Q3 Trading Statement

Tuesday, 28th July 2020

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Introduction

Operator: Hello and welcome to the Greencore Group plc Q3 2020 trading update call. My name is Rosie and I'll be your coordinator for today's events. Please note this conference is being recorded and for the duration, your lines will be on listen-only. However, you will have the opportunity to ask questions at the end. This can be done by pressing star one on your telephone keypad to register your question. If you require assistance, please press star zero and you'll be connected to an operator. I will now hand you over to Jack Gorman, Head of Investor Relations, to begin today's conference. Thank you.

Jack Gorman: Thank you Rosie and welcome to everyone on the call this morning. My name is Jack Gorman and I'm Head of Investor Relations here at Greencore. Thank you for taking the time to join us for our Q3 trading update conference call, covers the period to 26th June 2020. I'm joined on the call today by our CEO, Patrick Coveney, and our Group CFO, Emma Hynes. In a moment I'll hand you over to Patrick to give an overview of trading in the period and after that we will open up the call to questions and answers. And finally, I would like to draw your attention to the forward-looking statements that we have at the end of today's release. Thank you, and with that, I'll pass it over now to Patrick.

Presentation

Patrick Coveney: Thanks, Jack, and good morning, everybody. To those of you who don't know me, I'm Patrick Coveney, I'm the Greencore CEO and I'm going to be joined this morning by our Group CFO, Emma Hynes, to run through the highlights and to put a little bit more colour on the trading statement that we released at 7.00 this morning. Then Emma and I will happily take questions from the call as well. I anticipate that we'll finish by about 9.15 or so.

I guess it'll come as no surprise to you that I want to open by saying that this third quarter trading period and indeed the four months since the Covid-19 outbreak have been the most challenging that we've experienced as a business and that I've experienced as a CEO. That said, we've done unbelievable work to keep our people safe and we are now recovering volumes quickly from a low point of demand that we experienced at the height of the lockdown.

Throughout, we have benefitted from the strong relationships that we have right across the customer and supplier base and we're excited about the potential to take advantage of the channel and market opportunities which we see with both existing and new customers as the pandemic eases.

Underpinning all of this, we've been managing our costs and cash tightly to ensure that we build back performance as effectively as possible. And to this end, we were pleased to generate positive adjusted EBITDA for the quarter as a whole.

This morning, then, I wanted to provide more colour on five key topics. Firstly, to outline progress against the three priorities that we've been using to manage the business through Covid-19: keeping our people safe, feeding the UK, and protecting our business.

Secondly, to provide some specific commentary around our performance during quarter three itself and also some early sight as to how the business has been trading in July.

Thirdly, to provide an update on our liquidity position and balance sheet strength.

Fourthly, to explain the rationale behind the small disposal that we announced in our Irish ingredients activities this morning.

And finally and fifthly, our thoughts on outlook.

So if I take each of these topics in turn, before getting into detail on the first of those, it is appropriate to begin by recognising and thanking all of our teams and all of our colleagues for their skill, their hard work, their enthusiasm and frankly their resilience through this period, and in particular to acknowledge the contribution of our front line colleagues, who have excelled in these most testing of circumstances.

Our first priority throughout this pandemic has been to keep our people safe. Remember that we started from a good place; the chilled food industry and Greencore within that has very high levels of safety and hygiene on site as a matter of course. And we've implemented a wide and extensive range of practical measures to keep our people safe on site, including extra screening, reset factory layouts, extra space in changing and amenity areas, reconfigured shift patterns, the additional PPE that we've provided to our staff and temperature checking at the facilities, to name but a few. We've also worked very hard on cultural and behavioural commitments to ensure that everybody across our network is focused on keeping people safe. While nothing and nowhere can be immune from the virus, we've been reassured that we've been able to keep all of our sites safely in production throughout this pandemic.

The second priority is feeding the UK. Of course, the core element of feeding the UK has been how we've worked with our customer-set intensively, collaboratively and in an ongoing way. Initially this took the form of rationalising SKU ranges to meet new demand patterns in an efficient and economic way, while also maintaining both the integrity and the customer-service metrics across the supply chain.

In more recent weeks, this effort has centred on working with customers to build back their businesses rapidly and sharing consumer, shopper, channel, format and regional insights to enable them and us to capitalise on this recovering demand quickly. These customer relationships have been critical to our business and I would like to believe that we've actually deepened those relationships and those bonds through the challenges of Covid-19 and that we're emerging stronger together as a result.

