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Greencore FY2025 Results

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Greencore FY2025 Results

Dalton Philips: Morning, everybody, and thank you for joining Catherine and I for our FY25 results presentation. It's great to be sharing a very strong set of results with you this morning. Our core business is in a great place, with our commercial and operational excellence programmes combined with our cost efficiency efforts providing the platform for us to reach a record level of profitability.

I'll start with some key messages, then we'll cover our financials and an operating review, and we'll close out on our acquisition of Bakkavor.

So, let's start with some key headlines on page five.

Firstly, we're really proud of what we feel is an exceptional year of delivery. Catherine will share more; however, I did want to highlight the strong performance that we've had against every one of our financial medium-term targets. In particular, we achieved a 15% ROIC which is an increase of 350 basis points on FY24. Secondly, we continue to deliver for our customers on two things that are incredibly important to them, service and innovation, and these are two of the key elements that give us a competitive advantage in the market.

Thirdly, against a subdued backdrop, we've had strong manufactured volume growth of 2.5% which is well ahead of the overall grocery market, and we continue to take advantage of a number of structural tailwinds which we expect to continue through FY26 and beyond. Fourthly, we're driving this positive momentum into FY26 as we know there is a lot more opportunity to go after in our core business. Trading has started well, and we anticipate another year of profitable growth ahead.

Finally, regarding the acquisition of Bakkavor, things are progressing to plan, both in terms of the external support for the deal with the positive Phase 1 decision from the CMA and our internal progress on planning for integration and synergy delivery. We crossed another key milestone this morning with the agreement to sell our soup and sauce business to the Compleat Food Group, a business we have a high amount of respect for and one where our Bristol colleagues will really thrive. This now paves the way for us to complete the Bakkavor transaction in early 2026 in line with our original timeline.

Turn to the next page, and I wanted to highlight the five areas that we see as key to sustaining our enduring competitive advantage in the market. We've really doubled down on these to create what we call a moat around our business, something that is highly valued by customers and extremely difficult to replicate. Firstly, our innovation engine.

We launched 534 new products this year in partnership with our customers. That's over 10 products every single week. What makes us unique here is that our innovation teams are increasingly embedded within our customers, and we've built capabilities to support every stage of the innovation journey, far beyond just recipe development.

Secondly, our technical leadership. We believe we have best-in-class capabilities in the technical and food safety space, where you can never compromise on quality. These high standards were recognised in our BRCGS audit performance this year.

To give another example, we reduced product withdrawals by 60% year-on-year from an already very low base in FY24, and this level of reliability is incredibly important to our customers. A third part of that moat is around complexity management. Our business is

complex, manufacturing over 1,500 SKUs, using more than 2,000 unique ingredients, producing 16 factories up and down the country, operating chilled, ambient and frozen supply chains, delivering it all directly to our customers' doors or through our direct-to-store distribution system. There's a lot of moving parts, and we take great pride in the fact that we do all this without missing a beat, with over 99% service levels in FY25.

Fourthly, our infrastructure. This is a really well invested and fully integrated manufacturing network which we continue to ensure remains world-class, fit for the future of next-gen automation and technology.

And the final area in our approach is to efficiency. We really lean in on our cost base at every level of the business, driving a culture focused on delivering the best possible value for our customers. This is in part executed through our Greencore operational excellence programme, which last year delivered a 4% increase in units per labour hour.

Bringing these five elements together creates a business that is highly resilient, extremely hard to replicate and provides a strong platform for future growth, hence why we call it our moat. As I now hand you over to Catherine, I'm confident in saying that our business is in a good place and with plenty more opportunities to go after.

Catherine Gubbins: Thanks, Dalton. Good morning, everyone. I just want to echo Dalton's thanks to you all for joining us in person and on the call today.

It has been an exceptional year for the Group, with strong performance across every financial metric. I'm very proud of our performance and the progress that we've made. And starting on slide eight, I'm going to give you an overview of some of those key financial metrics for 2025.

Starting with revenue, you can see that we delivered a strong revenue number of just under £2 billion for the year, representing growth year-on-year of 7.7%, the components of which I will cover in more detail shortly. Adjusted operating profit is a key KPI for us. We said two years ago that we would return to pre-pandemic levels of profitability by 2026, and we're delighted to have exceeded that one year early. We delivered £125.7 million pounds, an increase of 28.9% year-on-year. And again, I'll speak to some of the individual elements of that improvement in a moment.

On adjusted operating margin, we have grown margin by 110 basis points to 6.5%. This is still short of our medium-term target of being at 7% or above, but it's clearly really strong progress in the right direction. And we will look at some of the key drivers of that growth as we move through the deck. You can also see that we delivered strong cash flow for the year, and our leverage closed the year at 0.4x net debt-to-EBITDA. Most importantly, though, we're delighted to have delivered a return on invested capital of 15% in 2025, representing a 350-basis point increase versus the prior year.

This was primarily driven by an increase in net operating profit after tax and also a slightly lower average invested capital base. Return on invested capital is our North Star metric and is the key lens through which we manage the business.

If we move over to slide nine, we have set out in a little bit more detail the breakdown of our revenue performance for the year.

