Greencore Group plc - Capital Markets Day presentation transcript

Dalton Philips (00:00:03):

Okay, we'll just kick off, but do feel free to bring a coffee in as you sit down. And let me just start by saying a massive welcome to you for being here. Our first capital markets day in six years, we all know how busy agendas are and to give us this time is really appreciated. For those of you that don't know me, my name's Dalton Philips, I'm the CEO. I joined Greencore in 2022, and my background is almost exclusively in food. And in fact, I was CEO of Morrisons some years ago, so I got to see firsthand Greencore up close. Let me just point to the agenda there that we've got up on the screen. Look, the first part of this morning is all around the core business and we see real opportunities to materially improve the business beyond the core. So, we're going to spend the first part of this morning on Greencore today, where we're at and the opportunities to grow.

(00:01:14):

Then we're going to have a Q&A session and then post that we're going to get you on your feet, and we've got a series of different workshops, four workshops that we'll be taking you around. Then we'll have more time for Q&A. We'll come back here then for a session before lunch where we'll talk sustainability, we'll talk growth and expansion. And then Catherine will give you some thoughts on the financial trajectory of the business in total. We've got about 30 of our senior leadership team here today. So there'll be loads of opportunity to interact with them, grab them, ask them your questions. And of course, as I said, we'll have opportunity for main plenary questions.

(00:01:56):

Then we'll break for lunch, hope that as many of you can stay for lunch as possible, we have a number of our chefs here. And trust me, you won't be sure of eating your fill. There's some fantastic food and everything you're eating today is of course made by Greencore. So, look, let me pause there and I'm going to hand you over to our chairman, Leslie, who might just say a few words to kick the session off today. And if you're at the back and you want to see, just squeeze in. There's lots of seats still here. Okay,

Leslie Van de Walle (00:02:31):

Thank you Dalton. So as Dalton say, I'm Leslie Van de Walle. I'm the chairman of the board of Greencore like Dalton. I joined at the end of 2022 and at that time, shareholders were asking me all the same question, why did you join Greencore? And my answer were honest and truthful, which was number one, food manufacturing has always been my love and I love this industry and therefore it was a great opportunity for me to come to my first love. The second reason is I've known Greencore for a long time as a competitors, as a peer, as a customer sometimes, and I've always thought this was a great company. But in 2022 when I joined with Dalton, it was clear that the company had lost his way and made with hindsight some mistakes during the pandemic, but also it was very clear to me and ton that there was a clear path to going back to our previous profitability, the famous 1 0 6.

(00:03:31):

Now obviously two years later, we very much on our way to doing that and shareholder asking me another question. They're saying the share price has tripled. So, should I stay invested? My answer is very clear. Also, I think there are three reasons why investors should remain invested in the company. One, we are not finished with the job. There's still a lot of opportunities to improve the business in term of operations, where on the Lee and Steve, you will see there is much more to come. Also, as we improve our system, which are very outdated, we'll be able to find new efficiencies and cost opportunities. And thirdly, as we've now prune our portfolio and shared the loss making businesses and D and his team will be able to focus on growth. And you will see that there is growth with our existing customers through our innovation skills, our new channels, but also our Excel in service levels.

(00:04:34):

So lots of opportunities organically. Also, as we become the best operator in full manufacturing in the UK, we'll become the natural owners for many, many businesses in the UK for sure and perhaps internationally. And therefore, with our strengthened balance sheet, a great customer service and experience, we will be able within a obviously very disciplined financial to be able to make M and create values by being the natural owners and best owners of many businesses in the UK and internationally. So why should we be invested? This is only the beginning in my view of Greencore success stories. And hopefully at the end of the day when you see all the presentation, you will share my confidence and optimism about the company. Thank you again for attending. It's great to see so many people interested in our story. And I'll hand over to Dalton.

Dalton Philips (00:05:37):

Thank you, Leslie. So let's get into it. And look, there are four objectives. Number one, to showcase the strength and depth of our management team. And as I said, you'll meet over 30 of them today. The second is to bring to life the opportunity to strengthen the core business. You've been following us for a while. We call that Horizon two and to take us beyond historic levels of profitability. The third is to share our thinking on the opportunities to grow beyond the core horizon three, and then fourthly, to set out the medium term financial targets. So let's get into it, and I'll start by going back 2022 when I joined the business and several things struck me when I joined. The first was I could see there was really good people the second that we make really good products, and I obviously knew that from my time at Morrison's.

(00:06:29):

And then the third was the deep customer relationships that we have. And in many cases, the customers see us as an extension of their business. That being said, the business was in a really difficult place. It was post covid and it was facing a mountain of inflation. There was massive p and l pressure, and you might remember that year we made, well in 2021 we made 39 million pounds. There was huge integration pains going on across the businesses. We were moving from a business unit structure, five business units to one functional structure. We were lacking operating discipline, the operating disciplines that I would've expected in a business of this scale. And there was underinvestment in the infrastructure and tasks were, and to many cases still are being done on paper. In fact, one of our largest sites was sites was operating Lotus notes and floppy discs back in 2022.

(00:07:28):

And then finally there was real ambiguity about where the business was heading. So we set out a plan, we called it the horizon strategy. There were three parts to that. The first was to horizon one, stabilize the business. Horizon two was start rebuilding profitability in returns. And this is the famous one oh 6 million that Leslie referenced. And then the third horizon was to explore new growth opportunities. And that brings us to today. So we achieved horizon one in 2023, and last year we made real strides towards Horizon two by materially increasing both the ROIC and the operating profit and actually other metrics that you can see on the right hand side of that slide. And we started to build the foundation towards horizon three. And so today I see a very different Greencore. We still have good people, we still make great products, we still have deep customer relationships, but also we're starting to deliver on our financial goals.

(00:08:31):

And that functional model is bringing real benefits. And one that I hear often from our customers is the single more strategic relationship that we bring to them. You'll see today the new commercial and operating excellence programs that we have in place. And there's a real rigor and discipline today in how we manage our business. And we began a big investment in our infrastructure, the Making Business Easy program that we started last year and we're making real progress on our strategic framework and our ambition. And so I'd like to talk to you about that strategic framework. And when we developed this, we went back to our roots. Those of you that have been following us for some years will have heard of the Greencore Way. And essentially we took the best of the Greencore way and we combined it with our horizon strategy. And let me orientate you to this page.

(00:09:25):

This is essentially the bedrock of what we're going to be discussing today. In the top left, you see our purpose. To the right of that, you see our ambition. I'll go through these in a moment. And then the middle part, strengthen our core, that's horizon two. And to the right of that, grow and expand Horizon three. And that all sits on the foundation, the Greencore way of winning. So let me talk about our purpose making everyday taste better. It's really the essence of why we're here. It's uniting to us as a colleague base of about 14,000 people. And each word has been chosen for a specific reason. So the making is absolutely a call to action. It's the nature of our business. We are manufacturers. We make things every day is the everyday nature of the operations. This is a 24 7 business, 365 days of the year.

(00:10:25):

But the everyday also calls to the positive difference we want to bring to everyday lives taste. Well, look, I hope you've seen a lot of taste already. I mean, taste is about making great food that people absolutely love. And then better is all around the commitment to continuous improvement, never being complacent. And I really don't want to lose the everyday nature of our business. And actually this slide I think is one of the most fun slides that we have in our organization, and it never ceases to impress me, the scale and complexity of what we do every day. So every day we manage unique customer recipes, over 3000 for our customers. Every day we evaluate new product concepts over a thousand a year. Every day we have just in time procurement capabilities and over 1800 separate ingredients deliveries a week from over 250 UK and global suppliers.

(00:11:28):

And every day we do 1200 product quality checks. That's 9,000 a week. That's nearly half a million a year. We have incredible technical capabilities and every day we produce 3.3 million products that are on customer shelves, often only hours later. And every day we do 10,000 convenience store deliveries to every postcode in the UK. And that means that over 50% of UK consumers get to eat a Greencore product every month. And so this slide, the reason why it's such a great slide is it illustrates both the complexity and the seamless integration of our daily operations, and that would be incredibly difficult for anybody else to replicate. And what's not on this slide is that every day we deliver at about 99% service levels into our customer. So let me go back to this framework and our ambition. Our ambition to be good is only good. It's not good enough. We strive for much, much more. You'll see it from the 30 people you speak to today. We want to lead the way in convenience, food and leading means leading where we play. So we want to be number one in the categories we play in. And if we're not number one to be number two, we want to grow. We want to be seen as a company to follow, and we want to be seen as a business that does business the right way.

(00:13:06):

So let me turn back to the base of this strategic framework and everything we do and the opportunity that's ahead of us sits on this base. This is the pillars of our organization, and I'll talk you through some of these key pillars. There's five of them that we're going to highlight and you're going to see that throughout this morning's presentations. The first is lasting partnerships. That's about building deep enduring partnerships that are focused on the long-term. About 50% of our volume is on secure long-term agreements. And we work with all the top UK retailers and we're in constant dialogue with them. And constant dialogue means every single day we're talking to them. Great food is about high quality, tasty, safe, affordable food. You'll have tasted some of that this morning and with such broad capabilities where we can make this great food. So sandwiches, sushi, salads, bircher, breakfast pots, pokey bowls, ready meals, ambient source of salads, I could go on.

(00:14:09):

We make so many different products, we have such broad capabilities. And to do that, to make really great food, you need to have world-class food innovation. You'll meet many of our chefs today. There's over 30 years of Michelin star experience amongst our chef population. And Andy has a team of over a hundred people who just focus on food innovation and that's probably why we're able to win so many awards. The third pillar is all around delivery excellence. This is about being the most efficient supplier to our customers. There are many parts of this, you'll hear Lee talk about it today, but you'll also hear us talk about technology, which is an absolute enabler to this delivery excellence. And we've had historic underinvestment. So that's why we launched on making business easier transformation program to address the outdated infrastructure we have in the business to streamline processes and to improve the quality of our data. And the fourth area that underpins our business is sustainable choices. And that is embedding sustainability into the decision making we make so that what's good for the planet can be good for Greencore. You'll hear Fran talk about this later, but three key focus areas, responsible sourcing and human rights in our supply chain making with care. So we've got net zero operations and then thirdly, feeding with pride. So that's all around healthy and sustainable diets and sustainable packaging.

(00:15:42):

And of course underpinning all of this is people. And look, it's, it's a real cliche. Many companies say, oh, our people are our greatest assets, but they really are our greatest asset. They're the people that make 3.3 million products every day and after raw materials and packaging, it's our second largest cost space. So hence our absolute focus on engagement and productivity. And we want a workforce that's empowered, that's ambitious, that's diverse, and that's responsible in their work. And the team will talk to you about this today, but you'll hear four themes and you're going to hear it right across your organization, this functional model that is driving significant benefits and much more than we originally anticipated. You'll hear a lot of talk around retention, this war on talent at all levels, and we've improved our voluntary retention by 6%. You'll hear us talk about driving engagement at all levels.

(00:16:40):

Now, engagement's good, it's 81%, that's 2% above the UK norm, but we never want to ease up on that. And then finally, enabling technologies. Again, this theme going through today, but enabling technologies in the people space to help us manage our people in a more effective way. And so those strong foundations, they allow us to strengthen and unlock further value in our core. This is what Leslie was talking about earlier. So let me talk about our core business and firstly I'd say our core business operates in attractive and growing markets. Convenience, food has real tailwinds. If you think about it, the grocery market's growing at about 3.3%. Convenience food is growing at 4% and the food to go market is growing at 5.6%. So there are four tailwinds, you'll be familiar with them, but there is momentum in private label in the market. It's growing 70 basis points ahead of branded products in the last five years.

(00:17:39):

There's momentum in convenience store growth, 1100 stores to be opened in the next five years, fueling further convenience food demand, there's momentum in premium alternatives. We talk about premium premiumization. Premium ready meals for example, has grown 19% in the last four years and there's momentum in consumers seeking healthier alternatives. And nearly half of all consumers say they want healthier products because for a variety of reasons. And that drives premiumization and attracts new customers into our categories. So that's firstly there's momentum, there's tailwinds in this market. But the second is, and much more important for us is that there's a lot of self-help that we can take control of. And in the last two years we've step changed three key areas. We're going to go into this in some detail today. Now look, there's much more to go after, but on our portfolio management, or you might think of it as the category returns lens, we've had a relentless focus on that and ROIC has improved by 310 basis points since 2022.

(00:18:53):

Six categories back then had negative roic by the end of this year, none of them will. So you're going to hear about that today. The second is commercial excellence. So Andy was courageous. He stepped away from a whole series of low returning contracts. He resigned over 200 million pounds worth of volume and that freed up 15% of our capacity to sell accretively. And so the team have been building the capabilities to enable us to sell that capacity and to grow profitably. You're going to hear a lot about the insight driven work that goes on behind the scenes. You're going to hear a lot about the product development engine that the team have built and you're going to hear a lot about the procurement excellence model that underpins it. And then if I turn to operating excellence, and Lee has put together such an impressive excellence agenda delivered over 843 projects last year, many focused on network optimization, standardization, labor and waste.

(00:19:57):

Some of them really big, some of them really small, all of them delivering pound notes into our p and l. And of course there's a huge opportunity in automation. Some of our sites, and many of you have been in them, are heavily automated but others are incredibly manual and there's a real unlock here given that over 300 million pounds a year is spent on direct labor. And then of course underpinning all of this as essential cost space, something that Catherine is relentless on, we've done a lot. There's a lot more to do. But I think the bottom line is that through these interventions we know that there is a significant opportunity to drive the core beyond historic levels of performance. So let me now talk about the opportunities to grow and expand beyond the core, what we call horizon three and we think about it across three axes.

(00:20:50):

So we think about channel, category and country and then across two further dimensions, organic and inorganic. So I talk about organic, there's new channels. So there are people who eat our categories sandwiches for example, but we're not serving them. If you think about the food service market or the food to go, sorry, the direct to consumer market. So the UK food to go, market's worth 25 billion pounds. So we're looking at those channels where we can leverage our scale. We're also looking at new categories. So the convenience food market's worth about 50 billion pounds and there are large attractive categories where we don't currently play and we again can leverage our customer relationships to expand into these. And then of course there are new countries. So in the medium term there is the opportunity to take the Greencore way of winning to adjacent countries. And look, an obvious example would be Ireland given the similar market dynamics.

