



Greencore Group plc FY26 Half Year Results

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Transcript

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Dalton Philips:

A huge thank you for being here this morning with Catherine and I and making your way across a hot London to be with us for our FY26 H1 results and we have people online as well. So we thank you them joining us. Look, it's great to be presenting these results for the first time from our Greencore London office, which will be familiar to many of you from previous Bakkavor presentations.

These results demonstrate that we're starting to reap the benefits of what we call internally better together. Two businesses that were each very strong in their own right, but now together can deliver even more following the acquisition which completed in January 2026. I'll open with some key messages and an overview of our new Greencore business. Catherine will cover the financials and I'll close out with an operating review.

So to start with, in my view, Greencore has never been in a better place. Firstly, the enlarged group has delivered strong operating profit growth of 15.3% in the half and revenue growth of 3.2%. These numbers reflect the underlying growth rates for the new enlarged Greencore and we're encouraged by the positive momentum.

Katherine will speak more about the pro forma basis of calculation, but essentially it includes six months of the old Greencore and 10 weeks of Bakkavor UK since acquisition.

Secondly, our customer relationships, the backbone of our business are in a really good place. Bringing these two businesses together enables us to deliver more for our customers and gives us the opportunity to further expand the breadth and depth of these partnerships. Encouragingly, we've already had our first new business wins as a combined group and we know there will be more to follow.

Thirdly, our integration programme is progressing really well. We've completed a full top to bottom organisation redesign. The new team is in place and we're focused on driving the business forward and on delivering our synergy targets. Perhaps the best indicator of success is that we've had literally zero disruption in our core businesses. We've launched just as many new products as in any other year. We've maintained our best-in-class food audit performance and colleague attrition remains low and service levels are above 99%. So overall, I'm really pleased with today's numbers and with everything our colleagues have achieved over the past months.

On page five, I wanted to touch briefly on my first impressions of the Bakkavor business. Getting to learn about the sites, processes, and ways of working has been a key priority. I visited three sites within 48 hours of day one completion and I've been working my way through them since. Overall, I've been hugely impressed. We've always known

Bakkavor is a brilliant business and since taking ownership, we're very pleased with what we've found and the only surprises have been positive ones.

The sites are in great shape and well invested in line with our own high standards. Walking around a Bakkavor, there's very little to differentiate them from our Greencore sites. The people are great too. We've experienced a strong cultural fit with individuals across both businesses rolling their sleeves up and working collaboratively together. Customer feedback has also been really positive and the theme generally is how can we do even more with you? And finally, we found a huge amount of opportunity to leverage the best of both, both where we can learn from each other but also from where we can build something better together. Page six brings that scale to life. We operate across 13 categories, giving us a diversified and balanced portfolio. The majority of revenue comes from our powerhouse categories of sandwiches, ready meals, and salads with a strong presence right across the convenience food market, covering all day parts from breakfast, lunch, dinner, and snacking.

In the UK, we have 28,000 colleagues across 32 manufacturing sites and 21 distribution depots. And from a procurement perspective, we're purchasing over two billion pounds each year with people on the ground across Europe and China. Turning to page seven and what makes this business really special is the everydayness of it. Our operation never stops, not for a single minute throughout the entire year and we do this at scale. For example, every single day we book in over 500 deliveries of raw materials. Every day we make 4,200 recipes across over 400 production lines. Every day we conduct over 5,000 individual product quality checks and every day we complete nearly 10,000 direct to store deliveries covering every postcode in the UK. In any given month, our products are enjoyed by over 70% of the UK population. This is a hugely integrated and complex operation and we manage it with real grip delivering over 99% service levels, which is critical to our strong customer relationships.

So in summary, our new Greencore business is in a great place. And with that, let me hand you over to Catherine for the financial review.

Catherine Gubbins: Thanks, Dalton. Good morning, everyone, and thank you to everyone who has joined us online and in the room today. As Dalton has already noted, it has been a busy six months for the group and I'm delighted to be here today to take you through our financial results of that period.

Planning for and delivering on integration has been a real focus over the past month and I'm pleased to share that our teams have come together strongly as the new Greencore. The integration of our two businesses is progressing very well and we are firmly on track to deliver the synergy

target we had previously outlined. As you'll see in our results, we have also maintained a strong focus on delivery in our core business and I will now take you through some detail on the financial results for the first half of FY26.

Starting on slide nine, let me touch first on the basis of reporting that underpins the results that we will take you through today. Firstly, I'll be presenting a pro forma version of our results. This proforma basis includes six months of the Greencore business, Bakkavor UK for 10 weeks in both current and prior year and excludes Bristol, a legacy site which we sold in January 2026. This performer basis is therefore more reflective of the actual year-on-year performance of the new combined Greencore business. You will also have noted from our RNS statement this morning that the US business has been classified as an asset held for sale and therefore what we are presenting here is our combined UK operations. I will cover some specific details on the US business later in the presentation. Moving on then to the numbers. I'm pleased to say that we delivered pro forma revenue of £1.3bn in the period, reflecting year-on-year growth of 3.2%, the drivers of which I will take you through in a moment.

I'm also extremely pleased to say that we have delivered adjusted operating profit of £73.3m for the period, reflecting year-on-year performer growth of 15% and a strong proforma adjusted profit margin increase of 60 basis points to 5.6%. This is a real testament to the folks of our teams who delivered this over a very busy period of the acquisition and integration of Bakkavor. Looking to our statutory or reported financial performance on a continuing operations basis and therefore reflective of the UK businesses only, we have delivered 43% reported revenue growth and 62% reported adjusted operating profit growth. When you look at our bottom line, you will see a £13m loss before tax in the period and that's largely reflecting acquisition related exceptional costs incurred in line with expectations. Return on invested capital continues to be our north star metric and is the key lens through which we manage the business.

