

29 July 2019

Cranswick plc
("Cranswick" or "the Company" or "the Group")

First quarter trading statement and acquisition of leading Mediterranean food products business

Cranswick, a leading UK food producer, today provides an update on trading for the three months to 30 June 2019 and announces the acquisition of Katsouris Brothers Limited (Katsouris Brothers), a leading Mediterranean food products business.

Current trading

Trading in the first quarter of the financial year has been encouraging.

Revenue in the three months to 30 June 2019 was 1.5 per cent ahead of strong comparatives in the same period last year.

Far East export revenues were strongly ahead of the corresponding period last year, reflecting increased demand from China following the widespread outbreak of African Swine Fever in the region.

The UK pig price increased by 10 per cent during the period although the average price across the quarter to June 2019 was still below that in the equivalent period a year earlier.

Investment

The Group continues to invest at record levels across its asset base to increase capacity, add new capability and drive further operating efficiencies, whilst maintaining industry leading standards at all its facilities.

Investment in the new £75 million poultry primary processing facility at Eye in Suffolk, which will more than double existing capacity, is progressing to plan. Commissioning is expected to take place towards the end of the financial year and is being fast-tracked to support the anchor customer for the new site (Wm Morrison Supermarkets plc). This world class operation is the first new primary poultry plant to be constructed in the UK for almost 30 years and will, when fully commissioned, be the most technologically advanced and efficient facility in the UK industry incorporating the highest animal welfare standards.

Financial position

As expected, net debt increased during the period in response to the Group's substantial ongoing capital investment programme. The Group is in a robust financial position with committed, unsecured facilities of £160 million which provide comfortable headroom.

Acquisition of leading Mediterranean food products business

The Group announces today that it has acquired the whole of the issued share capital of Katsouris Brothers Limited.

Katsouris Brothers is a leading processor and multi-channel supplier of Continental and Mediterranean food products. The business operates from two facilities in Wembley, North London and employs a total workforce of approximately 250. Costas and Louis Constantinou, Managing Director and Commercial Director respectively, who have a wealth of experience in this attractive and fast-growing sector, will remain with the business. We welcome Costas, Louis and their team to Cranswick and look forward to working with them to develop the business further.

For the year ended 30 June 2019 (unaudited), revenue for Katsouris Brothers was £68 million and adjusted EBITDA was £6 million. Gross assets at 30 June 2019 were £30 million. The transaction is expected to be modestly earnings enhancing in the current financial year.

The net cash consideration of £43.5 million was funded from Cranswick's existing debt facilities. Further deferred contingent consideration of up to £7.0 million in cash may become payable dependent on the future performance of the business in the 14 month period to 30 September 2020.

Adam Couch, CEO of Cranswick, commented:

"We have made a positive start to the year and our capital investment programme, which is building a platform for future growth, remains firmly on track. We continue to make pleasing progress on the new Eye poultry facility and our new continental products facility in Bury is now performing strongly and in line with the original business case.

"I am delighted to announce the acquisition of Katsouris Brothers, a leading supplier of Continental and Mediterranean food products. This acquisition strengthens our existing continental products business and broadens our offering in a number of fast-growing, plant based, non-meat product categories.

"The family behind Katsouris Brothers has created long lasting and sustained relationships with suppliers and the business has a strong customer base. We look forward to building on this and continuing to invest in the facilities and the team, over the years ahead."

Outlook

The outlook for the underlying business in the current financial year remains in line with management's expectations with the enlarged Group expected to benefit from the acquisition of Katsouris Brothers, as detailed above.

With experienced management at all levels of the Group, a strong range of products, a well-invested asset base and a robust financial position, the Board is confident in the continued long-term success and development of the business.

Interim results

The Company's next scheduled comment on trading will be the interim results announcement for the six months ending 30 September 2019, on 26 November 2019.

Enquiries:

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Notes:

1. This announcement contains inside information which relates to the acquisition by Cranswick plc of Katsouris Brothers Limited and is issued on behalf of Cranswick plc by Steven Glover, Company Secretary. This announcement is issued at 7.00am on 29 July 2019.
2. Cranswick is a leading and innovative supplier of premium, fresh and added value food products. The business employs over 10,000 people and operates from fifteen well invested, highly efficient production facilities in the UK. The Group produces a range of high quality, predominantly fresh food, including fresh pork, poultry, convenience and gourmet products. Through the Group's four primary processing and eleven added value processing facilities the business develops innovative, great tasting food products to the highest standards of food safety and traceability. The Group supplies the major grocery multiples as well as the growing premium and discounter retail channels. Cranswick also has a strong presence in the 'food-to-go' sector and a rapidly growing export business. Results for the year to 31 March 2019 showed revenue of £1,437m and profit before tax of £86.5m.
3. This announcement is based on information sourced from unaudited management accounts.
4. This announcement contains certain forward-looking statements with respect to the financial conditions, results of operations and businesses of Cranswick. These statements involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.