As a business, we've also stepped up our engagements in multiple ways at national, regional and local level by working with national charities, supporting shielded communities and by supporting hundreds of ad hoc donations across our business to look after and contribute towards local community initiatives all over the UK.

And then our third priority, protecting our business. What we're finding now is that the most effective way for us to protect our business is to now grow our business. The impact on the UK food market of this virus has been dramatic and volatile during the quarter three period. In particular, we were hit hard in the early part of the quarter, but we were working intensively with customers in more recent weeks as they're reactivating product ranges and reopening formats and channels. Our production network now is back in supply to accommodate this improvement in demand and we have recommenced production at Bow, Atherstone, Heathrow as well as extending production in Northampton. In all four instances, they were sites were we had temporarily suspended production and we now have them back in production.

Taking this all together, in the first three weeks of July our group revenue was approximately 23% below prior levels on a pro forma basis. While of course this is a big hit year on year, it is a meaningful improvement on the mid-May level, which we communicated at the time of our interim results presentation, were we noted a reduction of approximately 40% on prior levels. And this progressive improvement in volume is also reflected in profitability, where the revenue trajectory as well as our extensive range of mitigating actions on cost enabled us to deliver positive adjusted EBITDA for the quarter.

Building on this commentary and this performance trajectory, let's move now to our second topic, which is some specific commentary on our performance during quarter three. Total revenue for the quarter was £240.6 million, a decrease of 34.1% on a reported basis. On a pro forma basis, the reduction was 36%, adjusting for the impacts of Freshtime, a business that we acquired last September. If I break down this performance into the two components of our business, revenue in food to go categories totalled £123.8 million in quarter three and the pro forma decline was 53.5% in the period. Revenue in the other convenience categories totalled £116.8 million with pro forma growth of 1.8% year on year.

We feel it would be useful to provide a little more detail than normal in the statement on the pace of our performance during the quarter, particularly in food to go categories, given the scale of the revenue impact during the period. While the overall decline in quarter three food to go revenues was, as I said, 52.5%, this was most pronounced in April at the height of the lockdown period, where monthly revenue was down 63% on prior levels and by a slightly level even than that during some weeks in the month. Food to go revenues have recovered progressively since then to the point where in the first three weeks of July they were 35% behind last year's level. In effect, already almost half – we're almost halfway back from the trough levels to pre Covid-19 demand levels. We're encouraged by this sequential improvement and we point to several drivers of how and why this has occurred.

Firstly, as restrictions on movement have been eased through the quarter, society has begun to remobilise. We're seeing more people leaving the home to go back to work, to travel, to renovate and restart building trades, to be outside. Our own proprietary consumer research indicates that by mid-July as many people were now leaving the home to work as there were working from home. This is the first time that the two are equal since the Covid-19 virus arrived. Interestingly, this is also supported by Apple transit data, which now indicates that mobility is now over halfway back towards the normal territory that pertained pre-Covid.

Alongside this, food to go penetration has started to recover as we measure and analyse this internally. At the start of the lockdown, what you began to see was people using those stores for big shops but doing so less frequently. It was difficult to get into store for a quick snack and for a sandwich. So now that we're starting to see more outlets reopen, people will be able to shop more quickly. Pre-Covid, 45% of consumers purchased food to go in the previous week. This fell to as low as 15% in early April but is now back to approximately 30%, again about halfway back. It should be reiterated as well that the sandwich has not gone out of fashion in this period at all. Sandwiches are still the go-to food for lunch, even where that lunch has been made at home, with consistently more than 60% consuming a sandwich for lunch. Indeed, of the remaining 40% of products consumed, approximately 20% represent food to go salads or salad meals. Importantly, as we look forward it's worth noting that enjoyment and satisfaction levels with lunch prepared at home are consistently lower and falling than they were at the start of the lockdown. We actually track the enjoyment score for making your own lunch and it's currently at the lowest level since lockdown, at just over 5 out of 10 as scored by consumers.

More broadly though, the changes in the out-of-home marketplace have been beneficial to the specific channels, formats, regions and categories that Greencore serves. The shift towards multiples and quick-service restaurants is significantly impacting the overall split of products sold in out of home channels in the UK. The rise in share for snacking is driven by multiples, while QSRs are capturing a disproportionate share of the main or hot meal occasions. Indeed, prior to lockdown, multiples and QSRs together accounted for just over a third of all meals and items sold out of home, but during lockdown this has risen to well over 50%. Critically, the share of out-of-home sales accounted for by bakeries, by coffee shops and by independent outlets, has more than halved since lockdown.