Accounting for the acquisition has resulted in an increase in our invested capital base. We have completed provisional acquisition accounting and you can see from the release this morning that this has resulted in acquired goodwill of 734 million and a further 937 million increase in intangible assets reflecting the strength of the acquired Bakkavor customer relationships. To adjust for the impact of the additional goodwill generated, we have provided an adjusted view of ROIC, which excludes this goodwill. On this adjusted basis, ROIC was 10.8% for the period. Consistent with prior treatment, this amortisation charge will be an adjustment to certain key metrics, such as our adjusted earnings per share. And as you can see at the bottom of the table, that adjusted EPS was eight pence per share for the period reflecting an increase of 31%

in line with adjusted operating profit growth. On a continuing operations basis, free cash flow is negative 76 million driven by a working capital outflow and exceptional charges related to the Bakkavor acquisition.

We have however ended the period with group net debt of 818 million and a leverage ratio of 2.3 times, which is lower than the 2.5 times net debt to EBITDA post-acquisition level that we previously guided to, details of which I will cover in a little more detail shortly.

So turning to slide 10, let me take you through the drivers of our proforma revenue performance, which has increased by 3.2% year-on-year. Firstly, we are pleased to have grown volume and mixed by 0.8% despite a slightly subdued market and with a particularly wet winter impacting momentum. Within this, there was a strong contribution from new business wins won last year annualizing into this year, especially across salads, sandwiches and our direct to store distribution. We have a strong pipeline of new business into H2 and Dalton will give you some more colour on that shortly. Inflation, recovery and pricing contributed 2.4% driven by recovery of inflation in labour and ingredients, particularly related to protein. You will see that we have chosen to disaggregate performance into two distinct product category portfolios underneath our single segment of convenience food. Food for Now or food you eat on the go, sandwiches, salads, etc, and Food for Later are food you would eat at home, such as ready meals, desserts, and pizzas.

When analysed by portfolio, Food for Now revenue increased to 731 million, representing a 5.3% proforma increase on the previous year with strong performance and sandwiches, sushi, and our direct to store business. Our Food for Later portfolio grew to 587 million, representing a small increase on the previous year, noting that this includes 10 weeks of Bakkavor sales, so not fully representative of future run rates. And this category is also one that we grew very strongly for the same period last year with our large ready meals win.

Moving on to the next slide, proforma adjusted operating profit grew 15% with margin increasing by 60 basis points to 5.6%. So let me take you through the main drivers of that improvement. Volume and mixed growth, including the new business wins, helped to contribute to adjusted operating profit growth and improved operating leverage across the network. Growth inflation was about £40m in the half. To give you a sense of the material drivers there, around 60% of that related to labour inflation with the remainder coming from materials and packaging inflation. We recovered a large part of that inflation through pricing, including through the automatic joint models that we have in place with customers. On operational excellence, both the legacy Greencore and legacy Bakkavor operational excellence programmes performed well, contributing to the offset of inflation and accreting

margin by driving continued focus on standardising labour and minimising waste across sites.

Finally, we have maintained a strong focus on management of the ongoing cost base and this continues to contribute to improvements in margin. This will, of course, be supported by synergy delivery.

Moving on to slide 12 and cash flow for this first half period. While we have a cash outflow for the half, this is largely attributable to the timing of exceptional charges related to the acquisition and working capital outflows. You can see that underlying EBITDA was strong at 111 million, 38 million higher than the prior year. Networking capital is a negative outflow of circa 86 million, driven by the timing of outflows around period end and also work that was ongoing to align how we manage our debtors and creditor balances with respect to terms and use of facilities such as invoice discounting, et cetera. We expect this outflow to reverse and for us to end FY26 in a broadly flat working capital position as we focus on fully integrating our management of debtors, creditors, and other payables. Cash exceptional charges for the period were circa 59 million pounds with the majority of this increase related to acquisition and integration costs and Making Business Easier transformation programme costs.

Further detail on the composition of exceptional charges can be found in the appendix. Maintenance Capex of Circa 15 million was an increase of two million versus the prior year reflecting our enlarged manufacturing network. Just going quickly through some of the other items here, interest and tax charges were circus 16 million, an increase of four million versus prior year reflecting the increase in the group's financing facilities due to the Bakkavor acquisition. On pensions, as a reminder, our UK defined benefits scheme is now fully funded and the decline of five million versus the prior year reflects this new reduced contribution obligation. Finally, lease payments at 11 million were four million higher versus prior year reflecting the additional leases brought onto the portfolio following acquisition, and other cash flow movements netted to approximately zero in the period.

Our free cash flow conversion over the last 12 months was 3% driven by the movements I mentioned. Over the medium term, we expect cash conversion to be in excess of 55% and this will continue to be a key focus and a priority for us.

Moving on to net debt, we are pleased for our leverage to be at 2.3 times, which was below the expected range of 2.5 times post-transaction. The slightly faster trajectory here is driven by the robust performance and cash flows from both businesses since announcement of the acquisition in May 2025. Just to run through some details, starting with the cash position at the end of the period, which was 57 million, an

increase of six million versus the prior year, our bank borrowings have increased to 839 million and increase of 733 million year on year, which again is as a result of the acquisition financing we previously communicated, and asset financing of 21 million reflects Bakkavor financing we have added to our portfolio post-acquisition. The private placements of 15 million is in line with the prior year. In short, we remain very confident about deleveraging to at or below 1.5 times within two years post completion of the deal.

Just moving on to slide 14 then and synergies. The key takeaway here is we are firmly on track to deliver our synergy targets. We continue to target an annual saving of at least £80m and since day one we've been able to really get under the hood of the synergy delivery and validate the preliminary plans that we had in place. I'm pleased to say that we are making strong progress across all target synergy areas. We now have detailed performance management and tracking rhythms in place to ensure we meet our targets. We are also unchanged in our view of one-off costs of c.£90m to achieve the savings, which will be incurred broadly in line with the run rate synergy realisation over the next three years. I've spoken about the components of the synergies before, but they fall broadly into four categories, organisation, operational excellence and distribution, site footprint, and direct and indirect procurement.

