

26 July 2022

Greencore Group plc

Q3 pro forma revenue up 25.8%; on track for strong earnings growth in FY22

Greencore Group plc (“Greencore” or the “Group”), a leading manufacturer of convenience foods in the UK, today issues a trading update covering the 14 weeks from 25 March 2022 to 1 July 2022 (“Q3” or “the quarter”).

Q3 Trading ¹

	Revenue	Revenue Growth (versus FY21)			
	£m	Q3		9 months	
		Reported	Pro forma	Reported	Pro forma
Group	486.2	+35.0%	+25.8%	+34.1%	+31.4%
Food to go categories	333.4	+41.0%	+31.2%	+45.1%	+41.1%
Other convenience food categories	152.9	+23.5%	+15.5%	+16.6%	+15.7%

	Revenue	Revenue Growth (versus FY19)			
	£m	Q3		9 months	
		Reported	Pro forma	Reported	Pro forma
Group	486.2	+33.2%	+22.3%	+17.9%	+14.1%
Food to go categories	333.4	+33.0%	+19.0%	+19.7%	+11.9%
Other convenience food categories	152.9	+33.7%	+30.2%	+14.4%	+18.9%

PERFORMANCE ¹

- Group reported revenue increased in Q3 22 by 35.0% year on year, driven by continued strong growth in both food to go and other convenience categories. Pro forma revenue grew by 25.8% year on year, after adjusting for the impact of an additional week in FY22’s accounting period and for movements in foreign exchange. Pro forma revenue was 22.3% above equivalent pre-COVID levels in Q3 19
- Pro forma revenue growth in Q3 22 was driven by a combination of increased volumes, a low-teen percentage increase in underlying pricing, and increased revenue in the Group’s Irish ingredients trading business. Notwithstanding the inflationary challenges impacting the broader UK food industry at present, there has been limited demand impact to date in the Group’s categories. The Group will continue to monitor the impact of increased prices at a consumer level closely

- Pro forma revenue in food to go categories increased in Q3 22 by 31.2% year on year, driven by continued recovery in underlying food to go demand and augmented by the onboarding of new business wins and increased pricing. The strongest growth was seen in customers that have a balanced portfolio mix of urban and suburban locations. Pro forma revenue was 19.0% above equivalent pre-COVID levels in Q3 19
- Pro forma revenue in other convenience categories increased by 15.5% year on year, driven by increased underlying pricing and higher revenue in the Group's Irish ingredients trading business. There was a modest reduction in grocery volumes in Q3. Pro forma revenue was 30.2% above equivalent pre-COVID levels in Q3 19
- Profit momentum improved in Q3 22 driven by volume growth and better conversion due to enhanced productivity. The Group's Excellence programmes, enhanced through Better Greencore, have underpinned this recovery. Cost inflation remains elevated across the UK food industry; however, the Group continues to progress well with the recovery of these inflationary challenges through constructive dialogue with customers, price recovery mechanisms, effective supply chain management and operational efficiencies
- Consistent with the Group's capital management policy, on 24 May 2022 the Group announced its intention to recommence value return of up to £50m over the next two years, initially in the form of a share buyback programme. On 26 July 2022 the Group announced the commencement of this share buyback programme whereby it will repurchase ordinary shares of the Group for up to a maximum aggregate consideration of £10m

OPERATING & STRATEGIC UPDATE

- The Group maintained high operational service levels during the quarter and worked closely with its customers and supply partners to manage through ongoing supply-side challenges
- Onboarding of new business wins continued during the quarter, across the Group's categories and customers, expanding its product ranges and channel reach. The Group has continued to work closely with customers on product and range innovations to mitigate the impact of inflation at consumer level
- The Group's strategic capital investment programme of approximately £30m across three existing manufacturing sites, to support the delivery of previously announced business wins, has progressed to plan with product launches from the extended Wisbech and Kiveton sites having begun in May and July respectively
- Better Greencore continues to progress well. The first phase of the programme will deliver an annual recurring benefit of approximately £30m in FY24. The Group will invest a total of approximately £24m during FY22 and FY23, including capital expenditure of approximately £8m, to unlock these improvements. The Group has initiated planning for the second phase of the programme which focuses on output optimisation. Additional benefits to the Group are expected from this phase and the Group will provide further detail upon launch
- The Group advanced its sustainability agenda in Q3 22 as it builds the necessary data and systems framework to measure performance effectively. It also commenced a collaboration project with a key customer on category level eco-footprinting

