consumer sentiment but also to supply chain, is this concept of freshness and I'm going to merge that, if you'll allow me, with the concept of local, right. So we have a view that fresh food is where it's at, right. You're not going to play to health without being fresh, right. But the critical component of that is actually configuring local supply chains, right. So if you look at the – Alwen Hill is here, who's our Purchasing Director, has been for a very long time, at least as long as I've been in role – you look very well, I should say, Alwen, but go and talk to her about this, right, because over the course of the last three or four years we've gone from sourcing 80% of our beef from outside of the UK to, now, only having 20% of our beef that's coming from outside the UK. If you look at all of our protein in aggregate, including dairy, because the Americans like to define dairy as protein, we've gone from having only 40% of our product sourced within the UK to, now, 60% of our product sourced within the UK. Two really important reasons for that. One is we can make the product fresher and the second is it gives us a more resilient supply chain. So when Eoin said we were going to touch on aspects of how we're managing both short and long-term Brexit scenarios, this is one of them, right, a local, fresh supply chain that works with local suppliers. And we've stepped it on even more, actually, because we've actually got some really, really cool technology that we're working on; for example, a hydroponic solution on produce that will enable us to have year-round produce notwithstanding the kind of weather and seasonal conditions in the UK, and can also do that with very reduced levels of potential pest contamination and so forth as we go forward.

And then the third concept is sustainability. So we, as a business, have always been adaptable. We can change things quickly, but I don't think this is about just being reactive. There is actually a change in consumer sentiment towards sustainability. You know, if you look at the IGD data on this, you've got 75% of consumers are now saying that choices – that products that play to more sustainable solutions, that they'll have a preference for buying those. 57% of those consumers are saying they would pay more for that. So this is actually a change, it goes to our products, it goes to our packaging, it goes to our supply chain and it's going to be a really, really important part of our business going forward. And I think the substance of how we're configured in relation to sustainability is really, really good, right. There are many other businesses who can dress up what they're doing in terms of sustainability, but they've got much longer supply chains, much worse outcomes in terms of climate change, much worse outcomes in terms of health, much worse outcomes in terms of packaging. Where actually the substance of what we're doing in this regard is really, really good and really encouraging, both because it's going to reflect where consumers are going, but also, frankly, because it's the right thing to do.

**Fragmenting Meal Times – much more than lunch**

*Occasions*

I wanted to – if you remember, I spoke about winning lunch being critical to what we've achieved in the last decade and that will remain important, but here I'm introducing – and this is Greencore-specific data, right, and one of the points that I wanted to come across here and you'll get the chance to talk to Jo Smith outside later on today, is that we just know this space, right. We invest a lot into it in terms of capability. So, since 2014, we've been tracking Food-to-Go occasions across the UK. We've got more than 40,000 data points in that period. We've actually – we're tracking 17 different retail outlets or food service outlets in terms of the shopping behaviour that's going on in there and that gives us an insight in terms of what's happening around the Food-to-Go market and we translate that into customer-specific plans, switching data between outlets. Some of you will have heard me say how, for all of our grocery customers, the biggest single competitor is Greggs. Like when we actually first introduced that as insight to our customers they were surprised by it, but it's grounded in the tracking and investment and insight that we have in this space.

Now, if you look at the data as it relates to the future, one of the things, it's not surprising to us today, but it was as we began to track it, is that only 35% of all Food-to-Go consumer occasions actually take place at lunchtime, right. So, as consumers are fragmenting their eating patterns, 30% are snacking through the day; even more surprisingly to me, 26% of Food-to-Go products are actually being consumed in the evening, right. So as we look forward, lunch will of course remain important, right, it plays to all sorts of behavioural and workplace trends, but the opportunity set in these other areas – in snacking, in evening and actually in breakfast, which, frankly, under-trades what it should do even though it's growing very quickly and it's very lucrative in terms of the money that people will spend, but the opportunity to really get after those other occasions is going to be a big feature of what winning Food-to-Go players will do in the future.

**New Channels – disruptive and existing players overlapping**

*Channels*

You know, we've seen a real level of change around channels, and I wanted to – I wanted to, again, kind of ground this in the reality of our business, because sometimes it's a little different from what people think, right. So, you know, guys like Clive and Martin and Nicola and Charles, who I've been talking to for many years, will rightly point to the relationship of Greencore with large grocers. But actually, if you take the original definition of 'grocery' – big four grocers – that's only a third of our revenue, right. So the – now, we would widen that out beyond that to include other people, like Co-Op and M&S and Aldi and Lidl and Waitrose and others, but if you take the big four, it's only a third of our revenue, right. And as we look at how growth is likely to roll out going forward, about what – the – you know, the industry authority in this, which is probably the IGD, reckon the big four grocers will grow at about 1.5% a year, which is less than inflation, in aggregate, between now and 2024, right. If you take convenience and discounting as a blended set, in which we are much more exposed, that's actually going to grow at 3% over the period. Take online, it's going to grow at nine. Take some of the direct to consumer propositions, many of them are going to grow at double-digit level.

So this does require an imaginative response in terms of where you put your business, where you park your tank, so to speak, in terms of getting growth going forward. And so we're really on that and we need to be on it, because it's reflective of changing consumer behaviour. Consumers are becoming more promiscuous in terms of their choice of Food-to-Go outlets. They're building a wider repertoire of outlets from which they shop. So even in the last 18 months, referring back to the tracking data that we've got, we've seen Food-to-Go consumers move from averaging seven to eight outlets per month, different outlets per month to, now, averaging nine to ten different outlets per month. And so it's that blurring across channels that's going to be so, so important as you go forward. In other words, you cannot hang your hat in this market on just serving big four multiples.

**Formats – customers' needs evolving**

*Formats*

Within that, of course, formats are so, so important. You'll remember me saying earlier about the importance of convenience stores and where sandwiches have been sold and, indeed, if you look at the totality of our range, 40% of everything we make is sold in the convenience store channel, right. So it's a – it's been very, very important for us. Now, I'm not calling time on the convenience store growth. Actually, there's some quite encouraging stuff that's going on there, if you look at what Co-Op are doing with Nisa; if you look at the focus and visibility that M&S are still putting around growing their business, the well deserved hype and enthusiasm around the Clapham store that opened last week; if you look at some of the – how Sainsbury's spoke about their local and convenience store network. So there is still going to be growth there, it might not be as explosive as it was for much of the last decade, but it's still going to be really, really important for them and for us, as their partners.

However, the reason we've put up these photos is that we think that the next big thing in UK grocery is going to be food theatre and food service in retail, right. Whether that be coffee shops, restaurants, counters, hot eating, putting service and food quality and freshness and theatre into the shopping mission is going to become so, so important. And a big part of the investment we're making in terms of capability, as a business, is configuring us to be able to go after that, and I'll talk more specifically about some of the initiatives and investments that we've got in that space.

If I look on the far right here, the other notable thing that we're seeing and I think this will play out over perhaps a longer period of time, is this concept of actually wholesaling very trusted retail brands into other channels, right. Whether that be in travel, whether that be in fragmented convenience stores, whether that be in the drug store channel, there is – we're starting to see each of Co-Op, M&S and Sainsbury do that and, again, I think that will be important as we go forward.

**Competitors – blurring with potential customers**

*Competitors*

And finally, all of that informs a different competitive set. In fact, the distinctions between what constitutes a supplier, a competitor and a customer are actually pretty nebulous for a business like us. So I take 2 Sisters, for example, a traditional competitor, most of the Northern Foods network actually went into that business, but actually our principal relationship with 2 Sisters is they're our biggest supplier, right. If you take Greggs and Starbucks, we supply them with product, but our core partner set actually would cite those as two of their biggest competitors, so they're a customer and a competitor. If you take Sushi Daily, their products are competing absolutely against the retail sushi products that we've got in store, but yet they're also, over time, potentially a prospective customer for us. So this distinction between what constitutes a competitor, what constitutes even a supplier and, in particular, what constitutes a customer is going to be very, very important for us and it goes to – goes to how we're going to work going forward.

**Drive Growth in Expanding Food-to-Go Market**

So if I put all that together, what does this mean in terms of the kind of key lenses of our growth strategy going forward? So, hopefully, this is self-evident based on what I've run through but, you know, we are consciously – let me make a point here. You could interpret this as these are all new things we're going to do, they're not, we're on with it already, right. So we already have a lot of product propositions beyond sandwich in Food-to-Go, but we're going to accelerate that further. We already are starting to go after these other occasions; you'll see some snacking products, you'll see some hot eating products, you'll see some breakfast products – in fact, you had some as you came in the door. But we know that while lunch is going to remain very important, there's a tonne of other occasions against which we can configure our product set.

We are going to – and you saw that in the pie chart that Eoin introduced at the beginning, you know, having scale, having presence across a wider customer set is going to be important.

And then, within our key customers, because that will – I think that's absolutely going to remain the core of our growth – really helping them drive points of availability and new channels, new formats with them is going to be very important.

And, as I say, again, the competitive set and what constitutes – the traditional kind of who's winning market share and who isn't way of thinking about this industry is becoming less and less appropriate given how it's now configuring.

**Food-to-Go Market – Diverse, Attractive, Growing**

So if I try to put that – I've got two slides here that actually point to numbers about the market and growth in relation to this. This is the first. So if you – hopefully, in fact, I'll be certain that many of you will recognise the building blocks of this data here.

So the first thing to say about the Food-to-Go market, broadly defined and, as I say, this is way bigger than sandwiches, is the big market, right, retail close to 13 billion of sales this year. But it's also a growing market, right. In the context of what I shared with you earlier, about a 1.5% likely growth in total grocery sales for grocers, 5% is very, very significant, right. Even 3.6% for supermarkets and hypermarkets is above what they're going to achieve with the rest of those stores.

The second thing to say, though, is these channels of convenience, which is the heartland of where we're playing, are very important and have structurally better growth attached to them than the large stores.

And then to say we've got big and interesting opportunities that we need to think about in terms of coffee and Food-to-Go specialists. And again, by 'think about' I don't just mean think about some of these players as prospective customers, it's more how do we help M&S, how do we help Co-Op, how do we help Sainsbury, how do we help Tesco compete in coffee and compete in Food-to-Go specialism, through counters, hot eating, in-store theatre of various ways. So this will just blur and blur as we go forward and that's kind of key to how we're thinking about the business.

**Drive Growth in Expanding Food-to-Go Market**

So I'm now just going to pivot to a slightly different place and I just want you to kind of come with me as I do that. So that's a description of largely around what's going in the market and implicit in that is a whole load of things that we are doing and will continue to do and do more of. What I'm now going to talk about is four things that we are doing today, right, that are indicative of the strategy in action of our business and the delivery of growth as we go forward. And they hit to two reasonably obviously themes. One is about product and the second is about channels or consumer access, so if I just jump into each of them, starting with innovation.

**Drive Innovation Across Core Range**

So one of the – at the very essence of the Greencore model is product innovation, right. And, actually, there's two things that I would – you know, that are really high-level points that you should never forget when you think about Greencore. First of all, we are and we have to be about great food. It has to taste great, it has to be safe, it has to be exciting, it has to be inspired by the trends that consumers want and, actually, if we don't have that, we don't really have anything, right. So, great food: core to what we're about.

And secondly, we have got to churn that food to reflect what consumers, customers, formats, channels actually want. And that leads to this model, which is enabled by the fact that we're carrying very little finished good stock, right, and that we have very flexible production. That means that across 2,500 products almost half of them are new every year, right. So – and they're not all completely, you know, new frontier stuff that consumers have never seen before. A lot of them actually play to margin management, to security of raw material supply, to changes in tiering, premiumisation and so forth, but some of them are fundamentally new, right, and that's absolutely core to how we're taking our business forward. And this is not just a sandwich story, this plays across the totality of the Greencore portfolio and Greencore customer set, all 2,500 products that we have in the market.

We invest a lot in this:

- We've got 150 people in NPD. I hope you take the opportunity when we have the coffee break to meat Jo Smith and some of her team, who are part of that 150 people who do that;
- We have actually – we have some real IP and technology about which we're able to manage this level of churn, this level of innovation;
- We invest a lot in research. Peter uses this analogy all the time, which is what we're trying to do, as a business, is to bring the best of kind of brand investment around consumer with the intimacy and relationships of really good own brand or business to business brands, and that's what we're trying to do, particularly in product;
- In the search for great-tasting stuff, we actually go around the world. We typically do that with our customers. There's people here like, you know, Kevin and I were in Italy; Kev took the Co-Op team to California last year. So, you know, we are going to where cool stuff is happening in food and then deploying it back in to the UK market.

**Build Scale in Expanding Food-to-Go Categories**

To be more deliberate though, in terms of where we're taking that product development, product participation agenda, here are four really important themes, right, against which we have varying levels of traction and momentum, but all four are very important, right.

*Scale up in meal salads*

So, first, and it's reasonably public by virtue of the acquisition that we announced last month of Freshtime, is we are scaling up in meal salads, right. We're already the second-largest player in the market now, in the component of the salad market that is meal salads. We were already doing a reasonable amount of stuff before we bought Freshtime; we're putting that together. We know consumers want more of these products and so we're driving a mix of organic, inorganic investment to really scale up our proposition in that space as we go forward.

*Broaden sushi offer*

We're also very serious about sushi. We've been in the market in various ways for seven or eight, nine years, actually, since we've had a plant in Crosby. You'll hear M&S talk about the decision to invest in sushi capability in Northampton. But we have – in the last two weeks, we have become the first and only pre-packaged sushi manufacturer that can actually bring raw sushi to supermarket shelves, technically, right. And so we're the first people to be able to do that and it's actually really working well, notwithstanding the fact that it's early days in terms of consumer reaction to that.

*Capture chilled snacking growth*

We have an absolute conviction that chilled snacking is going to be important. I think we're at a little bit further back in terms of the breadth of offering that you'll see in the market relative to meal salads and sushi, but, you know, we have got to recognise the fragmenting nature of consumer meal occasions and snacking occasions. And, again, fresh, portion controlled, safe, interesting product, all of which we can put together, is going to be really important to our growth going forward.

*Exploit hot food opportunity*

And then hot food matters, right. You can't win in breakfast without good hot food, you just can't do it. And actually, the other, economic imperative in this is that consumers who buy hot food in grocery and convenience stores buy more product, 10% more, actually. The typical, you know, number of SKUs purchased by a hot shopper is 3.3 versus 3.0 for people who buy a chilled sandwich, right. They also pay more, 40% more, right. So if you're providing a very good solution for consumers around hot food, which has theatre, that has taste, that has freshness, you know, you can actually – you know, you can earn very good returns from doing that.

So those four areas are very important.

**Make Current Space Work Harder**

So I'm now coming off product and talking about channels, right, and here we've got – we've got two themes here. Just a kind of side story for a second. Some of you will – I hope all of you will get the opportunity to meet Andy Parton later on. So Andy runs our Food-to-Go business ex-M&S, right, that's his responsibility in our business, and he was with our Board in March and I think it might have been Gary or, if not Gary, Sly who said to him, 'What's the biggest single thing that we can do as a business that will make a difference in Food-to-Go?' and he said, 'Help our customers on availability'. And I remember – because I'm not always very insightful, I remember sitting down to talk to him ten days after that and I said, 'That was a really boring interjection that you made with the Board there. There must have been something more exciting than that'. But actually, the more we have looked at it the more apparent it is that there is a tonne of under-utilised space in the grocery channel across multiple formats today and if we can just simply make that space work better, the opportunity for our customers to perform better and us to grow better is massive.

So the sort of things that we're talking about here is moving from this traditional, one-size-fits all approach to ranging to actually being able to range stores, obviously by format, within format by region and, in many cases, most particularly London, by store. So we now have teams, analytic capability, embedded in our customers that are actually making range decisions every day for Food-to-Go products into those stores. Greencore people sitting in our two largest customers that determine what goes to each of those individual stores, in an attempt to drive better merchandising.

You know, the second piece is in relation to availability. You know, too many of these stores are out of stock at the end of day. In a world where 30% of consumers want to buy Food-to-Go products in the evening, they just can't find it. And so that's where – and you'll hear it in the breakout commercially later on – the importance of both individual unit pick and direct to store distribution. And actually, if you'll just allow me, let me just explain why that's so important.

Everybody thinks that the reason Greencore have vans is because retailers don't have the ability to get product to complex stores and, in part, that is true, but the real magic of it is that we're able to deliver by unit and not by case, right. So if you have product that has two days' life in store, the difference – not having to distribute them in units of 12 is really important as you're trying to optimise the balance between availability and waste going forward. And then clearly, you know, you'll have people like Martin Ford and others, who are in the room here, who heads up Technical for our business. If you can do stuff around life, you can really help space work harder as well and that's a big part – big part of what we're doing.

**Expand Customer Reach**

And then my final kind of, you know, market description, the fourth point here, is notwithstanding making existing space work harder, right, that's really important, we also need to bring our products, with our customers, to new points of distribution. And we're doing that in all sorts of ways, and it's going to be – you know, you can't look at the blurring of channels, the blurring of formats, the blurring of outlets that consumers are now – and the repertoire that consumers are using to access product and not find ways for us to bring our business to some of these occasions. So:

- Café and serve over – I can't stress enough the importance of us being just all over that, right, in terms of product, service propositions that really work.
- You're going to hear some of our customers talk about – most particularly Co-Op, about what we're doing together in vending, later on. I think that is a – it's going to take a while for that to really become material to our overall business, but again, ways of actually using technology to extend availability and reach for our product is really, really, important.
- Undoubtedly, in the medium term, direct to consumer propositions of multiple different types will unfold.

And so what we're doing with our product development capability, with our customer relationships and with the distribution options that we have is setting our business up to be relevant to wherever consumers go in terms of accessing Food-to-Go products, but with the brands of our key customers as the principal interface into them.

So – sorry, let me just pause for one second. So before – I'm going to finish by just pulling this together into what we think it means in terms of numbers, but before doing that, I'm going to, again, ask our customers just to describe how we're working together in terms of growth against this agenda.

[VIDEO]

**A Strategy to Expand Our Category and Channel Reach**

Okay. So, just to finish and for kind of eagle-eyed kind of analysts amongst you here, we're pivoting in terms of data here, from IGD data to Kantar data, so this is more a kind of bottom up, product category by product category view.

Where we sit or have sat for much of the last decade is what we're characterising as the traditional heartland, right, where a high share of that 1.5 billion of sales, but the point to note here is that the market is much wider than that, right, and also the market is growing strongly. So the two kind of axes of growth that we're going to push forward on are, first of all, doing more on product, and that's where it's just generally more innovative stuff in everything that we do, but then adding, you know, specific targeted either organic or inorganic investment into the four product areas that I described. And as important as that is actually really being where consumers are, by making existing space work better and by finding new points of access and new points of availability for customers. And so those two things are going to provide the practical axes of growth going forward.

