Interim results

FOR THE SIX MONTHS
ENDED 30 SEPTEMBER 2017

CRANSWICK plc
Great British Taste

AGENDA

INTRODUCTION & HIGHLIGHTS
Adam Couch, CEO

FINANCIAL REVIEW
Mark Bottomley, Finance Director

COMMERCIAL REVIEW
Jim Brisby, Commercial Director

OPERATING & STRATEGIC REVIEW
Adam Couch, CEO

Q&A

HIGHLIGHTS

REVENUE (£M) +23.0%

2017	714.6
2016	580.8

ADJUSTED PROFIT BEFORE TAX (£M)[1] +17.2%

2017	44.4
2016	37.9

ADJUSTED EARNINGS PER SHARE (P)[1] +20.1%

2017	70.0
2016	58.3

INTERIM DIVIDEND PER SHARE (P) +15.3%

2017	15.1
2016	13.1

FREE CASH FLOW (£M) +3.4%

2017	39.5
2016	38.2

NET DEBT (£M) +£13.8M

2017	16.7
2016	2.9

+15%
TOTAL SALES VOLUME GROWTH

1.5M
RECORD PIG NUMBERS PROCESSED

+30%
TOTAL EXPORT SALES GROWTH

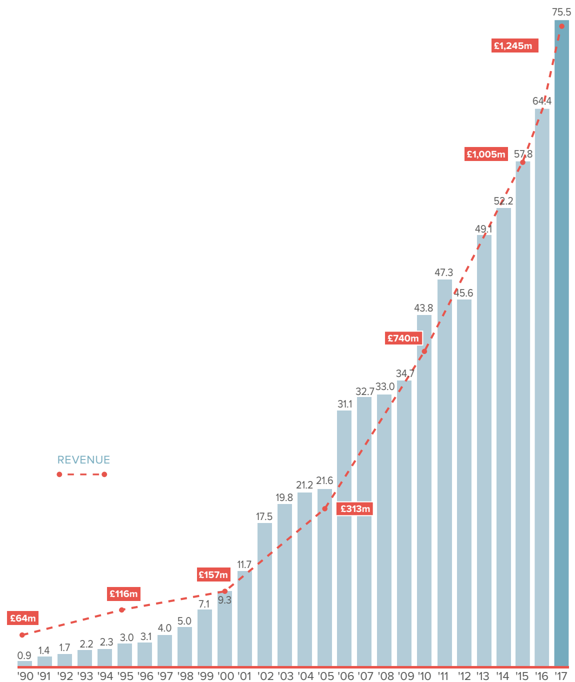
£29M
INVESTMENT IN ASSET BASE FOR FUTURE GROWTH

1. Excludes IAS41 movements on biological assets and acquisition related amortisation in 2017 and 2016

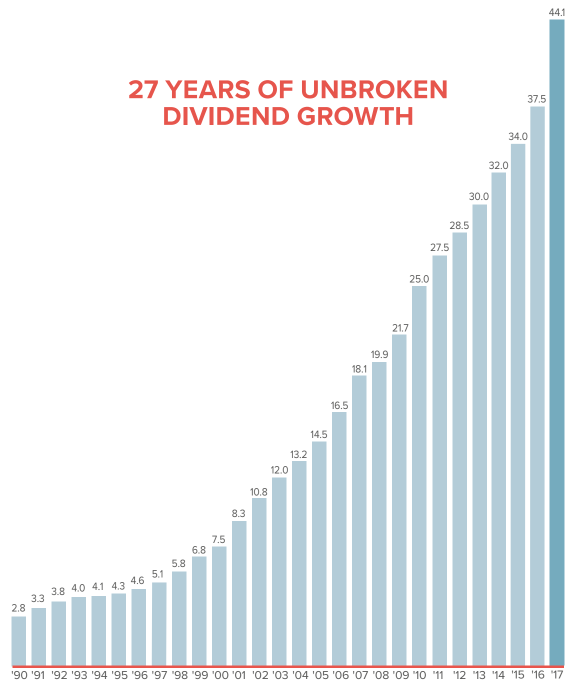
TRADING RECORD

1990 – 2017

ADJUSTED PROFIT BEFORE TAX[1] (£M)



