Strategy

OUR STRATEGY

We are one of the UK's leading convenience food producers. We have built this position through long-term partnerships with major UK retailers in attractive product categories, supported by outstanding innovation and manufacturing capability.

Our strategy is focused on accelerating financial returns and delivering growth from these partnerships, across three horizons:

- **Horizon 1: Stabilise** Having faced very material external and internal disruption in recent years, our focus for FY23 has been on stabilising the business. We are pleased that despite a challenging first half, we have managed to achieve this stabilisation and deliver year-on-year Adjusted Operating Profit growth.
- **Horizon 2: Rebuild** As we enter FY24, we now move to further rebuilding the profitability and returns of the Group. Our goal for Horizon 2 is to create a more focused, higher return and cash-generative growth platform. We will do this through tight management of our portfolio, development of commercial and operational capability, rigorous cost control and choiceful investment in foundational, enterprise-wide enablers.
- **Horizon 3: Grow** Our business operates in categories which are outperforming the wider food market, and we are well-positioned to continue to outperform our competitors in these markets. However, our ambition is to further strengthen our growth trajectory over time, by broadening our portfolio, through selective and disciplined investment.

Horizon 1: Stabilise
FY23 – this year

Our first horizon has been focused on stabilising our organisation and our performance.

Recent years have seen our performance and profitability materially impacted by a series of external and internal factors. Externally, we faced pandemic-related disruption, impacting not just demand, but also labour markets and our supply chain. No sooner had the acute impacts of these challenges normalised, than we faced knock on impacts of unprecedented levels of inflation, and a requirement to deliver inflation recovery with our customers significantly in excess of historical norms.

In parallel to this, we have gone through significant internal change – the Board and Group Executive Team have been reset, with three new Non-Executive Directors (including our Chair) and four of the seven members of the Group Executive Team (including our Chief Executive Officer ('CEO')) new in role since September 2022. We have also reorganised from running multiple business units to running a single, functional integrated model through our Better Greencore change programme and have subsequently further reduced our salaried population in the early part of FY23.

Against that backdrop of change, the Group has been focused in recent months on stabilising both our organisation and performance. This has been delivered through a series of commercial, operational and cost control interventions. We are pleased to note that the outcome of this is that despite the challenging backdrop, and a decline in profitability in H1 FY23, we have delivered year-on-year growth in Adjusted Operating Profit for the full year of 5.7%.

Horizon 2: Rebuild
FY24 to FY26 – the next three years

Our second horizon is focused on rebuilding our profitability and returns.

We have a clear focus over the medium term on rebuilding our profitability and returns, to create a more focused and scalable growth platform. We will do this across three broad areas.

The first area is focused on where we play – and in particular, the selection of portfolios we operate in and the strategies we build to win in these portfolios. In FY23, we have completed an assessment highlighting variable profitability and returns across our portfolio. Through Horizon 2, we will be focused on further developing outperforming categories, while for underperforming areas we aim to either improve returns or scaleback.

The second area is focused on how we win – this brings together our approach to Commercial Excellence, Operational Excellence and a rigorous commitment to Cost Effectiveness. Collectively, this is about consistently and systematically deploying the right people, processes and tools to enhance how we manage every line of our profit and loss account – from volume and revenue management, to conversion efficiencies and fixed costs.

The third area is focused on the Group's enterprise-wide enablers. These are foundational elements of our success, bringing together our commitment to putting People at the Core of all that we do, our ambitious Sustainability Strategy (read more on pages 22 to 39), and a focus on improving our core enterprise-wide processes and supporting technology, starting with material investment in FY24 to this end.

Where we play

Portfolio Selection and Growth

How we win

Commercial Excellence | Operational Excellence | Cost Effectiveness

Enterprise-wide enablers

Technology-enabled processes

Sustainability

People at the Core

Horizon 3: Grow
FY24 to FY28 – the next five years

Our third horizon is focused on driving sustainable growth in our business.