And if that's the perspective for the broader out-of-home eating set of channels and occasions, then specifically on food to go, our own insight work indicates that approximately 90% – 90% – of food to go products are being bought in supermarkets, local convenience stores or service station formats. They are the specific formats and channels that are the bedrock of where Greencore sells its product.

The profile of a food to go shopper has also been changing over the period. The participation of older, more affluent shoppers and those in south and southeastern regions has fallen markedly. Balancing that has been a rise in the relative share of younger, less affluent shoppers and shoppers in regions in the north and in Scotland. The working and travel patterns in smaller cities and towns are returning much more quickly than those in larger cities. This is leading to share gains for formats and customers with lower presences in large city centres. Greencore's customer profile plays to this strength, as we are overweighted in the grocery channel and within that, we are overweighted with customers and formats that are located in smaller cities, smaller towns and suburban centres.

Anecdotal evidence also points to returning tradesmen heavily shopping our customers and formats for their food to go needs as well. And our sense is that the staycation concept could also be potentially beneficial, particularly in quarter four. The projected loss of inbound tourism into the UK is set to be more than offset by UK residents who would otherwise have travelled overseas now holidaying in the domestic market. Typically these shoppers are familiar with food to go and have high levels of trust in supermarkets, convenience stores and travel locations where our products are sold.

In our other convenience categories, pro forma revenue growth was 1.8%, building on a strong first half performance. The pace of revenue growth for this part of our business increased through the quarter, though there were several moving parts within that. There was strong growth in cooking sauce through the period as it benefitted from the sustained increase in scratch cooking and food assembly since lockdown. The readymeal business was more volatile and frankly disappointing in terms of revenue in the early parts of the quarter, however, that rate of decline has narrowed considerably in recent weeks as the lockdown has begun to ease, with increased frequency and footfall in store helping these kind of convenience food categories. There's also some evidence that as promotional mechanics have returned in recent weeks, that's driven up the participation in chilled readymeals. These factors have now helped to drive better performance to date in July, with revenue now at plus 7% year on year.

Turning then to liquidity and balance sheet strength. Our strong belief from the outset of this pandemic was that we should be as prepared as possible when it comes to the resilience and liquidity of our balance sheet resources. We are reassured and we are delighted actually by what Emma and her team have achieved here. As noted in May, we secured formal agreement during the quarter with our bank lending syndicate to waive the net debt-EBITDA covenant condition for the September 2020 and March 2021 test periods. We then confirmed on 16th July that we had secured the same covenant waivers for the two test periods with our private placement noteholders. In addition, we also received notice of our eligibility to access funding under the Covid corporate financing facility, although we would note that the group has not issued under this facility and frankly hopes not to do so.

Internally within the business, we have managed cash outflows effectively and our various mitigating actions around non-essential expenditure and these, along with the decision not to proceed with dividend payments and tight CAPEX control, have all proceeded well to date. Taken together, we believe that all of these initiatives provide us with a strong liquidity position to support the business in the near term and also the resources to build back the business as the pandemic eases.

The fourth topic I wanted to briefly address is the separate announcement that we released this morning, that we've entered into a conditional agreement to sell our interests in our molasses trading businesses in Ireland. The core activities of these businesses are importing and distributing animal feed across the island of Ireland and these businesses are a legacy from Greencore's past as an Irish sugar processor. Indeed, these businesses go back in group ownership to pre the privatisation of Greencore in 1991. They are however non-core elements of the group and have contributed modestly to profitability. I should also note actually that this was a transaction that's been in process since well before the Covid-19 outbreak. The cash consideration of approximately £15.6 million is subject to customary working capital adjustments and the proceeds will be used to further strengthen the group's balance sheet. The transaction is subject to the approval of the relevant anti-trust authorities.