DIVIDEND PER SHARE (pence)



1. Excludes IAS41 movements on biological assets and acquisition related amortisation in 2017 and 2016.

HIGHLIGHTS

- Total revenue ahead by 23%
- Record H1 capital expenditure of £29m to add capacity, extend capability and drive efficiencies
- Board approval for class-leading £54m primary poultry facility with further £13m associated investment to upscale existing milling and hatchery facilities
- New £28m Continental Foods facility progressing to plan
- Strong growth in poultry category following new product launches and retail listings
- Interim dividend up 15.3% to 15.1p per share

10 YEAR RECORD

Compound annual growth rates to 31 March 2017

REVENUE	ADJUSTED PROFIT BEFORE TAX	ADJUSTED EARNINGS PER SHARE	DIVIDEND PER SHARE
+9.3%	+8.7%	+9.2%	+9.3%

FINANCIAL SUMMARY

£M	2017	2016	% CHANGE
Revenue	714.6	580.8	▲ 23.0%
Like-for-like revenue [1]	685.1	580.8	▲ 18.0%
Adjusted gross margin [2]	12.9%	13.4%	▼ 45bps
Adjusted operating profit [2, 3]	44.6	38.2	▲ 16.8%
Adjusted operating margin [2, 3]	6.2%	6.6%	▼ 34bps
Adjusted profit before tax [2, 3]	44.4	37.9	▲ 17.2%
Adjusted earnings per share [2, 3]	70.0p	58.3p	▲ 20.1%
Dividend per share	15.1p	13.1p	▲ 15.3%

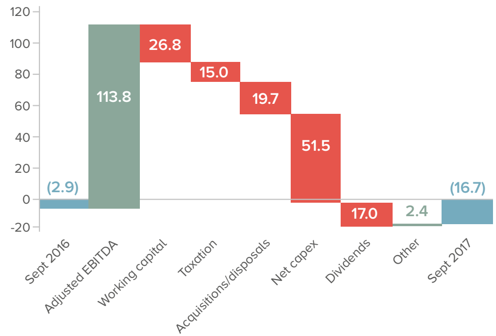
1. Like-for-like revenue excludes the contribution from Crown Chicken prior to 8 April and from Ballymena in the current period
2. Excludes IAS 41 movement on biological assets in both periods
3. Excludes acquisition related amortisation in both periods

CASH FLOW

£M	2017	2016
Cash generated from operations	**46.6**	45.2
Tax paid	**(7.0)**	(6.8)
Net cash from operating activities	**39.6**	38.4
Net capital expenditure	**(29.3)**	(24.3)
Acquisitions	**(4.0)**	(39.3)
Disposals	**–**	14.5
Interest paid	**(0.1)**	(0.2)
Share issues	**0.1**	0.1
Dividend paid	**(11.9)**	(9.5)
Net cash outflow	**(5.6)**	(20.3)
Net debt	**(16.7)**	(2.9)

NET CAPEX (£M)	2017	2016
Fresh pork	**5.7**	6.1
Convenience	**17.4**	13.2
Gourmet products	**4.2**	3.3
Poultry	**2.0**	1.5
Other	**–**	0.2
Net capex	**29.3**	24.3

NET DEBT BRIDGE (£M)



BALANCE SHEET

£M	2017	2016
Property, plant & equipment	229.1	204.4
Intangible assets	157.3	147.6
Biological assets	21.2	18.3
Working capital	83.0	53.4
Net debt	(16.7)	(2.9)
Tax, grants, provisions, pensions	(26.0)	(27.8)
Net assets	447.9	393.0

Acquired goodwill	10.2
Acquired customer relationships	1.7
Acquisition related amortisation	(2.2)
Net movement	9.7

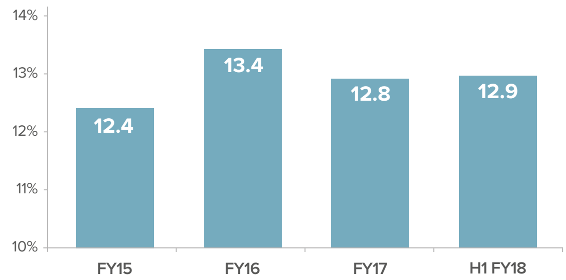
Acquisitions	5.9
Inventories	8.9
Receivables	18.8
Payables	(4.0)
Net movement	29.6