As mentioned, total revenue increased by 7.7%, 2.9% of which was driven by new business wins. Underlying volume and mix growth represented 2.8%, and inflation and pricing impacts

then drove the remaining 2%. The most significant contributor to the new business win-related growth was the ready meals contract that was onboarded in our Kiveton site in September 2024. There were also several other wins across our other categories in the first half of 2025, and these are being delivered in the network throughout Q3 and Q4.

Our underlying volume and mix growth was supported by continuing strong demand for convenience food, continued product innovation, and some favourable weather during the summer. We saw good growth in sandwich and sushi in particular, while performance in parts of the salad portfolio and ambient sauces was a bit more challenging.

When analysed by segment, our food-to-go category revenue increased to £1.3 billion, representing a 7.5% increase on the previous year, while revenue associated with our other convenience category grew to £609 million, an increase of 8.3% on the previous year. Some further detail on the composition of those categories has been included in the appendix.

Just moving on then to slide ten, you can see our adjusted operating margin increased to 6.5%, and I will take you through some of the main drivers of that improvement.

Volume growth and mix drove a positive impact of 0.4 percentage points, driven by some of the factors I have just taken you through. There was a negative inflationary impact of 2.5 percentage points. That represents about £45 million worth of inflation in the year, and to give you a sense of the components of that, about 75% of that was related to labour inflation, with the remainder coming from materials and packaging inflation, which really started to increase from Q3-Q4 onwards.

Pricing and inflation recovery drove a 1.7-percentage point impact. This was delivered through our pricing pass-through mechanisms and positive discussions with customers around labour pricing in particular during the year. Our ongoing operational excellence initiatives drove a positive impact of 1.1 percentage points, which partially offset inflation as you can see, but also contributed to the operating profit growth. This encompasses our continued focus on driving efficiency across our manufacturing business, including direct labour optimisation and waste reduction. Finally, a focus on managing our overheads and indirect costs drove an incremental saving of 0.4 percentage points. I have been very focused on our overhead cost base since joining, so it's good to see the contribution being driven by this work. In the current year, this was predominantly driven by indirect labour standardisation, functional headcount challenges and other overhead savings.

Just moving on then to slide 11 and cash. For this financial year, we recorded a free cash inflow of £120.5 million, a significant improvement on the prior year, with a number of factors contributing to this outturn. There was a net working capital inflow of £27.6 million, which was a significant improvement on the prior year. Again, at our Capital Markets Day, I would have referenced the increased focus we are putting on proactive working capital management across all the components. The impact here is driven by a broad focus on stock management, managing our debtors, creditors and other payables to optimise inflows and outflows.

Maintenance CAPEX for the period was £29.6 million, which was an increase of £3.4 million when compared with 2024. While not included in the definition of free cash flow, we also meaningfully increased our strategic capital expenditure, which I will speak to you about in a little bit more detail shortly. Cash exceptional charges for the year were £17.4 million and were

comprised of spend on the 'Making Business Easier' transformation programme and also on the Bakkavor transaction.

Just going quickly through some of the other items here, interest and tax charges £25.7 million down £600,000 compared to last year as a result of lower interest costs and borrowing offset by a slight increase in tax paid. I have previously referenced that our UK-defined benefit scheme would achieve a fully funded position by the end of September 2025, meaning nearly £10 million of annual pension contributions from the Group would no longer be required. We do, however, now anticipate an increase in tax-related cash flows in 2026, which is likely to offset this.

Finally, lease payments at £15.5 million were broadly in line with last year and other movements here of £11.2 million related to share-based payments and other non-cash-related charges. Our free cash flow conversion was 66.5% for the last 12 months. We are happy to have delivered this in the context of our overall medium-term target of being at 55% and above and will continue to focus on cash conversion going forward.

Just moving on then to slide 12 and touching on our capital allocation framework. I have previously noted that I would update on our capital allocation plans at our half-year and full-year results announcements. Our priority, as you can see here, continues to be ensuring funds are available to invest in organic growth through maintenance and strategic CAPEX, an area, as I said, I'll expand on further in a moment.

But just moving on to dividends, last year the Group reinstated the payment of a dividend for the first time in five years and indicated that going forward it would be a progressive dividend growing in line with earnings. Given the strong financial performance of the Group for the year, the Board is recommending the payment of a dividend of 2.6 pence per share, an increase of 30% year-on-year.

We have closed out the financial year with our leverage in a very strong position, with net debt-to-EBITDA at 0.4x. And as I think about points three and four here, this puts us in a really strong position as we contemplate closing out on the Bakkavor transaction and focussing on deleveraging post-completion. As a result of this transaction, we are not proposing any further return of capital to shareholders at this time.

At this point, it would be premature to talk about the capital allocation framework for the combined Group with any specificity. What I will say is the Group's philosophy is to deploy capital to balance long-term growth and shareholder returns. We will do this through investing and driving operating profit growth, generating strong free cash flow and following a disciplined investment and capital allocation approach that ultimately drives returns for shareholders.

Moving on then to slide 13, I wanted to just take you through a little bit more detail on how we think about investment into the core business.