(00:21:51):

But look, over time we could see the potential in the EU of leveraging our model in some of the underdeveloped categories and markets there. And of course there are inorganic opportunities and we would do this in a very disciplined way and we'll talk to you this morning in more detail about how we think about that. But look, essentially there are three lenses. Firstly evaluating the strategic fit of any target. Does that target have structural growth in its category? Can we win in that category? The second is considering the target's impact on our ESG profile, so can we improve it? And then thirdly, the target's impact on our group returns profile. Will it be accretive? So look for the right opportunity. We are confident in our ability to deliver significant value through the implementation of the Greencore way of winning.

(00:22:48):

So if I bring it back to this framework, I really want you today to see the same opportunity that we see in horizon two and three. There's just an incredible opportunity and if we look to the financial output of this integrated strategy as we progress absent of any material M&A, we'll be targeting the following medium term targets in our core business. So roic, that's going to take primacy, that's our North star and we'll be targeting at least 15% revenue growth. We'll be targeting three to 5%, but look, we're not going to be slaves to this number. If Andy comes back with a contract that we don't want to renew because the commercials aren't there, we're going to let it go. We are not going to be slaves to it. But in general we'll be targeting three to five in operating profit will be 7% and above in cash conversion, at least 55% and leverage between one and one and a half times. But clearly with some flexibility for the right M&A to increase that, assuming there is a clear line of sight to a fast level of de-leveraging.

(00:23:59):

So let me close by summarizing how we see the thesis of our investment. Case number one, we operate a robust, we have a robust core business that provides a strong platform for growth robust because the convenience food market is growing and it has structural tailwinds robust because we're in a leading position in some very attractive markets, robust because we have deep, long-term and secure partnerships with the top UK retailers. Robust because we have outstanding food innovation capabilities that drive stickiness and growth and robust because we operate at scale with a level of complexity that would be very hard to replicate. Secondly, there's significant further upside in our core business and you're going to hear that this morning in some detail. Thirdly, we've got a strong balance sheet and we're about to become very cash generative. Fourthly, there are significant opportunities for us to expand beyond the core and finally and critically to me is this strong management team who are delivering, who've got a track record of delivery and you'll meet so many of them today. So look, in closing, this is a really great business and we're only just getting going. So with that, let me hand you over to Nigel and he'll talk to you about what we do to drive returns in our portfolios.

Nigel Smith (00:25:46):

Thanks Dalton, and very good morning to everybody. My name is Nigel Smith and I lead strategy for Greencore. I joined the group in 2017 and I've held a variety of roles since then and I joined the executive team in 2021 to lead our then transformation program better Greencore. I now have responsibility for corporate strategy, business planning and M&A. Before we get into the presentation proper, I did just want to amplify something that Dalton touched on in terms of how the group has changed over the last few years. And if I think about my own experience, I'm now entering my eighth year as part of Greencore and I can say hand on heart that we are in the best shape that certainly I've ever seen us. We're a team and I don't just mean the people that you're going to speak to today, I mean the people right across Greencorere.

(00:26:36):

We're a team with real ambition, with clarity on where we're going with proper depth of expertise in what needs to be done to make us a better business. And frankly, it's a team that's now enjoying and starting to reap the benefits of really delivering on what we say we're going to deliver and enjoying that momentum. So what does that mean in practice? Well, I was going to bring this to life with really three topics this morning. The first was some brief background on the group for those who are newer to Greencore. Secondly, I'll then spend the bulk of the time on our ongoing work to improve returns across our portfolio. And then finally, I'll briefly introduce our making business easier program that you're going to hear about throughout the day.

(00:27:21):

If I start with the first of those points, I think it's fair to say that most consumers in the UK probably wouldn't recognize Greencore by name, but we actually have an enormous relevance to what the UK Eats. And Dalton touched on this stat a little earlier on, but I think it's worth dwelling on the net effect of the product categories that we produce in on the left hand side of this chart combined with the retail customer set that we serve. On the right hand side of this chart means that half the UK population eats a Greencore product each and every month. We manufacture about 1.2 billion units across the categories that are listed on this slide, 3000 SKUs and we serve each and every major retailer in the country. Our heartland, as many of you will know is in private label, but we do also have a series of branded co-manufacturer relationships with the kinds of players that you see listed on this slide.

(00:28:19):

And then supporting these commercial relationships is a really high quality network of manufacturing and distribution assets as well as nearly 14,000 people up and down the country who keep the group ticking each and every day. We operate 22 different production units across 16 locations in the UK and we also have a distribution arm, our direct to store network that you'll hear about through the day operating over 450 vans, making 10,000 deliveries to every postcode area in the country. Andy and Lee will add more color on the commercial and operational footprint, but what I really wanted to do now is to switch gear and to talk a little bit more about the product portfolio that we have and in particular how we've been managing each part of our portfolio through the explicit lens of returns on capital. Those of you who followed Greencore for some time, we'll know that over the last couple of years we've seen group return on investor capital step forward by over 300 basis points.

(00:29:19):

And this started back in FY 22 when we took the conscious decision to do a more granular type of analysis on the capital that was deployed in each category and the returns that we were getting on that capital category by category. And what we found was there was really a number of our categories that were generating low or even negative returns. And so off the back of that, we set really clear targets for improvement. We mobilize cross-functional teams and task them with developing and delivering improvement plans. You see what that has meant in practice on this slide. So on the left-hand side, there's an indication of the returns profile of each category today versus where it stood two years ago and just help with the definitions here. Red was negative returns or effectively loss making when fully allocated. Yellow indicates positive returns but below our threshold of covering our cost of capital and then green is above that cost of capital hurdle rate.

(00:30:21):

You can see on the slide here that back in FY 22, almost every category was problematic in some way whereas now we've eradicated losses across the portfolio and you can see that our four biggest categories covering 84% of our revenue are on track to be above our threshold this year, but we're not done yet. And you can see that there's several areas where returns are not yet where we need them to be. And so in each of those categories we have clear plans in place for further improvement and we now performance manage each and every part of the business against the targets that we've set each on a monthly basis just to bring that to life with a couple of examples. One where we've achieved our threshold and one when we're still on the way in salads. Back in 2019, we acquired a business called Fresh Time and we put it together with our existing salad plant in Spalding and within six months of making that acquisition, COVID hit us and those businesses were particularly badly bruised both commercially and operationally, hence the net negative return.

(00:31:29):

Over the last couple of years we have brought the full weight of that Greencore way of winning that Dalton referenced earlier on. We've delivered really significant operational efficiency. We've radically simplified the product portfolio and actually exited a business line and prepared vegetables altogether. And as a result of that, we've created capacity for growth in newer higher margin formats and relationships and then at impact of that has been to lift the returns in that part of the business by 10 percentage point even on lower volumes. And so as we look forward from here, thanks to those operational and commercial excellence programs, we've created between 10 and 20% of our capacity to be able to go and sell and we've got really clear line of sight of specific opportunities that we want to deploy that capacity against.

(00:32:21):

If I then talk a little bit about our Yorkshire puddings business, we've gone through a similar improvement process. We've simplified the product portfolio, which has in turn enabled us to drive increased margin even on a reduced number of SKUs. We've improved operational efficiency with increased throughput and we've also used our product innovation muscle to develop and then ultimately win further premium beef dripping Yorkshire pudding product with multiple customers. And so as you can see on the slide, we're still not yet where we want to be in this category, but we've got a really strong plan in place. We're focused on going and selling the capacity that we've created and we're feeling good about the future.

(00:33:05):

The final topic that I'll touch on is our making business easier program or MBE, which you'll hear a lot about through the day. We launched MBE back in 2022 in recognition really of the fact that as we've grown up over time, we've never really fully integrated from a process and system and data point of view and the net impact of that has been quite a disparate landscape of systems and technologies and we're really clear that addressing that imbalance and that lack of integration is going to really transform the efficiency that we're able to deliver from the business. You'll see on this page that we've structured it across three pillars broadly following three steps in the Greencore value chain. The first is around insight to strategy, basically financial forecasting and business planning processes. The second is on concept launch, which is really all about our product development muscle.

(00:33:57):

And then thirdly, plan to deliver is really about that core operational aspect of making and delivering product to customers every day. I'm going to briefly introduce the first of those pillars and then Andy and Lee will pick up number two and three a little later on. And so that first insight to strategy pillar is really all about having the right foundations for performance management, financial forecasting and business planning processes. And so it's about reducing all the manual effort that goes in today to getting really decent business performance data and insight to drive decision-making. Now there's actually 15 different discreet initiatives in this pillar, but I'm just going to bring to life one specific example which is what we call the standard chart of accounts. And so historically we've actually not had a standardized format for recording management accounts across the group. We've had different ways of allocating different cost lines in different parts of the business or different methodologies for thinking about allocation of invested capital.

(00:34:55):

And the net impact of that is that in order for us to do the kind of granular returns base analysis that has driven the impact that I shared a couple of slides ago, it required loads of manual Excel workaround type of activity if we were going to be able to compare apples with apples. And so that initiative, that standardized chart of accounts initiative is going to eradicate literally hundreds of hours of workaround type work to make it much more efficient to get accurate and timely insightful information. So if I just summarize then on the three things you've heard from me so far, the first is that we just have phenomenal breadth and quality of commercial and operational presence and you're going to hear more about that throughout the day. Secondly, we're really proud of the work that we've done in enhancing our returns across the portfolio, but there's a lot more to do and as Dalton said, we're really just getting going. And then thirdly, our making business easier program is going to be a huge enabler for us over the next couple of years and again, you'll hear plenty about that through the day. I'm now going to hand to Andy who's going to talk us through the commercial excellence model.

Andy Parton (00:36:12):

Thank you Nigel, and good morning. I'm Andy Parton, I'm the Chief commercial Officer. Just by way of introduction, I've been at Greencore 10 years. I joined from Aldi where I spent six years prior to that I was at PepsiCo in total this year I've been lucky enough to do 25 years in this industry. I've got extensive experience off the back of that, across own label brand and retail and I'm pleased today to have the chance to introduce our fantastic commercial team at Greencore. So let me start with that and let me introduce you to the team, how we go about business and what we do. So you've heard that we went from five business units to one group structure that meant I had to take five separate commercial teams and turn it into one and what we've done is build a very clear model and a very clear structure around that.

(00:37:02):

On the left of this slide, the model and like all good models is simply you keep it. The more effective it is. This really encapsulates what my team do, create the right insight to build the right plans, go and sell them and buy what you need to execute those plans. And I've put in place a commercial structure behind that that puts in place really clear accountabilities against each one and really great capability customers now benefit from that single leader for all parts of their business with Greencore, not five separate businesses engaging with them. As you can see on the right hand side around that leader, we build cross-functional teams. Now this is critical in own label. You need those cross-functional engagements. That's how you really understand the breadth of the customer agenda and take advantage of all the opportunities that there are When you do own label.

(00:37:56):

It's really important to understand our customers. Commercial teams are critical, but so are their development teams, so are their technical teams, so are their supply chain teams. Just one good example of that. I mentioned technical on the right hand side with that embedded and that trusted by our customers, our technical teams will now do training for our customers, for example, on hygiene or forthcoming regulations. I can say genuinely that we've got the best talent in the industry and own label and as Dalton said, we're engaging every single day with our customers. So what is it that we do on a page? My team are all about the four following things, how we grow, how we bring the right insight and process, how we develop fantastic food through that calendy excellence and then our procurement model to buy what we need and it makes a real difference to the p and l.

(00:38:51):

We pull the levers of volume, price, mix and cost. My team aren't doing one of those four things, we're not doing the right thing, but it's working. Last year for example, like for revenue grew 3.4% and our gross margin improved by 350 basis points. It's a really good indicator that we're doing the right things and that my team are working really well with Lee's team because we're clearly converting that volume If we're driving our gross margin and it's because of this model, we have something really unique that we bring to our customers. On the right hand side, if I just summarize, these things are really powerful. As I say, I've been on the retail side of things. This is really not easy to do or replicate 99% service levels, industry leading technical and safety standards, proprietary product and technical innovation, that nationwide distribution business that I'll talk more about the insight capabilities that we bring to drive growth. We're compliant with all of our customers' technical requirements in the supply chain and we do this in a really competitive cost way and the beauty of all of this is we supply categories that are really attractive to our customers. Consumers want to buy more of them. You can encourage consumption. It's above average margin for our customers. It turns really quickly, which generates cash. These are hero categories for our customers that are strategically important to them.

(00:40:24):

Dalton touched on this, but we've got ourselves into a very good position with our customer relationships. Over 70% of our relationships, we're selling four or more of our categories to that customer. We have really good security in terms of length of contract and we've developed very embedded joint ways of working through partnership models in 75% of our customers. They're really important because it helps us manage our costs. We've talked about how well we have been in terms of picking the right growth and being disciplined about what we do, focusing on both top and bottom line and that's going to be the case. We've talked about the business we've stepped away from and we've put real process discipline behind this. We have hurdle rates for all of our categories and all of our potential new contracts and product development as well. So we know what good growth is and we see real opportunities for growth moving forward.

(00:41:24):

And let me explain why just to explain this slide and what you see. These are the categories that we serve our seven largest customers, so categories down the left, customers across the right. This is 80% of our revenue. Two messages to take away from this slide. First of all, you can see that we have a really good balance in our business. We have a broad set of customers, we across a broad number of categories, so we're not too reliant on any one combination. But the other message to take from this slide is there's green, but there's white spaces as well. Selling more of what you already do to existing customers is clearly the most effective way to drive value accretive growth in a world that's getting more regulated and challenging. Retailers want to double down with a smaller number of key strategic partners such as Greencore.