Our current position as one of the UK's leading convenience food players, and in particular our focus on food to go, leaves us well placed to continue to outpace the wider food market. However, many of these markets have faced headwinds in recent years. The grocery market overall has declined by 2.7% (in volume terms) in the 52 weeks to 1 October 2023. The food to go market outperformed this wider grocery trend, albeit still declining by 0.7%.

Some of the above trends are likely to be cyclical, impacted by very high recent inflation and the associated negative consumer sentiment. However, we recognise that our core categories may not recover to historic levels of growth, while in parallel our progress in growing share in key markets has an impact on our scope for future growth through share gain. We are confident in our ability to continue to outperform in our existing markets, by deploying the model outlined above in Horizon 2.

We will continue to pursue opportunities to leverage our existing customer partnerships to drive further growth. However, our ambition is to further strengthen our growth trajectory.

As such, we recognise the need to evolve our portfolio over time to include higher growth markets. This will likely require us to diversify our category, channel and market exposure. This in turn will inform our stance towards inorganic investment. We will approach this in a structured and balanced way – seeking out markets that combine growth, attractive market structures and natural synergy with our own business, while being disciplined with the associated capital allocation. We will also be sensitive on the timing of execution; we cannot wait for the completion of our Horizon 2 rebuild of profitability to begin to make growth investments, but we also recognise that Horizon 3 must build on the strategic flexibility created in Horizon 2, progressively enhancing profitability and returns in our existing business.

Strategy continued

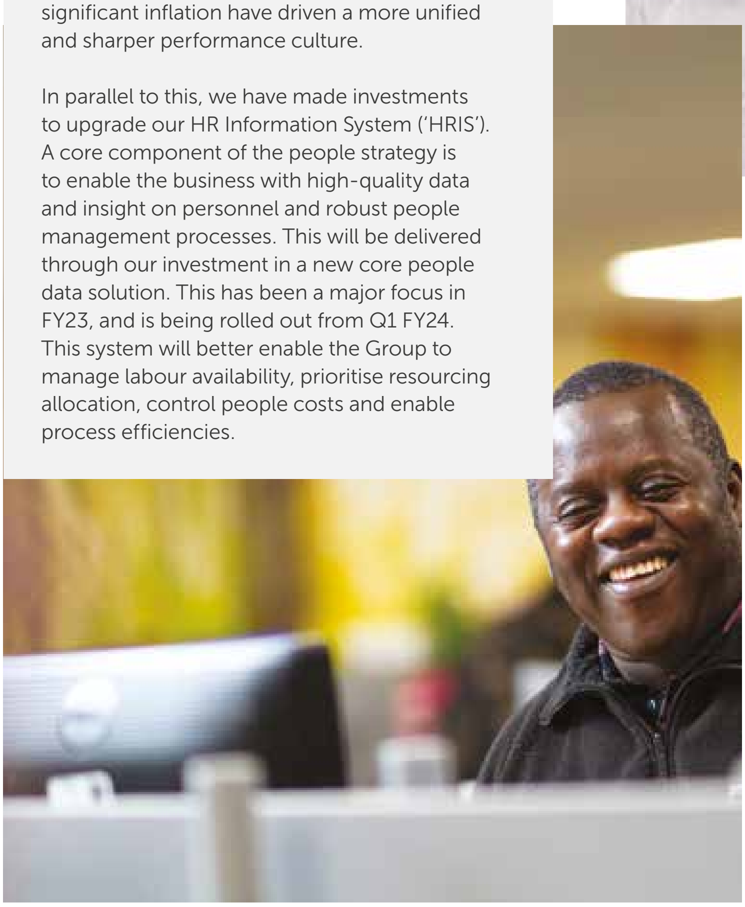
STRATEGY IN ACTION

Developing our people model

Over the past two years, we have delivered significant change in our people model – both to our organisation and to the tools and processes that support our decision-making and resource allocation.