So I have a real conviction here that actually the growth potential of our business is very, very significant. As we get after these things, we're really going to push our business on and I have to now make a mental leap from that level of kind of aspiration and excitement on what we can do to what it means for our financial metrics, as Eoin and Jack, I'm sure as many of you will describe. But the simplest way for me to put it is that I'm all in on the fact that we're going to be able to deliver mid single-digit revenue growth, at least, on the back of how this is evolving and what we're trying to do as a business.

And finally to say, though, because I do want you to also hear me very explicitly make this point, is that there are aspects of that lighter green square that are crap, just not good places to be economically, right. Products that are in modest decline, pools of product that have no margin attached to them because they're stuck – they're very commoditised and so forth. So we are going to be insightful and disciplined in terms of how we go after this growth, right. That has been critical to the relative margin outperformance that our business has had in the UK for a long period of time and it will be absolutely central to the future of our business as we go forward.

So, listen, thank you for listening to me. I'm now going to actually hand over to Peter, who's going to pick up the second theme, which is relevance.

## Business Model

Peter Haden

*Chief Operating Officer, Greencore*

### Introduction

Thank you, Patrick. So my name's Pete Haden – hello, everybody – I'm Greencore's COO. I just wanted to share my sense of pride and excitement to listening to our customers talk there with real passion about our business. I think Jo, from Co-Op, talked about how she was thrilled with the acquisition choices that we're making and I hope you're starting to get a sense of our own belief in the importance of those customer relations.

As Patrick was saying, those are critical to our growth agenda and how we're going to expand growth, but I also wanted to take you into how we're thinking about, by being more relevant to those customers and by expanding the value that we can create jointly together, we can also sustain our margin performance over time. And so I'm going to spend a little while describing how we're doing that today and how we're going to keep doing that in the future.

**Deepen Customer Relevance**

And I wanted to start by describing to you our customer model, to give you a sense of how we think about a new business that we're taking on, how we then think about converting that into a valuable business between us and our customers and how, by working together, we can create that into a partnership that endures over time.

Our start point is always to create a compelling offer, and the first thing that we do when we're thinking about that with customers is actually two really critical things to both our economics and theirs: number one, customer service; delivering what we say we're going to deliver, every day, on time and in full. And secondly, protecting their brand through impeccable food safety; we're going to talk about how we deliver that later on.

Once we've got that in place, we also describe the commitment we're making to grow the business together, typically around our innovation and our insight capability that Patrick referred to.

And then we get to our commercials. Of course, part of the compelling offer is a commercial proposition that includes our pricing and how we're going to vary terms over time, and that is a critical part of how we build an economic relationship. But just as important to us as that pricing is, is the commitment that we get from our customers to help us work together to manage the business over time.

**Drive Shared Returns**

*Shared value chain*

So once we've got that in place, we then work together to beat that model. There are lots and lots of choices that we can make with our customers that can improve the economics of our business. I'm going to describe several of them in detail in a moment, but if you think about the way in which we use ingredients and packaging in the factory, our choices that our customers are making can make a big difference to the ease of use and the labour costs that we might face, or the degree to which we can consolidate buying into a smaller number of critical ingredients.

We can also make choices to improve our supply chain, Patrick referred to some of them already, to make sure that we hit both availability at the right points of day, but also manage the waste that customers are facing too.

And then, lastly, we can work together to drive the kind of growth across different points of sale and different occasions and different channels that Patrick captured.

So once we've got that in place, and I'll describe some of those examples in a second, that's what then takes us to partnerships for the long term. Once we've got – once we've created the value, then we have an opportunity to share it. That also gets us to a place where we have multi-level, multi-functional relationships with our customers and that's what can allow us to move them to four, five, six-year agreements that endure over time.

*Enhance buying and manufacturing choices*

So let me take a second just to describe some of the ways we beat the model. If I think about the largest business we've taken on in the last two years, when we agreed to that supply we also agreed that we would work together to a particular cost agenda that would actually reduce the costs and improve margins over time. That's quite a big commitment for us to make. We're only doing that because we also had commitment from our customers to make choices that were better; specifically, ingredient choices that we could consolidate into a small number of buying arrangements. Ingredient choices that meant that we can actually be much more efficient in our factories and reduce our labour costs over time, particularly in things like ease of use of packaging or buying ingredients that are just much simpler to handle. If you imaging you're trying to drop a particular amount of product on a sandwich as it goes past every second, it's really important that those ingredients don't clump together, that they're easy to use and that they're easy to handle.

*Improve our joint supply chain*

We also have several businesses that have very high seasonality. Our soup business peaks over the winter, as you'd expect; our salad business, particularly when we're making potato salads or coleslaws, have enormous peaks over the summer when everyone decides to go on a picnic together, often around Bank Holiday, occasionally around good weather, although that's not been a feature of this year. And, as a result, that actually puts real pressure on our supply and puts pressure on our production at those peak times. By working with customers, by having some of the implants that Patrick referred to, by agreeing that we're going to smooth some of that demand over time and, if we get to a real peak, by actually agreeing a narrower product range for a temporary period to make sure the nation is supplied in coleslaw, actually can really help us improve those economics, make our factories run more efficiently. And I'm delighted to say our business in Spalding that's been doing that for the last two years has managed to achieve over 98% service over that period, and that's in a really difficult and really challenging part of the market. So there are things we can do on supply chain.

*Drive retail growth*

Another customer that we work with, who is actually slightly behind what we believe they could achieve in terms of their revenue share, so they're behind their share, we've agreed with them a comprehensive programme where we're both investing to drive sales, both in terms of a more sophisticated pricing tiering, a better approach in store, a differentiated range and products which they think are going to be unique and unique to their customers, again, to incentivise the right behaviours because we have a joint business.

Lots of ways in which by having one business mindset, by having a joint agenda, we can improve the value of both businesses and make our margin sustainable both for us and for our customers, too. By increasing our relevance to our customers and their performance of their businesses, we can do more.

**Increase Relevance**

*Deepen Customer Relevance*

Two other ways that we can increase relevance. The first is actually relatively simple. We can sell them more categories so we can use the full breadth of our portfolio to deepen our relationship. We talked a lot about Food-to-Go. We obviously have a big business that also includes ready meals, quiches, soup and sauces and a wide variety of chilled food. With our very best customers, in fact, with our biggest customers, we are actually able to have a full portfolio.

Co-op, we are going to talk to, I think, Andy is going to talk to later on today. We supply with every single category that we make. We also run our distribution through our Co-op as, again, as Patrick referred to.

By having a broader set of things that we are doing, we are simply more relevant to our customers and that is something that we want to continue to strengthen. That is not the only reason, by the way. We have a broad portfolio and we want to sustain that portfolio overtime.

*Build Purchasing Scale*

A couple of other things that it does for us that we enormously appreciate and improve our business. Firstly, we buy more things. As a result, we have purchasing scale. Hugely advantageous to us as we are buying key ingredients like proteins, like chicken and many of our produce.

*Leverage Capabilities*

Secondly, it allows us to leverage the investment that we make in capabilities right across the business over a much broader portfolio. I hope you get a sense as we get into some of the break outs accounts of the ways in which we are stepping forward our capability, but we can make those investments because we can apply them across our business and actually, over our future businesses, too.

*Broaden Talent*

Lastly, it allows us to broaden the opportunities that we can give to our colleagues and it gives us a proposition in terms of talent that means we can move people around the organisation. One of the things that we have done in the last two years is bring the organisation together in a single structure and that has actually helped us enormously move people into different roles as they develop their careers overtime. That breadth of portfolio brings that advantage, too.

*Stepping Forward*

The third way we increase our relevance, and in particularly, over the last couple of years, this has been really apparent to me, is by stepping forward into the supply chain and doing a bit more than we have done before. What we found is we built capabilities and we have invested.

**Doing More with Customers**

At this time in the industry, our customers are actually really struggling with their own performance because of a whole range of parameters and they are typically investing a bit less in head office and more into their store network. That is an opportunity for us that we can enthusiastically embrace simply by doing more. Whether that would be being much more responsible for our own technical reviews, the earned autonomy that, I think, Paul described in some of the ways he described our relationship with M&S, in doing more ranging and store level availability that Patrick described, in engaging in more insights to build the kinds of capabilities that we need to be able to drive the business together. By doing more, we are also becoming more relevant.

**Summary**

To summarise, firstly, by building a model that works for both parties, by working that model really hard to beat the economics and to make more value, by broadening the model to do more with more categories, and then by extending the model to do actually more activities, we believe that we will get more relevant and as a result, create more value both for us and our customers.

I was going to play another video of some of our customers talking about the same thing.

[VIDEO]

**Greencore Excellence**

Great words there to finish. Greencore has grown, profitably grown, Co-op has also shared in that profitability and that is the essence of that model. I am really excited. We are going to show you some of these videos actually later on today to our extended set of colleagues and I am really excited to see how they are going to react. I think they are going to be thrilled. I certainly am.

That was our increased relevance to our customer base. What I wanted to spend a bit of time now was then just describing the capabilities that underpin that and that underpin our overall performance and the ways in which we are trying to invest in some of those to adopt a distinctive and repeatable way of working.

**Step Changing Our Capabilities in Three Key Areas**

The starting point for that is our excellence programmes. I am just going to spend a bit of time on this. We spent over the last two years, we have been investing in building our capabilities in three key areas; purchasing, manufacturing and our commercial agenda. The reason we have been doing that is really two-fold.

Firstly, we actually drive our performance through that. By improving our performance against those levers, that delivers against our P&L and against our growth targets. Just as importantly, we are looking to build a model of working that is firstly distinctive. That is what gives us sustainable competitive advantage, so it is differentiated.

Secondly, that is repeatable so we can apply it, first of all, to our business across the full portfolio that I described and then to acquisitions such as Freshtime and other businesses that we will buy to create more value. The reason that we are doing that is to provide us a foundation to deliver against the growth of the margin story that I described earlier.

*Capabilities*

Now, I know that lots of people talk about capabilities, so I did just want to take a second to describe why I think this is different both in terms of the scale of its ambition and the breadth of what we are covering. What I described on the left-hand side here is the degree to which we are trying to build a model around change that firstly starts with a clear vision of what we are going to achieve. I will talk about manufacturing in a second where we set a vision of being famous for manufacturing. That is not something Greencore has been famous for in the past. That is what we want to achieve now.

We then are looking to build a set of processes, KPIs, ways of working that are distinctive, that are drawn in from the best of external thinking and apply the best of our own from the network of colleagues that we are using today, that are then supported by some organisational change.

I think we talked last time, results around 16 new roles that we put into the business, about half of them filled by some new talent from outside of Greencore, half of them from some internal colleagues. We have also restructured it to be more effective in those areas, too.

I am delighted that they are also underpinned by technology. You will have a chance to play around with some of that yourselves later on today. All of which talk to try and to strengthen what we think of as already pretty good capabilities to make them much better and particularly distinctive and that is going to take us some time. It is going to mean that we are on this journey for at least another couple of years, but it is going to underpin our competitive performance.

I just wanted to pick a few examples that try to illustrate that across each of the three categories – capabilities that I have spoken about.

*Purchasing Team*

We have a great purchasing team. I think Alwen has already been referenced. I am actually going to ask a couple of my colleagues just to stand up so you can see who they are. Alwen, if you can just stand up. If you get a chance to talk to Alwen, please do. She leads a team that I genuinely believe a world-class. Now, we have really good evidence of that because all of businesses that we have bought, we have been able to see how we perform in purchasing.

We have a team that are deeply experienced in the categories in which they buy. If you think about bread, cooked chicken, mayonnaise, we know those industries really well. Our buying team actually know the individual sites of our suppliers well enough to be able to predict who is going to be good at a particular product and who is not.

*Analysts*

This year, we have combined that with analytical capability, by which I mean bright young analysts who can help partner with that industry insight to really break down the costs that we should be facing in the individual categories that we are buying. For instance, we buy lots of mature cheddar. You can imagine why. One of the key ingredients in the breakup of the cost structure of those products is what happens to the by-products of cheese manufacturers, specifically whey. If we can see what is happening in the whey market, we can then also predict how much we think our suppliers should be asking us to pay for mature cheese.

*Suppliers*

We are also working with the top 20 suppliers in a more strategic way, very similar to the way that we are trying to work with our customers. we are not just trying to figure out how much this product should cost, we are also thinking about how much it could cost if we behave differently ourselves and we had an aligned approach. We are really trying to take a strength to make it better.

*Greencore Manufacturing Excellence*

Going to take a second to talk about manufacturing excellence. This is a particular passion of mine, it’s something that – actually the start of the program. if you go back to 2017, one of the things that we experienced, particularly Patrick and myself, as we looked at Peacock, almost for the first time we ever went to see that business, we were enormously impressed by their manufacturing capability. Across the six sites that we visited, every single one of them run in the same way, same set of KPIs, same set of measures, same organisation routines and a consistent structure in terms of how they manage and run their – particularly their lean activity and their engineering.

That was a really good inspiration for us at the time, because if you imagine, we have spent the last five years up to 2017 desperately trying to make as much capacity as we can to keep up with our growth. At that point, we actually have visibility of the well-invested network that Patrick described. We knew that actually at that point, we had enough capacity for at least the next five, six, seven years. That was the time to invest in our own manufacturing excellence.

We had also built up a network through acquisition that was quite differentiated, each plant run slightly differently. The team that we are not as confident in their own role in our success as we want them to be, I am delighted to say that over the last couple of years, it has been inspirational watching Clare and her team tackle that agenda, both delivering performance in terms of waste and labour costs agenda for our – our efficiency agenda, also building up a team that could sustain its own developments over time.

We have had three operations directors promoted in the last year. We filled every one of our sites with internal appointments of a critical general management role too. Just a really inspirational story, even better than that, from my point of view, we are using IT as an advantage. Again, you will get a chance to play around with some of the IT developments that we have made on the back of that program.

Lastly, more recently, we have been turning out attention to commercial excellence and really trying to build our insight capability too. If you imagine, Patrick was talking about the different occasions that we are now trying to target. You are designing a sandwich product for a snack occasion, it almost certainly needed a different calorific value if you are replacing lunch. And that is the kind of insight that we will be trying to bring to bear too. Similarly, if you are buying a range on the weekend, it is almost certain that that mission is different from your mission during the week. People are wanting different experiences and again, that kind of insight is what we are trying to bring to bear.

Lastly, in terms of our commercial teams, we also have a team of around 15, 16 people who are thinking all the time about tools that we can use with our customers to drive that cost agenda that I mentioned earlier.

**Distinctive Ways of Working**

Really, lots of ways in which we are trying to strengthen our capabilities and build a distinctive way of working. One of the things that is true for every business that I have ever seen or worked with is that they all talk about people. It is hard for us to draw a distinction but believe me, at Greencore, people are literally at our core.

Nearly all of our products are made by hand. I hope you got a sense of the value in which we play – which we place a personal relationship with both our customers and our suppliers. It's actually, probably – I think, my biggest task is to make sure that our teams are aligned and that our people agenda is right at the forefront of what we are doing.

I want to capture to two things with regards to people as I describe that. The first is, there are roughly 12,000 colleagues that make our products in our factories. And a couple of reasons why they are critical to our performance, firstly, they're our first front line. They are the people that deliver our food safety. They're the people who deliver our health and safety in our factories. They protect our ability to respond to the kind of customer request that we get and they have a real direct influence on our performance. If you look at the two things that drive the economics of our factories, it's how we use ingredients which is done by people, and how we manage our labour, which is obviously people too.

*Diverse*

They're also an incredibly diverse group. We have about 80 nationalities speak over a hundred languages, roughly 45% of our population is British, about 45% from the rest of the EU and about 10% from outside, so a really diverse workforce. And it will be no surprise here, there's been a lot going on in the labour market recently.

Certainly, we have experienced the rising cost of some of our labour in terms of the increases in the living wage, which we fully expect will continue. We have also seen the apprenticeship levy. I'm conscious that the apprenticeship levy is not very popular. We love what we have been able to do with that money. Some of the most heartening experience that I've had over last year is listening to colleagues where we have been able to invest that money in learning and development that makes a tangible difference to their performance, but also it's a huge opportunity for them individually. Often colleagues, particularly from operational backgrounds who have not necessarily had an opportunity in formal education themselves, are now investing in a way that's transformational for them and for their experience of Greencore.

There is obviously also uncertainty around the future of immigration policy. One of the things I was most worried about two, three years ago was the impact of the Brexit votes on our – on our ability to access labour, most specifically to get people to come and work with us and to make the products that we do. I'm really encouraged that actually, our lived experience is that we have actually done better than we have done previously in terms of the availability of labour to work with. There are some pockets where that's always difficult. But it's actually been a much more positive experience than I had anticipated.

*Improve experience*

That doesn't mean that we are resting on our laurels. Two things that we continually need to do, and in Clare's breakout, we'll talk to some of these very explicitly. Firstly, to improve the experience of our colleagues at work, and by that, make sure that we are an attractive employer and most specifically, more attractive than the alternatives. That's one of the ways in which we can absolutely guarantee our security of labour over whatever the Brexit outcome may be.

And then, secondly, by over time, reducing the need to recruit more people to drive our growth. And some of the programs that we are running in terms of manufacturing excellence and as I think culturally, but who leads our engineering function will share some of our ideas around automation, will help us do that too. That's one group of people.

**Leadership team**

Another group of people that's particularly dear to my heart is our leadership team. And I wanted to share two bits of data with you because they personally made me really proud. Firstly, on the left-hand side here, we asked an external consultancy to come and work with us and to articulate through a series of interviews and surveys, what is it that makes people successful at Greencore? So if you're one of those people who've been around for more than 75 years that we described earlier, what is it that's made you successful over time? And I wanted to pick out the three themes that that work revealed.

First is, we operate in a tough industry, and so you need to be resilient. We operate whether you're in a night shift, in a chilled sandwich facility, whether you're trying to meet a customer who have very high expectations and very demanding, and when you're trying to work in an environment which isn't as polished as some of the videos that we have been describing, that can be a tough experience too. If you're trying to get a product to market in less than eight weeks, which is unheard of in the branded environment, that's a tough thing to do. And so, we do need people who are resilient, and our colleagues are.

Secondly, we are, at heart, a solution-oriented business, we want to help our customers. I hope you have a sense of that. We want to make them successful and we want them to succeed. And as a result – and we need people who can make pragmatic choices. There are all sorts of things our leaders need to balance every day.

We did a survey recently of the current number of decisions that the people who run one of the individual lines in our sandwich factories needs to make and it's in the thousands over a shift. as a result, we need people who are pragmatic and who can make the kind of trade-offs and sensible choices that are required.

And then lastly, we believe we are an organisation that really prices fun. We enjoy working together. We bring a sense of positivity and optimism to work. It's critical for our own experience and for our own enjoyment at the workplace. It also makes us a really good organisation to work with. If you're thinking about who you want to partner with, having an organisation of people who are positive and fun and that you like being with, is an enormous advantage.