KEY METRICS	2017	2016
ROCE [1]	18.7%	18.9%
Gearing	3.7%	0.7%
Interest cover	200x	126x
Net debt/adjusted EBITDA	0.15x	0.03x

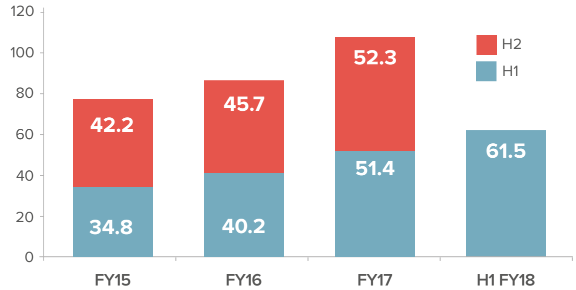
1. Adjusted operating profit divided by sum of average net assets, net debt, pension liabilities & deferred tax.

STRONG PERFORMANCE ACROSS ALL METRICS

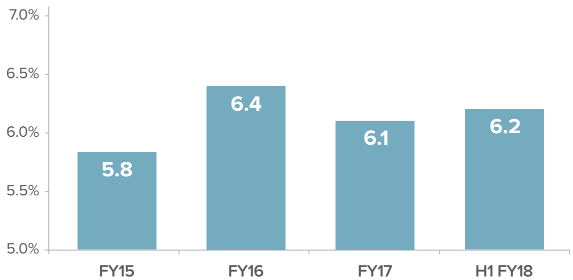
ADJUSTED GROSS MARGIN



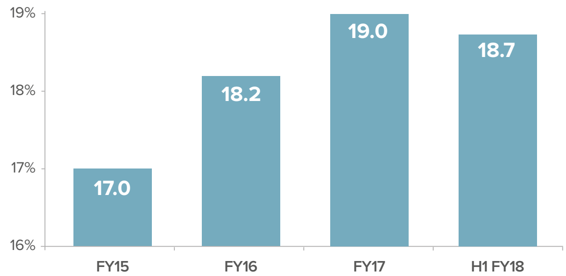
ADJUSTED EBITDA (£M)



ADJUSTED OPERATING MARGIN



ROCE



CASH GENERATION AND BANKING FACILITY

CASH GENERATION 2011–2018 (£M)

	FREE CASH FLOW	NET CAPEX	ACQUISITION / (DISPOSAL)	DIVIDEND PAID	CASH INFLOW / (OUTFLOW)*
H1 2018	**39.5**	**29.3**	**4.0**	**11.9**	**(5.7)**
FY 2017	72.4	46.5	40.5	14.6	(29.2)
2016	83.4	33.5	–	14.6	35.3
2015	52.7	20.4	17.7	15.3	(0.7)
2014	59.1	27.4	14.4	12.7	4.6
2013	49.0	30.5	5.8	11.4	1.3
2012	43.4	19.9	(14.5)	11.8	26.2
2011	50.0	33.9	–	10.5	5.6
	449.5	**241.4**	**67.9**	**102.8**	**37.4**

BANKING FACILITY

£160m revolving credit facility with four major UK banks

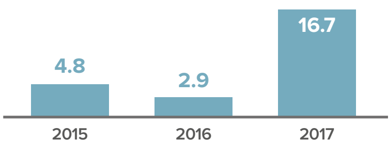
Includes committed overdraft of £20m

Option to access further £40m on same terms

To November 2022 with opportunity to extend for a further year

Unsecured

H1 NET DEBT PROFILE



* Excludes the proceeds from the issue of share options.