As you can see here, our adjusted operating profit growth feeds strong cash flow generation, which we then prioritise for investment into the core business. This ultimately then enables delivery of above-target returns. Year-on-year, we have increased that capital investment by 34%, with strategic investment increasing from £6.2 million to £13.8 million. I just wanted to call out some of the areas that we have invested in.

We have invested £4 million to automate certain manual tasks. In this financial year, this included projects like packaging automation, automated sushi rolling, and some vegetable slicing. We invested £5 million in capacity and capability expansion across the network, with many of these projects now operational and some carrying into full year '26. We also invested £4 million in sustainability investment to help drive our sustainability objectives while also driving benefit to the P&L. As we have indicated in the guidance in the appendix, we expect to step this investment up again in 2026, and we are guiding on investing £50 million in that financial year.

Alongside this spend, we are continuing to invest in our 'Making Business Easier' programme, investing £12 million over the past year through exceptional items and increasing this investment into 2026. Dalton is going to speak about progress in this area shortly.

Just to finish off, you will remember that we set out our five medium-term financial targets at our Capital Markets Day. I am really pleased that we have made strong progress against all of these targets in 2025. We have effectively met our returns on invested capital target and will continue to drive the business to further deliver on this metric. On revenue, we obviously outperformed versus this metric in the financial year, but a key driver of that being a significant new business win.

On margin, again, we made excellent progress versus our target of being at 7% or above. We are confident that we have a pathway to get to that target. On cash conversion for the full year, we outperformed our target for the reasons I've highlighted. And our leverage is clearly below the indicated range, but this is a welcome positive as we look to complete on the Bakkavor transaction.

So, in summary, we have had a very strong year. I will refer you to some further guidance we have set out in the appendix. I just thank you all for your attention this morning. And now, I will hand back to Dalton. Thank you.

Dalton Philips: Thanks, Catherine. Let me now turn to the strategic and operating review. And on page 16, you can see our strategic framework, which we launched at our CMD earlier this year.

There are two key pillars here, 'strengthen the core' and 'grow and expand', underpinned by five enablers, which make up our Greencore way of winning. Following some years of stabilisation and rebuilding, last year was about progressing both pillars in parallel, realising opportunities within our core business while simultaneously building the platform for future growth. And you can see on page 17 that a key element of our strong core is our performance versus the wider market.

It has been a tough year in the UK grocery market, with subdued volume growing at 0.7% against a backdrop of persistent high inflation and muted consumer confidence. However, our core categories, where we typically hold the number one or number two position, continue to perform well. For example, the sandwich market grew at 4% year-on-year.

For example, us, we grew at 4% year-on-year. In absolute terms, we outperformed the market by 180 basis points, achieving 2.5% manufactured volume growth. Despite that difficult backdrop, there are some key tailwinds to support continued growth.

Firstly, consumers' desire for convenience continues to rise, with the large malls opening 175 new convenience stores this year. The number of convenience stores is forecast to rise by 2% next year. Secondly, premiumisation remains an important growth driver in our key categories.

For example, own-label premium sandwiches grew 23% year-on-year. Finally, we're seeing a sustained trend of growth in eating-in, which was up 1% versus last year, against eating-out, which was down 3%. As eating-out becomes increasingly expensive and dining options improve in quality and variety, more and more consumers are seeing better value by staying at home. This is particularly important for us as we look to our combination with Bakkavor, who have real depth in the food-for-later market.

Turning to page 18, and another key factor of our performance, has been in our portfolio management. We're committed to driving returns in every part of our business, with a goal that each category will in time cover its cost of capital. And we can point to some really good progress here.

You know about our 15% ROIC figure, but I thought it worth sharing the building blocks which sit underneath it. Our focus in portfolio management zeroed in initially on our larger categories, so sandwiches, ready meals, ambient sauces, and salads, which make up 85% of our revenue.

We've made really good progress here, increasing ROIC across these categories by 400 basis points, therefore keeping returns well above WACC. A good example is in our sandwich business, where we drove returns in three areas. Firstly, new business wins in the retail and coffee channels. Secondly, margin accretive new product launches. And thirdly, operational excellence initiatives. And we've also driven ROIC in our smaller categories by circa 100 basis points.

Whilst this is in the right direction, we still have more to do so that every category covers its cost of capital. A good example here would be our sushi business, with improvements again driven by, firstly, new business wins. Secondly, diversifying our offering into poke bowls. And thirdly, execution of our automation roadmap.

Moving to page 19 and let me share the key enablers of our strategic framework, starting with great food.

We launched 534 new products in partnership with our customers last year. That's over 100 more than in FY24. This includes MPD, so entirely new to market concepts, as well as what we call EPD, so existing product development, to improve quality and taste profiles. We're now able to deliver this scale of innovation at speed, faster than ever before, reacting quickly to trends and working with our customers to get new products on-shelf fast.

You can see a great example of exactly that on the top left of this page. Last week at their CMD, M&S talked about their partnership with us and the work we did together on the strawberry sandwich, which went viral, quickly becoming M&S's top-selling sandwich and selling over 1.2 million units within weeks of launching. This is a great example of the incremental impact that innovation can have.