*Sources of Talent For Senior Leadership Roles*

So that's a bit about how our culture manifests itself in our people. What I also wanted to do was describe to you some data on the right-hand side of here which is about where do we get our sources of talents and where our leadership team from. It would be true to say that if you look across the private label industry of food, there are enormous number of people and either competitors or peer companies who used to work at Greencore. Lots of our – lots of the industry leaders in private label have a background and are former colleagues of ours.

When we're looking for talent, we don't typically look for competitors, and I'm not sure that you can quite see the grey part of this pie chart is the number of our leaders that we've recruited directly from a competitor or from a similar kind of business. Typically, we look for people. If we can't fill a roll internally, which is our preference, then we look for people who can bring new capability, new insights, new ways of working from the outside. And usually that will come from either a retailer, from a branded FMCG, as Patrick mentioned, many of those companies are doing similar things we're trying to build for longer. Or they're from professional services.

And so that's one of the reasons that I feel really confident in a certain – I think we do have the best team in the industry and that's reflected in the way that our colleagues and our ex-colleagues are spread out across leadership positions elsewhere.

*Great food*

So, I then wanted to turn from a series of things that we are building and to build new capability for the future to something that we believe we are very good at today and have been for some time. Is Martin Ford around? I mean, he was referred to earlier. I think we can just – if you look at the distinguished gentleman at the back there. Martin leads technical for us and we have a team that we believe is genuinely world class has been for some time, both in terms of the way that they work with us and our business teams on the issues of the day to do with a particular part of our portfolio.

But also what we've been able to invest in building subject matter experts that go really deep on particular topics. So – and the reason we do that is because not only does it mean that we're able to meet our commitments, but it also means we can bring innovation to customers who love the way in which we handle technical.

A couple of examples, referring to the hydroponic investments that we have been making earlier, so a source of supply that is inherently just much cleaner when it arrives at the factory also has a benefit that's in the UK already which may come to be an enormous boon. A second example would be, if you were following the food industry or the produce industry over the last year, you might have noticed that there have been an awful lot of focus on cucumbers and around the relative, both the availability of that and also some of the technical challenges around the exterior and pathogens that come in that supply chain. We actually have very complex supply chains that we need to understand well. And our technical team have been leading the industry thinking how to respond to that.

Another example would be the way in which we are responding to the presence of modern slavery in some of the international supply chains for fresh tomatoes particularly in Italy. Again, we have industry leader, Martin himself who are part of the way in which the industry responds. And so, it's incredibly important for us not just from the point of view of technical and keeping us healthy and safe but also from just building our credibility around innovation with our customers and strengthening that tie.

And as Patrick mentioned, we also have the largest number of people in our business outside of operations. Our people thinking about what's next. 150, 160 people who are involved in coming up with new products, getting into market, exciting us with great tasty food and meeting the incredibly demanding requirements both on taste but also on nutrition and on cost that our customers are making.

*Sustainability*

Lastly, I'm going to touch briefly in terms of sustainability. We've made a distinction here between things that we are absolutely directly committed to delivering ourselves. Top five things that are on this list, particularly around our own responsibility to our workforce, to make sure that they are healthy and safe and that we're paying attention to their well-being and in their mental health as they work with us.

*Food Waste*

Making commitments around food waste, so halving our food waste by 2030. Ensuring that we have continued zero waste landfill and supporting the communities in which we work. We're also conscious of our role in terms of industry thinking to be able to work with particularly our customers around the issues that we face together. Whether that be plastic packaging, whether it be about sustainable treatment – sorry, sustainable sourcing or ethical treatment of workers.

So, that was the way to top it all of the ways in which we think we are building, again, distinctive and repeatable ways of working that underpin our future success. I'm going to hand it over back to Patrick who's going to summarise everything, before we're going to move to some Q&A. Yeah, stay up here now.

## Summary

Patrick Coveney

*Chief Executive Officer, Greencore*

Right. All right. That's it. Right. So we're more or less bang on time. So, you know, what we have done in the – that is a tour from the three of us on the three core elements of growth, relevance, distinctiveness in terms of capability. I'm conscious that in about an hour and half's time, Eoin is going to get into more detail on shareholder value though he's already given you the punchlines in terms of the investment case. So this is an unusual request from me to the group here which is 'please don't ask too many questions.' And the reason I say that is that we're – we would love for you to see everything and then we are committed to spending half an hour of Q&A before we have lunch. But we are conscious of two things.

First of all, there just might be some kind of questions of clarity on the material that we have presented or there are maybe some people who actually have to leave, right? And so if you do, we wanted to give sort of five to ten minutes our first round of Q&A while recognising this – I'm requesting that actually you kind of stick with us for the kind of deep dives into commercial and operations and the more detailed expedition of our value creation model which John is going to run through in there.

So with that, the last point, this is – this is all subject to being on transcript. So if you are going to ask a question, can you wait until you get the mic? And if you can just kind of reveal kind of who you are to everybody else including me and then we'll be happy to take the questions. And we'll run until either quarter past or 20 past depending on the number of questions that we have from the room.

## Q&A

**Martin Deboo (Jefferies):** Thank you, Patrick, it's Martin Deboo, Jefferies. In the spirit of what you said, I just want to ask two quite specific technical ones. The strategic stuff can come later.

Under autonomy you talked about, is there an – presumably at the moment, the commercial relationship is a traditional one that you sell the product to the customer, they take the risk on the returns. Is there an opportunity to go to a more full service model where you would essentially manage the category for them, take the risk on returns and potentially capture an economic benefit through that? Is that just pie in the sky or is that an active debate?

And the second one, I'm quite compelled about what you said, Peter, about the Spalding[?] summer salads. And you were talking about shelf life – longer shelf life. I kind of sort of get the idea that if you can lengthen shelf life even a day or two, the supply chain efficiency benefits could be quite considerable in terms of managing the peaks and troughs, but I can also imagine there's a trade-off against perceived quality and freshness of the products. So is that a big prize or is – those are the two.

**Patrick Coveney:** Okay. Good. Well let me – I'll deal with autonomy and then if you pick up with the Spalding example.

**Peter Haden:** Yeah, sure.

**Patrick Coveney:** So the first thing to say about our autonomy, obviously, you would have heard M&S reference what we're doing there together but frankly, it is exactly the same at Sainsbury, it's exactly the same at Tesco and it's exactly the same with Co-op. So, in all four of those, we now have the same relationship and substance around our responsibility on quality. And in effect of course, what that means is, it's more efficient for them because they don't need technical auditors crawling over our factories doing effectively a duplicated version of what we've been doing anyway and – but it does require a leap of faith in terms of their view on our capability, and trust.

On your question as to what it means for ultimate ownership of waste, impressively, we already carry joint risk there, because when we price products, we will price it against some assumptions as to what the waste level would be, right? And so if the business and – if the model ends up with, you know, greater levels of waste than that, it comes back pretty quickly in terms of what it means commercially and it gets resolved – it gets resolved in different ways.

The direct answer to your question there Martin is, there are some examples of us taking responsibility for waste, the right the way through the supply chain. I think where we would be most comfortable doing that and consistent with the model is where we are advocating some type of material change in terms of availability.

But there is a sort of – and so once it's proven or not, it's likely we would revert back to the accountability as it is generally. And that's – and that's really consistent with the fact that if you don't control the logistics, you don't control the in-store merchandising and you can't take responsibility for shrink. It's a little difficult to be accountable for the day-to-day outcomes in that regard. That's how I would describe it.

**Peter Haden:** I agree. And your question on shelf life, the simple answer is yes, there are multiple ways in which changing the shelf life and also changing the speed with which we can get products to store can influence the performance of the business. Just to take a couple of examples that we're experimenting with at the moment.

So it's certainly true that our technical teams invested an enormous amount of time in thinking about the interaction of ingredients to extend shelf life, because there is an obvious benefit to both businesses if we can do that. We definitely wouldn't compromise on quality. So the degree to which we are still very tight on – even though it would be better for us if we extended a bit, making sure that the products at whatever period we have agreed are still just as tasty and as delicious as we need them to be.

But two other things we're doing too on the other end, so one is investing in getting products to market that day. I mean in a sense the direct-to-store network that we've built, and particularly work with Co-op as you've been hearing, that actually takes a whole day after the supply chain. So it's an enormously advantaged model and that's one of the ways in which we just improve the quality of our business.

We're also working with other retailers to see in a relatively small subset of their total stores, high proportion of sales, but – and relatively small number of stores. We can actually reach them again that day with direct delivery either ourselves or through their own networks. And so we're working on logistics.

Last point I'd make is, we're thinking about ways in which we can use deep chill, which is basically a technique for reducing the temperature right at the end of the process to sustain life over longer – outside of our food care businesses.

Yes, sure, Charles, you want to?

**Charles Hall (Peel Hunt):** Thanks. Charles Hall from Peel Hunt. Question for Peter. You talked about having a more sophisticated pricing tiering model for a customer. Could you just expand on what that actually means?

**Peter Haden:** Yeah, I mean – and you're right to call out. Many of our customers have a clear pricing structure. When I say we will be more sophisticated, what I really am talking about is having a much better understanding of the relative elasticities and the way in which consumers shop between different levels. So it's really the insight into how, if we move the price for particular tier down or up, what that's going do to volume both in that particular set of products and actually spins out into the rest of the category too.

There are relatively few food market where you have a supply that's operating the whole of it but no branded categories and relatively few private label. But what that does allow you to do if you're in that world is being relatively indifferent into most of the choices that consumers are making but work the price points to allow them to give whatever the particular agenda of that customer is. Is it competitive with this with a particular discount? Or wanting to premiumalise and wanting to bring people up into more expensive products?

**Patrick Coveney:** And we've always helped our customers in this regard, but we're just a bit more sophisticated and a bit analytical when it comes to applying the insight.

**Peter Haden:** Yeah. And it's obviously their choice ultimately but we can help them with some insights around it.

**Charles Hall:** And do you expect this to materially change the average price points that the customers charge or you're effectively able to achieve on a luxury basis?

**Peter Haden:** Well there's preference change all the time. So if you looked through the last year, across just one category and some are just – we've had several customers who've chosen to add more into the premium level, but other customers who are maybe look – more conscious of their comparison for discounters who have added more and made more visibility of the more discount line. So it changes by customers but there's certainly move.

**Patrick Coveney:** And Charles, I'd give two examples just to connect to the four product areas that I described earlier. So first of all the – if you go and look at the retail prices for the raw sushi that we're assembling now, it is about 7.50 a pack, right? It's probably £2.50 more than the alternative.

Similarly if you look at – and I think I referenced this in my comments earlier, if you look at what consumers are prepared to pay for great hot food. Again, it's sort of significant premium to what they'll pay. So I mean we're, you know, what we're trying to combine here which was the point I finished with is a real sense for where the growth opportunities are, but also really cognisant of, you know, whether there's surplus – consumer surplus or willingness to pay in those slots and that's we're going to – so that we're profitably growing rather than just growing.

**Charles Hall:** Thank you.

**Karel Zoete (Kepler Cheuvreux):** Yeah, good morning. Karel Zoete, Kepler Cheuvreux. You mentioned a couple of times that the direct-to-store distribution model is a competitive trend into Greencore. Can you kind of highlight how you met your competitors here for sort of the distribution? And what prevents them from copying this model if it's so successful? Certainly in a category like salads, it seems like – yeah, something which can set you apart.

**Patrick Coveney:** Okay. Yeah. Let me try to do that, although Karel, I'd also urge you to come to the breakout that Kevin's going to lead after coffee where he'll talk about that. But the – I mean the essence of it here and I've tried to, it's not the wheels per se that's the source of advantage, it's the order management and picking as well as the wheels. All right?

And so the way in which our model emerged and, you know, there's this kind of certain level of serendipity and all it is, is that in 1998, Co-op had no way of getting product to their stores. They didn't have a distribution capability that could manage food with that level, with that shortness of life. And so in order to sell more sandwiches, we got soft vans to go to those stores.

Now if you didn't look at the profile of the Co-op estate over time, particularly post the acquisition of the summer field stores, they actually have – it's sort of dinner party fact for you, for anyone who asked too. They're the only retailer that has a store in every post code in the UK.

And so we actually as a result have configured a truly national capability in order, simply put, to take product we manufacture to every Co-op store. But it's the order management piece of that, right? Which is, you know, individual excuse, not cases doing it takes a day out of – but today more competitive in terms of how quickly it can be done, how it back fields – against our manufacturing shift schedule. And it's all of that, that is – no one else can do on unwind, rather than simply as there's someone who can drive vans at a comparable speed – at a comparable speed to us.

Now the direct answer to your question is there is one other party that does some version of what we do, which is Samworth. But that is done really on the back of a branded Ginsters business where it's more of advanced sales business as opposed to a fulfilment capability. So it's an absolute point of principle for us that we don't have van drivers handling cash, all right? We're fulfilling orders that are centrally determined to every individual store rather than churning product as you go around the country. So that again is one of the points of difference.

**Karel Zoete:** And I guess that brings a little bit more cost but the value for your customers is your freshness. A limited number of SKUs can be ordered at speed. Is that a –

**Peter Haden:** Yeah, yeah. I mean, put really simply, if you're a relatively small store Co-op on the – in a small town, then what you really want is the exact 40 sandwiches that you're going to sell that day, and that model allows you to have the differentiation within the range, to order particularly what was ordered last, or yesterday and exactly as you say. By far, the biggest economic driver for us and for our customers is selling as many products as we can and making that space really productive. Of course, there is an extra cost that come with that, you're right, but that's much bigger factor both for us and for them.

**Patrick Coveney:** And just to – just to build on that, because it is centred around Co-op but, you know, you might – the reason we have included in the video is that you heard Sandy Parsonage talk about in the case of Sainsbury. So, the main store at state in Sainsbury is supplied through the central distribution system of Sainsbury, as of course it should be, but actually, the petrol station forecourts, they don't work as a proposition through central distribution because of exactly the dynamics that Peter is describing of an uneven number of skews, a difficult place to park a truck.

You actually, frankly, have had for years and years, you know, store colleagues taking a trolley, grabbing stuff off the shelf, drive – wheeling it across the car park and then merchandising a petrol station forecourt.

**Peter Haden:** Right.

**Patrick Coveney:** Yeah. Now, there are – aside all together – from the kind of food safety risks and the, you know, keeping product chilled through that particularly hot days, it's just not a very efficient model. And so – so, that's an example where for a particular format, you know, we actually – we have a distribution solution. So, we actually have a – it's like a hybrid model with Sainsbury or someone goes central, some goes radio through us and again we're – our agenda is to help our customers maximize the use of their space and drive profitable growth for us and them, and whatever distribution solution works best for us, that's what we construct.

**Doriana Russo (HSBC):** Good morning, Doriana Russo, HSBC. I was looking at the slides that you put up with the fragmenting meal times. I was quite surprised to see how fragmented, actually, the customer demand is. I understand that is your data.

How does it compare in terms of the market overall data that, you know, obviously, that should have raised some eyebrows in terms of which areas you are under-indexing or over-indexing? And, you know, maybe you can share those information with us as well.

**Patrick Coveney:** Yeah, so I'm going to ask question. So, I'm going to ask question. I'll give you a very brief answer, Doriana, and I'll also encourage you to – we actually have team outside that will – can run through the methodology in more detail with you and show you what that means for product development that Joe Smith leads.

But the – I mean, the essence of it here was that, very simply, is that, that's not data you can buy. No else has it. And so, it's reflective of a sustained – I mean, I don't overstate it, but sustained investment that we've made, that's very specific and applied to the types of products that we either make or could make, and the breadth of outlets of outlets in which those products are consumed.

So, I would say when, you know, when Kevin and Andy Parton[?] years ago first brought this – shared this information, we were kind of, 'Oh, it's a little bit different from what we thought,' because you have a perception as to how – as to what a Food-to-Go consumer is actually doing, and where they're shopping, and the type of location they're buying for. But actually, you know what, we've been learning because, you know, we're tracking this now for seven years – or sorry, six years, is that actually, people use these products for a whole variety of occasions that you wouldn't necessarily assume that they would, and, you know, the one that I think we resonated with us as being most different is just how – how many people choose to buy sandwiches or other Food-to-Go items in the evening, either to eat that evening or to, you know, you'll find, again, find – there's all sorts of different ways. We would find, like, school kids are buying products in the evening for lunch the next day, that sort of stuff.

So, that's where – so that has taken us in the kind of product and channel direction that I described earlier, but do push the team on this. So, we're going to take one more.

**Peter Haden:** One quick little note on that. So, just one piece of evidence that we have seen recently from, actually, a retailer that we haven't referred to today, was we are running vending trials in a hospital, particularly in an A&E ward and a maternity ward, and then tracking very carefully the purchasing pattern over time. What you see is actually buying all the way through them up, up until about 02.00. Now, I admit that that is a relatively unusual consumer, kind of situation, but people are eating these products and are excited about eating these products all the way through the day.

**Patrick Coveney:** Okay. I'm going to take the last question from Clive.

**Clive Black (Shore Capital):** I definitely eat vending products at 02.00. Clive Black from Shore Capital. You spent a lot of time talking about Food-to-Go, but could you give us some insight as to the dynamics and future of the ready meal?

**Patrick Coveney:** You know, I think the answer of that merits a longer question, a longer response than I'm going to give you now. So, I might – I might do that later, except to say that we think in this more fluid market, particularly with counters, serve-overs, hot food, that actually, that the ready meal assembly technologies will become more and more relevant to occasions that actually are Food-to-Go or food for now in nature. And that's one of the, you know, that one of the – I don't know if Fred is here today, but it's – if I think about the teams who are leading our business there or more particularly, you'll hear the Co-op team talking about this in the breakout as they talk about the future of food for later.

A big piece of that actually is effectively Food-to-Go ready meals. So, I think it'll become more fluid. But, maybe the final piece – and Peter referenced it and I did a little more bleakly is that we're really comfortable with the portfolio that we've got and we think it is, you know, mutually reinforcing, but the need state that we think is the strongest growing is this broader definition of what we mean by Food-to-Go.

**Eoin Tonge:** Just one thing to add to it. I mean, when you go right there now, actually, if you just look at the salads, for example, you will see that the confluence between salads and meals is actually is there. It is actually a product that we're looking at, we're innovating right now, which is very much in that sweet spot, and we saw that very much with the acquisition of Freshtime.

**Patrick Coveney:** Right. I'm just going to get Jack to come up and describe what's happening next.

**Jack Gorman:** Great, absolutely. Just so, before we break, there's just two agenda points to outline for you, but firstly as we talked about a number of occasions already. In the area just beyond those two – your left, we will have the food showcase underway now. So, there's essentially four zones with that, elevation of the core range, salads, sushi, and chilled snacking.