We have evolved our organisation through the Better Greencore change programme and subsequent cost control initiatives. Following a move from five business units to a single functional model in FY22, we then further restructured the business in FY23, reducing our management and support population by approximately 250 colleagues. The combination of implementing the 'one Greencore' organisational model and the interventions we made to control our people cost in the face of significant inflation have driven a more unified and sharper performance culture.

In parallel to this, we have made investments to upgrade our HR Information System ('HRIS'). A core component of the people strategy is to enable the business with high-quality data and insight on personnel and robust people management processes. This will be delivered through our investment in a new core people data solution. This has been a major focus in FY23, and is being rolled out from Q1 FY24. This system will better enable the Group to manage labour availability, prioritise resourcing allocation, control people costs and enable process efficiencies.



Delivering Operational Excellence

In recent years, our Greencore Manufacturing Excellence model has provided a foundation for efficiency and cost improvement initiatives. However, as we have grappled with significantly higher inflation in recent years, it has become even more essential to drive efficiency and tightly manage costs in a structured and disciplined way.

In FY23, under a new operations leadership team, we reset our Operational Excellence agenda. This involved more systematically diagnosing opportunities to improve efficiencies or processes, building capability to capture those opportunities and more rigorously tracking project execution and value realisation. We are in the process of developing and rolling out a pillar-based model to progressively build capability across each area of our operations. This means that across all areas, from supply chain planning and food safety to production and equipment maintenance, we are assessing our capability against a world-class benchmark and building improvement plans to develop and enhance that capability over time.

We made some important first steps in FY23 through deep diagnostics of our manufacturing processes in multiple production sites. In parallel, a standardised assessment was conducted of Overall Equipment Effectiveness ('OEE') – a measure of asset utilisation that enables us to unlock trapped capacity.

In the coming years, we will continue to embed this new model and ways of working and build capability to deliver sustainable improvement.

Winning with customers

Over the last year, we have worked collaboratively with customers to ensure their ranges are working hard for them and for us, rationalising products where appropriate, and using strategic innovation to support growth. We have also engaged constructively to ensure we are being fairly rewarded for the great food we produce.

Through that work, we have reduced our overall net stock keeping unit ('SKU') count by 9%. This was despite modest growth in overall volumes, meaning there was an overall increase in volume per SKU of 10%. This has enabled us to support service levels and in-store availability, as well as driving efficiency to enhance profitability.

In parallel, we advanced our innovation agenda with c.400 new or redeveloped products across all of our portfolios.

These launches have not only supported our customer growth agenda, but have also helped recover margin, with these innovation launches on average being higher margin than our base portfolio.

Alongside this work, we have also engaged constructively with customers on our costs and pricing in the context of unprecedented inflation. We are pleased with our progress, ensuring that inflation was either recovered or mitigated. In a small number of cases where this was not possible, we also took decisions to part ways with certain customers. While this inevitably has an impact on volumes, we are convinced that it is the right thing to ensure the sustainability of the business and will underpin our capacity for profitable growth in the future.

Investing in technology

Over the years, and like many companies of our scale, Greencore has grown through a combination of acquisition, divestment and organic investment, across different customers, categories and sites. As we have grown, there have been limitations to the consistency in how we developed or deployed processes and supporting technology across the Group. This in turn can lead to inefficiency, wasted effort and frustration for colleagues, suppliers or customers.

We have recently launched our 'Making Business Easy' programme to address this. We are aiming to develop consistent, enterprise-wide processes, supported by selective technology investment and underpinned by a robust approach to our data. This will make it easier and more efficient for us to do business – from how we order raw materials and how we schedule maintenance, to how we deliver products to customers every day and ensure we are paid on time.

We have initiated the first phase of this already, with scoping work underway, and material investment foreseen in FY24 to support these goals. We have also deployed our first system investments, which are on track, and on budget with their delivery milestones – in Q1 of FY24, we are both upgrading our core Enterprise Resource Planning ('ERP') tools, and deploying a new HRIS. These will be the first steps of an exciting and empowering multi-year roadmap to make business easy.