The other products that we've highlighted here on this page, Greg's Mac and Cheese, Sainsbury's Taste the Difference Chicken and Nuju Wrap, and Co-op's Marry Me Chicken Sandwich are other examples of the many products that had hugely positive consumer

feedback. And on the right, you can see some of the benefits that innovation delivers, driving incremental growth, margin accretion through premiumisation, and improved quality.

Moving to page 20, and we wouldn't be able to deliver any of this without our strong partnerships with customers and suppliers. And here you can see a few examples of the value that we've delivered through these partnerships. For example, we supported the launch of a first-to-market food-on-the-move store with Co-op. We created a bespoke offering of hot and cold products, testing out new concepts such as serve-over counters, super-premium ranges, and time-of-day offers.

We're also servicing these stores via our direct-to-store distribution arm. This is a great opportunity to trial new concepts, which can then be rolled out into their main estate. Secondly, we used our category management and insights capabilities to support a customer with a full store transformation, advising them on space, product locations, flow, and range. 30 weeks after the reset, volume in the store was up 22%, with the number of shoppers up 18%.

Thirdly, through an innovation day with one of our customers, we identified an opportunity to expand their premium source range into a new cuisine. The products went live four months later, growing the tier by 163% for that customer, and allowing them to grow one percentage point of share in that source cuisine.

Fourthly, an incredibly important part of our partnership model is the relationship that we have with our suppliers. We often speak about our customers wanting to do more with fewer strategic partnerships. Well, the same is true for us with our supplier community.

We've reduced our total supplier base by 15% since FY22 and strengthened our relationships with our key suppliers. This is an important driver in helping us manage complexity, whilst in parallel ensuring that we have the best quality products in the supply chain with the right cost structure. These are just four of the hundreds of examples where every day our teams are going above and beyond to build truly lasting partnerships.

Moving on to delivery excellence on page 21, and our Greencore operational excellence model continues to deliver strongly. We've spoken before about units per labour hour as a measure of productivity in our sites, and this has continued to build up 4% from FY24, and up a material 10% since FY23. This progress has been underpinned by the delivery of over 700, or of 701 individual operational excellence projects in the year, with an average value delivered per project increasing by 37%.

An example would be a line balancing exercise we ran in seven of our sites, reducing bottlenecks and increasing units per labour hour by 10% in those sites. This project delivered £750,000 of in-year savings. We still have more to go after in the core business, so we've set up two new centres of excellence to target the next set of opportunities.

Firstly, on next-gen automation, we've continued to progress select concepts. You can see in the photo an automated packing line which we installed in our Spalding salad site, and we're now kicking off the first of a five-year automation roadmap with 12 prioritised concepts in order to deliver at least 10% direct labour savings over time, a number you might remember we shared with you at the CMD. Our current focus is on recruiting the team with a head of automation now in place in order to move at pace to deliver the first prioritised concepts.

Secondly, on Group logistics, we've kicked off a project to optimise and standardise the way we do internal logistics across our sites. This includes inbound, outbound and warehousing costs. Like many areas of our operational excellence agenda, we can drive real benefits here from moving to one standardised way of doing things across the Group.

On page 22, a key part of delivery excellence is our 'Making Business Easier' technology transformation, a multi-year programme driving consistency and simplicity into the business. The programme is now in its second year and is making good progress. We've included some examples on this page of the kind of initiatives that we are driving across two dimensions, the quick wins which are delivering early value and the multi-year transformational projects.

To highlight a couple, firstly, a quick win for us this year was the rollout of an automated invoice processing across all sites. This has reduced time to process, improved payment controls and reduced errors. In FY26, we expect to process over 100,000 invoices automatically, which at that scale has significant benefits.

We've also made good progress on our larger multi-year initiatives. You can see some examples of the types we're working on, on this page. None of them are rocket science. It's more about standardising and modernising some of our basic business processes after years of underinvestment. An example of this would be supply chain planning, where we've now selected a tech platform for a solution to streamline demand forecasting and production planning and scheduling and are rapidly moving into the delivery phase.

Whilst we're still early on our journey, we're making good headway. Total programme costs are still estimated to be up to £80 million over five years, whilst investment in FY26 will be circa £20-25 million, which is reflective of the upfront phasing of the programme spend.

Moving to sustainable choices on page 23, we're pleased to hit our Scope 1 and Scope 2 carbon emissions and food waste reduction targets in FY25, which is a particularly strong result in a year when we increased manufactured volumes by 2.5%. And looking further out, we've also begun development of our 2040 net-zero transitional plans for four pilot lighthouse sites, which will form the basis for future Group-level climate transition plans.

Whilst we've got good results in some sustainability areas, we did not meet our in-year target on water reduction. This is because of a couple of particularly high water-using sites, as the other sites did substantially decrease their water usage in-year. However, we know there is more work to be done, and this remains a key focus for us.

In the people space, one achievement I wanted to highlight is the reduction in our attrition rate, down by 600 basis points from 24% to 19%. We need to keep great people and have them grow their careers with us, so this is a really strong result. We also made progress on our employee engagement score, hitting 84% in our last survey, and we were also proud to donate nearly 1 million meals with our charity partners during the year.