Our fifth and final topic this morning is to comment briefly on outlook. Firstly, I would remind you that our FY 2020 guidance was suspended on 30th March, given the ongoing level of uncertainty on the possible duration and impact of Covid-19 and that it remains suspended at this point. But more generally, we feel confident that over time, revenue and profitability will continue to be rebuilt. Of course it's difficult to be precise on how long and exactly what form that will take, but we've been encouraged by the speed at which the business has come back to date and by the shopper and channel trends that I have outlined earlier. In particular, the relevance and attractiveness of the food to go channels and categories that we serve is already evidenced in our view and these market and customer positions will support the future build-back of our business. We recognise that this is volatile and that the marketplace is changing and that this recovery will take some time, but while challenging, we are operating from a position of strength and we are well positioned for multiple new business opportunities that we're seeing right now and for a further return to growth in our channels, in our formats, with our customers and in our categories as the pandemic subsides.

Let me conclude then with a reminder that our next update is scheduled to be our FY 2020 full year result that will be released on 24th November. So thank for you listening to me, hopefully that gives you a little bit more colour and underpins what was in our trading statement this morning. Emma and I will be happy to take questions from anyone on the call.

Questions and Answers

Operator: Thank you. So, as a reminder, if you would like to ask a question, please press star one on your telephone keypad. To withdraw your question, please press star two. You will be advised when to go ahead. So again, that's star one on your keypads now. And our first question comes from the line of Charles Hall from Peel Hunt. Please go ahead.

Charles Hall (Peel Hunt): Morning everyone. Obviously good to see the improving trend in like for like sales. Can you just comment on any progress with the Adelie customers in terms of what you're seeing as opportunities and the scale of those, and where the price points on those may fall out compared to the previous position with the Adelie management?

Patrick Coveney: Thanks Charles. I mean, first of all just to answer the question very narrowly, a very small impact on our performance in June and July from Adelie. About 1%, actually, of our revenue in June and July was us stepping in and taking and providing product on a temporary basis to former Adelie customers, so it's not material to the trajectory that we've described. More broadly, we would be quite encouraged about the opportunity set that's available now with Adelie having come out of supply and out of production, and as you'd expect, we would be in dialogue with multiple former Adelie customers. I don't think it would be appropriate for me to comment either on the specifics of those individual customers or a kind of timeframe in which we might land that business in a more material way, except to say that in aggregate we would be quite encouraged about where we are and of course I would note that there would be no value to us in taking on business that wasn't going to help make a positive economic contribution to Greencore and wouldn't be subject to the same sort of pricing parameters and pricing discipline that we would use to run our business as we do anyway.

Charles Hall: Are you able to give some feel for scale? I know it's difficult because they'll have seen a significant reduction in turnover on like for like basis as well, but just to try and put it into context of your existing food to go business?

Patrick Coveney: Yeah, well, I mean, on a pre-Covid basis, and I want to be a bit careful here to make sure that this is sort of approximate to give you a sense of it. On a pre-Covid basis, the food to go sales of Adelie were about £200 million. My – our judgment – their business would have been hit harder than the business that we would have or Samworth, for example, would have, which would be more retail focussed. And I've spent a lot of time this morning talking about that. But my best judgment over the course of the next couple of years is that that volume will largely flow to the bigger current players in the food to go market, but exactly when that happens and how strong the go-back is in those channels, we'd have to see. So I think you can take that as, you know, we believe this is actually a significant rather than modest opportunity for us. But we've got to work our way through it sensibly.

Charles Hall: Got it. Thanks for that.

Operator: The next question comes from the line of Jason Molins from Goodbody. Please go ahead.

Jason Molins (Goodbody): Hi, it's Jason here. Just following on from your comments around Adelie, can you maybe talk about other opportunities that you're seeing as well? Whether that's in different product sets, different channels. Then sort of around furloughing, can you give us a sense of where you are in terms of the numbers of staff that you have now back in the business, where that is versus previous levels, and then maybe as the government incentives roll off, which I think is starting next month, how should we think about that impact for yourselves? Thanks.

Patrick Coveney: Yeah, let me deal with the furloughing first. So in broad terms, Jason, we're about two thirds of the way back. So in other words we've got about a third of the number of people furloughed today that we would have had in the peak in April, and that's reflective actually of us bringing the sites that I mentioned in, the units in Northampton, Atherstone, Bow, Heathrow, back into production. Now, as you can see from the numbers that we've announced today, we're not back at 100% of prior levels, we're only at, whatever, 77% now and so there is – we still have a material number of people furloughed but a lot less than before. And as volume builds back, that number will diminish further.

I think the – you know, as we're looking at the flow-through here and the change in scheme in a week, we don't think that's going to be – the changes are going to be that material to us, particularly if we can stay on the ramp-up path that we're on.

