

Strategy in action



Growth

The challenges of COVID-19 clearly had an impact on our growth objectives in FY20. However, we are well placed to take advantage of any potential opportunities that may emerge in our categories.



Greencore has a strong growth track record. Over the period from FY11-FY19, we grew our revenues in the UK and Ireland at a compounded 8.5% per annum, through a combination of winning in fast-growing categories, capturing incremental market share and creating value through corporate development.

Over the same period, our key categories have outperformed the market – between 2011 and 2019 the food to go categories have grown at an annual compounded rate of 5.8%, compared to 2.5% for the broader UK food market (source: IGD).

Our growth performance in FY20 has been substantially shaped by the impact of COVID-19, with changes in consumer behaviour having different impacts across our portfolio. Pro forma revenue in our food to go categories was 22.6% below FY19, as social and mobility restrictions implemented by the UK government, increased working from home, lower levels of travel and weaker consumer sentiment more generally, have all impacted on demand. That being said, Greencore outperformed the overall food to go market, given our higher weighting within retail food to go (grocery multiples, convenience, travel) as distinct from more foodservice-oriented channels (coffee outlets, sandwich specialists, contract catering). The vast majority of our customers' outlets remained open throughout the disruption, while large parts of the foodservice channel were closed fully for a number of weeks, and have only gradually reopened. The IGD has forecast that the overall UK food to go market faces a revenue decline of 43% in calendar year 2020 compared to 2019, but with food to go foodservice specialists and coffee outlets disproportionately hit with respective declines forecast of 67% and 60%.

By contrast our performance in other convenience categories has been marked by increased demand, with Pro Forma Revenue Growth in FY20 of 3.2% driven in particular by stronger demand for ambient cooking sauces.

Market dynamics have also created significant opportunities to secure new business that support the strategic objective of diversifying the Group's product and channel footprint. In FY20, the Group extended its product range with a number of existing and new food to go customers. The Group also broadened its presence in other channels, as well as adding new business in Direct to Store distribution. New business with both existing and new customers was secured in several other convenience food categories.

Looking ahead, we recognise that the food to go landscape will remain somewhat challenged for as long as the disruption from the COVID-19 pandemic continues. Greencore has an ambitious growth agenda to continue to build market share through this period; disruptions to the sandwich supply base through COVID-19, in particular among foodservice and contract catering specialists, open up material opportunities to diversify our channel penetration. We also continue to grow our product portfolio, in particular within salads and chilled snacking. Outside of food to go, we will continue to pursue growth opportunities that further develop our leadership positions and that make economic and strategic sense.

Direct to Store

Our Direct to Store ('DtS') network is a chilled distribution operation that makes daily deliveries to small format retail stores across the UK. It comprises four regional distribution centres, 14 transport hubs and a fleet of more than 500 small chilled vehicles which deliver to numerous outlets daily.

FY20 has been a year of significant growth for our DtS business. In the first half of the year, we expanded our footprint with the opening of our largest depot at Tamworth, in order to facilitate new business and to drive further efficiencies by consolidating our footprint from some older, smaller depots.

In the second half of the year, we continued to expand by adding new manufacturing customers that rely on our DtS network for fulfilment. We finished FY20 making approximately 10,500 daily deliveries to stores across Britain, up from approximately 8,000 deliveries at the start of the year.

Our unique Direct to Store distribution model enables us to deepen our customer relationships and to drive sales growth.