(00:42:22):

Also our customer's plans are conducive to growth. It's back to that point I made around these are good categories for our customers. Just two examples. Our M&S relationship, we are classed as one of only six fortress sites. That basically means we're a dedicated supplier with real capability and joint ambition between both parties to do more and fully utilize the capabilities and capacities that we have at Northampton. And M&S are a market leader in food on the move and they have incredibly exciting plans to do more. And then Aldi, we have built over the years a fantastic food to go business with Aldi, and as you'll be aware, we've now moved into a new category which is Ready Mill. So a great example of filling in those white spaces and it's going really, really well. We're ahead of expectations. Sales are 14% up on the previous offer because of the work we've done to improve quality and improve choice and there is significant opportunity for further growth also on the right hand side day parts and formats.

(00:43:31):

Lots more to go for here. Breakfast and hot food. You'll have sampled many of our great products this morning for breakfast. Breakfast has seen a 50% increase in occasions in the last four years and we've been busy getting after that opportunity. We sell 60 million pounds of breakfast products, but a lot more to go for both in terms of our capability and what our customers want to do. Hot food. Another example, 40% of food on the move is consumed hot. Over the last few months we've started a new trial with Greg's. Greg's need no introduction, market leader in food on the move, but we are now in their stores with a hot lunchtime offer that is going incredibly well and we'll be rolling out later on in the year. So just the start of a fantastic relationship. We work very closely with people like Shell m bp. Hot food is core to their proposition and all of our big retail customers want to do more in hot food on the move. So there's many, many exciting plans and projects in the pipeline.

(00:44:39):

We've talked about direct to store. Let me just bring that to life in terms of what that means for me and my team and how we can use it and sell it. It's a fantastic capability to partner with our manufacturing capability. What is it? We've got a fleet of 400 little vans and they are perfect for getting into small retail locations. Think petrol stations, coffee shops, small convenience stores, big HG vs. Simply can't get into these locations. We focus on single unit pick rather than delivering big bulky cases more suitable for supermarkets. That means you can customize the order that gives you better range choice, it helps availability, it reduces waste, it reduces labor in store for that customer. So you've got this virtuous circle of driving growth in the right way for us and our customer. In addition to the products we make, because we're already going to the location, we can add other products as well such as fruit pots. So we're solving problems for our customers. We've moved as well from that being a cost center to its own p and l. We've renegotiated commercial terms, so we get commercial value for this offer, recognizing how important it is and we are starting to see the benefits of that. As you saw on Nigel's slide, it drives real growth as well. You'll be aware as the move into convenience this year, they've now got 500 stores under Asda Express within 12 weeks we took that on as a director store contract. We've got over 5% growth with Asda.

(00:46:20):

Dalton talked about some of the tailwinds. So just to recap on this slide, those four things that we see really helping us with growth, the relevance of private label, it resonates with the UK consumer. All of our big customers are heavily invested in private label. It really enhances their brand. The convenience expansion, it's really exciting. We've got over 1100 stores in the pipeline all with our big customers. Some of you may recall that a previous expansion of convenience stores was a real kicker for Greencore growth in the 2010s. Well, it's happening again and we're perfectly positioned to take advantage of this. 40% of what we already do goes through convenience stores and it brings back into play direct to store shopper mobility is back, so 83% of people are now back in the office once a week that's even higher than it was in 2020 premiumization.

(00:47:22):

This is a fantastic trend for us because it's a chance to develop margin accretive products. What we're illustrating in the middle of that slide is a meal deal example. Now 65% of sandwiches are sold on meal deal. They're very famous, they're so important to the consumer in this country, but gone are the days of just one all-inclusive meal deal. This example shows you now that there can be three tiers to a meal deal, an everyday offer, a premium, and even an ultra premium product offer. And you're going to see this later on from our food teams, but the great opportunity for us in this is it's the sandwich that changes. It's the sandwich that you can develop and premiumize the snack and the drink stays the same and then healthy and sustainable diets. Dalton touched on this, consumers are looking for healthier options and we are fantastically placed against this trend.

(00:48:18):

70% of what we already do are classed as healthy products. If you think about our products just logically, salads, sushi sandwiches and our production capabilities are perfect for doing more of this. We are experts in assembling fresh, low processed food that looks and tastes fantastic and the value that we add to customers. This point I made around bringing the right insight to the table to put in place the right plans. We invest significantly in all the right data. We spend three to 4 million pounds a year on this and it delivers real hard benefits in the pack. On the right hand side of this are many examples of where we have improved our customer's performance. Very few own label suppliers achieve the engagement model that I talk about, which is that relationship management of an own label supplier married with the activation capability of a brand.

(00:49:23):

You're going to see a lot from our food teams today. Just to simplify what we mean by food and how we commercialize this. Two big types of food development we do redevelopment. This is about taking a current product, making it better, selling more. Perfect example, Tesco's finest lasagna. We redeveloped the product, made it better. Sales have gone up 17%. That is Tesco's number one, finest ready meal product and we're proud to supply it. And then innovation, bringing new products to market over 400 last year. Adding real value to our business. As I say, over lunch and over a breakout, you're going to meet the team and you're going to see these examples come to life and it's that food skill that we've talked about. I'm incredibly proud to lead this team and have this capability. We are basically an extension of our customer and this is market leading capability.

(00:50:18):

As I say, Michellin star restaurant experience. All of our chefs are restaurant trained. Remember we're in added value food categories, okay? So you need this food expertise and it drives the rewards and recognitions that we're seeing in terms of making business easier. I'm leading concept to launch as Nigel mentioned. This is how we take ideas all the way through to market. I'd like to say we're good at what we do now and we are, and it's a credit to the team, but this program is going to step change commercial. We're going to have better systems, we're going to have better data. We're going to put in place a system where gone are the disparate systems and processes that my team have to replicate effort in. We're going to have one source of the truth better, real, real-time data, better decision making off the back of it.

(00:51:07):

So this is incredibly exciting for the team. And then finally, in terms of our commercial excellence model, our procurement excellence model, we have scale, which is critically known label. We procure over a billion pounds worth of ingredients and packaging and the team have over 80 years experience. We buy about half of our products in the UK, about half of it abroad, and we deeply understand our supply chains. We put boots on the ground. We visited 16 countries last year through 46 different visits and on the right hand side you'll see that it works. The gray line is a benchmark of domestic and international food inflation. Green line is green cause. So you can see that we've been buying better than the market buying well drives competitiveness and enduring margin and in our deep customer partnerships it creates benefit for both us and our customers. If we are lowering costs for both parties, we're increasing joint margin. That's what drives these long lasting, mutually beneficial relationships and that is critical in own label. Now you're going to hear directly from our customers, as Dalton mentioned, we're in constant dialogue with our customers each and every day. The videos are taken from excerpts of customer videos from the past 18 months when customers have visited sites and then Dalton has shared that as part of our internal colleague video. You'll hear what they think about Greencore and our partnership.

Alex Freudmann – M&S (00:52:51):

Well look, it's really impressive. Great to see the team in action here. Now we refer to this factory Dalton as one of our fortress factories. In my view, it's the best sandwich factory there is in the world. So to see it firsthand was great. And I know to run a factory like this is really hard because the volume is enormous and that intensity of focus on quality day in, day out every hour, every colleague takes a lot of work. So I'm really grateful for what we've seen today.

Rami Baitieh - Morrisons (00:53:18):

First of all, I came here to say hello to my friend Dalton and say a big thank you to all of you for the great work and the great job that you do for Morrisons, but more especially for all our customers in our stores. We are very happy in our relationship together and I'm looking forward to developing our relationship. So again, thank you for your effort. Thank you for the quality. Thank you for the good price to our customers.

Ashwin Prasad - Tesco (00:53:47):

I had the chance to meet some of you just walking around in the factory here at Warrington today. Thank you very much for everything you do to serve our customers, creating delicious products that we are really proud of. That's why customers come to us. They come to us because we serve people from low affluence all of the way to people who are looking for a treat and an indulgent occasion, and we try to make the best products for them. Working with the best entrepreneurs and innovators, food companies in the market to bring those products to customers. Our partners thinking about it in that same way as we go on this journey to build an even bigger business off the back of products, that's the way that we're going to make it happen.

Julie Ashfield - Aldi (00:54:32):

I've been to a lot of sites and I think this is in my top, I'll say one because Dalton, you're very close to me, but it was an amazing visit. It really was. I think the number one ask that I normally have is to say we need every single case that we order delivered on time. And so for us, we have great products, we can buy them at great costs, we sell them excellent value, but if we don't have the product in our store, then it doesn't work for us. So we need every product on time and in full.

Dalton Philips (00:55:03):

That's our focus.

Rhian Bartlett – Sainsbury's (00:55:04):

Really pleased and proud to partner with Greencore. It's been an amazing relationship so far. Going from strength to strength, as I said at the beginning, really good afternoon today talking about 20, 25, 26 and beyond and how we put all of that together. So really when we're in the best partnerships, you dunno which business you are in because you are solving problems together for the customer.

Kris Comerford - Asda (00:55:30):

I've worked in the food sector for 20 years in supermarket and this is one of the best sites I've been to in my career. I'm delighted by having a partnership with Greencore. I think the way you've supported us has been fantastic. You've got great quality products, you've got passionate people and you've got an incredible service level in what a combination of assets. Let's do more together and let's get on.

Andy Parton (00:56:08):

So I really hope those videos have brought to life what I've been talking about and as I say, the opportunity you're going to have today to taste our food as well. So to summarize, hopefully what you've seen from that is that we've really built an effective go-to-market model. That one Greencore structure is really working for us. We've built secure long-term partnerships, over half of it in long-term contracts, and we're fantastically positioned for future growth. We've created capacity to sell and hopefully you've taken confidence from the amount of different opportunities we've got to sell more to existing customers, but also develop into those new day parts as well, backed by our customer's mutual desire to do that. We've got fantastic food expertise and we're really focusing on improving our commercial processes and making business easier. We'll really benefit the commercial team and that's all underpinned by a fantastic procurement capability that allows us to outperform the market. Thank you for your time. I'm going to hand over to Lee.

Lee Finney (00:57:12):

Thank you, Andy. Good morning. My name's Lee Finney and I'm now in my third year as our Chief Operating Officer. My background is leading global operations and supply chains largely for branded multinational businesses, food and beverage primarily both overseas and here in the UK. Am delighted to share today our approach to driving operational excellence in Greencore. We've made a strong start, but I'm particularly excited about the size of the opportunity ahead of us operationally and as a business. I'm going to cover three key topics today. So firstly, our customer proposition, building on the capabilities that Dalton and Andy have celebrated in their sections. Secondly, how do we identify cost opportunities within our business? And thirdly, how do we use green cause new operational excellence framework to attack these opportunities and to drive the p and l working very closely in partnership with Andy and the commercial functions.

(00:58:21):

The operations group delivers a compelling customer proposition that is extremely difficult to replicate. With over 400 product launches delivered seamlessly each year. We have industry leading technical capabilities. Our subject matter experts are SMEs bring specialist knowledge and insights to our customers and suppliers, ranging from bread to eggs, cereals, protein, and dairy. We continue to drive towards our ambition of zero serious injuries, reducing our reportable accidents last year by over 31%. Our 16 manufacturing sites and logistic depots all have either an A or AA grade BRC certification. And our standards of food hygiene so essential in a high risk chilled supply chain are exemplary.

(00:59:14):

We manage the complexity of producing over 3000 SKUs, mostly daily fresh made day one for day two in with world-class service levels. And our group logistics function delivers over 400 million units annually in all weathers to every postcode in the country, including being trusted with alarm codes and key access to replenish stores during the night as our customers are sleeping. This is a safe, dependable, and agile operational model that customers deeply value. Our cost opportunity model uses a forensic diagnostic on the left side of the slide to identify inefficiency and waste in all of its components. This may take the form of food waste, suboptimized, labor line stoppages affecting equipment efficiency, delays in change over times or underutilized backhaul in logistics amongst many other examples of inefficiencies and waste. This generates a pool of improvement opportunity, which we attack using our operational excellence model on the right hand side of this slide. It's a simple model, but when executed well can be a source of real competitive advantage.

(01:00:34):

In this schematic, we start with our total delivered costs on the left-hand side and we back out non-ad addressable costs, which are largely fixed costs in the medium term. Our diagnostic then identified 30% of these addressable costs as a cost opportunity pool. Since fiscal 23, we've been successfully attacking this pool to drive p and l benefit. To demonstrate this for a specific key performance indicator or KPI, you can see the example here of water consumption through a tray wash, a process that's similar across multiple sites. In our business, given the decentralized nature of Greencore previously, there are variable approaches and performance standards. In this example, we calculate the potential savings from all plants improving to the level of the best internally, and we call these our lighthouse sites. And then we set a further stretch target based on benchmarking externally or an internal challenge for improvement.

(01:01:39):

The sum of all of these reductions forms the cost opportunity pool for this specific KPI, in this case, the cost associated with water supply or extraction water treatment, heating the water, and the effluent plant running costs. We will have exactly this approach for every KPI in our business. We call this our management control and reporting system or our MCRS. This is an example as well of how operational excellence dovetails with sustainability to benefit not just the p and l, but also the planet. We're now focusing on five transformational levers, which I'll explain in the following slides. These levers are operational excellence pillars, automation, network optimization, overhead reduction, and project MBE, making business easier. Over the last two years, we've been building the foundational enablers on the right hand side of the slide. To enable the journey ahead, we have had to build the financial diagnostics capability that I have just outlined. We've transitioned from five business units to a decentralized functional structure and built a culture of one Greencore as opposed to decentralized islands of autonomy with 16 different ways of working.

(01:03:07):

We're implementing a discipline suite of KPIs and performance metrics. Our MCRS as I've just explained, which allows us to track progress daily, weekly, and on a monthly basis. We're building eight centers of excellence to drive thought leadership and best practice. Across Greencore, we're identifying those plants that have expertise or potential to become lighthouses where we pilot best practices before rapidly deploying them across our network. And finally, we have built a new CapEx system and project management capability to execute CapEx effectively to drive higher returns on investment. To provide a little more context on the operational excellence pillars, we show the pillars, which would typically be included in an operational excellence framework similar to what I would've deployed or led in the global branded businesses you see referenced here, this pillar based maturity model is highly utilized in great businesses, but requires strong discipline to implement it and embed it. In our DNA focusing initially on manufacturing and supply chain excellence, these pillars each contain the tools, the metrics, and the best practices that are deployed across the business in a consistent way.