We currently see no change to the run rate cumulative phasing, 50% run rate to be delivered by January 2027, 85% by January 2028 and 100% by January 2029.

Moving on then to our capital allocation framework. Post acquisition, the group's philosophy continues to be to deploy capital to balance both long-term growth and shareholder returns. Our immediate priority is to rigorously manage our synergy programme and deliver on synergy opportunities as well as ensuring we continue to maximise the potential of the core business. The increased cash flow generated from the combined group, in addition to the savings the synergies will deliver will facilitate us to de-lever below 1.5 times within two years post completion. In respect of Capex investment and driving organic growth, we will continue to ensure funds are available to invest in critical maintenance and strategic Capex and we expect to spend c£80m pounds on a reported basis in FY26.

While we are very clear that our near-term priority is to de-lever the business, we are keen to maintain the payment of an annual dividend, having recently reinstated the group's dividend and subject to the ongoing financial performance of the group we would intend to pay a progressive dividend post the year end. We don't anticipate any further acquisitions, or shareholder returns in the short term, but we will of course provide further clarity on our plans as we de-lever in the future.

Just moving on then to slide 16. Before I wrap up, I'm going to touch on the US business briefly. I referenced earlier that the US business has been classed as a held for sale asset as we consider the best course of action for the business and for shareholders. Greencore US is a really strong business that's performing well with excellent people, growth prospects, and enduring relationships with some of the top US retailers.

Prior to the acquisition, there had been some consideration of the best long-term path for the US business, including what ownership structure will best support its future growth. Following the combination of Greencore and Bakkavor, we have continued to evaluate next steps here. Our main focus is clearly the UK integration and synergies, but we want to be clear on what the best outcome for our US business is. As a result, we are exploring a potential sale of our US operations to the right long-term partner for the business. This is at a very early stage and no decisions have been made, but we will, of course, communicate updates to the market in due course. So before I conclude my section, I think it's important to reference the broader macro-economic events happening in the world, which are causing inflationary pressures. I would say two things on this.

The length of the conflict in the Middle East remains uncertain and we remain cautious about further inflationary pressures later this year and into next and potential impacts to demand. That being said, we remain confident with the level of protection we have in place. We have passed through mechanisms and protections in place across 75% of our raw ingredients, and our gas and electricity costs are fully hedged in FY26 and the majority into FY27.

To wrap up then, I hope you will have seen this morning that the group has delivered a very strong financial performance in H1 FY26, continuing to deliver strong double digit profit growth whilst completing a very significant integration. It's good to see strong growth and revenue and margin, both of which are key metrics for the group. There is good momentum in H2 FY26 in the core business, with Q3 trading remaining robust as we lap a strong summer last year. We have rigorously combined and integrated our performance management and financial reporting from the close of the transaction and I have real confidence around our ability to achieve our synergy targets and deliver on the potential for our combined business.

Looking forward, the group expects to deliver FY26 adjusted operating profit in line with current market expectations, bearing in mind that the published consensus contains the result of the US business rather than it being an asset held for sale.

With that, I will hand you back to Dalton.

Dalton Philips:

Thanks, Catherine. And look, let me turn to the operating review on page 19 and as you'll have seen the business is performing strongly, it's a tough market environment, but our volumes have held up well and we see plenty of opportunities for future growth and market outperformance. Internally, we've continued to strengthen the key capabilities that give us a sustainable competitive advantage and increase our resilience, what we call our moat, which we continue to widen and deepen. And we've made really strong progress on the integration. We're now operating as one business delivering synergy quick wins, which give us great confidence in our overall synergy target.

Turning to the overall market on page 20, in line with our pro forma methodology, we're comparing legacy Greencore against the market for the full six-month period and legacy Bakkavor for the 10 weeks from acquisition in mid-January. So we split those two data sets into two graphs.

Starting with legacy Greencore, the business reported 0.3% volume growth against a flat grocery market. That flat market reflects reduced consumer confidence, which took a hit in the run up to the autumn budget and has remained depressed since. Greencore's growth of 0.3% reflects good performance in our core categories and across our largest retail customers, including continued outperformance from M&S.

On the Bakkavor side, the market declined by 0.2% over the period since acquisition, impacted by low consumer confidence and record rainfall affecting high street footfall. Bakkavor volume was also impacted by a small number of business losses from this time last year. We recognise this volume performance isn't where we want it to be, but we have dedicated teams driving volume across the portfolio and we feel positive about our go forward trajectory.

We've also had a series of new business wins, including our first as a combined business, which will begin onboarding in H2 and will contribute c.100bps of annualised revenue growth. In the longer term, we continue to benefit from structural tailwinds as shown on page 21. Our customers really value these categories, their front of store, fast stock turn, high margin and rich in opportunities for innovation and premiumisation.

Three specific trends continue to provide a tailwind. Firstly, Convenience. Retail sales and convenience stores are growing at 4.2% with store openings showing no signs of slowing. Asda Express just opened their 500th store having entered convenience less than five years ago. With a third of our volume going through convenience formats, this is great for our business. Secondly, Premiumisation. Unit growth in the premium tier has outstripped standard tier by 600bps over

the last three years, a trend we continue to capitalise on across our core categories.

Thirdly, Eating at Home, consumers are increasingly choosing dining options as eating out becomes more expensive while growing health and calorie consciousness further supports this shift. These are enduring trends that have held up consistently, and convenience and value will remain important drivers of eating habits.