So, we've got a number of our product development team there and I'd really encourage you to chat with them, sample some of the product that we have available there as well, and just explore the various elements of this. We will have that underway now and we'll also have that at lunch time, so there will be plenty of time to be able to explore that showcase.

The second point is from the point of view of orienting for the next session. So, hopefully, on your badge, you will have a number, group one and group two. So, at 10.45, we're going to split the team. So, group one at 10.45 will go to the room essentially behind this room here, behind the sets of slides, we'll be there for approximately 30 minutes. Group two will be here or come back to here, and after those 30 minute sessions, essentially the groups will swap. So, we will be able to have some time with Clare Evans on the operation side and with Kevin Moore on the commercial side. So, for 10.45, group one, the room just beyond this, group two come back here. Thanks very much. Enjoy.

## Commercial Day Dive

Kevin Moore

*Chief Commercial Officer, Greencore*

So, good morning everyone. My name is Kevin Moore. Welcome to the commercial day dive. I'm the chief commercial officer for Greencore and I've been with Greencore for the best part of 20 years.

You'll be really pleased to note that we have one slide. So, there'll be no – not like our operational colleagues where there'll be millions of slide, we just got the one. So, and I'm – of course, I'm not going to necessarily directly refer to it. Obviously, I will reference it in kind of what I am going to talk about.

The purpose of this particular session is to kind of bring to life our commercial model. In essence, Patrick and Peter both alluded to what we are trying to do is to bring that to life, specifically with how we build out our customer proposition. I am going to use two very specific examples of Co-op and M&S, which my colleagues are going to help me and support me to do later on.

I am going to talk a little bit about that particular commercial partnership agenda. I am going to start, we are really well settled for growth. First and foremost we have leading positions in growing attractive markets like Food-to-Go.

Secondly, we have really broad customer portfolio that you saw early on. Probably more importantly, they are in the growing convenience channel, really important for us. This really gives us the opportunity to build up by that proposition in our growth agenda.

**Commercial Model**

In recent times, we moved our partner customers into long-term sole supply models across many our categories. We have complemented our manufacturing and procurement excellent programmes with what I would describe as a strong commercial blueprint, so really how we set up to build long term growth. Our ambition in this all three-fold, so ultimately they are to create distinctive in what we described as sticky relationships based on mutual trust, but built on the foundations of really strong technical performance and great service.

Secondly to deliver a greater volume and value for both our customers and us, most importantly in equal measure, focusing on the fundamentals of cost out and also volume and value in.

Thirdly, by what we describe as building authority around the strength of our insight innovation, great food and our joint ambition. What I mean by that is basically extending what we do for them, kind of reflecting what Patrick told to you about around deepening and widening our relationships.

Put simply, I would describe our engagement model as a distinctive and market leading hybrid, a brand-like insight and authority on the consumer and the shopper, but balance to blend it with the intimacy, resourcefulness, adaptability and flexibility of a trusted own label partner. I genuinely believe that is what we have, and that is a unique in this industry.

**Building Positive Relationship**

We talk a lot to our customers. I, every week, will talk to your commercial directors, heads of food, category teams and I know my colleagues do that on a regular basis at every level. What makes this different from me in this industry, having been around it for the time that I have, is that we also then have a CEO who does exactly the same. We are embedded in every single level in all of our customers in a unique way that I genuinely believe is not mirrored anywhere else. That is reflected in the fact that the people on the videos, and we are going to show you more some of a bit later on, talk how they do about Greencore. That is unique.

*Communication*

I would also say, uniquely in any relationship, and we can all, I am sure, kind of relate to this. Communication is the key, so knowing frequently how we are getting on, what is worrying our customers, what's front to mind with them, how can we help them, they are the things that helps us stay ahead so that model of intimacy with them is absolutely critical.

In our regular engagement and what we have coined internally is our positive power around this, really just allow us to build positive relationships with our customers where we co-create strategies and brand, products, to basically win in this market place.

**Developing our Programme**

We are going to expand on this on a little bit more detail later with the guys, but just want to give you three examples just to bring to life of where we have may progress. That is a real consequence of how we operate.

Firstly, and it has been referenced already, a direct to store distribution model with our customer partners. In the smallest store formats, getting product to market, in smaller case sizes, 24 hours broadly, quicker than they can do through their RDC[?] model is material for them. That is unique to Greencore.

Second, ownership and inventory management, ordering, balancing that, recognising the fact that every single shop in that portfolio is different. It is again, fairly unique to Greencore in this space, certainly in chilled food.

The development of our recently launched vending model, whilst it is early in its inception, just shows our customers that we are thinking about how do we find more distribution points for them to sell our products for them without having to lay down loads of bricks and mortar, which is pretty critical to them as well. Just three examples of how we are developing our programme.

**How do we Deliver**

How do we deliver this? We deliver this through dedicated teams by customer covering areas of sales, new product development, category management, procurement, end-to-end supply chains and distribution. They are dedicated. Whilst we leverage our scale, our customers gets that intimacy from dedicated teams.

In essence, over the years I've been in Greencore, and certainly over the last kind of six or seven, we have seen our role move from what I describe as a traditional manufacturing partner who supplies products, to one of our collaborative category partner with scaling capability to help them build their knowledge, and also to extend and execute effectively in their chosen categories.

**Example**

So we are bringing this to life with one example that we have put in place uniquely in this industry in the last 14/15 months. As you know, retailers, huge amount of pressure, obviously difficulties around returns, that continues to be the case and will continue to the case. We have engaged differently with them in the last 12 months and we have a set a dedicated end-to-end team. Pete referenced early on 15 people that we have brought out from that either from external or internal roles to be dedicated to focus on end-to-end.

We are looking to build more value for both us and our customers, so by investing in this particular team, we are driving out what we would describe as a necessary cost.

**Current Financial Year**

Over the current financial year, we will have delivered several millions of returns in this case and value out and we know we got much more to do. Projects at this stage will be centred around product, ingredient, packaging, and shelf life whilst preserving quality, always critical for us. Really this has manifested itself in both reduced complexity for the customer, reduced complexity for the consumer on fixed year, reduced complexity in our factories, and reduced waste in the supply chain, fairly material on any level. We are now broadening that out to cover supply chain and distribution more effectively.

**Current Events**

I suppose the sensible question at this point is, so how do you know this is working? How do you know this is great and this what the customers want?

What I am also going to – outside of the videos that you have seen today, just use four examples of why we know this is working. The first thing that industry use is to think of all the advantage group survey, which is an industry model that all of the retailers use to rank their supplies across a variety of metrics. Food to go, our Food-to-Go business has consistently being number one in that particular space for the last six years. In fact the results of that particular survey has come out in the last week and we have maintained that position. I will also extend that to the rest of the categories in the UK, every single year, we show progress in every category in which we operate in terms of our advantage position.

Secondly, we win lots of awards and that is not to brag about it, but we do. We referenced the Co-op award that we won, in fact last week, in terms of Supplier of the Year, but also Supplier of the Year to Asda in chilled food. In fact, yesterday, we won two awards from Tesco for the most effective chilled buy sell model that they have. We know we are doing well, that gets fed back to us.

**Our Growth**

I would also say, that the slide that I have – from the very beginning, we are winning business. We are seeing growth. We are seeing growth by taking share from our competitors. Patrick referenced earlier on a 22% market share in Food-to-Go, five, six, years ago, 66% share now. That is a reflection of us doing a good job.

Probably finally, and just as importantly but it just doesn’t get the same level of focus, is, we have a stable core business. We have not lost any core volume over many years and the majority of the volume in which we supply to our customers is on a long term deal basis. Quite material when you think about those things as to why we think we are winning.

**Specific Customers**

Now, I am going to introduce a couple of very specific customer examples, those of the M&S and the Co-op relationship. I am going with Andy, and Andy will bring those to life a little bit more to talk about some of the work we will be doing with them.

Just before I do that, I just want to land one point. We could have done this today with any of our customers.

I mean, it happens to be that we were given half an hour and people are watching their watches already for me to get through this, but we genuinely could have done this with anybody.

And whilst the examples are always going to be different with some of them more embedded, some of them were bigger, we could have described this with any of our customers, genuinely, today.

**Customer Relationship Model**

So, I'm now going to introduce the first example of our customer relationship model. So we've had a relationship with M&S the best part of the decade, which started in 2011, when we acquired the unique business. That particular business have been trading with M&S for well over 20 years, so kind of well embedded with them.

What is the real testament to our relationship with them, even when things have been difficult? So two, three years ago, we decided to exit the desserts business. We manage that materially effectively with M&S. And our relationship only improved by the fact that we did that. In most relationships, that would have gone backwards, in this particular relationship, it didn't. Since 2011, we've invested over £50 million in the North Hampton site, and what we now have is a site of huge scale.

We produce 100% of their sandwiches, wrapped salad, and premium salads from this summer, in the business.

So I'm now going to introduce Andy Atherton. Andy is a commercial director for our RMS business, dedicated to M&S. Before we discuss together the relationship with M&S, I'm just going to show you a short video of how M&S perceive the relationship with us.

[VIDEO]

**Andrew Atherton:** Good morning, everybody. As Kevin said, Andy Atherton, I'm the commercial director at our North Hampton facility, ultimately responsible for the M&S relationship. I've been with Greencore for the last 18 months, prior to that, I was short 26-year career at Sainsbury's, so through their retail division, supply chain division, and then finally in trade, in looking after their food, together in food for later categories, so I've got some unique insights of working on this side for Patrick and Kevin, and also on the other side, which I'm more than happy to share. But great experience, a great reason why I joined the company, so.

**Kevin Moore:** That's not what you said yesterday. It would be really good if you could kind of explore a little bit, a recent example that would probably more importantly illustrate the kind of co-joined, collaborative relationship we have with M&S and kind of how that's manifested itself for you.

**Andrew Atherton:** Yes, so, I guess a good example is sushi. I think it's been referenced throughout the morning, we've got a unique capability that we've invested in North Hampton. It stems back to February 2017, a £20 million investment in a unique manufacturing facility at North Hampton, dedicated for specialist sushi manufacturing.

And we held hands with M&S with that investment. We've collectively kind of reviewed the sushi market, I think we've all observed that it has changed, its got a high level of sophistication, innovation is different, we've got the emergence of the sushi specialist, such as the Itsus, and the Wasabis, and so on.

So collectively, we, with M&S, feel like that M&S have the right to be a destination for sushi, in the high streets. They are probably the retailer right now that has that brand equity and that food authority to compete toe-to-toe with the likes of those sushi specialists.

So phase one of that development program was February of this year, and in essence, look to expand the previous sushi range, real innovation, products that are now pretty familiar, Dragon Rolls which you may have seen out there, we even created a sushi sandwich, which we've not seen perform very well, which was pretty innovative too.

Sales performance really strong from February, real kind of strong beat to the market. And then actually phase two landed just two weeks ago, and this is where we really stepped on M&S' proposition, head and shoulders above what we believe is out there in grocery retail, and really kind of matching the specialists, and the specific element being our first market range of raw sushi. So a group of eight products, raw fish, real special, technical capability required in the site to get that manufactured overnight, and into store the next morning.

So the point that Peter was alluding to about shortening the value chain and getting the products into store at a really short time frame, to deliver that freshness, is key. Really early days, but again, we've taken the performance of that category on again, pretty significantly. So it's been good.

**Kevin Moore:** Thanks, Andy. So if we think about – so clearly, that's an example of something that's happening now in one particular part of our business, clearly what's important for people in the room is how we think about growth in newness. How should we think of that with M&S?

**Andrew Atherton:** Yes, well we – I guess our growth, we believe, is going to come through kind of two distinct channels, we've got a strong business with M&S, and we've got a huge opportunity to just – to grow that element of the business, to sell more of the stuff that we already operate with, with M&S.

Three key streams to that. So one, comes through channels, and increasing our reach of the M&S brand to more customers. We have mobile stores operation we run out of North Hampton, so think ice cream van, like really sophisticated and professional, it's a mobile store that drives to colleagues in the workplace, around the North Hampton/Milton Keynes area, and provide great quality M&S food, direct to the office, that's performed really well for a number of years, and we're about to expand that to multiple hubs across the UK. So that's really driving volume to consumers that can't, in their current day to day working operation, access the M&S branch, so real growth coming through there.

We've talked about vending today, so equally M&S are on a journey of looking where those at – implementing vending sites, hospital seem to work really well, sports stadia, and kind of rail stations and other transport hubs do really well. So that's another area where we're looking to grow.

And then M&S and WH Smith, we've also built a relationship together, and M&S brand and ranges have actually been merchandised within WH Smith stores, currently in trial state performing extremely well, and again, there's a try way view that we'll expand that pretty quickly in 2020. So that's channels.

We've talked about the important of innovation in food on the move. It absolutely is the caser for M&S probably, or potentially, my view would be, more so than other retailers – but it's the M&S customer when they come into the store, wants to have regular newness and regular levels of excitement. So we've got a pretty full on program of innovation landing the right way through 2020.

So, that's kind of how we are growing the core. We also have actually have a team of five Greencore colleagues based in Waterside Head Office, or M&S's Head Office, and they are – they're in full control of the inventory movement between Greencore and into M&S stores. So, they are managing the forecasting, the inventory replenishment, and through great data analytics, really making sure that we optimise the availability in the store across our range to maximise sales. So, that's a unique, I think, relationship that we've got with M&S.

*Salads*

And then, in terms of growing our repertoire, two kind of big examples to call out. Hopefully, you saw some of the salads out there in the kind of round craft bowls. So, these are six products that we launched with M&S in July, earlier this year. Really disrupting the fixture: a move away from plastic, big, bold leafy salads, more the premium-end of the range. M&S have a desire for us to do a lot more in this space too. So, that's really exciting for us.

*Central kitchen model*

And then, we have a central kitchen model – so again, talks to this quick route to market. So, a unique manufacture capability where we're making a range of sandwiches overnight in Northampton and trunking them down to a group of London stores, at the moment, in the morning, ready for trade so that there's no gap in the supply chain from manufacture to getting it to the consumer. They are performing extremely well. And again, M&S, have a view that we'd like to extend that range much further beyond the current ciabattas that you saw out there.

**Co-op Partnership**

**Kevin Moore:** That's great. Thanks, Andy. So now, we'll quickly move on to the second example, which is the Co-op, which is our largest customer. So, our relationship with Co-op, I think Patrick alluded to earlier, goes back 20 years to 1998, when we delivered our first sandwich to the Nottingham Co-op.

Now, with so many years – 20 years later on, we're now delivering round about 110 million sandwiches to them every single year. So, that's fairly material growth in kind of – in any metric. And we have now got a business that has got 12% share of the Food-to-Go market in the UK. It's Co-op punching above its weight. And I genuinely believe that's because of the model in which we operate with them, which is unique.

So, we are a critical food partner for them in Food-to-Go, in Food-to-Go salads and sushi. But we also deliver over 140 skews of third-party product. So, we – not only do we solve problems for them in a categories in which we manufacture, we solve problems for them in the areas that they can't do that job for themselves. And we do that every single day, as

Patrick said, to every single postcode in the UK to 3,800 Co-op outlets. And we do that through our own direct store network.

Interestingly about the Co-op, this is the only customer in the group, as Peter alluded to earlier on, that we supply everything else that we do. It's the only customer and it's unique to Greencore. So, ready meals, soup and sauce, bakery, cooking sauces, sandwiches, sushi, salads, third-party goods – we do everything with the Co-op.

So, this relationship is genuinely strong, genuinely close, and without sounding weird about it, is really intimate at every single level in that business. It genuinely is. And we don't think we're even scratching the surface yet. We think we can do a lot more with them. And it's really encouraging to, as the guys have alluded to, listen to how our retailers talk about it.

So before I go any further, we are going to listen to one more video – genuinely one more video around the Co-op, specifically about our relationship. Before that – I do that, I'd like to introduce Andy Parton, who's our Food to Go Commercial Director. And before we get a question in Q&A, everybody in Commercial in Greencore is called Andy, yeah? That is a deliberate ploy. It makes it easier. And we're just going to show you the video. And then, Andy is going to talk a little bit more about our Co-op relationship.

[VIDEO]

**Andy Parton:** So, good morning. I'm Andy. I've been with Greencore nearly five years. So, as explained earlier, I lead the Food to Go business team. I'm also a Commercial Director. And I joined Greencore as Commercial Director for our Prepared Meals division. Prior to that, I was with Audi for six years as Buying Director for Chilled Foods. And prior to that, I was with PepsiCo. And as Patrick warmly name-checked me earlier, I'm going to be the guy that makes boring observations about space and range. So buckle up, you're going to enjoy that as well shortly.

*Our relationship with Co-op and M&S is aligned for success*

**Kevin Moore:** Sorry, I know. I was just going to say we've obviously heard from both M&S, and Co-op, about how they perceive the relationship. How would you describe it, from your perspective, with dealing with them every day?

**Andy Parton:** I think as you've seen, with my background, I've got nearly 20 years' experience now of kind of branded, own label, retailer, manufacturer. And I think what we're hearing in the videos is it's uniquely powerful and it's a source of real pride. I think if I just pulled together the themes that we've been hearing today why have we got this relationship, you know, it characterises all the things that are really important.

We've got scale. It touches all of our portfolio. We do much more than just manufacture product for them. And I think the real magic in it as well is the behaviour. So, there's alignment and excitement at all levels. There's deep care and trust in each other's success. And it's a model that works. And that, ultimately, I think, is what brings us all together –

**Kevin Moore:** Yeah, obviously.

**Andy Parton:** – in the relationship that we have.

**Kevin Moore:** So, it would be good if you could kind of just expand on this, Andy, with a – maybe a couple of examples of how that comes to life, how it manifests itself into a job what we do with them.

*Direct to Store model*

**Andy Parton:** Yeah, I'll touch on two examples. Now that we've talked about the Direct to Store model, you understand how important an advantage that is. I'd add a bit of colour to it though because what it allows us to do is a couple of things, for example.

We partnered with Co-op to actually then cluster all of their stores – so, understanding their locations, their trading intensity – and that has allowed us then to get the right product in the right store at the right time for the customer. And we keep innovating and we keep pushing that model.

So, for example, we are now doing a trial in ten London stores that we've identified have a different trading intensity. Actually, it's really busy first thing in the morning; people are either buying their breakfast or they're buying their lunch on their way to work. As a consequence, we are now key holders.

So, we have access to those stores and we're now delivering at night. So actually, that store can open full and trade effectively in the morning. So, you can see it's a model that we keep innovating and pushing. And as Kevin mentioned, so successful is this model that we now distribute 75 million units a year of other products to help Co-op. So, it's really powerful.

*Live Nations Festivals sponsored by Co-op*

And I think the other example, and Joe mentioned it in the video, is Co-op sponsored the Live Nation Festivals this year. Really important to them, corporately. So, their strategy of being closer to you, and closer to what I care about, and being able to talk to a younger shopper is why they sponsored the festivals. We partnered with them. We supported all of those festivals with operational and logistics support.