On, if I move to more broadly on volume, we have referenced several times in the statement and several times in our briefing on this call, what we see as a significant market opportunity. I mean, I guess the overall view we have here is that we think there will be a bit of a shakedown across the food industry here because of the – just the very, very significant challenges that the food manufacturing industry and in particular specific parts of it are facing. So I suspect that a year, 18 months, 24 months from now and there'll be less players in the market than there are today and that the businesses that have the relationships, the strength, the scale and the customer service orientation to develop their business will do relatively better.

So, you know, clearly a lot of people have asked us questions around the Adelie opportunity but I think the – you know, your question here is are there other opportunities and will there be other changes in categories in terms of the structures, the supply base? I think there probably will. And we're trying to position ourselves sensibly to benefit from that as those changes unfold over the next while.

Jason Molins: Okay, thanks.

Operator: The next question comes from the line of Nicola Mallard from Investec. Please go ahead.

Nicola Mallard (Investec): Thank you, good morning. Just a couple of questions if I may around what you've commented on about the different ways in which your business is coming back, and particularly the bigger cities are struggling and behind the smaller cities. Is that changing the nature of your business? I mean, do we expect to see more white vans running around with Greencore on the side versus big deliveries of sandwiches into city centres? Is that likely to change the profitability? And also, in terms of the SKU count, are you starting to see customers want that SKU to go back up or are they still fairly comfortable that they'll take fewer of the bigger lines, which obviously would help you in terms of production efficiency?

Patrick Coveney: Nicola, I mean I guess the first trend that you're describing in terms of the service model being through Greencore Distribution, I mean in the 15 years since you and I've been speaking, the – and by the way, I'm sorry for pointing that out to everyone on the call – we've seen a marked step-up in Greencore using its own distribution to access points of sale for shoppers and consumers. And so we currently have over 400 vans dropping to more than 11,000 outlets every day. So it's a very, very big part of Greencore's food to go business right now and that capability we think is highly relevant to this more fragmented set of points of availability across the UK. And it's absolutely embedded within our food to go business now. I would say, by the way, that very tight city centre locations actually also use the Greencore distribution network, in part because it's easier for those vans to get to stores than it is for some of the bigger, central distribution drop-offs that would be happening in particularly the convenience formats of our customers too.

But undoubtedly we have seen small towns, smaller cities, suburban convenience stores, do much better over the course of our last number of months and in particular since the society began to reopen in June and July, than the larger city centre locations. And we've been able to benefit from that. I think most people on this call would know that Greencore's largest customer is the Co-op and if you think about the location of those stores, it's a very, very good match toward the sort of factors that I've been – that I've been referencing here.

As to your second question, which is about product range, the – I think particularly in the larger store formats, both us and our customers have learnt that probably a lot of these categories were over-ranged. And so while we are undoubtedly seeing ranges come back from the incredibly concentrated ranges that we would have had in April and May, I think they're not likely to come back the whole way to pre-Covid levels. And that, I think, will create a necessary opportunity, actually, for both us and our customers to be able to be structurally more productive and to find some ways of offsetting what will be some incremental cost that's coming up right into the supply chain, right the way through the supply chain, associated with Covid-19 in particular in relation to some of the extra costs to keep people, be it work colleagues or shoppers or other supply-chain participants safe. So, as I say, I think one of the factors that will be necessary here for us all is to have structurally more productive ranges going forward and I think you will see that.

Nicola Mallard: Okay. Brilliant, thank you.

Operator: The next question comes from the line of Doriana Russo from HSBC. Please go ahead.

Doriana Russo (HSBC): Yes, good morning everyone. I just had a couple of questions for Patrick, if I may. Patrick, I just want to pick your brain in terms of what's going to come next. After we go past the pandemic do you see any potential change in the consumer behaviour as the economy might get more into recession or maybe a very long recession? You know, depending on where you stand, and these ongoing talks that the grocers are coming back to everyday low pricing strategy rather than the high-low that we have seen over the past years. And is that going to be important for your ranges?

And the second question I've got is in terms of capital allocation. We've seen a small disposal happening. At what point do you think you will be able to sit down and consider your priorities in terms of capital allocation? And I'm referring to CAPEX versus dividend versus other things that you might have in mind. Thanks.