A key Greencore specific tailwind is the opportunity to grow further with existing customers as shown on page 22. Despite holding the number one or two position across nearly all categories, there's plenty of headroom illustrated by the depth and breadth of category exposure across our nine largest customers who represent over 90% of sales. The dark green shading shows our established partnerships, while the light green and white space highlight where we have room to grow either from a small existing presence or from scratch. Selling more of what we already do to existing customers is the most value accretive growth we can achieve. So as retailers increasingly look to work with a smaller set of larger, more strategic partners, we see real opportunity to deepen these relationships further.

Page 23 shows the moat I referenced earlier, the key elements that make our business unique, resilient, and difficult to replicate. Let me talk specifically about our progress in four areas of our moat.

Page 24 shows some examples of the innovative new products launched in the half. We had a really strong Christmas season, including the award-winning Yorkshire Pudding Wrap, developed in collaboration with M&S for their cafe range. We also launched a great new range of summer dips and deli products for Sainsbury's and Tesco, which are performing well. We also leaned into growing demand for health focused products through our nutrient dense range with M&S, and a new licencing partnership with MyProtein. In total, we launched 308 new products in the first half and for those of you here in the room, you'll get an opportunity to take home and try some of these great products. All of this is made possible by a product development team of over 200 colleagues, including 50 chefs, the majority operating on dedicated customer accounts with strong Chinese walls between them.

I don't believe anybody in our sector can get close to this level of product development resource, for any individual customer.

Moving to page 25 and Procurement. Prior to the acquisition, we had identified a significant cost saving opportunity through standardising indirect procurement. That is everything outside ingredients and packaging, from PPE through to broadband through to stationary. We've been implementing this across our legacy Greencore sites, moving

contract ownership to our central procurement director, creating clear policies, spend guardrails, and group level supply negotiations rather than site by site contracting. Examples from H1 include optimisation of our inbound third party logistics network or centralisation of embedded contractors, so think maintenance contractors, reducing supply numbers from 91 to 38, with a new rates tracking process. Or a sole supply model for forklifts across the combined business, or renegotiated PPE contracts ensuring consistent pricing across all sites. These are just a few of hundreds of examples and the bigger opportunity head comes from rolling this approach out across the enlarged business as part of our procurement synergy work.

On page 26, across the combined UK 32 sites, we had 871 operational excellence projects live in H1, ranging from an energy monitoring project, reducing usage by 12% year on year to automated veg prep, reducing labour by 50% to a new pasta depositor delivering £144k of annualised savings.

Looking ahead, our roadmap has two strands. Firstly, deploying best practices from each existing programme more widely across the enlarged estate. And secondly, redefining our automation roadmap, capitalising on best of both methodologies in the near term and evaluating breakthrough technologies and next Gen concepts for the longer term.

On page 27 on Technology, our Making Business Easier programme continues to focus on driving improvements in core processes using proven SaaS solutions. Our big five areas of focus are in Operations, specifically Operations Performance measures and materials management. Secondly, Supply Chain planning. Thirdly, Time & Attendance, fourthly Product Lifestyle management and finally, fifthly Net Revenue management. And we will start to see these types of solutions going live in the new financial year.

On the Bakkavor side, Project Vision, the rollout of a standardised SAP ERP has successfully gone live in two pizza sites with zero impact to service levels. During the integration period, we've continued to run these two programmes in parallel, and both programmes have been delivering strongly. We're now planning to bring them together into a single transformation programme to drive further efficiency and improved delivery.

Turning to integration on page 28 and we've made really good progress since January. Pre-completion, we established our integration management office and completed the key preparation work to hit their ground running on day one. So from day one, we focused on organisational redesign following the appointment of the senior leadership teams. We executed our business continuity plans whilst

ensuring no impact to our commercial or operational performance, and we maintained 99% service levels.

And from mid-April, we began operating as one combined business with a single functional leadership structure and operating model in place. Of course, there's still plenty more to do from day 100 to done, but you can see we're really pleased with progress.

On Synergies on page 29, we remain firmly on track to deliver our £80m target in the timeframes indicated. So let me add some further colour. On organisation, our new design is live in delivering savings with central function colleagues having now left the business. And we were really sorry to say goodbye to some great people who've been instrumental in driving both businesses forward and it hasn't been an easy process, but we're confident we now have the strongest team in our sector with balanced representation from across Greencore and Bakkavor. On procurement, supplier engagement as a combined business is progressing well on operations whilst these synergies are naturally backloaded, we've developed a clear roadmap to begin executing from the beginning of FY27.

And on the right-hand side of this page, you can see examples of synergies already delivered. So that includes the Org transitions, consolidation of our central London office footprint, removal of duplication across professional fees, and many, many more that together add up to a significant number.

Before we wrap, let me return to the key messages. Our combined business is performing well with strong revenue and profit growth in H1. The new Greencore can now deliver more for customers who are seeking deeper, more strategic partnerships. Integration and synergy delivery are progressing well. And as Catherine said, we expect to deliver FY26 adjusted operating profit in line with current market expectations.

So in summary, we've done a lot. There's a lot more still to do and I feel really good about where we are today. And with that, Catherine and I would be now delighted to take any questions you might have.

Q&A

Fintan Ryan:

Good morning, Dalton. Good morning, Catherine. Fintan Ryan here from Goodbody. Two questions from me please. I guess firstly, like I said, notwithstanding the heat wave that we've had over the last week or so, could you give a sense of what you're seeing in terms of consumer

confidence and behaviour with regards to your categories specifically over Q3 and sort of more broadly around since the outbreak of the war in the Middle East. And secondly, I appreciate the very strong margin, 60bps margin delivery in the first half. Can you break that down in terms of its component parts of gross margin versus OPEX savings and what would you be anticipating to hold onto for the second half of the year, before we start to layer on synergies and the M&A integration? Thank you.