(01:04:29):

An example is shown here of the DMAIC tool in the focused improvement pillar, which trains our teams to define the problem, measure the loss, analyze the root cause of the problem, improve the problem, and then control the process going forward. As you can see from the green boxes, we're in the early days of rolling out this framework providing a lot of future opportunity both in Greencore and also in applying these playbooks to future M&A. We are building a Greencore operational excellence model that will drive M&A synergy when we need to deploy it.

(01:05:08):

Our early adoption has delivered very strong results under new leadership. The new group operational excellence function has over 120 of experience driving several hundred improvement projects per year. Two examples are seen here In the first we removed 25 FTE headcount due to a new planning methodology and one chilled ready meal plant saving three quarters of a million pounds. And in the second we removed 24 tons of cheese waste following automation saving another hundred and 25,000 pounds. At the enterprise level, you can see that the sum of these site projects increased units per labor hour from 95 to 100 and reduced waste by 83 basis points. We track every operational project weekly in detail to ensure they're driving the p and l benefit that we expect our previous wave of automation delivered some very strong results, which Steve Switzer our group manufacturing and engineering director will present in more detail.

(01:06:18):

During the breakout sessions. You can see some images here from video content that Steve will share. We now have a zero touch sandwich line and a state-of-the-art automated chilled ready meal plant, for example. But the remaining opportunity to deploy advanced robotics is significant as technology improves cost reduce and applications broaden to replicate the dexterity of the human hand. The cost of direct labor is in our businesses approximately 300 million pounds and it continues to provide inflationary headwinds. So we're now embarking upon phase two of our automation strategy. We've established a new center of excellence and have begun to build a new ecosystem of partners. We've allocated a CapEx envelope to drive automation p and l benefits in the medium term, and Steve will bring these opportunities to life for you later.

(01:07:21):

Our multi-site network allows us to drive synergies and efficiencies, which we are now exploiting in the new functional model. In the top example, we are step changing the performance of the chilled ready meals plants by optimizing Warrington Whiz Beach and Ton as one network. As we unlock capacity through operational excellence, Andy and I work to fill that capacity with very targeted profitable volume supporting customers growth and innovation ambitions. In the second example, we have created a three plant counter seasonal cluster, which allows us to optimize labor and overheads across the full year and internally source ingredients between those facilities that we previously bought from third parties. In the third example, we have created a group logistics function that looks at the entirety of materials movements across the total Greencore network, consolidating inbound deliveries, optimizing warehousing, and creating hubs to avoid duplication that existed across our old business units.

(01:08:30):

I and this schematic illustrates our ambition to keep our total delivered costs flat, deploying our operational excellence levers to offset inflation. As shown on the left, TDC flat requires an enterprise mindset working closely with commercial food development and procurement teams and customers to drive structural efficiency through the value chain. On the right, you'll see an example of how we have analyzed the indirect labor in each side by function to identify where we have the leanest structures. We can then standardize organizational design blueprints to reduce FTE headcount phase one of this programs now live and project MBE will allow further streamlining overheads going forwards as we standardize processes and invest in new systems.

(01:09:29):

And underpinning our aspirations is project MBE with Nigel and Andy having shared their respective work streams. I'm the executive sponsor of the plan to deliver work stream, which aims to transform our inefficient legacy IT platforms and spreadsheets into a suite of industry leading tools. This will further improve our data integrity. Our integrated business planning capabilities provide real-time insights for online decision-making, enhance quality and drive a low cost operating model. We now have several process work streams live, including an end-to-end planning tool which looks seamlessly from the customer to the production line schedule a manufacturing materials performance tool, which we will demonstrate later in the MBE breakout, have a workforce planning optimization solution in design and procurement enablement. For example, we have just recently launched an automated robotic negotiating tool. Today we are demonstrating to you hopefully how we are delivering strong improvements today whilst in parallel building a winning business built on world-class platforms for the future, all of which means there is much more opportunity to go after.

(01:10:59):

You can see here that we have delivered the fiscal 23 and the fiscal 24 plans. We have strong momentum through early fiscal 25 and the initial 30% cost opportunity pool that I defined for you earlier will be extracted fully. However, this initial diagnostic focused primarily on conversion cost within the as is network. The opportunity resulting from automation network optimization, project MBE, amongst other things are within the next cost opportunity pool. Once these costs are removed and we then repeat the cycle to continually define the next layer of opportunities to keep our total delivered costs flat over time, this will require the more advanced operational excellence capabilities that we are now building. So in summary, we have a compelling customer proposition operationally that is incredibly difficult to replicate. We are building a forensic diagnostic approach to target inefficiency in waste and applying very well utilized and proven tools to attack the cost opportunities within the business. We have assembled a strong team to do that. We are benefiting from the new functional model driving a one Greencore culture, and there are large opportunities ahead as we drive the big transformational levers I've presented to you today. This will also radio us for M&A integration and synergy extraction project MBE will transform our processes and our systems landscape enabling a low cost operating model that will in my view, drive fierce competitive advantage. Thank you.

Dalton Philips (01:13:00):

Great, thanks Lee. Good to have Lee, Andy, and Nigel share with us some of their thoughts. They're going to join me now on stage and we're going to go into the first of, we've got a whole series of different Q and as today, but what I wanted to do now was just do a Q&A, if it's okay with you, specifically around what you've heard today in terms of portfolio or commercial or operational excellence. And then later on we're going to be talking more about the financials, but if we want to keep it to that, that would be helpful. Got some of my colleagues holding up mics. If you do have a question, raise your hand and then maybe tell us who you are because we can pick it up on the transcript.

Patrick Higgins - Goodbody (01:13:48):

Thanks. Morning, Patrick Higgins from Goodbody. Just one question from me. I guess one of the things that struck me through that initial presentation is just how much capacity you guys have unlocked already. What does that look like across your top two or three categories, and how important will filling that capacity be to achieving the targets that you've outlined today? And I guess will you need incremental capacity to deliver against the midterm growth ambition as well?

Dalton Philips (01:14:20):

Yeah, thanks Patrick. Again, look, I'll certainly turn to you Lee, you may have a view as well Andy, but this focus that Lee's brought on OE and just driving out capacity, it's the best returning capacity you'll ever get your hands on. So Lee, do you want to give some thoughts on that?

Lee Finney (01:14:36):

Yeah, so if you look across our total business, we've got, as we say, about 15% surplus capacity. It differs in different parts of the portfolio, but on average we've got certainly room for growth over the next couple of years and in specific portfolio areas where we believe they're exciting opportunities. So for example, we touched on, Andy touched on earlier Northampton and the potential for us to grow further with M&S, which of course is very profitable growth for both parties. So I feel comfortable that we've got the capacity in place for this next phase of growth. My challenge always is to unlock the next tranche of capacity through operational excellence. And then Andy and I are very focused on how we in a reasonably forensic way, target the right profitable volume for that capacity we create. So we've got a pipeline of opportunities where we're going after operational efficiency in sales, prospective development at the same time

Dalton Philips (01:15:36):

And with look, 15% unlock and you've seen our revenue targets of three to five. We've absolutely got the capacity for the next period of time and then we'll go after more of it, but you've got to go and sell it.

Andy Parton (01:15:47):

Yeah, I mean I think it was a very thorough answer. As I say, I can see a clear line of sight to the opportunities that we've got. It marries up very well with the capacity and that just to add to a point we've made in both our presentations, we have a very good business planning process in place now enabled by the new structure. So being able to match the right opportunities to the right capacity to get to the right financial outcomes. Great.

Karel Zoete - Kepler (01:16:18):

Good morning. Karel Zoete from Kepler. I have two questions. The first one is on the slide with the RIC said there's still a couple of areas why you went from red to yellow, but in your biggest categories, you're now green everywhere or soon. Is there a general reason why some of these categories are still yellow? Could it be an area of scale size of the category investments or really there's a bottom up story to any of them? And the other question is on the last presentation with regards to planning and demand forecasting obviously an area where a lot of things are happening. How are you connected with the systems of your core clients nowadays using their data and their insights?

Dalton Philips (01:17:07):

Thank you. Great, thanks Karol. So I'll come to you on the ROIC and then maybe you want to pick up how you connect in with the systems or actually both of you can talk about that.

Nigel Smith (01:17:16):

Yeah, thanks Karol. So I think there's some commonality and some difference. You made an observation that actually our largest categories are those that we've transitioned to green and there is a link there. I think the scale that we have in those categories does help in our ability to drive a return and also if we're a little self-critical over history, it's also been a question of relative and respective focus. And that's why the analysis and the assessment that I referred to and the ability of really granularly assessing returns at each part of the portfolio kind of unlocked some hidden gems in terms of going forward. There is potential right across the portfolio, be they green or amber, by pulling on the kind of levers that we've talked about, be it now going and selling the capacity that we've created, be it improving the operational efficiency in the way that Lee has talked about or managing the cost base pretty tightly.

Dalton Philips (01:18:11):

And Karol, in terms of linking in, we would love it by the way, if all our customers operated on one system, unfortunately they operate on multiple different systems. So we have to plug in all cases.

Lee Finney (01:18:23):

So we see a proliferation of systems on the customer side from relics to blue yonder, and actually there's some investment going into that space at the moment with many customers, we're not seeing a standardization unfortunately. It would be great if we could, but they're typically choosing tools that they think are best for their business models. I'd love to say that we were seamlessly connected into all of those we're not today. And actually a big benefit of project MBE is for us to implement a new planning suite end-to-end that dovetails better with customer. So today it's largely manual. Today it would be we would have interns working with their demand teams and we would work with them in collaboration, collaborative planning and forecasting, but not seamlessly from a technology point of view, there would be lots of manual workarounds and processes that we would want to streamline going forwards, but we do a good job of it. Our service levels are high and we engage strongly with the customer. Our demand management capabilities are strong, but we can do it much more efficiently.

Andy Parton (01:19:27):

Yeah, I mean, I'll just add to that. I mean despite some of the technology differences that we really do a good job of using customer data. Two examples Lee mentioned, how we think about demand management. We have some great colleagues who we actually implant into our customers and they're then working with that customer data. And if I think about food on the move as an example, our customers really benefit from that extra analytics because you can almost see food on the move as a bit of a store within a store in some of the supermarkets. It has a slightly different trading pattern, time of day, day of week. And real benefits come from this. The colleague question and the customer in question did a load of analysis, for example, about stores that were near football grounds and every second week there's this massive uplift on a Saturday that opportunity was being missed. We've put in place the right analytics now put that into the system, we're now benefiting from that opportunity. So there, there's real gold in this. And then also category data as well. Many of our customers will share their data so we can understand what's selling, make better ranging decisions that drives better availability, that helps you demand planning. We are very well embedded in our customers, but to Lee's point, opportunities to connect the systems I'm sure in the future. Thanks, Carl. Damien,

Damien McNeela - Deutsche (01:20:50):

Thank you. Damien McNeela from Deutsche Numis, a few from me please. Two,

Dalton Philips (01:20:55):

And I've been warned.

Damien McNeela (01:20:56):

Okay, two from me then. No problem. Okay. Firstly on portfolio shape, you've indicated you're aiming to grow at three to 5%. Should we expect the general shape of the portfolio to remain the same or would we expect a greater skew to perhaps some of the lower growth areas that you operate in given that guidance? First question, and then secondly, I guess I asked the margin question, is the pace of growth towards that target of 7% equal? I think there's a slide. Page 66 look like the incremental blocks were similar, but whether that was just indicative or whether it's actually backend loaded, if you could clarify that, Lee, please.

Dalton Philips (01:21:45):

Thanks very much, Damien. I'll come back to the margin question in a moment. In terms of the portfolio shape, do you want to pick that up?

Nigel Smith (01:21:54):

Yeah, I mean this is as much organic as anything, and we're not sharing specific guidance on individual category growth rates. As Lee outlined, we freed up capacity reasonably well across the portfolio and we will take over the life of the plan, opportunistic, both new business and growth opportunities. There's slightly different growth profiles across the categories, but not massively such that we'd see a massive skew over the life of the plan

Dalton Philips (01:22:22):

And will look. We're very happy with all our current categories, as Nigel pointed out earlier, in terms of margin, we're going to get more into margin later. I want Catherine to lay out, Damien, how it flows. It's certainly not hockey sticked and it's evenly distributed if you think between what Lee's got to do, what Annie's got to do and what we've got to do centrally in terms of a third, a third, a third, but it flows through. But why don't we come back to after Catherine set her stall out, if that's okay?

Matthew Abraham - Berenberg (01:22:57):

Great. Thank you. Matthew Abraham from Berenberg. First question is just in reference to your earlier comments about the EU being potentially a market of interest for you. You actually said that your model would be potentially well suited to that market. Just wondering what you think the key reasons are that the model is well suited. And then the second question is just in reference to robotics investment, some interesting elements of the investment phase there. Just wondering where you think robotics can get to as a proportion of your total capacity and over what time period that occurs?

Dalton Philips (01:23:38):

Yeah, look, Andy, I might throw it to you in terms of the eu, but when we visit the eu, we continue to be underwhelmed by the product that's on offer there and yet continue to be surprised by how much space max they're actually dedicating. If you go into any of the French convenience stores now, they're giving at least two bays to sandwiches as you come in and all the sandwiches are on 28 day MAP packaging. I mean the quality's just not there. So I certainly think our consumer insight, our manufacturing capabilities is way of winning in the procurement expertise that we have is a major step forward. And what's interesting is we do hear retailers on the continent coming over here looking at what's going on, scratching their heads why they can't do it over there. It's definitely not in the short term. We're not about to open a factory in Europe anytime soon. But I do think longer term there are opportunities. I think when you take the Irish market, look, it's exactly the same market with similar customer base, similar tastes and similar retailers in place. But Andy, you've been looking at this closely.