Let's now switch gears on page 24 to the second part of our strategic framework, grow and expand, and let me briefly set out why we're so excited by the combination with Bakkavor. From a strategic perspective, the deal will create a UK convenience food champion with strong relevance, reach and resilience. It will also unlock at least £80 million in cost synergies and creates significant optionality on capital allocation.

From a financial perspective, the deal will create material value for shareholders with an attractive returns and earnings profile, which you can see on the right-hand side of this page. Since May, we've made really good progress on the planning for integration and synergy delivery, with a cross-functional team and a central integration management office now up and running with colleagues from both businesses.

On page 25, you can see an updated timeline for the deal. Let me orientate you on where we are today and what comes next.

We announced a recommended acquisition back in May, receiving strong support from both sets of shareholders at our respective EGMs. Following this, the CMA began a phase one investigation into the deal, which they concluded at the end of last month. We were really happy that they raised no competition concerns with regards to 99% of the revenues of the combined Group.

This is in line with the strategic rationale of bringing together two complementary but not overlapping businesses. Competition concerns were identified in only one area, supply of own-label chill sources, less than 1% revenue of the combined Group. These sources are manufactured exclusively in our Bristol site. And over the past weeks, we have been working with pace to come to a quick resolution. And we were delighted to announce this morning that we have a binding agreement to sell our Bristol site to the Compleat Food Group. That's just three weeks after the CMA announced their Phase 1 decision.

In terms of next steps from here, we've already secured agreement in principle for our proposed remedy from the CMA, so the final step is to secure formal CMA approval, which is expected to come before the end of the year. As such, we remain on track to close the deal in early 2026. On a personal note, whilst of course we're very sad that we have to sell our chill source business, I know that the Compleat Food Group will be a great home for the Bristol team.

Looking ahead, we're really excited to be welcoming Bakkavor colleagues to the combined Group and for what we can deliver together for our customers, for our consumers, for our colleagues, and of course for shareholders.

I'll wrap now with some closing thoughts on page 26.

Firstly, we're thrilled by the Group's exceptional delivery and our progress against our medium-term financial targets. Secondly, we remain encouraged by the potential in our core business. We know there are so many more opportunities to go after that will drive returns. Thirdly, trading has started well, and we look forward to another year of profitable growth. And finally, we remain excited about the potential from our acquisition of Bakkavor and are delighted that the pathway is now clear to completion in early 2026, which will allow us to get going on synergy delivery.

So, thank you again, as Catherine said, for coming here this morning. We really appreciate it. And now we'd both be delighted to take any questions or clarifications you might have.

Right. Mike, are you going to do the honours? We'll start up front here. Patrick, you?

Questions and Answers

Patrick Higgins (Goodbody): Good morning, everyone. Patrick Higgins from Goodbody. Two questions, if that's okay.

Maybe the first one for you, Dalton. Just in terms of, I guess, the wider kind of consumer backdrop, you know, your slide on page 17 outlines several key drivers around the food to go or your convenience business that should underpin that category's continued outperformance, whether it's convenience or premiumisation. I guess my question is just more around the general UK consumer backdrop. Are you seeing any shifts in kind of consumer behaviour or any kind of green shoots in terms of an improving or improving underlying or kind of broader consumer demand?

And then my second question is possibly for you, Catherine, just around the cost outlook. What kind of inflation are you guys budgeting for the year ahead? And maybe just talk us through the various buckets: labour, raw materials. And then against that, how should we think about the various levers you guys have at your disposal to kind of offset and continue your kind of margin delivery, whether it's in terms of price pass-through or your ongoing cost savings initiatives?

Dalton Philips: Okay, thanks, Patrick. Look, I'll take that first one then.

Look, there's definitely a sense of uncertainty out there. Consumer confidence is still pretty negative. You saw the latest GFQ hasn't really improved at all. In fact, you know, it's not in a great place.

Having said that, if you think about our business, look, volumes have remained really strong. Q3, Q4 were terrific for us and, you know, growing very strongly ahead of the market. So, look, we enter into this financial year with a real level of confidence.

I thought Simon Roberts did a super job last week talking about a trend that we've seen for a number of years. But this is, you know, in the same basket, people trading up and down in the same basket. And I think that bodes well for the portfolio and the categories that we operate in.

If you think about our categories, we're our own-brand. So, that by default has huge value credentials. We typically tier our ranges, even think about, you know, the meal deal. You know, there's three tiers now. There's even an ultra-premium meal deal. And they're offering fantastic value. And I think, look, there's a strong underpinning of tailwinds out there. The move on premiumisation, very important for us. The move on convenience stores, very supportive to our underlying business. And then this, what I highlighted in there, this dine-in versus dine-out and the value that's been offered there.

So, I think those three sort of structural tailwinds and then obviously you got the population growth underpin. You know, it gives us a level of confidence as we go into what is, you know, a fragile market. I mean, we can't get away from that. So, I think we're confident that despite the consumer backdrop, those tailwinds, Patrick, will continue to drive the business forward.