COMMERCIAL UPDATE

TRENDS

Retail recovery

Health and convenience

Out of home

CRANSWICK PERFORMANCE

Core category growth

Poultry development

Out of home & wholesale growth

OUTLOOK

Strategic partnerships

Poultry strategy

Innovation

RETAILER TRENDS

Overall grocery market growth @ 3.6%

Top 4 retailers returned to growth

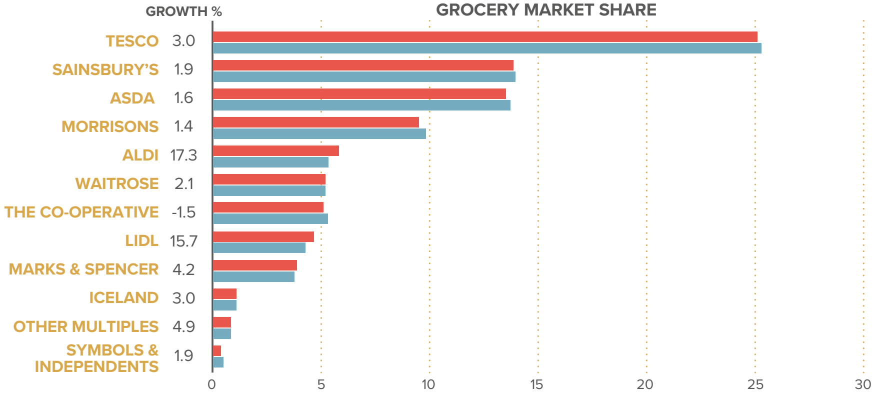
Discounter growth continues

Impact of inflation evident

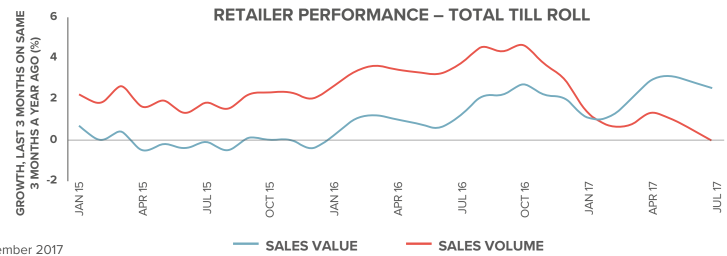
Corporate activity

TESCO → BOOKER

Co-op → Nisa



SOURCE: Kantar, 12 w/e 5 November 2017



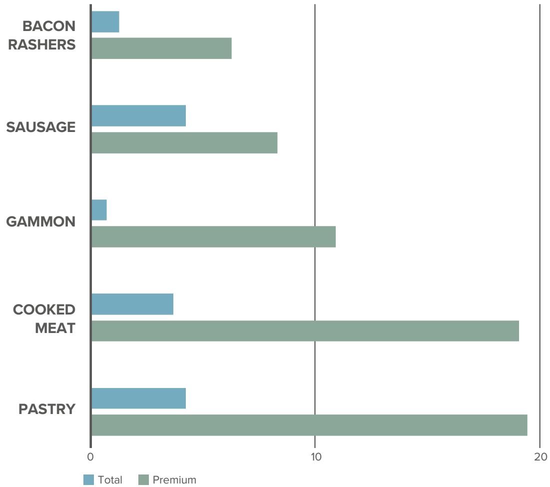
SOURCE: Kantar, September 2017

CHANGING TASTES

Premium growth

Premium tiers ahead of total categories
Provenance key for consumers
Allows retailers to differentiate

PREMIUM CATEGORY GROWTH (%)

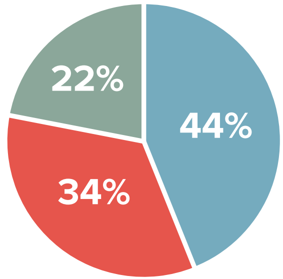


Convenience

Consumers seeking quick and easy solutions
Average meal preparation time under 30 minutes
Demand for high quality, modern meal solutions

FOR MIDWEEK MEALS...