Dalton Philips:

Okay. Thanks for that, Fintan. So look, I will give you some thoughts on where I see the consumer at this stage and maybe Catherine, you'll pick up the margin side. So look, it's a tough market, Fintan. Consumer confidence is low. It's at one of the lowest levels of the year and you've got a cautious customer out there, not an absent one. There's been no collapse in demand across the sector, but it's a subdued market and you can see that from sort of the flat grocery growth that we showed for the half. Definitely the consumer's expecting a cost of living squeeze. There's no doubt about that and they're adopting increasingly defensive behaviours. These are behaviours, they're not new to the sector, but they're sort of just coming back again. So overall spend being pulled back, prioritising food obviously, I think the material use of promotion, switching and loyalty mechanics out there. Again, none of these are new, but what happens is the customer sort of just moves more in or move more out of them and loads of mechanics going on across the high street in terms of meal deals, dining options. And I really think there's this continued trading out of out of home dining to in dining, which is obviously helpful for us. And I think our categories are resilient.

I think from the retailer point of view, clearly there's still growth at the premium end and the valued focused retailers are winning and its sort of the squeezed middle that's suffering further. I think what's interesting and slightly different from Ukraine, which we obviously experience is the health focus agenda continues actually interesting enough. I mean, I think we saw that really drop post Ukraine, but I think there's still a focus now on health and retailers are still sticking to that and I'm sure we'll come back to that with GLPs, etc.

So look, it's a quiet market. Having said that, Q3 for us, we talk about it being robust trading. There's a lot to go after in Q3. I mean, with the weather like this, I was in one of our customers' shops last night and the store was rammed, you could hardly get through the front door. So it's great for our categories and long may it continue this weather and there is resilience there. And of course then you've got the World Cup coming and we could talk about the World Cup all day long. So there are opportunities for growth, but it is a tough market. 0% growth in grocery, not great.

Catherine Gubbins: Look, the deck obviously kind of set out what we see are the key levers contributing to that margin growth year on year. And I think you'd probably be familiar with those. So they are the levers that we have been kind of deploying over the last number of years to improve that number. And maybe if I just kind of walk through them and just give you a little bit of colour, I suppose start with the most material one and unfortunately it is a headwind and that would be inflation. I think I referenced that was 40 million in the half and that would have been a pretty significant step on from the same period in the prior year, to be honest. I don't know if you can remember back to 25, we were in a kind of a deflation recycle. Labour has been a pretty constant feature over the last number of years that labour inflation driven predominantly by national living wage, but raw materials and packaging had started to come off, but you might recall towards the end of last year we started to see a pretty significant step on in a few raw materials, but I think predominantly from our perspective, protein really drove that.

So look, that was the most material number in there. We did a good job as we have been doing with engaging with our customers and making sure that we were in a position to recover that. We have some automatic pass-through models which give us good protection and then we have the ability to negotiate and engage with whatever is coming through the pipeline and recover that with customers and at a high headline level we would have recovered about 75% of that inflation in that way. So then you're looking to kind of offset the rest of that and look, I referenced our operational excellence programme.

Again, a lot of you would be familiar with how we've approached that over the last number of years and it's great to see Bakkavor have a similar way of thinking about driving constant efficiencies in their manufacturing networks. We go about it in a slightly different way, but it's been really pleasing to see how they think about it. So I think there's good opportunity for us to really drive on in that space going forward as well, but operational excellence is continuing to offset the balance of that inflation and contribute to an accretion in that operating margin improvement that you would have seen.

We referenced volume and mixed contributions as well. They were probably slightly lower and then you're also into just that ongoing management of the cost base. That's another key lever that we pull to make sure that we're constantly stepping the margin on and then a small contribution from synergy. So look, hopefully that's a bit of colour around the kind of magnitude of those various levers for the period.

Gary Martin: And morning also, Gary Martin here from Davy. I've got three questions. I'll probably take them one at a time if that's all right. So I'll start with the synergy piece.

You want to know go one at a time? I'll keep you guessing. So I'll start with the synergy piece, you'd mentioned that any surprises that you had experienced with regards to the integration process were positive and Catherine, you had mentioned that the synergy integration timeline was broadly on track and kind of within the range of guidance. I'd be curious, are there any, just in terms of phasing, is there any opportunity there with regards to maybe crystallising some of those synergies sooner than you had initially anticipated? And if so, what are the moving parts behind that kind of crystallisation?

Catherine Gubbins: I think we're fairly confident with the original phasing that we put out there, to be honest. I think as I said in my remarks, we were planning before day one and we really hit the ground well for day one. I think the area we've probably made most progress on as you would expect is that organisational area where we had to go two into one, the top layers of the organisation down. We've made a lot of progress in that regard. That was kind of the initial focus area, but we have really robust plans across the other kind of key categories that we called out. So I think I would stick with the message that we're confident with the phasing that we called out, Gary, but inevitably there will be things that move at slightly different paces to the kind of plans that we had before day one.

Gary Martin: That makes sense. I'll just dovetail off the back of Fintan's question then just around the like for like piece and just the kind of volume trajectory into Q3 in particular and I'll focus on Bakkavor here if that's all right, just with regards to the weaker volume growth in the Q2 period. Is there an expectation there for a sequential pickup and if so, what are the moving parts in terms of any degree of contract losses? Are those kind of permanent in nature? What's the way to think about it moving forward?

Dalton Philips: Bakkavor was lapping some customer losses which we talked about and it was also Gary, it was a 10-week timeframe and a particularly tough period for the high street, but look, it's not where they want to be and it's not where we want to be. We've talked about a hundred basis points of new revenue opportunities coming through in H2 that's annualised. We're encouraged by the reaction we're having now with customers in terms of new business wins. We've got some really exciting business wins coming through and we are showing up to our customers in a way that they wanted us to show up, which is, how can you do more for us? The innovation engine's firing well. We've got the World Cup coming at us and other opportunities. So look, we said trading's robust. We're feeling confident, as we talked about with Fintan, it's a tough market. There's not a lot of growth out there, but there's a lot of opportunity still to convert profitably, 15% profit growth in the first half, like this is a real opportunity to continue to convert profitably and maximise the growth potential.