Andy Parton (01:24:53):

Yeah, I think you've answered it well, probably to add a bit of color to it, it won't have escaped your attention. Look, we do work with some very large customers who have European presence, the discounters in the UK. These are European and international operations, and they're very interested in the capabilities that we have and how the convenience food market compares in the UK to Europe. So look to Dalton's point, this is not necessarily in the short term, but there's definitely a conversation that has already started about how Greencore in the future could really be a partner, not just in the UK, but further refilled for some of our large customers

Dalton Philips (01:25:36):

In terms of robotics, when we finish this Q&A, we're going to go into an actual workshop on robotics. So we're really going to lay out the landscape of how far we can get, but I think there's a massive opportunity. It's probably better that you see the art of the possible and then we go from there if that works for you, max, any other questions? Okay, Gary,

Gary Martin - Davy (01:26:05):

Gary, Gary Martin here from Davy. Thanks for the presentation. It was really, really insightful. Just maybe two questions on my side. Dalton, you mentioned specifically at the beginning just around horizon three objectives, and I think you'd covered off that you'd kind of touched into areas including hot food. So it sounds like you're kind of making inroads into new categories and new channels already. But actually it'd be good just to get a bit of a deeper dive just into horizon three objectives and just areas of attack there. And then maybe just a second one for Lee. Just on slide 60, it covered off just the various pillars of the operational excellence program. I think maybe five had been actioned out of about 20, just in terms of the remaining 15. Is there decent overlap there and can that be quickly rolled out in the near term? Thanks.

Dalton Philips (01:26:57):

Thanks Gary. And look, I might go to you, Lee, on the different pillars, but just to say on Horizon three, if it's okay with you, we've got a whole section later on today, we're actually going to go into some detail in terms of category channel country. It's probably bad if we go through that, if that's okay, Gary. So in terms of the

Lee Finney (01:27:17):

Pillars, yeah, look, this is early days for us. This is a new methodology. It's a new framework. We've never operated this way before in Greencore with this kind of structured pillar based methodology. They're not systems or frameworks that can be implemented overnight. They are a multi-year maturity improvement journey. But you can go after quick wins reasonably effectively. So you'll see the areas we've prioritized, the capabilities we want to quickly build where we think we've got the fastest payback and the biggest opportunity to impact the p and l. So you'll see, for example, a focused improvement pillar, which helps us diagnose where we've got losses and waste and inefficiency. We prioritize that pillar and we're training people up on those tools. There'll be some of the other pillars that we will bring in over the next year or two years, or perhaps three years, I would say to implement the full framework could actually take us three to five. And then as a maturity process over many years, Toyota will have been implementing these models for half a century. So they're never ending. You can continuously improve, but I think the journey for us over the next three to five years is to implement the whole framework focusing on the things that benefit the p and l most impactfully earlier.

Dalton Philips (01:28:38):

Okay, take one more question if that's okay, Clive.

Clive Black – Shore Capital (01:28:44):

Thank you. Clive Black from Shore Capital two, if I may, is reducing seasonality part of your strategy. And secondly, when you do fill all your factories, would you prefer to build a new one or buy one? And if you were building a new one, how much sure would it cost in Britain?

Dalton Philips (01:29:04):

So Andy, I'll come to you into seasonality. And then in terms of capacity, we're not calling it out specifically today, Clive. We do have a positive weather bias, which means that we're in more warm weather bias categories. Obviously the soup facility was at capacity the last few weeks. I think it's something we think about, but actually when you think about the opportunity with where we are in ready meals, I mean that picks up quite a bit of the slack in the winter months. But Andy, over to you.

Andy Parton (01:29:43):

Yeah, I think if you think about the distinction between horizon two, horizon three, if you think about the core business and the opportunity we still see there to Dalton's point, not a huge change of emphasis on seasonality. There's some stuff that we're doing within Horizon two that naturally helps it. I guess in the sense of, to Dalton's point, the expansion of ready meals, the work we're doing on hot food of course is very much around more winter. So there'll be an element of that. We'll talk about horizon three later and the criteria we're looking at around that. But I guess that's how I would summarize.

Dalton Philips (01:30:18):

And in terms of capacity, look, I'll bring Lee in, but no plans to build anything greenfield at the moment. As I said, the opportunity to squeeze additional capacity out of the current network is still pretty material and it's so heavily returning.

Lee Finney (01:30:34):

Yeah, no plans at the moment and I would hesitate to give you a figure for how much these things cost because it depends on the footprint, the complexity of what you're doing in them, whether you are putting new technology and automation in there, it depends where they are. There's so many variables. So I had hesitate to give a value on how much a greenfield facility would cost us should we choose to build one. Our focus at the moment is optimizing the capacity we've got and we've got headroom to do that. In parallel, I'm continually looking at network optimization opportunities and with a careful eye going forwards on the potential as we do M&A to look at further plant synergies and network optimization resulting from those new assets. Therefore, trying to keep our powder a little dry because we could make decisions on a plant today that in the near term proves to be the wrong decision because we now haven't got the capacity to crunch. So it's a watching brief, but no plans for Greenfield right now.

Dalton Philips (01:31:40):

And I would just say in closing, Clive, we would never want to get complacent, but to replicate our network today as a new engine coming in, I mean pick a number, but you wouldn't get much for 50 million quid for a plant. You really wouldn't. So that's how we see it. I'm going to pause there. We're going to stop for a coffee and then we're going to go into our breakout and there'll be more time for questions through the breakouts and then there'll be more time later on when we're back here together.

Break

Dalton Philips (01:32.17):

So let me just orientate you on what we're going to do now through to lunch. We've got three set pieces. Fran's going to come up in a moment and talk about our sustainability strategy. Nigel's going to come back up then after Fran to talk about horizon three, so growth and expansion beyond the core, and then Catherine's going to finish it off by updating us on the medium term financial targets. Then we'll have another set piece of Q&A and we'll go upstairs, meet the chefs and try some of the delicious food that they've been preparing next door. So with that I'll hand you over to Fran.

Fran Haycock (01.33.00):

Thank you Dalton. Hi everyone. I'm Fran Haycock, group head of sustainability. I've been with Greencore seven years, half of which has been in the sustainability function and prior to that I held a variety of commercial and change management roles as one of the UK's largest food manufacturing companies. We recognize our role in adopting and leading on sustainable business practices. Balancing the demands of the p and l people and the planet is challenging but makes good great business sense for Greencore and is also becoming more central to our customer relationships and their expectations of us as a long-term strategic partner. In the last two years, we have made significant progress. We have built strong essential governance and expertise, but with the accountability for delivery move firmly into the business under 10 plan owners covering the breadth of our better future plan. I'll now take you through some more detail about our approach followed by a short video of our leaders bringing that to life.

(01:33:51):

Our Better Future Plan is designed to ensure Greencore remains a strong leader in the food industry, shaped by our three strategic pillars, sourcing, making, and feeding. Underpinned by our approach to social topics and our program foundations. Our Sourcing with Integrity pillar led by Andy, our chief commercial officer, works to ensure we source ingredients responsibly such as soy and paper, meaning our buying protects the natural environment and the people who work within it. Our supplier partners play a critical role here. Our procurement team are highly focused on step, changing our collaboration with our suppliers as part of a multi-year supplier engagement approach. Andy Thompson, our procurement director, we will talk more about his team's priorities shortly Making with care led by Lee, our chief operating officer reflects the focus on our own operations to minimize our environmental impact. In parallel with supporting our p and l through using less energy, reducing our water usage and minimizing and redirecting our food waste.

(01:3:53):

Our plant general managers are accountable for delivery of these efficiency programs and we have now begun to develop net zero transition plans, which will enable us to build a robust and long-term decarbonization pathway for the group. Feeding with pride, again led by Andy, our chief commercial officer and Rachel, our head of innovation focuses on the final product and its impact on consumer health and the planet. We have a well established agenda in sustainable packaging and a fast evolving approach to healthy and sustainable diets. Our packaging, food development and sales leads are responding well to both customer and consumer demand for innovation that is affordable, accessible, and most importantly tastes great. Rachel will provide some specific examples of how we're leading on this in the video. People at the core led by guy, our chief people officer, and Rick, our head of human rights encompasses social topics such as communities and human rights and our direct operations.

(00:03:59):

I'm really proud of the strength of our human rights agenda. Our central resource are doing a fantastic job upskilling our site, HR and manufacturing colleagues to ensure our sites and their people have the highest level of protection people make. The difference at Greencore and our local communities are critically important to us. As such, our community strategy has evolved beyond donating food surplus and now includes a heightened focus on both volunteering and food education. And finally, our foundations. These work streams are critical to ensure both the executive team and the sustainability committee of the boards have confidence in the program management and its delivery in risk. We have stepped changed our embedding of sustainability into our risk management program with our enterprise risk model now including both potential climate impact to our UK property and our global supply chain. With embedding when working hard to build this into business DNA for the long term upskilling from multiple levels of the business, from our executive team through to the shop floor, helping our top leaders and our frontline colleagues understand what it means for our business, for their roles and how they can support our ambition and our target delivery.

Now onto our targets which have been carefully selected as essential to ongoing business resilience and success in sourcing, we've got a range of targets to support our ambition and we're making steady progress to both our 2025 and 2030 goals whilst maintaining our ongoing KPIs such as responsibly source palm oil. Our work in this area will transform the supply chain for the better, build resilience and help deepen our understanding, our existing customer relationships, many of whom share our ambition and also our targets in making. We have three ambitious 2030 targets aligned to either a global or industry standard such as the science-based target initiative. Our operations team are building good momentum behind these three areas and we're now starting to see decarbonization water and food waste reduction pathways come to life as we join up sustainability, operational excellence and our technology agendas. An example of this is the tray wash that Lee mentioned earlier in which operational excellence and sustainability have co-joined.

Our KPIs in these areas have also been incorporated into our long-term incentive plans, which is bringing real focus to their tracking and their delivery, helping us to shoot supercharge progress against these core manufacturing KPIs in feeding, we've been at the forefront of the healthy and sustainable diets agenda setting two health related targets in 2023, which Rachel will elaborate on in the video. We will continue to invest in this topic as it develops so we're able to respond to new customer and consumer preferences as well as any new regulation in packaging. We have 3 20 25 targets which are aligned to the UK plastics pack ambition and we're making good headway to deliver these in close partnership with both our customers and our suppliers. The latest changes to extended producer responsibility will have a big influence on how this agenda evolves and we're staying close to our customers about their priorities. I do appreciate this is a high level overview of our targets, so more information on our metrics and targets can be found in our sustainability report. To further bring our approach to life, you'll now hear from three of our sustainability leaders talking about their progress and focuses for the coming year.

Andy Thompson (01:40:18):

My name is Andy and I'm the group procurement director at Greencore. I've been with Greencore for 16 years and as part of my role I'm very closely linked into the sourcing with integrity pillar. We have a complex and global supply chain at Greencore, we source about half of our ingredients from outside the UK and 92% of our emissions as a business are Scope three coming from the supply chain. So this is an important focus of our sustainability strategy. We're doing lots of work with our suppliers to understand and support their decarbonization efforts and this will be a big focus for us in FY 25 as we engage more closely with our top 10 suppliers to understand the steps that they're taking to reduce emissions in the products that we buy. As a private label business, it's really important that we're joined up with our customers on Scope three goals.

For example, we buy a lot of animal protein and we expect that we'll continue to do so for as long as this is what our customers and our consumers want in their products. However, we're committed to working closely with our suppliers to ensure that we're procuring ingredients which are naturally emissions intensive like beef in a more sustainable way. Another big area of focus for my team in the sustainability space is supply chain security. We're putting a lot of work into securing the longevity of our inbound supply chains, ensuring that we have mitigation plans in place for climate events. To give an example, the impact of adverse weather can be particularly challenging for our produce. Procurements last winter in the UK was very wet, which resulted in difficult growing conditions last summer, followed by extraordinary flooding in Spain, centered around Valencia where much of our winter produces grow.

In response, we are looking at two different work streams to secure our supply of produce. Firstly, what more crops can we grow hydroponically in the UK, meaning that the crops are grown in water rather than soil supported by heated greenhouses and LED lighting. And secondly, how much more we grow in controlled environments, essentially greenhouses versus open fields. These kind of measures will give us additional protection in the events of flooding or natural disasters and also spreads out our geographical exposure, meaning that we are not overly at risk from a single region or country experiencing a weather issue.

Steve Switzer (01:43:00):

My name is Steve Switzer and I'm the group manufacturing and engineering director and I've been with Greencore for 10 years. I'm closely linked into the making with Care pillar as we focus on reducing the environmental impact of our manufacturing. Our key KPIs here are scope one and two, carbon emissions, water usage and food waste. We've begun to make progress against each of these areas in FY 24 and have set the foundations to really step change our performance in order to achieve our 2040 net zero ambition as well as developing a multi-year roadmap to use less water and recycle more of what we do use. One big unlock for us this year was the Energy Savings Opportunity Scheme where we identified over 200 energy reduction ideas in our 16 sites through audits and team engagement. A great example here would be the refrigeration upgrade in our Boston sites where we've replaced an aged refrigeration plants removed F gases and replaced with a state-of-the-art ammonia system enabling significant carbon energy and water reductions. What's progressing our sustainability does mean spending capital. There is also a material benefit for the p and l. An example here would be food waste, an area where we've done a huge amount of work in FY 24 and are currently tracking ahead of our schedule target for 2030.

Rachel Smith (01:44:27):

My name is Rachel and I'm the head of innovation at Greencore. I joined the business around six months ago. My background is a wide range of development roles, the various sectors in own label manufacturing. I'm really focused on the feed and with pride pillar specifically how we can use innovation to create products that are healthier for consumers and better for the planet. This is really important in terms of both quality and health. On the quality side we see growth in premium tiers across our products, particularly prevalent in sandwiches and ready meals. And from a health perspective, we are seeing a shift from traditional calorie control and fat reduction to more positive nutrition and functional health. 71% of our products are already classified as healthier based on their nutrient profiling modeling score, which is calculated from a combination of macro micronutrient data, fiber and fruit and vegetable content.