Patrick Coveney: Doriana, thanks. Let me pick up the first question and Emma will jump in on the capital allocation question. I mean, the truth is we don't know for sure how consumer sentiment and indeed societal sentiment, if I call it, is going to settle down as we go through this pandemic. We don't know whether there's going to be a second wave or not. There's a lot of uncertainties here. But I think there are a few things that it would be, you know, would be reasonable suppositions for us. First of all, as we come out the other side of this I do think it's reasonable to plan for a recession and I think it's also likely that the customer set that we supply are not going to want to take up pricing in that environment, and I think this referenced move to what I would describe as a more EDLP than a high-low pricing environment, I think, it would be sensible for all of us to plan for.

What I'd say in that regard for our business and our kind of business is that most of our products would always trade closer to EDLP pricing than high-low. I mean, the kind of high-low pricing dynamics in a lot of the reasonably high profile trade press commentary in this regard that we've seen over the last month or so, is principally centred on how manufactured brands are going to be merchandised and sold. You're not – nobody's really talking about material changes to the – material changes to the pricing architecture as it relates to own brand products and certainly that would be the sense we have from all of the dialogue we're having with customers. Now, I should stress that I don't – the system doesn't have the plans to push through material inflation here either. We're going to have to work our way through it with volume, with consolidation within the supply base, with structural improvements in productivity and they're the areas that we're working on hard both within our own network and with our customers.

The other piece – it may well come up in a second so I think I might just touch it proactively here – is the possibility of there being no negotiated trade deal as Britain ends its transition period from the EU at the end of this year. Certainly our view is that there's going to be no extension to that. I think that's increasingly the view across observers to the process but I think that's absolutely the appropriate planning assumption here. And so we've – there's a certain element of groundhog day for a business like this in modelling all of this but we think the materiality of this issue to a business like ours as we've looked at it hard is not huge. And we think we've got an ability to work our way through it in terms of what it means to the impact on our ingredients supply, ingredients pricing and how we think tariff and non-tariff issues might unfold. So we think we're set up to work our way through that. We hope that doesn't come to pass but we think we're set up to work our way through it as a business.

So they're the points that I would make. I mean, there's a load in your question there, Doriana, but hopefully those comments help, and Emma, I might ask you to jump in on the capital allocation.

Emma Hynes: Yeah, sure. Hi, Doriana. Looking in terms of capital allocation, I guess it's important to note that we did start into the pandemic in a good place at the end of half one with leverage of 2.1 times. We're pleased with that as a starting point. And having secured our covenant waivers we had confirmed we wouldn't be paying any dividends for the duration of the covenant waivers, so that's the next two test periods, which are September and March, so we wouldn't be paying a dividend again until December of next year.

But our real priority now is actually managing cash flow tightly and, you know, having reviewed all CAPEX, pushing out anything we could, the one area we have focussed on and continue to focus is our automation project when we think about capital allocation. And that for us is a key strategic initiative in helping us to mitigate the impact of labour inflation as we move forward. But outside of that, we're really prioritising managing cashflow tightly and we'll look at other things like dividends once we get through the Covid pandemic period.

Doriana Russo: Okay, thank you very much.

Operator: The next question comes from the line of Roland French from Davy. Please go ahead.

Roland French (Davy): Hi, good morning. Thanks for taking my questions. I've got three, please, if I could. Maybe just starting with dayparts, just looking at the kind of revenue performance through the daypart lens. Can you tell us how Covid has impacted performance of the various DA parts and I guess, looking back at the capital markets day last year, you had put some emphasis on targeting the breakfast daypart. So maybe where you are, where your daypart strategy is in context of recent events.

And then secondly, if we zone in on, say, the food to go performance in July, it's down 35% and I know you said that your customer base, I think it's about 50% are back at work, there's other places saying maybe 60% are still at home, so what's the delta? Is it people working from home consuming at home? Is it people staycationing, out of home snacking, picnics, etc? Maybe a little bit of colour as to that delta there.

And then maybe just on visibility. Clearly there's two months to go and guidance is still on ice. Are you able to give at least your best guess on what the revenue acceleration might be in September? And I'll leave it at that, thanks.

