

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

Third quarter interim management statement

Cranswick, the UK food producer, today provides an interim management statement for the period from 1 October 2013 to 29 January 2014.

Current trading

The Company benefited from a strong sales performance in the three months to 31 December 2013.

Underlying revenue in the three months to 31 December 2013 was 13 per cent ahead of the same period last year, maintaining the momentum established in the first half of the year.

Total sales for the quarter were 14 per cent higher after taking into account modest third party sales made by Wayland Farms which was acquired on 29 April 2013, primarily to meet internal requirements.

Recent market data highlighted growth in pork consumption during the third quarter, particularly of roasting joints, with this momentum maintained over the Christmas trading period. Both the versatility and the low relative price of pork compared to other proteins were central to this positive trend. The on-going popularity of pork products continues to be a contributory factor in the increase in sales at Cranswick.

Sales of pastry products continued to make pleasing progress and were augmented by the launch of a range of savoury filled gourmet pies at the start of the third quarter and an exciting Christmas offering, both of which performed strongly. The focus is now on achieving the forecast returns from the investment in the new facility at Malton, North Yorkshire.

Input costs remained at record highs during the period, but efficiency improvements, internal pig production and constructive pricing discussions with customers helped to partially mitigate the full impact. Consequently, there was some recovery in operating margin[#] in the third quarter from that reported in the first half, although for the year to date it remains below that achieved in the comparable period last year.

During the period the Group made a further strategic investment in its pig breeding and rearing activities through the purchase, on 19 December 2013, of two additional breeding units. The total number of pigs produced internally is now 20 to 25 per cent of weekly requirements. This gives the Group greater control over a robust and integrated supply chain, with a clear focus on premium British ingredients and, in addition, has offset some of the impact of higher input costs.

Financial position

Following the expected seasonal increase in working capital, the substantial uplift in sales, further investment in the Group's pig breeding and rearing activities, and on-going capital expenditure, net debt increased from £37 million to £55 million during the quarter, with the operating cash outflow in the period following a similar pattern to previous years. Notwithstanding the investment in the Group's pig rearing and breeding activities during the year, net debt was just £7 million higher than at the equivalent quarter end last year. The Group is in a strong financial position, with committed, unsecured facilities of £100 million which provide generous headroom going forward.

Outlook

The business has a well invested asset base, loyal and skilled teams, a great range of products and a strong financial position. The Board looks forward positively to the rest of the year and the long term development of Cranswick.

[#] excluding net IAS 41 valuation movement on biological assets in the current financial year and non-recurring items in both the current and prior financial years