The IGD actually did a write-up on it and called us out with something really unique about how we had Greencore colleagues working alongside Co-op colleagues at all the festivals. It created a great amount of fun and excitement, as you can imagine, between the teams. But we also used it as a chance to innovate and be brave.

*Compostable packaging at Glastonbury*

So, we've talked about the compostable packaging at Glastonbury. We made that happen in two weeks for the Co-op. It was a great way to test part of our new sustainability agenda. And also, as well, as Matt called out, we tested vending at Reading Festival. And that's been a really early insight into something we think is going to be really powerful around closer to where I am strategy for Co-op. And our reach strategy of getting Food-to-Go into more shoppers hands.

*Our relationship with our partners is aligned for growth*

**Kevin Moore:** That's great. Thanks, Andy. Just – Andy, just going on the theme of kind of what we're excited about. We've heard from Co-op. We've heard from M&S. We've heard from Sainsbury's about what they're excited about the future. Bear in mind the people in the room, kind of where does this go? What excites you about our relationship with them as we go forward?

**Andy Parton:** I think it's the opportunity for growth and how aligned we are. So, we are actively working with Matt and his team, at the moment, on the next five-year strategy on Food-to-Go and it's really tangible how aligned and how excited we are. And some of those big pillars really resonate back to the topics that Patrick was talking about earlier in our strategy.

*Reallocating space to Food-to-Go to capture opportunity*

So, what's really at the front of both of our minds with the Co-op is it is about space. But if you think and you look at what they're doing with some of their stores – so, look at their America Square store that they've opened or how they've reconfigured their Manchester Piccadilly store – it shows you how they're thinking about reallocating space to Food-to-Go to capture the opportunity. There's a pipeline of opportunity there that we're going to partner with, both how we help them with new stores and how we help reconfigure existing stores to use that space more effectively.

*Our platforms are at the heart of our strategy*

And also, as well, the platforms that are at the heart of our strategy are going to be at the heart of their growth strategy as well. So, they have the right to win in hot. They are already starting to lay down some really exciting offers and concepts around hot food. We're going to be right alongside that, both held hot food, serve over counters, and also heat to eat products that people can take back to the office or back to home to eat.

*Snacking*

Snacking. We've got a real conviction to win in snacking. So, with Co-op, we're going to own that with them and create a really compelling offer. Also, as well, meal salads with our acquisition of Freshtime. They have a great offer currently and a great relationship with Co-op. We're going to build on that and take that to the next level.

*Nisa partnership*

And then finally, I think in terms of their closer to you strategy, Co-op through the acquisition of Nisa, are really actively looking to get their brand in front of more shoppers. So again, how we're going to work with them to unlock that opportunity through Nisa? We've started some really good tests already around building testimonials with Nisa partners. Our direct to store capability will unlock it.

*Tie-up between Co-op and Superdrug*

And you may have seen as well we helped facilitate a tie-up between the Co-op and Superdrug as well. So, we're right at the heart of helping them unlock that strategy as well. So, I think, in summary, Kev, it's brilliantly aligned to our strategy and there's huge growth opportunity over the next five years.

**Summary**

**Kevin Moore:** That's great. Thanks, Andy. So look, I hope the last half an hour has given you a bit of a flavour of kind of how we think about our customer relationships, how we think about the proposition development, and how growth is going to come in a variety of different ways. But I kind of want to just leave you with two final points.

The first point is this – is that – and I've already made it, so I'm kind of going to compound it – is we have a great series of relationships. And whilst we've used two examples with the Andys and we couldn't find any other Andys to come and do it, but we do have this with everybody, whether this be Starbucks, whether this be Shell, or whether this be Tesco. We have these relationships in every category in which we trade because it's the blueprint of how we operate. The traditional model that many suppliers in this space follow is one of supplying a product that a retailer wants. Our job is to understand how the consumer behaves and go and service that more effectively. And I think we do that more uniquely than anybody else.

The second thing is – and I kind of hope you got the theme of this from Peter – is how this all ties together. So, when we think about things like end- to-end, the reason for setting that up not only is to think about creating value for ourselves, but it's also to how do we help our operational colleagues, in terms of reducing complexity, reducing the difference and nuances of ingredients that, actually, consumers really aren't going to pay for and retailers don't traditionally want. So, I just think I'd say that we have a model that has evolved, I think, more quickly. We'd be more agile than many of our competitors. And I think we're really well-placed to go and do this again in the right categories as we go forward.

So, thank you for listening. I think we're a couple of minutes under time. So, if we take any questions between us, more than happy to field them.

## Q&A

**Question (BlackRock):** Hi. I just have a question because I think Patrick mentioned earlier that only these big four retailers are a third of your revenues –

**Kevin Moore:** Yeah.

**Question:** – and they're growing 1.5%. So, can you talk to us about how Food-to-Go is performing in the other two-thirds in the different formats like online discounting, cafes? Are, actually, these segments more complex? Do you have more pressure? And in – you know, is it just a complete different model?

**Kevin Moore:** Well, the first thing I'd say is actually no, it's not a completely different model. And what is evident is that we really just have to understand the space. So, without actually describing the particular retailer, one particular retailer we have, 3% of volume that we sell on to that particular retailer is online sales. So, people – and 18 months ago, I think that was probably less than 1%. So, one of the things that we are doing, as we think about where we can sell these products, is we're just starting to think about channels in a different way.

So, online is a great example. No one thought that we could sell sandwiches online. Consumers don't want to buy that. They want to buy toilet rolls. And they want to buy cooking sauce and tins of beans. They don't. They actually buy their lunch for the week. And they're having these products delivered daily. We've tapped into that. So, the taxonomy of how we think about those online sites, we have started to develop.

I think Patrick or Peter alluded to earlier on around cafes. So, we supply all of the Food-to-Go items that go into an M&S Café. We're now starting to think about that differently. And we do that, through kind of ongoing research, by engaging with them. We've seen a great shift towards hot food. So, what I would say is whilst the major retailers might not be growing materially, in broad terms, what they are doing, and Andy alluded to it earlier, they are growing in food to grow massively.

They are also starting to convert space, more space, to Food-to-Go. That provides us with an opportunity to think about that in a different way. The examples of mobile stores isn't it – is a way of getting more of that product to more consumers more effectively as is vending as is the fact that they're setting up dedicated Food-to-Go stores.

So, I genuinely think whilst growth does move around a fair bit, what's really, really important for us is to have a very, very clear strategy by retailer about how we can sell more of those products more effectively.

**Patrick Coveney:** Could I just jump in to do the reconciliation, given that I introduced that metric earlier. So, I think I'm okay actually here. So, first of all, that's a narrow definition of groceries, right? So, it's the big four: Tesco, Asda, Sainsbury’s, Morrisons, right? Our two biggest customers, which you'll see from the pie chart are actually Co-op and Marks & Spencer's. So, they're excluded from that traditional difference.

The other piece to which we haven't talked about very much but had driven principally, if I could say so, by Kevin and Andy, we've had extraordinary growth over the last five years without Aldi. We've gone from £20 million to well over £100 million in that period. So, it's a plethora of different banners that we're driving growth with. But I was just giving you because, you know, people who have been looking at this industry for a long time have a – like a narrow definition of what constitutes grocery and we are broadening beyond that.

Finally, just to reconcile for you, I am – if you look at the totality of our product set, right – everything, not just sandwiches, right? – we have – 50% is sold in large supermarkets, 40% is sold in some – in what would be badged as convenience stores in one form or other, and 10% in other channels. Right? So, which would include coffee shops, online.

And you clearly will see different splits of that by product types. So, sandwiches will index more towards convenience stores than that whereas a ready meal or cooking sauce business will index more towards supermarkets than that. And that's what you might expect. So, I just wanted to join up that with the earlier piece.

**Kevin Moore:** We got any more?

**Jack Gorman:** I don't think so.

**Kevin Moore:** We're done? So –

**Jack Gorman:** Could we just take one more question from Anna, if it's okay?

**Kevin Moore:** Okay.

**Anna[?]:** What's the Ocado M&S deal exactly? I mean, you can buy, you know, sushi at Ocado now. So, you supply that?

**Kevin Moore:** I'd say we're excited by it. So, first of all, the example I gave online earlier around sandwiches, Food-to-Go, I mean, there is a small number of Food-to-Go items that are sold on the actual Ocado site with the exception of sushi. We think we can do more with M&S.

We also think the fact that we can get the M&S sushi product on to that particular format, it was going to be excellent. So, that's really positive. So, that's, for us, exciting. We don't know that – what size that'll be. We're not quite kind of sure. We're in early engagement with them, in terms of setting up what that site might look like and how they develop it. But I'd see that really positively. I think that'll be great for us, as we go forward. So anyway, thank you all.

**Anna:** Thank you.

## Strategy and Model in Action – Operations

Clare Evans

*Manufacturing Director, Greencore*

### Introduction

Welcome to the strategy and action operational breakout group, where myself and the team are going to explore in more detail the programmes that Peter introduced you to earlier. So, my name is Clare Evans. I'm our Manufacturing Director, responsible for all our manufacturing sites, and I've worked for Greencore for over 20 years. But I came into this role 18 months ago and this was the first time that we have put our operational responsibility under one leadership. And that's really allowed us to accelerate the programmes that we're going to talk to you about today.

### Overview

So, we are going to talk to you about the three key elements of our operational strategy. The first is Greencore Manufacturing Excellence, that we will refer to as GME through the rest of this presentation.

Now, GME is a significant change programme that uses standardised processes, tools, and techniques to target the key levers of labour and waste. This obviously supports our cost agenda, but also delivers against our sustainability agenda. A key enabler to delivering this is being bespoke technology that we have developed for Greencore that Tracy Costello, our CIO, will take you through later. And you'll actually get the chance to use the tablets and the applications that our line controllers use in our factories right now.

But through the rollout of GME, it became very clear that we needed to really give our frontline leaders the skills and the capabilities to be able to use this data they've now got access to, to use effectively the GME techniques, and to get the most out of their team. So, we've done this through the development of our award-winning Line Manager Framework. And Natalie Rogers, our Learning and Development Manager, will take you through this later. But it's a great tool because it allows our leaders immediate access 24 hours a day through an online portal to a significant number of training and development modules to help them in their day-to-day tasks.

Finally, we want to give you a glimpse into our exciting automation strategy, where we're looking to automate some of the most manual tasks in our business. Now, we've had some great success in bringing first to market innovation in this space. A great example of that was the automated pasta line in our ready meals facility in Warrington. But it is much more difficult in our sandwich business where we need to maintain the flexibility and breadth of range for our customers. But we've now, for the first time, got access to more modular, flexible, and affordable robotics, which Carl Schubert, the GME and Engineering Director, will take you through and you'll be able to see where we've got to on that journey.

**Excellence Programme**

So, what is GME? GME was born out of a vision to be famous for manufacturing which, to be fair, historically, isn't something Greencore has been specifically known for. And this is because operationally, our focus has been very much on delivering new capacity into our sites quickly to support our growth agenda. We've also been acquiring new businesses and integrating these into our network, whether that's a sandwich factory at Atherstone or our Heathrow sandwich factory.

And finally, we just weren't structured in a way that allowed us to centrally drive a programme of this scale through the organisation. But now is the time to put manufacturing back at the heart of our business and we believe GME has given us the ability to do that. What GME has done is it's created a common way of working across all our sites, whether that's the way we run a diagnostic, which is where our teams will identify opportunities to reduce our labour and waste cost, whether it's the way we run a short interval control meeting.

This is where our line controllers, on an hourly basis, will use data to establish where they are against that plan and make decisions to drive efficiency. And it also gives us consistent data and KPIs to benchmark our sites and allows us to really leverage our network. So, we will move products around the sites in order to utilise capacity, or whether it's to maximise our efficiency by moving to a site with a lower labour and wastage cost.

**Greencore Manufacturing Excellence**

So, how have we delivered this? Well, we've invested in a central team, under the leadership of Carl, of around 50 people. Now, this team sits within the site teams, but they don't report to the general manager because we wanted to make sure that we maintained a level of independence and also functional best practice. The great thing about this team is that about half of those are existing Greencore employees that we've trained and developed through our bootcamps to give them the tools and techniques to deliver GME in the business, and the other half is new talent that we've attracted into the business just due to the power of that programme.

So, we are delighted by what this has delivered for us. We've seen a significant step change in our labour and waste. We've also never really been better, in terms of our operational performance. We've got better stability. We've got better control. And we've also now got a framework that we can use when we acquire businesses such as Freshtime and apply the same techniques into our network. I'm also really excited that we're moving into the next phase of GME through our automation strategy. So, I'm now going to hand you over to Tracy to bring the technology element to life.

## GME: Technology Approach

Tracy Costello

*Group Chief Information Officer, Greencore*

Thanks, Clare, Good morning. I'm Tracy Costello. I'm the Group CIO and I've had the pleasure of working at Greencore for just over two years. Before that, I was at a B2C tech start-up and before that, a big food service company.

What I find really exciting about Greencore is that we think of technology as a real critical part of what makes us win. Over the past two years, we've redirected our technology agenda, leveraging what we have, moving at pace, and focussing on how we can drive value now, not implementing technology for technology's sake. And there's no better illustration of this than in the GME programme.

Clare mentioned that in – for GME, we've developed some bespoke applications. And all of these are aimed at our line leaders and making it easier for them to deal with what's actually a challenging environment. These apps are designed to operate across different systems and across all of our sites. That way, we didn't have to do a major transformation programme to achieve this.

We started at our Food-to-Go sites, but we're now finding that they drive value across our business. We've developed them in collaboration with our manufacturing colleagues, piloting several iterations and taking feedback directly from the factory floor before we landed on what you're going to see today. And actually, those iterations are still continuing. It still evolves.

Before I describe the apps, let me give you a flavour of what our line leaders are up against. We make fresh product every day. We make to order, not to stock. We allow our customers to change and place orders on the same day of manufacture. This means that things like short interval control, efficiency and flexibility in our planning, and our focus on performance monitoring real-time in our lines is hugely important.

Our apps provide information to line leaders so that they're guided and can make choices on an hour-by-hour or minute-by-minute basis and take action in real-time to meet their performance targets, but also to step back and look at a shift or align and drive ongoing improvements. They're designed to be simple to use. I'm so confident in that that I'm going to play with them in a little bit. But simple is really important because it can get quite hectic on those lines. But they also have to be robust to deal with the climate of the factories and also to adhere to our very stringent food safety rules.

*Line Performance app*

We're going to focus on two apps today. Firstly, our Line Performance app, which is on the screen. This provides real-time information on how the lines perform against plan. So, live lines speeds, pack counts, time remaining, downtime, with alerts and prompts for action for our line leaders, and a countdown during changeover. This is hugely important to keep our line leaders focussed on continually driving that efficiency of that line.

*Line Balancing app*

Another app helps create the plan and make important choices about how to configure our – configure the labour across our lines. Again, let me cast you into the reality of our line leaders. We typically have seven to eight changeovers on any line in any one shift, but that can be ten or more. Each of our products may require a slightly different set of tasks, timings, skills, staffing, or equipment. And we may have 20 lines that we have to allocate staff across in any one shift.

Our Line Balancing app helps our line leaders determine the most efficient placement of the team and be able to react to real-life situations of who is actually there on the day. You heard Peter talk about labour and how important it is. Planning and efficiency in this space is becoming increasingly important, given the rising cost of labour, and will become even more so if the availability of labour comes under more pressure.

I'm now going to hand over to Dan, who's going to take you through a live demonstration.

## Tablet Demonstration

Daniel Holmes

*Team Lead, Greencore*

Good morning. Thank you, Tracy. So, I'm Daniel Holmes and I've been with Greencore a little over four years. And prior to that, I had ten years with Accenture, working in the retail technology area. So, I'm genuinely excited about some of the work I'm going to show you now. And I've had the pleasure of leading the team, as Tracy mentioned, in building these bespoke applications that we've designed within house and we built within house.

So, we have transporters from the heart of the city to Manton Wood, the world's largest sandwich factory, where we make up to four million sandwiches a week across 19 manufacturing lines with a little over 2,000 employees.

Beneath your chairs, we should have some tablet devices. If you can pick those up and share them out amongst you, please? There should be enough, broadly, for about one between two. If there's any spare ones, hand those out. So, what I'll do is I'll do a quick Android 101. So, on the left-hand side, there should be a silver button. If you push that, that should wake it up. And you're presented with the first application that has 'GME Links' and our 'LND Portal'. So, the one other button you might need is the backwards triangle at the bottom that you shouldn't do. So, right.

So, if we click on the one on the left – the 'GME Links' – you should see three of our main applications that we make available to our line leaders. So we've got Line Performance, Material Usage Variance, and Line Balancing. So, I'm going to take us through the two that Tracy talked about. So, has everyone got to this page?

**Speaker:** Yes.

**Speaker:** Yeah.

*Increased productivity using the Line Balancing app*

**Daniel Holmes:** Yeah? Okay. We're going to be fine then; I'm sure you're a smart room. So, let's go into the one on the left – the 'Line Performance Data'. As Tracy mentioned, real-time data. We're going to go in there. I'll open up our site. So, let's select Manton Wood on the right-hand side. And then, that will bring in – and just make sure we've got Halls One and Two ticked at the top in the black line selector. Let's scroll down a little bit and show Line Four, Line Five, and Line Six on the page.

*Understanding efficiency using the Line Efficiency report*

Now, what we do there is we show information to line leaders in different lenses. So on the left-hand side, you'll see 'Line Efficiency'. If you want to click on 'Minutes', you'll show the minutes they have lost in downtime or slow running. If you want to click on 'Labour Hours', we'll see that labour hour, looking at the number of people on the line. And finally, you want to click on 'Pounds', we'll see that against the standard labour cost.

So, let's go back on to the 'Minutes', which is what most of our line leaders use. And then on Line Four, let's click on the 'Watch Live' button on the right-hand side and actually go into Manton Wood. No pressure.

So, the good news is the line is running. So, we're making Co-op ham-and-cheese. We have a planned speed of 4,400 units per hour and we're currently running just under 4,200. So on the top right-hand corner, you'll see a 'Pause' button. If you could just click that? That'll hold us on that page. So, this shows us our target pack count is 6,800 and we have 505 left which, at the current speed, will take eight minutes to close out. Open that top right-hand corner next to the 'Play' button.

There's a left-hand click. If you click on that, it should show you this one, the red 'Shift Downtime'. So, every time our lines stop for 30 seconds or more, we capture why they stopped. We use that information to then let the line leaders take action in shift on day and we also trend that over periods of time to then drive out further improvements. So, for instance, here we can see of 18 minutes, ten minutes of them were on the bread denester. So, we always use the Pareto effect and say if you're going to fix one thing today, fix the one that will get us the most value.