And 55% of our products have no red traffic lights on pack and if we take the lunchtime occasion alongside sandwiches, we also produce soup, salads, sushi and poke bowls, which all play a role in a move towards more healthy and sustainable diets. Therefore, it's a priority for us to keep working with our customers to both innovate and create great new products that are in line with consumer trends whilst continuously improving the health of our existing product portfolio without compromising on taste. The other piece, which is a really big focus in this pillar is on sustainable packaging. Almost all of our packaging is now reusable, recyclable or compostable, and almost half of our plastic packaging comes from recycled materials. This is something which is really important to consumers when they think about sustainable eating and will continue to make strides in this area whilst also recognizing the increasing desire for more sustainably sourced ingredients.

Fran Haycock (01:46:14):

Hope you found that insightful. Some great examples there of how our leaders are both taking ownership of delivery and delivering results into the business. To summarize, I'll wrap with three points. We must run and grow the business model sustainably. It influences what we do today and is shaping our decisions for tomorrow to unlock opportunity, mitigate risk, and build overall business resilience. Strong foundations are critical to program success. Embedding takes time, effort and is continuous, but our colleagues are curious and motivated to work differently by evolving both their behaviors and their processes. Momentum incredibly important to deliver our ambition. We've worked hard to build this. We're focused on showing our people that this agenda can work in harmony with business performance and ultimately enable it. Thank you. I'm now going to hand over to Nigel to take you through our growth plans.

Nigel Smith (01:47:13):

Thank you Fran. And hello again everyone. So we've spent the morning trying to bring to life the potential that we see in the business that we have today. Andy described the really strong foundations that we've got for growth within our core. Lee shared the fact that we're really only scratching the surface of our operational excellence potential and then the breakout sessions and what Fran has just taken you through has hopefully put some flesh on the bones of some of the specific opportunities that we see in front of us. I won't steal Catherine's thunder for how that's all going to tie together financially, but suffice to say that we're confident that there really is very material value creation potential within this core business that we have in the years ahead. And so what I was going to do now was to talk a little bit about the opportunities that we see beyond the business that we have today.

Now before I get into the specifics of where we grow next, I did want to touch firstly on how we think we can add value as we grow and indeed why we see ourselves and natural owners of a broader set of businesses than the business we have today. I'll call it six core strengths on this page and we're going to keep returning to these over the next few slides. The first of these things is the fact that we serve every major UK retailer and they're constantly asking us to do more with them. Secondly, and as you've heard throughout the day, we have enormous buying scale. We spend a billion pounds on raw materials and packaging and as we grow we get even more favorable terms on that spend. Thirdly, and hopefully this has come to life as well. What we do is really hard to replicate.

(01:47:56):

It's within the gift of anyone in this room to be able to make a sandwich, but actually there's not a lot of people who can safely make up to 2 million sandwiches a day while redeveloping hundreds of recipes each and every year. And that technical and product development expertise is transferable right across the convenience food space. Related to that, we are experts at manufacturing convenience, food efficiently. The operational excellence methodology that Lee took you through is applicable not just to our current categories in our current sites, but again right across the convenience food market, fifthly, and as we touched on, we have space to grow. We've spoken about how we treat our capacity as a precious resource and we're not afraid to resign on profitable business and the net impact of those portfolio interventions. And indeed our overall efficiency agenda means that we have that 15% of available capacity that we referred to a little earlier, and then relatedly, we have that unique point to point distribution capability that also has room for growth.

(01:50:07):

So these six levers then are really fundamental to our right to win when we think about our investment agenda, both organic and inorganic. And if there's one clear message to take away from this section, it's that we will only put shareholder capital to use where we can see that we have that clear right to win and that enablement for us to drive an attractive return on the capital that we would be putting to use. So if I translate that into some specifics over the next couple of slides, the obvious question then is where we grow next or what we've historically referred to as horizon three. And I think it's important to anchor the answer to that question in the focus that we have today across channels, categories, and countries from a channel perspective. As we now are all aware, our heartline, our heartland is in retail private label.

(01:51:04):

Our category footprint is largely focused on chilled food to go and our country footprint means we're defacto a UK business. And so as we think about where we go next, really we're twin tracking two routes. The first is the opportunities for consolidation within the markets that we operate today. And then secondly, opportunities to expand across each of the three Cs that I referred to new channels, new categories and over time into new countries we see both organic growth and M&A playing a role in each of these areas in different ways. And if I start with consolidation, Andy has talked about the organic potential to fill in our white space gaps. In other words, selling more of our current products to current customers and then if we think about the M&A lens through that, there is a reasonable, albeit reasonably finite universe of options there and we'll explore those opportunistically as the potential to unlock synergy emerges.

(01:52:00):

If I think about the second of those areas though, and where I'll spend most of the time is the three other axes that you see on this page. New channels, categories and countries. And if I take each of those in turn, starting with new channels, we see a lot of opportunity here both organically and supported by M&A. And if I start at the top of this page with the coffee specialists, Andy referred a little bit to this earlier on with the strong relationships that we've built with the likes of Costa and Caffe Nero over the last couple of years, but we really do believe there's more that we can do in this channel and the beauty of it is that we can largely do it through our current footprint. Andy also touched on opportunities within the travel sector and I'd flag in particular the retailization of petrol Forecourts.

(01:52:47):

There's a number of our customers like Asda and M&S who are growing their own footprint here and that gives us a tailwind to grow with them as they expand in this space. If we then move a little further afield, we're weighing options in the direct to consumer channel and we're not looking to compete here with the likes of Hello Fresh or Deliveroo, but as these kind of on-demand services grow, we really do see potential for us to supply discreet pre-made product solutions into players like those and supporting them as they scale. And then finally in the area of food service, I'll bring this to life. We're not too far away from lunchtime here in this room and indeed up and down the UK.. And what's actually happening right now as people approach their lunchtime is that they're going to go out and they're going to buy pre-pack sandwiches and salads and sushi and soup, but Greencore aren't making those products.

(01:53:42):

And not only are we not making those products today, we are not even in the tender to win the right to make those products and that's because consumers aren't buying them in the retail environment, they're buying them in offices, in canteens in schools and universities are on planes and trains. And the reason why we're not present is that the commercial model and the relationship set that's required to win in those channels, it's very different to how we've operated historically. Instead of serving major retail multiples, it's serving the likes of Compass or Sodexo. And so while we've historically focused on retail without the muscle to service the food service channel, we think that if we can partner with one or more players in this space that brings the right commercial capability, that could be a powerful combination and that's where the six levers that I mentioned earlier on come into play.

(01:54:34):

If I look across each one of the channels that I've just touched on straight away, we can bring cost advantage from that procurement scale and model buying exactly the same inputs to make the same products but at greater scale and more efficiently. Our product and technical expertise is directly transferable by selling the same product into a different customer set. I mentioned earlier the available manufacturing capacity that we've created for growth and the channels on this page in different ways provide opportunities for us to deploy that capacity in the ground and also for a number of these channels. That point to point distribution capability is particularly relevant where customers don't have their own chilled supply chain. So that's a flavour of some of our thinking as it relates to new channels. If I switch gear now and talk about opportunity within category expansion, you can see here on the slide that the retail convenience food market is worth well over 50 billion pounds and the categories that we play in are worth just about 20% of that or 11 billion pounds.

(01:55:40):

Greencore within those categories only captures 20% of that 20% or 2 billion pounds. So there's quite a lot of white space and if we drill into the white space of that 54 billion, it's made up of well over a hundred categories and Greencore doesn't play in 94 of those categories. You can then kind of filter that down for value and growth. And as you can see on the slide, there's over 30 categories which are of decent scale and which were growing faster than the overall grocery market over the last couple of years. Now, I'm sorry to disappoint if you were expecting us to take a very explicit position on category X or category Y or Z, and we're not going to do that in this public forum, but what we are absolutely crystal clear on and what I will share today is how we think about organic growth and M&A in this space.

(01:56:32):

And on the one hand, the closer in the adjacency, the more likely we are to expand organically. Andy touched on some of this a little bit earlier in terms of how customers are already asking us to stretch the category footprint that we already have, whether it's moving from pure sushi into broader Asian snacking and pokey bowls. We touched on the food innovation breakout earlier on some of these hybrid products that blend elements of salads and ready meals together or the moves that we've been making in breakfast as we've started to scale up production in bircher pots where we haven't historically had a scale of production and all of these areas provide new growth but using current capabilities and current factories and current available capacity. On the flip side of that, Clive asked a question earlier about green fielding and the potential to build new factories.

(01:57:22):

We'll be much less likely to be honest, to scale up in a totally new category by building a greenfield factory in particularly if the supply and demand dynamics, if that category are already in balance, that doesn't help us and it doesn't help the overall value pool available. But what we do have eye on is opportunities in decently sized growing categories where the current supply base offers opportunity for us to consolidate and that enables us to drive efficiency, to build scale advantage and in doing so, drive synergy just as we've done in sandwiches over the last number of years. And so if I link that back to the six levers I described and hopefully brings to life why we see ourselves as natural owners of a broader set of businesses, it really comes back to the levers I mentioned. It's about selling more to our current customers and so leveraging the retail relationships that we already have, it's about applying the procurement model and scale that we already have to drive even better input costs and it means applying the operational model that Lee touched on to any manufacturing operation that we may move into to.

(01:58:29):

The final area that I'll touch on for potential growth is new countries. Now as we flagged a little bit earlier, going international is more of a medium term ambition for us because our near term focus is really on pursuing the breadth of opportunities in the UK that we've spent the morning talking about. However, we are clear that over the life of this plan, moving internationally does have the potential to provide an important third leg of the growth stool for us. And we think that our history in the UK provides some insight as to how that can look. If we take the 16 site footprint that we have here in the UK today, this was actually put together through nine discreet acquisitions over a 20 year period. And that platform that we created fueled the growth particularly in Food to Go that we saw in recent years.

(01:59:20):

We scaled up and into those categories at a time that we were benefiting from a convenience store tailwind that Andy referenced earlier. We grew our market share organically by outcompeting and winning business organically and then we further consolidated the position by infill M&A. And so if we translate that blueprint from the UK and we look west onto the island of Ireland or south into continental Europe, we see their convenience food markets that are at an earlier stage of development, but in many cases outgrowing the UK we see presence of product categories that we know and understand well like food to go or ready meals or sauces, but we see a lack of market maturity and in particular supply base in those geographies, all of which points to opportunity for Greencore. Now to be crystal clear, any opportunity in geographic expansion just as with category or channel expansion will draw on what we already do well in the UK and that's where again, the value leavers on the right hand side come into play Commercially, it's about pursuing pockets of opportunity that we see with existing customers who have a presence beyond the UK that's probably most obvious in the island of Ireland where you have the likes of Tesco, M&S, Aldi, little, a number of the coffee and high street players, but also to some extent it's true in continental Europe.

(02:00:43):

And this came up a little earlier in Q&A where already one of our discounter customers is proactively raising opportunities as to how we can explore together, how we broaden our support to them with a potential physical presence in Europe. International expansion also provides opportunity for us to leverage our product and technical expertise, but also our procurement scale. And indeed, 30% of that billion pounds that we've referenced through the day is already spent with EU based suppliers. And then finally, there's the direct transferability of our operational capabilities. We run some of the most efficient ready meal and salad plants in the world and that operational know-how is relevant to countries where there is a clear appetite for that product set. So if that gives us a flavor of where we go next, I'm just going to conclude by touching on how we think about our approach to investment, which will be both disciplined and progressive.

(02:01:40):

Disciplined in the sense that any investment will be anchored in that right to win and the levers for value creation that I've touched on throughout, but also progressive in the sense that absent an incredibly compelling individual value creation case will progress through any one of these axes one at time. In other words, as we think about channel expansion, we'll sell the same category in the same country as we play today. It's sandwiches into UK food service, it's salads into UK coffee specialists. Similarly, as we broaden our category footprint, it's in our current channel and country, it's leveraging those UK retail relationships to sell a broader product set. And then as and when we eventually do move into new countries, we'll be biased to build a business in the channel and categories that we already know well. And we're clear that this progressive approach, in other words growing and diversifying the group but anchoring that growth in what we already do well today that will help us de-risk the execution of any of that diversification.

(02:02:40):

And that brings us to the three lenses that you see on the right hand side of how we assess M&A opportunities. We think about strategic fit, that bias to invest in structural growth and for us to be able to demonstrably add value. We think about sustainability, not so much as setting a hard veto on where we can or can't invest, but we will be mindful of the impact of any acquisition on our sustainability agenda and indeed our ability to improve the sustainability of trajectory of anything we buy. And then finally, and most importantly, the financial profile, any investment decision that we make will fundamentally be guided by our ability to drive a strong return from that investment. And that's not just theoretical by the way. I can already cite specific examples where over the last couple of months we've engaged with intent and with seriousness in individual processes but stepped away because the financial case simply wasn't strong enough. So to summarize, we've got a strong platform for growth. We see real potential to expand both organically and inorganically across new categories, channels and country and we'll invest progressively and with discipline, with clear guiderails for how we assess our opportunities. I'm not going to hand to Catherine who'll take us through the medium financial model. Thank you.

Catherine Gubbins (02:03:58):

Thank you Nigel. Good afternoon everyone. My name is Catherine Gubbins and I am Greencore's CFO, having joined the organization exactly one year ago tomorrow throughout the course of the day you'll have heard a lot from the team about how we win our lasting partnerships, great food delivery excellence, sustainable choices, and keeping our people at the core. What I hope to do over the next 15 minutes or so is give you some clarity on how we assess the financial performance of the business and also lay out a set of medium term targets for the group. When we think about the potential for the group with respect to growth and financial performance over the medium term, we know that it will comprise the core operation that we are still very focused on today, but I think we've also made it clear to Nigel's session that we plan to grow and expand this business in a considered way and that will obviously supplement our organic medium term targets to create incremental returns for shareholders. You will have heard today that we believe there is significant value creation potential lift in the core business and my focus is going to be on taking you through the financial targets for that core business.