Catherine Gubbins: Thanks, Patrick. Yeah, look, when we think about inflation, I know I referenced it when I was speaking earlier. For 2025, the inflation we experienced was about

2-3%. And that was broadly throughout the year caused by labour inflation, as you know, by about 6% in the year. And obviously, we had the national insurance increase on top of that.

Q3, Q4, we saw significant price increases in the protein space. So, that obviously fed through quite significantly. When we were thinking about 2026, then I think we were anticipating inflation of about 3-4%, to be honest. Again, seeing that protein inflation continuing into this financial year is a little bit of uncertainty as to how long that will continue.

Obviously, we have expectations around labour inflation, but, you know, we await, I suppose, any announcements in next week's budget to see where that lands. But I suppose, you know, 3-4%, but I suppose, you know, a little bit of uncertainty as to how that would play out. Obviously, it's still pretty early in the financial year.

And I suppose I would just reiterate, as, you know, as we called out in the presentation, we've been pretty good at offsetting that inflation, whether it's through engaging with our customers or deploying, you know, our cost initiatives. And I know that was your other question. When we think about managing our margin, we think about it in three areas.

And I think we've spoken at length about those areas, you know, today, I suppose, is how we engage with customers. Dalton spoke about that at length, you know, our innovation, premiumisation, delivering for customers and really using that to drive volume and to create margin. Then, obviously, there's how we approach the manufacturing network.

Again, you know, we give you a fair bit of detail around how our operational excellence initiatives have kind of evolved. So, we're really now starting to look at next-gen automation to really tackle, you know, that kind of manual element of our business that still, you know, is ripe for automation. So, I suppose that's kind of where we see ourselves pivoting in that space.

And look, I referenced the focus we have, you know, really deployed last year and will do into the future around, you know, pretty significant cost base under gross profit and, you know, above operating profit. There's a lot of indirect labour there and, you know, other overheads to just be kind of laser-focused on. Again, they're the kind of key areas that we see ourselves kind of continuing to leverage to drive margin going forward.

Dalton Philips: Just keep moving down the room and we'll get to Charles afterwards. Gary?

Gary Martin (Davy): Hi, all. Gary Martin here from Davy. Just a couple of questions from me.

Just a follow-on to Patrick's question there just around the cost side of things. Just around conversations with retailers at the minute, I mean, how challenging is that after a year of reasonably high inflation, particularly with NIC charges, national living wage? Is it becoming trickier from your side, or are there levers to pull from your perspective?

And then maybe just a second question just around, or even just a follow-on to my first question, actually, just around the level of, we'll say, low-hanging fruit that are left from a self-help perspective. Is there still a lot that you can do from that side to offset any additional costs?

And then just a further question just around cash conversion. This year, very strong, well above the 55% set at the CMD. I'm just wondering how sticky that is. I know that there were

some puts and takes with regards to pension coming down and cash tax coming up and all the rest of it, but it would just be good to get a long-term view on that. Thank you.

Dalton Philips: Yeah, thanks, Gary. Look, maybe I'll start on the first two, Catherine, and then you can sweep over anything I missed and pick up the cash conversion.

Look, the retailers have been fighting hard for their consumers to ensure that they're as competitive as possible. And it's a challenging market out there. I don't think the level of conversations have changed. We're very transparent. I mean, typically, about 75% of our volume goes through some sort of transparent model.

So that's really helped the conversations because it's very transparent. As the proteins move up or down, they're getting it in that month or the next month, depending on the contract. So, the conversations, I think, are a similar level to before.

The real focus is on innovation. It's not really on cost because you've got the transparency there. That's where the table stays. It's all around innovation. And there's a huge push on it. Everybody's trying to just get an edge. And I think we've been very successful with these Chinese walls that we put through our business that allows dedicated teams for specific customers to develop those ranges that I've put out. I mean, actually, there's a mince pie wrap that went out yesterday for one of our large customers. We're always trying to do something slightly different.

And I think if the innovation is there, Gary, the conversations are much more positive. Typically, where I would have more tense conversations is where there'd be a challenge. Well, somebody else launched that. Why haven't I got that? That's where the conversation starts. It's not really in cost.

That's not to minimise it. It's just to say that if you're not there on cost, you don't have a business. And that leads, I think, into your second point around is there much more low-hanging fruit?

We think you've got to continually be driving this and leaving to a side the Bakkavor opportunities that will come from that. There is still opportunities in OE, so capacity management, line balancing, overhead balancing. There's a lot of work we've done there. We were doing something the other day in terms of indirect procurement. You would be shocked in the variety of pricing around Wellington boots. It would blow your mind.

There are Wellington boots that have been purchased that are extremely expensive in our network. Now, it's not people doing anything wrong, but they're needing to react to a situation. And you go, when you standardise all of that, and I think when you're talking about Wellington boots, you're kind of going, yeah, there's still a lot of opportunity out there.

It's a well-run business, but we are going to keep going after it. And then maybe we'll talk later about next-gen automation. Like there is just such an opportunity there. If you think about the dexterity of the hand, what it can do today in assembly, you think about next-gen automation that, we think, is probably 24-36 months away, where you're able to mimic the dexterity of a hand and be able to pick up, because you can pick up anything with a robot, but to pick up a tomato, a sliced tomato without bruising it, or a piece of avocado is a whole different kettle of fish.