Catherine Gubbins: I would agree with that. Look, I think Bakkavor is probably a factor of lapping some losses historically, but we're absolutely on with kind of leveraging that combination now and we're already starting to see some green shoots there. So I think we're in a good place.

Gary Martin: As an aside to that part two of that question. Part two B, would you say that some of the new contract wins are, would you say they're eclipsing some of the previous losses that you've experienced that you've seen with Bakkavor work?

Dalton Philips: Yes. And we're encouraged by them and they're good categories with good customers and customers we know very well.

Gary Martin: Okay, helpful. And then my final question, I swear, just around the leverage piece and free cash flow into year end, but then thereafter as well, I'd just be curious as to how you envision leverage over the next 12 to 18 months, just with regards to potentially US sale, forward Capex, is it going to stay at the level that you expect in FY26 into FY27 as well and just a general flow of free cash flow just for regards to that move up towards 55% free cash flow conversion. How do you expect the kind of everything to settle there?

Catherine Gubbins: There's a few things I would say on that, Gary, and if there's anything to follow up, please do. The underlying business is performing well. I think it is doing what we expected it to do, generating strong cash flow. So we're obviously focused on making sure we drive that on. I think from a Capex perspective, I think we had about 50 million on an annual run rate basis Bakkavor of what were slightly higher, about 70 million. If you added those together, simplistically you would expect that kind of an envelope. But as you can imagine, we're really trying to get under the bonnet of understanding what their plans were from a Capex perspective and our own and where to prioritise, I suppose, our focus over the next 12 to 18 months. So 80 million feels about reasonable, but it could be between, I would say 80 and 100m, 80 million I think for this year into next year, probably 80 million to a hundred broadly speaking, could be where we're at.

And just then I think from a net debt perspective in general, I think broadly speaking, we are sticking to that overall message that we will be back down to within our target range of one to one and a half times within two years of the closeout of the deal.

Karl Burns: Thanks. Karl Burns from Berenberg. Just on that new contract win, I don't know if you could give any more colour on sort of the categories. It's in 100 basis points as well, you must be pleased any sort of guidance on full year contribution from net new business wins and then just a second question on the US disposal, any timeframe on that and have advisors being appointed?

Dalton Philips:

Thanks. So look, then we probably won't give too much, Karl, if that's okay in terms of the net business wins, but what's really exciting about this specific win is that this is a category that Bakkavor does really well that we don't do going to a customer that we know really well that Bakkavor doesn't deal with. And it's been us going in and what we've had to do here is essentially say to the customer we know really well, you're going to get the Greencore proposition in terms of the whole package, Karl, should I say, in terms of how we serve the customer innovation, et cetera, coming from Bakkavor with their expertise in this category. So it's encouraging because I think what it really said to us is what we thought would happen is happening. Customers are saying they want to do more with us and this is an example of that.

So I won't go more into the category, but it's not one that we do and it's one that they do and they do it very well. And look, there'll be more of those. That's the point and actually the complementarity of this combination is such that when you look at that football field of white space versus green, I mean, there are customers where we have real white space that we know really well on the Bakkavor categories. So encouraged there.

In terms of the US, I'm sure Catherine will come in on that, advisors have been selected. We are super early in this process and as Catherine said, it's a great business. Should we be the long-term owner to really unlock the potential? I think that's what we're going to see. I mean, it supports some of the best retailers in the world. If you think about Amazon and H-E-B, Kroger, like these are fantastic retailers. So we'll just see where that goes, it's early stages.

Catherine Gubbins: Yeah, look, there were exactly the points I was going to make. It is a fantastic business. It's performing very well. So we are just considering what the best thing to do with that part of the business is, but we won't be giving it away so we will go through the process that we need to go through to kind of come to some conclusion on future course of action there.

Matthew Webb:

Thanks. Morning everyone. Matthew Webb from Investec. The first question is on some of the figures on page 10, which showed a very stark difference between the performance of Food for Now versus Food for Later. And given that the business that you've acquired and Bakkavor obviously skews more to Food for Later, I just wonder whether that's something that you're concerned is going to be a bit of a headwind for you, whether you think that the different performance of those two categories will remain as stark as that. And I suppose what you can do, A, as category leader, potentially to reinvigorate that whole category, but also what you can do to gain share within it. That's my first question.

Catherine Gubbins: Yeah. Look, just to pick up on that, you're right. And I think this is directly linked, Matthew, to what we've been discussing there around the Bakkavor volume over that period. Because you're absolutely right. The majority of that is feeding into that Food for Later category. So the volumes were a little bit behind what we would have liked for the reasons that we would have set out and you're absolutely dead right. Bakkavor categories predominate into that Food for Later side of the house. There are also some interesting things going on in there from an inflationary perspective. Absolutely there's some high inflation going on, but there was some deflation coming through with dairy and other categories, that really also impact the Bakkavor portfolio. So net, that's kind of contributing to that softness from a top line perspective. But I think all of the points that Dalton raised around how we're driving on with regard to those categories, how we're leveraging those relationships that we have and Bakkavor have, to really drive into that white space, I think that's where you will see that showing up in the future.

Dalton Philips: And I would add to that, Matthew, that structural tailwind of the move from dining out to dining in very much skews towards the Bakkavor side of the portfolio because typically, you can see some of the examples there, these are products that are consumed in the home. I'm confident that we're focused on it in the right way. We're very focused on volume, market share growth. Every single week we have the top 40 people on a call every Thursday we go through our market share, to be quite honest, talk very little about revenue because the revenue flows, we just talk about volume. Volume is actually the metric we use in our organisation to drive it and we do not want to have negative volumes and everything goes into that. Now it's got to be accretive, but that's where our focus is. I think you had a second question.