- *"I use a combination of ready prepared and fresh ingredients"*
- *"I cook from scratch"*
- *"I have ready meals, take-aways or eat out"*



Health

Increasingly important for consumers
Pressure on food industry to address challenges
An opportunity for the category

70% VERY/FAIRLY CONCERNED ABOUT MY/FAMILY HEALTH

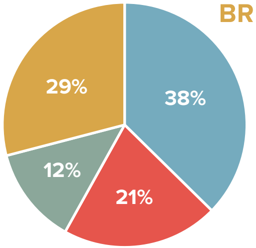
38% PROPORTION OF MEALS CHOSEN FOR HEALTH REASONS

SOURCE: Kantar, 52 w/e 8 October 2017 / IGD ShopperVista 2017

OUT OF HOME

BREAKDOWN OF SPEND

£49bn +4%



Main Meal
Quick Meal
Snack
Drinks

Growth continues in out of home eating

Average consumer visits outlets 5x per week

Increased choice and proliferation of outlets continues

£1.5bn growth via 'food to go' channels

And 'dining out' occasion drives £1bn increase

CHANNEL GROWTH

Quick Service Restaurant	**+£698m** (+7%)
Coffee Shop	**+£501m** (+9%)
Pubs & Bars	**+£439m** (+7%)
Full Service Restaurant	**+£366m** (+6%)
Multiple Retailers (inc. Café & Forecourt)	**+£114m** (+2%)
Bakery & Sandwich	**+£20m** (0%)
High Street	**+£16m** (+2%)
Hotels	**-£25m** (-2%)

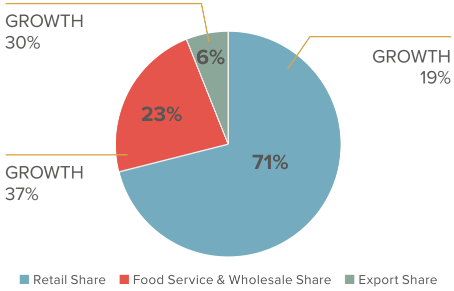
SOURCE: Kantar, October 2017

CRANSWICK PERFORMANCE

CORE CATEGORIES +23%

POULTRY GROWTH +27%

FOODSERVICE & WHOLESALE +37%



PRET LEON itsu EAT. Hello FRESH McDonald's WHITBREAD BOOKER COSTCO WHOLESALE

Fresh pork growth

Gourmet categories +28%

New meal solutions driving convenience division

Internal supply increased to 20%

New customers for fresh chicken

Retail cooked poultry launched

Increasing share of business

Innovative, fast growth customers

Long term supply agreements

COMMERCIAL DATA

CATEGORY	CRANSWICK SALES H1 2017-18 CHANGE		MARKET* ANNUAL SALES 2016-17 CHANGE	
	VALUE	VOLUME	VALUE	VOLUME
Fresh Pork (i)	▲ +12.8%	▲ +0.6%	▲ +1.3%	▼ -1.3%
Convenience (ii)	▲ +17.2%	▲ +9.7%	▲ +0.9%	▲ +0.5%
Gourmet Products (iii)	▲ +27.7%	▲ +24.0%	▲ +1.9%	▲ +1.3%
Poultry (iv)	▲ +21.3%	▲ +16.5%	▲ +3.0%	▲ +5.6%

▲ +9.0%
Super premium

NOTES:

(i) Like-for-like Fresh Pork sales exclude the contribution from Ballymena. Including Ballymena, total Fresh Pork sales growth was +26.3%. Fresh Pork retail sales +5.4%, volume -9.2%
(ii) Convenience comprises Cooked Meats and Continental Foods
(iii) Gourmet Products comprises Sausage, Bacon and Pastry
(iv) Poultry comprises Fresh and Cooked Poultry. Like-for-like Poultry sales exclude the contribution from Crown Chicken prior to 8 April. Including Crown Chicken prior to 8 April, total Poultry sales growth was +26.6%