Patrick Coveney: Yeah, Roland, I feel I might disappoint you here in your three questions, but let me say what I can in each area. So, I mean the truth is there's been such volatility around volumes overall that it would be difficult to be – to be too definitive on lessons for dayparts during the period. But there are a few things that I would say. You know, first of all, a reasonable proportion of our sales in food to go would actually be in-store cafes or in-store restaurants in – across our customer set. Now, that's more material in some customers than others but that part of our business has essentially been close to zero over the period and it's a little bit in July than it was previously, but that is entirely consistent with the government guidance and consumer behaviour shopping missions being functional as opposed to social.

I think the second thing is that we definitely have a sense that the relative share of our consumers who are tradesmen, people travelling, are greater than before. And as a result the amount of kind of lunchtime office workers coming in and, you know, with very concentrated shopping missions during lunchtime, is relatively less than before. So if anything, actually, our – the frequency of purchase for our products through the day has probably widened somewhat and that big kind of lunchtime peak is a bit less than before, particularly in city centre locations.

In terms of food to go trends in July, I mean I think we said a fair bit in the kind of introductory comments here, which is in broad brush terms, the reopening of society, more people being on the move and that progressively happening, is helping our – is helping our business. We're seeing it across the three different product areas. Obviously sandwiches is the most material and we're now seeing all customers in recovery. You know, we had some of our customers that frankly didn't really begin to reopen until July and obviously that's helping us as they reopen and a bit more traffic flows through those stores. And whether that be the customers in totality or particular formats within customers.

And then, you know, in terms of visibility for the rest of the year, probably the only thing that I think I'd be comfortable formally saying is that we would expect it to improve further. And – but how much further and how quickly, I think we'll have to see and we'll report as it's happened rather than be any more specific at this stage.

Roland French: Okay, thanks for that.

Operator: The next question comes from the line of Damian McNeela from Numis. Please go ahead.

Damian McNeela (Numis): Hi, morning everybody. Kind of following on from Roland's question [inaudible], but I think when you last spoke to us, you talked about how you expected the category not to get back to its full revenue run rate until October 2021. I was wondering, how does the outcome that you've shown April through to July compare with your sort of expectations when you spoke to us in May and whether that guidance for achieving full run rate by October 2021 still stands?

And secondly, just on profitability. Can you sort of confirm that sort of – I think when you updated us in May, you'd just managed to get EBITDA positive. Has there been a sequential improvement in EBITDA and if possible, could you give us an indication when you might become EBIT positive or what the sort of metrics are around that, if possible, please?

Patrick Coveney: Yeah. So let me deal with the second question first. So, we did, I mean in EBITDA measures I don't think I'll be saying anything that's too surprising, so we lost money in April. We confirmed that we were – that we expected to be EBITDA positive in May and we said that in our interim results in the third week of May and we were EBITDA positive in May and we were better still in terms of EBITDA performance in June and cumulatively that meant that for the quarter, we were EBITDA positive. I think, given the kind of movements around that, Damian, if you match that back against the volume trajectory, that should give you a sense as to EBITDA – sorry, EBITA performance right now. I don't want to – in the context of us staying true to the statement of not formally providing guidance, I don't want to say anymore on profitability than that, but hopefully what you've taken from both the statement and these comments is that we – is that we're reassured and pleased about the path that we're on. That's all I can really say on profitability.

On category run rate, I think I can help you a little bit more on that, actually. So, first thing to say is at the margin, we're – and hopefully you're getting a sense for this – we're quite pleased around where – around the speed at which volume is coming back and probably, we've probably done a bit better than would have been implicit in our commentary back in May in terms of the speed at which overall volumes and in particular food to go volumes have come back. And hopefully that will continue.

I still think that guidance around October 2021 is accurate enough based on everything that we now, but if I was to try and kind of give you the core building blocks as to how I think our business will do, the simplest way for me to describe it is that I do think that the overall food to go market, including all of the channels and customers that would have provided food to go product, is going to end up being smaller for some time than in was pre-Covid. In other words, I think the aggregate market size will be less post-Covid than it was pre-Covid, even a year, 18 months, 24 months from now.

Second point I would say is that the relative performance of the grocery channel and organised convenience store channel broadly defined, we expect – fully expect – that they will do relatively better than some of the other channels that provided food to go product through to UK consumers. And that that will be a relative benefit to Greencore.

And then I think the third element here is that, without wanting to be too specific on how much and when, we fully expect to capture incremental customer opportunities because of some of the dislocations that are going on within the supply base in food to go. Most particularly and most obviously in relation to Adelie over time but we think there will be other opportunities too, so that, you know, we will – and if you put those three effects through together, you get a sense for how our business will evolve overall. In other words, slightly smaller overall market, somewhat greater share of that market in the current Greencore customer set, and then a managed pipeline and set of delivery of new business opportunities for Greencore as we widen our customer set because of what we're doing anyway and because of what's happened within the competitive set.