Matthew Webb: No problem at all. Second question, just on the ERP systems, you mentioned that there's good progress being made with both and ultimately the aim was to bring those two programmes together. Could you just explain a bit more what that entails? Because I think perhaps a bit earlier in the integration process, there were a few questions about whether ultimately you might transition your systems onto the Bakkavor system as a more upstate one, is that what we're talking about or we're not there yet?

Catherine Gubbins: No, it's not what we're talking about to be brutally honest. Look, I've spoken to you before about Making Business Easier and what we're trying to achieve within the legacy Greencore portfolio with our ERP. So we had four or five ERPs and our proposition there was to get all of our 16 sites as it was at the time, onto one ERP. We have an understanding that getting our legacy sites onto System 21 rather than SAP, is the right place for us to be at. It would have been, we felt too much of a leap for us to consider moving to SAP at that point in time. So we're going to

standardise across System 21. Bakkavor have decided to go on an SAP journey. I think they had a risk around out of life around their ERP system. So it was something that they were kind of compelled to do and they are doing excellent job, we are doing an excellent job of putting that in place.

So I think we are happy, we've considered this in detail, happy to let those two programmes continue alongside each other. I don't think we're going to be in a place, to be honest, in the medium term where we're going to be deciding to do a big SAP rollout across the entire network. And we're happy that you can have two ERPs running alongside each other and still drive some of those efficiencies that we are really hungry to deliver that we've spoken to you about before.

Dalton Philips: And it's the best of breed SaaS implemented processes that sit on top, agnostic of whether it's System 21 or SAP. So when I talk about time and attendance and workforce management or materials management, like they have Red Zone, for example, which is their operations performance management system, that's independent on whether it sits on top of System 21 or SAP. So we'll have two ERPs, because there's no point in putting everybody on SAP at this stage, but when we bring in the supply chain management, that'll sit above both and that will be one system. It won't be two. So you'll have one time and attendance sitting on top of the Bakkavor legacy, Greencore ERP.

Matthew Webb: Thanks. Sorry, do you mind if I just go from there? Are there any particular supply challenges that have been thrown up by, well, either by the conflict in the Middle East most obviously, or weather conditions, etc, that either you've experienced or that you've had to sort of pivot away from by switching from one region to another or anything like that?

Dalton Philips: No, nothing material. I mean, actually a huge amount of work happened post Ukraine in terms of supplier resilience. So our procurement team have been very much looking at supplier resilience and had put a lot of contingencies in place post that and actually that's helped us now, but we've seen no supply issues. We've got nothing on the horizon either. It feels pretty balanced at the moment.

Karel Zoete: Yes, good morning. It's Karel Zoete from Kepler Cheuvreux. I have a couple of questions. The first one, can you discuss the operational performance of the North American business? Last year was a bit of a year with two halves for Bakkavor and the business acceleration. Did you see that continue in terms of top line and at the right margins? And then a question with regards to the working capital outflow. Bakkavor was more enthusiastic with the factoring of receivables and Greencore more modest. Has that been something you've adjusted, that kind of explains this? And then the third point is with regards to cash out of

exceptionals. I think by now you booked most, or the largest part of the executive budget. What should we anticipate for the remainder of this year and next year?

Dalton Philips: Business is performing really well, actually. Performance is strong. They're right on where they need to be. Customer partnerships really good. As you know, they've got a big partnership with HEB. Innovation engine's good, technical engine's good, site's converting well, revenue's been strong. I mean, it's relatively early days for us in terms of getting our arms around it. It's a very standalone business. I mean, Catherine and I obviously are involved, but it has its own structures over there. But so far we've been very encouraged by what we've seen. I mean, through my own network, I used to work in for a US retailer, like we are getting inbound. As you know, lots of the US retailers come to the UK to explore this market. They all want it. The problem is the distribution, as you know, across the US, but I'd be encouraged by it. I think there's a real opportunity there.

Catherine Gubbins: Yeah. No, look, I totally agree on the US business. With regard to the working capital outflows, it has been interesting. You're absolutely right. Bakkavor would have leveraged invoice discounting at a more significant scale than us and in different ways as well. And that's been a lot of what we've had to work through. We have some better terms associated with our platforms and the same as the case on the Bakkavor side of the house. So we're just trying to understand how we should move forward because some of these are specifically with customers. Some of these are kind of facilities that we access via our banks and Bakkavor have a similar situation. So we just need, we're working through that to kind of understand how we optimise that.

And then with regard to exceptionals, we have provided some incremental guidance at the back of the pack and we're indicating 110 million for the total exceptional cost pool for the year and about 60 million from a cash flow perspective of that is to do with the acquisition and integration. So that's obviously going to be a significant proportion of that cost incurred, but we will definitely have some of that into next year as well as we continue with the integration element and the cost associated with the delivery of synergies.

Charles Hall: Charles Hall from Peel Hunt. Dalton, you talked a lot about volume growth and pushing on that front. Can you talk a little bit about product optimisation and plant optimisation and are there any products or customer service levels that you need to address and maybe drop some product lines?

Dalton Philips: So from a product point of view, we're still at early stages. I would say that as we get to learn the categories and get more familiar and the teams come together, think there's quite a lot of optimisation that can

go in in terms from the ingredients side where we can go back now to customers and say, look, actually because of our enlarged scale, we can source slightly differently. The opportunities, for example, the launch of a new Asda pizza. We're obviously big buyers of tomatoes from our grocery business in Selby and across the network, being in Italian. They're obviously a big purchaser of tomatoes because of the pizza bases that is a tomato base. So there'll be an example like that where we've been able to come together and leverage our know-how in terms of procuring, in this case, Italian tomatoes. So I think there's a lot of that that's starting.