***SOURCE:**

Kantar Worldpanel, 52 w/e 8 October 2017

POSITIVE OUTLOOK

STRATEGIC PARTNERSHIPS

Long-term agreements

Aligned supply chains

Dedicated facilities and teams

POULTRY STRATEGY

Significant growth plans

New investment

Added value opportunities

INNOVATION

Relevant products

Packaging and process

Agricultural R&D

STRATEGY & BUSINESS MODEL

CONSOLIDATION
DRIVING THE CORE

DIVERSIFICATION
EXPANDING OUR OFFER

INTERNATIONAL
DEVELOPING NEW OPPORTUNITIES

STRATEGIC PILLARS

SALES GROWTH

HIGH QUALITY PRODUCTS

OPERATING EXCELLENCE

SUSTAINABILITY

GUIDING PRINCIPLES

QUALITY

VALUE

CRANSWICK plc
Great British Taste

PEOPLE

INNOVATION

CONSOLIDATION

DRIVING THE CORE BUSINESS

SALES GROWTH

Market share gains

Long-term relationships

Building additional capacity

HIGH QUALITY PRODUCTS

Focus on premium

Business wins based on quality

Strong innovation pipeline

OPERATING EXCELLENCE

Record capital expenditure to enhance capability

New £28m facility for Continental Foods

Stronger throughput drives operating efficiencies

SUSTAINABILITY

Ballymena investment

Investment in UK pig herd

Waste reduction and energy efficiency initiatives

DIVERSIFICATION

SIGNIFICANT GROWTH POTENTIAL THROUGH POULTRY STRATEGY

SALES GROWTH

- Strong growth category
- New retail business
- Approval for new £54m poultry facility

HIGH QUALITY PRODUCTS

- Focus on premium tier
- From fresh to cooked added value
- Retail and out-of-home ranges

OPERATING EXCELLENCE

- Drive efficiency through farm to fork model
- Optimise value of whole birds and portions
- Stronger throughput drives operating efficiencies

SUSTAINABILITY

- Integrated supply chain
- Low food miles adding to product quality
- Strong environmental and welfare credentials

DIVERSIFICATION
INVESTING IN POULTRY

- Approval for £54m investment in new, state-of-the-art, poultry facility
- 18,000 square metre processing factory to be built on 40 acre site in Eye, Suffolk
- Approval for £13m expansion of existing milling, hatchery and rearing operations
- Double processing capacity with further room for expansion
- Vertically integrated supply chain and additional capacity to provide opportunities with retail customers
- In-line chilling of all production will improve quality and consistency of product
- Fresh and added value poultry markets growing strongly
- Incorporates highest animal welfare standards