OUTLOOK²

- The Group continues to deliver good year on year volume growth while recovering significant levels of ongoing inflation and enhancing profit conversion. It is confident in its ability to deliver very strong year on year profit and cashflow progression in the second half of the year, its peak seasonal trading period
- The Group expects to generate an FY22 Adjusted Operating Profit outturn of between £72m and £77m and Adjusted EPS of between 9.2p and 10.0p. Given strong cashflow momentum, Net Debt (excluding lease liabilities) at the end of FY22 is anticipated to be approximately £200m with Net Debt:EBITDA comfortably below 2x, as measured under financing agreements
- Inflation trends are expected to continue into FY23 and the Group continues to monitor closely the impact of the inflationary environment on consumer sentiment and demand, as well as working with customers and supply partners to mitigate the ongoing impact on consumer prices
- Greencore will report its FY22 results for the year ending 30 September 2022 on 29 November 2022

Commenting on the performance, Gary Kennedy, Executive Chair, said:

"I am encouraged by the progress we have made during Q3 against the backdrop of inflationary pressures for the industry. Revenue and profit conversion through the period has been encouraging and we are confident in our ability to continue to manage the various industry challenges and end the year strongly. Our leading market positions, close customer relationships and intense focus on efficiencies mean that we look to the future with optimism, and we expect to deliver a strong year on year improvement in profitability, cash flow and returns for FY22"

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Conference Call

A conference call for investors and analysts will be held at 8.30am on 26 July 2022. Registration and dial in details are available at www.greencore.com/investor-relations/

¹ Pro Forma Revenue Growth (versus FY21) adjusts reported revenue to reflect the disposal of Premier Molasses Company Limited for the period in FY21 up to the date of disposal. It excludes the impact of the additional week in the FY22 accounting period. It also presents the revenue on a constant currency basis utilising FY21 FX rates on FY22 reported revenue.

Pro Forma Revenue Growth (versus FY19) adjusts reported revenue to reflect the impact of disposals, exits of manufacturing lines and the acquisition of Freshtime UK Limited in FY19. It excludes the impact of the additional week in the FY22 accounting period. It also presents the revenue on a constant currency basis utilising FY19 FX rates on FY22 reported revenue.

² Consensus FY22 market expectations of mean Adjusted Operating Profit of £77.1m, mean Adjusted EPS of 9.6p, and mean Net Debt (excluding lease liabilities) of £201.4m, as compiled by Greencore from available analyst estimates on 11 July 2022 and as reported in the Investor Relations section of the Group website.

About Greencore

We are a leading manufacturer of convenience food in the UK and our purpose is to make every day taste better. We supply all of the major supermarkets in the UK. We also supply convenience and travel retail outlets, discounters, coffee shops, foodservice and other retailers. We have strong market positions in a range of categories including sandwiches, salads, sushi, chilled snacking, chilled ready meals, chilled soups and sauces, chilled quiche, ambient sauces and pickles, and frozen Yorkshire Puddings.

In FY21 we manufactured 645m sandwiches and other food to go products, 117m chilled prepared meals, and 256m bottles of cooking sauces, pickles and condiments. We carry out more than 10,500 direct to store deliveries each day. We have 21 world-class manufacturing units across 16 locations in the UK, with industry-leading technology and supply chain capabilities. We generated revenues of £1.3bn in FY21 and employ approximately 13,000 people. We are headquartered in Dublin, Ireland.

For further information go to [greencore.com](https://www.greencore.com) or follow Greencore on social media.

Forward-looking statements

Certain statements made in this document are, or may be deemed to be, forward-looking. These represent expectations for the Group's business, and involve known and unknown risks and uncertainties, many of which are beyond the Group's control. The Group has based these forward-looking statements on current expectations and projections about future events based on information currently available to the Group. The forward-looking statements contained in this document include statements relating to the financial condition, results of operations, business, viability and future performance of the Group and certain of the Group's plans and objectives. These forward-looking statements include all statements that do not relate only to historical or current facts and may generally, but not always, be identified by the use of words such as 'will', 'aims', 'achieves', 'anticipates', 'continue', 'could', 'develop', 'should', 'expects', 'is expected to', 'may', 'maintain', 'grow', 'estimates', 'ensure', 'believes', 'intends', 'projects', 'sustain', 'targets', or the negative thereof, or similar future or conditional expressions, but their absence does not mean that a statement is not forward-looking.

By their nature, forward-looking statements are prospective and involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future and reflect the Group's current expectations and assumptions as to such future events and circumstances that may not prove accurate. A number of material factors could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements. Investors should read 'Principal Risks and Uncertainties' as set out in the Appendix to the Interim Financial Report for the half-year ended 25 March 2022 issued on 24 May 2022 and also the discussion of risk in the Group's Annual Report and Financial Statements for the year ended 24 September 2021 issued on 30

November 2021. There may be risks and uncertainties that the Group is unable to predict at this time or that the Group currently does not expect to have a material adverse effect on its business. None of the Group or any of its associates or Directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. You should not place undue reliance on any forward-looking statements. These forward-looking statements are made as of the date of this announcement. The Group expressly disclaims any obligation to publicly update or review these forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.