

26 January 2023

Greencore Group plc

Soft start to the year. Accelerating delivery on inflation recovery, cost reduction and profit conversion.

Greencore Group plc (“Greencore” or the “Group”), a leading manufacturer of convenience foods in the UK, today issues a trading update covering the 13 weeks to 30 December 2022 (“Q1” or “the quarter”).

Q1 Trading¹

PERFORMANCE¹

- Q1 23 Group reported revenue increased by 19.0% year on year to £463.0m, driven by inflationary effects, with overall manufactured volumes modestly behind year on year. Q1 23 Pro forma revenue increased by 18.9% year on year.
- Q1 23 Reported and pro forma revenue in Food to Go categories increased by 14.5% year on year to £291.1m driven by inflationary effects. The impact of Omicron on comparative figures in the prior year was offset by the disruption impact of railway strikes in the period. Food to Go volumes were slightly behind Q1 22 with increased sandwich volumes being offset by lower demand in sushi and salads. Revenue from distribution of third- party products was also impacted by lower volumes which were approximately 10% behind last year.
- Q1 23 Reported revenue in Other Convenience increased by 27.6% year on year to £171.9m driven by inflationary effects and the onboarding of new business in ready meals. Overall growth in Other Convenience volumes was driven by strong volumes from our ready meals business due to the new business win, in addition to a strong performance across ambient sauces.
- Profit conversion in the quarter was behind management expectations due to a combination of lower volumes and a lag in recovery of inflation over the calendar year end. To mitigate this shortfall, we are immediately implementing further measures through Better Greencore, accelerating, and broadening the scope of the programme. The first phase is targeted to deliver annual recurring benefits of approximately £30m in FY24. The second phase is now focused on (a) contract margin enhancement following the dilutive effect of new business onboarded and contract extensions agreed in the last two years and (b) delivery of our operational excellence programme.
- While some raw materials and packaging inflation is easing, labour cost and energy inflation remains relatively high. The Group continues to focus on recovery of inflation from customers, and while we expect to recover the significant majority of inflation, we now anticipate a lag in that recovery.
- On 29 November 2022, the Group announced the commencement of a second share buyback programme whereby it will repurchase ordinary shares of the Group for up to a maximum aggregate consideration of £15m.

OUTLOOK²

- The Board is cognisant of the short term potential impact of the volatile recessionary environment and the cost-of-living factors on consumer spending throughout the remainder of the year. However, remains confident that a continued focus on the strengths of the business combined with an accelerated delivery of efficiency, cost reduction and productivity

gains related to our Better Greencore programme will support the further successful progress of the Group in the years ahead.

- Given the lower than expected volumes due to the disruptive impact of continued industrial action on demand and operations and the expected lag on inflation recovery the Group now expects to generate an FY23 outturn at the lower end of current market expectations.
- The Group's balance sheet remains strong with substantial headroom in debt facilities.
- Greencore will report its H1 23 results on 30 May 2023.

Commenting on the performance, Dalton Philips, CEO, said:

"It's a difficult, volatile market, and the business has got off to a slower start to the year than envisaged. Given this, we are doubling down on our initiatives on inflation recovery, and in parallel, driving harder and faster to get our cost base to the right level.

After just four months in the business, and notwithstanding the obvious challenges, I remain highly enthusiastic about the longer-term future of Greencore. Strategically we are well positioned for the future growth given our customer base, the categories in which we operate, our operational capabilities and critically the people behind all of this. However, the immediate focus is to tackle the shorter-term self-help actions which set the foundations for margin recovery."

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¹ Pro forma revenue presents the revenue on a constant currency basis utilising Q1 23 FX rates on Q1 22 reported revenue.

² Consensus market expectations as compiled by Greencore from available analyst estimates on 25 January 2023 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 FY22 we manufactured 795m sandwiches and other food to go products, 127m chilled prepared meals, 249m bottles of cooking sauces, pickles and condiments, and 47m of chilled soups and sauces. We carry out more than 10,600 direct to store deliveries each day. We have 16 world-class manufacturing sites and 18 distribution centres in the UK, with industry-leading technology and supply chain capabilities. We generated revenues of £1.7bn in FY22 and employ more than 14,000 people. We are headquartered in Dublin, Ireland.

For further information go to www.greencore.com or follow Greencore on social media.

Forward-looking statements

This announcement is based on information sourced from unaudited management accounts.

Certain statements made in this document are forward-looking. These represent expectations for the Group's business, and involve known and unknown risks and uncertainties, many of which are beyond the Group's control. The Group has based these forward-looking statements on current expectations and projections about future events based on information currently available to the Group. These forward-looking statements include all statements that are not historical 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.

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