(02:05:14):

There are five key financial metrics that we use to drive our business and I will take you through each of them in this session in a little bit more detail. Returns on invested capital, which is the principle metric that we use to drive decision making on a day-to-day basis, revenue growth and our adjusted operating profit margin. Clearly key indicators of the underlying financial performance of the business. And I'm going to bring together what Andy Lee and our team have shown you today to show you how we feel we will drive both of those metrics in the medium term. I will then set out how we are thinking about cash conversion leverage and our plan for the allocation of capital in order to better understand how we're thinking about our future financial performance. I think it is useful to set some context around the recent progress we have made across some of those key metrics, but also to be mindful of the drivers of the group's financial performance pre pandemic.

(02:06:14):

Like many organizations, the business was significantly impacted by Covid and the period of high inflation which followed this significantly eroded profit and returns for this business. And to a large extent, the group that we have today has been changed as a result of that experience. Bearing all that in mind over the past three years, we have made strong progress on ROIC operating margin and our overall operating profit and we have given you a lot of insight today into how we have delivered that. What I want to do now in this session is take you through what we feel this business can sustainably deliver in the medium term.

(02:06:54):

As mentioned earlier, our return on invested capital is our north star and is the KPI that we are most focused on. We have a well invested manufacturing network that requires ongoing investment to guarantee service levels and we feel that optimizing the timing, nature and scale of the investment in that network and simultaneously extracting value through our excellence programs is a key driver of continued profitability and returns into the future. Our plan is to achieve a ROIC of at least 15% in the medium term. This is above our weighted average cost of capital and above our 2019 level of 14.4%.

(02:07:40):

When we think about revenue growth, our goal is to drive mid single digit revenue growth in the range of three to 5% through a combination of volume, price, and mix. Our operating margin is another critical KPI and we are confident that in the medium term we can achieve and sustain an operating margin of 7% and above. Cash is a real focus for us as a business and we are targeting a cash conversion rate of at least 55% for the medium term. Our long-term target leverage range will remain at one to one and a half times. We may choose, as has been referenced earlier, to go above this target when an opportunity to really create value arises, but we would only do so in circumstances where we have line of sight for leverage to drop to the target range in a timely manner. We feel that these are stretching targets for the core business for the medium term that will ultimately be supplemented incrementally by accretive M&A.

(02:08:48):

So how do we plan to drive that revenue growth? I'd like to get into a little bit more detail on how we plan to drive the three to 5% revenue growth over the medium term. When we think about volume, we plan to leverage the forecast market growth and other structural tailwinds that Andy took us through earlier, including the continued UK convenience store openings. Andy also noted earlier that we don't currently serve every customer across every category and we have a strong pipeline of potential business to pursue building on our existing customer relationships. Thanks to the actions we have taken over the past two years, we also have over 15% of extra capacity to go and sell. We've heard a lot from the team today about innovation and the product capability and expertise we have. We work with our customers to create innovation that will critically drive incremental sales.

(02:09:41):

And Amanda's update about the Kitchen Deli proposition for Sainsbury's in the breakout earlier is a perfect example of innovation driving additional volumes on price and mix. We see several opportunities. Premiumization has really become a market driver and differentiator that retailers are keen to leverage and there are opportunities for us to use our deep understanding of the consumer to work with our customers to leverage premiumization across our different categories. Finally, we will work with our customers to drive inflation recovery even in a period of moderated inflation levels. We are assuming a pricing impact here, so just moving on to margin. There is a lot of focus on our operating margin, particularly in the context of understanding our historical performance. The group's operating margin peaked at 7.3% in 2019 and we recently closed 2024 with a margin of 5.4%. It is useful to have an understanding of some of the factors that have impacted our margin evolution over the past few years.

(02:10:43):

So starting with inflation since 2021, the business has faced unprecedented inflation across raw materials and packaging and direct labor costs. We have seen national living wage increases driving an increase of over 35% in our direct labor cost pool since 2019 and our raw mat and pack cost base increased by more than 200 million pounds. We have worked hard to recover that inflation over the past couple of years through price joint models with customers and cost management. However, the scale of the inflation took some time to adjust to and engaged with our customers on and we have not recovered the margin on top of that inflation. You'll have seen today a lot of detail on how we deploy our operational and commercial excellence programs and you can see how the team have been driving significant value into the business helping us to recover 140 basis points of margin between 2023 and 24 alone.

(02:11:40):

What we haven't however been able to fully offset is the large amount of overhead inflation across our indirect payroll cost base and our non-payroll cost base actions were taken in 2022 and 23 to partly address this through some headcount reduction measures specifically in the management and support area. However, this hasn't been enough to offset the full magnitude of that inflation in addition to significant increases across direct labor, we have also seen our indirect labor pool increase by over 30% since 2019 due to wage and certain headcount increases. It is important to put into context that the business was operating in a different environment in 2019 and undoubtedly the inflation being experienced across all categories in the past number of years requires a different level of focus on managing that cost base. One of my priorities is to ensure the cost base is right size for the future. And to that end, the executive team and I have focused on instilling a culture of cost management into the organization. We have improved how we monitor and report on costs and that visibility and focus alone is already starting to deliver results.

(02:12:56):

With that context in mind, we believe that there is an opportunity to further increase our adjusted operating margin sustainably to 7% and above and this slide sets out the key components of that trajectory. We are expecting low to mid-single digit inflation in most of our cost categories over the coming years. The exception is labor costs where the national living wage and national insurance changes are impacting us significantly this year and are annualizing into next year. Unfortunately, we are however focused on offsetting that inflation through our commercial engagement model, driving operational efficiency, having a laser-like focus on cost management and driving underlying efficiency across all of our ways of working. Andy and Lee and the team have given us a lot of insight into our commercial and operational excellence pillars and we are confident that we will drive margin accretion by continuously looking for ways to innovate to drive price and mix. We will continue to buy well through our procurement excellence program and we will improve the profitability of the production of existing and new volumes we deliver as we refine our operating model. Steve has shown us how we will stand up the next phase of our automation program and we will challenge ourselves to optimize our network to drive synergies and standardize our processes, particularly labor and other work practices.

(02:14:24):

I have spoken about our focus on embedding further cost effectiveness measures and a key enabler of our ability to do this is the investment that we are making in our making business easier program. We know that this will start driving significant value through simplification and reduction of manual work throughout the entire business. Cash conversion is a big focus for us and I really feel we can move our cash conversion rate from its historic levels of sub 50% to 55% and over and this is something I have been very focused on since joining. We see a few key contributors to getting there. One of the main areas I think that we can drive improvements is with our working capital efficiency and discipline. We see opportunities to drive working capital through optimizing our stock levels and others proactive and targeted improvements to our AP and AR cycles and we have steps in place to start delivering on that.

(02:15:27):

I have previously highlighted that we have reached agreement with UK trustees in respect of a reduction of circuit 10 million pounds in our annual UK pension funding, which is expected to kick in before September, 2025. This will be a key contributor to improving our cash position. We are expecting more normalized interest rates, which will be partially offset by exceptional cash flows relating to the MBE program. Dalton and Nigel have both referenced our horizon three aspirations and while I won't lay out detailed targets for potential M&A today, given that activity is dependent on the availability of targets and the attractiveness of those targets, I suppose I did want to touch on how we think about M&A from a financial perspective. As Nigel referenced, we are evaluating M&A through three key lenses, the strategic fit for the group, obviously ensuring it adheres to our sustainability targets and financial discipline. Dalton and I have previously highlighted that improving return on invested capital is our key KPI when I consider the allocation of capital to any potential M&A. The key financial metric that we will be looking to deliver on is to ensure that acquisitions after synergies are accretive to the group's returns profile in the near term.

(02:16:45):

The final area I'm going to take you through today is our capital allocation framework. So we are very focused on using our available cash in a way that is most accretive or value creating for our shareholders. And we have the balance sheet optionality to consider how best to allocate that capital and really optimize that value. Let me take you through how we are thinking about prioritizing that capital investment in our organic growth is a priority. Continuing to invest in strategic and maintenance CapEx to drive growth and profitability in our core business is key and we want to spend circa 50 million on capital investment per year for the coming years. We are keen to facilitate the delivery of automation and other critical projects that we have referenced today that we feel will unlock real value for the group and we are focused on fast tracking those.

(02:17:44):

As most of you are aware, we recently reinstated a dividend of two p per share, which is the group's first dividend since 2019. Subject to the ongoing strong financial performance of the group, we will continue to provide for the payment of a progressive dividend annually we see opportunity for value creation through inorganic growth and we will seek to deploy capital on value accretive M&A that is aligned to our strategic ambitions where we find ourselves having excess cash. We would clearly look to return cash to shareholders periodically provided that we continue to believe that buybacks are creating value for our shareholders. I would propose to give clarity to shareholders on our plans in this space at half year and full year results announcements. So to summarize our key messages today we are prioritizing returns as our key financial metric and capital allocation decision making tool.

(02:18:44):

We have clear medium term financial targets that we are committed to delivering on at a very high level summary. Again, that is a mid-teens ROIC of 15% and over mid-single digit revenue growth of three to 5% delivering an adjusted operating profit margin sustainably of 7% and above cash conversion reaching over 55% and maintaining our leverage at one to one and a half times. We are satisfied that achieving these targets allied to a clear capital allocation framework will ensure that we continue to drive real value accretion for shareholders. Thank you very much. I'm going to hand back to Dalton.

Dalton Philips (02:19:22):

Thanks Catherine. So what I'm going to do is I'm going to ask some of my team colleagues to join me up here and we'll just go into a Q&A session and post that, we'll go upstairs, meet the chefs and get stuck into lunch. As I said earlier, the whole senior team is around so if you want to speak to anybody specific, either do ask a question now or over lunch, there'll be lots of opportunities. One just Patrick, one sec. One member of the team that I haven't introduced because he hasn't spoken today is Damien and I thought maybe I'd throw it to you to share. Thanks

Damien Moynagh (02:20:09):

Dalton. That's what everyone wants is we were just missing a lawyer to fill everyone's day up, but no thanks. Great to meet you all today. My name's Damien Moynagh, I'm the group general counsel and company secretary like Dalton and others. I've been here about, this is my third year and the 10 years before this I was a senior executive at a FSE listed global pharma services company. Prior to that a global backed financial technology company. And for the 10 years before that I was a corporate and M&A lawyer here in the city of London, New York, and Tokyo as well. So great to be here. Great to chat to a number of you years on today and look forward to speaking to you again at the lunch.

Dalton Philips (02:20:45):

Great, thanks Damien. So look, we'll open it up to questions and maybe limit it to two questions per person. Just throw your hand up and oh, you've got a question at the back and then we'll come up here. Gary,

Tania MacIver - RBC (02:20:52):

Hi there, I'm Tania from RBC. Just just a question on your revenue growth target of three to 5%. Can you put that in context of the underlying markets that you mentioned earlier this morning? They seem to be growing a bit faster than your target, which suggests this is more of an operational gearing story. And then just on pricing discussions, you've mentioned a few times that you're in discussion with discussions with customers, how are those going and is there still room for price increases given the sort of unprecedented inflation from the last few years?

Dalton Philips (02:21:30):

Yeah, great. Well look, two great questions and look, I'll bring you in Andy, but I would say on the three to 5% when we look at the overall convenience food category, which is more representative of all our product categories, that's growing at 4%. So I think the three to five sits nicely with that. But Andy, you live and breathe this and maybe pick up the customer relationship given NI pricing, et cetera.

Andy Parton (02:21:54):

Yeah, so just to build on the revenue growth, as Dalton said, sort of broad convenience market, 4%, we believe three to 5% is an appropriate target. As I say, we believe there are opportunities to grow our existing business and we're making good progress on that. And Aldi ready meals was a great example and as say we've got two or three other conversations live as well. So that gives the context of the revenue target in terms of pricing, a couple of points on that. As I say, we've got good protection and models in place on 75% of our customers. There is clearly obvious inflation coming as well in April. As you mentioned NI look, I won't get into specific customer conversations, but what I would say is look, we've got a very good track record of being able to manage these conversations and the conversations we're having are very pragmatic, they're very mature customers understand what's happening and we're constantly working on not just price and mix as well, so how we put the pricing through, but how we think about offsetting it with our customers as well. So conversations are progressing well and confident.

Dalton Philips (02:23:00):

Patrick

Patrick Higgins - Goodbody (02:23:01):

Thank you. Morning or afternoon even Patrick Higgins from Goodbody again. I guess just to add to that question just around the labor inflation challenge, as you say, it's obviously a challenge for you guys, but also your retail customers. How do you balance your ambitious margin targets against the challenges that your retailers are facing from a labor perspective and when you're negotiating price? And I guess the second incremental question around labor, obviously it's a challenge that you always have to manage, but how much of is it actually an unlock for you guys win new business with your customers, whether it's on the retail or food service side?

Dalton Philips (02:23:42):

Sorry, can you just say that second

Patrick Higgins - Goodbody (02:23:42):

Part? How much of it is it an unlock for you guys to win new business?

Dalton Philips (02:23:50):

Okay, well look Andy, I might send both your way, but I do want to make one point and what we have this conversation with our customers, the reason why we're focusing on roic, ROIC has primacy because ROIC is around having well invested plans and where the weather changes, and I'm talking about when the weather changes from today, tomorrow Lee's expected to turn that volume right up and still hit 99% service levels. So the challenge with our customers needs to be much more about having well invested sites moving out of this discussion around, is your margin too high or too low? No, we have to invest and that's why we're giving that primacy. But do you want to give your thoughts on this?