Damian McNeela: Okay, that's pretty clear. Thank you, Patrick.

Operator: The next question comes from the line of Clive Black from Shore Capital Markets. Please go ahead.

Clive Black (Shore Capital): Hi, good morning. I'm very conscious of time actually but I'll just ask the one question. The online channel has doubled in participation in the last four months. How do you think Greencore is positioned for online channel participation in UK grocery going forward? Thank you.

Patrick Coveney: Yeah, Clive, I'd be a bit self-critical about what we've done in this channel historically, which is, you know, we haven't put a lot of proactive focus on it and we've let our customers sort their own own-label – own-brand ranges and decide how to, you know, promote, merchandise, activate, distribute products through online. We are putting a bit more resource against that, you know, within Kevin Moore's team in our business and we think this shift to online is going to be permanent and in a kind of traditional sense, just better category management and more engagement around our products that customers would help. I also think more creatively you're going to see a proliferation of what online means across different formats, different routes to market, be that at home, at workplace, click and collect, and as you begin to pass that out, I think you see more opportunity for Greencore going forward and we'll just have to get after that.

Clive Black: Okay. So, conscious of time, thank you very much for that, Patrick.

Patrick Coveney: Okay.

Operator: The next question comes from the line of Arthur Reeves from Barclays. Please go ahead.

Arthur Reeves (Barclays): Good morning, thanks for taking my questions. I've got two really. On additional costs associated with Covid, what's the retailers' attitudes to those? Are they going to help you out and let you take some of those in pricing? And what's your attitude to them? Are you going to charge them as exceptionals? I know you did slightly in the first half but what are you thinking in the second half, please?

And then a question longer term, I'm not sure you'll have had a chance to think about this but I hope. If you have, how do you think the points scoring for immigrant workers is going to affect you and do you see any way that labour will become tighter than it is now? Thanks.

Patrick Coveney: Yep. As I mentioned – I'll cycle those pretty quickly actually, just because of the time. So on the second one first, I mean we're – one of the things to note with our workforce is that it's pretty much all – while we do have many nationalities within our workforce and they are all located within the UK and we've made a pronounced move towards permanent rather than agency workers within our workforce. So we think that helps us a bit. We've also, as I think you'll have heard us talk about before, we've got quite a lot of work going on, on the use of automation, particularly around sandwich assembly, which will reduce the requirement for more people as our business progresses, which I think will also help. But the – I mean, I could say a lot more on immigration policy and how it's going to feed into the food industry but I'll just make those two points.

On cost, I think the – I've made some reference to this already, you know, the traditional model that we have is that costs are associated to – with input costs around raw materials, packaging, direct costs in relation to distribution, fuel, that sort of stuff, we do pass that on in pricing and in the majority of cases we actually have commodity tracking mechanics with customers that actually effectively put that through without materially engaging into a negotiation. Not every case but in the majority of cases and so I expect we'll continue to progress it that way.

In relation to the other costs, cost around overheads, cost around indirects, I think that's going to be more difficult to pass through in terms of pricing. So the – you know, our starting point here is to work on productivity initiatives within our business. We have a good competence in those areas, we'll have to get after that hard. If we end up in places, which I'm not anticipating or guiding here, where the changes in aggregate make any portions of our business unattractive from an economic basis, then we would absolutely engage with customers and try and find some solution to that. But I'd be hopeful we'd be able to deal with most of that through the productivity initiatives, as I say, while recognising that raw material and packaging must be dealt with and is dealt with through pricing.

Operator: Okay, so –

Patrick Coveney: Good –

Operator: Please continue.

Patrick Coveney: Yeah, no, what I'm just going to say is we're going to finish up there because I'm conscious we've run ten minutes over. So, thank you to everyone for joining us this morning and we look forward to talking to everyone soon, and if people have follow-up questions for Emma or Jack over the course of the next couple of days, we're very happy to field them. But stay safe and we look forward to talking to you soon. Bye-bye.

Operator: Thank you for joining today's conference. You may now disconnect your lines. Hosts, please stay connected momentarily. Thank you.

[END OF TRANSCRIPT]