So again, then in the top left-hand corner on the 'Back' button in green, that will take us back to our multiline view. Let's scroll down to again, Line Four. And you should see below the efficiency, you should see a 'Line efficiency, 23 minutes'. So if you click on that, that means this line today has last 23 minutes. When we open it up, we can see we've lost 18 minutes down to downtime, four minutes down to slow running, and two minutes on repacking poor quality products or things that needed rework before they go out the door.

*Downtime reporting*

So if you click on the 'Downtime', it will then show the similar lens that we saw: the three main reasons where the operatives can then make comments and actions by skew, if you want to open the history of skews. Or similarly, if you click on the slow running of four minutes, we can see the top products where we've lost time. So, we can look at them, what do we need to do to get them back to that target speed.

*Line Performance app*

So, we'll come out of the Line Performance app now. In the top left-hand corner, you have a 'Home' icon. If you click on that, it should take us back to the first page. We'll go into 'GME Links' again. And then, we'll go into the application on the right-hand side, 'Line Balancing'. So as that's loading up, you can choose a site in the dropdown. And let's select Manton Wood and then, push 'Enter' in the green below that.

So as that's logging us in, what this application enables us to do, if you see this page, is we do cycle counts of tasks. So, how many tomatoes can an operative place on a product in a minute? We then take those task timings and we build them into a bill of materials of a product. And we then take those products and we allocate them to a line to make sure that our lines are running at consistent speeds or consistent labour. So, we don't go from a product that needs 25 people to a product that needs 13. We manage that in a controlled way.

*Frontline Management report helps Supply Chain and Planning teams*

So, if you click on the 'Lines' on the left-hand side, we'll go back into Manton Wood, Line Five, which is one of our high-speed sandwich lines for sliced ham. As that opens up, on the right-hand side in the middle, it says in green, 'Frontline Management'. So, click on that. There's lots of information in these applications that our Supply Chain and our Planning teams and Carl's BI teams use, but we're going to focus on now is what would a line leader use real-time on the line.

So as that's loading, in the top right-hand corner, just click on 'Day Shift'. We've broadly made it now all the way. So, if you've got there, that's good. So, we can see this first products – the Co-op ham-and-mustard – ideally wants to run with 13 people at 4,200 units per hour. If you scroll down and look at the belt, it will show, from the left-hand side, the front of the production line, where we would debag and denest our bread, to the right hand side, where we'd pack the finished good.

*Understanding utilisation of staff using the Line Performance app*

The colour coding of the operative is about how much utilisation do they have. So, the task of red 'Place Sliced Ham', they are close to the critical bottleneck task on that line. So if you have somebody working on Day One, you don't want to put them on that task because if they slow down in that task, it will slow the line down. It's much better to put them on the stack in the line where they have a bit of capacity there to learn the trade and it's much easier for them as well.

So if we were, say, running slightly behind on a run and we wanted to look at what's our next step point to regain speed, if you click on the '+' in the top right-hand corner next to the 13 staff, we can see that our increment is by two to 15. That then drives our speed up by 200 units an hour. So, four is then our target. So, we would adjust our targets and speeds on the belt, although our unit per labour hour has actually come down for our efficiency was decreased there.

If we step down two – and let's assume a world where England and Ireland have had a World Cup final and England have won, and there's a few people that turn up slightly late the next morning. So, let's step the line down to 12 people because somebody couldn't unfortunately make it in for the 6.00 a.m. start. What this is then showing us is actually the most efficient way to run that line is to run it single-sided. If you look at the production belt, it has actually taken off one side of the belt. That then saves on our changeovers and our usage of the equipment we'd have to clean between each product.

So as I close, it's just to say that these applications, we're rolling them out across our business. Our sandwich sites have them now. We're moving into our sauces and ready meal sites. And that giving the line leaders this data in real-time to make actionable decisions is driving this improved efficiency. Thank you.

I'll now hand over to Natalie, who's going to talk through the Line Manager Framework.

## Line Manager Framework

Natalie Rogers

*Head, Learning and Development, Greencore*

Thanks, Dan. Hi, everyone. My name is Natalie Rogers and I head up Learning & Development for Greencore. I've been with Greencore for about four years. Prior to that, I started out my career at Sainsbury's. And then, in the last ten years prior to Greencore, I worked for Carlsberg and for Britvic.

*Front line leadership: Overview of operational leadership development*

I'm going to bring to life for you our line manager and leadership programme. So, we've talked already today about tools. This is absolutely about skills and confidence. So, it links together with our toolkit. So, just to bring to life for you the kind of group that we were talking about here.

*Who are we targeting?*

So, we've got about 2,000 line managers and supervisors. And they are the face of Greencore, for the vast majority of our people. How they behave with our people and how they treat them has a huge influence on our engagement and that knocks on to our performance. So, we wanted to build a programme that was as diverse as them and that gave them all the skills to be great leaders and great managers. So, they are our most important people.

Just to give you a sense of the job that they do, they would be responsible for a line in a factory. And they would have between 20 and 30 people that would work in their team. And they would be responsible for directing them, day to day, in their tasks and they would use the tools you've just seen to help them make decisions about that.

So, we've built a programme that works for them around them, that's available on any device, that's available 24/7 to help them be their best. And as well as providing them with skills and tools, it was really important for us to build confidence and self-belief. For some of these individuals, this might have been the first time we've invested in them. So, it's the first piece of development they'll have experienced.

*Why are they critical?*

Just to bring to life, some of the people aspects of this role and the things that these guys will be doing day to day. So, they will be the person that meets the team when they arrive at work. They will decide where they work, and you've seen some of the tools that will help to do that. They will also coordinate that team. They'll recognise when someone does something really well and thank them and appreciate them. And they will help make that experience with us amazing.

They also have a huge amount of operational decisions to make. And a piece of work that we did was about 1,200 decisions we make in a complete shift that these guys are involved in. So, they have a huge and direct impact on our performance. Helping them be their best is really important to us. And so, we built the programme around helping them to connect with their team. Because as you can see, a lot of the things they do are around people.

*What's the intervention?*

So, I'm going to show you a short video – a few minutes of an extract of one of our most popular videos that we've built ourselves that features our colleagues. And this one is about helping managers connect with their team and build relationships with their people.

[VIDEO]

Okay, so that should give you a glimpse of our programme. We've got about 150 of those videos that we use to help teach all different things and all our people feature in them.

*Front line leadership measures of success*

What I'd like to talk to you about before I finish, really, are success measures. So, the programme is focussed around the things that are most important to us and to our people. And that's around employee experience and engagement. And we're already starting to see the results of that. If we can create a great experience for our colleagues, they stay with us for longer. So, we're hoping to reduce attrition.

We've already got good safety standards, but we want to take those from good to great. So, we're helping our people look at safety – and that's not just physical safety, that's emotional well-being and health. And finally, operations. It's helping us to reduce waste, avoid cost, and help us to plan our labour more effectively.

So, I'm going to hand you over now to Carl, who's going to talk to you about our automation agenda.

## Next-Generation Automation

Carl Schubert

*Group Director, Manufacturing Excellence & Engineering, Greencore*

Thank you, Natalie. Okay. So, hello everyone. I'm Carl Schubert. I'm Group Director of Manufacturing Excellence and, now, Engineering. I've been with Greencore for about just under three years now. Okay. Background is all in manufacturing – so, operations in many different sectors from quarrying, mining, pharmaceuticals, bottling, Anglo-American, Coca-Cola, Unilever, Reckitt Benckiser.

And then, was brought in specifically to, you know, focus on the productivity agenda for Greencore. So, you know, really proud to be hearing people referencing GME a lot today because, you know, having been there since its creation in the beginning and the value that it's driven across the operation has been fantastic. Okay?

During the first two phases, it was all about step-change our performance, put in place capability to do that every year. And now, we've been thoughtful about, 'But what next?' How do we – what's the next wave of improvement activity in this agenda? Okay? And that's where we go from.

We've been focussing on putting in place very innovative systems. So, I want to, you know, just make the point that those systems you saw – so, line balancing, high-value item tools – it's in-house built. You cannot go and buy a solution for line balancing. Okay? So, very unique to Greencore.

But I think it's fair to say our equipment innovation, we've really been a more focussed on imitation. So, using equipment, looking from site to site – so, have we got a better, more efficient type of cutter in one plant or another? – or using equipment that we know exists in another industry and bringing that in. So, really imitating to give us that efficiency and productivity change.

However, you know, we still need to keep pushing with the productivity agenda. So now, we're being very thoughtful about how do we really innovate on equipment level to drive performance. So, you know, we've got this challenge. It's been referenced around, you know, rising labour cost.

You know, fortunately, the change in technology, AI, robotics is rising exponentially and the costs are coming down. So, it's now making us think about is it's the right time to think about how do we apply that technology to solve some of the challenges in our operation that, historically, were seemed and deemed as very difficult because of like complex nature of our business, when you think about the ingredients we handle. Okay?

Also, being mindful about the business we run – short shelf-life, fast-moving it, you know, make to order, every SKU, every postcode, for some customers; every day – we cannot not deliver on customer service. So, again, you know, traditional turnkey full systems of automation can sometimes give you some challenges around flexibility and delivery. So, we're very mindful of that in our solutions.

*Bespoke technology in sandwich automation*

So, how are we approaching this then? So, we've launched our innovation programme. We've assembled a team around this. So, we've got our own capacity and capability to get after this opportunity. We have been working through the data on those systems. So, having got a great, rich data from those systems and overlaying then financial analysis on that, where do we apply our efforts and our focus for maximum impacts? Okay?

So, we obviously look in sandwiches. Sandwich manufacture is an area that's not very advanced. It's very manual in the nature of assembling a sandwich. So if you visualise what it looks like, it's a conveyor belt. Bread comes on at one end. You load the sandwich fillings on. You then lid it – that sandwich. It's very manual. Okay? So, when we look at the opportunity, two-thirds of our direct labour spend is in that area of sandwich manufacturing. Therefore, we're focussing on that process.

**Five Key Tasks for Innovation**

So, we've narrowed down to five key tasks for innovation. So, lidding of the sandwich – so, that's that putting that top piece of bread on the top of the sandwich – what we call lidding. Yeah? Then, we turn the sandwich 45 degrees. We focus[?] through a sonic cutter, which is one of those more traditional imitate solutions that we've put in place. So, a sonic cutter to do the diagonal cuts.

You then take the two triangles – in what we call matching. So, that's matching them in two halves. And then, you take those two matched halves and you load that into the triangular carton or packet, which we would refer to as a skillet. And then, the last of the five tasks is putting that skillet into a box, ready for dispatch. Okay? So, they are five areas that we're looking at as priorities for innovation.

I'm just going to show you a short video now. I want to show you just one of those. So, this is the skillet loading. Okay? Now on the video, you will see the before, which is what your typical factory now, and then the prototype solution. So, I just want to say there are no off-the-shelf solutions for these tasks. Okay? We're having to partner up with robotics experts, our expertise of sandwich assembly, because, you know, how do we really apply the technology now to solve these challenges? So, here is the video. Did it work?

[VIDEO]

Okay. So, very short. What you see here is packing before. This is a typical view inside one of our operations. Okay? So, manually loaded, you see? And this is a prototype that we're working on. That's in workshop trial right now. Okay? So, this is how the future possibly could look as we apply this technology. You see?

Okay. So, just in summary, okay? So, for innovation of our equipment, we've identified those priorities. We've launched a programme. We've assembled a team. And we're now in that period of really trying to problem-solve, find those solutions through trials and tests. Once we get there, it'll allow us to then, you know, decide how we go forward. So, which of those options do we pursue with the disciplined investment choices, moving forward?

Okay? So, I'll take questions at the end. I'm going to hand you back to Clare.

**Summary**

**Clare Evans:** So hopefully, that's given you a glimpse into our operational strategy and how we're investing behind our GME programme, how we're using bespoke technology and our Line Manager Framework to give our frontline leaders the skills, the capability, and the data to really drive that efficiency agenda. And then, finally, a glimpse into our really exciting automation strategy, which we've – we're already making some good progress on.

So, I'm not sure how we're doing on time, Michael. So, if anyone would like to ask a question? You just need the mic. Sorry.

## Q&A

**Martin Deboo:** Hello. Can you hear me? Just two very simple and direct ones around GME. So, what is the difference between your best and least efficient sandwich factory, in terms of labour cost and waste? Just to get a sense of the price.

**Clare Evans:** I mean, one of the difficulties with sandwiches is the breadth of range means that we do have different labour costs depending on the product mix. What we are able to do now with our data though is where we do have similarities, we've been working to make sure that where there are similarities, that we are getting them up to the lowest cost. So, that's some of the work that Carl's team has been doing. And then, obviously, automation could help us to reduce that cost further.

**Martin Deboo:** And reverse the mitigating factors, but what's the answer? What's the price? How do – what's the range of –

**Clare Evans:** Well, I think in terms of our automation agenda, we don't know yet because we're very, very early days on that. But we're excited by what we've seen. I can't quantify the exact figure for you at this stage.

**Martin Deboo:** Okay. What's labour retention? You know, what's the staff turnover on the lines? And how to think that compares to other – not other sandwich structures, other similar occupations that come out of the same labour pool?

**Clare Evans:** Yeah. And I think our labour turnover is pretty much in line, if not better, than what we've seen elsewhere in the industry. What we're really spending a lot of our time focus on now is how do we improve that employee experience. So, a lot of what Natalie's talked through has been around giving our line leaders the capability to really get the most out their teams.

What we've realised is that, you know, if you're new into our business, it can be quite a shock, going down into a cold factory floor. And so, how you're treated, how you're spoken to, can make a massive difference. So, that's why we think what we're doing now and the strategy we're on will really start to make a difference to that turnover.

**Patrick Coveney:** Could I just – I'd like just to give my point on the labour turnover, just to help to you a little bit. So, one of the critical things is actually turnover loss. And so, what – so, I'm going to give two different answers, right? So, for people who have been working with us for more than six months –

**Martin Deboo:** Yeah.

**Patrick Coveney:** – the turnover is single digits – you know, 5% to 10%. All right? So in other words, once people get through the –

**Martin Deboo:** Right.

**Patrick Coveney:** – learn about the environment and get connected into the team, our retention metrics are really, really good. If you take our turnover in the first six months, it's running in the hundreds of percent –

**Martin Deboo:** Right.

**Patrick Coveney:** – because you have people who come in either temporarily, for seasonal work, or for – or, you know, it's just – they just can't – they're just uncomfortable with the cold environment when the – once they've experienced it. So if you blend all that, it's a kind of meaningless number. So, we've parsed it into and we get better at inducting people in who are going to be a fit with our production process. And then, once they're settled, the traditional retention metrics that you might expect begin to kick in.

**Jack Gorman:** I think we've got time for one more question. Can you…?

**Damian McNeela (Numis):** Just looking at that video of the robot, it looks like it's only picking half the sandwich. And I was just wondering how far in the future should we be thinking about automation? Is this sort of a one to two-year view or is this kind of a – in reality, perhaps it's more like a five-year-plus?

**Carl Schubert:** No. We've got for those five key priority areas that I highlighted there, we've got workshop tests and trials going on for all five of those. And we've got a – you know, a phased plan, in terms of, you know, the expected delivery in from this year into next year. But it's all high-risk. It's all about solving those problems.

And you're right, so that was a trial when you – and you're right, it wasn't a full sandwich. But actually, it was end-loaded. So if you look at it, it with sat on its cut face. That's not something we do because we smear it on the cut face. So, we're still trying to work that out. So, it's still in progress at this time.

**Clare Evans:** And I think, to be fair, it will be a five to ten-year journey.

**Damian McNeela:** And just to –

**Clare Evans:** Sorry.

**Daniel McNeela:** – sorry, notwithstanding the fact that you'll have to get this cut maybe on their own[?].

**Carl Schubert:** Yeah.

**Daniel McNeela:** But if you only –

**Patrick Coveney:** That's the next challenge.

**Daniel McNeela:** – if you're just dreaming about this phase, what could it look like in – as you then – as you envisage this automation five years from now, in terms of number of people in plants, tasks that will be automated? What – you know, what –

**Carl Schubert:** Yeah.

**Daniel McNeela:** Can you share that aspiration?

**Carl Schubert:** Okay. I should know. Okay. So, the vision is in four years now, 40% less on those production lines.

**Eoin Tonge:** 40% less staff?

**Carl Schubert:** Less people on those production lines for sandwich assembly. So, that's the vision that we are –

**Clare Evans:** So, that's the vision we've got.

**Carl Schubert:** That's the vision.

**Clare Evans:** A long Way to go, to be fair. But we're –

**Daniel McNeela:** That's precisely the problem.

**Clare Evans:** Yeah.

**Carl Schubert:** So…

**Jack Gorman:** Okay. We can take one more.

**Clare Evans:** Okay.

**Jack Gorman:** We have a little bit more time. So, we'll take the last question now.

**Question:** Hi. What returns otherwise, Patrick and Eoin, are holding you to for the payback, if you like, on automating equipment?

**Eoin Tonge:** Yeah. We don't even look at them.

**Clare Evans:** Do you want me to answer?

**Eoin Tonge:** Two years? Yeah?

**Clare Evans:** Yeah. I mean, ideally, that's – that's what we're aiming for. So, I mean, I think Eoin will later – you know, we are always tasked around our payback to two to four years. But two years is what we would ideally be aspiring to on this automation challenge.

**Patrick Coveney:** So, that payback is really not going to be the challenge here.

**Clare Evans:** No.

**Patrick Coveney:** It's going to be flexibility.

**Carl Schubert:** Yeah.

**Clare Evans:** Yeah, absolutely.

**Carl Schubert:** And – yeah. I mean, the challenge has been the – I'd say the technology costs are coming down to probably where it's now, it's time to go look at this seriously. The flexibility challenge, we have to be really mindful of. So, you know, thinking about how is the business evolving, what's changing, formats, etc., you know? Because, you know, historical efforts on full turnkey solutions, you lose all that flexibility. Right?

You designed it for a specific product, you know, which – so, that's – hence the more modular approach, thinking about, well, if you did then make a change – it's what we call an end effector change. It's not about the robot, it's about the interface with the product. So, we change the end effector design and reprogram the robot unit to actually keep it very future-proof. Okay? And we're very mindful of that, in terms of what we're doing, our approach, our success criteria.

**Clare Evans:** Okay. I think we've got time for more question.

**David Huggins (BlackRock):** You spent a lot of time talking about the importance of people, and then the importance of automation. So, how do you navigate that path in informing your employees that, 'while we want you to stay in the next room', you're building equipment to replace them?

**Clare Evans:** I think, to be fair, our growth agenda has been such that as this journey progresses, we will be looking for significantly more people. And therefore, you know, our current workforce probably won't be at all affected because of the growth that we've been seeing there. So, obviously, we have agency and temporary labour as well. So yeah, it's not really been a concern of ours, going forward. Okay? Thank you.