In terms of optimisation, Colm uses this word Tetris, it's sort of like Tetris moving products around. We're at the early stages of our thinking there about where it's best to produce what product. And I mentioned earlier about our operational synergies and we're at the early stages. It's more FY27 and a lot of that thinking's going to come in there in terms of how can we fill the network? The network's got capacity. We've got run at about 15% capacity, they run at 20% capacity. So that capacity's there. The commercial team, our focus to them is, okay, how are you going to lean in and sell that capacity profitably? So that's their focus. And the operations team, the focus is, well, how can you convert as profitably as possible so that we can offer the best value for our customers?

So I'd say when we meet again later in the year, we'll have a lot more on this, but that's where the thinking is, it's still that we came together as a combined structure in mid-April, so early days. There's clearly a huge amount of opportunity to sell more through existing capacity and be more efficient because quite frankly, we make similar things in similar plants.

Charles Hall: And just a second question, if I may, on the inflation, what do you see coming through over the next few months and what sort of quantum of food inflation do you think we might be getting to?

Dalton Philips: I think we'll be at sort of 5% by the Autumn. I think it has to be because it's so lagged if you think about for energy and fertilisers. I mean, think about what's happening in packaging, et cetera. There's a decent lag, but I would say 5% is what we'll be faced into, in the new financial year, so this Autumn. As Catherine said, look, in our particular case, we're very hedged, but it's back to Finton's original question for the consumer when 5%, that's hard to stomach. So it's going to be all around value and how we can drive that value. So Meal Deals, £3.75, dine-in meals £10, et cetera. That's where the opportunities are.

Clive Black: Clive Black from Shore Capital. I have to say from start, I do hope you're not hoping on or expecting England to beat Croatia to deliver Q3 on the 17th of June or Ghana for that matter. Two questions. In terms of that

matrix of opportunity, from a substance perspective, what are the most meaningful categories for you to shade in? And then from a strategic perspective around the manufacturing platforms, how have you found the two processing systems? I'm thinking more three to five years rather than one to three years. Is there rewiring? Have Greencore got optimal process engineering that can go into Bakkavor and vice versa? From a process engineering, manufacturing platform perspective, everything from end-to-end systems, automation, robotics, you name it.

Dalton Philips:

Yeah. Well, look, we'll both come in on that. In terms of the matrix opportunity, on the value, there are a number of retailers where we have a very material presence. Aldi has been a terrific customer for us and a great partner and Bakkavor typically has not served them. So the opportunity is on some core customers in the same way that Tesco is an incredible customer, but typically for Greencore, it's sort of been our number five customer. So from a customer point of view, we're very clear where the opportunities are. And then from a category point of view, look, they've got some terrific categories. They're doing some fantastic stuff in dips and I think we see an opportunity to invest further in that business and really propel that whole Mediterranean Deli area, as you can see on the high street, just continues to increase. So we're excited by what they're doing there.

Actually, interesting enough, we get lots of questions around Desserts and where does that market fit in a GLP world, et cetera. Actually pretty encouraged by what I've seen out of their Desserts business. It's very capital intensive, but that also means that if you've invested the capital, you've got a real opportunity to do things that maybe others haven't who haven't previously made those investments. So I'd be excited by that. And I think salads is just a business, we're strong in salads. They're strong in salads. It's nearly 20% of our business now going forward is salads and that has huge tailwinds behind it. So I think that matrix of there's a few customers where we see a real opportunity and there are a few categories which we'd be keen to really drive.

Sandwiches is nearly just over 25% of our business, probably not so much opportunity there. Ready Meals, 20% of our business, real opportunity there. You think what they did, M&S at which you follow closely came out and they specifically talked about the revamp of their collection range that Bakkavor that had done with them. Think about that expertise coming into our business.

In terms of process, we're both at early stages in terms of process optimisation. There are two businesses that have been built up through acquisition. They're very well run operationally. Many of you have been through the plants, but I think in terms of automation, and we've talked about next Gen, I think there's a real opportunity. If you think about AI, like this time last year it was kind of a little bit more conceptual and

today AI year on, is very much in the practical. I think this next Gen, I've talked about it for a while here, I keep feeling it's nearly there. I think it feels to be getting closer and I think that opportunity in terms of automation, robotics, dexterity, replication in terms of from automated arms, et cetera, could really have a material difference. And then the whole MBE (Making Business Easier), which I'm sure Catherine will cover, like we're a patchwork of Excel, we're a patchwork, both businesses. We have hundreds of people in areas where they're literally doing a lot of stuff mechanically and we'd love to have those people focused on doing more for customer, not sort of redundant work.

Catherine Gubbins: There's two things I would call out. Firstly, I think it's important to call out that, all of our manufacturing sites exist and can continue to operate with their own individual systems and processes, and they find their own ways to plug into the centre. So, from a business continuity perspective, we're working fine in that regard. I suppose back to make up in Dalton's point, I mean, this was the original issue that we had in Greencore that encouraged us to really just bite the bullet and invest in fixing the underlying processes, driving standardisation and leveraging automation because each of our legacy sites would have had different ways of doing things and a lot of them weren't even on spreadsheets. There was a lot of paper involved. So that was the business case around that investment from our perspective. And again, as we move through that programme, we are looking to deploy automation around operations performance, and we've now started looking at something that Bakkavor had deployed.

So that's a fantastic kind of synergy that is really going to drive consistency across the broader group and will drive efficiencies and further improvements into the future. Also, another area, demand planning and supply chain, like that is massive area for a business like ours. We currently do it all sorts of different ways, right? Again, we're looking to centralise that and drive consistency across 32 sites. It's not going to be easy because you really are going to have to address well embedded ways of working, but once we get that unlocked, again, it's going to drive a massive efficiency, I think from our perspective. So everything is fine at the moment. It all works, but there's a massive potential there for us to kind of just make everything more seamless.

Dalton Philips: Okay. Slightly conscious of the time and I know that you've all got busy agendas so if you're good with that, we'll wrap it up. We really appreciate you being with us this morning in person and we thank you for those that have joined us online. We'll close it there.

Catherine Gubbins: Thank you very much. Thanks everyone.