And that sort of dexterity is coming through. You think of that next-gen automation into our food-to-go operation, real opportunity. But Catherine, do you want to pick up on that?

Catherine Gubbins: Yeah, look, just to pick up on that point as well, I think we're really starting to see this year the benefit of that operational excellence mindset across our manufacturing business. It's real muscle that's just strengthened over the last period, and it's just an ongoing assessment of the manufacturing business just to see where the opportunities lie.

So yeah, look, just around cash conversion, absolutely, we had a strong performance this year. As I said, it was just really from proactive management across the cash portfolio, I suppose specifically focussing on working capital, obviously impacted by improved revenues and increased costs as well, gave us a little bit more opportunity around the year-end. Absolutely, you've called out the point around the pension contribution, and I suppose our improved profitability over the last few years means we've been consuming some of those tax losses, and we're now in a position where we potentially are looking at a higher cash tax this year. But I suppose broadly speaking, we're still confident with the range we indicated at the Capital Markets Day that we will be ahead of that on a go-forward basis.

Gary Martin: Thank you.

Charles Hall (Peel Hunt): Charles Hall from Peel Hunt. First of all, well done, terrific year. Could I just ask about the other convenience sector that you had underlying volumes put down slightly?

Can you just talk about the moving parts of the different businesses within that, how you compare against the market, and what you see as the outlook for that segment of the business?

Dalton Philips: Yeah, look, I think there are some areas where we've just had some deliberate business losses that we've ceded. I mean, I can talk about salads, for example. There's been a number of contracts there that we've just said not for us. In fact, they were more on the commodity side of prepped veg that we just didn't want to go into, and we wanted to move up the value chain. But overall, I think if you think about other convenience like that, ready meals has been absolutely like a train.

We're trying to, Charles, continue with this focus that was very successful for us three years ago, which was resigning volume that wasn't profitable. And it worked very well. Remember, we gave up 10% of our volume. You've got to be careful that you don't slip into that, oh, well, business is good, so we'll take this on the side.

So, we've tried to keep our shape there. But in general, our share, I mean, I think I would say salads would be, that would be the one area where it just didn't really quite work to the level we had hoped. The rest, I think we were confident from a share point of view.

Charles Hall: And are you now through that business resignation process, or is there still a bit more to do?

Dalton Philips: No, we're absolutely through it. But these contracts are often on three- to five-year cycles. So actually, we're now coming up to many of those contracts that three years ago, we took a strong stance. Those are starting to be recycled into the market. And we're just trying to be firm on this and not get ahead of ourselves. So, there's nothing more now.

You've seen the portfolio, the ROIC that we've been making huge progress. And even sushi, which I know we talked about a couple of years ago, it's absolutely flying at the moment. I mean, there's more to do, obviously.

So, I think we're in a pretty good place on our portfolio.

Charles Hall: And anything to say on new business wins?

Dalton Philips: Had some good wins over the summer, which we'll carry through. It's about 100 basis points of volume that we'll annualise into this year. So, I think that's a good underpin. And you put that on top of what's going on with the structural tailwinds of premiumisation, convenience stores. You wouldn't want to get ahead of yourself, but we're feeling confident. And I think as we look to the back of when we think about that ability to manage those portfolios, there'll be learnings that we can bring to them. And I'm sure they'll have learnings for us as well.

Andrew Wade (Jefferies): Andy Wade from Jefferies. First one, just sort of looking at your 7% operating margin target. So, on the one hand, we've got that where you're at 6.5% this year. But just sort of looking through how you're talking about the opportunity still, you know, there's still fundamental stuff like line balancing and overhead balancing and procurement and so on. But then you've got the big projects to come as well. The automation, logistics, the tech side of things, which are going to be another five years.

I'm just sort of trying to square up where we're nearly at 7% already. And you've got so much in the pipeline. Am I overestimating how much is still to go? Or is that 7% looking very conservative? That's my first question.

Dalton Philips: Look, I'm sure Catherine will have some views. Well, actually, do you want to go on?

Catherine Gubbins: Yeah, look, we have plenty, plenty to go after, plenty levers to pull, right? They're not all going to magically appear next year. You know, we're obviously planning to deliver these initiatives over the next number of years, right?

I think what we would say is, you know, 7% over the medium term, 7% or above is a target that we're happy, you know, we're happy to stand behind at this point in time. Obviously, that's Greencore standalone basis, we're really looking forward to, you know, combining with Bakkavor and then seeing what that looks like. And obviously, we'll be back out to talk to you about how we feel from a margin perspective in the context of the enlarged Group.

But I think, Andy, the point you made is valid. You know, we have, I suppose, we've plenty of things that we're going to go after to drive the margin. But as I said, it's just we need to knuckle down, deliver them, you know, and wait for them to show up in the P&L.

So, I think we're happy with the 7% or above.

Andrew Wade: Okay, thanks. Second one, sort of touching back on a question Charles asked on the contract side of things. Could you just remind us, you had the big ready meal win in September '24, which is annualised through now, you had some wins in the first half, a bit of salad loss in the second half, and a couple more that you've just recently won. Is that broadly the shape of it? Or are there any big ones I'm missing there?