DIVERSIFICATION

POULTRY SUPPLY CHAIN

MILLING

Weekly tonnage from 4.5k to 7k

100% self sufficient for poultry feed

Continue to develop feed for pigs and game

HATCHERY

Double capacity at hatchery

All chicks to be managed through internal supply chain

Proposed development at Kenninghall

FARMS

Increase from 26 farms to 45 farms

Allocate dedicated farms and sheds to key retailers

Retro-fit all sheds with natural light to further improve welfare position

INTERNATIONAL

EXPANDING OUR FOOTPRINT

SALES GROWTH

Strong export sales growth

Weaker sterling makes exports more competitive

Developing direct relationships

HIGH QUALITY PRODUCTS

Reputation of British outdoor bred pork

Pre packed, higher welfare products for China

Prime cuts to Europe, Japan & Australia

OPERATING EXCELLENCE

Efficient production of 5th quarter

Multiple accreditations

Shanghai office

SUSTAINABILITY

Higher welfare a key differentiator

Emerging markets

Develop international operations

RECORD CAPITAL INVESTMENT TO ADD CAPACITY, DRIVE EFFICIENCY AND ENHANCE CAPABILITY

CROWN CHICKEN
SUFFOLK

New processing site **£54m**

Expansion of hatchery and mill **£13m**

CONTINENTAL FOODS
MANCHESTER

New site **£28m**

FRESH PORK
HULL AND BALLYMENA

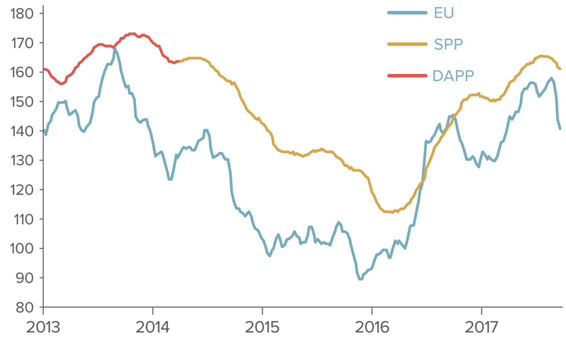
Site upgrades **£9m**

AGRICULTURE
NORFOLK

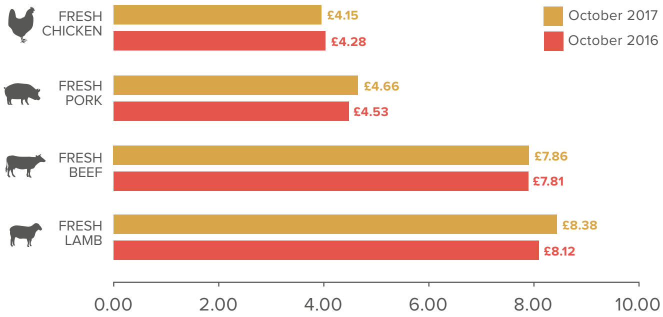
Pig herd expansion **£4m**

PIG PRICES & MARKET

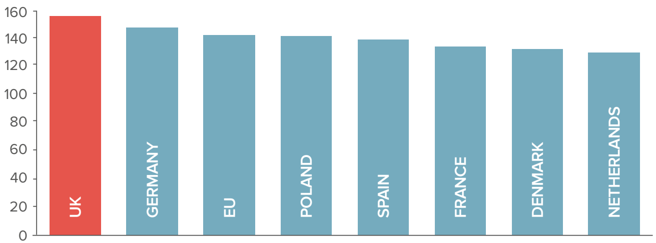
PIG PRICE – UK & EU p/kg



UK RETAIL AVERAGE PRICE (£/kg)

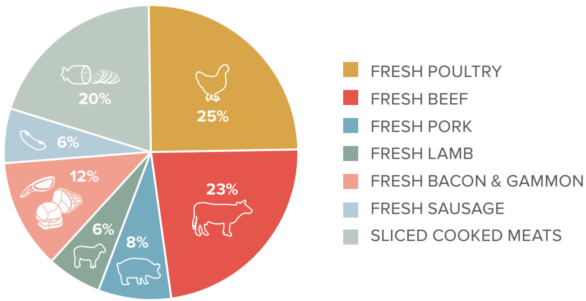


52 WEEK PIG REF PRICE p/kg



SOURCE:
AHDB, 52 week data to 8 October 2017

EXPENDITURE SHARE



SOURCE:
Kantar Worldpanel, 52 week data to October 2017

SUMMARY – STRONG H1 PERFORMANCE

Strong revenue & earnings growth

Strong balance sheet & cash generation

Strong growth in poultry sales

Board approval for £67m investment in poultry facilities

New £28m facility for Continental Foods

Record H1 capital expenditure of £29m in core asset base

Pork & chicken competitively priced

Gaining market share

Growth strategy on track

SALES GROWTH

HIGH QUALITY PRODUCTS

OPERATING EXCELLENCE

SUSTAINABILITY

DISCLAIMER

Certain statements in this presentation are forward looking statements. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results or events to differ materially from those expressed or implied by those statements. Forward-looking statements regarding past trends or activities should not be taken as representation that such trends or activities will continue in the future. Accordingly undue reliance should not be placed on forward looking statements.

APPENDIX 1
ADJUSTED & REPORTED EARNINGS

£M	2017	2016
Adjusted operating profit	**44.6**	38.2
Net IAS 41 movement	**1.2**	3.6
Acquisition related amortisation	**(1.1)**	(1.0)
Operating profit	**44.7**	40.8
Profit before tax	**44.5**	40.5
Profit after tax	**35.6**	31.3

APPENDIX 2

TAX & EARNINGS PER SHARE

TAX		
%	2017	2016
Headline tax rate	**19.0**	20.0
Disallowed expenses	**0.9**	1.2
Other	**0.2**	1.5
Effective rate (continuing operations)	**20.1**	22.7
Discontinued operations	**–**	(2.3)
Effective rate (inc. discontinued operations)	**20.1**	20.4

EARNINGS PER SHARE		
PENCE	2017	2016
On adjusted profit for the period	**70.0**	58.3
Acquisition related amortisation	**(2.2)**	(2.0)
Net IAS 41 movement	**2.4**	7.1
Tax impact	**–**	(0.9)
On reported profit for the period	**70.2**	62.5