## Value Creation Model

Eoin Tonge

*Chief Financial Officer, Greencore*

### Overview

So, I hope you enjoyed those sessions and then, got a real kind of touch and feel, as I say, of our strategy and our business model in action. We had a run through yesterday and one of our banker – banking advisors suggested that they should take that video about how you behave with your staff back to their office so you get a lot more traction. Anyway.

So, this is the final part of the day now. I'm going to do a bit on the value creation model. And then, Patrick, Peter, and myself are going to do it a final Q&A and look to wrap up around one o'clock. We've got a – another nice food offering to look forward to at 13.00 to motivate us to there.

So, my job here now is to try and bring together everything you've heard today, in terms of our customer relationships, our strong market positions, how we leverage those through our strategy and our business model, how we bring all that together in a set of financial outcomes and a set of financial ambitions that drive the shareholder value.

To get into that, I'm going to start just back to the slide that I showed at the start, just in terms of the business that we have had and have today – one with strong track record that I spoke about before, in terms of revenue and profit.

### Greencore – attractive economic model

*Strong financial metrics with a track record of delivery*

Just to orient ourselves, the 11.7% growth rate that we've had in the categories we operate in today, as I said before, is made up of about 7% organic growth rate over that time. And the mix of that really was all to – all about category growth and market share gains. And the nature of our growth, going forward, is going to be a little bit different. And I'm going to come to talk to that.

But it's also been clear that we've actually had disciplined growth in that period of time in the UK. And I believe we see that in, as I said before, the two key metrics – two key – of our key metrics – return on invested capital and, indeed, on our – in our margin. And to add to that, I think we're really at a point of inflection when it comes to cash generation. And I'm going to drill into that further.

### Driving Long-Term Value Creation

So, what is the model from here? I mean, I've been CFO now for three years. I've been with Greencore for 13 years through various amount of roles, including running one of our divisions. And I've really seen our value creation model evolve and refine through that period of time. I mean, some elements are still very much the same. And I'm going to touch on those a little bit as we go through.

But I think we do have a very, quite refined model of how we think about value creation. There's four elements that I'm going to talk to: how we think about growth, how we think about profit conversion, how we think about cash generation, and how we think about investments and capital allocation. So I'm going to go through each of those in turn.

**Sustainable Revenue Growth**

*Medium-term financial ambition of mid-single-digit organic revenue growth plus M&A*

So, on growth. So obviously, this links back very much to the session we had earlier on today with Patrick in relation to how we're thinking about growth, going forward. And you know, we are a growth business. You know, our record shows it. I think our customers demand it. We demand it of ourselves. Our ambition is to drive mid-single-digit organic growth with M&A on top of that.

Now, I'll come and talk about M&A separately. So, just on organic growth, how do we think that kind of builds up, in the context of what Patrick spoke about before. And I think – first of all, I'd say this is – what I'm talking about is for our total portfolio. So, it's a total mix of our portfolio.

*Core growth*

And when you just look at core growth, the way we think about it is that, you know, we think that no regular food – effectively, core food should grow somewhere between 1% and 2%. And on top of that, our category exposure are weighting towards Food-to-Go should give outperformance of somewhere between 1% and 2%. I mean, obviously, these are rangy – range-type of numbers.

*Broader proposition*

And then, on top of that, we are targeting an additional element to our revenue around broadening the proposition – broadening the proposition, in terms of category and in terms of channel. And we think that adds another 1% or 2%. And all that together is the reasons why we think we can target a growth – an organic growth rate of mid-single-digit. Now obviously, that's going to vary, in terms of contribution, from year to year. But that's the ambition that we're setting this business on.

**Profit Growth At Or Above Revenue Growth**

*Track record mitigating margin pressure*

If I turned to profit conversion, this is probably going to take me a little bit longer to go through. You know, we obviously get asked an awful lot of questions, in terms of how we sustain our margins, and how we manage through what is quite a complex business, and we've got, you know, what people perceive to be as very strong customer customers that we serve, etc., and so forth.

So, I'm going to take a bit of time to actually step through this. I mean, it does link very much back to the customer partnerships that we spoke about all – a lot really, all day today. As Patrick noted, it was really quite striking to us when we were listening to the videos ourselves is that our customers only ever used the term 'partners' when they were actually talking about us. And that is really quite an important part because when we think about margin, we really talk about how we can sustain our margin and our customers' margin.

So, there are elements that, you know, are always going to put pressure, in relation to margin and conversion. And they've been there forever and they will be there for a long time to come yet. Raw material price inflation, and raw material price volatility, labour inflation, and indeed, as I say, our need and our desire, indeed, to continue to contribute to our customers' margin and invest with our customers.

*Raw material price volatility*

I mean, just to put a kind of sense and sort of scale around our sales. Over 50% of our sales is made – are – is made up of ingredients. Right? So, it's just got to – kind of – just give you a sense. Typically, over 50%. So obviously, inflation on our materials is big. Also, actually, the ability to actually drive waste effectiveness on materials is also quite big. So, just to remember that. Typically, over history – and we – and if you've been following us for a long time, we've always said we've been very successful of being able to recover raw material inflation.

*Ongoing labour inflation*

Labour. In terms of front-line labour, it's what we – what – how Peter referred to it this morning. That, typically, accounts for just under 15% of sales. That's just to give you a kind of sense of the scale of the makeup of our P&L.

Definitely we've seen, as Peter alluded to, we've had a step-up in labour inflation over the last number of years, principally due to the introduction of the National Living Wage, less – nothing to do with Brexit, actually, principally to do with the introduction of the National Living Wage.

**Sustainable Margins**

So how do we think about sustaining margins going forward? So I think of it – everyone likes it a virtuous circle. I think of it as a virtuous circle. I think it starts with the customer partnerships. The deepening relevance that we talked about earlier has enabled a number of features, actually, to our customer partnerships, firstly on inflation recovery.

So, as I said, recovering inflation – ingredients inflation has always been doable for us. If you go back over ten years, we've had significant periods of inflation, we've been able to recover inflation. But one thing has changed over the last number of years, which is the deepening relationships have enabled much more contractual cost recovery for ingredients inflation and I've lots of examples on this. If you look at the last two years, certainly if you look at FY 2017 and FY 2018, both of those periods had 3% ingredients inflation, really principally following the Brexit vote in 2016 due to exchange, and we were able to recover that without any impact to cash margin.

On top of this, we now have this new approach end to end with our customers that Peter talked about, and I'm sure you heard also in the conversations in the customer break-out. That means that, on top of recovering inflation, we're working together to try and take cost out of the supply chain. Now, both of these features, in my mind, enable a much stronger bedrock on cost recovery than we've ever had before.

The next part of the model, in my mind, is really unique, a unique feature, and it's to do with our level of innovation. Patrick quoted a number earlier today, that 47% of our products are new this year. And that level of innovation – and as you have seen from the strategy and as you have seen from the strategy earlier today in terms of the innovation showcase, we'd expect that level of innovation to continue. And that is, in my mind, gold dust to an operating model because it allows you to continually optimise your mix with your customers. And it's not just about optimising mix on volume, which is a really core part of it, i.e. like if a product is not selling, take it out and replace it with a product that is selling. It's not just about volume, but it's also about optimising cost as well.

So in some of the choices that Peter spoke about before, around choices around ordering patterns, around ingredients and around ranging, all those choices we can make continually with our customers to optimise the mix.

And then finally, which is obviously a kind of a more fundamental part of any model to drive margin and to drive operating profit, as we grow and as we build volume, that gives operating leverage on the investments you have had in your cost base. And as you'll have seen, we've made quite a lot of investments in our cost base over the last few years. You've seen them, actually physically seen them, today in terms of the excellence programmes and our overall organisation.

**Margin**

So I mean the obvious question, which I'm sure there'll be plenty after this is what does that mean for margins for us, for our business? I mean the first thing I'd say is I think we start off with a good margin, right? If – although it's not a metric I particularly love because mix has an impact, 7% return on sales is a pretty good margin, right? That's the first thing I'd say.

We recognise there's going to be persistent labour inflation. As Peter said, our assumption, our planning assumption, is that – although we don't know how it's going to materialise, our planning assumption is that there might be some challenges to labour availability post-Brexit and as a result, we have to budget for that, right? We are assuming that we have – and as I said before, our model is to invest with our customers – our model is to continue to invest with our customers. However, we are well-invested and as I say, this model is well-refined, so I think we can actually sustain margin and actually even target incremental gains but they are incremental gains.

**Strong Inherent Free Cash Flow**

Okay, I told you I'd take a bit of time over that. If I switch tacks to cash, and I probably could spend as much time on this but I won't, as I say I think the – we are at a real inflection point on cash. I think you're going to see it this year in FY 2019. I don't think we could have made the statement we said this morning if you don't see it in relation to where we are in relation to our leverage, and it's based on a number of factors. The network is well-invested; I've spoken about that before. We've invested £300 million over the last five years in the network we have today. On average, that's just over two-times depreciation, so a significant amount of investment in the last five years.

Given we have the capacity now for growth, we'd expect a much more normalised level of maintenance capital going forward, actually I think a little bit below depreciation. Our target, if you want to model it, is circa 2% of sales. I'm going to talk a little bit more about strategic capital in a moment.

We've done a lot over the last number of years in terms of strengthening and I would say, cleaning up the portfolio. I've talked already and you've seen it, as I say, about the investments we've made in the organisation, a lot through 2017 and through 2018. And that's really enabled all the excellence programmes, again, that you've touched and felt today. On top of that, we've executed a pretty significant amount of portfolio change. Hard work, actually, portfolio change. People might say you, 'You should just sell – you should close that factory and you should do this'; hard work to do it. But over the last number of years, we've exited our cakes and desserts business and we've completely reset our ready meals business.

So, as I think people have heard me say before, when I say a lot of the heavy lifting is done, that's what I mean by a lot of the heavy lifting is done when it comes to our business and our portfolio.

And finally, I think we've really pivoted the organisation to focus on cash. I think it's hard to really explain what that really means; it's all about process to a certain extent. But I think whether it's on elements around how we think about capital approval – I mean if people were in the break-out group in terms of the response, unaided by me, in terms of how we think about investment into efficiency, you'll see that people are really focused on how they think about capital approval. How we think about working capital management and that's a complex area that we have to work through and we have to focus really hard in terms of process and also relationships. And how we manage other cash flows, including our pension obligations.

I think, given all these elements, I think we have a target of converting half of our adjusted EBITDA to free cash flow. Now, I think that's a demanding ambition, actually, as it happens, because that's – when we talk about free cash flow, just to make sure, because a lot of people talk about different elements of free cash flow, I'm talking about the conservative definition of free cash flows. It includes exceptional outflows. It includes interest, it includes tax and it includes pensions.

**Disciplined Investment**

So, now, that is a big, big focus of the business and I think it's going to be a big feature of how we think going forward. It obviously also enables a lot of investment capacity if you convert half of your adjust EBITDA to free cash flow, so that brings us on to how we think about investment.

So, as I said right at the start – right at the start of the day and the start of this session, this business actually has really good, strong inherent return on invested capital. I mean we start with approximately 15%, which, when you normalise for a kind of fully-normalised tax rate, it'll be probably more like 14%, post-IFRS 16 but, you know, remember when I talk about return on invested capital, that's return on total invested capital, so including goodwill and post-tax. So it's a real – to me it's a really fantastic measure of return.

So, how do we think about investments now and how do we think about maintaining that and sustaining that metric as we grow our invested capital? So, let me just talk about the characteristics of our investments a little bit.

*Organic investments*

So, when you think of organic and when we think of organic investments, we think of really two elements. We think of investment for capacity and we think of investment for significant efficiency. Investment for capacity: this business has always had and we believe has pretty decent asset turn, so typically over three times asset turn. It does vary for different types of expansion. If you're expanding – if you're building a full new facility or if you're just extending a facility, it really – it does depend but typically strong asset turn. And clearly when we do invest for capacity, we invest it hand-in-hand with the customer. So on a risk-adjusted return on invested capital, it tends to be quite strong.

When we think about investments in efficiency – and in fact this is for the people who were in the GME session, the second one, when they were asked a question about, 'What does Eoin target you on returns for efficiencies?' but typically we do target two to four years when we – on a post-tax basis, when we look at efficiency programmes. Now, I think automation, which we talked a lot about in the break-outs and I'm sure people might have further questions on, is going to be quite interesting for us. And I made a statement in the break-out where I actually don't think payback is going to be the challenge in relation to automation. It's going to be about the sustainability of the programmes you put in. So we do have a lot of work still to do in that regard to make sure that they're – as Carl used the word – future-proofed for our business, which, if you go back to the slide before, has a dynamic product portfolio. So just remember that interplay between the two.

But if I bring all that together in terms of organic investment, my framework for organic investment is to drive 15% plus post-tax return on invested capital on the blend of all of that.

That's how I think about that model, which brings you then to how we think about acquisitions. I'm going to talk a little bit about Freshtime in a moment, about how we thought about Freshtime as an acquisition. When you – typically, in our industry, multiples don't tend to be overly demanding. It depends on the asset, it depends on the nature – the state of – the nature of when you buy it, etc., and so forth, but typically they can be between six and ten-times pre-synergy EBITDA. Clearly, when we look to make any acquisitions, we look to target growth and we look to target cost synergy and that's how we think about the return on – I mean it's not that complicated; that's how we think about the return on invested capital metric of an acquisition. Because of that goodwill, our benchmark tends to be 10% plus on return on invested capital for acquisitions and that's the blend – that's how you think about the blend as to how we think about our investments going forward to try and sustain what is a pretty demanding return on invested capital metric of mid-teens.

**Capital allocation**

Right, so, having kind of gone into that – into detail about how we think about investment, let's just talk about capital allocation – that buzzword, capital allocation – and how we think about the use of capital.

I'll start with our leverage. People have heard me speak quite a lot about how I think about the right type of leverage for a business of our nature. I mean, to be honest with you, there's no hard and fast rule on the type of leverage, really. Some people like more leverage, some people like less leverage. What I believe is 1.5–2 times is a pretty optimum type of leverage. It's conservative enough to allow for shock and it's – there is enough leverage for efficiency from a financing perspective and from tax effectiveness.

We're pretty clear on that and bluntly, I've done 13 years of stress testing and analysis on this to help be comfortable on this type of level of leverage. So after – within that range, how do we think about it? Firstly we start with our progressive dividend and progressive means different things for different people. For us it just – it means trying to grow it in line with profit growth. After that, I mean we are a growth business. Now, the key word here is 'disciplined', right? I mean that is – I mean I know it's an obvious word but the key word is 'disciplined'. We do have line of sight on quite a lot of disciplined organic and inorganic investment and that is where we will start, in terms of our capital allocation but there will be times – there will be times and like you can't always pick and choose the timings of your investments – there will be times when we can see opportunity to have incremental shareholder return as we go through the period, all about optimising overall shareholder return. And indeed, when we're thinking about organic and inorganic investment, comparing that investment versus the impact of returning capital to shareholders is something we have to keep in mind.

*Disciplined investment in action*

So, that's our capital allocation model. I'm just going to take a moment, just a little – to talk a little bit about Freshtime. I'm going to talk about two elements of this. One is how it kind of went through the capital allocation model, which is a bit of a no-brainer, to be fair but I'll still talk through the – in a little bit more kind of step-way through it. And then secondly just to talk a little bit about how we think about our M&A programme going forward, both in terms of how we execute and the type of M&A we are looking at.

So, firstly, just the capital allocation model, I mean you know, I think you only just have to go back to the videos of earlier, listening to the senior Co-op executives talking about their advocacy for Greencore to buy Freshtime to understand the strategic fit. And clearly, as well as the advocacy from our customers, the exposure Freshtime had to salads meant that it was really in the sweet spot of how we're thinking about our – broadening our category exposure.

So, in terms of strategic fit, it was a fairly straightforward click. We do actually know most of the assets in the UK food industry. We know them pretty well. I have the benefit of, in my previous life, having done the strategy and the M&A, so I actually personally know them very well. Now, what that means is you get to really understand the financial profile – before you get into kind of diligence or anything like that, you really understand the financial profile of a business and again this business really had, what we believe, is a robust financial profile. Acquisition multiples, we felt it was reasonable in terms of eight-times pre-synergy. And with the scope for growth and a modest amount of cost synergy, it hit our hurdle in relation to return on invested capital. I mean we do – we did look at it in terms of the impact of – comparing it versus alternative investments but it was pretty clear that it passed through the capital allocation model.

So that's – that was just that a little bit in kind of – in action, really, the capital allocation model. In terms of M&A, I'd say two things about M&A. I mean this is pretty much the blueprint about how we think of M&A going forward, in terms of shape, size, strategic fit, customer advocacy, category exposure and so on. So I think, at the moment, what we're doing here is building a pipeline and we believe there is a pipeline of acquisitions of this type of nature.

And in terms of how we're going about it, I mean it's nothing – there's nothing groundbreaking in this, but we have a small team now who are dedicated on developing the pipeline and on executing M&A, separate from the businesses, allowing the businesses to focus on the day-to-day, draw them in when we need to and then look to bring the business, effectively, packed and ready to go and bolt on and integrate into the business.

**Driving Long-Term Value Creation**

So that's how we think about capital allocation, that's how we think about M&A. And if I just bring this all back together and then really actually to finish, so we can get into Q&A, as I say, we have a pretty clear model as to how we are going to look to drive value creation over the medium term. It's built on how we think about growth, how we think about profit conversion, how we think about cash generation and how we think about our disciplined investment. And as I presented at the start, this translates into a set of four financial ambitions that are going to guide us over the next period. One, mid-single-digit organic growth; two, converting the growth and layering on top either acquisitions or capital repayment into high-single-digit adjusted EPS, relentlessly seeking to convert half of our adjusted EBITDA into free cash flow and using that free cash flow in a disciplined way to drive mid-teen return on invested capital.

So, that's the model. If I was going to leave you two words as to how I think at the moment, I would say we are a growth business but we're a growth business that's disciplined and that's how we're going to focus and think about it over the next period.

So, with that, I'm going to let Patrick and Peter come back up onstage and we'll have our final Q&A.

## Q&A

**Patrick Coveney:** See, if I jump down here, I'll be a similar height to you.

**Eoin Tonge:** Not really.

**Patrick Coveney:** Okay, good. Well we – I'd like to kind of stand by the commitment we made to try and get everyone finished by 13.00 and to have food for 13.00, so that gives us 15–17 minutes, that sort of thing. If there are – if there's just a wall of hands at 13.00, I'll let it roll for a little bit longer. Jason?