Andy Parton (02:24:32):

Yeah, I mean some context on pricing. Look obviously that that's one lever, it's a key lever and our customers understand that, but to your point, they have cost pressure as well. But I think a couple of points would be we've seen significant inflation in the last couple of years and we've seen our added value convenience categories hold up really well to that inflation. Like I say, these are added value categories. We believe there's headroom for price and margin and that's been demonstrated and that helps facilitate some of those pricing discussions. And also it's the other levers that we pull with our customers. So that commercial excellence program, yes, price is a key lever. We think about mix, we think about our input costs, think about the breakout sessions, we talk about a lot of renovating existing products. Some of that is cost outwork as well. So we bring to bear all of those levers and that is how we've been successfully growing our gross margin even in a period of incredible inflation.

Dalton Philips (02:25:32):

And then the second part of that question, in terms of the football field, are you talking about opportunities?

Patrick Higgins - Goodbody (02:25:35):

Yeah, I guess given the inflation pressures that food service operators in particular are facing now with labor, does that open up and it's kind of to Nigel's point in terms of your ability to manage that labor pressure is greater given your scale versus some of the food surfers operators. So where is the economies of scale or the kind of pivot point where it becomes more beneficial to work alongside you guys on it?

Andy Parton (02:25:55):

It is an opportunity and I think there's two parts to that. I think Nigel was referencing actually us moving into new customers and look, to your point, we can replicate a lot of what they do, but equally it's happening already within our existing customers. The announcements are in the public domain. You have seen some of our customers over the last few months talk about actually rolling back from cafes and in-store prepared areas. And as you can imagine, that's opening up a number of business development conversations for us about, to your point, we've got the scale, we've got the ability to produce fresh products that replicate products that have been made in store. So there's a great opportunity for us there to bring the best of us to compliment our retailers.

Charlie Rothbarth - HSBC (02:26:41):

Hello, it's Charlie from HSBC. Could you sort of put in context what you're expecting food inflation to be versus your three to 5%? Because there's numbers out there in the market, including us of sort of one to 4%, which doesn't put your three to 5% miles out of touch. And then to ask a straight up question, what do you think your addressable market in Ireland would be for when you move in?

Dalton Philips (02:27:04):

Well Nigel, I'll let you come back on the addressable market and Andy to come in on the food inflation, but I think in the round when you're talking about materials, packaging and labor, we met with a large retailer the other day who said a number north of four. So I think there's real concerns out there. You're obviously seeing a lot of movement in protein prices at the moment. You've got the NI and NLW coming through, so I think it is going to be three plus, but you live and breathe this.

Andy Parton (02:27:38):

Yeah, I probably wouldn't add anything to that. Certainly at the moment there's quite a lot of volatility in markets. Some are down, some are up. We're probably thinking one to two points. But as you say, I think the environment is starting to strengthen a little bit when you include labor as well.

Charlie Rothbarth - HSBC (02:27:53):

Sorry, at the lower end of your revenue range of 3%. If inflation comes in at three to 4%, they're not expecting volume rate.

Andy Parton (02:28:00):

I don't think you'd place, it depends on the categories and the mix of products as well. That's why we've got that range.

Dalton Philips (02:28:07):

Charlie, you okay

Charlie Rothbart (02:28:09):

Yeah.

Dalton Philips (02:28:10):

Okay. Nigel.

Nigel Smith (02:28:12):

Yeah. In terms of addressable market, in rough terms, you're talking about a 10th of the size of the UK markets depending on what you are addressing. So rather than getting into individual categories, but whether it's sandwiches, salad, sushi or otherwise across the board, it's as much population as anything else. You're talking about a 10th of the size. The implication of that is it's never going to be a leg of the same scale as our UK business, but it is an important opportunity to use as a test ground that internationalization potential that we outlined earlier on.

Dalton Philips (02:28:48):

Clive?

Clive Black – Shore Capital (02:28:49):

Yeah, thank you. Again, it's not a cheeky question, but what's your definition of medium term? Because over the years we found that could be a very broad number and when you get to the other end of a medium term and look back of those Cs, which will be the most important growth driver. And then secondly, do you have an aspired dividend cover level? Thank you.

Dalton Philips (02:29:12):

I'm going to throw that to you, Catherine. In terms of your definition or our definition of medium term,

Catherine Gubbins (02:29:21):

We understand the broadly accepted definition of medium term to be three to five years Clive. And we are aligned with that, I think is how I would put it. Do

Dalton Philips (02:29:32):

You want to pick up the cover lever?

Catherine Gubbins (02:29:33):

Yeah, look, we don't have an aspired dividend cover. We started low, our dividend cover is fairly high and I think we've indicated that we plan to grow the dividend progressively over the next number of years. So I think it'll hopefully grow in line with earnings growth over that period.

Dalton Philips (02:29:49):

And look, I'll share some thoughts on whether it's category, channel, or country at the end of that sort of medium term horizon. I think it could go either way between category and channel. I think there's some really large categories up there. Nigel showed north of 30 that are over 200 million pounds in size and grown over 7% and then there's some really interesting channel work. So I think it could go either way for us. I think what we were trying to lay out today, Clive, is the opportunity country, as we said is probably a longer term. Do you want any Yeah, go. Sorry, which way are you going? We're going this way first.

Matthew Abraham - Berenberg (02:30:36):

Great. Thank you. Matthew Abraham from Berenberg. Our first question does relate to the channels that you referenced. Just wondering if you can provide some color as to the underlying economics and the margins of those channels. Is the story here that as you have a greater presence in those channels, that there's a different margin to the group? And then second question relates. So the categories this morning, you outlined categories that are generating ROIC ahead of the weighted cost of capital and those that aren't in the way that we think about M&A. Is it likely to be the case that the first moves are within the categories that are generating that ROIC ahead of WACC? Or would you proceed with M&A activity in categories where there's yet to be ROIC ahead of the weighted cost of capital?

Dalton Philips (02:31:23):

Right. Two super questions there. Actually, interesting enough, when we look at some of these channels, we're seeing businesses in that have got significantly higher EBITDA margins than we've got today. Now there's some specific reasons in cases, but actually some of these channels can be very accretive. But

Nigel Smith (02:31:51):

Yeah, I mean to add some color on that it, it's quite varied across not just the individual channels that I talked about, but both pockets of activity within that and indeed individual players, but amplifying something Dalton said, it is possible. We can see it. We touched on food service a little bit earlier. There are players producing similar products to what we produce at higher margins than we're producing today, albeit a smaller scale. And so there's something in that contrast that against direct to consumer where the kind of margin spread is very, very broad. And that's why I indicated we'll be thoughtful there in terms of what we might directly do versus who we might want to take on as a potential customer to ride that wave, but without needing to put capital to use in the same way. And then I think there was a piece around M&A within categories in the consolidation space and any bias, we don't start from any kind of principled or philosophical point that says M&A opportunities must come from x, y, or z category. Were driven by, Catherine used the word north star of returns. So where there's infill M&A, that's possible in one of those larger or high performing categories where we can drive decent returns. We'll do that in some of the lower returning categories. Indeed, perhaps industry structure is at the root cause of lower returns. We'd also be open to M&A there. And indeed other ways of realizing value. So returns rather than category bent is the guiding principle.

Dalton Philips (02:33:26):

Damien,

Damian McNeela – Deutsche Numis (02:33:27):

Sorry, Damian McNeela. Deutsche Numis. Can I just follow up just on what you just said there, Nigel, because in the context of delivering that 15% ROIC, and you sort of indicated that five currently of your categories aren't delivering WACC, you need all five of those categories to be delivering above WACC to hit the 15%, or will there be an instance where you could have some division still not contributing above whack? Okay, so that's that. But would you consider exiting those then over the medium term if you're not going to get WACC, I guess is the question?

Dalton Philips (02:34:07):

Yeah, absolutely. I mean they've all got different timelines and plans in place. Some are going to be in the near term, some are further out. I think we've all agreed as a team, if they move off those tram lines and the trajectory they're on, there's a whole different conversation. And we've shown that with our soup business last year. It's not in our DNA to shut businesses. This team is prepared to shut businesses.

Damian McNeela – Deutsche Numis (02:34:32):

Okay, thank you. And then the last one, just what does the M&A environment look like? Are you sort of vendor expectations too high, lots of people willing to sell? Can you just give us an indication of what you are seeing in terms of targets please?

Dalton Philips (02:34:49):

Yeah, look, Nigel lives and breathes us. I think it was interesting from our side that we had just been out of the market, Damien for so long. My first year I don't think I got a single IM. And then we had to literally call people and just say, Hey, we're Greencore. We used to buy businesses, now we're back in the market again. And obviously the flows opened up and look, it depends on the business in terms of the valuation. But

Nigel Smith (02:35:16):

Yeah, I think there's been some moderation of value expectations over the last couple of years with, well, not just interest rates but also comps including publicly listed comps. And I think also the kind of inheritance tax changes that have flowed through, or at least perspective changes there for businesses more at the family owned end of the spectrum has also led to some moderation, but equally as we and others in our peer set have gained, gained in value, any good negotiator on the other side of that table is also pointing to that performance as well.

Dalton Philips (02:35:54):

Okay. Peter.

Peter van Rodden (02:35:56):

Hey Peter van Rodden Hallador, just on the M&A multiples, how do they compare to your current multiple and how does that factor into potential share buybacks?

Dalton Philips (02:36:12):

Well, I'll obviously, well, do you want to just take it?

Catherine Gubbins (02:36:16):

Yeah, look, I mean I think, thanks for the question, Peter. I think look, as we set out in the capital allocation flow, we are absolutely open to looking for M&A opportunities that we feel are value accretive. I'll let Nigel talk about the multiples that we're actually seeing from recollection. A lot of the ones that we're seeing are slightly higher than how we're currently valued ourselves. But I suppose from our perspective, we're open to potential M&A. That's where we're looking to allocate capital. If it's generating returns for shareholders where we have excess cash, we will be doing buybacks. I think we're pretty clear on that.

Dalton Philips (02:36:52):

Yeah, and look on multiple, we're just not prepared to overpay Peter. And I can't tell you how many have, I mean we've got a great big funnel. We review it on a very regular basis, but I think there's so much opportunity in the core business today. You get apps that you could be playing schoolyard football and being distracted by M&A. The right opportunities will come our way. And when they're right, it's because there is a strategic fit. It does fit with our environmental strategy and it is accretive to you as a shareholder. We aren't going to move otherwise.

Gary Martin - Davy (02:37:33):

It's Gary Martin here from Davy. Maybe just one kind of multi-pronged one for me just on that 15% additional capacity that's available. Would it be possible to maybe just get a bit more insight as to maybe the areas of the business where that there is a degree of slack when it comes to laying capacity? And maybe just as an additional follow on to that, is that Slack more so centered around those areas of the business with sub WACC res? And is it about filling that capacity with a margin ACC creative business? Is that the best way to think about it? Thanks.

Dalton Philips (02:38:10):

Thanks. Great. Look, it's always going to be margin accretive. We're just not going to go back to the old days. But Lee lives and breathe this.

Lee Finney (02:38:17):

Yeah, as I mentioned earlier, we are pretty forensic on how we look at capacity in the business and Andy and I are always looking at how we can margin the business up so we have a pipeline of opportunities against certain capital opportunities or certain capacity release opportunities. And we go and target that always with the view that that will be margin enhancing. And we run that cycle through our IBP process, our integrated business planning process every month, every month. And as the rough cut capacity plan changes, which it will do, it will ebb and flow for a number of reasons. We are continually adjusting our expectations of where we can hunt additional margin, and volume. So it's a very dynamic process, but it's always with the view that we're going to margin the business.

Dalton Philips (02:39:10):

Well, I mean, for example, ready meals, we've still got capacity there, but as you saw, there's been just an incredible turnaround on our ready mill business. So yeah, we'll fill it and we'll fill it a creatively. Okay. If there's no other questions, we will start to wrap up. So let me just share some thoughts with you as we sort of close and head towards being with the chefs. First, I just really want to thank you. I think I speak for all my colleagues here and the other 20 or so people that you've met today. We're really grateful for you giving us this time. We know you've got busy agendas. We set out with the purpose of covering four areas with you today. So we wanted to highlight the strength and depth of our team, and you've definitely seen that today. We wanted to bring to life the opportunities for strengthening the core.

And you'll have seen that today. We wanted to share our vision for growth and expansion beyond the core, and you'll definitely have seen that. And finally, we wanted to outline our medium term financial targets. And Catherine has done that today. So that's what we set out to achieve. And I talked at the beginning this morning about what counted in 2022. I talked about where I see Greencore today. Let me just sort of close out and tell you how I feel about CORE today, which is a slightly different approach. And that's just to say I feel really, really privileged to be a part of this team and I feel privileged because I get to work with really great people. You've met a lot of really good people today. This is a really good team. I really enjoy working with them. So I get to work with great people.

I get to work in a business with a real sense of purpose and ambition. You've certainly heard that today with a very detailed roadmap towards success. And we've absolutely shared that our Greencore way, a total blueprint to drive the business forward with just multiple opportunities right across the business. And look, I won't even go through them, but some of the examples we've seen today, maximizing returns in our categories, commercially leveraging that 15% capacity that's being unlocked. New product development innovation, enhancing our opex through network standardization, next gen automation, look, that's just a short list. There's a much longer list. And all of that's before we consider the possibilities of expanding into new categories or channels or countries through organic or in time inorganic opportunities. And look, that all rolls up into quite a significant set of financial targets, ambitious and going way beyond anything that this business has gone to before.

So there's a whole ton of things to go at and we go at it with a level of confidence because we know that this team that you've met today, the 30 odd people, they've built momentum into this business and momentum is so hard to get. And when you get it and you've not had it before, you do not let it go. And that's why we run the business with such rigor and discipline because we know you need to be on it 24 7 and it needs a sort of a relentless, ruthless approach to managing it because otherwise it'll slip from your fingers. So on behalf of this team, I really want to emphasize to you, we really feel like we are just getting started. The future holds incredible opportunities for this business, which we've shared with you today, and which we will demonstrate to you over the coming period. So I'll wrap it at that. We'll go back up stairs again. We'll go into that great food room for lunch, opportunity to taste many of our products to meet the chefs. And of course we'll all be around for any further questions you might have and I'll close it there. Thank you very much.