Dalton Philips: No, that's broadly the shape of it. A number of sandwich contracts that have come our way that were either expansion or new customers.

Andrew Wade: That's the sort of 100 basis point-ish number you were talking about with Charles's question.

Dalton Philips: Right.

Andrew Wade: Great, thank you. And then a little bit churlish, given how good the results are. But the 'Making Business Easier', we're talking about £80 million over five years. Well, are we going to be taking all of that as exceptional? And I guess if it's going to be going on for quite a long time, why do we think that? I mean, obviously, you run it by the accountants and stuff. But how does that qualify as exceptional, given it over quite a long period?

Catherine Gubbins: Yeah, look, I mean, it's a transformational spend. You know, we've obviously given that a lot of consideration. We're into year three of that programme now. And we're happy that it qualifies as an exceptional spend. Yeah.

Andrew Wade: Yeah, fair enough. All right. Thanks very much.

Dalton Philips: Thanks, Andy. Clive?

Clive Black (Shore Capital): Yeah, Clive Black from Shore Capital. Three relatively general ones. Firstly, what's the plant utilisation then in September '25? What spare capacity have you got? Secondly, maybe say a word on your coffee shop opportunity, because that's been a mixed blessing for Greencore in the past. And then lastly, how would you classify your relationships with the movers and shakers in process engineering?

Dalton Philips: In process engineering?

Clive Black: Manufacturing engineering.

Dalton Philips: So, I'll rattle through that. And Catherine, please come in if you want. So, plant utilisation, we're about 85% at the moment. So, we've got that 15%. We had it before. We sold some of that capacity, which is part of the 2.5% volume growth. And we've been squeezing more out.

And I think the challenge into the Ops team is I want to always be at around 15%. Now, at some point, the guys will say you need to put down more bricks and mortar. But I think our challenge back in is we shouldn't need to put more bricks and mortar down. I'm talking as a standalone site. Forget the Bakkavor opportunity. Because obviously, one is to get to three shifts. Okay? And at the moment, for example, wrap rolling, we haven't got any technology that can go faster than a human. So, we wrap roll ourselves. But we don't think we're far away. I mean, far sort of 18 months away from being able to speed the wrap line up. And bang, you pick up more capacity. So, what we say into the team is let's keep it at 15 and keep eking it out.

In terms of the coffee channel, good question, given our history. But I think if you take something like Costa or Nero, I mean, Nero is a fantastic business, as is Costa. Very professionally run.

In the Nero case, they give us the keys. We deliver at night. We deliver through our DTS operation. We deliver other products for them as well. In some cases, we're quasi-

merchandising the shop for them. So, I think it's a good channel. It's professionally run. And I think if we're disciplined and hold the shape, I see the opportunity there.

And then the third in terms of process manufacturing, this is a really good question. So, we've been typically dealing with the Mili techs of this world. So, European. And we want to go out to China. In fact, the plan is to go out in Q1 to go out to China to start speaking to other OEMs. I think with Bakkavor behind us, and we can say, look, we've got 40 plants here. I think we believe it could be a different conversation. But we're trying to pull current leading-edge technology from the Mili techs.

But we want to see if there's something next-gen from other sectors, Clive, because we're not the only other people out there who are dealing with the hand dexterity issue. And we believe there must be technology out there. And I can't tell you how many thousands of people we have on our lines. And we've talked about 10% of that could be a medium-term target. And some might say that's not ambitious enough in terms of taking labour out.

Catherine Gubbins: No, nothing further for me, to be honest.

Dalton Philips: Good. Okay, with that. Oh, yeah, sorry.

Operator: If you wish to ask a question, please dial pound key five on your telephone keypad. If you wish to withdraw your question, please dial pound key six. The next question comes from Karel Zoete from Kepler Cheuvreux. Please go ahead.

Karel Zoete (Kepler Cheuvreux): Yes, good morning, all. Thanks for taking the questions. I have two clarification questions.

The first one is in relation to the transition costs in 2026, plus the integration cost. What would be a reasonable expectation for both aspects combined in 2026? And the other thing is on operating margins. Did I understand correctly, you expect them to expand into 2026, or ...? Yeah, thank you.

Catherine Gubbins: Yeah, so look, I suppose if you think about costs of the transaction into next year, we have an estimate of our costs being about £40 million for the transaction. And obviously, we recognised £11 million in exceptionals in full-year '25 in respect to the transaction.

I suppose moving on to margin, absolutely, Karel, I suppose our expectation, our plan, our aspiration is that we will improve the operating margin in 2026. Not sure if you want me to build on it a little more. I think we've spoken a bit today around, you know, how we're planning to approach that, obviously, within the confines of that overall operating margin target of 7% and above that we've set out over the medium-term. I suppose, we are on the journey to delivering that. Yeah.

Karel Zoete: All right. Thank you.

Dalton Philips: Okay, well, we'll wrap it there. We really appreciate you coming in today. And thank you for your questions and support.

Catherine Gubbins: Thank you.

[END OF TRANSCRIPT]