**Jason Molins (Goodbody):** Hi, Jason Molins from Goodbody. Probably a question for Eoin. In terms of the margin evolution, quite clear where you see that going forward and maybe you've cast your mind back with the inflationary environment that we've been going through for the last couple of years. If we move to a deflationary environment, how would you think about things going forward from a margin perspective, or are your contracts now slightly different, that would stop you, maybe, from keeping some of those gains?

And then, I guess, maybe for Patrick just, you had a chart there at the start of the presentation where you talked about your customer set, your customer exposure. I guess not too much mentioned about the discounters who are clearly putting down more space and more capacity into the UK retail environment and clearly growing consistently ahead. Can you maybe just talk a bit more about that channel for you and where you see that going forward, in terms of that growth agenda?

**Eoin Tonge:** Yeah, I mean I think if you'd gone back sort of five years and so on, I mean, deflation, we would have kind of been rubbing our hands with glee a little bit in terms of how we could sort of work the art of keeping as much as you possibly can, really, if you will. I think, fundamentally, it always reset, though. You know what I mean? It might have taken a bit of time. So like in the olden days it might have taken a bit of time to recover and it might have taken a bit of time to pass back to deflation, but actually I think our models are such that I think it's not quite more instantaneous. I think deflation is better than inflation, just to be clear, in terms of margin, not in terms of revenue. But – and but the – I kind of expect that to more kind of reset more regularly with our customers. You can't have it both ways.

**Patrick Coveney:** Yeah, I mean – I was going to use exactly that expression, you can't have it both ways, but at the margin, the frictional impact is a little bit more positive for us in deflation than it is in inflation but our business is based on trust and driving profitability and performance for both us and our customers and so that's – that has to be the core principle for how we deal with that inflation.

I actually mentioned – I gave this point, actually, in one of the break-outs but I think it wasn't the one that you were there, which is the example of our discounter growth. So I mean we – Aldi has rocketed up the relative share of our customer set; in very broad terms over five years we've gone from about £20 million of sales with Aldi to over £100 million. We are a – actually an important multi-category strategic supplier to Aldi now. We have some specific expertise in terms of working with them. The Commercial group, Kevin and Andy, would have been right at the centre of that business that Eoin used to run in Selby in cooking sauces. As it happens, actually, Aldi is the largest customer of that site in total, so it's an important customer for us and I think it'll grow strongly. A little smaller with Lidl but it's a top-12 customer for us, and if I come back to the principle here, which is twofold: one is we need to be where customers are, by which I mean we need to be where consumers are; and secondly – and this is – has to be part of the magic in terms of how Greencore does things – if you are one of our customers, regardless of where you sit across that 12 or so large customers that we have, every one of them is special and we organise our business – you know, I'll give you a very particular example.

So the food display that was out there, we were going through it last night and I asked Joe's team what – how the products that they were doing compared with the – in sushi with the M&S sushi and they gave me the very honest answer, which is they didn't know. Like, we ringfence NPD[?] and service for customers to such a degree that the substance of our commitment to our customers is that the first time one of our account teams will know anything about a product that gets launched in another customer is when they see it on shelf. And so when individual customers come to me, which they sometimes will, with a concern around who else we might be supplying, what they'll get from – not just from me but from our broader team is just an absolute team that we'll configure our business in a way that gives them the maximum level of specialness and focused, depending on what they're looking for.

So, yes to growth in discounters. Yes, it's a concern that we'll be growing with them with some of our other customers, but we've got it ringfenced in such a way that our model works for everybody.

**Charles Hall:** Charles Hall from Peel Hunt. Could you be a bit more granular on the spare capacity you've got, given you've got single-customer plants and obviously single-product plants. And second question, when you're thinking about the non-food-to-go business can you give a feel for what you're expecting in terms of revenue growth over the next five years, let's say and margin performance?

**Patrick Coveney:** Peter, do you want to pick up both of those?

**Peter Haden:** Sure. So, in terms of space capacity, well, in simple terms we've described how we are categorical about having enough capacity within our food-to-go business for at least the next five years and we're very confident about that, both in terms of sandwiches and in terms of salads, particularly now in terms of the food-to-go acquisition. That is actually spread quite nicely across our network, in terms of some of the sites there that are dedicated, particularly in Northampton and some of our sites that serve the business that Andy Parton runs, who was talking earlier. So we're pretty confident about that. We also have capacity within our ready meals portfolio, we've done some restructuring in that part of our business that you'll have seen over the course of this year which we feel really good about and we again have plenty of room for growth, both with our big facility in Warrington, largely serving Tesco and across the rest of our network.

Within Selby, we've actually invested quite a lot of time and effort in building our ability to grow with the discounters there and other customers and so we're pretty confident in our ambient business. Soup and sauce is a bit tighter, as it is across the rest of the market and I think that probably about covers the network.

**Eoin Tonge:** Yeah, I mean I guess the one thing to add on capacity is that a lot of the excellence programmes that you spoke about before – they're going to have an impact on everything we're saying because what we think about capacity today is going to be a little bit different to how we're going to think about capacity once they're fully up and running.

**Patrick Coveney:** Yeah, I mean the question on non-food-to-go Charles is – I mean those product categories we think, in aggregate, will grow a little bit slower than the food-to-go ones but the other point I wanted to kind of really land is that, in a forward-looking view as to what constitutes food-to-go, it may well be that some of the production competencies in things like ready meals and soups and dips could actually be very relevant to the growth in some of those product areas. So – and I really hope that unfolds, if we're here five years from now, that we've seen it evolve in that sort of way. So it depends a little bit as to whether you come at it from a manufacturing perspective or a consumer need perspective.

Clive?

**Clive Black:** I think on one of your earlier slides you had the word 'sustainability', so where does sustainability fit within Greencore, strategically?

**Patrick Coveney:** Yeah, I mean I think the – I mean I'm conscious that relative to other Capital Markets Day kind of thematic presentations, we haven't done very much on pulling out a large section on sustainability but there are some thoughts and examples that I'd love to leave with you.

First of all, Peter did describe it, right and he described it in the context of two points of emphasis: some specific commitments that go to the business model about which we run our own business, and then some contributions we're making to industry sustainability in a number of different ways. The substance of it, which I know won't fully answer your question, is that what we prefer to do is to run our business absolutely the right way and we think that that plays brilliantly to important sustainability themes: shortening supply chains, recyclability of packaging, reduction of waste, really high labour standards and very, very engaged in taking, on an end-to-end basis, inefficiency out of the joint supply chain.

But let me just give you two further – or three, if I may, kind of specific examples that may begin to nudge up against some of the particular things that you're talking about in terms of contribution. So, the first, on the theme of plastics, right? So we were a very early signatory to the UK Plastics Pact. For people who don't quite know what that is, right – so, by 2025, there are four very significant commitments that the food industry in the UK have made, right? So, the first is that 100% of all plastics will be either recyclable, reusable or compostable. Secondly is that – and this is a real, real point of critical detail is that 70% of it will actually be recycled, or reused or composted, which is a very important regulatory issue, given different standards of recyclable in different parts of the United Kingdom. The third is that 30% of all the plastics that are used in the industry will actually be – will be reused, right? So that's a component of it. So those – and then there's a particular commitment around the removal of single-use packaging. So we're fully aligned with that, we were party to its creation with some of the other industry participants, so that's important for us.

Secondly, if I give you two examples of Greencore playing a role over and above its direct business: so, we were the first supplier to work with Dave Lewis on Champions 12.3 around waste, right? So we aligned before anybody else with Tesco in creating that industry-wide standard, which is called Champions 12.3. And as an output of that, I am one – I personally am one of only two suppliers who sits on the Tesco food advisory council, right, which is – orchestrates how Tesco, as the largest player in the UK grocery, actually puts together its policies in relation to sustainability and again, that's an example of Greencore playing a role in that space.

And then, in a totally different space, we were alongside Asda in this instance, the authors of a programme called Feeding Britain's Future, which was about finding better points of access for people from disadvantaged communities into the food industry in the UK, which was launched six or seven years ago.

So the substance of our actions plays very well against sustainability. I would – I recognise that the articulation of those actions through our annual report and other such documents, we probably have much work to do on that but I think I'd much prefer to be in that place than in a world of trying to construct arguments for businesses that are largely unsustainable and we're exactly the opposite in that regard.

**Eoin Tonge:** Yeah. I was just going to say we are doing quite a bit of work on that articulation, and I think we'll see that improved in this year's annual report.

**Patrick Coveney:** I'm looking here for somebody from the buy side in a minute, so I'm going to go for Nicola first.

**Nicola Mallard (Investec):** Thank you. You've mentioned, obviously, a number of examples where you're moving up the supply chain in performance services for your customers that they've – they used to do themselves. You've also mentioned one area where you've gone down the supply chain into hydroponics and I just wondered, is that in relation to a specific customer, that they've wanted you to do that? We have seen it with other food suppliers, where they've actually integrated down the supply chain and is that something that other people are asking you to do or is that just because of Brexit and availability of salads out of season?

**Patrick Coveney:** Yeah, so, to be very quick on that, it actually started with a particular customer, which was M&S. It was actually grounded – it had nothing to do with Brexit, it was grounded, actually, in having a shorter supply chain but also one that was likely to have significantly less EPWs, or recalls, for pest – presence of pest in leaf because the hydroponic solution effectively eliminates the presence of any form of insect life in the product.

We are now taking that technology and bringing it to other customers, partly for cost, partly for resilience of the supply chain, partly as a long-term hedge on Brexit.

Bernie, I think you were about to ask a question there.

**Bernard Horn (Polaris Capital Management):** Bernie Horn from Polaris Capital. So, one theme that seems to be repeated is this concept of waste in terms of efficiency and so forth and I can understand how you're – within the confines of your factory, it's measurable, it's controllable. The waste, though, that you talk about with respect to when it hits the customer – and I'm assuming that just means the product gets obsolete on the shelf and they have to throw it out. Who owns that? It sounds like it's priced in but how much of an opportunity – how much is it and how much of an opportunity is it in terms of – and is it possible to control it much?

**Patrick Coveney:** Okay, got it. I'm going to say this, it's not often I give a gratuitous compliment to somebody but Peter is a world expert on this topic and so I'm going to ask you to take it on.

**Peter Haden:** I confirm that that this is true.

**Eoin Tonge:** Which bit?

**Peter Haden:** Sorry, not that – sorry, the compliment bit, not the expert part.

**Patrick Coveney:** Excuse me.

**Peter Haden:** Look, so, it is true to say that, for the vast majority of our business, the formal responsibility for waste is with the retailer in terms of that's how they manage the economics, so we give title – sorry, they take title and then ultimately it's a part of their P&L but genuinely this is something that we both manage. It is a critical part of the weekly reviews that I do with Andy and Andy and their teams to understand how waste is performing in their stores. If we lose over a couple of weeks and our retailers start seeing higher waste levels because we predicted the wrong level of demand, that is an enormous issue for us. So it would be wrong to characterise it as sort of we throw it out and then it's up to the retailers to do their best. This is absolutely a joint problem.

In terms of waste levels, they actually vary quite a lot by different product, so it is generally in the region of sort of between 4% up to 10–11%, it depends entirely on the category. And I think your question, also, Bernie was like, 'Is there potential to improve that and is that a big economic lever?' Absolutely, yes. I mean if you think what that represents, most of the products, actually, at the end of their life tend to get discounted and then ultimately sold but it is an enormous source of value accretion for us if we can reduce that.

One of the things that is most apparent to us in our sandwich business is the traditional way of looking at waste is that there's a very straightforward trade-off between availability, so putting more products in store and waste. And what we've found, actually, much more recently is that is not really true because if you look at individual stores, the stores with high waste, tend to be the ones that just have too many – too much range of product and too many different types and actually if we can reduce that then we can get rid of that sort of paradigm. So when we're talking about improving the performance of our joint business, that's an absolute lever for us. And we've seen some of the trials we've done on that kind of topic improve waste levels to the extent of almost halving, in some cases, again, holding availability constant. So it's a constant trade-off but it's absolutely a joint problem.

**Patrick Coveney:** Any other questions?

**Karel Zoete:** Yes, Karel Zoete, Kepler Cheuvreux; two follow-up questions, please. The first one is with regards to the margin. Basically, you are saying you are flat to potentially a bit of margin growth but if we take a step back, you have stopped sales with around £150–200 million that was basically low-margin in the desserts business and we should see the benefits, still, of the investments you did in food-to-go in 2016, 2017. So why stable to slightly growing? You would assume at least some volume leverage still to come through on those investments.

And second question is with regard to adjacent channels, or product offerings, particularly around hot. Would that require much more capital or investment still to develop capabilities there?

**Eoin Tonge:** Well, do you want me to –

**Patrick Coveney:** Do you want to take both? Take both.

**Eoin Tonge:** On the margin, yeah. Well, I mean I think the first I would say is, yes, we should have – you should see a benefit of exiting out of lower-margin cakes and desserts business, so I think most – if I'm just going to go to models, most people have that in their models and you would – I would expect to see that. So I'm talking more medium term here, right, when we talk about it. And you're right, I mean it – we should be getting more leverage on our overheads. We should be, but I do have to put it in the whole construct of what I talked about before, right? Continued need to invest with our customers, continued labour inflation and so forth, so I don't think – I think it'd be remiss of me to be doing anything else other than to say it's flat or a little bit incremental gains. We need to be kind of prudent as to how we think about this. It's a partnership game we're in here, that's the key. It's a partnership game we're in. So I think you have to look at it in the overall construct.

I think, when it comes to hot and just the overall cost to serve in terms of those new channels, I think some of that has to – still has to be worked out. I would say that the motivation is there with customers to do – to actually expand in these channels but I would say the product – the exact kind of product format, or product range and the pricing range as to how we would deal with that cost to serve, because there is a cost to serve – there is an additional cost to serve when it comes to hot because effectively you have to do an element of food service in relation to its delivery, it hasn't been fully worked out. But the motivation is there and we're working with our customers in trying to figure out an optimised way of dealing with that additional cost to serve in the ranging and in the pricing.

**Patrick Coveney:** Okay, can we take a question from Damian? I'll do one other – one last question after that and then everything else we can do separately outside.

**Damian McNeela:** It's Damian McNeela from Numis. Just, if we were to come back in five years' time and look at the composition of your portfolio at a category basis, how different would it be from what we're looking at on slide seven this morning? Should we expect salads to be double what it is today? Just sort of thoughts on that, please?

**Patrick Coveney:** Yeah, I mean fortunately you've asked me for a period that's sufficiently far out that Eoin can't really catch me out with it, or he has to –

**Eoin Tonge:** [Inaudible].

**Patrick Coveney:** – work bottom-up, exactly. I mean I think we would – I mean to give you very rough numbers, I think the combined size of our salad, sushi, snacking business should be three-times the size that it was pre-Freshtime. So the Freshtime is a step on that, or, if I were to put it slightly differently, we – the combined contribution of those three products should be at least 50% of what the current food-to-go business is, right? So that's £500 million if you bottom that out.

I don't know how we're going to do all of that. It'll be – it's going to be a combination of organic and inorganic stuff. It'll have its own time-frame and we'll have to be disciplined and thoughtful about how we do that. I think the other thing – and I referenced it to Charles' question to, which is I do think you'll find that some of the competences that are currently badged as prepared meals will become more and more relevant to some of these occasions going forward. And actually I think businesses that are – that liberate themselves a little bit from a pure manufacturing process view of what categories are may well do very well in a kind of a blurring channel and occasion environment, so...

**Damian McNeela:** And perhaps just one last one for Eoin. Given that you know the UK asset base so well and the competitor set in salads, what sort of pace of acquisition should we expect from you over the next couple of years?

**Eoin Tonge:** I'm not going to take the piss when I say this: a disciplined pace, right? So, we have to be focused on the core business. We have to make sure you've got a proper integration plan and they're both doing properly, they fit well with the organisation. So I – that might be two a year or something like that, or it might be one a year but I – I think it's most about just making sure we're got a discipline around this.

**Patrick Coveney:** And Damian, if you've tried to – again, you're kind of liberating me a bit, because it wasn't in the Q&A, five years, I had to be very disciplined for three. But the – if you just have a picture in your mind, like I asked Carl to do this in terms of aspiration and the – in the session inside. Very round numbers, right? We're £1.5 billion of sales today. Organic growth over five years, based on the metrics we've given, gets you to £2 billion and I would hope that we can find ways to – through M&A or other innovative inorganic investment to get another £500 million of other stuff. So you – it's a journey from £1.5 billion to £2.5 billion over five years, while maintaining margin, maintaining – being disciplined around ROIC and self-funding because of the very – the step-up in free cash flow generation through the period. I mean they're the rough aspirations we would have in terms of numbers.

Right, perfect, okay, listen we're going to – Etie[?], can you just flick up the very last slide there. Perfect, alright.

## Concluding Remarks

Patrick Coveney

*Chief Executive Officer, Greencore*

First of all, I don't want to – what's the time – to overdo and keep you all here while I thank people but I do want to really and sincerely thank my team, my extended team: Peter, Eoin, Jack, obviously and Nigel Smith, who were instrumental in putting together a lot of the material but more particularly the rest of the Greencore organisation who brought this to life for you. So I know it was popular in the early part of this session to give people rounds of applause but if we could do that for the wider Greencore team, I'd very much appreciate it.

The second thing I'd like to say is there are – and I view this as a positive – there are many familiar faces in the room who aren't from Greencore, people who I would have first met when I was appointment CFO of Greencore in 2005, like Bernie Horn in Polaris, or Nicola and Martin, who've been covering us for a long time. So thank you for maintaining your interest, or more particularly your investment in us through the period. We really appreciate it. We're conscious that we are custodians of your capital and we're very committed to making it work for you going forward, so it's a really, really important piece.

So, if I finish, just then, from a content perspective, the – we've really tried to bring to life, in a variety of different ways, if you remember back, this concept of relevance: relevance with our customers, relevance with our consumers, this concept of distinctiveness around the model, the team, the culture, the market position that we have and the importance of growth, growth as a set of outcomes that we achieve but also growth as a mindset that we have both for the business and for all of us within it. So hopefully that's come through. Then the task is to translate all of that nice kind of fluffy, aspirational stuff into a set of financial targets and hopefully Eoin did that in terms of giving you clarity around the key targets that we have for the business going forward.

I'll leave you with just one final thought. This is the second time that we've had a Capital Markets Day in the City of London. We had one, actually, in January 2012 and then also we set out a set of financial metrics in terms of revenue growth, profit conversion, not actually explicitly cashflow but also ROIC. And that created a platform of delivery over the six or seven years that followed which was really spectacular in terms of what it meant for the strength and value of our UK business. So that's what we think we're about. I think we have

– as I said right at the beginning, that we're kind of six months into what I would characterise as a new era for Greencore. Hopefully we've brought that to life for you in lots of different ways today. Thank you for sticking with us and we have more great food for you if you're happy to stay around for another half an hour or 45 minutes. So, thank you very much.

[END OF TRANSCRIPT]